新世界發展有限公司
New World Development Company Limited
(incorporated in Hong Kong with limited liability)
(Hong Kong Stock Code: 0017)

Interim Results Announcement 2020/2021

Results Highlights:

- The Group recorded consolidated revenues of HK$35,577.3 million, up 9.6%. Underlying profit was HK$3,718.6 million and profit attributable to shareholders of the Company was HK$1,013.0 million, down slightly by 5% and 0.4% respectively
- The Group's attributable contracted sales in Hong Kong amounted to about HK$26.3 billion, which exceeded its FY2021 Hong Kong contracted sales target of HK$20 billion
- The Group's overall contracted sales in Mainland China amounted to about RMB11.2 billion, which completed 56% of its FY2021 Mainland China contracted sales target of RMB20 billion
- Due to an improvement in overall occupancy rate, gross rental income in Hong Kong and Mainland China was up 7.1% and 3.6% respectively
- Continuous stringent cost control efforts as evidenced by the 12% YOY decrease in recurring administrative and other operating expenses
- Through active disposal of non-core assets and businesses, the Group will continue to optimise its asset portfolio and returns. During the period under review, the Group completed the disposal of non-core assets totalling about HK$5.9 billion. In January 2021, NWS Holdings Limited disposed the main assets of its Environment segment at a consideration of HK$6,533 million. From 1 July 2020 to the end of February 2021, the total proceeds of non-core assets disposal was HK$12.8 billion
- Total capital resources amounted to HK$102 billion, including cash and bank balances of approximately HK$55 billion and undrawn facilities from banks of approximately HK$47 billion
- Net gearing ratio declined to 40.4% from 41.6% as at the end of June 2020
- Overall financing cost has decreased to 2.93% from 4.31% in 1HFY2020
- All refinancing of borrowings due in FY2021 has been taken care of
- FY2021 interim dividend: HK$0.56 per share, the same as 1HFY2020 (after share consolidation), maintains prevailing sustainable and progressive dividend policy

Business Review

Hong Kong Property Development

In Hong Kong, the relapse of the COVID-19 pandemic has posed severe challenges to the economy. The Hong Kong Government's repeated tightening of pandemic containment measures have caused delays in issuing pre-sale consents, stalled the project launch by developers and generated major backlogs in property sales. In 2020, the pre-sale consents were issued to only circa 18,000 units. Nevertheless, approximately 15,000 first-hand residential property purchases were registered in 2020, a solid record underpinned by the strong pent-up local housing demand, the lifted percentage cap on mortgage insurance and the persistent low mortgage rates.

During the period under review, the Group's revenues and segment contributions of property development in Hong Kong, including joint development projects, amounted to HK$2,764.5 million and HK$1,058.3 million, respectively. The contributions were mainly attributable to residential projects including PARK VILLA, Reach Summit, the Double Cove series and MOUNT PAVILIA.

During the period under review, the Group's attributable contracted sales in Hong Kong amounted to about HK$26.3 billion, which were mainly contributed by residential projects including THE PAVILIA FARM, MOUNT PAVILIA, FLEUR PAVILIA and the Grade A office project at 888 Lai Chi Kok Road, Cheung Sha Wan. As at 31 December 2020, the Group has a total of 203 residential units available for sale in Hong Kong, of which 129 residential units are under the lead of the sales team of the Group.

In October 2020, the Group launched THE PAVILIA FARM I and II, a residential project atop Tai Wai MTR Station in Sha Tin. The project received the most subscription tickets in Hong Kong history since 1997, which led to the media labelled "The New Ticket King". During the period under review, over 2,100 units were sold, realising nearly HK$23.8 billion in sales proceeds, which exceeded the Group's FY2021 Hong Kong contracted sales target of HK$20 billion. It stands as the sole mega new residential project within the district in recent years, providing high-end residential units in the same series of PAVILIA COLLECTION. The project is situated in a prime location, comprising 7 residential towers with over 3,000 units covering a total GFA of over 2 million sq ft. The approximate 280,000 sq ft landscape and clubhouse area leads the way in urban-pastoral living. THE PAVILIA FARM III submitted its application for pre-sale consent on 1 February 2021 and is expected to be launched in the second quarter of 2021.

In December 2020, the Group launched a Grade A office project at 888 Lai Chi Kok Road, Cheung Sha Wan, comprising a 28-storey building with a total GFA of approximately 529,000 sq ft and is expected to complete in April 2022. It was the first major project launched by the Group following the abolition of the Double Stamp Duty on non-residential property transactions announced by the Hong Kong Government. During the period under review, the project has launched sales campaigns and sold 86 units, contributing HK$1.51 billion to the attributable contracted sales.

As at 31 December 2020, unrecognised attributable income from contracted sales of properties in Hong Kong amounted to HK$30,944 million, of which HK$5,393 million would be booked in 2HFY2021, while HK$1,729 million and HK$23,822 million would be booked in FY2022 and FY2023 respectively. Key projects are expected to be booked in 2HFY2021 include ARTISAN GARDEN in Ma Tau Kok, ATRIUM HOUSE in Yuen Long and TIMBER HOUSE in Ho Man Tin. The Grade A office building at 888 Lai Chi Kok Road, Cheung Sha Wan is expected to be the major project to be booked in FY2022. Key projects are expected to be booked in FY2023 include THE PAVILIA FARM I and II in Tai Wai, Sha Tin.

Hong Kong Property Investment and Others

The COVID-19 outbreak in Hong Kong has dealt a heavy blow to local economy and consumption, with the office leasing market and the retail market both faced with enormous challenges. In 2020, local unemployment experienced an increase of over 130,000, coupled by more than 550 new applications for bankruptcy and liquidation. Most multinational and local enterprises struggled with reorganisation, implemented layoff plans and downsized office areas. Rising unemployment rate has exerted a direct impact upon local consumption. Together with the plummeting number of visitors caused by travel restrictions, this has weighed heavily on shopping malls and luxury brands targeting tourists.

By the end of 2020, Hong Kong saw a 16.6% plunge in overall rent of Grade A office buildings, the steepest annual decline since 2009, while the vacancy rate climbed to 8.4%. As tenants generally seek office buildings for lower lease expenditure, traditional commercial districts recorded a bigger rental decline than emerging counterparts. Such demand has been further scaled back by work from home arrangement. As for retail market, daily necessities has been the only category registering sales growth, while other visitor-oriented industries have invariably entered a sluggish period. Rising shop vacancy rate has imposed pressure on streets in core districts and premium shopping malls to lower their rents. As such, core districts have witnessed a 36.8% rental slash for street shops all through the year, with the rental of premium shopping malls down by 31.6%.

During the period under review, the Group's revenues of property investment in Hong Kong amounted to HK$1,440.0 million, representing an increase of 7.1%, mainly due to a steady improvement in the overall average occupancy rate of its large-scale integrated project Victoria Dockside in Tsim Sha Tsui, Kowloon and the Grade A office building K11 ATELIER King's Road in Quarry Bay.

In view of the new normal, the Group has adopted flexible lease arrangements to maintain the occupancy rates of its office towers and increase rental income. Apart from earlier negotiations on contract renewals, the Group offers rent-free periods as well as shared office space and facilities, to encourage existing premium tenants to extend their leases. For instance, the Group has set up "NeWork" multifunctional conference rooms, shared office space and leisure areas in New World Tower, where tenants can rent such space and facilities according to their needs. This not only benefits tenants with limited budgets and office space at lower costs, but also generates rental income for the Group. Meanwhile, the Group works proactively to identify target clients in the New World Ecosystem and offers virtual property inspection service.

Regardless of the impact from tighter pandemic containment measures and fewer domestic and overseas tourists, K11 remains popular amongst local consumers owing to its unique cultural retail model. During the period under review, K11 Art Mall and K11 MUSEA in Hong Kong recorded a 56% rise in sales, surpassing the overall retail performance in Hong Kong by a wide margin. K11 MUSEA saw a 358% surge in gold card membership and a YOY uptick of 156% in sales from members. Notably K11 MUSEA had 10 new retail brands and 11 new F&B brands commenced operation, bucking the market trend to seize the local retail market.

Hong Kong Landbank

Given the sustained housing shortage in Hong Kong, the Hong Kong Government has revised the ratio of public and private housing from 6:4 to 7:3 in recent years. Such a focus on public housing supply resulted in a sharp fall in the supply of private residential lands. Be it new or rolled-over lands, the supply has continued to decline for consecutive years and may remain low for a long period of time. Only 15 residential sites were available for sale in 2020. The Hong Kong Government strives to add variety to its land policy, such as introducing the "Land Sharing Pilot Scheme" and New Development Areas to unleash land development potential and increase land supply.

The Group makes use of diversified channels to replenish its landbank, by participating in public tenders, actively undertaking old building acquisitions and farmland conversions in order to provide sustainable development resources for its core business.

As at 31 December 2020, the Group had a landbank with a total attributable GFA of approximately 9.35 million sq ft in Hong Kong available for immediate development, of which approximately 4.46 million sq ft was for property development use. Meanwhile, the Group had an agricultural landbank with a total attributable land area of approximately 16.46 million sq ft pending land use conversion.

Landbank by District **As at 31 December 2020**	**Property Development Total Attributable GFA (sq ft ’000)**	**Property Investment and Others Total Attributable GFA (sq ft ’000)**	**Total Attributable GFA (sq ft ’000)**
Hong Kong Island	448.4	-	448.4
Kowloon	1,842.1	1,118.5	2,960.6
New Territories	2,171.5	3,767.4	5,938.9
Total	**4,462.0**	**4,885.9**	**9,347.9**

Agricultural Landbank by District **As at 31 December 2020**	**Total Land Area (sq ft ’000)**	**Total Attributable Land Area (sq ft ’000)**
Yuen Long District	12,377.5	11,378.7
North District	2,488.8	2,184.1
Sha Tin District and Tai Po District	1,933.6	1,879.7
Sai Kung District	1,180.0	1,019.8
Total	**17,979.9**	**16,462.3**

After two-year legal proceedings of compulsory sale, the Group managed to unify the ownership of the State Theatre Building, a residential and commercial joint venture project located at 277-291 King’s Road, North Point at the floor price of HK$4,776 million in October 2020, and officially became the owner of the project. At the same time, the Group has been engaged in a large-scale heritage conservation project led by private developers, a rarity in Hong Kong over recent years. Covering a land area of approximately 36,000 sq ft, the project has commenced its exploration works, with international and local teams of building conservation elites engaged to prepare conservation and development plans for the project.

On the other hand, the Group is actively negotiating with the authority on the land use conversion of 9 agricultural land projects with a total GFA of approximately 1.87 million sq ft in Yuen Long and Fanling respectively, of which a total GFA of approximately 0.5 million sq ft has entered the final stages.

The Group has announced to supply 3 million sq ft agricultural land in stages to NGOs and/or Hong Kong Government to build innovative social housing for the underprivileged families. The Group had donated some agricultural land in Tin Shui Wai to the social enterprise “LightBe” to build Hong Kong first-ever “Light Village”, to alleviate housing burden of the needy. The initial planning of “Light Village” has completed and the construction work will start once the planning application is approved by the Town Planning Board. The Group keeps in close touch with some NGOs and related Hong Kong Government departments with the initial planning of 2 social housing projects having started and making good progress. The Group aims to infuse unique and innovative elements in these social housing projects, with a view to building a better community for the next generation and benefitting various social groups and grassroots families.

Mainland China Property Development

During the period under review, the property market in Mainland China has resumed normal operation as the pandemic subsided. As popular cities are expected to experience more volatility in housing and land prices, the Central Government has convened multiple meetings to emphasise that the real estate would not be exploited for short-term economic stimulus, and efforts should be made to stabilise land and housing prices as well as expectations, to ensure a stable and sound development of the property market. At the same time, the Central Government has maintained the contiguity, consistency and stability of its real estate financial policies, and accelerated the establishment of a long-term management system for real estate finance. As such, the overall regulation of real estate finance appears to be tightening gradually.

The data released by the National Bureau of Statistics suggested that the sales area of residential properties in Mainland China amounted to 1.55 billion sq m in 2020 with a YOY increase of 3.2%, while the sales proceeds of residential properties amounted to RMB15.5 trillion with a YOY growth of 10.8%.

During the period under review, the Group's revenues and segment results of property development in Mainland China, including joint development projects, amounted to HK$10,030.1 million and HK$3,056.4 million, respectively. The contributions were mainly attributable to residential projects including Guangzhou, Foshan, Ningbo and Shenyang.

During the period under review, the Group's total contracted sales area of properties in Mainland China was approximately 380,000 sq m, with total sales proceeds amounting to RMB11.2 billion. The average price of overall residential contracted sales exceeded RMB39,000 per sq m. As for the geographical distribution of contracted sales proceeds, Southern region led by the Greater Bay Area was the largest contributor, accounting for over 76%, followed by Central region which accounted for 13%. Contributions were mainly generated from the sales of residential projects in the Greater Bay Area, including Guangzhou Park Paradise, Guangzhou Covent Garden and Shenzhen Prince Bay BAYHOUSE.

Contracted Sales by Region	**Residential Contracted Sales**		**Non-residential Contracted Sales**	
As at 31 December 2020	**Area (sq m '000)**	**Proceeds (RMB m)**	**Area (sq m '000)**	**Proceeds (RMB m)**
Southern Region (i.e. the Greater Bay Area)	143.4	7,359.2	57.9	1,218.7
Central Region	3.1	61.7	96.8	1,338.3
Eastern Region	-	-	5.4	137.5
Northern Region	11.4	405.3	3.9	39.4
North-eastern Region	56.2	613.5	1.9	30.9
Total	**214.1**	**8,439.7**	**165.9**	**2,764.8**

As the Greater Bay Area intensifies its development step by step, Guangzhou has kick-started its eastward expansion strategy that bringing speedy development to Zengcheng District. During the period under review, the Group launched New World Canton Centre as a new landmark project and its residential portion The New Canton Mansion. New World Canton Centre is the Group's first urban complex integrating residential, office, hotel and commercial buildings in east Guangzhou. As a signature deployment in the Greater Bay Area, the project will mark the Group's ambitious strategic presence in east Guangzhou.

The Group continued with its strategy to dispose of non-core assets. It works to identify appropriate opportunities, optimise its business portfolio, and invest resources in core business with high growth and high potential. In late December 2020, the Group disposed of the Wuhan Guanggu Tower 1 office project in Wuhan Guanggu New World complex at a consideration of RMB1.33 billion. The Group will further strengthen its business in Wuhan, refining the operation of multiple premium projects such as Wuhan New World International Trade Tower, the K11 Art Mall of Wuhan New World Centre and Wuhan K11 Select. Meanwhile, Wuhan New World●Times Project A has been proceeding at full throttle.

As at 31 December 2020, the Group's unrecognised gross income from contracted sales of properties in Mainland China amounted to RMB10,754 million, of which RMB1,428 million was to be booked in 2HFY2021, with RMB9,028 million and RMB298 million to be booked in FY2022 and FY2023 respectively.

During the period under review, the total GFA of projects completed in Mainland China (excluding carpark) amounted to approximately 417,000 sq m, which were mainly located in Ningbo and Wuhan. The total GFA of completion (excluding carpark) is expected to reach approximately 553,000 sq m in 2HFY2021.

1HFY2021 Project Completion in Mainland China – Property Development

Region	Project / Total GFA (sq m)	Residential	Commercial	Office	Total (excluding carpark)	Total (including carpark)
Foshan	Guangzhou Foshan Canton First Estate CF27B	30,210	-	-	30,210	30,210
Shenzhen	Prince Bay Land DY02-02	-	24,692	54,797	79,489	79,489
Ningbo	Ningbo New World Plaza Land No. 7-10	138,520	25,973	-	164,493	238,483
Anshan	Anshan New World Garden Phase 2B1	9,297	-	-	9,297	9,297
	Total	**178,027**	**50,665**	**54,797**	**283,489**	**357,479**

1HFY2021 Project Completion in Mainland China – Property Investment, Hotel and Others

Region	Project / Total GFA (sq m)	Commercial	Office	Hotel	Total (excluding carpark)	Total (including carpark)
Wuhan	Wuhan New World Centre Phase 3 - Wuhan K11	52,019	51,319	-	103,338	157,295
Shenyang	pentahotel Shenyang	-	-	29,924	29,924	29,924
	Total	**52,019**	**51,319**	**29,924**	**133,262**	**187,219**

2HFY2021 Project Completion Plan in Mainland China – Property Development

Region	Project / Total GFA (sq m)	Residential	Apartment	Commercial	Office	Total (excluding carpark)	Total (including carpark)
Guangzhou	Guangzhou Park Paradise District 3 Batch B	42,586	-	-	-	42,586	48,388
Foshan	Guangzhou Foshan Canton First Estate CF35	2,720	-	-	-	2,720	3,434
	Guangzhou Foshan Canton First Estate CF07	4,328	-	-	-	4,328	4,328
	Guangzhou Foshan Canton First Estate CF19C	59,860	-	-	-	59,860	74,681
Shenzhen	Prince Bay Land DY02-04	-	54,726	24,840	-	79,566	79,566
Ningbo	Ningbo New World Plaza Land No. 11	-	-	9,702	57,055	66,757	90,010
	Ningbo New World Plaza Land No. 12	-	-	8,085	12,331	20,416	46,428
Beijing	Beijing New View Commercial Centre	-	-	9,063	12,231	21,294	25,367
Shenyang	Shenyang New World Garden Phase 2C - 1	108,954	-	-	-	108,954	108,954
Anshan	Anshan New World Garden Phase 1B3	91,830	-	14,358	-	106,188	133,636
	Anshan New World Garden Phase 2B3	19,367	-	-	-	19,367	19,367
	Total	**329,645**	**54,726**	**66,048**	**81,617**	**532,036**	**634,159**

2HFY2021 Project Completion Plan in Mainland China – Property Investment, Hotel and Others

Region	Project / Total GFA (sq m)	Commercial	Total (excluding carpark)	Total (including carpark)
Shenyang	Shenyang New World Garden Phase 2C - 1	21,160	21,160	21,160
	Total	**21,160**	**21,160**	**21,160**

Mainland China Property Investment and Others

With improving prevention and control of the COVID-19 pandemic, Mainland China saw a gradual recovery in its economic and social development during the period under review. Owing to the effective strategies to boost domestic demand and policies to drive consumption, Mainland China kept ramping up market sales, developing innovative business models, upgrading consumption structure and boosting consumer demand.

The data released by the National Bureau of Statistics indicated that total retail sales of consumer goods amounted to RMB39,198.1 billion in 2020, registering a 3.9% decline from last year, with the positive growth rate recorded for the third and fourth quarters. Commodity retail recovered more quickly than the overall consumer market, delivering positive YOY growth for 6 consecutive months. Upgraded commodity retail attained outstanding performance, as the market share of luxury products in Mainland China grew from 11% in 2019 to 20% in 2020 due to the global pandemic and outbound travel restrictions.

During the period under review, the Group's revenues of property investment in Mainland China amounted to HK$874.6 million, up 3.6% as major projects in the investment property portfolio recorded solid performance in overall occupancy rate.

During the period under review, sales surged by 35% from the same period last year across 5 K11 Art Malls owned or managed by the Group in Shanghai, Wuhan, Guangzhou and Shenyang respectively benefitting from a robust trend of consumption recovery in Mainland China. In particular, the sales of Shanghai K11 increased by 37% as compared to the same period last year, with the growth momentum particularly prominent at the end of the year. In December 2020, Shanghai K11 recorded a 22% YOY sales growth marking the highest December sales record since its opening, and Shenyang K11 recorded a 50% YOY increase. In August 2020, K11 shopping malls in 4 cities rolled out a 3-day online-to-offline shopping campaign titled "K11 Sleepless Shopping Festival". This campaign featured offline scenes with multiple themes and online streaming on the K11 GO WeChat platform, and drove total sales to rise by 4 times YOY during the campaign.

Wuhan K11 Art Mall II and Avenue 11, the Group's second shopping mall project in Wuhan, formally commenced operation at the end of 2020, drawing a footfall of more than 110,000 in the first two days of its opening. As the first large-scale commercial complex newly opened for business in Wuhan since the onset of the pandemic, the project has brought fresh cultural creativity and commercial vitality to Wuhan and Central China at large, and revitalised the market and boosted more spending. The project creates synergy with K11 Select in Guanggu, Wuhan, and comprehensively serves consumers of different age groups in the region. Covering a total GFA of approximately 134,000 sq m, the project encompasses a 83,000 sq m K11 Art Mall, a 51,000 sq m K11 ATELIER office tower and Avenue 11, namely K11's first outdoor boulevard. Such a lineup is designed to elevate the commercial landscape of Central China and leads its retail market.

Being an active investor in Mainland China and a creator of new consumption models and office space, the Group will have a series of K11 complexes commence operation successively. Many of these projects are located in the Greater Bay Area, such as Prince Bay, Qianhai in Shenzhen and Panyu in Guangzhou as well as major first- and second-tier cities, such as Beijing, Shanghai, Hangzhou and Ningbo, which will broaden the Group's recurring rental income base and consolidate its development in the Greater Bay Area and major cities.

Mainland China Landbank

As at 31 December 2020, the Group had a landbank (excluding carpark) with a total GFA of approximately 6.14 million sq m available for immediate development in Mainland China, of which approximately 3.48 million sq m was for residential use. Core property development projects were primarily located in Guangzhou, Shenzhen, Foshan, Wuhan, Shanghai, Ningbo, Hangzhou, Beijing and Shenyang, constituting a landbank (excluding carpark) with a total GFA of approximately 5.31 million sq m, of which 51% was located in the Greater Bay Area and approximately 1.73 million sq m was for residential use.

Landbank by Region **As at 31 December 2020**	**Total GFA (excluding carpark) (sq m '000)**	**Residential Total GFA (sq m '000)**
Southern Region (i.e. the Greater Bay Area)	2,728.2	1,790.6
Central Region	617.1	281.1
Eastern Region	896.8	150.0
Northern Region	610.2	254.5
North-eastern Region	1,286.8	1,001.3
Total	**6,139.1**	**3,477.5**
Of which, Core Projects	**5,313.8**	**2,799.9**

The Group has steadily increased its investments in Mainland China according to its own scheme as well as market conditions, expanding in first-tier and fast-growing cities with a focus on the Greater Bay Area, and continuously improving its strategic presence in the Yangtze River Delta Region and the Beijing-Tianjin-Hebei Region. The Group has also replenished its landbank via a wide range of channels, including public auction and tender, collaboration with different enterprises and urban renewal.

In August 2020, the Group successfully acquired a land parcel in Huaihai Middle Road of Huangpu District, Shanghai with approximately RMB4,111 million. Covering a total GFA (excluding carpark) of approximately 100,000 sq m, the project is situated in the heart of the Huaihai Middle Road Business District which was the first land parcel offered for sale in Huaihai Road in more than two decades and is favourably positioned in the transportation network. The project will comprise an artistic and mordern high-end commercial complex that can bolster the Group's strategic presence in the Yangtze River Delta region.

In December 2020, the Group successfully acquired a land parcel for educational use at Guangzhounan Railway Station in Panyu, Guangzhou. With a total construction area of approximately 120,000 sq m, the project represents the first educational land parcel obtained by the Group in Mainland China, which stands as an important milestone for its diversification and further development of the New World Ecosystem. The nearly century-old Benenden School from the United Kingdom will be the Group's exclusive partner for the project. This cooperation will benefit from a combination of both sides' extensive experience in the field of education and property development, establishing a world-class bilingual international school with fine traditions and visions. The project is slated to commence construction on 21 January 2021 and expected to welcome its first students in 2023.

In December 2020, the Group commenced its urban renewal project for the flower market in Guangzhou. The project is located in the core living area in Bai'e Tan of Guangzhou West CBD and adjacent to multiple residential projects of the Group, boasting the superior geographical location and the distinct advantage in transport facilities. The project will develop a large international residential community with a total construction area of 340,000 sq m, which is expected to be launched in 2H2023.

Hotel Operations
Global tourism industry suffered a fatal attack by COVID-19 pandemic since February 2020, as the demand for hotel, airline and travel agency services experienced an unprecedented contraction. A number of social distancing measures and travel restrictions have been implementing by countries around the world to control the pandemic which multiplied the impacts and brought heavy blow to global economy, tourism, transportation, hospitality and other industries.

Hong Kong Government has implemented similar rules and restrictions to curb the spread of pandemic, including travel bans, border closures, quarantine enforcement etc. In Hong Kong, overnight visitor arrivals from all key markets dropped more than 90% YOY and overall market RevPAR declined more than 50% YOY. Hotel room sales were heavily relying on the local staycation packages. With more stringent social distancing measures imposed by Hong Kong Government such as no dine-in service after 6pm, max. 2 persons at one table and max. 20 persons for one catering banquet, F&B business were also seriously impacted and struggling with various types of discounts and promotions via online platforms.

In Mainland China, the decisive actions taken by the Central Government demonstrated a very effective and successful way to control the pandemic. During the period under review, hotel business in Mainland China has recovered much faster than other regions since August 2020. With growing domestic travel demand, most of the Group's hotels in Mainland China recorded positive Gross Operating Profit in December 2020 and the businesses will gradually recover.

As at 31 December 2020, the Group owned a total of 18 hotel properties in Hong Kong, Mainland China and Southeast Asia, providing 7,503 rooms.

Four Core Businesses under NWS Holdings Limited ("NWSH)
NWSH's core businesses are Roads, Aviation, Construction and Insurance, which remained solid and improved progressively, whereas some businesses were also affected by the COVID-19 pandemic during the period under review.

Roads
Both traffic flow and toll fee income have seen swift recovery following the toll fee exemption policy ended in May 2020 in Mainland China and China's economy rapidly normalized, with overall traffic volume of roads portfolio rising 9% and toll income increasing 8% during the period under review. Roads segment results increased, of which contributions from the three expressways in Central China that NWSH acquired in recent years, namely Suiyuenan Expressway, Sui-Yue Expressway and Changliu Expressway, continued to remain stable.

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

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

Aviation
Aviation segment principally engages in commercial aircraft leasing business through full service leasing platform Goshawk. During the period under review, despite the upheaval in the aviation industry triggered by COVID-19, Aviation segment results still remained stable.

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

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

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

Construction
During the period under review, Construction segment results decreased, which were primarily attributable to lower gross profit recognition compared with the same period of last year. Some delay in tenders coming to the market caused by COVID-19, Construction segment's gross value of contracts on hand dropped by 15% to approximately HK$45.0 billion, while the remaining works to be completed decreased by 22% to HK$29.6 billion during the period under review. Among the remaining works to be completed, 64% came from the private sector which encompasses both commercial and residential, while the remaining 36% came from government and institutional related projects, and the Group regards a balanced source of project is key to a stable long-term growth. New projects awarded during the period under review was approximately HK$1.0 billion, including, but not limited to, the design and construction of temporary quarantine facilities at Penny's Bay, Lantau Island and foundation works for public housing development in Sheung Shui.

Insurance

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

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

Outlook

2021 marks the first year of China's "14th Five-Year Plan", as it embarks on a new journey to build a modern socialist country in a comprehensive manner. Mainland China will operate its economy within a reasonable range, with employment and commodity prices to remain largely stable. In the meantime, Mainland China will accelerate the establishment of Dual Circulation, a new development pattern in which the domestic cycle plays a leading role while the international cycle serves as its extension and supplement. The Hong Kong economy will benefit from continuous economic stimulus measures, better pandemic control and COVID-19 vaccine rollout, and is expected to gradually recover in 2H2021.

Regarding Hong Kong property development, as many as 31,000 pre-sale units will be rolled out in 2021. Owing to low interest rates, unbalanced supply and demand and favourable loan policies, the prices and volumes in the primary market will remain strong. The Group will launch THE PAVILIA FARM III, which is located at Tai Wai MTR Station in Sha Tin, Hong Kong, after receiving pre-sale consent in the second quarter of 2021. The third phase, together with the remaining units of the first two phases, will involve more than 900 residential units. The Group will successively launch its Grade A office project at 888 Lai Chi Kok Road, Cheung Sha Wan. In addition, the office project in Wing Hong Street, West Kowloon, which covers a total GFA of approximately 360,000 sq ft, is scheduled for sale in FY2022.

With respect to Hong Kong property investment, the overall rent of Grade A office buildings will continue its decline in 2021, while vacancy rates will remain on the rise. Falling rents, however, will help enhance Hong Kong's competitiveness and make it a more attractive destination for business. The secondary listings of Chinese enterprises in Hong Kong and the launch of "Wealth Management Connect" in the Greater Bay Area will attract more Mainland financial institutions and related industries to set up offices in Hong Kong, which will support office leasing demand in the medium term. On the retail front, the pandemic has inevitably transformed the shopping habits of consumers. Coupled with the pandemic buffet and the narrowing price differences of luxury goods between Hong Kong and Mainland China, this will bring about structural changes to the mix of inbound travellers. The Hong Kong retail market will have to rely heavily on local consumer demand in the short term, and is expected to benefit from potential shopping demand under the concept of One-hour Living Circle in the Greater Bay Area for the medium term.

"11 SKIES", the largest retail catering and entertainment complex in Hong Kong, is a highly anticipated project by the Group and set to open in phases from 2022. Comprising a total GFA of 3.8 million sq ft, the project features seamless connection to Hong Kong-Zhuhai-Macao Bridge and the expanded Terminal 2 of Hong Kong International Airport. This, together with extended traffic routes to Tung Chung Town Centre, will offer convenient transport solutions. Following Victoria Dockside in Tsim Sha Tsui, the project stands as another glamorous landmark of mixed-use development project for the Group, with a total investment of up to HK$20 billion. In particular, its retail and catering portion covers an area of 2.66 million sq ft, where over 800 shops and 120 dining concepts will be in place. The entertainment and leisure portion is furnished with the largest indoor entertainment area in Hong Kong, accommodating the first KidZania in the territory and SkyTrack, the world's longest indoor and outdoor kart track. For the office portion, the project provides 3 Grade A K11 ATELIER office towers which have successfully attracted quality tenants from wealth management and healthcare industries, serving customers in Hong Kong and the Greater Bay Area at large.

In 2021, the Group will commence pre-leasing activities for Tower A of its Grade A office building in King Lam Street, Cheung Sha Wan. Covering a total GFA of approximately 630,000 sq ft, the project is expected to be completed in 2023 and will provide the Group with additional rental income.

Regarding property development in Mainland China, authorities remain committed that housing is for living in rather than speculation, and will maintain the policy of establishing a long-term mechanism. With tightening financial regulation on relevant property segments, tendering activities are set to cool off in the land market during 2021, in contrast to heated rivalry over premium land parcels in popular cities. Urban renewal will ramp up as a result. New World China Land Limited ("NWCL"), the Group's flagship property arm in Mainland China set operation headquarter in Guangzhou, and will leverage the Group's edge in development, operation, branding and capital resources across Guangdong Province and Hong Kong to help its own and related businesses, talents, technical skills and funding to achieve faster localisation. NWCL will also tap into the strength of experience and the efficient execution capability brought by such localisation, to support the Group's development strategy in the Greater Bay Area.

The Group's competitive advantages of business diversification encompass various fields, including cultural retail, hotel, property, medical and elderly care, education, financial services, insurance, and enterprise accelerators. By capitalising on abundant resources and the advantage of brand synergy, the Group endeavours to develop the New World Ecosystem to help drive the high-quality development of cities in Mainland China. The Group is an active participant in urban renewal, to align with the national initiative of promoting urban renewal. Given its proven operational competence and extensive experience in teamwork, the Group can secure land at prime locations at more reasonable costs, whilst improving the life experience for local citizens, resolving the imbalance and insufficiency in urban development.

As for property investment in Mainland China, the new development pattern of Dual Circulation has taken shape, in which the domestic cycle plays a leading role while the international cycle serves as its extension and supplement. Against this backdrop, policies will continue to take effect to boost domestic demand and consumption. This will cement the foundation for the steady recovery of the consumer market and sustain its recovery momentum. K11 is the world's first brand with a focus on three core values of "Art, People and Nature". K11, the unique concept brand combines art and commerce in commercial and residential real estate, and a growing portfolio of brands across different sectors in Greater China and around the world. Through K11, the Group's stated aim is to enrich new consumers' daily lives through the power of creativity, culture and innovation. This work will create a new global identity for Chinese millennials as well as cultivate opportunities for communities to thrive, connect, work and shop. By FY2025, K11 will have gained a footprint of 38 projects with a total GFA of 2.846 million sq m. in ten major cities across Greater China. The Group will keep ramping up its recurring rental income and provide more stable growth drivers to its business performance.

NWSH has been providing steady cash flow to the Group with four core businesses including Roads, Aviation, Construction and Insurance. NWSH will adhere to prudent business and financial strategies to strengthen its foundation, and continue to look for new investment opportunities, including distressed opportunities and opportunities with good growth prospect in areas such as Central China and the Greater Bay Area. At the same time, NWSH will continue to review its portfolio from time to time to seek opportunity to further optimize portfolio.

By means of active disposal of non-core assets and businesses, the Group concentrates on developing its core business, continuously optimising its asset portfolio and returns, enhancing corporate efficiency and creating more value for shareholders. During the period under review, the Group completed the disposal of non-core assets totalling about HK$5.9 billion (i.e. the disposal of NWSH's entire interest in the Hong Kong bus business and NWCL's Wuhan Guanggu Tower 1 office project). In January 2021, NWSH disposed the main assets of its Environment segment at a consideration of HK$6,533 million. From FY2021 to the end of February 2021, the total proceeds of non-core assets disposal was HK$12.8 billion. The Group is confident about meeting the target of disposing its non-core assets worth HK$13-15 billion in FY2021.

The Group has maintained a sound financial position, with total capital resources of approximately HK$102 billion as at 31 December 2020, including approximately HK$55 billion of cash and bank deposits and approximately HK$47 billion of undrawn facilities from banks. The Group manages cash flow in an active and prudent manner, and strives to improve cost efficiency, diversify financing channels, balance risks and lower operating costs. As a result, its recurring administrative and other operating expenses declined by approximately 12% during the year under review. All refinancing of borrowings due in FY2021 has been taken care of. In the foreseeable future, equity raising is not necessary for the Company.

2020 marked the golden jubilee of the Group, an extraordinary year that presented both challenges and opportunities. The Group has been progressing with constant courage, well-established foundation and innovative thinking to explore its path forward. The Group has set up production lines of Made-in-Hong Kong face masks with a daily capacity of 200,000 pieces. It has donated over 17 million masks to Hong Kong, Mainland China and other countries and regions, and distributed to 40,000 low-income families in Hong Kong via the new "Mask To Go" dispensers. Its efforts to preserve the State Theatre Building in North Point, Hong Kong revived the 68-year-old legend and inspired the next generation. The Group also provided assistance to citizens in need of housing by offering land and partnering with social enterprises to develop innovative social housing. THE PAVILIA FARM, the first farm life infused sustainable residential project in Hong Kong, has recorded fervent sales and received the most subscriptions since the return in 1997.

The core strategy of the Group in 2021 is to stay focused, aligned and ambitious. Specifically, the Group will focus on its core business and increase market share, continue to optimise the New World Ecosystem to align with its overall development objective and pace, and establish ambitious targets for constant progress and growth. The Group will remain committed to Hong Kong, engage in the Greater Bay Area and employ innovative and sustainable means to drive its growth, creating more shared value to shareholders and society at large.

LIQUIDITY AND CAPITAL RESOURCES

Net Debt

	As at 31 December 2020 HK$m	As at 30 June 2020 HK$m
Consolidated net debt	**120,551.8**	116,458.6
NWSH (stock code: 0659)	**14,141.3**	15,787.0
New World Department Store China Limited (“NWDS”)		
– net cash and bank balances (stock code: 0825)	**(1,139.8)**	(740.9)
Net debt (exclude listed subsidiaries)	**107,550.3**	101,412.5

The Group’s funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group’s debts were primarily denominated in Hong Kong dollar, United States Dollar and Renminbi. In respect of the Group’s operations in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging. The Renminbi currency exposure of the Group is mainly derived from the translation of non-current assets and liabilities of the subsidiaries, associated companies and joint ventures in Mainland China with functional currency of Renminbi and the Renminbi deposits held for future development costs to Hong Kong Dollar. As at 31 December 2020, the translation of non-current assets and liabilities of subsidiaries, associated companies and joint ventures with functional currency other than Hong Kong Dollar to Hong Kong Dollar by using exchange rates at that day resulted a gain of HK$14,022.0 million is recognised in equity. Apart from this, the Group does not have any material foreign exchange exposure.

The Group’s borrowings were arranged on both floating and floating rate basis. The financing costs had decreased to HK$1,547.7 million despite the net debt had increased. The Group used interest rate swaps, cross currency swaps and foreign exchange forward contracts to hedge part of the Group’s underlying interest rate and foreign exchange exposure. 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. As at 31 December 2020, the Group had outstanding cross currency swaps and foreign exchange forward contracts in the amounts of HK$10,460.0 million, and had other outstanding derivative instruments in the amounts of HK$16,500.0 million (including interest rate swap for hedging of HK$16,500.0 million) and US$325.0 million (equivalent to approximately HK$2,535.0 million).

In December 2020, a US$700.0 million (equivalent to approximately HK$5,460.0 million) 4.80% guaranteed senior perpetual capital securities were issued by a wholly-owned subsidiary of the Group and listed on the Stock Exchange at a price of 100.00% of the principal amount with net proceeds of US$695.1 million (equivalent to approximately HK$5,421.8 million). The proceeds were for general working capital purpose including the acquisition and development of property projects in Hong Kong and the Mainland China.

As at 31 December 2020, the Group’s cash and bank balances (including restricted bank balances) stood at HK$54,848.2 million (30 June 2020: HK$67,435.6 million) and the consolidated net debt amounted to HK$120,551.8 million (30 June 2020: HK$116,458.6 million). The net debt to equity ratio was 40.4%; a decrease of 1.2 percentage points as compared to 30 June 2020.

As at 31 December 2020, the Group's long-term bank loans, other loans and fixed rate bonds and notes payable amounted to HK$157,345.4 million (30 June 2020: HK$166,260.6 million). Short-term bank and other loans as at 31 December 2020 were HK$18,054.6 million (30 June 2020: HK$17,633.6 million). The maturity of bank loans, other loans and fixed rate bonds and notes payable as at 31 December 2020 and 30 June 2020 was as follows:

	As at 31 December 2020 HK$m	As at 30 June 2020 HK$m
Within one year	**50,953.2**	54,068.1
In the second year	**29,849.0**	16,575.5
In the third to fifth year	**64,577.6**	81,485.2
After the fifth year	**30,020.2**	31,765.4
	175,400.0	183,894.2

Equity of the Group as at 31 December 2020 increased to HK$298,634.2 million against HK$279,745.1 million as at 30 June 2020.

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

MAJOR ACQUISITION AND DISPOSAL

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

RESULTS

The board of Directors (the "Board") of New World Development Company Limited (新世界發展有限公司) (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2020 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT - UNAUDITED

		For the six months ended 31 December	
		2020	2019
	Note	**HK$m**	HK$m
Revenues	2	**35,577.3**	32,464.4
Cost of sales		**(26,262.4)**	(20,199.7)
Gross profit		**9,314.9**	12,264.7
Other income		**90.5**	95.7
Other gains, net		**664.8**	1,472.6
Selling and marketing expenses		**(1,198.6)**	(1,022.3)
Expenses of department store's operation		**(644.4)**	(695.3)
Administrative and other operating expenses		**(3,209.7)**	(3,309.6)
Overlay approach adjustments on financial assets		**(895.1)**	(137.8)
Changes in fair value of investment properties		**92.0**	(2,269.2)
Operating profit	3	**4,214.4**	6,398.8
Financing income		**1,419.3**	1,345.7
Financing costs		**(1,547.7)**	(2,229.8)
		4,086.0	5,514.7
Share of results of			
Joint ventures		**411.2**	910.5
Associated companies		**341.4**	333.0
Profit before taxation		**4,838.6**	6,758.2
Taxation	4	**(2,320.2)**	(3,662.8)
Profit for the period		**2,518.4**	3,095.4
Attributable to:			
Shareholders of the Company		**1,013.0**	1,017.3
Holders of perpetual capital securities		**1,070.7**	800.8
Non-controlling interests		**434.7**	1,277.3
		2,518.4	3,095.4
Interim dividend of HK$0.56 per share (2019: HK$0.56 per share)		**1,421.7**	1,431.3
Earnings per share (HK$)	5		(Adjusted)
Basic		**0.40**	0.40
Diluted		**0.40**	0.40

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

	For the six months ended 31 December	
	2020	2019
	HK$m	HK$m
Profit for the period	**2,518.4**	3,095.4
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net fair value changes of equity instruments as financial assets at fair value through other comprehensive income	**(36.1)**	(281.0)
Revaluation of investment properties upon reclassification from property, plant and equipment and right-of-use assets	**1,784.2**	-
Remeasurement of post-employment benefit obligation	**3.1**	(3.6)
Items that had been reclassified/may be reclassified subsequently to profit or loss		
Net fair value changes and other net movements of debt instruments as financial assets at fair value through other comprehensive income	**332.8**	(422.7)
Release of reserves upon disposal of subsidiaries	**99.1**	0.7
Release of reserves upon disposal of interests in joint ventures	**(22.5)**	-
Release of reserves upon disposal/partial disposal of interests in associated companies	**9.1**	(14.5)
Release of reserves upon deregistration of subsidiaries	**-**	(0.1)
Release of reserves upon deconsolidation of a subsidiary	**(10.3)**	-
Share of other comprehensive income of joint ventures and associated companies	**1,878.1**	(747.0)
Cash flow/fair value hedges	**(221.5)**	43.8
Amount reported in other comprehensive income applying overlay approach adjustments on financial assets	**895.1**	137.8
Translation differences	**12,258.0**	(2,236.6)
Other comprehensive income for the period	**16,969.1**	(3,523.2)
Total comprehensive income for the period	**19,487.5**	(427.8)
Attributable to:		
Shareholders of the Company	**16,456.2**	(1,866.5)
Holders of perpetual capital securities	**1,070.7**	800.8
Non-controlling interests	**1,960.6**	637.9
	19,487.5	(427.8)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	As at 31 December 2020 HK$m	As at 30 June 2020 HK$m
ASSETS			
Non-current assets			
Investment properties		**190,916.8**	169,717.5
Property, plant and equipment		**21,451.0**	30,099.9
Right-of-use assets		**7,049.8**	8,514.7
Intangible concession rights		**14,647.0**	14,005.1
Intangible assets		**8,352.4**	8,427.6
Value of business acquired		**5,495.4**	5,651.5
Deferred acquisition costs		**1,199.1**	688.2
Interests in joint ventures		**42,061.1**	43,013.3
Interests in associated companies		**15,703.1**	21,143.7
Financial assets at fair value through profit or loss		**16,951.4**	13,488.4
Financial assets at fair value through other comprehensive income		**44,470.7**	39,131.2
Derivative financial instruments		**922.8**	2,154.2
Properties for development		**34,699.9**	35,424.0
Deferred tax assets		**1,443.5**	1,120.0
Other non-current assets		**16,148.6**	25,344.7
		421,512.6	417,924.0
Current assets			
Properties under development		**61,758.5**	48,657.7
Properties held for sale		**19,423.3**	17,724.1
Inventories		**625.1**	685.1
Debtors, prepayments, premium receivables and contract assets	6	**34,987.9**	35,188.9
Investments related to unit-linked contracts		**10,458.5**	9,053.6
Financial assets at fair value through profit or loss		**965.8**	1,140.5
Financial assets at fair value through other comprehensive income		**449.5**	528.1
Derivative financial instruments		**687.3**	0.7
Restricted bank balances		**226.0**	144.4
Cash and bank balances		**54,622.2**	67,291.2
		184,204.1	180,414.3
Non-current assets classified as assets held for sale	7	**10,773.6**	1,857.6
		194,977.7	182,271.9
Total assets		**616,490.3**	600,195.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	**As at 31 December 2020 HK$m**	As at 30 June 2020 HK$m
EQUITY			
Share capital		**78,227.0**	78,225.7
Reserves		**147,292.1**	134,797.6
Shareholders' funds		**225,519.1**	213,023.3
Perpetual capital securities		**42,552.0**	37,092.0
Non-controlling interests		**30,563.1**	29,629.8
Total equity		**298,634.2**	279,745.1
LIABILITIES			
Non-current liabilities			
Long-term borrowings and other interest-bearing liabilities		**128,716.1**	134,787.9
Lease liabilities		**5,307.1**	5,759.4
Insurance and investment contract liabilities		**16,377.6**	14,454.8
Liabilities related to unit-linked contracts		**173.8**	168.2
Deferred tax liabilities		**10,831.1**	11,545.6
Derivative financial instruments		**858.7**	943.4
Other non-current liabilities		**112.5**	182.1
		162,376.9	167,841.4
Current liabilities			
Creditors, accrued charges, payables to policyholders and contract liabilities	8	**56,962.2**	54,101.2
Current portion of long-term borrowings and other interest-bearing liabilities		**32,898.6**	36,434.5
Short-term borrowings and other interest-bearing liabilities		**19,797.5**	20,166.6
Lease liabilities		**1,130.0**	1,227.9
Insurance and investment contract liabilities		**22,328.1**	20,445.3
Liabilities related to unit-linked contracts		**10,458.5**	9,053.6
Derivative financial instruments		**219.9**	104.8
Current tax payable		**11,671.6**	11,067.4
		155,466.4	152,601.3
Liabilities directly associated with non-current assets classified as assets held for sale	7	**12.8**	8.1
		155,479.2	152,609.4
Total liabilities		**317,856.1**	320,450.8
Total equity and liabilities		**616,490.3**	600,195.9

Notes:

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

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") for the six months ended 31 December 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"). The Interim Financial Statements should be read in conjunction with the 30 June 2020 annual financial statements.

The accounting policies used in the preparation of these Interim Financial Statements are consistent with those set out in the annual report for the year ended 30 June 2020.

(a) Adoption of new standard and amendments to standards

The Group has adopted the following new standard, amendments to standards and interpretation which are relevant to the Group's operations and are mandatory for the financial year ending 30 June 2021:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting
Amendments to HKFRS 3	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

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

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

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

HKFRS 17, "Insurance Contracts" ("HKFRS 17") and Amendments to 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. On 19 October 2020, HKICPA issued Amendments to HKFRS 17 which defer the effective date of the standard to accounting period beginning on or after 1 January 2023 and provide additional transition relief when applying HKFRS 17 for the first time. The Group is yet to undertake a detailed assessment of the new standard.

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

2. Revenues and segment information

Revenues recognised during the period are as follows:

	For the six months ended 31 December	
	2020	2019
	HK$m	HK$m
Revenues		
Property development	**12,794.6**	11,986.6
Property investment	**2,314.6**	2,188.5
Roads	**1,646.1**	1,430.8
Construction	**10,844.9**	8,186.4
Insurance	**4,583.7**	1,998.6
Hotel operations	**429.9**	838.7
Others	**2,963.5**	5,834.8
Total	**35,577.3**	32,464.4

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

The Executive Committee considers the business from products and services perspectives, which comprises property development, property investment, roads, aviation, construction, insurance, hotel operations and others (including facilities management, transport, environment, logistic, department store, media and technology and other strategic businesses) segments.

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

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

2. Revenues and segment information (Continued)

	Property development HK$m	Property investment HK$m	Roads HK$m	Aviation HK$m	Construction HK$m	Insurance HK$m	Hotel operations HK$m	Others HK$m	Consolidated HK$m
For the six months ended 31 December 2020									
Total revenues	12,795.4	2,397.0	1,646.1	-	13,514.4	4,583.7	429.9	3,065.1	38,431.6
Inter-segment	(0.8)	(82.4)	-	-	(2,669.5)	-	-	(101.6)	(2,854.3)
Revenues-external	12,794.6	2,314.6	1,646.1	-	10,844.9	4,583.7	429.9	2,963.5	35,577.3
Revenues from contracts with customers:									
- Recognised at a point in time	12,730.4	-	1,646.1	-	-	-	166.5	2,354.3	16,897.3
- Recognised over time	64.2	-	-	-	10,844.9	310.8	263.4	609.2	12,092.5
	12,794.6	-	1,646.1	-	10,844.9	310.8	429.9	2,963.5	28,989.8
Revenues from other source:									
- Rental income	-	2,314.6	-	-	-	-	-	-	2,314.6
- Insurance revenue	-	-	-	-	-	4,272.9	-	-	4,272.9
	-	2,314.6	-	-	-	4,272.9	-	-	6,587.5
	12,794.6	2,314.6	1,646.1	-	10,844.9	4,583.7	429.9	2,963.5	35,577.3
Segment results (Note b)	4,004.1	1,270.4	942.7	(12.0)	335.3	433.8	(420.3)	(990.3)	5,563.7
Other gains/(losses), net (Note c)	66.6	15.5	4.2	-	23.5	911.1	29.6	(385.7)	664.8
Changes in fair value of investment properties	-	106.3	-	-	-	-	-	(14.3)	92.0
Overlay approach adjustments on financial assets	-	-	-	-	-	(895.1)	-	-	(895.1)
Unallocated corporate expenses									(568.1)
Operating profit									4,857.3
Financing income									726.4
Financing costs									(1,497.7)
									4,086.0
Share of results of									
Joint ventures (Note d)	119.5	(55.2)	372.7	(144.2)	-	-	(246.0)	364.4	411.2
Associated companies	(8.9)	(35.3)	111.5	-	131.2	-	-	142.9	341.4
Profit before taxation									4,838.6
Taxation									(2,320.2)
Profit for the period									2,518.4
As at 31 December 2020									
Segment assets	137,070.2	197,230.4	15,555.3	6,333.4	16,671.0	62,475.3	12,826.9	42,203.3	490,365.8
Interests in joint ventures	14,206.2	10,988.0	4,329.3	923.9	-	-	4,458.4	7,155.3	42,061.1
Interests in associated companies	5,780.1	1,752.4	2,848.0	-	54.5	-	-	5,268.1	15,703.1
Unallocated assets									68,360.3
Total assets									616,490.3
Segment liabilities	33,252.1	3,956.0	762.1	-	10,288.0	41,770.3	899.7	11,302.1	102,230.3
Unallocated liabilities									215,625.8
Total liabilities									317,856.1
For the six months ended 31 December 2020									
Additions to non-current assets (Note a)	5,761.9	5,847.4	50.6	-	1,437.7	49.8	324.4	162.7	13,634.5
Depreciation and amortisation	34.2	33.6	539.5	-	55.5	255.5	278.7	654.2	1,851.2
Impairment loss and loss allowance	-	-	-	-	-	39.7	-	346.8	386.5

2. Revenues and segment information (Continued)

	Property development HK$m	Property investment HK$m	Roads HK$m	Aviation HK$m	Construction HK$m	Insurance HK$m	Hotel operations HK$m	Others HK$m	Consolidated HK$m
For the six months ended 31 December 2019									
Total revenues	11,986.6	2,305.8	1,430.8	-	11,170.3	1,998.6	838.7	5,932.5	35,663.3
Inter-segment	-	(117.3)	-	-	(2,983.9)	-	-	(97.7)	(3,198.9)
Revenues-external	11,986.6	2,188.5	1,430.8	-	8,186.4	1,998.6	838.7	5,834.8	32,464.4
Revenues from contracts with customers:									
- Recognised at a point in time	11,924.8	-	1,430.8	-	-	-	398.0	4,216.2	17,969.8
- Recognised over time	61.8	-	-	-	8,186.4	111.3	440.7	1,618.6	10,418.8
	11,986.6	-	1,430.8	-	8,186.4	111.3	838.7	5,834.8	28,388.6
Revenues from other source:									
- Rental income	-	2,188.5	-	-	-	-	-	-	2,188.5
- Insurance revenue	-	-	-	-	-	1,887.3	-	-	1,887.3
	-	2,188.5	-	-	-	1,887.3	-	-	4,075.8
	11,986.6	2,188.5	1,430.8	-	8,186.4	1,998.6	838.7	5,834.8	32,464.4
Segment results (Note b)	6,569.9	1,176.1	710.7	(2.3)	497.5	294.6	(346.1)	(603.7)	8,296.7
Other gains/(losses), net (Note e)	1,083.9	(63.1)	(34.8)	-	-	132.1	-	354.5	1,472.6
Changes in fair value of investment properties	-	(2,269.2)	-	-	-	-	-	-	(2,269.2)
Overlay approach adjustments on financial assets	-	-	-	-	-	(137.8)	-	-	(137.8)
Unallocated corporate expenses									(780.9)
Operating profit									6,581.4
Financing income									1,141.5
Financing costs									(2,208.2)
									5,514.7
Share of results of									
Joint ventures	224.7	(49.1)	321.8	269.1	-	-	(79.1)	223.1	910.5
Associated companies	6.3	51.4	89.8	-	164.7	-	-	20.8	333.0
Profit before taxation									6,758.2
Taxation									(3,662.8)
Profit for the period									3,095.4
As at 30 June 2020									
Segment assets	131,858.2	178,379.4	14,991.4	6,332.7	14,283.0	54,973.2	19,289.0	36,167.9	456,274.8
Interests in joint ventures	14,038.3	10,201.4	3,984.3	978.1	-	-	4,789.7	9,021.5	43,013.3
Interests in associated companies	5,471.3	1,791.1	2,530.9	-	2,009.4	-	-	9,341.0	21,143.7
Unallocated assets									79,764.1
Total assets									600,195.9
Segment liabilities	31,389.9	3,150.5	765.4	-	10,755.6	37,948.4	728.0	11,441.0	96,178.8
Unallocated liabilities									224,272.0
Total liabilities									320,450.8
For the six months ended 31 December 2019									
Additions to non-current assets (Note a)	10,697.8	2,081.8	5,417.0	-	27.2	3,545.6	643.8	766.9	23,180.1
Depreciation and amortisation	51.9	13.1	476.8	-	49.2	90.8	263.1	970.9	1,915.8
Impairment loss and loss allowance	0.7	-	-	-	-	9.5	-	20.8	31.0

2. **Revenues and segment information (Continued)**

	Hong Kong HK$m	**Mainland China HK$m**	**Others HK$m**	**Total HK$m**
For the six months ended 31 December 2020				
Revenues				
Property development	**2,764.5**	**10,030.1**	**-**	**12,794.6**
Property investment	**1,440.0**	**874.6**	**-**	**2,314.6**
Roads	**-**	**1,646.1**	**-**	**1,646.1**
Construction	**10,722.5**	**121.6**	**0.8**	**10,844.9**
Insurance	**4,583.7**	**-**	**-**	**4,583.7**
Hotel operations	**218.6**	**196.0**	**15.3**	**429.9**
Others	**1,398.0**	**1,565.5**	**-**	**2,963.5**
	21,127.3	**14,433.9**	**16.1**	**35,577.3**
As at 31 December 2020				
Non-current assets (Note a)	**162,744.5**	**118,671.1**	**1,381.3**	**282,796.9**

	Hong Kong HK$m	Mainland China HK$m	Others HK$m	Total HK$m
For the six months ended 31 December 2019				
Revenues				
Property development	3,666.9	8,319.7	-	11,986.6
Property investment	1,344.4	844.1	-	2,188.5
Roads	-	1,430.8	-	1,430.8
Construction	8,013.0	171.7	1.7	8,186.4
Insurance	1,998.6	-	-	1,998.6
Hotel operations	456.5	221.6	160.6	838.7
Others	3,419.0	2,192.5	223.3	5,834.8
	18,898.4	13,180.4	385.6	32,464.4
As at 30 June 2020				
Non-current assets (Note a)	169,232.5	110,854.9	1,355.7	281,443.1

Notes:

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

b. For the six months ended 31 December 2020, segment results of insurance segment included insurance related financing income of HK$692.9 million (2019: HK$204.2 million) and financing costs of HK$50.0 million (2019: HK$21.6 million).

c. For the six months ended 31 December 2020, others segment included impairment loss on property, plant and equipment and right-of-use assets and intangible assets in relation to department store business of HK$151.8 million and HK$194.3 million respectively and net exchange gains of HK$85.9 million.

d. For the six months ended 31 December 2020, the share of results of joint ventures within aviation segment included the Group's share of impairment loss of HK$415.9 million in relation to Goshawk Aviation Limited's assets impairment.

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

3. Operating profit

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

	For the six months ended 31 December	
	2020	2019
	HK$m	HK$m
Gain on remeasuring previously held assets of a joint venture at fair value	**-**	925.8
Net losses on remeasuring on assets classified as held-for-sale and financial assets at fair value through profit or loss	**(1,373.9)**	-
Gain associated with investments related to united-linked contracts	**1,592.7**	435.3
Charges related to unit-linked contracts	**(1,584.6)**	(430.9)
Net gain on fair value of financial assets at fair value through profit or loss	**2,154.6**	76.2
Net (loss)/gain on fair value of derivative financial instruments	**(194.2)**	326.3
Write back of loss allowance for loans and other receivables	**47.0**	55.5
Rent concession, government grants and subsidies	**257.7**	-
Net profit/(loss) on disposal/liquidation of		
Financial assets at fair value through profit or loss	**(41.0)**	66.3
Debt instruments as financial assets at fair value through other comprehensive income	**1.8**	(1.9)
Investment properties and property, plant and equipment	**92.6**	44.7
Subsidiaries	**(61.8)**	30.4
Associated companies and joint ventures	**74.5**	(94.8)
Impairment loss/loss allowance on		
Loans, debtors, premium receivables and other receivables	**(4.8)**	(6.3)
Intangible assets	**(194.3)**	(21.1)
Property, plant and equipment and right-of-use assets	**(151.8)**	(0.3)
Debt instruments as financial assets at fair value through other comprehensive income	**(35.6)**	(3.3)
Cost of inventories sold	**(8,344.6)**	(6,514.4)
Cost of services rendered	**(14,031.6)**	(10,070.5)
Claims and benefits, net of reinsurance	**(3,791.2)**	(1,500.5)
Depreciation and amortisation	**(1,851.2)**	(1,915.8)
Change in deferred acquisition costs	**(149.2)**	(51.7)
Net exchange gains	**85.9**	70.7

4. Taxation

	For the six months ended 31 December	
	2020	2019
	HK$m	HK$m
Current taxation		
Hong Kong profits tax	**371.6**	476.2
Mainland China and overseas taxation	**1,411.4**	1,529.4
Mainland China land appreciation tax	**1,891.7**	2,066.2
Deferred taxation	**(1,354.5)**	(409.0)
	2,320.2	3,662.8

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the period.

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.

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

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2019: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

Share of results of joint ventures and associated companies is stated after deducting the share of taxation of joint ventures and associated companies of HK$225.8 million and HK$144.2 million (2019: HK$281.0 million and HK$98.3 million) respectively.

5. Earnings per share

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

	For the six months ended 31 December	
	2020	2019
	HK$m	HK$m
Profit attributable to shareholders of the Company for calculating basic and diluted earnings per share	**1,013.0**	1,017.3

	Number of shares (million) For the six months ended 31 December	
	2020	2019 Adjusted
Weighted average number of shares for calculating basic earnings per share	**2,554.9**	2,556.8
Effect of dilutive potential ordinary shares upon the exercise of share options	**-**	3.0
Weighted average number of shares for calculating diluted earnings per share	**2,554.9**	2,559.8

On 23 June 2020, every four issued shares of the Company were consolidated into one share of the Company (each a "Consolidated Share") and the number of Consolidated Shares was rounded down to the nearest whole number by disregarding each and every fractional Consolidated Share which would otherwise arise (the "Share Consolidation").

Comparative figures of the weighted average number of shares for calculating basic earnings per share and diluted earnings per share have been adjusted on the assumption that the Share Consolidation have been effective in the prior period.

For the period ended 31 December 2019, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

6. Trade debtors

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

	As at 31 December 2020 HK$m	As at 30 June 2020 HK$m
Less than 30 days	**1,816.2**	2,229.7
31 to 60 days	**109.7**	252.9
Over 60 days	**646.8**	619.5
	2,572.7	3,102.1

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

7. Non-current assets classified as assets held for sale/ liabilities directly associated with non-current assets classified as assets held for sale

Non-current assets classified as assets held for sale

	As at 31 December 2020 HK$m	As at 30 June 2020 HK$m
Properties for/under development and other assets classified as held for sale	**1,890.9**	1,745.4
Investment properties	**1,674.3**	-
Interests in joint ventures	**2,258.7**	-
Interests in associated companies	**4,949.0**	111.5
Debtors, prepayments, premium receivables and contract assets	**0.7**	0.7
	10,773.6	1,857.6

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

	As at 31 December 2020 HK$m	As at 30 June 2020 HK$m
Other liabilities classified as held for sale	**8.8**	8.1
Deferred tax liabilities	**4.0**	-
	12.8	8.1

8. Trade creditors

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

	As at 31 December 2020 HK$m	As at 30 June 2020 HK$m
Less than 30 days	**6,533.0**	6,079.1
31 to 60 days	**306.3**	201.1
Over 60 days	**5,826.1**	4,317.6
	12,665.4	10,597.8

9. Pledge of assets

As at 31 December 2020, the assets with an aggregated amount of HK$52,879.3 million (30 June 2020: HK$56,524.0 million) were pledged as securities for certain banking facilities of the Group.

10. Financial guarantee and contingent liabilities

	As at 31 December 2020 HK$m	As at 30 June 2020 HK$m
Financial guarantee contracts:		
Mortgage facilities for certain purchasers of properties	**4,167.2**	4,518.9
Guarantees for credit facilities granted to		
Joint ventures	**5,504.2**	5,274.4
Associated companies	**1,734.2**	1,662.9
	11,405.6	11,456.2

11. Event subsequent to period end

NWS Holdings and its subsidiaries ("NWSH Group") holds a 42% interest in SUEZ NWS Limited ("SUEZ NWS", an associated company of NWSH Group) and 100% interest in NWS Hong Kong Investment Limited ("NWS HKI", which indirectly holds 12.55% effective interest in Chongqing Derun Environment Co., Ltd.) (collectively, the "Environment Disposal Group"). As at 31 December 2020, NWSH Group reached an advanced stage of negotiation of the disposal of the entire interest of the Environment Disposal Group held by NWSH Group (the "Environment Disposal"). In January 2021, NWSH Group entered into conditional sale and purchase agreements for the Environment Disposal together with the inter-company payable by NWS HKI to NWS Holdings Limited at an aggregate consideration of HK$6,533.0 million. The assets and liabilities of the Environment Disposal Group were reclassified as held-for-sale and measured at the lower of carrying amount and fair value less costs to sell at the date of held for sale classification and 31 December 2020. After taking into account the estimated capital gains tax, stamp duty, provision relating to the contingent liabilities and other transaction costs directly attributable to the Environment Disposal, NWSH Group has recognised a remeasurement loss of HK$112.7 million in the condensed consolidated financial statements for the six months ended 31 December 2020. The transaction is yet to complete up to the date of this announcement.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.56 per share in cash for the financial year ending 30 June 2021 to shareholders whose names appear on the register of members of the Company on 25 March 2021. It is expected that the interim dividend will be distributed to shareholders on or about 15 April 2021.

BOOK CLOSE DATES

Book close dates (both days inclusive)	:	19 March 2021 to 25 March 2021
Latest time to lodge transfer with Share Registrar	:	4:30 pm on Thursday, 18 March 2021
Address of Share Registrar	:	Tricor Tengis Limited Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2020, the Company bought back a total of 10,357,000 shares of the Company on the Hong Kong Stock Exchange at an aggregate consideration of HK$377,963,700.32 (before expenses), but out of which, 3,761,000 shares were cancelled during the period and the remaining 6,596,000 shares were subsequently cancelled on 19 February 2021. As at 31 December 2020, the total number of shares of the Company in issue was 2,545,387,921.

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

Month	Number of shares bought back	Price paid per share		Aggregate consideration (before expenses)
		Highest HK$	Lowest HK$	HK$
December 2020	**10,357,000**	**37.00**	**35.80**	**377,963,700.32**

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

During the six months ended 31 December 2020, the Company has not redeemed any of its listed securities. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 31 December 2020.

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2020, around 38,000 staff was employed by entities under the Group's management. Remuneration policies are reviewed annually. Remuneration and bonuses are awarded to employees based on individual performances and are in line with market practices. Education subsidies will be granted to employees who are taking job-related courses. Periodic in-house training programs are also offered. Under the share option schemes of the Company and all the listed subsidiaries of the Group, options may be granted to certain Directors of the Company and certain employees of the Group to subscribe for shares in the Company and/or the respective subsidiaries.

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2020 with the exception of code provisions A.6.4 and E.1.2.

Code provision A.6.4 is in relation to guidelines for securities dealings by relevant employees. Under code provision A.6.4, the Board should establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for its relevant employees in respect of their dealings in the securities of the Company. Instead of following the Model Code strictly, the Board has established its own guidelines which are not on no less exacting terms than the Model Code. Such deviation from the CG Code is considered necessary because of the huge size of employees of the Group which is around 38,000 and the Group's diversified businesses. For these reasons, to follow the exact guidelines of the Model Code will cause immense administrative burden to the Company in processing written notifications from the relevant employees who deal in the securities of the Company, which can be avoided under the Company's own guidelines.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Dr. Cheng Kar-Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 26 November 2020 (the "AGM") due to his other engagement. Mr. Sitt Nam-Hoi, an 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 calibre for answering questions at the AGM and had answered questions at the AGM competently.

REVIEW OF INTERIM RESULTS

The Company's unaudited interim results for the six months ended 31 December 2020 have not been reviewed by external auditor, but have been reviewed by the Audit Committee of the Company.

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

The financial information relating to the year ended 30 June 2020 that is included in the Interim Report 2020/2021 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company had delivered the financial statements for the year ended 30 June 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

Dr. Cheng Kar-Shun, Henry
Chairman

Hong Kong, 26 February 2021

As at the date of this announcement, (a) the Executive Directors of the Company are Dr. CHENG Kar-Shun, Henry, Dr. CHENG Chi-Kong, Adrian, Mr. CHENG Chi-Heng, Ms. CHENG Chi-Man, Sonia, Mr. SITT Nam-Hoi, Ms. HUANG Shaomei, Echo and Ms. CHIU Wai-Han, Jenny ; (b) the Non-executive Directors of the Company are Mr. DOO Wai-Hoi, William and Mr. CHENG Kar-Shing, Peter; and (c) the Independent Non-executive Directors of the Company are Mr. YEUNG Ping-Leung, Howard, Mr. HO Hau-Hay, Hamilton, Mr. LEE Luen-Wai, John, Mr. LIANG Cheung-Biu, Thomas and Mr. IP Yuk-Keung, Albert.