新創建 NWS

新創建集團有限公司*

NWS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 659)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

Revenue	**:**	**HK$31,385.0 million**
Profit attributable to shareholders	**:**	**HK$5,628.9 million**
Basic earnings per share	**:**	**HK$1.46**
Proposed final dividend per share	**:**	**HK$0.39**
Proposed special final dividend per share	**:**	**HK$0.72**

RESULTS

The board of directors (the “Board”) of NWS Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 30 June 2017 (“FY2017”) together with comparative figures for the year ended 30 June 2016 (“FY2016”) as follows:

Consolidated Income Statement
For the year ended 30 June

	Note	**2017** **HK$'m**	2016 HK$'m
Revenue	*2*	**31,385.0**	29,497.8
Cost of sales		**(27,763.2)**	(26,145.3)
Gross profit		**3,621.8**	3,352.5
Other income/gains	*3*	**1,105.2**	1,701.0
General and administrative expenses		**(1,293.7)**	(1,103.7)
Operating profit	*4*	**3,433.3**	3,949.8
Finance costs		**(468.3)**	(621.4)
Share of results of			
Associated companies	*2(b)*	**1,590.9**	724.3
Joint ventures	*2(b)*	**1,774.5**	1,541.7
Profit before income tax		**6,330.4**	5,594.4
Income tax expenses	*5*	**(685.2)**	(632.9)
Profit for the year		**5,645.2**	4,961.5
Attributable to			
Shareholders of the Company		**5,628.9**	4,912.8
Non-controlling interests		**16.3**	48.7
		5,645.2	4,961.5
Basic earnings per share attributable to the shareholders of the Company	*6*	**HK$1.46**	HK$1.30

Consolidated Statement of Comprehensive Income
For the year ended 30 June

	2017 **HK$'m**	2016 HK$'m
Profit for the year	**5,645.2**	4,961.5
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment benefit obligation	**24.7**	(13.0)
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Fair value changes of available-for-sale financial assets	**196.2**	(317.2)
Release of reserves upon remeasurement of previously held equity interest in a joint venture	**35.6**	-
Release of reserve upon restructuring of a joint venture	**5.7**	-
Release of investment revaluation deficit to the consolidated income statement upon impairment of an available-for-sale financial asset	**-**	670.4
Release of reserve upon disposal of interest in a joint venture	**(129.8)**	-
Release of reserve upon deregistration of a subsidiary	**(15.3)**	-
Release of reserves upon partial disposal of interest in an associated company	**(5.6)**	-
Release of reserve upon disposal of available-for-sale financial assets	**(15.1)**	(623.0)
Share of other comprehensive (loss)/income of associated companies and joint ventures	**(7.0)**	13.6
Cash flow hedges	**253.8**	(147.0)
Currency translation differences	**(673.4)**	(2,438.1)
Other comprehensive loss for the year, net of tax	**(330.2)**	(2,854.3)
Total comprehensive income for the year	**5,315.0**	2,107.2
Total comprehensive income attributable to		
Shareholders of the Company	**5,306.4**	2,088.5
Non-controlling interests	**8.6**	18.7
	5,315.0	2,107.2

Consolidated Statement of Financial Position
As at 30 June

	Note	**2017 HK$'m**	2016 HK$'m
ASSETS			
Non-current assets			
Investment properties		**1,568.9**	1,612.6
Property, plant and equipment		**5,487.8**	1,034.7
Intangible concession rights		**11,936.2**	13,006.7
Intangible assets		**786.6**	386.9
Associated companies	*8*	**16,180.5**	14,947.7
Joint ventures	*9*	**15,128.8**	18,122.5
Available-for-sale financial assets		**3,025.5**	1,512.5
Other non-current assets		**887.0**	1,036.8
		55,001.3	51,660.4
Current assets			
Inventories		**484.0**	395.7
Trade and other receivables	*10*	**13,787.2**	10,909.2
Available-for-sale financial asset		**-**	30.0
Cash and bank balances		**6,453.4**	8,923.6
		20,724.6	20,258.5
Assets held-for-sale		**-**	3,766.1
Total assets		**75,725.9**	75,685.0
EQUITY			
Share capital		**3,888.3**	3,832.0
Reserves		**45,168.8**	41,786.9
Shareholders' funds		**49,057.1**	45,618.9
Non-controlling interests		**217.9**	239.5
Total equity		**49,275.0**	45,858.4
LIABILITIES			
Non-current liabilities			
Borrowings		**9,376.9**	9,251.7
Deferred tax liabilities		**2,519.0**	2,109.3
Other non-current liabilities		**226.2**	215.0
		12,122.1	11,576.0
Current liabilities			
Borrowings		**305.8**	5,813.1
Trade and other payables	*11*	**13,642.9**	12,035.9
Taxation		**380.1**	318.3
		14,328.8	18,167.3
Liabilities directly associated with assets held-for-sale		**-**	83.3
Total liabilities		**26,450.9**	29,826.6
Total equity and liabilities		**75,725.9**	75,685.0

Notes:

1. Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and interpretations (collectively the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, certain financial assets and financial liabilities (including derivative financial instruments) which have been measured at fair value.

(a) Adoption of new standard and amendments to standards

During the year, the Group adopted the following new standard and amendments to standards which are relevant to the Group's operations and are mandatory for FY2017:

HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortization
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRSs Amendments	Annual Improvements to HKFRSs 2012-2014 Cycle

The adoption of the above new standard and amendments to standards has no material effect on the results and financial position of the Group.

1. Basis of preparation and accounting policies (continued)

(b) Standards, amendments to standards and interpretations which are not yet effective

The following new standards, amendments to standards and interpretations are mandatory for accounting period beginning on or after 1 July 2017 or later periods but which the Group has not early adopted:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRSs Amendments	Annual Improvements to HKFRSs 2014-2016 Cycle

The Group has already commenced an assessment of the likely impact of adopting the above new standards, amendments to standards and interpretations. The preliminary assessment of HKFRS 15 and HKFRS 16 is detailed below. The Group will continue to assess the impact in more details.

(i) HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations. HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (i) identify the contract(s) with a customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when a performance obligation is satisfied. The core principle is that a company should recognize revenue when control of a good or service transfers to a customer. Under HKFRS 15, an entity normally recognizes revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligations are identified.

Based on the preliminary assessment conducted, the Group does not expect the adoption of HKFRS 15 would have a material impact on the results and financial position of the Group other than additional disclosures.

1. Basis of preparation and accounting policies (continued)

(b) Standards, amendments to standards and interpretations which are not yet effective (continued)

(ii) HKFRS 16 "Leases"

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the statements of financial position for lessees. The Group is a lessee of certain premises and properties which are currently classified as operating leases. HKFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee, almost all leases should be recognized in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the statements of financial position. As for the financial performance impact in the statements of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the financial liability are recognized and no rental expenses will be recognized. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the financial liability will result in a higher total charge to income statements in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

The Group conducted preliminary assessment and estimated that the adoption of HKFRS 16 would result in recognition of right-of-use assets and financial liabilities primarily arising from leases of premises and properties in relation to the Group's various businesses. The Group will continue to assess the impact in more details.

The Group has already commenced an assessment of the impact of other new standards, amendments to standards and interpretations, 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. Revenue and segment information

The Group’s revenue is analyzed as follows:

	2017	2016
	HK$’m	HK$’m
Roads	**2,377.0**	2,399.8
Logistics	**-**	100.1
Facilities Management	**6,915.1**	6,917.9
Construction & Transport	**22,092.9**	20,080.0
	31,385.0	29,497.8

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) Environment; (iii) Logistics; (iv) Aviation; (v) Facilities Management;(vi) Construction & Transport; and (vii) Strategic Investments.

The Executive Committee assesses the performance of the operating segments based on a measure of attributable operating profit. This measurement basis excludes the effects of corporate office and non-operating items. Corporate interest income, finance costs and expenses are not allocated to segments.

2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2017 is as follows:

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Total
2017								
Total revenue	**2,377.0**	**-**	**-**	**-**	**6,918.5**	**22,092.9**	**-**	**31,388.4**
Inter-segment	**-**	**-**	**-**	**-**	**(3.4)**	**-**	**-**	**(3.4)**
Revenue – external	**2,377.0**	**-**	**-**	**-**	**6,915.1**	**22,092.9**	**-**	**31,385.0**
Attributable operating profit								
Company and subsidiaries	**879.2**	**13.8**	**-**	**1.0**	**511.3**	**765.3**	**98.3**	**2,268.9**
Associated companies	**64.7**	**116.1**	**112.8**	**304.2**	**(205.5)**	**241.4**	**187.0 (ii)**	**820.7 (b)**
Joint ventures	**535.2**	**262.2**	**528.4**	**305.3**	**(4.7)**	**125.1**	**(0.8)**	**1,750.7 (b)**
	1,479.1	**392.1**	**641.2**	**610.5**	**301.1**	**1,131.8 (i)**	**284.5**	**4,840.3**

Reconciliation – corporate office and non-operating items	
Net gain on disposal of a project under an associated company	**932.8 (iii)**
Gain on restructuring of a joint venture (note 8(b))	**454.3**
Gain on fair value of investment properties	**117.1**
Gain on remeasurement of previously held equity interest in a joint venture (note 9(b))	**113.1**
Net gain on disposal of projects, net of tax	**179.8**
Losses on partial disposal, impairment and remeasurement related to an associated company	**(290.6) (iv)**
Net exchange gain	**12.1**
Interest income	**54.4**
Finance costs	**(399.8)**
Expenses and others	**(384.6)**
Profit attributable to shareholders	**5,628.9**

(i) The amount includes attributable operating profit of HK$222.3 million from the Group's Transport business.

(ii) The amount includes the Group's share of attributable operating profit of HK$133.1 million from certain associated companies engaged in investment activities.

(iii) The amount represents the net gain on disposal of interest in Tricor Holdings Limited ("Tricor"), as detailed in note 8(a).

(iv) The amount represents losses in relation to the Group's interest in Newton Resources Ltd ("Newton Resources"), including share of impairment loss of HK$204.0 million, loss on partial disposal of HK$52.3 million and loss on remeasurement of HK$34.3 million, as detailed in note 8(c).

2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2017 is as follows (continued):

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Consolidated
2017										
Depreciation	**19.0**	**-**	**-**	**-**	**95.9**	**241.9**	**-**	**356.8**	**5.7**	**362.5**
Amortization of intangible concession rights	**808.2**	**-**	**-**	**-**	**-**	**-**	**-**	**808.2**	**-**	**808.2**
Amortization of intangible assets	**-**	**-**	**-**	**-**	**31.2**	**0.9**	**-**	**32.1**	**-**	**32.1**
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	**37.4**	**-**	**-**	**-**	**110.9**	**5,134.0**	**-**	**5,282.3**	**5.1**	**5,287.4**
Interest income	**50.7**	**12.7**	**-**	**0.4**	**39.6**	**4.0**	**39.5**	**146.9**	**55.2**	**202.1**
Finance costs	**9.7**	**-**	**-**	**-**	**0.6**	**58.1**	**0.1**	**68.5**	**399.8**	**468.3**
Income tax expenses	**391.3**	**16.1**	**9.9**	**10.6**	**101.7**	**152.3**	**0.1**	**682.0**	**3.2**	**685.2**
As at 30 June 2017										
Company and subsidiaries	**13,339.4**	**371.0**	**7.1**	**2,664.8**	**5,281.5**	**16,246.6**	**3,483.0**	**41,393.4**	**3,023.2**	**44,416.6**
Associated companies	**441.4**	**3,951.2**	**1,982.2**	**2,998.3**	**1,490.9**	**1,695.0**	**3,615.7**	**16,174.7**	**5.8**	**16,180.5**
Joint ventures	**5,648.1**	**3,231.1**	**2,915.9**	**2,035.5**	**63.0**	**2.5**	**1,220.5**	**15,116.6**	**12.2**	**15,128.8**
Total assets	**19,428.9**	**7,553.3**	**4,905.2**	**7,698.6**	**6,835.4**	**17,944.1 (i)**	**8,319.2**	**72,684.7**	**3,041.2**	**75,725.9**
Total liabilities	**2,575.8**	**27.0**	**0.3**	**11.8**	**1,202.5**	**13,066.4 (i)**	**2.6**	**16,886.4**	**9,564.5**	**26,450.9**

(i) The balances include total assets of HK$5,503.9 million and total liabilities of HK$1,598.9 million from the Group's Transport business.

2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2017 is as follows (continued):

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Total	
2016									
Total revenue	2,399.8	-	100.1	-	6,933.0	20,198.9	-	29,631.8	
Inter-segment	-	-	-	-	(15.1)	(118.9)	-	(134.0)	
Revenue – external	2,399.8	-	100.1	-	6,917.9	20,080.0	-	29,497.8	
Attributable operating profit									
Company and subsidiaries	728.3	14.2	68.2	4.1	658.0	556.6	207.0	2,236.4	
Associated companies	73.6	8.7	109.0	419.9	(16.5)	158.9	172.4 (ii)	926.0	(b)
Joint ventures	457.9	446.9	525.4	-	3.5	196.1 (i)	(52.6)	1,577.2	(b)
	1,259.8	469.8	702.6	424.0	645.0	911.6	326.8	4,739.6	
Reconciliation – corporate office and non-operating items									
Gain on fair value of investment properties								1,420.0	
Gain on disposal of an available-for-sale financial asset								534.1	
Net gain on disposal of projects, net of tax								199.4	
Net gain on deemed disposal of a project under a joint venture								179.3	(b)
Impairment loss of an available-for-sale financial asset								(670.4)	(iii)
Impairment loss related to an associated company								(200.0)	(b)
Impairment loss related to a joint venture								(177.6)	(b)
Net exchange loss								(368.8)	
Interest income								198.1	
Finance costs								(546.3)	
Expenses and others								(394.6)	
Profit attributable to shareholders								4,912.8	

(i) The amount included the Group's share of attributable operating profit of HK$196.1 million from its Transport business.

(ii) The amount included the Group's share of attributable operating profit of HK$143.2 million from certain associated companies engaged in investment activities.

(iii) The amount represented the impairment loss arising from the drop in the share price of Haitong International Securities Group Limited ("Haitong International") (note 3). The Group's investment in Haitong International is classified as an available-for-sale financial asset.

2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2017 is as follows (continued):

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Eliminations	Consolidated
2016											
Depreciation	16.5	-	-	-	79.4	66.0	-	161.9	5.2	-	167.1
Amortization of intangible concession rights	825.6	-	-	-	-	-	-	825.6	-	-	825.6
Amortization of intangible assets	-	-	-	-	31.2	-	-	31.2	-	-	31.2
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	164.8	-	-	-	129.3	372.2	-	666.3	4.7	-	671.0
Interest income	42.9	19.3	2.0	7.6	24.7	6.6	30.7	133.8	198.6	(12.9)	319.5
Finance costs	39.3	-	6.9	-	0.8	40.5	0.5	88.0	546.3	(12.9)	621.4
Income tax expenses	367.4	21.1	21.4	8.2	130.3	84.0	-	632.4	0.5	-	632.9
As at 30 June 2016											
Company and subsidiaries	14,743.9	342.7	3,797.6	1,393.5	4,356.9	10,166.8	1,986.3	36,787.7	5,827.1	-	42,614.8
Associated companies	442.8	564.9	1,997.2	4,266.7	1,586.8	1,611.0	4,430.3	14,899.7	48.0	-	14,947.7
Joint ventures	5,607.2	6,333.0	2,865.4	-	3.9	2,073.5 (i)	1,213.1	18,096.1	26.4	-	18,122.5
Total assets	20,793.9	7,240.6	8,660.2	5,660.2	5,947.6	13,851.3	7,629.7	69,783.5	5,901.5	-	75,685.0
Total liabilities	3,246.4	35.5	84.4	38.6	1,143.5	10,084.5	9.7	14,642.6	15,184.0	-	29,826.6

(i) The balance included the Group's investment in its Transport business of HK$2,071.1 million.

2. Revenue and segment information (continued)

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

	Associated companies		Joint ventures	
HK$'m	**2017**	2016	**2017**	2016
Attributable operating profit	**820.7**	926.0	**1,750.7**	1,577.2
Corporate associated companies, joint ventures and non-operating items				
Gain on disposal of a project under an associated company (note 8(a))	**967.2**	-	**-**	-
Net gain on deemed disposal of a project under a joint venture	**-**	-	**-**	179.3
Impairment losses (note 8(c))	**(204.0)**	(200.0)	**-**	(177.6)
Others	**7.0**	(1.7)	**23.8**	(37.2)
Share of results of associated companies and joint ventures	**1,590.9**	724.3	**1,774.5**	1,541.7

(c) Information by geographical areas:

	Revenue		Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	
HK$'m	**2017**	2016	**2017**	2016
Hong Kong	**28,449.7**	26,243.3	**7,706.1**	2,899.5
Mainland China	**2,470.5**	2,480.2	**12,047.8**	13,109.2
Macau	**464.8**	774.3	**25.6**	32.2
	31,385.0	29,497.8	**19,779.5**	16,040.9

The operations of the Group's Infrastructure division 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.

3. Other income/gains

	Note	2017 HK$'m	2016 HK$'m
Gain on restructuring of a joint venture	*8(b)*	**454.3**	-
Gain on fair value of investment properties		**117.1**	1,420.0
Gain on remeasurement of previously held equity interest in a joint venture	*9(b)*	**113.1**	-
Profit on disposal of assets held-for-sale		**77.8**	15.0
Profit on disposal of a joint venture		**72.5**	53.2
Profit on disposal of available-for-sale financial assets		**30.1**	645.1
Profit on disposal of subsidiaries		**26.3**	95.0
Loss on partial disposal of an associated company	*8(c)*	**(52.3)**	-
(Loss)/profit on disposal of intangible concession rights and their related assets and liabilities		**(17.4)**	58.7
Interest income		**202.1**	319.5
Other income		**89.9**	38.6
Machinery hire income		**63.2**	96.1
Dividend income		**30.4**	65.8
Management fee income		**14.4**	23.0
Net exchange loss		**(47.9)**	(458.6)
Loss on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	*8(c)*	**(34.3)**	-
Goodwill written off		**(34.1)**	-
Impairment loss of an available-for-sale financial asset	*2(a)*	**-**	(670.4)
		1,105.2	1,701.0

4. Operating profit

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

	2017 HK$'m	2016 HK$'m
Crediting		
Gross rental income from investment properties	**63.3**	164.3
Less: outgoings	**(14.1)**	(26.3)
	49.2	138.0
Charging		
Auditor's remuneration	**22.8**	22.3
Cost of inventories sold	**2,376.1**	2,375.0
Cost of services rendered	**25,387.1**	23,770.3
Depreciation	**362.5**	167.1
Amortization of intangible concession rights	**808.2**	825.6
Amortization of intangible assets	**32.1**	31.2
Operating lease rental expenses — properties	**174.3**	84.3
Staff costs (including directors' emoluments)	**3,853.2**	3,034.1

5. Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2016: 12% to 25%).

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

	2017	2016
	HK$'m	HK$'m
Current income tax		
Hong Kong profits tax	**212.8**	204.0
Mainland China and overseas taxation	**541.3**	474.9
Deferred income tax credit	**(68.9)**	(46.0)
	685.2	632.9

Share of taxation of associated companies and joint ventures of HK$212.7 million (2016: HK$196.0 million) and HK$429.1 million (2016: HK$385.5 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

6. Earnings per share

The calculation of basic earnings per share for the year is based on earnings of HK$5,628.9 million (2016: HK$4,912.8 million) and on the weighted average of 3,848,314,143 (2016: 3,793,701,910) ordinary shares outstanding during the year.

For both FY2017 and FY2016, the share options of the Company have an anti-dilutive effect on the basic earnings per share and are ignored in the calculation of diluted earnings per share.

7. Dividends

	2017	2016
	HK$'m	HK$'m
Interim dividend paid of HK$0.34 (2016: HK$0.31) per share	**1,311.5**	1,179.6
Final dividend proposed of HK$0.39 (2016: paid of HK$0.34) per share	**1,517.3**	1,302.9
Special final dividend proposed of HK$0.72 (2016: Nil) per share	**2,801.2**	-
	5,630.0	2,482.5

At a meeting held on 20 September 2017, the Board recommended a final dividend of HK$0.39 per share and a special final dividend of HK$0.72 per share. These proposed dividends are not reflected as dividends payable in the consolidated financial statements but will be reflected as an appropriation of the retained profits for the year ending 30 June 2018 ("FY2018").

Subject to the passing of the relevant resolutions at the annual general meeting of the Company to be held on 17 November 2017 ("AGM"), it is expected that the final dividend and the special final dividend will be paid on or about 11 December 2017.

8. Associated companies

(a) On 5 October 2016, the Company, The Bank of East Asia, Limited ("BEA"), East Asia Secretaries (BVI) Limited ("East Asia Secretaries") and Trivium Investment Limited ("Trivium") entered into a share purchase agreement for the sale of all the issued shares of Tricor held by East Asia Secretaries to Trivium at a consideration of approximately HK$6.5 billion (the "Disposal"). Tricor was 24.39% owned by the Company and 75.61% owned by BEA, in each case through East Asia Secretaries immediately before completion of the Disposal. Completion of the Disposal took place on 31 March 2017 and the Group ceased to own any equity interest in Tricor. Share of net gain arising from the Disposal of HK$932.8 million was recognized by the Group in FY2017.

(b) On 1 November 2016, the shareholders of Sino-French Holdings (Hong Kong) Limited, a then 50% joint venture of the Group and now renamed SUEZ NWS Limited ("SUEZ NWS"), entered into an agreement to restructure and expand the scope of operations of SUEZ NWS by injecting cash and their respective waste and wastewater treatment businesses in Mainland China, Hong Kong, Macau and Taiwan ("Greater China") into SUEZ NWS. Consequently, the transaction resulted in a restructuring gain of HK$454.3 million for the Group in FY2017. The Group ceased its joint control and owns 42% equity interest in SUEZ NWS upon completion of the restructuring. Accordingly, the investment in SUEZ NWS was thereafter accounted for as an associated company.

8. Associated companies (Continued)

(c) The share of results of associated companies includes the Group's share of impairment loss of HK$204.0 million in relation to Newton Resources in FY2017. In January 2017, management of the Group revisited its investment strategy in Newton Resources and subsequently disposed 20% of the equity interest in Newton Resources. The remaining 15.5% equity interest has since been reclassified from investment in an associated company to available-for-sale financial assets with its carrying value marked to its market value in January 2017. As a result, losses on partial disposal and remeasurement upon reclassification of HK$52.3 million and HK$34.3 million respectively were recognized in FY2017.

9. Joint ventures

(a) On 19 October 2016, the Group entered into agreements with the then other shareholders of Goshawk Aviation Limited ("Goshawk") and Goshawk Management Holdings (Cayman) Limited (collectively, the "Goshawk Companies"). Pursuant to such agreements, the Group acquired an additional 10% equity interest in the Goshawk Companies and related shareholder loans at an aggregate consideration of approximately HK$788.0 million. Upon completion of the transactions on 24 October 2016, the Group's equity interest in the Goshawk Companies was increased from 40% to 50% and joint control over the companies was obtained. As such, the Group's investments in the Goshawk Companies were henceforth accounted for as joint ventures.

(b) On 15 November 2016, NWS Service Management Limited ("NWS Service (BVI)", a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company) and Enrich Group Limited ("Enrich", a direct wholly owned subsidiary of Chow Tai Fook Enterprises Limited ("CTF Enterprises")) entered into a sale and purchase agreement and pursuant to which, NWS Service (BVI) agreed to acquire the remaining 50% equity interest in NWS Transport Services Limited ("NWS Transport", a then joint venture owned as to 50% by each of NWS Service (BVI) and Enrich) from Enrich at a total consideration of approximately HK$1,467.5 million (including adjustment to the consideration upon completion). NWS Transport and its subsidiaries ("NWS Transport Group") are principally engaged in the provision of public bus, ferry and travel related services in Hong Kong. Completion of the acquisition took place on 30 December 2016. Thereafter, NWS Transport Group became indirect wholly owned subsidiaries of the Company. The Group recognized a gain on the remeasurement of previously held equity interest in NWS Transport of HK$113.1 million in FY2017.

10. Trade and other receivables

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

	2017	2016
	HK$'m	HK$'m
Under 3 months	**2,398.1**	2,511.7
4 to 6 months	**107.7**	30.3
Over 6 months	**37.5**	40.2
	2,543.3	2,582.2

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 and other payables

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

	2017	2016
	HK$'m	HK$'m
Under 3 months	**829.0**	611.2
4 to 6 months	**25.7**	7.4
Over 6 months	**34.1**	12.3
	888.8	630.9

FINAL DIVIDEND AND SPECIAL FINAL DIVIDEND

The Board has resolved to recommend a final dividend ("Final Dividend") of HK$0.39 per share (2016: HK$0.34 per share) and a special final dividend ("Special Final Dividend") of HK$0.72 per share (2016: Nil) (both in cash) for FY2017 to the shareholders whose names appear on the register of members of the Company on 23 November 2017. Together with the interim dividend of HK$0.34 per share (2016: HK$0.31 per share) paid in May 2017, total distribution of dividend by the Company for FY2017 will therefore be HK$1.45 per share (2016: HK$0.65 per share).

Subject to the passing of the relevant resolutions at the AGM, it is expected that the Final Dividend and the Special Final Dividend will be paid on or about 11 December 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the AGM and entitlement to the Final Dividend and the Special Final Dividend, the register of members of the Company will be closed. Details of such closures are set out below:

<u>For determining eligibility to attend and vote at the AGM:</u>

Latest time to lodge transfer documents for registration	4:30 pm on 13 November 2017
Closure of register of members	14 to 17 November 2017 (both days inclusive)
Record date	17 November 2017
AGM date	17 November 2017

<u>For determining entitlement to the Final Dividend and the Special Final Dividend:</u>

Latest time to lodge transfer documents for registration	4:30 pm on 22 November 2017
Closure of register of members	23 November 2017
Record date	23 November 2017
Final Dividend and Special Final Dividend payment date	on or about 11 December 2017

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM and to qualify for the Final Dividend and the Special Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

FINANCIAL REVIEW

Group overview

Riding on the robust performance of the Construction, Roads and Aviation segments and timely execution of investment and divestment opportunities, the Group's financial results have once again reached new heights. Attributable Operating Profit ("AOP") for FY2017 grew to HK$4.840 billion by HK$100.7 million or 2% compared with the previous financial year, reflecting an increase of 9% to HK$3.123 billion for the Infrastructure division and a reduction of 9% to HK$1.717 billion for the Services division. At the same time, profit attributable to shareholders grew by 15% to reach a record high of HK$5.629 billion.

Contribution by Division
For the year ended 30 June

	2017 **HK$'m**	2016 HK$'m
Infrastructure	**3,122.9**	2,856.2
Services	**1,717.4**	1,883.4
Attributable operating profit	**4,840.3**	4,739.6
Corporate office and non-operating items		
Net gain on disposal of a project under an associated company	**932.8**	-
Gain on restructuring of a joint venture	**454.3**	-
Net gain on disposal of projects, net of tax	**179.8**	199.4
Gain on fair value of investment properties	**117.1**	1,420.0
Gain on remeasurement of previously held equity interest in a joint venture	**113.1**	-
Gain on disposal of an available-for-sale financial asset	**-**	534.1
Net gain on deemed disposal of a project under a joint venture	**-**	179.3
Losses on partial disposal, impairment and remeasurement related to an associated company	**(290.6)**	-
Impairment loss of an available-for-sale financial asset	**-**	(670.4)
Impairment loss related to an associated company	**-**	(200.0)
Impairment loss related to a joint venture	**-**	(177.6)
Net exchange gain/(loss)	**12.1**	(368.8)
Interest income	**54.4**	198.1
Finance costs	**(399.8)**	(546.3)
Expenses and others	**(384.6)**	(394.6)
	788.6	173.2
Profit attributable to shareholders	**5,628.9**	4,912.8

Having disposed of the entire interest in Tricor in March 2017, the Group shared a net disposal gain of HK$932.8 million. In line with the Group's capital recycling strategy, the proceeds will be utilized to fund its general working capital requirements and new investment opportunities.

As previously reported in the announcement of the interim results for the six months ended 31 December 2016 (the "Interim Results Announcement"), the Group recognized a gain of HK$454.3 million upon the restructuring of SUEZ NWS by way of asset injections by both of its shareholders. The Group's interest in SUEZ NWS post-restructuring decreased from 50% to 42% but the Group bolstered its environmental businesses by expanding its predominantly water and wastewater treatment focus to cover also waste treatment services and related engineering. This enlarged portfolio well positions the Group to capitalize on the strong demand for integrated environmental solutions in Greater China.

On 30 December 2016, the Group, through its acquisition of the remaining 50% interest in NWS Transport, assumed full control of Citybus Limited ("Citybus"), New World First Bus Services Limited ("NWFB") and New World First Ferry Services Limited. As set out in the Interim Results Announcement, the step-up of NWS Transport from a joint venture to a wholly owned subsidiary resulted in a remeasurement gain of HK$113.1 million in relation to previously held equity interest.

In FY2017, the Group recognized a total fair value gain of HK$117.1 million for its investment properties. A similar gain of HK$1.4 billion was recorded in FY2016 mainly due to the revaluation of NWS Kwai Chung Logistics Centre prior to its disposal.

During FY2017, the Group recognized partial disposal, impairment and remeasurement losses totalling HK$290.6 million in relation to Newton Resources. The Group reclassified its investment in Newton Resources as an available-for-sale financial asset after having reduced its stake to 15.5% in January 2017.

A number of one-off items were recognized in FY2016. On the positive side, the divestment of the interest in New World China Land Limited produced a gain of HK$534.1 million while the deemed disposal of the Group's indirect interest in Chongqing Water Group Co., Ltd. resulted in a gain of HK$179.3 million. However, these contributions were offset by certain impairment losses including HK$670.4 million on Haitong International, HK$200.0 million on Tharisa plc ("Tharisa") and HK$177.6 million on Hyva Holding B.V. ("Hyva"). In addition, a net exchange loss of HK$368.8 million arising from the depreciation of Renminbi was also recognized.

Contributions from the operations in Hong Kong accounted for 46% of AOP in FY2017 compared with 55% in FY2016. Mainland China and Others contributed 44% and 10% respectively in FY2017, compared with 41% and 4% respectively in FY2016.

Dividends

The Board is conscientious in delivering strong and steady returns to the shareholders and has adhered to the policy of maintaining a dividend payout ratio at not less than 50% over the past years.

Having successfully realized the value of certain investments which generated significant positive cash flow during FY2017, the Board considered that it is appropriate for the Company to extend its gratitude towards the shareholders for their loyal support by recommending the Final Dividend of HK$0.39 per share and the Special Final Dividend of HK$0.72 per share (both in cash). Together with the interim dividend of HK$0.34 per share paid in May 2017, total distribution of dividend by the Company for FY2017 will be HK$1.45 per share, representing a special payout ratio of 100%. The Company will still maintain a strong financial position required to drive healthy and sustainable business growth and development after the payment of the Final Dividend and the Special Final Dividend.

Earnings per share

The basic earnings per share was HK$1.46 in FY2017, representing an increase of 12% from HK$1.30 in FY2016.

OPERATIONAL REVIEW – INFRASTRUCTURE

AOP Contribution by Segment

For the year ended 30 June

	2017	2016	Change %
	HK$'m	HK$'m	Fav./(Unfav.)
Roads	**1,479.1**	1,259.8	17
Environment	**392.1**	469.8	(17)
Logistics	**641.2**	702.6	(9)
Aviation	**610.5**	424.0	44
Total	**3,122.9**	2,856.2	9

Roads

AOP from the Roads segment increased by 17% to HK$1,479.1 million. Traffic volume of the Group's road portfolio grew by 11% in FY2017 reflecting the trend of increasing vehicle ownership resulting from ongoing urbanization in Mainland China.

The increase in long haul trucks traffic during FY2017 contributed to the 4% increase in toll revenue of Hangzhou Ring Road. This was despite a 7% traffic drop caused by local traffic control measures imposed during the G20 Summit and the diversion of passenger cars to a competing viaduct which opened in August 2016. The full-year effect of the full acquisition of Hangzhou Ring Road in January 2016 also boosted its AOP contribution.

Average daily traffic flow of Tangjin Expressway (Tianjin North Section) grew by 12% in FY2017 notwithstanding its one-off traffic increase in FY2016 caused by temporary traffic diversion after the Tianjin explosion incident. Its reduction in AOP for FY2017 was due to a one time exchange loss arising from the shareholder's loan. Following its road expansion works, approval has been granted to extend the concession right for a further 11 years to 2039.

All of the Group's expressways in the Pearl River Delta Region registered traffic flow increases during FY2017. Average daily traffic flow of Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) grew by 12% and 16% respectively. After completion of its expansion works in December 2015, traffic flow of Shenzhen-Huizhou Expressway (Huizhou Section) rose by 14% while its toll revenue increased swiftly by 42% under the new standard toll rate approved in March 2016. Both Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway continued to show positive progress as their traffic flows grew by 21% and 11% respectively in FY2017.

In Hong Kong, average daily traffic flow of Tate's Cairn Tunnel grew by 2% during FY2017.

During FY2017, the Group disposed of its concession rights in Shenzhen-Huizhou Roadway (Huizhou Section) in Guangdong and Yulin Shinan-Dajiangkou Roadway in Guangxi for a net disposal gain.

Environment

AOP of the Environment segment fell by 17% as the profitability of the coal-fired power plants suffered from rising coal prices during FY2017 and an average 7% reduction in coal-fired benchmark on-grid tariff since January 2016.

The restructuring of SUEZ NWS during FY2017 allowed the Group to expand its environmental businesses from primarily water and wastewater projects to a broadened portfolio comprising also waste treatment and design, engineering and procurement. Henceforth, SUEZ NWS can capture growth opportunities from a full spectrum of environmental services in Greater China. Despite the dilution of the Group's effective interest in SUEZ NWS to 42% after the restructuring, SUEZ NWS reported an AOP growth in FY2017.

The third production line for hazardous waste incineration plant in Shanghai Chemical Industrial Park commenced operation in March 2017. It provides an annual treatment capacity of 120,000 tonnes and is one of the world's largest hazardous waste-to-energy plants. To meet the growing water demand in Macau, SUEZ NWS has recently embarked upon the construction of a new water plant in Seac Pai Van. Upon completion in 2019, SUEZ NWS' total daily treatment capacity in Macau will increase by 130,000 m^3 to 520,000 m^3. In the meantime, a water tariff increase in Macau was approved in June 2017.

Chongqing Derun Environment Co., Ltd. ("Derun Environment") continued to provide positive AOP to the segment in FY2017, although its results were impacted by retrospective value added tax on wastewater treatment business dating back to July 2015. During FY2017, Derun Environment secured several land remediation contracts in Shanghai, laying a solid foundation for growth in this niche market.

Electricity sales volume of Zhujiang Power Station – Phase II grew by 17% in FY2017 while sales at Chengdu Jintang Power Plant remained stable. During FY2017, the Group divested its interest in Zhujiang Power Station – Phase I and recognized a disposal gain. Performance of Guangzhou Fuel Company was robust in FY2017 amid active coal trading activities.

Logistics

AOP from the Logistics segment dropped 9% to HK$641.2 million in FY2017, which reflected the disposal of NWS Kwai Chung Logistics Centre in 2016.

Contribution from ATL Logistics Centre dropped in FY2017 in the absence of the one-off rental adjustment for a major tenant renewal in FY2016. Excluding this one-off rental adjustment, its average rental grew modestly by 5% while occupancy rate remained steady at 97.1%.

China United International Rail Containers Co., Limited ("CUIRC") delivered satisfactory AOP growth in FY2017. Benefitting from the increasing trend of containerized break-bulk cargoes service that commenced in January 2015, its throughput increased steadfastly by 23% to 2,529,000 TEUs in FY2017. To meet the growing demand, new terminals in Tianjin and Urumqi, each with annual handling capacity of 300,000 TEUs, commenced operation in January and June 2017 respectively.

AOP from the Group's seaport projects saw moderate growth in FY2017. Throughput handled by Xiamen Container Terminal Group Co., Ltd. rose by 4% to 8,182,000 TEUs. In Tianjin, throughput of Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd., grew by 3% to 2,555,000 TEUs and 7% to 961,000 TEUs respectively.

Aviation

This segment includes the Group's investments in Beijing Capital International Airport Co., Ltd. ("BCIA") and its commercial aircraft leasing business. AOP surged by 44% in FY2017 primarily due to the expansion of aircraft fleet size of Goshawk and the increase of the Group's shareholding in Goshawk from 40% to 50% since October 2016.

BCIA held its position as the world's second busiest passenger airport in 2016. During FY2017, BCIA served 95.4 million passengers, representing a steady growth of 4% compared with FY2016. The growth in passenger throughput and aircraft movements, especially from international routes continued to drive aeronautical revenue. Non-aeronautical revenue also achieved stable growth due to rising concession fees from retail and food and beverage outlets which benefitted from the increase in high-spending international passengers.

Goshawk continues its fleet expansion plan by focusing on commercial aircraft that are young, in demand, fuel efficient and equipped with modern technology and by maintaining a diversified customer base. As at 30 June 2017, Goshawk's fleet which comprised 84 aircraft in operation (having grown from 68 aircraft as at 30 June 2016) were leased out to 35 airlines in 27 countries. Its total assets on book have reached US$3.5 billion. Together with the planned delivery of another 27 aircraft, the overall portfolio size of Goshawk has increased to 111 aircraft at present. Goshawk is therefore in a prime position to generate stable income and recurring cash flows for the Group.

The second commercial aircraft leasing platform, Bauhinia Aviation Capital Limited, a joint venture with CTF Enterprises and Aviation Capital Group LLC, owns and manages a fleet size of six aircraft as at 30 June 2017.

OPERATIONAL REVIEW – SERVICES

AOP Contribution by Segment

For the year ended 30 June

	2017	2016	Change %
	HK$'m	HK$'m	Fav./(Unfav.)
Facilities Management	**301.1**	645.0	(53)
Construction & Transport	**1,131.8**	911.6	24
Strategic Investments	**284.5**	326.8	(13)
Total	**1,717.4**	1,883.4	(9)

Facilities Management

The Facilities Management segment mainly comprises the management and operation of Hong Kong Convention and Exhibition Centre ("HKCEC"), the business of Free Duty and the operation of Gleneagles Hong Kong Hospital ("GHK").

During FY2017, 1,102 events were held at HKCEC with a total patronage of approximately 5.7 million. Even though the size of some recurring exhibitions were scaled back, HKCEC was able to deliver stable and solid results by successfully securing 44 new exhibitions and conferences under various themes including cloud technology, medical science, yoga and waste-recycling.

The performance of Free Duty in FY2017 remained suppressed as tourist spending remained weak with no notable improvement in land border visitor arrivals. Profit margins were under pressure posed by rising operating costs. The Group will continue to develop marketing strategies to boost sales.

GHK, in which the Group has 40% interest, commenced operations on 21 March 2017. The hospital is fully equipped and staffed to provide a wide range of clinical services covering more than 35 specialties and subspecialties. In FY2017, GHK recorded as anticipated an initial operating loss during the start-up phase.

To further capture the growing demand for healthcare services in Mainland China, the Group subscribed for 20% of the enlarged issued share capital of UMP Healthcare China Limited and established Healthcare Assets Management Limited ("Healthcare Assets", a 50/50 joint venture with CTF Enterprises) to serve as an investment platform for investing in healthcare facilities in Mainland China, with primary focus on clinics and medical centres offering primary healthcare. Healthcare Assets completed the acquisition of four clinics located in Beijing and Shanghai in March 2017.

Construction & Transport

AOP contribution from the Construction business grew strongly by 27% to reach a new record of HK$909.5 million in FY2017, reflecting the continuous improvement in gross profit through effective project management. Major projects during FY2017 included New World Centre re-modelling, a property development project at the MTR Tsuen Wan West Station, construction of Home Ownership Scheme Developments at Kiu Cheong Road, Tin Shui Wai, Phase Two Expansion of Cathay Pacific’s catering services facility and a composite development at Tseung Kwan O. In addition, new tenders awarded during FY2017 included a property development project at the MTR Tai Wai Station, main contract works for Lohas Park Package 5 and Package 6, a retail and hotel development at Tung Chung and Hong Kong Science Park Expansion Stage 1. As at 30 June 2017, the gross value of contracts on hand for the Construction business was approximately HK$87.6 billion and the remaining works to be completed amounted to approximately HK$54.7 billion.

Suffering from the significant loss of ridership and revenue following the opening of MTR Kwun Tong Line Extension and South Island Line and the increasing operating costs, the overall results of NWS Transport Group in FY2017 decreased notwithstanding the drop in average fuel costs under the hedging programme. However, the negative impact was mitigated by the additional contribution from NWS Transport Group as wholly owned subsidiaries of the Group for six months and therefore the AOP contribution from the Group’s Transport business grew by 13% to HK$222.3 million.

Strategic Investments

This segment includes contributions from Hyva, Tharisa, Haitong International, Tricor, Newton Resources and other investments held by the Group during FY2017 for strategic investment purposes. As mentioned above, the Group disposed its entire stake in Tricor in March 2017.

Hyva’s sales in Mainland China, Europe and America continued to improve while its performance in India was hindered by changing policy directions. Its management continues to exercise cost savings measures to enhance profitability.

Tharisa remained on track to achieve its targeted mining recovery rates. Market price of chrome concentrate rebounded satisfactorily in FY2017, providing a more favourable operating environment for Tharisa. The sound fundamentals and growth forecast of the global stainless steel market will drive the demand for chrome.

The Group’s remaining interests in Haitong International and Newton Resources have both been reclassified as available-for-sale financial assets. As such, contributions after their respective reclassification will only comprise dividend incomes from each of these investments.

BUSINESS OUTLOOK

Infrastructure

Mainland China's economy has maintained steady growth in the first half of 2017 and the annual growth target of 6.5% looks achievable based on the latest economic indicators. Backed by a strong financial position and proven management expertise, the Group is well equipped to capitalize on and support China's economic and infrastructural growth.

Mainland China's urbanization policy will remain an integral part of its structural reform for decades to come. Its pace and scale have led to the increases in vehicle population especially passenger cars, and hence traffic flow. In close proximity to our home base, the Central Government has put a lot of effort into the Guangdong-Hong Kong-Macao greater bay area development ("Greater Bay Area Project"). As the Greater Bay Area Project promotes integration and ignites collaboration economically and socially among the cities in the region, it will undoubtedly benefit the Group's expressways in the Pearl River Delta Region. Public-private-partnership models have been adopted effectively as a means for funding and operating infrastructure projects in Mainland China. With our proven track record and expertise in the toll road industry, the Group is well equipped to capture these future business opportunities.

Sustainable urbanization and industrialization will continue to foster a strong demand for environmental services and related capital expenditures in Mainland China. The Group's two strategic environmental platforms, SUEZ NWS and Derun Environment, are well positioned to provide a comprehensive range of services, including the supply of potable water, wastewater treatment, waste management, environmental remediation and related engineering and technical support, for both household and industrial customers. During FY2017, SUEZ NWS has successfully contracted for the construction of three hazardous waste treatment plants in Jiangsu, which will have a total annual treatment capacity of 88,300 tonnes upon their completion in 2018. Derun Environment is also making headway to expand its municipal waste incineration handling capacity. New waste-to-energy projects located in Chongqing, Zhejiang and Guangdong with a total daily treatment capacity of 8,750 tonnes are scheduled to commence operations in 2018. SUEZ NWS and Derun Environment will leverage their expertise and competitive edges to grow their environmental businesses both organically and via new business opportunities in Greater China.

Waste reduction and recycling is a top government focus in Hong Kong. This calls for the development and implementation of large scale integrated waste management systems. Building on its strong local presence in the waste treatment market, SUEZ NWS is optimistic in expanding its market leadership in Hong Kong.

National electricity consumption of China is expected to see mild growth in 2017. However, the profitability of coal-fired power plants in Mainland China has been severely eroded by the rising coal prices. To alleviate the difficulties that the industry is facing, the Chinese authority has reduced certain tariff surcharges payable to the authority with effect from July 2017, thereby paving the way for a hike in coal-fired benchmark on-grid tariff and other forms of supportive measures with benefits accruing to power producers.

To address various environmental concerns, renewable energy investment will continually be promoted by means of various government supportive policies. Building on the successful experience of SUEZ NWS and Derun Environment in operating waste-to-energy projects, the Group looks forward to extending its presence in this sector.

Although the retail market in Hong Kong is showing signs of bottoming out, however, with the new supply of warehouse space on the market, the rental yield and occupancy rate of warehouse facilities will continue to come under pressure. The building renovation programme commissioned by ATL Logistics Centre to enhance its competiveness is due to be completed as planned in 2018.

With most of the CUIRC terminals located along the "Silk Road Economic Belt", its handling volume will continue to grow under the Belt and Road Initiative. Likewise, supportive policies from China Railway Corporation will continue to spur the growth of rail containerized cargoes and international block trains services. Under its business expansion strategy, apart from the opening of Tianjin and Urumqi terminals in FY2017, CUIRC has proactively made plans to expand the handling capacity of several terminals. Furthermore, warehouses are currently under construction at Chongqing and Wuhan terminals to further enhance their intermodal capabilities and services upon their completion in FY2018.

To enhance collaboration and improve logistics efficiency within their respective regions, Fujian, Hebei and Tianjin have announced their plans to integrate the seaport operations within their respective jurisdictions. This will benefit the Group's investments in Xiamen and Tianjin ports.

Global air traffic growth has maintained strong momentum in recent years and the International Air Transport Association is projecting air passenger traffic growth at a rate of 7.4% in 2017. Based on the uptrends for both global air passenger traffic and commercial aircraft demand, the outlook of the aircraft leasing market remains highly favourable.

BCIA will continue to advance the implementation of the hub strategy in the coming years. While aircraft movements of BCIA are expected to experience mild growth, the shift in air passenger traffic mix towards international passengers will continue through air route planning and development. On the other hand, BCIA will endeavour to strengthen safety management and security, enhance service quality and improve passengers' experience. It also plans to promote itself as a smart airport backed by innovative technologies. Looking ahead, the prospects of BCIA will be influenced by the outcome of various factors including tariff reform, renewal of duty free concession contracts and the opening of Beijing's new airport.

Aircraft manufacturers have forecast that the aircraft fleet in the world will double over the next 20 years. In addition, the demand for leased aircraft will be driven by passenger traffic growth especially from the populous nations such as China and India and expansion of low cost carriers. The introduction of the concessionary tax regime in Hong Kong also signals a promising future for Hong Kong to serve as an aircraft leasing hub in this region. Notwithstanding competition among aircraft lessors in acquiring and funding aircraft assets, the Group is confident that this business will continue to act as an important growth driver in the coming years. The successful issuance by Goshawk of US$566.5 million unsecured notes through a private placement in the United States in July 2017, the largest ever US private placement issuance by an aircraft lessor, confirmed the market's recognition of its strength and competitiveness.

Services

In Hong Kong, the generally positive global economic environment looks set to support external demand while domestic demand will benefit from favourable labour market and improved economic sentiments. However, as the retail headwinds prevail, the operating environment for Services division will remain challenging.

HKCEC continued to foster its leading position in the industry and was awarded "Best Convention and Exhibition Centre in Greater China" in 2017 by CEI Asia magazine, one of the most influential trade publications in the region. Looking ahead, the management company of HKCEC, Hong Kong Convention and Exhibition Centre (Management) Limited, will focus its business development efforts on targeting high profile arts and auction events and new technology-based exhibitions.

In view of the slowdown in inbound Mainland tourists and the corresponding decline in visitor spending, Free Duty will actively seek opportunities to extend and develop its e-commerce platform and duty paid business. The Group is pleased to have won a competitive bid to continue its duty free concessions for five years at the MTR Hung Hom, Lo Wu and Lok Ma Chau Stations until 2022.

With the opening of GHK, acquisition of interests in UMP Healthcare China Limited and the setup of Healthcare Assets, the Group is primed to capture the ever increasing demand for healthcare services in Hong Kong and Mainland China. Being fully equipped with the most modern and advanced medical equipment and facilities and staffed by highly qualified medical personnel, GHK is committed to offering best-in-class healthcare services and patient care. Apart from augmenting the Group's services portfolio in Hong Kong, this new healthcare business has all the credentials to be a long-term growth driver for the Services division.

The construction industry in Hong Kong will remain vibrant over the short to medium term, supported by the improved economic outlook and the active first-hand residential property market. In light of the existing contracts on hand and the opportunities to participate in other sizeable projects, the Group is confident to maintain a healthy order book and a good pipeline of projects in the coming years. However, profit margins are under pressure due to labour shortage, escalating labour and material costs and increasing focus on industrial safety and environmental protection. Retention of skilled project management staff and labour will remain a key challenge in order to ensure high quality, cost efficient and timely project delivery.

After taking public affordability into due consideration, NWFB and Citybus have recently applied to the Transport Department for a fare increase of 12% with effect from January 2018 in order to alleviate the pressure from increasing operating costs and loss of ridership. Bearing in mind that bus fares were last increased nine years ago in 2008, fare adjustment is long overdue to ensure sustainable operations and maintain service levels. Besides, the bus route rationalization programme put in place in the first half of 2017 will help reduce operating costs and mitigate the adverse effect of the loss of ridership. Notwithstanding the competition from MTR's network expansion, public bus service in Hong Kong has its competitive advantages in terms of point-to-point travel and a more extensive geographical coverage. With an average daily patronage of over one million, franchised buses will continue to be an important mode of transportation in Hong Kong. Hence the Group has every confidence in the prospects of NWS Transport Group despite the challenges in its operating environment.

Conclusions

The encouraging results of FY2017 bear testimony to the tireless and diligent efforts of the Group in the pursuit of profitable and sustainable growth. In addition to delivering record profitability, the Group successfully reinforced its business foundation through restructuring and consolidation to enhance its capability to seize growth opportunities and maintain competitiveness.

As evidenced by its strong operating performances, the Roads segment is poised to take full advantage of the increasing traffic volume associated with urbanization and economic growth in Mainland China, while the Aviation segment is expected to thrive in conjunction with the increasing demand for air travel. SUEZ NWS and Derun Environment will facilitate the Group's quest to be part of a leading environmental solution provider in Greater China. With the recent policy to relieve the operating pressure on coal-fired power producers and the electricity demand growth in Mainland China, the downturn of the energy business appears to have been alleviated. The Environment segment is on track in its growth mode. The national policies supporting rail intermodal transport solutions together with the opening of Tianjin and Urumqi terminals will continue to boost the throughput of CUIRC under the Logistics segment. The overall outlook of the Infrastructure division remains promising.

The overall performance of the Services division further reflected the mixed operating environment across different business units here in Hong Kong. Backed by the buoyant construction market and effective project management, the Construction business continues to grow from strength to strength. Coupled with NWS Transport Group making full-year contribution as wholly owned subsidiaries starting from FY2018, the Construction & Transport segment is well positioned to maintain its growth momentum. On the other hand, the performance of the Facilities Management segment will remain low in the meantime as GHK continues its business ramp-up while weak consumer spending weighs down on Free Duty's retail sales.

The overall strong financial position of the Group ultimately translates into a high degree of flexibility and agility in funding new investments. With some HK$4 billion being earmarked for capital expenditures in FY2018, the Group will continue to uphold its proactive and prudent investment approach in operating and maintaining a diversified asset portfolio with strong growth prospects.

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 financial structure. The Group continues to monitor its cash flow position and debt profile, and to enhance the cost-efficiency of funding initiatives by its centralized treasury function. In order to maintain financial flexibility and adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources and will keep exploring cost-efficient ways of financing. Currently, the Group has unutilized committed banking facilities of approximately HK$8.5 billion and total cash and bank balances over HK$8.0 billion.

Liquidity and capital resources

As at 30 June 2017, the Group's total cash and bank balances which were mainly denominated in Hong Kong Dollar and Renminbi amounted to HK$6.453 billion, compared with HK$8.924 billion a year ago. The Group's net debt as at 30 June 2017 was HK$3.229 billion, compared with HK$6.141 billion as at 30 June 2016. The decrease in net debt was mainly due to net cash inflows from operations and disposals of investments. The capital structure of the Group was 16% debt and 84% equity as at 30 June 2017, compared with 25% debt and 75% equity as at 30 June 2016. The Group's net gearing ratio, being net debt to total equity, decreased from 13% as at 30 June 2016 to 7% as at 30 June 2017.

Fuel price swap contracts are used to hedge against the upside risk of fuel prices, and foreign exchange forward contracts are used to hedge against foreign currency exposure of the Group's Transport business.

Debt profile and maturity

As at 30 June 2017, the Group's total debt decreased to HK$9.683 billion from HK$15.065 billion as at 30 June 2016, mainly due to the full redemption of the US$500.0 million fixed rate bonds upon maturity on 9 February 2017. The Group has spaced out its debt maturity profile to reduce refinancing risks. Among the non-current portion of the long-term loans and borrowings of HK$9.377 billion as at 30 June 2017, 13% will mature in the second year, 81% will mature in the third to fifth year and 6% will mature after the fifth year. Bank loans were denominated in Hong Kong Dollar or Renminbi and mainly bearing interest at floating rates. Interest rate swaps are used to hedge against part of the Group's underlying interest rate exposure. The Group did not have any material exposure to exchange risk other than Renminbi during FY2017. As at 30 June 2017, intangible concession rights of Hangzhou Ring Road were pledged as securities for a banking facility of the Group.

Commitments

The Group's total commitments for capital expenditure were HK$1.952 billion as at 30 June 2017, compared with HK$3.065 billion as at 30 June 2016. These comprised commitments for capital contributions to an associated company and certain joint ventures, properties and equipment and other investments. Sources of funds for capital expenditures include internally generated cash and banking facilities.

Financial guarantee contracts

Financial guarantee contracts of the Group were HK$3.589 billion as at 30 June 2017, compared with HK$2.369 billion as at 30 June 2016. These comprised guarantees for banking facilities of associated companies and joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, approximately 28,100 staff were employed by entities under the Group's management of which approximately 11,300 staff were employed in Hong Kong. Total staff related costs including provident funds, staff bonus and deemed share option benefit but excluding directors' remunerations were HK$3.906 billion (2016: HK$3.033 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 ANNUAL 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 audited consolidated financial statements of the Group for FY2017 with the management and the external auditor.

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for FY2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC Hong Kong"), to the amounts set out in the Group's audited consolidated financial statements for FY2017. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Board firmly believes that good corporate governance is fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. Maintaining a high standard of corporate governance has been and remains one of the core missions of the Company. The Board devotes considerable effort to identify and formalize best practices for adoption by the Company.

Throughout FY2017, the Company has complied with all the applicable code provisions under the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The US$500 million 6.5% guaranteed bonds due 2017 (the "Bonds", which were listed on the Singapore Exchange Securities Trading Limited) issued by Rosy Unicorn Limited, an indirect wholly owned subsidiary of the Company, and guaranteed by the Company matured on 9 February 2017. The Bonds were fully redeemed at their principal amount on the said maturity date.

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during FY2017.

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 FY2017.

The Company has also adopted the "Code for Securities Transactions by Relevant Employees", which is no less exacting than the Model Code, for governing the securities transactions of specified employees ("Relevant Employees") who, because of their positions, are likely to come across unpublished inside information. Following specific enquiry by the Company, all Relevant Employees had confirmed that they complied with the standard set out in the "Code for Securities Transactions by Relevant Employees" during FY2017.

THE BOARD

As at the date of this announcement, (a) the executive directors of the Company are Dr Cheng Kar Shun, Henry, Mr Tsang Yam Pui, Mr Hui Hon Chung, Mr Cheung Chin Cheung, Mr Cheng Chi Ming, Brian and Mr Mak Bing Leung, Rufin; (b) the non-executive directors of the Company are Mr To Hin Tsun, Gerald, Mr Dominic Lai, 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 and Mrs Oei Fung Wai Chi, Grace.

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 20 September 2017

** For identification purposes only*