New World Development Company Limited
(Stock Code: 0017)

INTERIM REPORT 2019/2020

The Artisanal Movement

WE CREATE, WE ARE ARTISANS

Contents

- Underlying profit: HK$3,929.2 million, down 27%, mainly due to no new property development project completion in Hong Kong
- Outstanding performance of property investment segment, gross rental income in Hong Kong and Mainland China up 36% and 6% respectively
- Segment results of property development in Mainland China up 59%, underpinned by projects in the Greater Bay Area
- Total capital resources amounted to approximately HK$94.6 billion: cash and bank balances approximately HK$63.6 billion and undrawn facilities from banks approximately HK$31.0 billion
- FY2020 interim dividend: HK$0.14 per share (the same as in 1HFY2019), maintain prevailing sustainable and progressive dividend policy
- The rare large-scale Tai Wai Station project with over 3,000 units to be launched soon, expected to attract overwhelming market attention
- Satisfactory progress of non-core assets disposal, total consideration of approximately HK$6 billion was achieved so far in FY2020
- Will continue non-core assets disposal to unlock value and enhance asset portfolio
- The refinancing of all borrowings: due in FY2020 was completed; due in FY2021 to be completed by the end of June 2020

Results Highlights

	Unaudited For the six months ended 31 December 2019 HK$m	2018 HK$m
Revenues	**32,464.4**	49,267.1
Segment results[1]	**9,489.5**	12,338.6
Underlying profit	**3,929.2**	5,396.1
Interim dividend per share (HK$)	**0.14**	0.14

	Unaudited As at 31 December 2019 HK$m	Audited As at 30 June 2019 HK$m
Cash and bank balances	**63,629.6**	63,731.6
Undrawn bank facilities	**31,029.3**	33,951.5
Net gearing ratio[2]	**42.2%**	32.1%

(1) Segment results include share of results of joint ventures and associated companies, but exclude changes in fair value of investment properties

(2) Net debt divided by total equity

Financial Highlights

TO OUR SHAREHOLDERS

Simmering uncertainties in the global economy and recent virus outbreak brought tremendous challenges to the business outlook this year. Amidst a complex and fickle market environment, as an enterprise which stands at the forefront of the market, we must set our sights far and wide, be persistent yet flexible in response to changes and adopt forward-looking strategies in order to leverage our advantages to maintain steady and progressive development.

New World Group has been driving its sustainable development with creative thinking. On the back of our core business clusters comprising mainly property development and property investment, we are well-positioned in Greater China with a strategic focus on the Guangdong-Hong Kong-Macao Greater Bay Area and created strong brand equity by making full use of our resources. Such strategy is reaping lucrative results.

The Group has built a comprehensive business ecosystem in the region, connecting different aspects including living, commerce, consumption, lifestyle and such. With growing contributions and business synergies, it has grown into a unique and solid cornerstone of the New World brand.

The Group's business performance has been driven by its abundant saleable resources and growing recurring rental income through the development of its core business and strategic development footprint, the results of which we gladly share with our shareholders. Meanwhile, we have been actively involved in initiatives for fulfilling community needs, as we seek to serve the common good and create shared value through the efficient use of resources.

The Group has prided itself with the mission of growing in Hong Kong and contributing to the development of Greater China ever since its establishment. Despite current economic headwinds, we will continue to support our community and care for our staff in a mutually beneficial manner through various means as part of our undertaking of corporate responsibility, as we pledge to steer through the hard times together with our community.

Dr. Cheng Kar-Shun, Henry
Chairman
Hong Kong, 28 February 2020

Chairman's Statement

BUSINESS REVIEW

In the first half of FY2020, while the Group has achieved a healthy growth in segment contributions from its property development in Mainland China and property investment in Hong Kong in accordance with its strategy, the Group recorded underlying profit of HK$3,929.2 million and core earnings per share of HK$0.38, both down 27%, and segment results were down 23% to HK$9,489.5 million. The business performance experienced corrections, mainly due to:

1. the decrease in contribution of property development due to the portfolio mix of projects in Hong Kong recognised during the period under review comprised mainly inventories and no new project completion, contrasting with the portfolio with sizeable new project completion led by THE PAVILIA BAY in the same period last year;

2. the decrease in contributions from the changes in the fair value of investment properties (including associated companies and joint ventures) as compared to the same period last year due to corrections in property market reflecting the current situation in Hong Kong;

3. strategic businesses such as facilities management, transport, and hotel operations affected by social events in Hong Kong as well as the decline in the number of Hong Kong tourist arrivals, and the performance of individual new projects has yet to ramp up; and

4. the increase in net financing costs due to the increase in average loan balances for new acquisitions such as the FTLife Insurance Co., Ltd. ("FTLife Insurance"), the decrease in interest costs capitalised as a result of completion of certain property development projects and the effect of adoption of HKFRS16.

Compared with other core businesses, the performance of property investment was outstanding, mainly due to the commencement of operation of K11 MUSEA in Victoria Dockside, Hong Kong, which started to provide contributions. The overall occupancy rate of major investment properties in both Hong Kong and Mainland China recorded a satisfactory performance.

With the stable demand for construction services from the property development market and government related projects in Hong Kong, steady growth in the contribution of construction business was maintained.

NWS Holdings Limited ("NWSH") completed the acquisition of FTLife Insurance in November 2019. It is a new core business of the Group and provided new contributions during the period under review.

The Group is financially strong and healthy. At the period end, cash and bank balances were approximately HK$63.6 billion and undrawn facilities from banks were approximately HK$31.0 billion. Total capital resources amounted to approximately HK$94.6 billion. The overall financing cost remained stable at approximately 3.7%. The net gearing ratio was 42.2% and the increase was mainly due to certain sizeable acquisitions, such as FTLife Insurance, the remaining interest in the commercial and residential complex project Ningbo New World and the Hangzhou Wangjiang New Town composite development project during the period under review.

As at 31 December 2019, the Group completed the refinancing of all borrowings due in FY2020 and expected to cover all the borrowings due in FY2021 by the end of June 2020. Equity raising is not necessary for the Company in the foreseeable future.

The Group adopted new segment results classification (i.e. property development, property investment, roads, aviation, construction, insurance, hotel operations and strategic business) starting in FY2020 to fairly present its current core businesses. The following is the related information of segment results.

Segment performance — based on current updated segment results classification

Segment performance (HK$m)	**1HFY2020** Revenues	**1HFY2020** Segment Results*	1HFY2019 Revenues	1HFY2019 Segment Results*
Property development	**11,986.6**	**6,800.9**	29,905.3	8,885.1
Hong Kong & Singapore	**3,666.9**	**1,777.0**	21,007.3	5,734.6
Mainland China	**8,319.7**	**5,023.9**	8,898.0	3,150.5
Property investment	**2,188.5**	**1,310.3**	1,786.1	1,157.3
Hong Kong	**1,344.4**	**848.0**	992.1	705.4
Mainland China	**844.1**	**462.3**	794.0	451.9
Roads	**1,430.8**	**1,122.3**	1,288.5	1,097.1
Aviation	**—**	**266.8**	161.6	218.6
Construction	**8,186.4**	**662.2**	8,950.4	602.4
Insurance	**1,998.6**	**112.0**	NA	NA
Hotel operations	**838.7**	**(425.2)**	684.3	(60.5)
Strategic business**	**5,834.8**	**(359.8)**	6,490.9	438.6
Total	**32,464.4**	**9,489.5**	49,267.1	12,338.6

* Segment results include share of results of joint ventures and associated companies, but exclude changes in fair value of investment properties.

** Strategic business includes department stores, environment, logistics, facilities management, transport and other businesses, etc.

Hong Kong property development

Despite the downward pressure on the economy, more than 20,000 primary residential transactions were recorded in 2019, in the context of strong pent-up housing demand and raise of mortgage cap under the new mortgage insurance by the Hong Kong government. Robust sales performance was recorded from those new projects that were priced below the new mortgage ceiling, and the secondary market is regaining momentum. Hong Kong banks followed the U.S. Federal Reserve in lowering interest rate which also eased the pressure on buyers and demand has been further unleashed.

During the period under review, the Group's revenues and segment results of property development in Hong Kong and Singapore, including joint development projects, amounted to HK$3,666.9 million and HK$1,777.0 million, respectively. The contributions were mainly attributable to residential projects including MOUNT PAVILIA, The Masterpiece, FLEUR PAVILIA in Hong Kong and ARTRA in Singapore, together with the disposal of the carparks in Riveria Gardens, Tsuen Wan.

During the period under review, the Group's attributable contracted sales in Hong Kong amounted to HK$3 billion, which were mainly contributed by residential projects including MOUNT PAVILIA, FLEUR PAVILIA and ATRIUM HOUSE. As at 31 December 2019, the Group had a total of 287 residential units in Hong Kong available for sale, of which, 153 residential units were under the lead of the sales management of the Group.

The Group has good saleable resources in Hong Kong. The key residential project at Tai Wai Station in Sha Tin, involving more than 3,000 residential units, will be launched in phases in 2020 and 2021. A total of approximately 2,200 units in the first and second phases will be gradually launched this year. Of which, the pre-sale consent application for Phase 1 was submitted in February 2020. The project is the only large-scale new project in the district in recent years, taking fully the market potentials of the comprehensive railway network. An office project located on Cheung Shun Street in West Kowloon which has a total GFA of approximately 520,000 sq ft, is also planned to be launched in 2020.

Furthermore, the Group reviews its business portfolio from time to time and seeks opportunities in non-core assets disposal to unlock values and optimise its asset portfolio, which provides extra resources for core businesses.

As of 31 December 2019, unrecognised attributable income from sales of properties in Hong Kong and Singapore amounted to HK$7,944 million. Of which, HK$391 million is to be booked in 2HFY2020, HK$6,380 million to be booked in FY2021 and HK$1,173 million to be booked in FY2022.

Estimated completion schedule of property development in Hong Kong

Fiscal year	Project
FY2020	Nil
FY2021	ATRIUM HOUSE, ARTISAN GARDEN, TIMBER HOUSE and Reach Summit

Hong Kong property investment and others

The rentals of Super Grade A office buildings in Central continued to stay high. Corporates accelerated adjustments in their development plans and strengthened cost management, the ongoing decentralisation trend further stimulated office leasing demand in sub-prime sectors such as Island East and Kowloon. However, the China-U.S. trade dispute has brought pressure on the local economy, coupled with social events in Hong Kong, the number of tourist arrivals in Hong Kong has dropped, and local consumer sentiment has become more cautious, which has put tremendous pressure on the overall retail sales and related property rental performance in the short term.

The Group's rental income in Hong Kong during the period under review was HK$1,344.4 million, representing an increase of 36%. The new global landmark Victoria Dockside, located in the core area of Tsim Sha Tsui Waterfront, Kowloon, with a total GFA of approximately 2 million sq ft excluding hotel, was fully opened during the period under review and the Group's rental income base was significantly enhanced. The overall occupancy rate of other major projects recorded solid performance.

Created by 100 local and international creative powers, the new cultural retail landmark K11 MUSEA in Victoria Dockside commenced operation in late August 2019, offering a brand new museum-retail experience to millennials around the world. Over 90% was leased currently and the average monthly footfall reached 1.6 million. As for Grade A office K11 ATELIER, currently close to 80% was leased.

Located on Island East, adjacent to Quarry Bay MTR Station, K11 ATELIER King's Road is the first building in the world to achieve three green building certifications — the WELL Building Standard™ platinum pre-certification, the U.S. LEED platinum pre-certification and the HK Green BEAM Plus provisional platinum certification. This Grade A office building commenced operation in late 2019 with a total GFA of approximately 488,000 sq ft, around 50% was leased.

In FY2020, a total area of more than 1.5 million sq ft (K11 MUSEA and K11 ATELIER King's Road) was added to the Hong Kong property investment flagships which will begin to provide full-year contributions in FY2021. The recurring income growth of property investment is entering an acceleration stage.

Two office buildings located in Central, namely New World Tower and Manning House, recorded a solid and stable performance with occupancy rates of 95% and 100% achieved respectively.

Hong Kong landbank

The private housing supply in 2019–2020 by the government fell behind the target. In addition, the split between public and private housing supply has been adjusted from 60:40 to 70:30. Market expects that private housing supply will still lag behind market demand in the near future. The government has stated their intention to launch the "Land Sharing Pilot Scheme" this year. The Group will continue to actively study the changes and the content in land policies and properly plan our development in order to achieve a win-win situation for the Group and the society.

Apart from public tenders, the Group also made use of diversified channels to replenish its landbank in Hong Kong and actively undertook old building acquisitions and farmland conversions in order to secure a stable supply of land resources for future development.

Acquisition of over 90% ownership of State Theatre Building, a residential and commercial property located at 277–291 King's Road, North Point, was completed during the period under review. The site area of this old building redevelopment project is approximately 36,200 sq ft and the application for compulsory sale under the Land (Compulsory Sale for Redevelopment) Ordinance has been made to the court.

As at 31 December 2019, the Group had a landbank with a total attributable GFA of approximately 9.0 million sq ft in Hong Kong available for immediate development, of which approximately 4.2 million sq ft was for property development use. Meanwhile, the Group had an agricultural landbank with a total attributable land area of approximately 16.6 million sq ft pending land use conversion.

Eight projects with a total GFA of approximately 1.8 million sq ft located in Yuen Long and Fanling are under active negotiation with the authority on usage conversion, of which a total GFA of approximately 0.5 million sq ft has entered the final stages.

The Group attaches great importance to creating shared value. During the period under review, the Group took the lead in responding to the Hong Kong government's advocacy for the development of transitional housing. We are working hand in hand with social enterprises to provide short-term residence for families in need, by using part of our medium- and long-term agricultural land reserve that is not available for development in short to medium term at a nominal rent.

Landbank by district	**Property development total attributable GFA (sq ft '000)**	**Property investment and others total attributable GFA (sq ft '000)**	**Total attributable GFA (sq ft '000)**
Hong Kong Island	165.3	—	165.3
Kowloon	1,842.5	1,099.0	2,941.5
New Territories	2,207.4	3,767.4	5,974.8
Total	**4,215.2**	**4,866.4**	**9,081.6**

Agricultural landbank by district	**Total land area (sq ft '000)**	**Total attributable land area (sq ft '000)**
Yuen Long District	12,410.4	11,411.6
North District	2,500.1	2,195.4
Sha Tin District and Tai Po District	1,944.3	1,890.4
Sai Kung District	1,307.2	1,116.5
Tuen Mun District	19.2	19.2
Total	**18,181.2**	**16,633.1**

Mainland China property development

At the Central Economic Work Conference held in December 2019, the Central Government demanded full implementation of a long-standing management and control mechanism that stabilises land prices, housing prices, and expectations in accordance with city-specific policies and category-based guidance. Local governments have the flexibilities to fine-tune the policies in line with the actual supply and demand in the local market. For example, Shenzhen has relaxed the standard for ordinary commodity housing which was originally subject to value-added tax and lifted the sales restrictions on business apartments. At the same time, large cities with a permanent resident population of 3 to 5 million have relaxed their requirements for permanent household registration. Guangdong Province announced in January 2020 that it would relax restrictions on the permanent household registration in cities other than Guangzhou and Shenzhen, accelerating the population flow and urbanisation in the region.

The Group's property business in Mainland China is mainly concentrated in core cities like Shenzhen and Guangzhou in the Greater Bay Area and cities located in certain important economic clusters. In particular, around 50% of the Group's core landbank in Mainland China is located in the Greater Bay Area.

During the period under review, the revenues and segment results of property development in Mainland China, including joint development projects, amounted to HK$8,319.7 million and HK$5,023.9 million, respectively. The contribution was mainly attributable to the sales of residential projects in Guangzhou, Shenzhen, Foshan, Shenyang and Beijing.

During the period under review, the total contracted sales area of properties in Mainland China was approximately 309,000 sq m, with total sales proceeds amounted to RMB11.6 billion, or 58% of the RMB20 billion sales target for FY2020 achieved. The average selling price of overall residential contracted sales was over RMB33,000 per sq m. Nearly half of the contribution was delivered by sales of residential projects in the Greater Bay Area including Guangzhou Park Paradise, Guangzhou Covent Garden, Guangzhou Foshan Canton First Estate and Shenzhen Prince Bay BAYHOUSE.

In September 2019, the Group entered into an agreement to dispose of the entire interest in Hunan Success New Century Investment Company Limited at the consideration of RMB2,185 million subject to the terms and conditions contained therein. The asset of this company is Changsha La Ville New World. The disposal enables the Group to realise cash resources and unlock asset value at fair market value and further validated the Group's strategy of disposing of non-core assets.

As of 31 December 2019, unrecognised attributable income from sales of properties in Mainland China amounted to HK$5,211 million. Of which, HK$307 million is to be booked in 2HFY2020, HK$4,397 million to be booked in FY2021 and HK$507 million to be booked in FY2022.

	Residential contracted sales		Non-residential contracted sales	
Region	**Area (sq m '000)**	**Proceeds (RMB m)**	**Area (sq m '000)**	**Proceeds (RMB m)**
Southern region (i.e. the Greater Bay Area)	131.1	5,990	5.8	170
Central region	16.6	240	4.8	2,200*
Eastern region	9.2	440	—	—
Northern region	16.4	340	2.0	30
North-eastern region	84.1	1,660	39.6	520
Total	**257.4**	**8,670**	**52.2**	**2,920**

* Includes the disposal of entire interest in Hunan Success New Century Investment Company Limited.

The total area of development property completed (excluding carpark) during the period under review amounted to 92,580 sq m, which was located in Wuhan and Shenyang. The area of completion is expected to reach 524,327 sq m in 2HFY2020.

1HFY2020 project completion in Mainland China — property development (Total area/sq m)

Project	Residential	Total (excluding carpark)	Total (including carpark)
Wuhan New World • Times site B	37,345	37,345	96,501
Shenyang New World Garden 2E	55,235	55,235	55,235
Total	**92,580**	**92,580**	**151,736**

1HFY2020 project completion in Mainland China — property investment, hotel and others (Total area/sq m)

Project	Total (excluding carpark)	Total (including carpark)
Shenyang New World Garden 2E	—	40,878
Total	**—**	**40,878**

2HFY2020 estimated project completion in Mainland China — property development (Total area/sq m)

Project	Residential	Commercial	Office	Total (excluding carpark)	Total (including carpark)
Guangzhou Foshan Canton First Estate CF-30, 27B, 31, 35	99,288	—	—	99,288	100,002
Ningbo New World Plaza Land No. 7–10, 11, 12	137,652	43,760	69,386	250,798	412,700
Beijing New View Commercial Centre	—	9,063	12,231	21,294	25,367
Shenyang New World Centre SA3	75,354	—	—	75,354	75,354
Anshan New World Garden Phase 1B2, Phase 2B1	68,982	8,611	—	77,593	94,920
Total	**381,276**	**61,434**	**81,617**	**524,327**	**708,343**

2HFY2020 estimated project completion in Mainland China — property investment, hotel and others (Total area/sq m)

Project	Commercial	Office	Total (excluding carpark)	Total (including carpark)
Guangzhou Park Paradise District 5 Land No. 2	2,596	—	2,596	4,974
Wuhan New World Centre Phase 3 — Wuhan K11	32,294	56,320	88,614	145,333
Total	**34,890**	**56,320**	**91,210**	**150,307**

Mainland China property investment and others

Affected by the trade dispute between China and the U.S. as well as the fluctuations in the RMB exchange rate, the growth of China's total retail sales of consumer goods in 2019 had slowed down compared to last year. However, it rebounded to 8% at the end of 2019, with a nominal annual growth rate of 8% as policies such as tax and fee cuts, adjustments on import tariffs and consumption environment optimisation were being implemented. Trend of consumption upgrade together with cultural and entertainment experiences dominates the retail market.

During the period under review, the Group's gross rental income in Mainland China reached HK$844.1 million, increased by 6%. The overall occupancy rate of major projects was stable. Of which, the occupancy rate of Shanghai K11 Art Mall, Beijing New World Centre, and Wuhan New World International Trade Tower remained at 97%, 100% and 74% respectively.

The Group is actively upgrading its investment property portfolio in Mainland China, several core projects such as Shanghai K11 Art Mall will play a modeling role. Meanwhile, a series of high-quality composite projects in prime cities will gradually be delivered and will be operated through the Group's unique brands K11 and D • PARK, which will further stimulate the rental contribution in Mainland China.

Mainland China landbank

Positioning in the Greater Bay Area and selected key cities and diversified channels in landbank management are the keys of the Group's ability to successfully stand out and differentiate among many large mainland developers. Over the past three years, the Group has successfully won the rights to develop multiple projects in the Greater Bay Area through different means, reflecting the unique strengths and robust execution of its professional teams.

In September 2019, the Group obtained the Tagang Village project on Yongning Street in the Zengcheng District of Guangzhou with the reserve price of RMB3.4 billion. The Tagang Village project is a Class 2 residential land with a total GFA of over 320,000 sq m.

To optimise project coverage in key cities other than the Greater Bay Area, the Group acquired the remaining 51% interest in the commercial and residential complex project Ningbo New World, for RMB4.01 billion in July 2019. During the same period, the Group also successfully acquired a land parcel for commercial and residential purposes in Wangjiang New Town, Shangcheng District, Hangzhou through a public tender at a price of approximately RMB9.79 billion, with a total GFA of approximately 454,000 sq m. The project will strengthen the strategic layout of the Group in key cities in the Yangtze River Delta.

With the competitive advantages of brands and excellent project operational management in its unique ecosystem, the Group has become the only Hong Kong developer that actively participates in the arena of old city redevelopment in Mainland China.

As of 31 December 2019, the Group has successfully become the only intended cooperative enterprise for several old village redevelopment projects including the Xili Project in Nanshan District of Shenzhen, the Shancun Project in Liwan District of Guangzhou, the Nanji Village Project in Haizhu District of Guangzhou, and the Tagang Village Project in Zengcheng District of Guangzhou. The above projects are expected to be included in the Group's landbank gradually starting in 2022 and with their prime locations and more reasonable acquisition costs compared to public tender, it will significantly boost the resources for the Group's long-term development. In addition, the remodeling cooperation project of Economic Belt at Man Kam To Crossing in Lo Wu district, Shenzhen, is also actively underway.

As at 31 December 2019, the Group had a landbank (excluding carpark) with a total GFA of approximately 6.7 million sq m available for immediate development in Mainland China, of which 2.8 million sq m was for residential use. Core property development projects were primarily located in Guangzhou, Foshan, Shenzhen, Wuhan, Ningbo, Hangzhou, Beijing and Shenyang, constituting a landbank (excluding carpark) with a total GFA of approximately 5.9 million sq m, of which 50% was located in the Greater Bay Area and approximately 1.9 million sq m was for residential use.

Region	Total GFA (excluding carpark) (sq m '000)	Residential total GFA (sq m '000)
Southern region (i.e. the Greater Bay Area)	2,916.4	1,907.6
Central region	736.6	288.3
Eastern region	941.3	288.3
Northern region	610.2	254.5
North-eastern region	1,468.4	772.2
Total	**6,672.9**	**3,510.9**
Of which, core projects	**5,850.5**	**2,837.2**

Four core businesses under NWSH

The core businesses of NWSH, inclusive of roads, aviation, construction and insurance, recorded a stable performance during the period under review.

Roads

Roads segment has maintained largely stable in contributions, notwithstanding the adverse impact arising from RMB depreciation. Excluding the exchange rate effect, the contributions would have increased by 4%, which were in line with the overall growth in toll income reflecting the steady growth of the underlying traffic and that NWSH's acquisitions made in the last couple of years have gradually come to fruition.

NWSH'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 contributions. Meanwhile, traffic flow of seven expressways in the Greater Bay Area continued to register increase in traffic volume of up to 19% year-on-year.

Aviation

Following the divestment of the remaining stakes in Beijing Capital International Airport Co., Ltd., the aviation segment principally engages in commercial aircraft leasing business through NWSH's full-service leasing platform Goshawk Aviation Limited ("Goshawk").

NWSH's commercial aircraft leasing business continued to grow rapidly during the period under review. Together with the direct orders of 40 narrow-body aircraft from 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$12.0 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 fleets 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. At the end of the period under review, Goshawk maintained its diversified strategy with customer base encompassing 62 airlines in 35 countries.

Construction

As at 31 December 2019, the gross value of contracts on hand for construction segment increased to approximately HK$53.0 billion (as at 31 December 2018: HK$39.0 billion) and the remaining works to be completed increased to approximately HK$38.0 billion (as at 31 December 2018: HK$22.0 billion), of which approximately 41% were from government and institutional related projects and 59% were from private sector which includes both commercial and residential projects. A well-balanced source of projects helps mitigate volatility in the market.

Insurance

The completion of acquisition of FTLife Insurance on 1 November 2019 marked a key milestone of NWSH 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 at 30 September 2019.

FTLife Insurance has started its contribution to NWSH by 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 Group with the APE and Value of New Business ("VONB") year-on-year growth for the two months being 11% and 21%, respectively. The number of agents of FTLife Insurance increased by 14% year-on-year to over 3,200 as at 31 December 2019.

Despite an uncertain market for Hong Kong insurers with public activities during the period under review, 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 balance sheet 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 asset value and net asset 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 NWSH 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.

Hotel operations

During the period under review, hotel operations recorded a loss mainly due to the impact of Hong Kong's social events, the drop in tourist arrivals and the pre-operational expenses of new hotel projects in Mainland China.

The average occupancy and room rates of the Group's hotels in Hong Kong which are oriented towards high-end business travellers, have been affected in varying degrees. For instance, at the Grand Hyatt Hong Kong in Wan Chai, the average occupancy rate fell to 53% during the period under review.

It is expected that the operating performance of hotels in Hong Kong and Mainland China will continue to be affected by the virus outbreak in the near term and will further weaken in 2020.

As at 31 December 2019, the Group owned a total of 17 hotel properties in Hong Kong, Mainland China and Southeast Asia, providing more than 7,400 rooms.

Outlook

Trade disputes and geo-political tensions persistently unsettled the global economy in 2019. The phase-one trade deal signed between China and the U.S. in January 2020 had slightly lifted the market sentiment. On top of that were monetary easing and expansionary fiscal policies adopted across major economies amid a global slowdown in economic growth. Nonetheless, the virus outbreak led to a quick turnaround in the reviving market optimism and deepened market concerns about economic outlook.

Countries around the world are actively cooperating to fight the epidemic, but the virus is ruthless, and no one can predict how things will unfold and how dampening its effect on the socioeconomic performance will be. All these unknown factors and uncertainties have brought heavy pressure on various business sectors and even our daily lives. The market expects that the wave of corporate closures and the rise of unemployment rate will further emerge. It will take a while for the market to regain the strong momentum of the past. Among them, the hotel and retail industries are the first to bear the brunt. The market expects that the operating performance of relevant assets and the estimation of changes in the fair value of investment properties will be further affected.

Hong Kong as well as Greater China is expected to face substantial economic headwinds in 2020 under the impact of ongoing uncertainties. Hence corporates' priorities in operation are to maintain stable growth and to act with prudence. The Group will continue to drive the performance of core businesses at a steady pace. Ample saleable resources in both Mainland China and Hong Kong and a clear strategy in boosting recurring cash flows from investment properties, together with strong financial and risk management, lay a defensive and solid foundation for the Group's sustainable growth. We will continue to grow in accordance with the established corporate direction.

The Group plans to launch multiple key projects to consolidate the contributions from property sales. Tai Wai Station project in Hong Kong with over 3,000 residential units and the office projects located on Cheung Shun Street and Wing Hong Street in Kowloon West are expected to be launched in 2020 and 2021 gradually. The Prince Bay project in Shenzhen with a saleable area of approximately 110,000 sq m is also ready to be put on the market.

The segment performance of property investment in Hong Kong recorded a satisfactory growth during the period under review. The Group's recurring income growth from investment properties is entering an acceleration stage marked by the operation commencement of flagship investment property project Victoria Dockside in Tsim Sha Tsui and landmark office building K11 ATELIER King's Road on Island East, the area of Hong Kong property investment flagships increased by over 1.5 million sq ft in FY2020. Various exquisite city landmarks in Hong Kong and Greater China such as Hong Kong SKYCITY and K11 project clusters in the Greater Bay Area will further grow and strengthen the segment contribution from property investment.

The Group will continue to review available options to enhance its business and structure, proactively explore opportunities in non-core asset and business disposals to increase efficiency and resources, drive forward strategic development with a dual-core engine of property development and property investment businesses and unlock asset value. Different entities under the Group are engaged in this ongoing strategy. A total consideration of over HK$6 billion of non-core business and assets were disposed of in FY2020, which included the newly signed agreement to dispose of all the Group's economic interests in Telford Plaza II, Kowloon Bay and PopCorn 2, Tseung Kwan O in Hong Kong in February 2020 for HK$3.0 billion.

In exploring opportunities to expand in the Greater Bay Area, the Group strives to capitalise its brand competitive edges and push forward the work on old city redevelopment and urban integrated complexes development to enrich living experience of the people. As the only Hong Kong developer that is active in the arena of old city redevelopment in Mainland China, the Group had significant achievements in core districts in Guangzhou and Shenzhen, and has successfully become the only intended cooperative enterprise of four old village redevelopment projects. The land involved will gradually be included in the landbank for development which will in turn strengthen the sustainability of saleable resources and results contribution.

NWSH has been providing steady cash flows to the Group with its four core businesses including roads, aviation, construction and insurance. Its sufficient resources and financing ability give abundant space for the development of core businesses while its diversified strategic portfolio will create optimum synergy with its core businesses through different touchpoints.

The Group is financially strong and healthy. It actively manages cash flows and diversifies its financing channels. All of the Group's borrowings due in FY2020 have been fully taken care of and the refinancing of all the borrowings due in FY2021 is expected to be completed by the end of June 2020. In the foreseeable future, equity raising is not necessary for the Company.

The Group proactively improves efficiency and cost management to prepare for the unknown. Related optimisation initiatives will be fully implemented within the Group and will continue to drive operational efficiency in the coming years.

The operating environment this year is not promising. New World Group will continue to manage its business by means that are innovative and compatible with sustainable development and act prudently, as we go through the difficult times and share results with our stakeholders.

Dr. Cheng Chi-Kong, Adrian
Executive Vice-chairman & General Manager
Hong Kong, 28 February 2020

Condensed Consolidated Income Statement — Unaudited

For the six months ended 31 December 2019

	Note	2019 HK$m	2018 HK$m
Revenues	5	**32,464.4**	49,267.1
Cost of sales		**(20,199.7)**	(33,993.4)
Gross profit		**12,264.7**	15,273.7
Other income		**95.7**	70.1
Other gains/(losses), net		**1,472.6**	(115.8)
Selling and marketing expenses		**(1,022.3)**	(1,339.9)
Expenses of department store's operation		**(695.3)**	(1,028.9)
Administrative and other operating expenses		**(3,309.6)**	(2,980.7)
Overlay approach adjustments on financial assets	2(xiii)	**(137.8)**	—
Changes in fair value of investment properties		**(2,269.2)**	6,341.7
Operating profit	6	**6,398.8**	16,220.2
Financing income		**1,345.7**	854.4
Financing costs		**(2,229.8)**	(1,136.6)
		5,514.7	15,938.0
Share of results of			
Joint ventures		**910.5**	945.8
Associated companies		**333.0**	708.4
Profit before taxation		**6,758.2**	17,592.2
Taxation	7	**(3,662.8)**	(4,084.3)
Profit for the period		**3,095.4**	13,507.9
Attributable to:			
Shareholders of the Company		**1,017.3**	11,284.4
Holders of perpetual capital securities		**800.8**	271.1
Non-controlling interests		**1,277.3**	1,952.4
		3,095.4	13,507.9
Earnings per share	8		
Basic		**HK$0.10**	HK$1.11
Diluted		**HK$0.10**	HK$1.10

Condensed Consolidated Statement of Comprehensive Income — Unaudited

For the six months ended 31 December 2019

	Note	2019 HK$m	2018 HK$m
Profit for the period		**3,095.4**	13,507.9
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value changes of equity investments as financial assets at fair value through other comprehensive income		**(281.0)**	(156.2)
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights		**—**	5.7
— deferred tax arising from revaluation thereof		**—**	(1.4)
Remeasurement of post-employment benefit obligation		**(3.6)**	—
Items that had been reclassified/may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments as financial assets at fair value through other comprehensive income		**(422.7)**	—
Release of reserves upon disposal of subsidiaries		**0.7**	0.6
Release of reserves upon disposal/partial disposal of interests in associated companies		**(14.5)**	(14.1)
Release of reserves upon deregistration of subsidiaries		**(0.1)**	(11.3)
Share of other comprehensive income of joint ventures and associated companies		**(747.0)**	(959.0)
Cash flow hedges		**43.8**	(222.0)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	2(xiii)	**137.8**	—
Translation differences		**(2,236.6)**	(3,823.2)
Other comprehensive income for the period		**(3,523.2)**	(5,180.9)
Total comprehensive income for the period		**(427.8)**	8,327.0
Attributable to:			
Shareholders of the Company		**(1,866.5)**	6,598.1
Holders of perpetual capital securities		**800.8**	271.1
Non-controlling interests		**637.9**	1,457.8
		(427.8)	8,327.0

Condensed Consolidated Statement of Financial Position — Unaudited

As at 31 December 2019

	Note	**As at 31 December 2019 HK$m**	As at 30 June 2019 HK$m
ASSETS			
Non-current assets			
Investment properties		**168,104.2**	173,326.7
Property, plant and equipment		**29,957.2**	31,024.1
Right-of-use assets		**8,534.4**	—
Land use rights		**—**	1,213.9
Intangible concession rights	10	**14,337.9**	9,973.0
Intangible assets	11	**9,284.8**	3,464.5
Value of business acquired	12	**5,770.4**	—
Deferred acquisition costs	13	**260.2**	—
Interests in joint ventures		**45,241.7**	50,865.5
Interests in associated companies		**25,255.0**	25,331.9
Financial assets at fair value through profit or loss		**11,387.5**	8,420.9
Financial assets at fair value through other comprehensive income		**37,319.7**	5,038.8
Derivative financial instruments		**1,212.2**	130.8
Properties for development		**32,676.2**	28,922.3
Deferred tax assets		**1,509.0**	763.5
Other non-current assets		**19,962.2**	14,644.3
		410,812.6	353,120.2
Current assets			
Properties under development		**46,035.8**	34,145.5
Properties held for sale		**19,258.3**	23,130.0
Inventories		**732.5**	805.7
Debtors, prepayments, premium receivables and contract assets	14	**31,555.1**	25,722.0
Investments related to unit-linked contracts		**9,495.2**	—
Financial assets at fair value through profit or loss		**1,794.1**	818.5
Financial assets at fair value through other comprehensive income		**1,571.0**	—
Derivative financial instruments		**15.8**	6.5
Restricted bank balances		**86.8**	2.5
Cash and bank balances		**63,542.8**	63,729.1
		174,087.4	148,359.8
Non-current assets classified as assets held for sale	15	**8,620.8**	1,804.9
		182,708.2	150,164.7
Total assets		**593,520.8**	503,284.9

	Note	**As at 31 December 2019 HK$m**	As at 30 June 2019 HK$m
EQUITY			
Share capital	16	**77,939.6**	77,875.3
Reserves		**138,334.3**	145,989.2
Shareholders' funds		**216,273.9**	223,864.5
Perpetual capital securities		**30,447.1**	21,505.5
Non-controlling interests		**30,488.9**	29,994.5
Total equity		**277,209.9**	275,364.5
LIABILITIES			
Non-current liabilities			
Long-term borrowings and other interest-bearing liabilities	17	**141,163.7**	114,558.6
Lease liabilities		**5,685.4**	—
Insurance and investment contract liabilities		**13,424.7**	—
Liabilities related to unit-linked contracts		**161.6**	—
Deferred tax liabilities		**12,779.0**	10,371.1
Derivative financial instruments		**457.0**	542.4
Other non-current liabilities		**824.0**	1,191.7
		174,495.4	126,663.8
Current liabilities			
Creditors, accrued charges, payables to policyholders and contract liabilities	18	**56,764.4**	48,753.0
Current portion of long-term borrowings and other interest-bearing liabilities	17	**26,549.4**	25,921.2
Short-term borrowings	17	**18,382.5**	15,854.8
Lease liabilities		**1,108.1**	—
Insurance and investment contract liabilities		**19,291.0**	—
Liabilities related to unit-linked contracts		**9,495.2**	—
Derivative financial instruments		**38.6**	78.3
Current tax payable		**9,245.6**	10,640.9
		140,874.8	101,248.2
Liabilities directly associated with non-current assets classified as assets held for sale	15	**940.7**	8.4
		141,815.5	101,256.6
Total liabilities		**316,310.9**	227,920.4
Total equity and liabilities		**593,520.8**	503,284.9

Condensed Consolidated Statement of Changes in Equity — Unaudited

For the six months ended 31 December 2019

	Share capital HK$m	Retained profits HK$m	Other reserves HK$m	Shareholders' funds HK$m	Perpetual capital securities HK$m	Non-controlling interests HK$m	Total HK$m
At 30 June 2019	77,875.3	136,730.0	9,259.2	223,864.5	21,505.5	29,994.5	275,364.5
Adjustment on adoption of HKFRS 16 and Amendments to HKAS 28 (Note 2)	—	(1,631.4)	—	(1,631.4)	—	(278.8)	(1,910.2)
Restated balance as at 1 July 2019	77,875.3	135,098.6	9,259.2	222,233.1	21,505.5	29,715.7	273,454.3
Profit for the period	—	1,017.3	—	1,017.3	800.8	1,277.3	3,095.4
Other comprehensive income							
Fair value changes of equity investments as financial assets at fair value through other comprehensive income	—	—	(220.5)	(220.5)	—	(60.5)	(281.0)
Fair value changes of debt instruments as financial assets at fair value through other comprehensive income	—	—	(257.4)	(257.4)	—	(165.3)	(422.7)
Release of reserves upon deregistration of subsidiaries	—	—	(0.1)	(0.1)	—	—	(0.1)
Release of reserves upon disposal of subsidiaries	—	—	0.7	0.7	—	—	0.7
Release of reserves upon disposal/partial disposal of interests in associated companies	—	—	(8.8)	(8.8)	—	(5.7)	(14.5)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	—	—	83.9	83.9	—	53.9	137.8
Share of other comprehensive income of joint ventures and associated companies	—	—	(584.5)	(584.5)	—	(162.5)	(747.0)
Remeasurement of post-employment benefit obligation	—	(2.2)	—	(2.2)	—	(1.4)	(3.6)
Cash flow hedges	—	—	68.2	68.2	—	(24.4)	43.8
Translation differences	—	—	(1,963.1)	(1,963.1)	—	(273.5)	(2,236.6)
Other comprehensive income for the year	—	(2.2)	(2,881.6)	(2,883.8)	—	(639.4)	(3,523.2)
Total comprehensive income for the year	—	1,015.1	(2,881.6)	(1,866.5)	800.8	637.9	(427.8)
Transaction with owners							
Contributions by/(distributions to) owners							
Dividends	—	(3,785.2)	—	(3,785.2)	—	(470.5)	(4,255.7)
Contributions from non-controlling interests	—	—	—	—	—	555.6	555.6
Issue of new shares upon exercise of share options	64.3	—	—	64.3	—	—	64.3
Employees' share-based payments	—	—	15.9	15.9	—	—	15.9
Share options lapsed	—	29.6	(29.6)	—	—	—	—
Issuance of perpetual capital securities	—	—	—	—	8,817.3	—	8,817.3
Distribution to perpetual capital securities holders	—	—	—	—	(676.5)	—	(676.5)
Transaction costs in relation to the issuance of perpetual capital securities	—	(82.0)	—	(82.0)	—	—	(82.0)
Transfer of reserves	—	(9.0)	9.0	—	—	—	—
Buyback of shares	—	(41.3)	—	(41.3)	—	—	(41.3)
	64.3	(3,887.9)	(4.7)	(3,828.3)	8,140.8	85.1	4,397.6
Changes in ownership interests in subsidiaries							
Disposal of subsidiaries	—	—	—	—	—	50.2	50.2
Acquisition of additional interests in subsidiaries	—	—	(167.9)	(167.9)	—	—	(167.9)
Acquisition of subsidiaries	—	—	(96.5)	(96.5)	—	—	(96.5)
	—	—	(264.4)	(264.4)	—	50.2	(214.2)
Total transactions with owners	64.3	(3,887.9)	(269.1)	(4,092.7)	8,140.8	135.3	4,183.4
At 31 December 2019	77,939.6	132,225.8	6,108.5	216,273.9	30,447.1	30,488.9	277,209.9

For the six months ended 31 December 2018	Share capital HK$m	Retained profits HK$m	Other reserves HK$m	Shareholders' funds HK$m	Perpetual capital securities HK$m	Non-controlling interests HK$m	Total HK$m
At 30 June 2018	77,525.9	123,585.9	15,138.1	216,249.9	9,451.8	29,480.2	255,181.9
Adjustment on adoption of HKFRS 9, net of taxation	—	678.7	(545.6)	133.1	—	120.6	253.7
Restated balance as at 1 July 2018	77,525.9	124,264.6	14,592.5	216,383.0	9,451.8	29,600.8	255,435.6
Profit for the period	—	11,284.4	—	11,284.4	271.1	1,952.4	13,507.9
Other comprehensive income							
Fair value changes of equity investments as financial assets at fair value through other comprehensive income	—	—	(142.8)	(142.8)	—	(13.4)	(156.2)
Release of reserves upon disposal of subsidiaries	—	—	0.5	0.5	—	0.1	0.6
Release of reserves upon partial disposal of interests in an associated company	—	—	(8.6)	(8.6)	—	(5.5)	(14.1)
Reversal of reserve upon deregistration of subsidiaries	—	—	(8.5)	(8.5)	—	(2.8)	(11.3)
Release of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	—	—	3.2	3.2	—	1.1	4.3
Share of other comprehensive income of joint ventures and associated companies	—	1.5	(647.1)	(645.6)	—	(313.4)	(959.0)
Cash flow hedges	—	—	(135.4)	(135.4)	—	(86.6)	(222.0)
Translation differences	—	—	(3,749.1)	(3,749.1)	—	(74.1)	(3,823.2)
Other comprehensive income for the period	—	1.5	(4,687.8)	(4,686.3)	—	(494.6)	(5,180.9)
Total comprehensive income for the period	—	11,285.9	(4,687.8)	6,598.1	271.1	1,457.8	8,327.0
Transactions with owners							
Contributions by/(distributions to) owners							
Dividends	—	(3,468.2)	—	(3,468.2)	—	(1,028.4)	(4,496.6)
Repayment of capital to a non-controlling shareholder	—	—	—	—	—	(4.0)	(4.0)
Issue of new shares upon exercise of share options	102.9	—	—	102.9	—	—	102.9
Employees' share-based payments	—	—	33.3	33.3	—	—	33.3
Share options lapsed	—	57.5	(57.5)	—	—	—	—
Buyback of shares	—	(250.4)	—	(250.4)	—	—	(250.4)
Distribution to perpetual capital securities holders	—	—	—	—	(271.1)	—	(271.1)
Transfer of reserves	—	(6.3)	6.3	—	—	—	—
	102.9	(3,667.4)	(17.9)	(3,582.4)	(271.1)	(1,032.4)	(4,885.9)
Change in ownership interests in subsidiaries							
Acquisition of subsidiaries	—	—	—	—	—	0.5	0.5
Acquisition of additional interests in subsidiaries	—	39.1	—	39.1	—	(39.1)	—
Deemed disposal of interests in subsidiaries	—	6.6	—	6.6	—	80.5	87.1
	—	45.7	—	45.7	—	41.9	87.6
Total transactions with owners	102.9	(3,621.7)	(17.9)	(3,536.7)	(271.1)	(990.5)	(4,798.3)
At 31 December 2018	77,628.8	131,928.8	9,886.8	219,444.4	9,451.8	30,068.1	258,964.3

Condensed Consolidated Statement of Cash Flows — Unaudited

For the six months ended 31 December 2019

	2019 HK$m	2018 HK$m
Net cash used in operating activities	**(8,953.1)**	(5,598.1)
Cash flows from investing activities		
Additions of investment properties, property, plant and equipment and intangible concession rights	**(8,753.4)**	(4,757.1)
Decrease/(increase) in investments in and advances to joint ventures	**558.6**	(3,697.7)
Increase in investments in and advances to associated companies	**(201.3)**	(670.3)
Purchase of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss	**(1,421.2)**	(1,543.9)
Decrease/(increase) in short-term bank deposits maturing after more than three months	**385.4**	(575.6)
Acquisition of subsidiaries (net of cash and cash equivalents)	**(10,350.4)**	—
Others	**4,877.4**	3,037.7
Net cash used in investing activities	**(14,904.9)**	(8,206.9)
Cash flows from financing activities		
Net increase in borrowings	**24,611.7**	8,103.6
Dividend paid to shareholders of the Company	**(3,785.2)**	(3,468.2)
Dividend paid to non-controlling shareholders	**(470.5)**	(1,028.4)
Proceed from issuance of perpetual capital securities, net of transaction costs	**8,735.3**	—
Buyback of shares	**(41.3)**	(250.4)
Distribution to holders of perpetual capital securities	**(676.5)**	(271.1)
Interest paid	**(3,392.9)**	(2,788.4)
Others	**14.6**	2,803.3
Net cash from financing activities	**24,995.2**	3,100.4
Net increase/(decrease) in cash and cash equivalents	**1,137.2**	(10,704.6)
Cash and cash equivalents at beginning of the period	**62,389.6**	62,597.3
Translation differences	**(607.4)**	(1,420.7)
Cash and cash equivalents at end of the period	**62,919.4**	50,472.0
Analysis of cash and cash equivalents:		
Cash and bank balances	**63,542.8**	51,838.7
Cash and bank balances attributable to investments related to unit-linked contracts	**60.6**	—
Cash and bank balances of subsidiaries reclassified as to non-current assets classified as assets held for sale	**324.0**	54.2
Bank deposits – unrestricted and maturing after more than three months	**(1,008.0)**	(1,420.9)
	62,919.4	50,472.0

Notes to Condensed Accounts

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") for the six months ended 31 December 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"). The Interim Financial Statements should be read in conjunction with the 30 June 2019 annual financial statements.

The accounting policies used in the preparation of these Interim Financial Statements are consistent with those set out in the annual report for the year ended 30 June 2019 except as described in notes 1(a), 1(b) and 2 below.

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

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 the financial year ending 30 June 2020:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) — Interpretation 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") and amendments to Hong Kong Accounting Standard 28 "Long-term Interests in Associates and Joint Ventures" ("Amendments to HKAS 28") disclosed in notes 1(b) and 2, 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 HKFRS 16 and Amendments to HKAS 28

HKFRS 16 and Amendments to HKAS 28 as issued by the HKICPA are effective for the financial year beginning on or after 1 January 2019.

The Group has adopted HKFRS 16 and Amendments to HKAS 28 retrospectively from 1 July 2019, but has not restated comparatives for the year ended 30 June 2019 as permitted under the transitional provisions in the standards. The effects of the adoption of the new standard and amendments to existing standard are set out in note 2 below.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(c) New standards and amendments to standards which are not yet effective

The following new standards and amendments to standards are mandatory for accounting periods beginning on or after 1 July 2020 or later periods but which the Group has not early adopted:

HKFRS 17	Insurance Contracts
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 1 and HKAS 8	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 financial periods beginning on or after 1 January 2021.

The Group has already commenced an assessment of the impact of other new standard and 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.

2 CHANGES IN/ADOPTION OF ACCOUNTING POLICIES

As explained in note 1(b) above, the Group has adopted HKFRS 16 and Amendments to HKAS 28 from 1 July 2019, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. As allowed in the transitional provision in the standards comparative figures is not restated.

Effects of adoption of HKFRS 16

On adoption of HKFRS 16 using modified retrospective approach on lease-by-lease basis, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 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.

Right-of-use assets at initial recognition is measured at either:

- the carrying amount of leases as if HKFRS 16 had been applied since the lease commencement date, discounted using the lessee's incremental borrowing rate as at 1 July 2019; or

- an amount equal to lease liabilities, adjusted by the prepaid or accrued lease payments relating to the lease immediately before 1 July 2019.

2 CHANGES IN/ADOPTION OF ACCOUNTING POLICIES (CONTINUED)

Effects of adoption of HKFRS 16 (continued)

As a result of adoption of HKFRS 16, the obligations under finance leases recognised and the operating lease commitments as disclosed at 30 June 2019, adjusted by the effect of discounting and changes in index or rates affecting variable payments, exclusion of short-term leases and low-value asset leases and assessment of extension and termination options and contracts being reassessed as service agreements are combined as lease liabilities of HK$6,452.6 million and recognised as at 1 July 2019. The amount of lease liabilities was split into current portion and non-current portion of HK$988.5 million and HK$5,464.1 million respectively. The weighted average lessee's incremental borrowing annual rates applied to the lease liabilities on 1 July 2019 were 3.79% for leases in Hong Kong and 5.06% for leases in Mainland China.

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;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to apply HKFRS 16 to contracts that were not identified as containing a lease under HKAS 17 and HK(IFRIC) — Interpretation 4 "Determining whether an Arrangement contains a Lease".

Effects of adoption of Amendments to HKAS 28

The amendments clarify the accounting for long-term interests in an associated company or joint venture, which in substance form part of the net investment in the associated company or joint venture, but to which equity accounting is not applied. The Group is required to account for such interests under Hong Kong Financial Reporting Standard 9 "Financial Instrument" ("HKFRS 9") before applying the loss allocation and impairment requirements in HKAS 28.

On the adoption of Amendments to HKAS 28, the Group has recognised a loss allowance of HK$874.8 million as at 1 July 2019 against the non-current receivables from the joint ventures. The loss allowance is measured as either 12-month expected credit loss or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition of the non-current receivables.

2 CHANGES IN/ADOPTION OF ACCOUNTING POLICIES (CONTINUED)

The effect of the adoption of HKFRS 16 and Amendments to HKAS 28 on the Group's financial position is as follows:

	As at 30 June 2019 HK$m	Effects of the adoption of HKFRS 16 HK$m	Effects of the adoption of Amendments to HKAS 28 HK$m	As at 1 July 2019 HK$m
Condensed consolidated statement of financial position (extract)				
Non-current assets				
Property, plant and equipment	31,024.1	(1,862.4)	—	29,161.7
Right-of-use assets	—	7,813.1	—	7,813.1
Land use rights	1,213.9	(1,213.9)	—	—
Interests in joint ventures	50,865.5	(10.8)	(874.8)	49,979.9
Interests in associated companies	25,331.9	(0.7)	—	25,331.2
Deferred tax assets	763.5	34.3	—	797.8
Other non-current assets	14,644.3	59.1	—	14,703.4
Current assets				
Debtors, prepayments, premium receivables and contract assets	25,722.0	116.6	—	25,838.6
Equity				
Reserves				
— Retained profits	136,730.0	(756.6)	(874.8)	135,098.6
Non-controlling interests	29,994.5	(278.8)	—	29,715.7
Non-current liabilities				
Lease liabilities	—	5,464.1	—	5,464.1
Deferred tax liabilities	10,371.1	13.9	—	10,385.0
Other non-current liabilities	1,191.7	(439.1)	—	752.6
Current liabilities				
Creditors, accrued charges, payables to policyholders and contract liabilities	48,753.0	(56.7)	—	48,696.3
Lease liabilities	—	988.5	—	988.5

2 CHANGES IN/ADOPTION OF ACCOUNTING POLICIES (CONTINUED)

Adoption of accounting policies upon acquisition of insurance business

The Group completed its acquisition of the entire equity interest in FTLife Insurance Company Limited ("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.

(ii) Insurance contract liabilities

Insurance contract liabilities represent net future policy liabilities as determine 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 derecognised 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 statements of financial position.

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

The liability is derecognised 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.

2 CHANGES IN/ADOPTION OF ACCOUNTING POLICIES (CONTINUED)

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

(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.

(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 inforce 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 amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortisation 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 amortisation 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 amortised 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 recognised 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.

2 CHANGES IN/ADOPTION OF ACCOUNTING POLICIES (CONTINUED)

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 recognised as revenue over time when services are rendered. Investment management fees related to asset management services are recognised 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 deferred acquisition costs.

Commissions received on reinsurance policies that transfer underwriting risk are recognised 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 amortised 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 FINANCIAL 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 June 2019 annual financial statements.

There have been no changes in the Group's financial risk management policies and procedures since the last year end save as disclosed below in relation to various risk factors of FTLife Insurance.

(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.

As at 31 December 2019

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(a) Financial risk factors (continued)

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

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.

(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 period.

3 FINANCIAL 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 the Group's insurance business meets the highest industry standards.

As at 31 December 2019

HK$m	Gross insurance contract liabilities	Reinsurer's share of insurance contract liabilities	Insurance contract liabilities, net of reinsurer's share
Type of products			
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**
Subtotal	**29,225.8**	**(56.2)**	**29,169.6**
Coinsurance liabilities	**246.0**	**—**	**246.0**
	29,471.8	**(56.2)**	**29,415.6**

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.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(e) Fair value estimation

The Group's financial instruments that are measured at fair value are disclosed by levels of the following fair value measurement hierarchy:

- 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).

The carrying amounts of the financial instruments of the Group are as follows.

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. They are included in level 1.

Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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.

The carrying amounts of mortgage loans receivables, which carry interest rates with reference to bank's lending rates, approximate their fair value.

The following table presents the Group's financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, 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:

	Level 1 HK$m	Level 2 HK$m	Level 3 HK$m	Total HK$m
Financial assets at fair value through other comprehensive income	28,300.9	8,639.6	1,950.2	38,890.7
Financial assets at fair value through profit or loss	3,615.1	1,903.7	7,662.8	13,181.6
Investments related to unit-linked contracts	9,495.2	—	—	9,495.2
Derivative financial instruments				
Derivative financial assets	—	1,195.1	32.9	1,228.0
	41,411.2	11,738.4	9,645.9	62,795.5
Investment contract liabilities	—	(5.4)	—	(5.4)
Liabilities related to unit-linked contracts	—	(9,656.8)	—	(9,656.8)
Derivative financial instruments				
Derivative financial liabilities	—	(491.2)	(4.4)	(495.6)
	—	(10,153.4)	(4.4)	(10,157.8)

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(e) Fair value estimation (continued)

(ii) (continued)

The following table presents the Group's financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments that were measured at fair value at 30 June 2019:

	Level 1 HK$m	Level 2 HK$m	Level 3 HK$m	Total HK$m
Financial assets at fair value through other comprehensive income	2,766.3	321.6	1,950.9	5,038.8
Financial assets at fair value through profit or loss	1,002.7	1,576.2	6,660.5	9,239.4
Derivative financial instruments				
Derivative financial assets	—	124.8	12.5	137.3
	3,769.0	2,022.6	8,623.9	14,415.5
Derivative financial instruments				
Derivative financial liabilities	—	(613.4)	(7.3)	(620.7)

There were no significant transfer of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments in level 3 financial instruments for the six months ended 31 December 2019:

	Financial assets at fair value through other comprehensive income HK$m	Financial assets at fair value through profit or loss HK$m	Derivative financial assets HK$m	Derivative financial liabilities HK$m
At 1 July 2019	1,950.9	6,660.5	12.5	(7.3)
Acquisition of subsidiaries	—	471.2	—	—
Additions	—	905.0	—	—
Net (loss)/gain recognised in the condensed consolidated statement of comprehensive income/income statement	(0.7)	2.5	20.4	2.9
Disposals	—	(376.4)	—	—
At 31 December 2019	1,950.2	7,662.8	32.9	(4.4)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing these interim financial statements, in addition to the critical accounting estimates and judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty as set out in the annual report for the year ended 30 June 2019, the following judgements and estimates were applied:

Judgement in determining the lease term for lease contracts with renewal option

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

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 2(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 Group's 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

(iii) DAC

The Group adopted an approach by which DAC of new business is amortised 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.

5 REVENUES AND SEGMENT INFORMATION

Revenues recognised during the period are as follows:

	For the six months ended 31 December	
	2019	2018
	HK$m	HK$m
Revenues		
Property development	**11,986.6**	29,905.3
Property investment	**2,188.5**	1,786.1
Roads	**1,430.8**	1,292.2
Aviation	**—**	161.6
Construction	**8,186.4**	8,950.9
Insurance (note a)	**1,998.6**	—
Hotel operations	**838.7**	684.3
Others	**5,834.8**	6,486.7
Total	**32,464.4**	49,267.1

The Executive Committee of the Company, being the chief operating decision-maker, determines and reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are determined based on the afore-mentioned internal reporting and are reviewed occasionally.

5 REVENUES AND SEGMENT INFORMATION (CONTINUED)

During the financial year ending 30 June 2020, following the completion of acquisition of FTLife Insurance (as detailed in note 21) and to better reflect the nature of the income streams and group strategies, the Group reclassified its reporting segments. The Executive Committee considers the business from products and services perspectives, which comprises property development, property investment, roads, aviation, construction, insurance, hotel operations and others (including facilities management, transport, environment, logistic, department store, media and technology and other strategic businesses) segments. The comparative segment information for the six months ended 31 December 2018 has been restated to conform with the current period presentation accordingly.

The Executive Committee assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effects of unallocated corporate expenses. In addition, financing income, financing cost and taxation are not allocated to segments.

Sales between segments are carried out in accordance with terms agreed by the parties involved.

Note:

(a) Revenue from insurance business is further analysed as follows:

	For the six months ended 31 December	
	2019	2018
	HK$m	HK$m
Gross premiums on life 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**	—
	1,998.6	—

5 REVENUES AND SEGMENT INFORMATION (CONTINUED)

	Property development HK$m	Property investment HK$m	Roads HK$m	Aviation HK$m	Construction HK$m	Insurance HK$m	Hotel operations HK$m	Others HK$m	Consolidated HK$m
For the six months ended 31 December 2019									
Total revenues	11,986,6	2,305.8	1,430.8	–	11,170.3	1,998.6	838.7	5,932.5	35,663.3
Inter-segment	–	(117.3)	–	–	(2,983.9)	–	–	(97.7)	(3,198.9)
Revenues-external	11,986.6	2,188.5	1,430.8	–	8,186.4	1,998.6	838.7	5,834.8	32,464.4
Revenues from contracts with customers:									
— Recognised at a point in time	11,924.8	–	1,430.8	–	–	–	398.0	4,216.2	17,969.8
— Recognised over time	61.8	–	–	–	8,186.4	111.3	440.7	1,618.6	10,418.8
	11,986.6	–	1,430,8	–	8,186.4	111.3	838.7	5,834.8	28,388.6
Revenues from other source:									
— Rental income	–	2,188.5	–	–	–	–	–	–	2,188.5
— Insurance revenue	–	–	–	–	–	1,887.3	–	–	1,887.3
	–	2,188.5	–	–	–	1,887.3	–	–	4,075.8
	11,986,6	2,188.5	1,430.8	–	8,186.4	1,998.6	838.7	5,834.8	32,464.4
Segment results	6,569.9	1,176.1	710.7	(2.3)	497.5	112.0	(346.1)	(603.7)	8,114.1
Other gains/(losses), net (note b)	1,083.9	(63.1)	(34.8)	–	–	132.1	–	354.5	1,472.6
Changes in fair value of investment properties	–	(2,269.2)	–	–	–	–	–	–	(2,269.2)
Overlay approach adjustments on financial assets	–	–	–	–	–	(137.8)	–	–	(137.8)
Unallocated corporate expenses									(780.9)
Operating profit									6,398.8
Financing income									1,345.7
Financing costs									(2,229.8)
									5,514.7
Share of results of									
Joint ventures	224.7	(49.1)	321.8	269.1	–	–	(79.1)	223.1	910.5
Associated companies	6.3	51.4	89.8	–	164.7	–	–	20.8	333.0
Profit before taxation									6,758.2
Taxation									(3,662.8)
Profit for the period									3,095.4
As at 31 December 2019									
Segment assets	128,143.9	179,278.3	15,149.2	6,303.0	8,594.7	55,088.8	18,211.7	36,392.7	447,162.3
Interests in joint ventures	14,367.4	10,468.3	4,430.6	1,639.3	0.1	–	4,978.8	9,357.2	45,241.7
Interests in associated companies	6,046.3	4,592.1	2,606.2	–	2,016.3	–	–	9,994.1	25,255.0
Unallocated assets									75,861.8
Total assets									593,520.8
Segment liabilities	33,662.9	2,779.5	546.4	–	8,685.7	36,279.0	597.2	8,694.1	91,244.8
Unallocated liabilities									225,066.1
Total liabilities									316,310.9
For the six months ended 31 December 2019									
Additions to non-current assets (note a)	10,697.8	2,081.8	5,417.0	–	27.2	3,545.6	643.8	766.9	23,180.1
Depreciation and amortisation	51.9	13.1	476.8	–	49.2	90.8	263.1	970.9	1,915.8
Impairment charge and provision	0.7	–	–	–	–	–	–	27.0	27.7

5 REVENUES AND SEGMENT INFORMATION (CONTINUED)

	Property development HK$m	Property investment HK$m	Roads HK$m	Aviation HK$m	Construction HK$m	Insurance HK$m	Hotel operations HK$m	Others HK$m	Consolidated HK$m
For the six months ended 31 December 2018									
Total revenues	29,905.3	1,894.8	1,292.2	161.6	13,113.0	—	684.3	6,538.4	53,589.6
Inter-segment	—	(108.7)	—	—	(4,162.1)	—	—	(51.7)	(4,322.5)
Revenues-external	29,905.3	1,786.1	1,292.2	161.6	8,950.9	—	684.3	6,486.7	49,267.1
Revenues from contracts with customers:									
— Recognised at a point in time	29,806.4	—	1,292.2	161.6	—	—	252.7	4,999.0	36,511.9
— Recognised over time	98.9	—	—	—	8,950.9	—	431.6	1,487.7	10,969.1
	29,905.3	—	1,292.2	161.6	8,950.9	—	684.3	6,486.7	47,481.0
Revenues from other source:									
— Rental income	—	1,786.1	—	—	—	—	—	—	1,786.1
— Insurance revenue	—	—	—	—	—	—	—	—	—
	29,905.3	1,786.1	1,292.2	161.6	8,950.9	—	684.3	6,486.7	49,267.1
	29,905.3	1,786.1	1,292.2	161.6	8,950.9	—	684.3	6,486.7	49,267.1
Segment results	8,842.3	1,006.2	656.7	30.3	362.5	—	(59.4)	(91.3)	10,747.3
Other gains/(losses), net (note b)	274.9	3.0	24.3	(0.7)	0.1	—	—	(417.4)	(115.8)
Changes in fair value of investment properties	—	6,308.0	—	—	—	—	—	33.7	6,341.7
Unallocated corporate expenses									(753.0)
Operating profit									16,220.2
Financing income									854.4
Financing costs									(1,136.6)
									15,938.0
Share of results of									
Joint ventures	42.3	112.2	348.5	188.3	1.7	—	(1.1)	253.9	945.8
Associated companies	0.5	101.8	91.9	—	238.2	—	—	276.0	708.4
Profit before taxation									17,592.2
Taxation									(4,084.3)
Profit for the period									13,507.9
As at 30 June 2019									
Segment assets	104,877.6	178,943.2	10,204.8	6,592.0	7,926.7	3,120.0	18,225.0	32,565.8	362,455.1
Interests in joint ventures	18,456.5	10,465.0	4,829.4	1,612.9	0.1	—	5,200.9	10,300.7	50,865.5
Interests in associated companies	6,200.5	4,581.6	2,573.1	—	2,029.0	—	—	9,947.7	25,331.9
Unallocated assets									64,632.4
Total assets									503,284.9
Segment liabilities	29,567.2	2,411.4	475.1	—	8,877.8	—	438.4	8,183.2	49,953.1
Unallocated liabilities									177,967.3
Total liabilities									227,920.4
For the six months ended 31 December 2018									
Additions to non-current assets (note a)	13,442.2	3,381.6	28.2	—	7.0	—	1,030.6	537.4	18,427.0
Depreciation and amortisation	32.3	12.6	426.9	—	25.6	—	138.7	536.6	1,172.7
Impairment charge and provision	—	—	—	—	—	—	—	85.8	85.8

5 REVENUES AND SEGMENT INFORMATION (CONTINUED)

	Revenues Six months ended 31 December 2019 HK$m	**Non-current assets (note a) As at 31 December 2019 HK$m**
Hong Kong	**18,898.4**	**161,170.0**
Mainland China	**13,180.2**	**108,643.2**
Others	**385.8**	**1,735.2**
	32,464.4	**271,548.4**

	Six months ended 31 December 2018 HK$m	As at 30 June 2019 HK$m
Hong Kong	34,814.5	159,669.2
Mainland China	13,821.5	89,955.5
Others	631.1	1,419.8
	49,267.1	251,044.5

Notes:

(a) Non-current assets represent non-current assets other than financial instruments, interests in joint ventures, interests in associated companies, deferred tax assets, value of business acquired, deferred acquisition costs and long-term loans and receivables and long-term prepayments and deposits within other non-current assets.

(b) For the six months ended 31 December 2019, property development segment included one-off gain on remeasuring previously held assets of a joint venture at fair value of HK$925.8 million, while others segment included net exchange gains of HK$70.7 million (2018: net exchange losses of HK$55.5 million).

6 OPERATING PROFIT

Operating profit of the Group is arrived at after crediting/(charging) the following:

	For the six months ended 31 December 2019 HK$m	2018 HK$m
Gain on remeasuring previously held assets of a joint venture at fair value	**925.8**	—
Gain associated with investments related to united-linked contracts	**435.3**	—
Charges related to unit-linked contracts	**(430.9)**	—
Net gain/(loss) on fair value of financial assets at fair value through profit or loss	**71.0**	(356.1)
Net gain on fair value of derivative financial instruments	**326.3**	—
Write back of provision for loans and other receivables	**55.5**	0.2
Net profit/(loss) on disposal/liquidation of		
Financial assets at fair value through profit or loss	**66.3**	103.5
Investment properties, property, plant and equipment and intangible concession rights	**44.7**	15.5
Subsidiaries	**30.4**	316.6
Associated companies	**(94.8)**	(54.2)
Impairment loss on		
Loans, deposits and other receivables	**(6.3)**	(72.7)
Intangible assets	**(21.1)**	—
Property, plant and equipment	**(0.3)**	(13.1)
Cost of inventories sold	**(6,514.4)**	(21,153.0)
Cost of services rendered	**(10,070.5)**	(11,876.0)
Claims and benefits, net of reinsurance (note a)	**(1,500.5)**	—
Depreciation and amortisation	**(1,915.8)**	(1,172.7)
Change in deferred acquisition costs	**(260.2)**	—
Net exchange gains/(losses)	**70.7**	(55.5)

Note:

(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	**1,500.5**	—

The accounting policy of claims and benefits is detailed in note 2(x).

7 TAXATION

	For the six months ended 31 December	
	2019	2018
	HK$m	HK$m
Current taxation		
Hong Kong profits tax	**476.2**	1,460.9
Mainland China and overseas taxation	**1,529.4**	1,119.1
Mainland China land appreciation tax	**2,066.2**	1,368.3
Deferred taxation	**(409.0)**	136.0
	3,662.8	4,084.3

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the period.

Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2018: 12% to 25%).

Withholding tax on dividend is mainly provided at the rate of 5% or 10% (2018: 5% or 10%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2018: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

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.

Share of results of joint ventures and associated companies is stated after deducting the share of taxation of joint ventures and associated companies of HK$281.0 million and HK$98.3 million (2018: HK$333.2 million and HK$85.0 million) respectively.

8 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the period is based on the following:

	For the six months ended 31 December	
	2019	2018
	HK$m	HK$m
Profit attributable to shareholders of the Company for calculating basic earnings per share	**1,017.3**	11,284.4
Adjustment on the effect of dilution in the results of subsidiaries	**—**	(0.8)
Profit attributable to shareholders of the Company for calculating diluted earnings per share	**1,017.3**	11,283.6

	Number of shares (million) For the six months ended 31 December	
	2019	2018
Weighted average number of shares for calculating basic earnings per share	**10,227.2**	10,207.8
Effect of dilutive potential ordinary shares upon the exercise of share options	**11.8**	16.9
Weighted average number of shares for calculating diluted earnings per share	**10,239.0**	10,224.7

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (2018: Same).

9 CAPITAL EXPENDITURE

For the six months ended 31 December 2019, the Group has acquired investment properties, property, plant and equipment and intangible concession rights of HK$8,753.4 million (2018: HK$4,757.1 million). The Group has disposed of investment properties, property, plant and equipment and intangible concession rights of net book value of HK$527.6 million (2018: HK$166.1 million).

10 INTANGIBLE CONCESSION RIGHTS

	HK$m
Net book value as at 1 July 2019	**9,973.0**
Translation differences	**(315.6)**
Additions	**5,171.6**
Amortisation	**(461.1)**
Disposals	**(30.0)**
Net book value as at 31 December 2019	**14,337.9**

11 INTANGIBLE ASSETS

	Goodwill HK$m	Trademarks HK$m	Operating right and others HK$m	Total HK$m
Net book value as at 1 July 2019	**3,028.5**	**59.1**	**376.9**	**3,464.5**
Translation differences	**(43.8)**	—	—	**(43.8)**
Acquisition of subsidiaries	**5,859.3**	—	**90.5**	**5,949.8**
Disposal of subsidiaries	—	—	**(51.2)**	**(51.2)**
Additions	—	—	**28.1**	**28.1**
Impairment	**(21.1)**	—	—	**(21.1)**
Disposals	**(8.9)**	—	—	**(8.9)**
Amortisation	—	**(2.5)**	**(30.1)**	**(32.6)**
Net book value as at 31 December 2019	**8,814.0**	**56.6**	**414.2**	**9,284.8**

12 VALUE OF BUSINESS ACQUIRED

	HK$m
At 1 July 2019	—
Acquisition of subsidiaries	**5,825.0**
Amortisation	**(54.6)**
At 31 December 2019	**5,770.4**

The nature and measurement of value of business acquired is detailed in note 2(v).

13 DEFERRED ACQUISITION COSTS

	HK$m
At 1 July 2019	—
Additions of new business	**311.9**
Amortisation	**(51.7)**
At 31 December 2019	**260.2**

The nature and measurement of deferred acquisition costs is detailed in note 2(vi).

14 TRADE DEBTORS

Aging analysis of trade debtors based on invoice date is as follows:

	As at 31 December 2019 HK$m	As at 30 June 2019 HK$m
Current to 30 days	**2,187.8**	2,293.5
31 to 60 days	**89.4**	103.9
Over 60 days	**398.9**	552.4
	2,676.1	2,949.8

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

15 NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE

Non-current assets classified as assets held for sale

	As at 31 December 2019 HK$m	As at 30 June 2019 HK$m
Assets of disposal groups classified as held for sale	**5,160.8**	1,804.9
Investment properties	**3,460.0**	—
	8,620.8	1,804.9

Liabilities directly associated with non-current assets classified as assets held for sale

	As at 31 December 2019 HK$m	As at 30 June 2019 HK$m
Liabilities of disposal groups classified as held for sale	**940.7**	8.4

16 SHARE CAPITAL

	As at 31 December 2019		As at 30 June 2019	
	Number of shares (million)	**HK$m**	Number of shares (million)	HK$m
Issued and fully paid (note b):				
At beginning of the period	**10,222.8**	**77,875.3**	10,214.1	77,525.9
Buyback of shares (note a)	**(4.0)**	**—**	(29.7)	—
Issue of new shares upon exercise of share options	**7.6**	**64.3**	38.4	349.4
At end of the period	**10,226.4**	**77,939.6**	10,222.8	77,875.3

16 SHARE CAPITAL (CONTINUED)

Notes:

(a) Buyback of shares

During the six months ended 31 December 2019, the Company bought back and cancelled a total of 4,000,000 shares within the month of December 2019 at an aggregate consideration (before expenses) of HK$41,125,380 on the Hong Kong Stock Exchange at share price ranging from HK$10.16 to HK$10.42.

During the six months ended 31 December 2019, the Company bought back its shares through the Hong Kong Stock Exchange as follow:

Month	**Number of shares bought back**	**Price paid per share**		**Aggregate consideration (before expenses)**
		Highest HK$	**Lowest HK$**	**HK$m**
December 2019	**4,000,000**	**10.42**	**10.16**	**41.1**

During the year ended 30 June 2019, the Company bought back and cancelled a total of 29,758,000 shares at an aggregate consideration (before expenses) of HK$321,014,880 on the Hong Kong Stock Exchange at share price ranging from HK$9.82 to HK$12.00.

During the year ended 30 June 2019, the Company bought back its shares through the Hong Kong Stock Exchange as follows:

Month	Number of shares bought back	Price paid per share		Aggregate consideration (before expenses)
		Highest HK$	Lowest HK$	HK$m
July 2018	10,454,000	11.28	10.66	113.4
September 2018	6,000,000	10.92	10.62	64.5
October 2018	7,002,000	10.46	9.82	71.6
January 2019	1,308,000	10.56	10.16	13.4
May 2019	2,754,000	12.00	11.44	32.2
June 2019	2,240,000	11.80	11.26	25.9
	29,758,000			321.0

(b) The shares have no par value.

(c) Share option scheme

A share option scheme was adopted by the Company on 24 November 2006 and amended on 13 March 2012 which will be valid and effective for a period of ten years from the date of adoption. On 27 October 2014, 7 July 2015, 9 March 2016 and 10 June 2016, 34,400,000, 20,100,000, 20,200,000 and 68,037,928 share options were granted to Directors and certain eligible participants at the exercise price of HK$9.510, HK$9.976, HK$7.200 and HK$7.540 per share respectively.

A share option scheme was adopted by the Company on 22 November 2016 which will be valid and effective for a period of ten years from the date of adoption. On 3 July 2017, 6 July 2018 and 22 May 2019, 53,450,000, 39,250,000 and 46,550,000 share options were granted to Directors and certain eligible participants at the exercise price of HK$10.036, HK$11.040 and HK$12.344 per share respectively.

The outstanding number of share options at 31 December 2019 amounted to 151,212,030 and the number of share options lapsed and exercised for the six months ended 31 December 2019 amounted to 6,096,451 and 7,586,742 respectively.

17 BORROWINGS AND OTHER INTEREST BEARING LIABILITIES

	As at 31 December 2019 HK$m	As at 30 June 2019 HK$m
Long-term borrowings and other interest bearing liabilities		
Secured bank loans	**18,944.7**	16,782.9
Unsecured bank loans	**92,945.6**	71,573.4
Other unsecured loans	**—**	1,250.4
Fixed rate bonds and notes payable	**52,208.2**	47,436.1
Loans from non-controlling shareholders	**3,334.1**	3,437.0
Financing received under a financial reinsurance arrangement	**280.5**	—
	167,713.1	140,479.8
Current portion of long-term borrowings and other interest bearing liabilities	**(26,549.4)**	(25,921.2)
	141,163.7	114,558.6
Short-term borrowings and other interest bearing liabilities		
Secured bank loans	**415.0**	1,157.6
Unsecured bank loans	**15,979.8**	13,814.2
Other unsecured loans	**5.0**	5.0
Loans from non-controlling shareholders	**889.6**	878.0
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**	—
	18,382.5	15,854.8
Current portion of long-term borrowings and other interest bearing liabilities	**26,549.4**	25,921.2
	44,931.9	41,776.0
Total borrowings and other interest bearing liabilities	**186,095.6**	156,334.6

18 TRADE CREDITORS

Aging analysis of trade creditors based on invoice date is as follows:

	As at 31 December 2019 HK$m	As at 30 June 2019 HK$m
Current to 30 days	**5,773.8**	6,331.8
31 to 60 days	**354.3**	403.5
Over 60 days	**4,103.9**	4,392.1
	10,232.0	11,127.4

19 COMMITMENTS

	As at 31 December 2019 HK$m	As at 30 June 2019 HK$m
Contracted but not provided for		
Property, plant and equipment	**745.0**	977.3
Acquisition of subsidiaries (note)	**—**	18,380.0
Investment properties	**626.5**	2,803.5
Intangible concession rights	**69.5**	62.4
Right-of-use assets	**126.4**	—
Joint ventures and associated companies	**621.8**	958.1
Other investments	**1,387.4**	1,207.0
	3,576.6	24,388.3
The Group's share of capital commitments of the joint ventures not included above are as follows:		
Contracted but not provided for	**11,768.0**	11,127.6

Note:

The acquisition of FTLife Insurance was completed on 1 November 2019, please refer to note 21 below for details.

20 FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

	As at 31 December 2019 HK$m	As at 30 June 2019 HK$m
Financial guarantee contracts:		
Mortgage facilities for certain purchasers of properties	**6,670.1**	5,475.3
Guarantees for credit facilities granted to		
Joint ventures	**4,479.3**	5,340.9
Associated companies	**1,706.8**	1,567.6
	12,856.2	12,383.8

21 BUSINESS COMBINATION

In December 2018, Earning Star Limited, an indirect wholly-owned subsidiary of NWS Holdings Limited ("NWSH"), 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$3,120.0 million were paid during the financial year ended 30 June 2019. 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. This acquisition was completed in November 2019 and FTLife Insurance became an indirect wholly-owned subsidiary of NWSH since then.

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 for acquisition of FTLife Insurance	**3,120.0**
	21,812.2

	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 fair value through other comprehensive income	**33,569.5**
Financial assets at fair value through profit or loss	**2,803.6**
Other non-current assets	**1,982.7**
Debtors, prepayments, premium receivables and contract assets	**1,125.9**
Investments related to unit-linked contracts	**9,168.3**
Cash and bank balances and restricted bank balances	**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)**
Creditors, accrued charges, payables to policyholders and contract liabilities	**(2,418.4)**
Tax payable	**(80.9)**
Identifiable assets acquired and liabilities assumed	**15,952.9**
Goodwill on acquisition	**5,859.3**
	21,812.2

21 BUSINESS COMBINATION (CONTINUED)

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

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.

The measurement of goodwill, identifiable assets acquired and liabilities assumed at the acquisition date will be subject to finalisation within one year from the acquisition date in accordance with Hong Kong Financial Reporting Standard 3 "Business Combination". Any adjustment to the provisional amount, if necessary, will be reflected in the upcoming consolidated financial statements of the Group.

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.

Up to 31 December 2019, acquisition-related costs of HK$155.8 million was incurred, in which HK$7.0 million are recognised as administrative and other operating expenses in the condensed consolidated income statement for the current period and the remaining HK$148.8 million was recognised in the year ended 30 June 2019.

22 RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the period which were carried out in the normal course of the Group's business:

	For the six months ended 31 December	
	2019	2018
	HK$m	HK$m
Transactions with joint ventures and associated companies		
Provision of construction work service	**131.0**	156.4
Interest income	**264.3**	152.6
Rental expenses	**65.8**	90.0
Transactions with other related parties		
Provision of construction work services	**3.9**	22.9
Rental income	**74.3**	53.1
Concessionaries commissions	**28.7**	39.1
Sales of goods, prepaid shopping cards and vouchers	**44.9**	52.4
Engineering and mechanical services	**517.2**	607.5
Management services fee expenses	**49.1**	43.6

These related party transactions were conducted in accordance with the terms as disclosed in the last annual report.

No significant transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

23 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, currently it is not expected that the Toll Fee Exemption will have a significant impact to the overall operations of the Group in the long term.

Liquidity and Capital Resources

NET DEBT

	As at 31 December 2019 HK$m	As at 30 June 2019 HK$m
Consolidated net debt	**116,868.7**	88,288.0
NWSH (stock code: 0659)	**16,130.1**	10.5
New World Department Store China Limited ("NWDS")		
— net cash and bank balances (stock code: 0825)	**(1,325.0)**	(741.2)
Net debt (exclude listed subsidiaries)	**102,063.6**	89,018.7

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group's debts were primarily denominated in Hong Kong dollar and Renminbi. In respect of the Group's operations in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging of Renminbi attributed to those projects. The Renminbi currency exposure of the Group is mainly derived from the translation of non-current assets and liabilities of the subsidiaries, associated companies and joint ventures in Mainland China with functional currency of Renminbi and the Renminbi deposits held for future development costs to be expended to Hong Kong Dollar. As at 31 December 2019, the translation of non-current assets and liabilities of subsidiaries, associated companies and joint ventures with functional currency other than Hong Kong Dollar to Hong Kong Dollar by using exchange rates at that day resulted a loss of HK$2,981.4 million is recognised in equity. Apart from this, the Group does not have any material foreign exchange exposure.

The Group's borrowings were mainly arranged on a floating rate basis. The net debt had increased and the financing costs had increased to HK$2,229.8 million. The Group used interest rate swaps, cross currency swaps and foreign exchange forward contracts to hedge part of the Group's underlying interest rate and foreign exchange exposure. Fuel price swap contracts are also used to hedge against the fuel price rises of the Group's transport business in the Others segment. As at 31 December 2019, the Group had outstanding derivative instruments in the amounts of HK$6,695.0 million and US$600.0 million (equivalent to approximately HK$4,680.0 million) and had outstanding cross currency swaps and foreign exchange forward contracts in the amounts of HK$12,832.7 million.

In July 2019, a US$300.0 million (equivalent to approximately HK$2,340.0 million) 5.75% guaranteed senior perpetual capital securities were issued by a wholly-owned subsidiary of NWSH and listed on the Stock Exchange at a price of 104.000% of the principal amount with net proceeds (excluding accrued interest) of US$309.2 million (equivalent to approximately HK$2,411.7 million).

In July 2019, a US$950.0 million (equivalent to approximately HK$7,410.0 million) 4.125% guaranteed senior notes due 2029 were issued by a wholly-owned subsidiary of the Group and listed on the Stock Exchange at a price of 98.718% of the principal amount with net proceeds of US$928.3 million (equivalent to approximately HK$7,240.7 million).

In July 2019, a US$400.0 million (equivalent to approximately HK$3,120.0 million) 6.25% guaranteed senior perpetual capital securities were issued by a wholly-owned subsidiary of the Group and listed on the Stock Exchange at a price of 101.389% of the principal amount with net proceeds (excluding accrued interest) of US$401.6 million (equivalent to approximately HK$3,132.5 million).

NET DEBT (CONTINUED)

In November 2019, a US$400.0 million (equivalent to approximately HK$3,120.0 million) 6.25% guaranteed senior perpetual capital securities were issued by a wholly-owned subsidiary of the Group and listed on the Stock Exchange at a price of 101.412% of the principal amount with net proceeds (excluding accrued interest) of US$402.4 million (equivalent to approximately HK$3,138.7 million).

In November 2019, a wholly-owned subsidiary of the Group redeemed the US$575.3 million (equivalent to approximately HK$4,487.8 million) 5.375% notes due 2019 (stock code: 5824) at principal amount upon maturity.

The proceeds from the issuance of the bonds were for general working capital purpose including the acquisition and development of property projects in Hong Kong and the Mainland China and the acquisition of FTLife Insurance.

As at 31 December 2019, the Group's cash and bank balances (including restricted bank balances) stood at HK$63,629.6 million (30 June 2019: HK$63,731.6 million) and the consolidated net debt amounted to HK$116,868.7 million (30 June 2019: HK$88,288.0 million). Following the acquisition of FTLife Insurance and various property projects in the Mainland China, including the Ningbo New World Plaza project and the Wangjiang New Town project in Hangzhou, the net debt to equity ratio was 42.2%; an increase of 10.1 percentage points as compared to 30 June 2019.

As at 31 December 2019, the Group's long-term bank loans, other loans and fixed rate bonds and notes payable amounted to HK$164,098.5 million (30 June 2019: HK$137,042.8 million). Short-term bank and other loans as at 31 December 2019 were HK$16,399.8 million (30 June 2019: HK$14,976.8 million). The maturity of bank loans, other loans and fixed rate bonds and notes payable as at 31 December 2019 and 30 June 2019 was as follows:

	As at 31 December 2019 HK$m	As at 30 June 2019 HK$m
Within one year	**42,949.2**	40,898.0
In the second year	**40,730.0**	43,006.5
In the third to fifth year	**71,346.2**	51,816.8
After the fifth year	**25,472.9**	16,298.3
	180,498.3	152,019.6

Equity of the Group as at 31 December 2019 increased to HK$277,209.9 million against HK$275,364.5 million as at 30 June 2019.

It is expected that equity raising is not necessary for the Company in the foreseeable future.

Other Information

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

At 31 December 2019, the Group had given financial assistance and guarantees to its joint ventures and associated companies (collectively "affiliated companies") as set out below:

	As at 31 December 2019 HK$m	As at 30 June 2019 HK$m
Amounts due by affiliated companies (note)	**36,113.6**	42,714.4
Guarantees given for affiliated companies in respect of banking and other credit facilities	**6,186.1**	6,908.5
Commitments to capital injections and loan contributions	**621.8**	958.1
	42,921.5	50,581.0

Note:

The advances were unsecured and were interest free except for an aggregate amount of HK$13,113.1 million (30 June 2019: HK$13,105.4 million) which carried interest ranging from 2.0% below Hong Kong Prime rate to 12.2% above London Interbank Offered Rate ("LIBOR") per annum (30 June 2019: same). Those advances had no fixed repayment terms.

Pursuant to Rule 13.22 of the Listing Rules, a 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:

	Combined statement of financial position HK$m	Group's attributable interests HK$m
Non-current assets	**162,355.9**	76,942.0
Current assets	**70,597.2**	25,476.7
Current liabilities	**(66,282.8)**	(27,462.0)
Total assets less current liabilities	**166,670.3**	74,956.7
Non-current liabilities	**(136,089.9)**	(61,105.7)
Net assets	**30,580.4**	13,851.0

The combined statement of financial position of the affiliated companies was 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.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.14 per share in cash for the financial year ending 30 June 2020 to shareholders whose names appear on the register of members of the Company on 26 March 2020. It is expected that the interim dividend will be distributed to shareholders on or about 16 April 2020.

BOOK CLOSE DATES

Book close dates (both dates inclusive)	:	20 March 2020 to 26 March 2020
Latest time to lodge transfer with share registrar	:	4:30 pm on Thursday, 19 March 2020
Address of share registrar	:	Tricor Tengis Limited Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2019, the Company bought back a total of 4,000,000 shares of the Company on the Hong Kong Stock Exchange at an aggregate consideration of HK$41,125,380 (before expenses). All such bought back shares were subsequently cancelled during the period. As at 31 December 2019, the total number of shares of the Company in issue was 10,226,400,800.

Details of the shares bought back during the period are as follows:

Month	**Number of shares bought back**	**Price paid per share**		**Aggregate consideration (before expenses)**
		Highest	**Lowest**	
		HK$	**HK$**	**HK$**
December 2019	**4,000,000**	**10.42**	**10.16**	**41,125,380**

The above share buy-backs were made with a view to enhancing the earnings per share of the Company and thus benefit the shareholders as a whole.

New World China Land Limited redeemed the USD575,359,000 (equivalent to approximately HK$4,487,800,200) 5.375% notes due 2019 (stock code: 5824) at principal amount upon maturity on 6 November 2019.

During the six months ended 31 December 2019, the Company has not redeemed any of its listed securities. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 31 December 2019.

MAJOR ACQUISITION AND DISPOSAL

1. In December 2018, Earning Star Limited, an indirect wholly-owned subsidiary of NWS Holdings Limited ("NWSH"), entered into a share purchase agreement to acquire the entire issued share capital of FTLife Insurance Co., Ltd. ("FTLife Insurance") at a total consideration of HK$21.812 billion (after adjustments) of which deposits in an aggregate amount of HK$3,120.0 million were paid during the financial year ended 30 June 2019. 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. This acquisition was completed in November 2019 and FTLife Insurance became an indirect wholly-owned subsidiary of NWSH since then.

2. On 19 July 2019, an indirect wholly-owned subsidiary of NWSH, was determined as the winning bidder at an online public auction in its bid for acquiring the concession right to operate Changliu Expressway in Hunan Province, the PRC (connecting Changsha (Yongan) and Liuyang (Hongkoujie)) till 15 October 2043 at the bid purchase price of RMB4,571.0 million (equivalent to approximately HK$5,194.3 million).

3. On 26 July 2019, Esteemed Sino Limited ("Esteemed Sino"), an indirect wholly-owned subsidiary of New World China Land Limited ("NWCL"), entered into a sale and purchase agreement with Praiseworth International Limited and Property Giant Investments Limited (collectively the "Vendors", which are wholly-owned by Chow Tai Fook Enterprises Limited ("CTFE")), and CTFE as guarantor of the Vendors, whereby the Vendors agreed to sell and assign, and Esteemed Sino agreed to acquire 51% interest of the entire issued share capital of Silvery Yield Development Limited ("Silvery Yield") and accept the assignment of shareholders' loans owing from Silvery Yield to the Vendors, for a total consideration of RMB4,010.0 million (equivalent to approximately HK$4,556.8 million) (the "Acquisition"). Silvery Yield and its subsidiaries are principally engaged in the business of property development of Ningbo New World Plaza in Ningbo City, Zhejiang Province, the PRC. The Acquisition was completed on 26 July 2019.

4. On 30 July 2019, Honour Team International Limited, an indirect wholly-owned subsidiary of NWCL, acquired through listing-for-sale the state-owned construction land use right of a parcel of land located at Wangjiang New Town, Shangcheng District, Hangzhou, Zhejiang Province, the PRC, for the development of a residential and commercial complex at a consideration of approximately RMB9,791.9 million (equivalent to approximately HK$11,127.1 million).

5. In September 2019, Guangzhou Zengpei Properties Development Co., Ltd., an indirect wholly-owned subsidiary of NWCL, won the bidding in respect of the state-owned construction land use right of a parcel of land located at Tagang Village, Yongning Street, Zengcheng District, Guangzhou, the PRC, through listing-for-sale at a consideration of RMB3,400.0 million (equivalent to approximately HK$3,863.6 million) for residential and carparking development.

6. On 9 September 2019, NWSH disposed of 120 million issued H shares of Beijing Capital International Airport Co., Ltd. ("BCIA") at the price of HK$6.50 per H share of BCIA and thereafter, NWSH no longer holds any interest in BCIA.

REVIEW OF INTERIM RESULTS

The Company's unaudited interim results for the six months ended 31 December 2019 have not been reviewed by external auditor, but have been reviewed by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2019, with the exception of code provisions A.6.4 and E.1.2.

CORPORATE GOVERNANCE CODE (CONTINUED)

Code provision A.6.4 is in relation to guidelines for securities dealings by relevant employees. As required under code provision A.6.4, the Board should establish for its relevant employees written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules in respect of their dealings in the securities of the Company. Instead of following the Model Code strictly, the Board has established its own guidelines which are not on no less exacting terms than the Model Code. Such deviation from the CG Code is considered necessary, mainly because of the huge size of employees of the Group which is over 45,000, and the Group's diversified businesses. For these reasons, to follow the exact guidelines of the Model Code will cause immense administrative burden to the Company in processing written notifications from the relevant employees when they deal in the securities of the Company, which can be avoided under the Company's own guidelines.

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 19 November 2019 (the "AGM") due to his other engagement. Dr. Cheng Chi-Kong, Adrian, Executive Vice-chairman and General Manager of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

REQUIREMENT IN CONNECTION WITH PUBLICATION OF "NON-STATUTORY ACCOUNTS" UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE CAP. 622

The financial information relating to the year ended 30 June 2019 that is included in the Interim Report 2019/2020 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company had delivered the financial statements for the year ended 30 June 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor had reported on those financial statements of the Group. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 31 December 2019.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company since the date of the Company's 2019 Annual Report are set out below:

1. Dr. Cheng Kar-Shun, Henry was re-designated from the chairman and managing director to honorary chairman of New World China Land Limited on 1 February 2020.

UPDATE ON DIRECTORS' INFORMATION (CONTINUED)

2. Dr. Cheng Chi-Kong, Adrian was appointed as an executive director of NWS Holdings Limited, a listed public company in Hong Kong, on 11 October 2019. He was appointed as the joint chief executive officer of New World China Land Limited with effect from 1 January 2020 and then promoted as the executive chairman of New World China Land Limited on 1 February 2020.

3. Mr. Cheng Kar-Shing, Peter became a member of Hong Kong Institute of Mediation on 2 October 2019.

4. Mr. Liang Cheung-Biu, Thomas was appointed as a director of Wideland Investors Limited and a member of the Board of Trustees of Wei Lun Foundation Limited, both on 20 December 2019.

5. Mr. Ip Yuk-Keung was appointed as an independent non-executive director of Hutchison Telecommunications Hong Kong Holdings Limited, a listed public company in Hong Kong, with effect from 31 December 2019. Further, Mr. Ip's membership in the Committee on Certification for Principalship under the Education Bureau of the Government of the Hong Kong Special Administrative Region ceased on 1 January 2020.

INVESTOR RELATIONS

The Group values good investor relations and has been committed to maintaining effective communication with investors. We have always offered in a high level of transparency and strived to ensure shareholders' comprehensive and thorough understanding of the Group. Announcements, interim and annual reports, and investor relations website are treated as important public disclosure channels to ensure swift, impartial and timely disclosure of the Group's information to investors and then make comprehensive assessments. Besides, we have actively participated in different international investor forums and roadshows held by both domestic and international institutions, and conducted numerous site visits with the investment community for effective communication. Feedbacks from the investment community are directly reverted to the management to promote two-way communications between the Board and the investors.

CORPORATE SUSTAINABILITY

Through The Artisanal Movement, New World Group connects our business success to social progress. "New World Sustainability Vision 2030" (SV2030) enhances our customer experience with the elements of "green", "wellness", "smart" and "caring". We have developed targets under the SV2030 in connection with the United Nations Sustainable Development Goals and started reporting the progress annually. Since the publication of the Annual Report 2019, the Group raised its first sustainability-linked loan to fund measures driving the long-term sustainability targets and enhancing buildings' climate resilience, as well as for general corporate funding and refinancing purposes. The Group recognises the importance of transparency to stakeholders and has published its Sustainability Report (https://www.nwd.com.hk/sustainability/en/publication.html) to disclose the progress and performance of sustainability programmes based on the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide and Global Reporting Initiative Standards in the past year.

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2019, over 45,000 staff was employed by entities under the Group's management. Remuneration policies are reviewed annually. Remuneration and bonuses are awarded to employees based on individual performances and are in line with market practices. Education subsidies will be granted to employees who are taking job-related courses. Periodic in-house training programs are also offered. Under the share option schemes of the Company and all the listed subsidiaries of the Group, options may be granted to certain Directors of the Company and certain employees of the Group to subscribe for shares in the Company and/or the respective subsidiaries.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests of the Directors in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(A) Long position in shares

	Number of shares				Approximate
	Personal interests	Spouse interests	Corporate interests	Total	% of shareholding
New World Department Company Limited					
(Ordinary shares)					
Mr. Doo Wai-Hoi, William	—	—	**29,117,081[(1)]**	**29,117,081**	**0.28**
Dr. Cheng Chi-Kong, Adrian	**700,000**	—	—	**700,000**	**0.01**
Mr. Cheng Kar-Shing, Peter	—	**566,567**	—	**566,567**	**0.01**
Mr. Ho Hau-Hay, Hamilton	—	—	**878,353[(2)]**	**878,353**	**0.01**
Mr. Liang Cheung-Biu, Thomas	**10,429**	—	—	**10,429**	**0.00**
Ms. Ki Man-Fung, Leonie	**90,000**	—	—	**90,000**	**0.00**
New World Department Store China Limited					
(Ordinary shares of HK$0.10 each)					
Ms. Ki Man-Fung, Leonie	**20,000**	—	—	**20,000**	**0.00**
Ms. Cheng Chi-Man, Sonia	**92,000**	—	—	**92,000**	**0.01**
NWS Holdings Limited					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-Shun, Henry	**18,349,571**	—	**12,000,000[(3)]**	**30,349,571**	**0.78**
Mr. Doo Wai-Hoi, William	—	—	**6,802,903[(4)]**	**6,802,903**	**0.17**
Mr. Cheng Kar-Shing, Peter	**320,097**	—	**6,463,227[(5)]**	**6,783,324**	**0.17**
Ms. Ki Man-Fung, Leonie	**15,000**	—	—	**15,000**	**0.00**
Sun Legend Investments Limited					
(Ordinary shares)					
Mr. Cheng Kar-Shing, Peter	—	—	**5,000,500[(6)]**	**5,000,500**	**50.00**

Notes:

(1) These shares are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

(2) These shares are beneficially owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.

(3) These shares are beneficially owned by a company which is wholly owned by Dr. Cheng Kar-Shun, Henry.

(4) These shares are beneficially owned by a company which is wholly owned by Mr. Doo Wai-Hoi, William.

(5) These shares are beneficially owned by a company which is wholly owned by Mr. Cheng Kar-Shing, Peter.

(6) These shares are beneficially owned by a controlled corporation of Mr. Cheng Kar-Shing, Peter.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(B) Long position in underlying shares — share options

During the six months ended 31 December 2019, certain Directors of the Company have interests in share options to subscribe for shares in the Company and certain of its subsidiaries. Details of such interests and movement of share options granted by the Company and its subsidiaries under their respective share option schemes are shown below:

(1) Long position in underlying shares of the Company — share options

Share options granted to Directors

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 1 July 2019	Granted during the period	Exercised during the period	Balance as at 31 December 2019	Exercise price per share HK$
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
Mr. Doo Wai-Hoi, William	3 July 2017	(2)	**100,000**	—	—	**100,000**	10.036
Dr. Cheng Chi-Kong, Adrian	9 March 2016	(3)	**3,800,000**	—	—	**3,800,000**	7.200
	10 June 2016	(1)	**3,736,471**	—	—	**3,736,471**	7.540
	3 July 2017	(2)	**2,000,000**	—	—	**2,000,000**	10.036
Mr. Yeung Ping-Leung, Howard	10 June 2016	(1)	**533,779**	—	—	**533,779**	7.540
	3 July 2017	(2)	**100,000**	—	—	**100,000**	10.036
Mr. Cha Mou-Sing, Payson	10 June 2016	(1)	**533,779**	—	—	**533,779**	7.540
	3 July 2017	(2)	**100,000**	—	—	**100,000**	10.036
Mr. Cheng Kar-Shing, Peter	10 June 2016	(1)	**533,779**	—	—	**533,779**	7.540
	3 July 2017	(2)	**100,000**	—	—	**100,000**	10.036
Mr. Ho Hau-Hay, Hamilton	10 June 2016	(4)	**333,779**	—	—	**333,779**	7.540
	3 July 2017	(2)	**100,000**	—	—	**100,000**	10.036
Mr. Lee Luen-Wai, John	10 June 2016	(1)	**533,779**	—	—	**533,779**	7.540
	3 July 2017	(2)	**100,000**	—	—	**100,000**	10.036
Mr. Liang Cheung-Biu, Thomas	10 June 2016	(1)	**533,779**	—	—	**533,779**	7.540
	3 July 2017	(2)	**100,000**	—	—	**100,000**	10.036
Ms. Ki Man-Fung, Leonie	10 June 2016	(5)	**1,202,016**	—	**(400,000)[8]**	**802,016**	7.540
	3 July 2017	(2)	**100,000**	—	—	**100,000**	10.036
Mr. Cheng Chi-Heng	10 June 2016	(1)	**533,779**	—	—	**533,779**	7.540
	3 July 2017	(2)	**100,000**	—	—	**100,000**	10.036
Ms. Cheng Chi-Man, Sonia	10 June 2016	(1)	**3,202,688**	—	—	**3,202,688**	7.540
	3 July 2017	(2)	**100,000**	—	—	**100,000**	10.036
Mr. Au Tak-Cheong	10 June 2016	(5)	**336,693**	—	**(200,000)[9]**	**136,693**	7.540
	3 July 2017	(6)	**200,000**	—	**(100,000)[9]**	**100,000**	10.036
Mr. Sitt Nam-Hoi	10 June 2016	(5)	**574,827**	—	—	**574,827**	7.540
	3 July 2017	(2)	**300,000**	—	—	**300,000**	10.036
	6 July 2018	(7)	**600,000**	—	—	**600,000**	11.040
Mr. So Chung-Keung, Alfred*	3 July 2017	(2)	**2,300,000**	—	—	**2,300,000**	10.036
	6 July 2018	(7)	**600,000**	—	—	**600,000**	11.040
Mr. Ip Yuk-Keung	6 July 2018	(7)	**600,000**	—	—	**600,000**	11.040
			36,664,785	—	**(700,000)**	**35,964,785**	

* Mr. So Chung-Keung, Alfred resigned as Director of the Company with effect from 1 January 2020.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(B) Long position in underlying shares — share options (continued)

(1) Long position in underlying shares of the Company — share options (continued)

Share options granted to Directors (continued)

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) Divided into 3 tranches exercisable from 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

(5) Divided into 2 tranches exercisable from 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

(6) Divided into 2 tranches exercisable from 3 July 2019 and 3 July 2020 respectively to 2 July 2021.

(7) Divided into 4 tranches exercisable from 6 July 2018, 6 July 2019, 6 July 2020 and 6 July 2021 respectively to 5 July 2022.

(8) The exercise date was 12 July 2019. On the trading date immediately before the exercise date, the closing price per share was HK$12.40.

(9) The exercise date was 18 October 2019. On the trading date immediately before the exercise date, the closing price per share was HK$11.18.

(10) The cash consideration paid by each Director for the grant of share options is HK$10.0.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(B) Long position in underlying shares — share options (continued)

(1) Long position in underlying shares of the Company — share options (continued)

Share options granted to other eligible employees

		Number of share options					
Date of grant	Exercisable period (Note)	Balance as at 1 July 2019	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 31 December 2019	Exercise price per share HK$
7 July 2015	(1)	1,968,857	—	(360,406)[7]	(1,608,451)	—	9.966
9 March 2016	(2)	3,665,000	—	(929,000)[8]	—	2,736,000	7.200
10 June 2016	(3)	12,720,081	—	(3,213,836)[9]	—	9,506,245	7.540
3 July 2017	(4)	29,940,000	—	(1,999,000)[10]	(1,813,000)	26,128,000	10.036
6 July 2018	(5)	33,386,500	—	(384,500)[11]	(1,275,000)	31,727,000	11.040
22 May 2019	(6)	46,550,000	—	—	(1,400,000)	45,150,000	12.344
		128,230,438	—	(6,886,742)	(6,096,451)	115,247,245	

Notes:

(1) Divided into 4 tranches exercisable from 7 July 2015, 7 July 2016, 7 July 2017 and 7 July 2018 respectively to 6 July 2019.

(2) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

(3) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

(4) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.

(5) Divided into 4 tranches exercisable from 6 July 2018, 6 July 2019, 6 July 2020 and 6 July 2021 respectively to 5 July 2022.

(6) Divided into 4 tranches exercisable from 22 May 2019, 22 May 2020, 22 May 2021 and 22 May 2022 respectively to 21 May 2023.

(7) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$12.530.

(8) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$11.576.

(9) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$11.176.

(10) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$11.516.

(11) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$11.873.

(12) The cash consideration paid by each eligible employee for the grant of share options is HK$10.0.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(B) Long position in underlying shares — share options (continued)

(2) Long position in underlying shares of NWS Holdings Limited — share options

Share options granted to Director

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 1 July 2019	Adjusted during the period	Exercised during the period	Balance as at 31 December 2019	Exercise price per share HK$
Dr. Cheng Kar-Shun, Henry	9 March 2015	(1)	**7,420,739**	—	—	**7,420,739**	14.120

Notes:

(1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options 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 the above Director for the grant of share options is HK$10.0.

Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options: Balance as at 1 July 2019	Adjusted during the period	Exercised during the period	Lapsed during the period	Balance as at 31 December 2019	Exercise price per share HK$
9 March 2015	(1)	**18,626,863**	—	—	**(1,432)**	**18,625,431**[(2)]	14.120

Notes:

(1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

(2) Such balance includes 17,221,509 share options of eligible employees and 1,403,922 share options of a retired independent non-executive director of NWS Holdings Limited.

(3) The cash consideration paid by each eligible participant for the grant of share options is HK$10.0.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(C) Long position in debentures

(1) Celestial Dynasty Limited ("CDL")

Name	Amount of debentures in US$ issued by CDL				Approximate % to the total amount of debentures in issue as at 31 December 2019
	Personal interests US$	Family interests US$	Corporate interests US$	Total US$	
Mr. Doo Wai-Hoi, William	—	—	2,800,000[(1)]	2,800,000	0.43

Note:

(1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

(2) Celestial Miles Limited ("CML")

Name	Amount of debentures in US$ issued by CML				Approximate % to the total amount of debentures in issue as at 31 December 2019
	Personal interests US$	Family interests US$	Corporate interests US$	Total US$	
Mr. Doo Wai-Hoi, William	—	—	34,600,000[(1)]	34,600,000	2.66
Mr. Cheng Kar-Shing, Peter	2,000,000	—	—	2,000,000	0.15
Mr. Lee Luen-Wai, John	—	61,000	—	61,000	0.00
	2,000,000	61,000	34,600,000	36,661,000	

Note:

(1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(C) Long position in debentures (continued)

(3) Fita International Limited ("Fita")

Name	Amount of debentures in US$ issued by Fita				Approximate % to the total amount of debentures in issue as at 31 December 2019
	Personal interests US$	Family interests US$	Corporate interests US$	Total US$	
Mr. Doo Wai-Hoi, William	—	2,900,000	12,890,000[(1)]	15,790,000	2.11
Mr. Lee Luen-Wai, John	1,000,000	1,000,000	—	2,000,000	0.27
	1,000,000	3,900,000	12,890,000	17,790,000	

Note:

(1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

(4) New World China Land Limited ("NWCL")

Name	Amount of debentures issued by NWCL				Approximate % to the total amount of debentures in issue as at 31 December 2019
	Personal interests HK$	Family interests HK$	Corporate interests HK$	Total HK$	
Mr. Doo Wai-Hoi, William	—	—	538,500,000[(1)]	538,500,000	6.59

Note:

(1) These debentures are held by companies which are wholly owned by Mr. Doo Wai-Hoi, William, of which HK$390,000,000 debentures were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(C) Long position in debentures (continued)

(5) NWD Finance (BVI) Limited ("NWD Finance")

Name	Amount of debentures issued in US$ by NWD Finance				Approximate % to the total amount of debentures in issue as at 31 December 2019
	Personal interests US$	Family interests US$	Corporate interests US$	Total US$	
Mr. Doo Wai-Hoi, William	—	3,075,000	74,600,000[1]	77,675,000	3.11
Ms. Ki Man-Fung, Leonie	1,000,000	—	—	1,000,000	0.04
	1,000,000	3,075,000	74,600,000	78,675,000	

Note:

(1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

(6) NWD (MTN) Limited ("NWD (MTN)")

Name	Amount of debentures issued by NWD (MTN)				Approximate % to the total amount of debentures in issue as at 31 December 2019
	Personal interests HK$	Family interests HK$	Corporate interests HK$	Total HK$	
Mr. Doo Wai-Hoi, William	—	23,400,000[1]	156,000,000[2]	179,400,000	0.72
Ms. Ki Man-Fung, Leonie	11,800,000[3]	—	—	11,800,000	0.05
	11,800,000	23,400,000	156,000,000	191,200,000	

Notes:

(1) These debentures were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

(2) These debentures are beneficially owned by a company which is wholly owned by Mr. Doo Wai-Hoi, William and were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

(3) This amount includes HK$7,800,000 debentures which were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive had or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2019, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in shares

	Number of shares held			
Name	**Beneficial interests**	**Corporate interests**	**Total**	**Approximate % of shareholding**
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")[(1)]	—	**4,535,634,444**	**4,535,634,444**	**44.35**
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")[(2)]	—	**4,535,634,444**	**4,535,634,444**	**44.35**
Chow Tai Fook Capital Limited ("CTFC")[(3)]	—	**4,535,634,444**	**4,535,634,444**	**44.35**
Chow Tai Fook (Holding) Limited ("CTFHL")[(4)]	—	**4,535,634,444**	**4,535,634,444**	**44.35**
Chow Tai Fook Enterprises Limited ("CTF")[(5)]	**4,123,491,293**	**412,143,151**	**4,535,634,444**	**44.35**

Notes:

(1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(3) CTFC holds 81.03% direct interest in CTFHL and is accordingly deemed to have an interest in the shares deemed to be interested by CTFHL.

(4) CTFHL holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.

(5) CTF together with its subsidiaries.

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Cheng Kar-Shun, Henry *GBM GBS (Chairman)*
Dr. Cheng Chi-Kong, Adrian *JP*
(Executive Vice-chairman and General Manager)
Mr. Cheng Chi-Heng
Ms. Cheng Chi-Man, Sonia
Mr. Au Tak-Cheong
Mr. Sitt Nam-Hoi

Non-executive Directors

Mr. Doo Wai-Hoi, William *JP*
(Non-executive Vice-chairman)
Mr. Cheng Kar-Shing, Peter
Ms. Ki Man-Fung, Leonie *GBS SBS JP*

Independent Non-executive Directors

Mr. Yeung Ping-Leung, Howard
Mr. Cha Mou-Sing, Payson *JP*
Mr. Cha Mou-Zing, Victor
(Alternate Director to Mr. Cha Mou-Sing, Payson)
Mr. Ho Hau-Hay, Hamilton
Mr. Lee Luen-Wai, John *BBS JP*
Mr. Liang Cheung-Biu, Thomas
Mr. Ip Yuk-Keung

COMPANY SECRETARY

Mr. Wong Man-Hoi

AUDITOR

PricewaterhouseCoopers

SOLICITORS

Woo, Kwan, Lee & Lo
Kao, Lee & Yip
Vincent T.K. Cheung, Yap & Co
Iu, Lai & Li
Eversheds

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PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China (Hong Kong)
Bank of Communications
Bank of East Asia
China Construction Bank (Asia)
China Development Bank
China Merchants Bank
Citibank N.A.
DBS Bank
Hang Seng Bank
Industrial and Commercial Bank of China (Asia)
Mizuho Bank
MUFG Bank, Ltd.
Nanyang Commercial Bank
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation

STOCK CODE

Hong Kong Stock Exchange 0017
Reuters 0017.HK
Bloomberg 17 HK

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For more information about the Group,
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Chinese Version

The Chinese version of this Interim Report is available on request from New World Development Company Limited. Where the English and the Chinese texts conflict, the English text prevails.

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