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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

Revenue	**:**	**HK$18,076.9 million**
Profit attributable to shareholders	**:**	**HK$2,478.1 million**
Earnings per share – basic and diluted	**:**	**HK$0.64**
Interim dividend per share	**:**	**HK$0.32**

RESULTS

The board of directors (the "Board") of NWS Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2017 (the "Current Period"), together with comparative figures for the six months ended 31 December 2016 (the "Last Period") as follows:

Condensed Consolidated Income Statement – Unaudited

	Note	For the six months ended 31 December	
		2017	2016
		HK$'m	HK$'m
Revenue	*3*	**18,076.9**	13,846.0
Cost of sales		**(16,134.5)**	(12,081.1)
Gross profit		**1,942.4**	1,764.9
Other income/gains	*4*	**594.9**	892.2
General and administrative expenses		**(720.7)**	(616.7)
Operating profit	*5*	**1,816.6**	2,040.4
Finance costs		**(165.4)**	(289.1)
Share of results of			
Associated companies	*3(b)*	**352.2**	254.0
Joint ventures	*3(b)*	**909.9**	926.9
Profit before income tax		**2,913.3**	2,932.2
Income tax expenses	*6*	**(409.7)**	(323.1)
Profit for the period		**2,503.6**	2,609.1
Attributable to			
Shareholders of the Company		**2,478.1**	2,600.1
Non-controlling interests		**25.5**	9.0
		2,503.6	2,609.1
Earnings per share attributable to the shareholders of the Company	*7*		
Basic		**HK$0.64**	HK$0.68
Diluted		**HK$0.64**	N/A

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	For the six months ended 31 December	
	2017	2016
	HK$'m	HK$'m
Profit for the period	**2,503.6**	2,609.1
Other comprehensive income/(loss)		
Item that will not be reclassified to profit or loss		
Revaluation of property, plant and equipment upon transfer to investment properties	**26.4**	-
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Fair value changes on available-for-sale financial assets	**91.6**	(21.6)
Release of reserve upon disposal of available-for-sale financial assets	**2.7**	(15.6)
Release of reserve upon restructuring of a joint venture	**-**	5.7
Release of reserves upon remeasurement of previously held equity interest in a joint venture	**-**	35.6
Release of reserve upon deregistration of subsidiaries	**(61.1)**	(15.3)
Share of other comprehensive income/(loss) of associated companies and joint ventures	**12.1**	(6.2)
Cash flow hedges	**41.8**	248.5
Currency translation differences	**1,233.0**	(1,576.4)
Other comprehensive income/(loss) for the period, net of tax	**1,346.5**	(1,345.3)
Total comprehensive income for the period	**3,850.1**	1,263.8
Total comprehensive income attributable to		
Shareholders of the Company	**3,831.1**	1,265.1
Non-controlling interests	**19.0**	(1.3)
	3,850.1	1,263.8

Condensed Consolidated Statement of Financial Position – Unaudited

	Note	(Unaudited) At 31 December 2017 HK$'m	(Audited) At 30 June 2017 HK$'m
ASSETS			
Non-current assets			
Investment properties		**1,654.8**	1,568.9
Property, plant and equipment		**5,429.5**	5,487.8
Intangible concession rights		**12,004.1**	11,936.2
Intangible assets		**770.1**	786.6
Associated companies		**17,034.8**	16,180.5
Joint ventures		**15,155.6**	15,128.8
Available-for-sale financial assets		**3,285.2**	3,025.5
Other non-current assets		**907.3**	887.0
		56,241.4	55,001.3
Current assets			
Inventories		**392.2**	484.0
Trade and other receivables	*9*	**16,194.6**	13,787.2
Cash and bank balances		**6,420.8**	6,453.4
		23,007.6	20,724.6
Total assets		**79,249.0**	75,725.9
EQUITY			
Share capital		**3,894.5**	3,888.3
Reserves		**44,758.8**	45,168.8
Shareholders' funds		**48,653.3**	49,057.1
Non-controlling interests		**220.3**	217.9
Total equity		**48,873.6**	49,275.0
LIABILITIES			
Non-current liabilities			
Borrowings		**11,460.6**	9,376.9
Deferred tax liabilities		**2,635.5**	2,519.0
Other non-current liabilities		**227.2**	226.2
		14,323.3	12,122.1
Current liabilities			
Borrowings		**1,109.2**	305.8
Trade and other payables	*10*	**14,488.3**	13,642.9
Taxation		**454.6**	380.1
		16,052.1	14,328.8
Total liabilities		**30,375.4**	26,450.9
Total equity and liabilities		**79,249.0**	75,725.9

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements (the "interim financial statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim financial statements should be read in conjunction with the annual financial statements for the financial year ended 30 June 2017 ("FY2017"), which have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and interpretations (collectively, the "HKFRS").

The accounting policies used in the preparation of the interim financial statements are consistent with those set out in the annual report for FY2017 except for the adoption of amendments to standards which are further explained as below.

(a) Adoption of amendments to standards

During the Current Period, the Group adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for the financial year ending 30 June 2018 ("FY2018"):

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses
HKFRSs Amendments	Annual Improvements to HKFRSs 2014-2016 Cycle

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

(b) Early adoption of HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") as issued by HKICPA is effective for the financial year beginning or after 1 January 2018.

The Group has elected to early adopt HKFRS 15 for FY2018 because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of revenue and cash flows. The Group has also elected to apply the "cumulative catch-up" transition method whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at 30 June 2017 are adjusted at the opening balance of equity as at 1 July 2017 and prior period comparatives are not restated. The effects of the adoption of HKFRS 15 are set out in note 2 below.

1. Basis of preparation and accounting policies (continued)

(b) Early adoption of HKFRS 15 “Revenue from Contracts with Customers” (continued)

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 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.

From 1 July 2017 onwards, the Group has adopted the following accounting policies on revenue.

Revenue is recognized when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the good or service transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the good or service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group’s performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group’s efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalized as contract assets and subsequently amortized when the related revenue is recognized.

1. Basis of preparation and accounting policies (continued)

(c) 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 2018 or later periods but which the Group has not early adopted:

HKFRS 9	Financial Instruments
HKFRS 16	Leases
HKFRS 17	Insurance Contracts
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
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 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
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 16 is detailed below. The Group will continue to assess the impact in more details.

1. Basis of preparation and accounting policies (continued)

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

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 12 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 expenses on the right-of-use assets and the interest expenses on the financial liabilities are recognized and no rental expenses will be recognized. The combination of a straight-line depreciation of the right-of-use assets and the effective interest rate method applied to the financial liabilities 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. Change in accounting policy

As explained in note 1(b) above, the Group has early adopted HKFRS 15 from 1 July 2017, which resulted in changes in accounting policies used in the preparation of the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

The accounting policies have been changed to comply with HKFRS 15, which replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" ("HKAS 11") and the related interpretations associated with the recognition, classification and measurement of revenue and costs.

The adoption of HKFRS 15 resulted in changes in terminology used. "Amounts due from/to customers for contract works" previously used under HKAS 11 in relation to construction contracts was reclassified as "Contract assets/liabilities" under HKFRS 15.

The adoption of HKFRS 15 has no material impact on the condensed consolidated income statement and the condensed consolidated statement of cash flows.

3. Revenue and segment information

The Group's revenue is analyzed as follows:

	For the six months ended 31 December	
	2017	2016
	HK$'m	HK$'m
Roads	**1,328.3**	1,224.5
Facilities Management	**3,577.4**	3,495.4
Construction & Transport	**13,171.2**	9,126.1
	18,076.9	13,846.0

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the businesses of the Group from product and service perspectives, which comprised (i) Roads; (ii) 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.

3. Revenue and segment information (continued)

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

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport		Strategic Investments		Total	
For the six months ended 31 December 2017											
Total revenue	**1,328.3**	**-**	**-**	**-**	**3,578.7**	**13,171.2**		**-**		**18,078.2**	
Recognized at a point in time	**1,328.3**	**-**	**-**	**-**	**2,850.1**	**1,660.3**		**-**		**5,838.7**	
Recognized over time	**-**	**-**	**-**	**-**	**728.6**	**11,510.9**		**-**		**12,239.5**	
Inter-segment	**-**	**-**	**-**	**-**	**(1.3)**	**-**		**-**		**(1.3)**	
Revenue – external	**1,328.3**	**-**	**-**	**-**	**3,577.4**	**13,171.2**	**(i)**	**-**		**18,076.9**	
Attributable operating profit											
Company and subsidiaries	**616.1**	**7.0**	**-**	**-**	**102.2**	**542.6**		**42.2**		**1,310.1**	
Associated companies	**36.7**	**216.3**	**73.8**	**154.2**	**(181.8)**	**64.0**		**81.5**	**(ii)**	**444.7**	**(b)**
Joint ventures	**375.0**	**70.5**	**264.7**	**211.0**	**(4.8)**	**-**		**10.9**		**927.3**	**(b)**
	1,027.8	**293.8**	**338.5**	**365.2**	**(84.4)**	**606.6**	**(i)**	**134.6**		**2,682.1**	
Reconciliation – corporate office and non-operating items											
Gain on fair value of investment properties										**55.0**	
Net gain on disposal of projects										**38.8**	
Interest income										**18.1**	
Finance costs										**(126.6)**	
Expenses and others										**(189.3)**	
Profit attributable to shareholders										**2,478.1**	

(i) The amounts include revenue of HK$1,750.1 million and attributable operating profit of HK$131.0 million from the Group's Transport business.

(ii) The amount includes the Group's share of attributable operating profit of HK$71.2 million from certain associated companies engaged in investment activities.

3. Revenue and segment information (continued)

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

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Consolidated
For the six months ended 31 December 2017										
Depreciation	11.9	-	-	-	49.5	213.6	-	275.0	2.6	277.6
Amortization of intangible concession rights	427.4	-	-	-	-	-	-	427.4	-	427.4
Amortization of intangible assets	-	-	-	-	15.6	0.9	-	16.5	-	16.5
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	19.6	-	-	-	34.5	170.6	-	224.7	1.5	226.2
Interest income	26.4	6.5	-	0.1	19.6	2.9	26.5	82.0	18.5	100.5
Finance costs	1.7	-	-	-	0.4	36.7	0.1	38.9	126.5	165.4
Income tax expenses	224.9	48.4	-	4.4	27.3	104.2	0.2	409.4	0.3	409.7
As at 31 December 2017										
Company and subsidiaries	14,092.9	435.0	-	3,369.5	5,468.0	17,071.6	3,733.1	44,170.1	2,888.5	47,058.6
Associated companies	1,703.7	4,152.9	2,147.3	3,235.2	1,375.5	1,718.4	2,697.3	17,030.3	4.5	17,034.8
Joint ventures	5,326.9	3,338.4	3,063.0	2,106.3	3.9	2.5	1,293.2	15,134.2	21.4	15,155.6
Total assets	21,123.5	7,926.3	5,210.3	8,711.0	6,847.4	18,792.5 (i)	7,723.6	76,334.6	2,914.4	79,249.0
Total liabilities	2,762.6	66.7	0.2	6.4	1,117.0	14,082.8 (i)	16.4	18,052.1	12,323.3	30,375.4

(i) The balances include total assets of HK$5,621.0 million and total liabilities of HK$1,598.2 million of the Group's Transport business.

3. Revenue and segment information (continued)

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

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport		Strategic Investments		Total	
For the six months ended 31 December 2016											
Total revenue	1,224.5	-	-	-	3,496.8	9,126.1		-		13,847.4	
Inter-segment	-	-	-	-	(1.4)	-		-		(1.4)	
Revenue – external	1,224.5	-	-	-	3,495.4	9,126.1		-		13,846.0	
Attributable operating profit											
Company and subsidiaries	463.6	7.0	-	1.2	304.6	296.9		65.6		1,138.9	
Associated companies	36.8	18.2	62.2	153.3	(46.1)	111.6		134.5	(ii)	470.5	(b)
Joint ventures	232.8	231.2	253.9	64.5	0.4	125.1	(i)	2.1		910.0	(b)
	733.2	256.4	316.1	219.0	258.9	533.6		202.2		2,519.4	
Reconciliation – corporate office and non-operating items											
Gain on restructuring of a joint venture										454.3	(iii)
Gain on remeasurement of previously held equity interest in a joint venture										113.1	(iv)
Gain on fair value of investment properties										71.8	
Net gain on disposal of projects										68.1	
Interest income										38.4	
Impairment loss related to an associated company										(204.0)	(b)
Finance costs										(257.1)	
Expenses and others										(203.9)	
Profit attributable to shareholders										2,600.1	

(i) The amount included the Group's share of attributable operating profit of HK$125.1 million from its Transport business.

(ii) The amount included the Group's share of attributable operating profit of HK$103.8 million from certain associated companies engaged in investment activities.

(iii) The amount represented gain on restructuring of SUEZ NWS Limited ("SUEZ NWS", a then 50% joint venture of the Group) (note 4). Upon completion of the restructuring, the Group's 42% investment in SUEZ NWS was accounted for as an associated company.

(iv) The amount represented gain on remeasuring the Group's 50% equity interest in NWS Transport Services Limited ("NWS Transport", a then 50% joint venture of the Group) held before the business combination (note 4). After completing the acquisition, NWS Transport and its subsidiaries ("NWS Transport Group") became indirect wholly owned subsidiaries of the Company.

3. Revenue and segment information (continued)

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

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Consolidated
For the six months ended 31 December 2016										
Depreciation	9.2	-	-	-	47.5	34.9	-	91.6	2.3	93.9
Amortization of intangible concession rights	404.8	-	-	-	-	-	-	404.8	-	404.8
Amortization of intangible assets	-	-	-	-	15.6	-	-	15.6	-	15.6
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	8.8	-	-	-	10.7	4,623.9	-	4,643.4	1.4	4,644.8
Interest income	29.1	6.4	-	0.3	20.3	1.1	18.6	75.8	38.8	114.6
Finance costs	6.9	-	-	-	0.3	24.8	-	32.0	257.1	289.1
Income tax expenses	178.6	13.7	-	2.6	61.0	64.5	-	320.4	2.7	323.1
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 included total assets of HK$5,503.9 million and total liabilities of HK$1,598.9 million from the Group's Transport business.

3. Revenue and segment information (continued)

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

	Associated companies		Joint ventures	
	For the six months ended 31 December		For the six months ended 31 December	
HK$'m	**2017**	2016	**2017**	2016
Attributable operating profit	**444.7**	470.5	**927.3**	910.0
Corporate and non-operating items				
Impairment loss	**-**	(204.0)	**-**	-
Others	**(92.5)**	(12.5)	**(17.4)**	16.9
Share of results of associated companies and joint ventures	**352.2**	254.0	**909.9**	926.9

(c) Information by geographical areas:

	Revenue		Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	
	For the six months ended 31 December		At 31 December	At 30 June
HK$'m	**2017**	2016	**2017**	2017
Hong Kong	**16,407.1**	12,352.7	**7,688.3**	7,706.1
Mainland China	**1,381.5**	1,271.9	**12,122.6**	12,047.8
Macau	**288.3**	221.4	**47.6**	25.6
	18,076.9	13,846.0	**19,858.5**	19,779.5

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.

4. Other income/gains

	Note	For the six months ended 31 December 2017 HK$'m	2016 HK$'m
Gain on fair value of derivative financial instruments		**106.8**	-
Gain on fair value of investment properties		**55.0**	71.8
Gain on restructuring of a joint venture	*3(a)*	**-**	454.3
Gain on remeasurement of previously held equity interest in a joint venture	*3(a)*	**-**	113.1
Profit on disposal of available-for-sale financial assets		**46.8**	30.1
Profit on disposal of assets held-for-sale		**-**	77.8
Net exchange gain/(loss)		**116.0**	(51.9)
Interest income		**100.5**	114.6
Other income		**86.6**	39.4
Machinery hire income		**48.0**	28.2
Dividend income		**35.2**	14.8
		594.9	892.2

5. Operating profit

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

	For the six months ended 31 December 2017 HK$'m	2016 HK$'m
Crediting		
Gross rental income from investment properties	**30.0**	32.9
Less: outgoings	**(7.4)**	(7.2)
	22.6	25.7
Charging		
Cost of inventories sold	**1,191.8**	1,207.5
Cost of services rendered	**14,942.7**	10,873.6
Depreciation	**277.6**	93.9
Amortization of intangible concession rights	**427.4**	404.8
Amortization of intangible assets	**16.5**	15.6
Operating lease rental expenses – properties	**129.1**	40.8

6. 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 Current Period. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the Current Period at the rates of tax prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2016: 12% to 25%).

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

	For the six months ended 31 December	
	2017	2016
	HK$'m	HK$'m
Current income tax		
Hong Kong profits tax	**118.6**	118.0
Mainland China and overseas taxation	**264.7**	231.1
Deferred income tax charge/(credit)	**26.4**	(26.0)
	409.7	323.1

Share of taxation of associated companies and joint ventures of HK$65.6 million (2016: HK$100.1 million) and HK$237.5 million (2016: HK$212.5 million) respectively are included in the condensed consolidated income statement as share of results of associated companies and joint ventures respectively.

7. Earnings per share

The calculation of basic earnings per share for the Current Period is based on earnings of HK$2,478.1 million (2016: HK$2,600.1 million) and on the weighted average of 3,891,289,900 (2016: 3,832,239,369) ordinary shares outstanding during the Current Period.

The calculation of diluted earnings per share for the Current Period is as follows:

	For the six months ended 31 December 2017 HK$'m
Profit attributable to shareholders of the Company and for calculation of basic and diluted earnings per share	**2,478.1**
	Number of shares
Weighted average number of shares for calculating basic earnings per share	**3,891,289,900**
Effect of dilutive potential ordinary shares	
Share options	**1,199,867**
Weighted average number of shares for calculating diluted earnings per share	**3,892,489,767**

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

8. Dividend

A final dividend of HK$1,518.9 million (2016: HK$1,302.9 million) and a special final dividend of HK$2,804.0 million (2016: Nil) that related to FY2017 were paid in December 2017.

On 26 February 2018, the Board has resolved to declare an interim dividend of HK$0.32 per share (2016: paid of HK$0.34 per share) for FY2018, which is payable on or about 27 April 2018 to shareholders whose names appear on the register of members of the Company on 23 March 2018. This interim dividend, amounting to HK$1,246.3 million (2016: HK$1,311.5 million), has not been recognized as liability in this interim financial information. It will be recognized in shareholders' equity in FY2018.

9. Trade and other receivables

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

	At 31 December 2017 HK$'m	At 30 June 2017 HK$'m
Under 3 months	**2,239.7**	2,398.1
4 to 6 months	**15.6**	107.7
Over 6 months	**140.7**	37.5
	2,396.0	2,543.3

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

10. Trade and other payables

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

	At 31 December 2017 HK$'m	At 30 June 2017 HK$'m
Under 3 months	**635.0**	829.0
4 to 6 months	**5.6**	25.7
Over 6 months	**62.9**	34.1
	703.5	888.8

11. Events subsequent to period end

On 11 January 2018, Fortland Ventures Limited (an indirect wholly owned subsidiary of the Company) entered into a placing agreement for the placing of 208,000,000 issued H shares of Beijing Capital International Airport Company Limited ("BCIA") at the placing price of HK$11.35 per H share of BCIA (the "Placing"). Closing of the Placing took place on 16 January 2018 and thereafter, the Group's interest in BCIA's total issued H shares reduced from approximately 23.86% to approximately 12.79%. A profit on disposal under the Placing of approximately HK$0.8 billion has been recognized in the second half of FY2018.

Subsequently, an executive director of the Company resigned as a non-executive director and a member of the strategy committee of BCIA on 2 February 2018. As a result, the Group ceased to exercise significant influence on BCIA and its interest in BCIA was reclassified from investment in an associated company to an available-for-sale financial asset with effect from 2 February 2018 with its carrying value marked to its market value on 2 February 2018. Pursuant to HKAS 39 "Financial Instruments: Recognition and Measurement", a gain on the remeasurement at fair value upon reclassification amounting to approximately HK$1 billion has been recognized in the second half of FY2018.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for FY2018 (the "Interim Dividend") of HK$0.32 per share (in cash) to the shareholders whose names appear on the register of members of the Company on 23 March 2018. It is expected that the Interim Dividend will be paid on or about 27 April 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the Interim Dividend, the register of members of the Company will be closed. Details of such closure are set out below:

Latest time to lodge transfer documents for registration	4:30 pm on 22 March 2018
Closure of register of members	23 March 2018
Record date	23 March 2018
Interim Dividend payment date	on or about 27 April 2018

On the abovementioned closure date, no transfer of shares will be registered. In order to qualify for the Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, 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

The Group recorded an Attributable Operating Profit ("AOP") of HK$2.682 billion for the Current Period, representing an increase of HK$162.7 million or 6% compared with HK$2.519 billion in the Last Period. Propelled by the organic growth across the board, especially the Roads and the Aviation segments, the Infrastructure division generated an AOP of HK$2.025 billion, representing an increase of 33% when compared with HK$1.525 billion in the Last Period. On the other hand, the AOP of the Services division decreased by 34% to HK$656.8 million, compared with HK$994.7 million in the Last Period. The decline in financial results of the Services division in the Current Period reflected the underperformance of the Facilities Management segment which, for the first time, reported a loss as Free Duty's business remained sluggish and the newly opened Gleneagles Hong Kong Hospital ("GHK Hospital") incurred start up costs during the ramp-up phase.

The profit attributable to shareholders decreased by 5% to HK$2.478 billion reflecting the reduction in net contribution from exceptional non-cash items, in particular, the recognition of a gain of HK$454.3 million upon the restructuring of SUEZ NWS following asset injections by both shareholders and a remeasurement gain of HK$113.1 million in relation to the previously held equity interest in NWS Transport when the Group assumed full control after acquiring the remaining 50% interest from the former joint venture partner in the Last Period even though these gains were partly offset by an impairment loss of HK$204.0 million on the mining assets of Newton Resources Ltd, a then associated company of the Group. Excluding the net contribution from these one-off items, profit attributable to shareholders would have risen nearly 11% which was in line with the AOP growth and finance cost savings following the USD bonds redemption in February 2017.

Contribution by Division
For the six months ended 31 December

	2017 HK$'m	2016 HK$'m
Infrastructure	**2,025.3**	1,524.7
Services	**656.8**	994.7
Attributable operating profit	**2,682.1**	2,519.4
Corporate office and non-operating items		
Gain on fair value of investment properties	**55.0**	71.8
Net gain on disposal of projects	**38.8**	68.1
Gain on restructuring of a joint venture	**-**	454.3
Gain on remeasurement of previously held equity interest in a joint venture	**-**	113.1
Impairment loss related to an associated company	**-**	(204.0)
Interest income	**18.1**	38.4
Finance costs	**(126.6)**	(257.1)
Expenses and others	**(189.3)**	(203.9)
	(204.0)	80.7
Profit attributable to shareholders	**2,478.1**	2,600.1

Contributions from the operations in Hong Kong accounted for 34% of the AOP in the Current Period compared with 50% in the Last Period. Mainland China and Others contributed 55% and 11% respectively in the Current Period, compared with 43% and 7% respectively in the Last Period.

Earnings per share

The basic earnings per share was HK$0.64 in the Current Period, representing a decrease of 6% from HK$0.68 in the Last Period.

OPERATIONAL REVIEW – INFRASTRUCTURE

AOP Contribution by Segment

For the six months ended 31 December

	2017	2016	Change %
	HK$’m	HK$’m	Fav./(Unfav.)
Roads	**1,027.8**	733.2	40
Environment	**293.8**	256.4	15
Logistics	**338.5**	316.1	7
Aviation	**365.2**	219.0	67
Total	**2,025.3**	1,524.7	33

Roads

AOP from the Roads segment rose by 40% to HK$1.028 billion in the Current Period along with rising urbanization and economic activities in Mainland China which contributed to the Group’s road portfolio registering a 10% growth in daily traffic flow as well as contribution from exchange rate movements.

Average daily traffic flow of Hangzhou Ring Road increased by 5%, reflecting the increase in long-haul truck traffic which grew alongside the rise of online sales.

Average daily traffic flow of Tangjin Expressway (Tianjin North Section) increased by 17% as the expressway capitalized on the rising economic activities across the region under the Beijing-Tianjin-Hebei integration plan. Toll revenue grew notably by 30% mainly due to the traffic growth and the rise in truck traffic since mid-2017 when certain expressways in Beijing and Tianjin introduced traffic control measures to prohibit heavy vehicle patronage. AOP growth in the Current Period was also attributable to the non-recurrence of a one-time exchange loss on the shareholder’s loan which was recognized in the Last Period.

Most of the Group’s expressways in the Pearl River Delta Region continued to deliver both traffic volume and toll revenue growth during the Current Period. Average daily traffic flow of Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) increased by 9% and 11% respectively. Traffic flow of Shenzhen-Huizhou Expressway rose by 14%. Supported by the development of high-speed train service at Guangzhou South Railway Station as well as economic development of Panyu and Nansha districts, average daily traffic flow of Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway rose by 18% and 11% respectively. Due to traffic diversions following the opening of new expressways in December 2016, traffic volume of Guangzhou-Zhaoqing Expressway dropped by 7% during the Current Period.

During the Current Period, the Group wound up certain subsidiaries in Guangxi after disposals of their respective concession rights in prior year and recorded exchange gains upon return of registered capital.

In Hong Kong, the average daily traffic flow of Tate’s Cairn Tunnel grew by 2% during the Current Period.

In January 2018, the Group successfully extended its footprint into Hubei province by acquiring a 30% interest in Suiyuenan Expressway for a cash consideration of approximately RMB1.1 billion. The concession rights of this 98.06 km long dual 2-lane expressway will expire in 2040. As a fully-operational expressway in the central region of Mainland China, this project is expected to provide immediate AOP contribution to the Group.

Environment

AOP of the Environment segment increased by 15% to HK$293.8 million, which was mainly due to the recognition of a fair value gain from Chongqing Silian Optoelectronics Science & Technology Co., Ltd. during the Current Period.

The enlarged portfolio of SUEZ NWS provided a broadened income base to the Group. The hazardous waste incineration plant in Shanghai Chemical Industrial Park continued to post encouraging operating performance after the commencement of the third production line in March 2017. Notwithstanding a 10% rise in water sales and wastewater treatment volume, AOP contribution from SUEZ NWS dropped slightly mainly due to the rise in its corporate expenses, pre-operating and development costs as well as the dilution effect of the Group's effective interest from 50% to 42% in the Current Period. Several new sewage treatment investments in Jiangsu, Hainan and Shaanxi with a total daily capacity of 57,000 m^3 were secured by SUEZ NWS during the Current Period.

Chongqing Derun Environment Co., Ltd. recorded an AOP growth in the Current Period which was driven by the organic growth in waste incineration treatment volume and the receipt of a lump sum value added tax subsidy. The recent successes in securing a river and a land remediation contracts in Chongqing will strengthen its market presence in this emerging industry.

The upward trend in coal price has continued to erode the profitability of the Group's coal-fired power plants. Combined electricity sales volume of Zhujiang Power Station – Phase II and Chengdu Jintang Power Plant dropped 3% amid competition from hydro-power plants during the Current Period. AOP of Guangzhou Fuel Company decreased as the trading margin tightened due to the phasing out of outdated production capacity which constrained coal supply and the mounting competition in the downstream market with sizable coal miners launching direct sales business. Such impact was partially mitigated by the ability in boosting sales volume through the expansion of service network and client base during the Current Period.

Logistics

AOP from Logistics segment increased by 7% to HK$338.5 million in the Current Period.

ATL Logistics Centre continued to provide significant and stable AOP to the Logistics segment. Its average rental rate grew moderately by 4% while occupancy rate dropped slightly from 97.2% to 96.3% due to transitional vacancies associated with lease expiries. The 4-year building rehabilitation programme costing approximately HK$400 million is due to be completed in the latter half of 2018.

China United International Rail Containers Co., Limited ("CUIRC") performed steadily during the Current Period and saw a throughput growth of 4% to 1,367,000 TEUs. With Urumqi terminal in operation since mid-2017, the expanded CUIRC network is well positioned to capitalize on the development of containerized rail transportation under the Belt and Road Initiative.

Throughput handled by Xiamen Container Terminal Group Co., Ltd. grew by 1% to 4,357,000 TEUs while government subsidy on transhipment services further enhanced its profit contribution. Throughput of Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd. rose by 1% to 1,338,000 TEUs and 10% to 544,000 TEUs respectively during the Current Period.

Aviation

This segment includes the Group's investments in BCIA and its commercial aircraft leasing business. AOP surged by 67% in the Current Period which was mainly driven by the expansion of the aircraft fleet of Goshawk Aviation Limited ("Goshawk").

BCIA has been the world's second busiest airport in terms of passenger throughput since 2010. During the Current Period, BCIA's passenger throughput remained relatively stable at 49.2 million. The growth in aeronautical revenue reflected the steady rise in international passengers within the traffic mix and the implementation of the new domestic tariff. Non-aeronautical revenue also benefitted from the increase in international passengers and additional rental space for lounge and other commercial operations in the terminals. In January 2018, a strategic decision was made to partially dispose of the Group's interest in BCIA. Upon the completion of this divestment, the Group holds approximately 12.79% of the total issued H shares of BCIA and a profit on disposal of approximately HK$0.8 billion has been recognized in the second half of FY2018. Subsequently, an executive director of the Company resigned as a non-executive director and a member of the strategy committee of BCIA. As a result, the Group ceased to exercise significant influence on BCIA and its interest in BCIA was reclassified from investment in an associated company to an available-for-sale financial asset. Pursuant to HKAS 39 "Financial Instruments: Recognition and Measurement", a gain on the remeasurement at fair value upon reclassification amounting to approximately HK$1 billion has been recognized in the second half of FY2018.

Goshawk continued to pursue its expansion strategy by staying focused on commercial aircraft that are young, in demand, fuel efficient and equipped with modern technology and through customer diversification. As at 31 December 2017, Goshawk's fleet comprised 99 aircraft, having grown from 84 aircraft since 30 June 2017. The aircraft portfolio had an average age of 3.2 years and was on lease to 37 airlines in 28 countries as at 31 December 2017. Together with the planned delivery of another 13 aircraft, the overall portfolio size of Goshawk has increased to 112 aircraft as at 31 December 2017. There were successful issuances of secured and unsecured notes amounting to US$830 million through two private placements in the United States during the Current Period. Additionally, Goshawk's ability to tap into diverse funding sources globally bore testimony to its reputation, strength and competitiveness in the market.

The second commercial aircraft leasing platform, Bauhinia Aviation Capital Limited ("Bauhinia"), a joint venture with Chow Tai Fook Enterprises Limited ("CTF Enterprises") and Aviation Capital Group LLC ("ACG"), owned and managed a fleet size of six aircraft as at 31 December 2017. Subsequent to ACG's exit in January 2018, the Group increased its equity interest in Bauhinia from 40% to 50%.

The total assets value on book of the Group's two aircraft leasing platforms reached US$4.6 billion as at 31 December 2017.

OPERATIONAL REVIEW – SERVICES

AOP Contribution by Segment

For the six months ended 31 December

	2017	2016	Change %
	HK$'m	HK$'m	Fav./(Unfav.)
Facilities Management	**(84.4)**	258.9	(133)
Construction & Transport	**606.6**	533.6	14
Strategic Investments	**134.6**	202.2	(33)
Total	**656.8**	994.7	(34)

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, the operation of GHK Hospital and other healthcare related investments.

As the winner of the "Outstanding Venue Award" at the 2017 AFECA Asian Awards ceremony organized by the Asian Federation of Exhibition and Convention Associations, HKCEC firmly cemented its leading position as one of the best convention and exhibition venues in the region. During the Current Period, 563 events were held at HKCEC with a total patronage of approximately 5.0 million. While exhibition business remained stable, banquet revenue grew healthily on the back of various celebration functions associated with the 20th Anniversary of the Establishment of the Hong Kong SAR. Looking ahead, Hong Kong Convention and Exhibition Centre (Management) Limited, the management company for HKCEC, will focus its business development efforts to host new knowledge based and professional development related exhibitions as well as sizeable conferences during non-exhibition seasons.

The Free Duty business swung into a loss in the Current Period as profit margins were further suppressed since the commencement of a new concession contract in 2017 while tourist spending remained sluggish. Strategies are in place to continue to boost sales and save costs. Management expects Free Duty's downtrend will bottom out in the near future.

GHK Hospital, in which the Group has 40% interest, commenced operations in late March 2017 and continued to incur operating losses during its business ramp-up. Radiotherapy and Oncology Centre, Dialysis Centre and 24-hour Outpatient and Emergency Services came into services during the Current Period. Currently, over 120 all-inclusive fixed-price packages are being offered to patients.

To capture the growing demand for healthcare services in Mainland China, the Group and CTF Enterprises set up Healthcare Assets Management Limited ("Healthcare Assets") during FY2017 to invest in primary healthcare facilities. New World Development Company Limited ("NWD", the Company's holding company) subsequently subscribed for 40% of the enlarged issued share capital of Healthcare Assets in September 2017. Healthcare Assets currently operates four clinics in Beijing and Shanghai. NWD's strengths and expertise in real estates, corporate relationship, capital investments and customer relationship management will enhance the development of Healthcare Assets in the healthcare market in Mainland China and further facilitate the Group's long-term expansion plan into healthcare business. The Group also holds 20% interest in UMP Healthcare China Limited which offers corporate healthcare solutions and health check-up services.

Construction & Transport

AOP contribution from the Construction business increased notably by 16% to HK$475.6 million in the Current Period mainly due to the continuous improvement in gross profit and satisfactory job progress. Major projects during the Current Period included construction of Home Ownership Scheme Developments at Kiu Cheong Road, Tin Shui Wai, New World Centre re-modelling, a factory development at Yuen Long Industrial Estate, property development projects at the MTR Tsuen Wan West Station and Tai Wai Station. In addition, new tenders awarded during the Current Period included construction of Public Rental Housing Development at Chung Nga Road East, Tai Po, foundation works for a residential development at Sin Fat Road, Kwun Tong and advance works at a business development site at Wing Hong Street, Cheung Sha Wan. As at 31 December 2017, the gross value of contracts on hand for the Construction business was approximately HK$89.6 billion and the remaining works to be completed amounted to approximately HK$45.4 billion.

Following the opening of MTR Kwun Tong Line Extension and South Island Line, ridership of the Group's franchised bus services fell by approximately 6%. Impacted by the overall decline in ridership and fare revenue and the continuous rise in operating costs, the profit of NWS Transport Group from public bus services fell substantially by 56% from HK$246.5 million to HK$108.6 million in the Current Period despite the drop in fuel costs under the hedging programme. However, the additional contribution from NWS Transport as a wholly owned subsidiary of the Group was able to offset such negative effects in the Current Period. Hence, the AOP contribution from the Group's Transport business grew by 5% to HK$131.0 million. In August 2017, New World First Bus Services Limited and Citybus Limited applied for a fare increase of 12% in view of rising operational costs.

Strategic Investments

This segment includes investments which have strategic value to the Group or have growth potential, as well as certain investments which the management believes can enhance the value of the shareholders. The AOP for the Current Period mainly comprised the share of profits of Hyva Holding B.V. as well as income from certain investments, and the dividend income from Haitong International Securities Group Limited which is the Group's available-for-sale financial asset.

BUSINESS OUTLOOK

Despite the somewhat mixed results, the Group's financial and operating performances during the Current Period were largely within expectations. The most noteworthy accomplishment being the commendable growth throughout the whole Infrastructure division. The fact that the Roads segment took full advantage of the rising economic activities in Mainland China while the Aviation segment capitalized on the fast growing global aviation industry clearly demonstrated the effectiveness of our market positioning strategy.

As anticipated, the diverse business environments in Hong Kong produced muddled results for the Services division. The Construction business maintained solid growth momentum as the local demand for property looks set to remain buoyant. However, this upbeat performance fell short of fully mitigating the downturn of the Facilities Management segment with Free Duty being affected by the sluggish tourist spending and rising cost base and the new GHK Hospital making losses albeit expected during its ramp-up.

With a diversified business portfolio, the Group is exposed to volatilities and ever changing business environments. The management team will remain committed to improving our profitability while proactively appraising and seizing investment and divestment opportunities to drive sustainable growth. Based on the past performance of the toll road business, the Group is confident that the acquisition of Suiyuenan Expressway in January 2018 will be both accretive and synergistic. The management strategic decision to partially dispose of the Group's interest in BCIA also demonstrated our ability to unlock the value of this long-term investment as and when appropriate.

Back on home ground, competitive strategies are well in place to improve profit margins and tighten up the cost base of the Services division. Despite the competition from the rail network, the Group retains an optimistic outlook for NWS Transport Group in light of the stable oil prices while the application to raise bus fare awaits government approval. The management of Free Duty has made steadfast progress in developing new sales channels and implementing marketing initiatives to arrest the current downtrend. In view of the rising demand for quality private healthcare services in Hong Kong and Mainland China, GHK Hospital and Healthcare Assets are well positioned to capture the growth in this sector. The Group has secured the tender to operate Phase II of HKCEC until 2028 and looks forward to leveraging our experience and expertise to optimize the operational efficiency of this world class facility.

The Group's proven business model and strong underlying financial strength will continue to serve as the foundation for our long-term growth and success. Having incurred over HK$2.6 billion in capital expenditures in the current financial year, the Group has further earmarked HK$2 billion for potential investments until the end of FY2018. The Group is well prepared to undertake investment opportunities to fuel future growth and to embrace challenges ahead.

FINANCIAL RESOURCES

Treasury management and cash funding

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group continues to monitor its cash flow position and debt profile, and to enhance its funding cost-efficiency with a 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 continue exploring cost-efficient ways of financing. As at 31 December 2017, the Group had unutilized committed banking facilities of approximately HK$7.4 billion.

Liquidity and capital resources

As at 31 December 2017, the Group's total cash and bank balances which were mainly denominated in Hong Kong Dollar and Renminbi amounted to HK$6.421 billion, compared with HK$6.453 billion as at 30 June 2017. The Group's net debt as at 31 December 2017 was HK$6.149 billion, compared with HK$3.229 billion as at 30 June 2017. The increase in net debt was mainly due to the distribution of final and special dividends, the investments in associated companies and joint ventures, net of operating cash inflows and dividends received. The capital structure of the Group was 20% debt and 80% equity as at 31 December 2017, compared with 16% debt and 84% equity as at 30 June 2017. The Group's net gearing ratio, being net debt to total equity, increased from 7% as at 30 June 2017 to 13% as at 31 December 2017.

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

Debt profile and maturity

As at 31 December 2017, the Group's total debt increased to HK$12.570 billion from HK$9.683 billion as at 30 June 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$11.461 billion as at 31 December 2017, 28% will mature in the second year, 67% will mature in the third to fifth year and 5% 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 exposures. The Group did not have any material exposure to exchange risk other than Renminbi during the Current Period. As at 31 December 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$2.533 billion as at 31 December 2017, compared with HK$1.952 billion as at 30 June 2017. These comprised commitments for capital contributions to certain associated companies and joint ventures and properties and equipment. Sources of funds for capital expenditures include internally generated cash and banking facilities.

Financial guarantee contracts

Financial guarantee contracts of the Group were HK$4.075 billion as at 31 December 2017, compared with HK$3.589 billion as at 30 June 2017. These comprised guarantees for banking facilities of associated companies and joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, approximately 28,000 staff were employed by entities under the Group's management of which approximately 11,000 staff were employed in Hong Kong. Total staff related costs including provident funds, staff bonus and deemed share option benefits but excluding directors' remunerations during the Current Period were HK$2.557 billion (2016: HK$1.510 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

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

CORPORATE GOVERNANCE PRACTICES

The Board firmly believes that good corporate governance is fundamental to 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 the Current Period, the Company has complied with all the applicable code provisions under the Corporate Governance Code as contained in Appendix 14 of the Listing Rules, with the exception of code provision E.1.2.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Dr Cheng Kar Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 17 November 2017 (the "AGM") due to his other engagement. Mr Tsang Yam Pui, the Chief Executive Officer and Executive Director of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

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

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

THE BOARD

As at the date of this announcement, (a) the executive directors of the Company are Dr Cheng Kar Shun, Henry, Mr Tsang Yam Pui, 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, 26 February 2018

** For identification purposes only*