新創建集團有限公司*

NWS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 659)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

HIGHLIGHTS

- **The Group's AOP: HK$2,289.9 million**
  - **Core Business AOP was HK$2,048.1 million, increased by 12% (accounted for 89% of the Group's AOP)**
  - **Strategic Portfolio AOP was HK$241.8 million**
- **Profit attributable to shareholders was HK$1,513.8 million**
- **Earnings per share was HK$0.39**
- **Interim dividend of HK$0.29 per share remains stable (same as interim dividend for FY2019)**
- **Net gearing ratio was 30%**
- **Ample liquidity with total capital resources amounted to approximately HK$17.9 billion, including cash and bank balances amounted to HK$12.5 billion and unutilized committed banking facilities approximately HK$5.4 billion**
- **Continued optimization of business and disposal of non-core assets recuperated approximately HK$910 million**

The board of directors (the "Board") of NWS Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2019 (the "Current Period"), together with comparative figures for the six months ended 31 December 2018 (the "Last Period").

BUSINESS REVIEW

Group overview

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

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

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

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

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

Contribution by Division

For the six months ended 31 December

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

^ *After non-controlling interests*

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

OPERATIONAL REVIEW – CORE BUSINESS

AOP Contribution by Segment

For the six months ended 31 December

	2019	2018	Change %
	HK$'m	HK$'m	Fav./(Unfav.)
Roads	**949.6**	948.5	-
Aviation	**267.9**	231.8	16
Construction	**670.2**	655.4	2
Insurance	**160.4**	-	N/A
Total	**2,048.1**	1,835.7	12

Roads

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

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

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

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

Aviation

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

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

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

Construction

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

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

Insurance

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

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

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

FTLife Insurance maintained a very strong 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 the Group after the completion of the acquisition, Moody's has upgraded FTLife Insurance's insurance financial strength rating from Baa1 to A3 with stable outlook. Meanwhile, Fitch Ratings also affirmed A- insurer financial strength rating with stable rating outlook which highlighted FTLife Insurance's robust capital base and solvency ratio.

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

OPERATIONAL REVIEW – STRATEGIC PORTFOLIO

AOP Contribution by Segment

For the six months ended 31 December

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

Environment

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

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

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

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

Logistics

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

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

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

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

Facilities Management

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

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

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

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

Transport

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

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

BUSINESS OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL RESOURCES

Treasury management and cash funding

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group operates a centralized treasury function to monitor its cash position, cash flow and debt profile as well as optimize its funding cost-efficiency. In order to maintain maximum financial flexibility with adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources, optimizes our capital structure and expands our source of funding from time to time such as perpetual capital securities, capital market issue and bank borrowings, for which the proportion will change depending on financial market conditions. The capital structure of the Group was 34% debt and 66% equity as at 31 December 2019, compared with 21% debt and 79% equity as at 30 June 2019.

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

Liquidity and capital resources

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

Debt profile and maturity

As at 31 December 2019, the Group's total debt increased to HK$30,008.6 million from HK$15,069.4 million as at 30 June 2019. The Group has managed to evenly distribute its debt maturity profile to reduce refinancing risks. Amongst the non-current portion of the long-term loans and borrowings of HK$26,643.1 million as at 31 December 2019, 8% will mature in the second year, 64% will mature in the third to fifth year and 28% will mature after the fifth year. Bank loans were mainly denominated in Hong Kong Dollar and bearing interest at floating rates while fixed rate bonds were denominated in United States Dollar. As at 31 December 2019, the Group has provided a pledge over its 30% equity interest in the project company which owns and operates the Suiyuenan Expressway as security for a bank loan made to the project company.

Commitments

The Group's total commitment for capital expenditures was HK$1,363.6 million as at 31 December 2019, compared with HK$19,711.0 million as at 30 June 2019. These comprised commitments for capital contributions to certain associated companies, joint ventures and other investments of HK$934.7 million as well as additions of concession rights, property, plant and equipment and right-of-use assets of HK$428.9 million. Sources of funds for capital expenditures include internal resources of the Group and committed external financing from reputable international banks.

Financial guarantee contracts

Financial guarantee contracts of the Group were HK$3,804.9 million as at 31 December 2019, compared with HK$3,712.6 million as at 30 June 2019. These comprised guarantees for banking facilities of associated companies and joint ventures.

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

RESULTS

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

Condensed Consolidated Income Statement – Unaudited

		For the six months ended 31 December	
		2019	2018
	Note	**HK$'m**	HK$'m
Revenue	*3*	**13,215.5**	14,188.0
Cost of sales	*4*	**(11,296.0)**	(12,590.2)
Gross profit		**1,919.5**	1,597.8
Other income/gains (net)	*5*	**631.1**	476.7
Selling and marketing expenses		**(321.3)**	(108.4)
General and administrative expenses		**(652.7)**	(607.3)
Overlay approach adjustments on financial assets	*2(b)(xiii)*	**(137.8)**	-
Operating profit	*6*	**1,438.8**	1,358.8
Finance costs		**(451.9)**	(210.7)
Share of results of			
Associated companies	*3(b)*	**273.6**	596.2
Joint ventures	*3(b)*	**918.3**	899.9
Profit before income tax		**2,178.8**	2,644.2
Income tax expenses	*7*	**(374.5)**	(353.5)
Profit for the period		**1,804.3**	2,290.7
Profit attributable to			
Shareholders of the Company		**1,513.8**	2,274.3
Holders of perpetual capital securities		**290.4**	-
Non-controlling interests		**0.1**	16.4
		1,804.3	2,290.7
Earnings per share attributable to the shareholders of the Company	*8*		
Basic		**HK$0.39**	HK$0.58
Diluted		**N/A**	HK$0.58

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	Note	For the six months ended 31 December 2019 HK$'m	2018 HK$'m
Profit for the period		**1,804.3**	2,290.7
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Net fair value changes on financial assets at fair value through other comprehensive income (equity instruments)		**(137.7)**	(36.4)
Remeasurement of post-employment benefit obligation		**(3.6)**	-
Items that have been reclassified/may be subsequently reclassified to profit or loss			
Net fair value changes on financial assets at fair value through other comprehensive income (debt instruments)		**(422.7)**	-
Release of reserve upon disposal of subsidiaries		**-**	0.1
Release of reserves upon disposal/partial disposal of interests in associated companies		**(14.5)**	(14.1)
Share of other comprehensive income of associated companies and joint ventures		**0.8**	6.9
Cash flow hedges in relation to the Group and joint ventures		**(62.5)**	(222.0)
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	*2(b)(xiii)*	**137.8**	-
Currency translation differences		**(791.5)**	(1,316.5)
Other comprehensive loss for the period, net of tax		**(1,293.9)**	(1,582.0)
Total comprehensive income for the period		**510.4**	708.7
Total comprehensive income attributable to			
Shareholders of the Company		**221.8**	696.8
Holders of perpetual capital securities		**290.4**	-
Non-controlling interests		**(1.8)**	11.9
		510.4	708.7

Condensed Consolidated Statement of Financial Position – Unaudited

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

Condensed Consolidated Statement of Financial Position – Unaudited

	Note	**(Unaudited) At 31 December 2019 HK$'m**	(Audited) At 30 June 2019 HK$'m
LIABILITIES			
Non-current liabilities			
Borrowings and other interest-bearing liabilities		**26,643.1**	12,666.1
Deferred tax liabilities		**2,461.6**	2,262.2
Insurance and investment contract liabilities		**13,424.7**	-
Liabilities related to unit-linked contracts		**161.6**	-
Lease liabilities		**1,631.1**	-
Other non-current liabilities		**235.2**	161.0
		44,557.3	15,089.3
Current liabilities			
Borrowings and other interest-bearing liabilities		**3,365.5**	2,403.3
Insurance and investment contract liabilities		**19,291.0**	-
Liabilities related to unit-linked contracts		**9,495.2**	-
Trade, other payables and payables to policyholders	*11*	**12,850.8**	10,842.6
Lease liabilities		**343.9**	-
Taxation		**510.3**	483.2
		45,856.7	13,729.1
Total liabilities		**90,414.0**	28,818.4
Total equity and liabilities		**149,636.9**	86,065.0

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements (the "interim financial statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim financial statements should be read in conjunction with the annual financial statements for FY2019.

As analyzed in note 3(a)(i), the Group, before taking into consideration the newly acquired insurance business, is in net current assets position as at 31 December 2019, while the Group is in net current liabilities position of HK$5,922.5 million after taking into consideration the consolidation of FTLife Insurance, which is mainly due to the classification of the full surrender value of insurance and investment contract liabilities of HK$19,291.0 million as current liabilities at the reporting date.

Under Hong Kong Accounting Standard 1 "Presentation of Financial Statements", liability is classified as current if there is no unconditional right by the issuer to defer the settlement for at least 12 months after the reporting period. The unavoidable payment obligation exists if all the policyholders choose to exercise their surrender option at the reporting date and accordingly the full surrender value of insurance and investment contract liabilities is classified as current liabilities as at the period end. However, management considered the likelihood for all policyholders to exercise the surrender option and leading to the settlement of the aforesaid liabilities within one year is low. Based on historical pattern, management considered the amount of insurance and investment contract liabilities expected to be settled within one year is approximately HK$4,718.5 million.

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

The accounting policies used in the preparation of the interim financial statements are consistent with those set out in the annual report for FY2019 except as described in notes 1(a), 1(b), 2(a) and 2(b) below.

1. Basis of preparation and accounting policies (continued)

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

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

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

Except for the adoption of Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") as disclosed in notes 1(b) and 2(a) and amendments to Hong Kong Accounting Standard 28 "Long-term Interests in Associates and Joint Ventures" which resulted in reclassification of expected credit loss provision from share of net assets to amounts receivable from associated companies and joint ventures, the adoption of other amendments to standards and interpretation does not have significant effect on the results and financial position of the Group.

(b) Adoption of Hong Kong Financial Reporting Standard 16 "Leases"

The Group has adopted HKFRS 16 retrospectively from 1 July 2019, but has not restated comparative information for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore not reflected in the consolidated statement of financial position as at 30 June 2019, but are recognized in the opening consolidated statement of financial position as at 1 July 2019. Details of the change in accounting policy are set out in note 2(a).

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

1. Basis of preparation and accounting policies (continued)

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

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

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

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

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

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

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

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

1. Basis of preparation and accounting policies (continued)

(b) Adoption of Hong Kong Financial Reporting Standard 16 "Leases" (continued)

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

	As at 31 December 2019 HK$'m	As at 1 July 2019 HK$'m
Leasehold land	**682.1**	695.0
Buildings, plant and equipment	**637.5**	137.0
Others	**749.0**	791.0
Total right-of-use assets	**2,068.6**	1,623.0

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

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

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

HKFRS 17 "Insurance Contracts" ("HKFRS 17")

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

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

2. Changes in/adoption of accounting policies

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

As explained in note 1(b) above, the Group has adopted HKFRS 16 which resulted in changes in accounting policy used in the preparation of the consolidated financial statements.

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

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

Accounting policies applied from 1 July 2019

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

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

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

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

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

2. Changes in/adoption of accounting policies (continued)

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

Right-of-use assets are measured at cost comprising the following items:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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

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

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

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

(i) Product classification

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

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

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

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

2. Changes in/adoption of accounting policies (continued)

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

(ii) Insurance contract liabilities

Insurance contract liabilities represent net future policy liabilities as 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 derecognized when the contract expires, is discharged or is cancelled.

(iii) Investment contract liabilities

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

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

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

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

2. Changes in/adoption of accounting policies (continued)

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

(vi) Deferred acquisition costs ("DAC")

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

2. Changes in/adoption of accounting policies (continued)

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

(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 costs and value of business acquired, are adequate using current estimates of future cash flows under the insurance contracts. The liability value is adjusted if insufficient to meet future obligations, taking into account future premiums, investment income, benefits and expenses and cash flows from embedded options and guarantees. If the test shows that a deficiency exists, the shortfall is immediately recorded in the profit or loss for the year.

(viii) Premiums

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

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

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

(ix) Fees and commission income

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

(x) Benefits and insurance claims

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

(xi) Commissions

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

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

2. Changes in/adoption of accounting policies (continued)

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

(xii) Premiums receivables

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

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

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

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

3. Revenue and segment information

The Group's revenue is analyzed as follows:

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

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the businesses of the Group from product and service perspectives, which comprised (i) Roads; (ii) Aviation; (iii) Construction; (iv) Insurance; (v) Environment; (vi) Logistics; (vii) Facilities Management; (viii) Transport; and (ix) Strategic Investments.

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

3. Revenue and segment information (continued)

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

HK$'m	Roads	Aviation	Construction	Environment	Logistics	Facilities Management	Transport	Strategic Investments	Subtotal	Insurance	Total	
For the six months ended 31 December 2019												
Total revenue	**1,427.6**	**-**	**6,346.2**	**-**	**-**	**1,522.2**	**1,931.9**	**-**	**11,227.9**	**1,998.6**	**13,226.5**	
Inter-segment	**-**	**-**	**(7.7)**	**-**	**-**	**(3.3)**	**-**	**-**	**(11.0)**	**-**	**(11.0)**	
Revenue – external	**1,427.6**	**-**	**6,338.5**	**-**	**-**	**1,518.9**	**1,931.9**	**-**	**11,216.9**	**1,998.6**	**13,215.5**	
Revenue from contracts with customers:												
Recognized at a point in time	**1,427.6**	**-**	**-**	**-**	**-**	**893.9**	**1,842.5**	**-**	**4,164.0**	**-**	**4,164.0**	
Recognized over time	**-**	**-**	**6,338.5**	**-**	**-**	**625.0**	**89.4**	**-**	**7,052.9**	**111.3**	**7,164.2**	
	1,427.6	**-**	**6,338.5**	**-**	**-**	**1,518.9**	**1,931.9**	**-**	**11,216.9**	**111.3**	**11,328.2**	
Revenue from other source:												
Insurance revenue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,887.3**	**1,887.3**	
	1,427.6	**-**	**6,338.5**	**-**	**-**	**1,518.9**	**1,931.9**	**-**	**11,216.9**	**1,998.6**	**13,215.5**	
Attributable operating profit												
Company and subsidiaries	**529.0**	**-**	**505.6**	**13.6**	**-**	**(186.8)**	**(29.1)**	**45.8**	**878.1**	**160.4**	**1,038.5**	
Associated companies	**93.5**	**-**	**164.6**	**143.8**	**63.9**	**(182.6)**	**-**	**45.6**	**328.8**	**-**	**328.8**	**(b)**
Joint ventures	**327.1**	**267.9**	**-**	**75.7**	**275.2**	**5.0**	**-**	**(28.3)**	**922.6**	**-**	**922.6**	**(b)**
	949.6	**267.9**	**670.2**	**233.1**	**339.1**	**(364.4)**	**(29.1)**	**63.1**	**2,129.5**	**160.4**	**2,289.9**	
Reconciliation – corporate office and non-operating items												
Net loss on disposal of projects, net of tax											**(152.9)**	
Net gain on fair value of derivative financial instruments											**84.7**	
Net exchange gain											**45.0**	
Interest income											**81.9**	
Finance costs											**(353.5)**	
Expenses and others											**(190.9)**	
Profit for the period after non-controlling interests											**1,804.2**	
Profit attributable to holders of perpetual capital securities											**(290.4)**	
Profit attributable to shareholders											**1,513.8**	

3. Revenue and segment information (continued)

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

HK$'m	Roads	Aviation	Construction	Environment	Logistics	Facilities Management	Transport	Strategic Investments	Subtotal	Insurance	Segment Total	Corporate	Consolidated
For the six months ended 31 December 2019													
Depreciation of property, plant and equipment	**15.4**	**-**	**20.6**	**-**	**-**	**62.3**	**197.4**	**-**	**295.7**	**5.8**	**301.5**	**2.9**	**304.4**
Depreciation of right-of-use assets	**0.4**	**-**	**11.6**	**-**	**-**	**52.1**	**54.1**	**-**	**118.2**	**23.6**	**141.8**	**11.5**	**153.3**
Amortization of intangible concession rights	**464.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**464.0**	**-**	**464.0**	**-**	**464.0**
Amortization of intangible assets	**-**	**-**	**-**	**-**	**-**	**15.6**	**0.8**	**-**	**16.4**	**6.8**	**23.2**	**-**	**23.2**
Amortization of VOBA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**54.6**	**54.6**	**-**	**54.6**
Interest income	**(27.0)**	**(0.1)**	**(1.3)**	**(15.3)**	**(0.1)**	**(29.9)**	**(1.0)**	**(38.2)**	**(112.9)**	**(204.2)**	**(317.1)**	**(81.9)**	**(399.0)**
Finance costs	**6.7**	**-**	**36.7**	**-**	**-**	**18.5**	**14.8**	**0.1**	**76.8**	**21.6**	**98.4**	**353.5**	**451.9**
Income tax expenses	**231.3**	**-**	**109.5**	**1.5**	**(3.4)**	**27.9**	**(11.6)**	**5.2**	**360.4**	**14.1**	**374.5**	**-**	**374.5**
Overlay approach adjustments on financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**137.8**	**137.8**	**-**	**137.8**
Net loss/(gain) on fair value of financial assets at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17.5**	**17.5**	**(139.1)**	**(121.6)**	**-**	**(121.6)**
Additions to non-current assets (Remark)	**5,417.0**	**-**	**24.0**	**-**	**-**	**117.6**	**223.6**	**-**	**5,782.2**	**6,665.6**	**12,447.8**	**4.5**	**12,452.3**
As at 31 December 2019													
Company and subsidiaries	**16,337.2**	**6,303.0**	**7,069.4**	**163.8**	**7.4**	**4,798.8**	**6,327.8**	**7,333.4**	**48,340.8**	**70,749.0**	**119,089.8**	**2,929.4**	**122,019.2**
Associated companies	**2,606.2**	**-**	**2,016.3**	**5,143.3**	**1,686.5**	**817.0**	**-**	**1,815.5**	**14,084.8**	**-**	**14,084.8**	**3.1**	**14,087.9**
Joint ventures	**4,485.7**	**1,639.3**	**0.1**	**3,143.4**	**2,894.6**	**10.4**	**-**	**1,338.6**	**13,512.1**	**-**	**13,512.1**	**17.7**	**13,529.8**
Total assets	**23,429.1**	**7,942.3**	**9,085.8**	**8,450.5**	**4,588.5**	**5,626.2**	**6,327.8**	**10,487.5**	**75,937.7**	**70,749.0 (i)**	**146,686.7**	**2,950.2**	**149,636.9**
Total liabilities	**2,676.1**	**-**	**8,144.8**	**44.4**	**56.7**	**1,812.6**	**2,251.8**	**23.7**	**15,010.1**	**49,289.7 (i)**	**64,299.8**	**26,114.2**	**90,414.0**

3. Revenue and segment information (continued)

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

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

	At 31 December 2019		
HK$'m	**Non-insurance and corporate**	**Insurance**	**Total**
Total assets			
Intangible concession rights	**14,422.7**	**-**	**14,422.7**
Intangible assets	**695.7**	**5,970.5**	**6,666.2**
Value of business acquired	**-**	**5,770.4**	**5,770.4**
Associated companies	**14,087.9**	**-**	**14,087.9**
Joint ventures	**13,529.8**	**-**	**13,529.8**
Financial assets at fair value through other comprehensive income	**1,265.0**	**36,326.4**	**37,591.4**
Financial assets at fair value through profit or loss	**5,074.6**	**3,127.1**	**8,201.7**
Other non-current assets	**529.1**	**1,770.1**	**2,299.2**
Investments related to unit-linked contracts	**-**	**9,495.2**	**9,495.2**
Trade, premium and other receivables	**13,896.8**	**1,217.0**	**15,113.8**
Cash and bank balances	**6,339.6**	**6,165.0**	**12,504.6**
Others	**9,046.7**	**907.3**	**9,954.0**
	78,887.9	**70,749.0**	**149,636.9**
Representing by			
Non-current assets	**57,433.9**	**52,268.8**	**109,702.7**
Current assets	**21,454.0**	**18,480.2**	**39,934.2**
	78,887.9	**70,749.0**	**149,636.9**
Total liabilities			
Borrowings and other interest-bearing liabilities	**26,654.7**	**3,353.9**	**30,008.6**
Insurance and investment contract liabilities	**-**	**32,715.7**	**32,715.7**
Liabilities related to unit-linked contracts	**-**	**9,656.8**	**9,656.8**
Trade, other payables and payables to policyholders	**10,285.4**	**2,565.4**	**12,850.8**
Others	**4,184.2**	**997.9**	**5,182.1**
	41,124.3	**49,289.7**	**90,414.0**
Representing by			
Non-current liabilities	**27,906.0**	**16,651.3**	**44,557.3**
Current liabilities	**13,218.3**	**32,638.4**	**45,856.7**
	41,124.3	**49,289.7**	**90,414.0**
Net current assets/(liabilities) (Note 1)	**8,235.7**	**(14,158.2)**	**(5,922.5)**

3. Revenue and segment information (continued)

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

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

3. Revenue and segment information (continued)

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

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

3. Revenue and segment information (continued)

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

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

(c) Information by geographical areas:

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

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

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

4. Cost of sales

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

	For the six months ended 31 December	
	2019	2018
	HK$'m	HK$'m
Cost of inventories sold	**853.4**	1,188.4
Cost of services rendered	**8,887.5**	11,401.8
Claims and benefits, net of reinsurance	**1,500.5**	-
Amortization of VOBA	**54.6**	-
	11,296.0	12,590.2

5. Other income/gains (net)

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

6. Operating profit

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

		For the six months ended 31 December	
		2019	2018
	Note	**HK$'m**	HK$'m
Crediting			
Gross rental income from investment properties		**29.4**	31.2
Less: outgoings		**(6.6)**	(7.2)
		22.8	24.0
Charging			
Depreciation of property, plant and equipment		**304.4**	286.1
Depreciation of right-of-use assets		**153.3**	-
Amortization of intangible concession rights		**464.0**	416.3
Amortization of intangible assets		**23.2**	16.5
Agency commission and allowances, net of change in deferred acquisition costs	*2(b)(vi),(xi)*	**199.6**	-
Expenses on short-term leases		**59.5**	-
Expenses on variable lease payments		**59.5**	-
Operating lease rental expenses – properties		**-**	133.2

7. Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the Current Period. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the Current Period at the rates of tax prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2018: 12% to 25%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2018: 5% or 10%).

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

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

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

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

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

8. Earnings per share

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

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

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

	For the six months ended 31 December 2018 HK$'m
Profit attributable to shareholders of the Company and for calculation of diluted earnings per share	2,274.3

	Number of shares For the six months ended 31 December 2018
Weighted average number of shares for calculating basic earnings per share	3,898,457,613
Effect of dilutive potential ordinary shares	
Share options	2,246,547
Weighted average number of shares for calculating diluted earnings per share	3,900,704,160

9. Dividend

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

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

10. Trade, premium and other receivables

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

	At 31 December 2019 HK$'m	At 30 June 2019 HK$'m
Under 3 months	**1,309.1**	1,673.4
4 to 6 months	**33.4**	1.6
Over 6 months	**114.7**	296.1
	1,457.2	1,971.1

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

11. Trade, other payables and payable to policyholders

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

	At 31 December 2019 HK$'m	At 30 June 2019 HK$'m
Under 3 months	**419.2**	866.1
4 to 6 months	**-**	7.3
Over 6 months	**39.1**	60.3
	458.3	933.7

12. Business combination

(a) In December 2018, Earning Star Limited, an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement to acquire the entire issued share capital of FTLife Insurance at a total consideration of HK$21.812 billion (after adjustments) of which deposits in an aggregate amount of HK$3,120.0 million were paid during FY2019. FTLife Insurance is a life insurance company operating in Hong Kong providing a broad range of protection and savings-related life and medical insurance products. This acquisition was completed in November 2019 and FTLife Insurance became an indirect wholly-owned subsidiary of the Company since then.

(b) The fair value of assets acquired and liabilities assumed based on provisional assessment and the resulting goodwill at the date of acquisition are as follows:

	HK$'m
Consideration (after adjustments)	
Cash	**18,692.2**
Deposits paid in prior period	**3,120.0**
	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**
Trade, premium and other receivables	**1,125.9**
Investments related to unit-linked contracts	**9,168.3**
Cash, bank balances and pledged deposits	**8,586.8**
Borrowings and other interest-bearing liabilities	**(3,548.8)**
Deferred tax liabilities	**(299.0)**
Insurance and investment contract liabilities	**(31,543.4)**
Liabilities related to unit-linked contracts	**(9,330.8)**
Lease liabilities	**(559.8)**
Other non-current liabilities	**(86.6)**
Trade, other payables and payables to policyholders	**(2,418.4)**
Taxation	**(80.9)**
Identifiable assets acquired and liabilities assumed	**15,952.9**
Goodwill on acquisition	**5,859.3**
	21,812.2

12. Business combination (continued)

(b) (continued)

	HK$'m
Purchase consideration settled in cash in the Current 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 in the Current Period	**10,097.7**

(c) A provisional goodwill of HK$5,859.3 million arising from the acquisition is attributable mainly to the benefit of talents and experience of the management and workforce of the acquired insurance business and integration of the Group's existing premium products and services into the attractive insurance sector.

(d) The measurement of goodwill, identifiable assets acquired and liabilities assumed at the acquisition date will be subject to finalization within one year from the acquisition date in accordance with HKFRS 3. Any adjustment to the provisional amount, if necessary, will be reflected in the upcoming consolidated financial statements of the Group.

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

Latest time to lodge transfer documents for registration	4:30 pm on 24 March 2020
Closure of register of members	25 March 2020
Record date	25 March 2020
Interim Dividend payment date	on or about 15 April 2020

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, approximately 28,300 staff was employed by entities under the Group's management of which approximately 10,700 staff was employed in Hong Kong. Total staff related costs include provident funds, staff bonus and deemed share option benefits but excluding directors' remunerations during the Current Period which were HK$2.292 billion (2018: HK$2.099 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Dr Cheng Kar Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 18 November 2019 (the "AGM") due to his other engagement. Mr Ma Siu Cheung, the Chief Executive Officer and Executive Director of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient caliber for answering questions at the AGM and had answered questions at the AGM competently.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Period.

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

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

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

THE BOARD

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

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 28 February 2020

* *For identification purposes only*