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 2019

FINANCIAL HIGHLIGHTS

Revenue	:	**HK$26,833.5 million**
Profit attributable to shareholders	:	**HK$4,043.2 million**
Earnings per share – basic and diluted	:	**HK$1.04**
Proposed final dividend per share	:	**HK$0.29**

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 financial year ended 30 June 2019 ("FY2019") together with comparative figures for the financial year ended 30 June 2018 ("FY2018") as follows:

Consolidated Income Statement
For the year ended 30 June

	Note	2019 HK$'m	2018 HK$'m
Revenue	*3*	**26,833.5**	35,114.8
Cost of sales		**(23,790.5)**	(31,331.6)
Gross profit		**3,043.0**	3,783.2
Other income/gains (net)	*4*	**1,029.6**	2,809.4
General and administrative expenses		**(1,417.7)**	(1,466.4)
Operating profit	*5*	**2,654.9**	5,126.2
Finance costs		**(452.2)**	(348.0)
Share of results of			
Associated companies	*3(b)*	**759.3**	756.2
Joint ventures	*3(b)*	**1,948.5**	1,331.2
Profit before income tax		**4,910.5**	6,865.6
Income tax expenses	*6*	**(651.8)**	(745.0)
Profit for the year		**4,258.7**	6,120.6
Profit attributable to			
Shareholders of the Company		**4,043.2**	6,068.8
Holders of perpetual capital securities		**186.9**	-
Non-controlling interests		**28.6**	51.8
		4,258.7	6,120.6
Earnings per share attributable to			
the shareholders of the Company	*7*		
Basic and diluted		**HK$1.04**	HK$1.56

Consolidated Statement of Comprehensive Income
For the year ended 30 June

	2019 **HK$'m**	2018 HK$'m
Profit for the year	**4,258.7**	6,120.6
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss		
Fair value changes on financial assets at fair value through other comprehensive income	**(391.8)**	-
Remeasurement of post-employment benefit obligation	**(8.3)**	24.7
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	**-**	(1,085.1)
Release of reserve upon disposal of available-for-sale financial assets	**-**	2.7
Release of reserves upon reclassification of an associated company to an available-for-sale financial asset	**-**	53.6
Release of reserve upon disposal of subsidiaries	**0.1**	-
Release of reserve upon deregistration of subsidiaries	**-**	(60.6)
Release of reserve upon return of registered capital of a subsidiary	**-**	(22.5)
Release of reserves upon disposal/partial disposal of interests in associated companies	**(57.1)**	46.6
Share of other comprehensive income of associated companies and joint ventures	**88.1**	1.4
Cash flow hedges in relation to the Group and joint ventures	**(543.2)**	83.9
Currency translation differences	**(1,553.5)**	1,194.4
Other comprehensive (loss)/income for the year, net of tax	**(2,465.7)**	265.5
Total comprehensive income for the year	**1,793.0**	6,386.1
Total comprehensive income attributable to		
Shareholders of the Company	**1,582.7**	6,346.8
Holders of perpetual capital securities	**186.9**	-
Non-controlling interests	**23.4**	39.3
	1,793.0	6,386.1

Consolidated Statement of Financial Position
As at 30 June

	Note	2019 HK$'m	2018 HK$'m
ASSETS			
Non-current assets			
Investment properties		**1,726.5**	1,693.3
Property, plant and equipment		**5,413.4**	5,370.3
Intangible concession rights		**10,060.8**	11,491.9
Intangible assets		**718.7**	753.6
Associated companies		**14,552.3**	13,763.0
Joint ventures		**13,645.1**	15,008.3
Financial assets at fair value through other comprehensive income		**2,125.1**	-
Financial assets at fair value through profit or loss		**4,300.0**	-
Available-for-sale financial assets	*2a(iii)*	**-**	6,556.6
Other non-current assets	*9*	**4,037.9**	870.4
		56,579.8	55,507.4
Current assets			
Inventories		**428.6**	461.9
Trade and other receivables	*10*	**13,997.7**	12,148.7
Cash and bank balances		**15,058.9**	6,656.6
		29,485.2	19,267.2
Assets held-for-sale		**-**	3,364.0
Total assets		**86,065.0**	78,138.6
EQUITY			
Share capital		**3,911.1**	3,896.5
Reserves		**45,134.9**	46,053.5
Shareholders' funds		**49,046.0**	49,950.0
Perpetual capital securities		**8,039.8**	-
Non-controlling interests		**160.8**	173.8
Total equity		**57,246.6**	50,123.8
LIABILITIES			
Non-current liabilities			
Borrowings		**12,666.1**	9,139.6
Deferred tax liabilities		**2,262.2**	2,490.2
Other non-current liabilities		**161.0**	176.9
		15,089.3	11,806.7
Current liabilities			
Borrowings		**2,403.3**	1,035.0
Trade and other payables	*11*	**10,842.6**	11,384.2
Taxation		**483.2**	575.8
		13,729.1	12,995.0
Liabilities directly associated with assets held-for-sale		**-**	3,213.1
Total liabilities		**28,818.4**	28,014.8
Total equity and liabilities		**86,065.0**	78,138.6

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, certain financial assets and financial liabilities (including derivative financial instruments) which have been measured at fair value.

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

During the year, the Group adopted the following new standard, amendments to standards and interpretation which are relevant to the Group's operations and are mandatory for FY2019:

HKFRS 9	Financial Instruments
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)	Clarification to HKFRS 15
HKAS 40 (Amendments)	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
HKFRSs Amendments	Annual Improvements to HKFRSs 2014-2016 Cycle

Except for HKFRS 9 as detailed in notes 1(b) and 2 below, the adoption of the above amendments to standards and interpretation has no material effect on the results and financial position of the Group.

(b) Adoption of Hong Kong Financial Reporting Standard 9 "Financial Instruments"

Hong Kong Financial Reporting Standard 9 "Financial Instruments" ("HKFRS 9") replaces the multiple classification and measurement models in HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") with a single model that has three classification categories: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL").

Classification of debt assets will be driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if (i) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows; and (ii) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments either measured at cost less impairment losses or fair value under HKAS 39 must now be recognized at fair value and their gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investment in debt instruments, the classification will depend on the business model in which the investment is held and cash flow characteristic. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

1. Basis of preparation and accounting policies (continued)

(b) Adoption of Hong Kong Financial Reporting Standard 9 "Financial Instruments" (continued)

The Group adopted transitional provisions which do not require to restate comparative figures. The reclassifications and adjustments arising from implementation of new standard are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognized in the opening consolidated statement of financial position as at 1 July 2018. Details of the change in accounting policy are set out in note 2.

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

The following new standards, amendments to standards and interpretation are mandatory for accounting period beginning on or after 1 July 2019 or later periods but which the Group has not early adopted:

HKFRS 16	Leases
HKFRS 17	Insurance Contracts
HKFRS 3 (Amendments)	Definition of a Business
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 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKAS 1 and HKAS 8 (Amendments)	Amendments to Definition of Material
HKFRSs Amendments	Annual Improvements to HKFRSs 2015-2017 Cycle
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group has already commenced an assessment of the likely impact of adopting the above new standards, amendments to standards and interpretation, in which the preliminary assessment of HKFRS 16 "Leases" ("HKFRS 16") is detailed below.

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.

1. Basis of preparation and accounting policies (continued)

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

The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated income statement, 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 consolidated income statement 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 standard, amendments to standards and interpretation, 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 adopted HKFRS 9 which resulted in change in accounting policy used in the preparation of the consolidated financial statements. As allowed in the transitional provision in HKFRS 9 (2014), comparative figures are not restated.

(a) Investments and other financial assets

(i) Classification and measurement at initial recognition

From 1 July 2018, the Group classifies its financial assets as those to be measured subsequently at fair value (either through OCI, or through profit or loss) and those to be measured at amortized cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in OCI or profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as FVOCI where assets that are held for collection of contractual cash flows and for selling the financial assets which cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses, interest income and foreign exchange gains or losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognized in profit or loss using the effective interest rate method. The Group classifies its debt instruments at FVPL if the instruments do not meet the criteria for amortized cost or FVOCI. A gain or loss on a debt instrument is recognized in profit or loss in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends income from such investments is recognized in profit or loss when the Group's right to receive payments is established. Changes in fair value of financial assets at FVPL are recognized in profit or loss.

2. Change in accounting policy (continued)

(a) Investments and other financial assets (continued)

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

Consolidated statement of financial position (extract)		As at 30 June 2018 HK$'m	Upon adoption of HKFRS 9 HK$'m	As at 1 July 2018 HK$'m
Non-current assets				
Available-for-sale financial assets	(Note)	6,556.6	(6,556.6)	-
Financial assets at FVPL	(Note)	-	3,305.5	3,305.5
Financial assets at FVOCI	(Note)	-	3,561.1	3,561.1
Equity				
Reserves	(Note)	46,053.5	310.0	46,363.5
- Investment revaluation reserve		(874.8)	874.8	-
- FVOCI reserve		-	(978.8)	(978.8)
- Revenue reserve		27,518.3	414.0	27,932.3

Note: On 1 July 2018, the Group reclassified its equity and debt instruments (previously classified as available-for-sale financial assets under HKAS 39) to either financial assets at FVPL or financial assets at FVOCI as shown above. The reclassification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Certain listed securities were reclassified from available-for-sale financial assets to financial assets at FVOCI. Fair value losses previously recognized in investment revaluation reserve were reclassified to FVOCI reserve or revenue reserve. In addition, impairment losses of HK$410.4 million previously recognized in revenue reserve were reclassified to FVOCI reserve. Fair value gains of HK$310.0 million were recognized in FVOCI reserve on 1 July 2018 upon the adoption of HKFRS 9.

Apart from the above, certain equity investments (primarily relating to investment funds) previously classified as equity securities are reclassified as debt securities upon adoption of HKFRS 9.

(b) Impairment of financial assets

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with trade and other receivables, amounts receivables from associated companies and joint ventures. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The adoption of new impairment model has no material effect on the results of operations and financial position of the Group.

2. Change in accounting policy (continued)

(c) Hedging

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The adoption of new hedge accounting rules has no material impact on the Group's accounting for hedging relationship.

3. Revenue and segment information

The Group's revenue is analyzed as follows:

	2019 **HK$'m**	2018 HK$'m
Roads	**2,529.0**	2,623.6
Aviation	**161.6**	160.8
Construction	**16,211.0**	23,260.4
Facilities Management	**4,151.7**	5,570.9
Transport	**3,780.2**	3,499.1
	26,833.5	35,114.8

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) Aviation; (iii) Construction; (iv) Environment; (v) Logistics; (vi) Facilities Management; (vii) Transport; and (viii) Strategic Investments. In prior years, Construction and Transport were grouped as one segment.

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

3. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2019 is as follows:

HK$'m	Roads	Aviation	Construction	Environment	Logistics	Facilities Management	Transport	Strategic Investments	Total	
2019										
Total revenue	**2,529.0**	**161.6**	**16,211.0**	**-**	**-**	**4,154.8**	**3,780.6**	**-**	**26,837.0**	
Inter-segment	**-**	**-**	**-**	**-**	**-**	**(3.1)**	**(0.4)**	**-**	**(3.5)**	
Revenue – external	**2,529.0**	**161.6**	**16,211.0**	**-**	**-**	**4,151.7**	**3,780.2**	**-**	**26,833.5**	
Recognized at a point in time	**2,529.0**	**161.6**	**-**	**-**	**-**	**2,768.1**	**3,593.8**	**-**	**9,052.5**	
Recognized over time	**-**	**-**	**16,211.0**	**-**	**-**	**1,383.6**	**186.4**	**-**	**17,781.0**	
Attributable operating profit										
Company and subsidiaries	**899.7**	**63.9**	**853.7**	**28.2**	**-**	**(12.7)**	**(10.1)**	**196.8**	**2,019.5**	
Associated companies	**184.6**	**-**	**348.4**	**506.1**	**112.2**	**(390.7)**	**-**	**(1.2)**	**759.4**	**(b)**
Joint ventures	**721.2**	**436.4**	**1.7**	**94.7**	**538.4**	**10.0**	**-**	**126.1**	**1,928.5**	**(b)**
	1,805.5	**500.3**	**1,203.8**	**629.0**	**650.6**	**(393.4)**	**(10.1)**	**321.7**	**4,707.4**	
Reconciliation – corporate office and non-operating items										
Gain on fair value of investment properties									**33.7**	
Net gain on disposal of projects, net of tax									**285.1**	
Interest income									**78.3**	
Finance costs									**(373.8)**	
Expenses and others									**(500.6)**	
Profit for the year after non-controlling interests									**4,230.1**	
Profit attributable to holders of perpetual capital securities									**(186.9)**	
Profit attributable to shareholders									**4,043.2**	

3. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2019 is as follows (continued):

HK$'m	Roads	Aviation	Construction	Environment	Logistics	Facilities Management	Transport	Strategic Investments	Segment Total	Corporate	Consolidated
2019											
Depreciation	**29.0**	**-**	**49.7**	**-**	**-**	**110.6**	**394.8**	**-**	**584.1**	**6.3**	**590.4**
Amortization of intangible concession rights	**859.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**859.0**	**-**	**859.0**
Amortization of intangible assets	**-**	**-**	**-**	**-**	**-**	**31.2**	**1.7**	**-**	**32.9**	**-**	**32.9**
Interest income	**49.4**	**1.6**	**11.1**	**53.5**	**-**	**58.0**	**1.2**	**56.9**	**231.7**	**78.3**	**310.0**
Finance costs	**-**	**-**	**65.8**	**-**	**-**	**0.8**	**11.8**	**-**	**78.4**	**373.8**	**452.2**
Income tax expenses	**400.7**	**5.2**	**177.5**	**10.6**	**22.4**	**44.0**	**(7.8)**	**(1.6)**	**651.0**	**0.8**	**651.8**
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	**34.0**	**-**	**31.9**	**-**	**-**	**95.1**	**479.2**	**-**	**640.2**	**7.4**	**647.6**
As at 30 June 2019											
Company and subsidiaries	**11,199.8**	**6,592.0**	**7,616.4**	**177.2**	**-**	**4,481.2**	**5,864.5**	**5,873.8**	**41,804.9**	**16,062.7**	**57,867.6**
Associated companies	**2,573.1**	**-**	**2,029.0**	**5,173.1**	**1,663.6**	**1,029.7**	**-**	**2,080.4**	**14,548.9**	**3.4**	**14,552.3**
Joint ventures	**4,621.6**	**1,612.5**	**0.1**	**3,007.9**	**2,959.1**	**5.4**	**-**	**1,424.5**	**13,631.1**	**14.0**	**13,645.1**
Total assets	**18,394.5**	**8,204.5**	**9,645.5**	**8,358.2**	**4,622.7**	**5,516.3**	**5,864.5**	**9,378.7**	**69,984.9**	**16,080.1**	**86,065.0**
Total liabilities	**2,194.4**	**2.2**	**8,651.9**	**55.0**	**0.3**	**1,212.2**	**1,730.6**	**18.9**	**13,865.5**	**14,952.9**	**28,818.4**

3. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2019 is as follows (continued):

HK$'m	Roads	Aviation	Construction	Environment	Logistics	Facilities Management	Transport	Strategic Investments	Total	
2018										
Total revenue	2,623.6	160.8	23,260.4	-	-	5,573.5	3,499.1	-	35,117.4	
Inter-segment	-	-	-	-	-	(2.6)	-	-	(2.6)	
Revenue – external	2,623.6	160.8	23,260.4	-	-	5,570.9	3,499.1	-	35,114.8	
Recognized at a point in time	2,623.6	160.8	-	-	-	4,119.2	3,317.6	-	10,221.2	
Recognized over time	-	-	23,260.4	-	-	1,451.7	181.5	-	24,893.6	
Attributable operating profit										
Company and subsidiaries	1,078.2	58.0	776.5	14.0	-	290.9	157.6	85.9	2,461.1	
Associated companies	127.6	165.8	278.9	364.8	124.4	(363.0)	-	142.6	841.1	(b)
Joint ventures	741.3	471.4	(0.1)	115.3	530.2	(1.0)	-	72.6	1,929.7	(b)
	1,947.1	695.2	1,055.3	494.1	654.6	(73.1)	157.6	301.1	5,231.9	
Reconciliation – corporate office and non-operating items										
Gains on partial disposal and remeasurement related to an associated company									1,879.3	(i)
Gain on fair value of investment properties									93.6	
Net gain on disposal of projects, net of tax									52.7	
Impairment losses related to joint ventures									(600.0)	(ii)
Interest income									36.8	
Finance costs									(266.6)	
Expenses and others									(358.9)	
Profit attributable to shareholders									6,068.8	

(i) The amount represented the gains in relation to the Group's interest in Beijing Capital International Airport Company Limited, including profit on disposal of HK$783.8 million and gain on remeasurement of HK$1,095.5 million.

(ii) The amount represented share of impairment losses in relation to the Group's interests in three joint ventures.

3. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2019 is as follows (continued):

HK$'m	Roads	Aviation	Construction	Environment	Logistics	Facilities Management	Transport	Strategic Investments	Segment Total	Corporate	Consolidated
2018											
Depreciation	25.8	-	66.3	-	-	101.5	371.6	-	565.2	5.1	570.3
Amortization of intangible concession right	883.7	-	-	-	-	-	-	-	883.7	-	883.7
Amortization of intangible assets	-	-	-	-	-	31.2	1.8	-	33.0	-	33.0
Interest income	33.1	0.8	6.6	27.2	-	41.6	0.7	51.2	161.2	41.1	202.3
Finance costs	3.6	-	65.0	-	-	4.4	8.2	0.2	81.4	266.6	348.0
Income tax expenses	414.6	9.3	191.3	28.4	16.8	55.1	23.4	5.8	744.7	0.3	745.0
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	23.7	-	56.9	-	-	171.7	278.1	-	530.4	6.6	537.0
As at 30 June 2018											
Company and subsidiaries	12,665.1	5,888.5	12,990.1	396.5	21.3	4,594.5	5,441.2	4,759.6	46,756.8	2,610.5	49,367.3
Associated companies	1,880.8	-	1,956.1	4,172.7	2,046.1	1,194.6	-	2,508.1	13,758.4	4.6	13,763.0
Joint ventures	5,205.6	2,240.5	2.5	3,157.6	3,021.8	7.4	-	1,354.8	14,990.2	18.1	15,008.3
Total assets	19,751.5	8,129.0	14,948.7	7,726.8	5,089.2	5,796.5	5,441.2	8,622.5	75,505.4	2,633.2	78,138.6
Total liabilities	2,530.9	167.1	12,442.1	37.7	2.4	1,199.1	1,566.5	17.6	17,963.4	10,051.4	28,014.8

3. Revenue and segment information (continued)

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

HK$'m	Associated companies **2019**	Associated companies 2018	Joint ventures **2019**	Joint ventures 2018
Attributable operating profit	**759.4**	841.1	**1,928.5**	1,929.7
Corporate and non-operating items				
Gain on fair value of derivative financial instruments (note 4)	**-**	(80.5)	**-**	-
Impairment losses	**-**	-	**-**	(600.0)
Others	**(0.1)**	(4.4)	**20.0**	1.5
Share of results of associated companies and joint ventures	**759.3**	756.2	**1,948.5**	1,331.2

(c) Information by geographical areas:

HK$'m	Revenue **2019**	Revenue 2018	Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets **2019**	Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets 2018
Hong Kong	**23,382.9**	31,599.0	**7,686.7**	7,628.5
Mainland China	**2,600.2**	2,726.1	**10,166.4**	11,598.9
Global and others	**850.4**	789.7	**66.3**	81.7
	26,833.5	35,114.8	**17,919.4**	19,309.1

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

4. Other income/gains (net)

	Note	**2019 HK$'m**	2018 HK$'m
Profit on disposal of subsidiaries		**140.1**	-
Net gain on fair value of financial assets at FVPL		**117.9**	-
Profit on disposal of an associated company		**83.0**	-
Profit on disposal of assets held-for-sale		**67.6**	-
Profit on disposal of financial assets at FVPL		**60.4**	-
Gain on fair value of investment properties		**33.7**	93.6
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company		**-**	1,095.5
Gain on fair value of derivative financial instruments	*3(b)*	**-**	80.5
Profit on disposal of available-for-sale financial assets		**-**	48.7
Interest income		**310.0**	202.3
Other income		**180.3**	265.2
Dividend income		**92.1**	107.5
Net exchange (loss)/gain		**(1.3)**	132.3
(Loss)/profit on partial disposal of associated companies		**(54.2)**	783.8
		1,029.6	2,809.4

5. Operating profit

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

	2019 HK$'m	2018 HK$'m
Crediting		
Gross rental income from investment properties	**61.0**	59.7
Less: outgoings	**(14.1)**	(14.3)
	46.9	45.4
Charging		
Auditor's remuneration	**20.8**	24.4
Cost of inventories sold	**2,269.6**	2,526.7
Cost of services rendered	**21,520.9**	28,804.9
Depreciation	**590.4**	570.3
Amortization of intangible concession rights	**859.0**	883.7
Amortization of intangible assets	**32.9**	33.0
Operating lease rental expenses - properties	**263.1**	272.9
Staff costs (including directors' emoluments)	**4,554.2**	5,266.2

6. Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the 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% (2018: 12% to 25%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2018: 5% or 10%).

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

	2019 **HK$'m**	2018 HK$'m
Current income tax		
Hong Kong profits tax	**237.6**	248.1
Mainland China and overseas taxation	**577.0**	583.3
Deferred income tax credit	**(162.8)**	(86.4)
	651.8	745.0

Share of taxation of associated companies and joint ventures of HK$140.4 million (2018: HK$143.1 million) and HK$237.6 million (2018: HK$457.1 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

Dividends withholding tax of HK$104.8 million (2018: HK$96.6 million) is included in the above income tax charge.

7. Earnings per share

The calculation of basic earnings per share for the year is based on earnings of HK$4,043.2 million (2018: HK$6,068.8 million) and on the weighted average of 3,901,972,770 (2018: 3,893,503,821) ordinary shares outstanding during the year.

The calculation of diluted earnings per share is as follows:

	2019 **HK$'m**	2018 HK$'m
Profit attributable to shareholders of the Company and for calculation of basic and diluted earnings per share	**4,043.2**	6,068.8

	Number of shares	
	2019	2018
Weighted average number of shares for calculating basic earnings per share	**3,901,972,770**	3,893,503,821
Effect of dilutive potential ordinary shares		
Share options	**4,053,508**	1,397,373
Weighted average number of shares for calculating diluted earnings per share	**3,906,026,278**	3,894,901,194

8. Dividends

	2019	2018
	HK$'m	HK$'m
Interim dividend paid of HK$0.29 (2018: HK$0.32) per share	**1,132.6**	1,246.9
Final dividend proposed of HK$0.29 (2018: paid of HK$0.46) per share	**1,134.2**	1,794.7
	2,266.8	3,041.6

At the meeting held on 24 September 2019, the Board recommended a final dividend of HK$0.29 per share. This proposed dividend is not reflected as dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained profits for the financial year ending 30 June 2020 ("FY2020").

Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 18 November 2019 ("AGM"), it is expected that the final dividend will be paid on or about 11 December 2019.

9. Other non-current assets

As at 30 June 2019, the Group's other non-current assets include deposits paid for acquisition of FTLife Insurance Company Limited ("FTLife Insurance") of HK$3,120.0 million. Unpaid commitment for acquisition of FTLife Insurance was HK$18,380.0 million (subject to adjustments).

10. Trade and other receivables

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

	2019	2018
	HK$'m	HK$'m
Under 3 months	**1,673.4**	2,305.6
4 to 6 months	**1.6**	33.0
Over 6 months	**296.1**	112.6
	1,971.1	2,451.2

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:

	2019	2018
	HK$'m	HK$'m
Under 3 months	**866.1**	1,200.1
4 to 6 months	**7.3**	10.3
Over 6 months	**60.3**	56.0
	933.7	1,266.4

12. Events subsequent to year end

(a) Issuance of US$300.0 million senior perpetual capital securities

In July 2019, the Group further issued US$300.0 million 5.75% senior perpetual capital securities at 104% which was consolidated and formed a single series with the original issue in January 2019. The new capital securities issued will be classified as equity in the consolidated financial statements of the Group for FY2020. The proceeds of the capital securities are for general corporate purpose and the capital securities are listed on The Stock Exchange of Hong Kong Limited.

(b) Acquisition of concession rights over Changliu Expressway

On 19 July 2019, Guangdong Xin Chuan Co., Ltd. ("Xin Chuan", an indirect wholly-owned subsidiary of the Company, now known as NWS (Guangdong) Investment Company Limited) was determined as the winning bidder at an online public auction in its bid for acquiring the concession rights (and other related rights and assets) to operate Changliu Expressway in Hunan Province, the People's Republic of China (the "PRC") at the bid purchase price of RMB4,571.0 million (equivalent to approximately HK$5,194.3 million). As of the date of this announcement, Xin Chuan has fully paid the bid purchase price and is in the process of negotiation for a concession right agreement to be entered into with the Department of Transportation of Hunan Province, the PRC.

FINAL DIVIDEND

The Company is committed to delivering a sustainable and progressive dividend policy. The aim of its dividend policy is to steadily increase or at least maintain the Hong Kong dollar value of ordinary dividend per share annually. The prospective dividend growth, however, remains dependent upon the financial performance and future funding needs of the Company.

The Board has resolved to recommend a final dividend for FY2019 (the "Final Dividend") of HK$0.29 per share (2018: final dividend of HK$0.46 per share) in cash to the shareholders whose names appear on the register of members of the Company on 22 November 2019. Together with the interim dividend of HK$0.29 per share (2018: HK$0.32 per share) paid in April 2019, total distribution of dividend by the Company for FY2019 will be HK$0.58 per share (2018: HK$0.78 per share).

Subject to the passing of the relevant resolution at the AGM, it is expected that the Final Dividend will be paid on or about 11 December 2019.

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, 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 12 November 2019
Closure of register of members	13 to 18 November 2019 (both days inclusive)
Record date	18 November 2019
AGM date	18 November 2019
<u>For determining entitlement to the Final Dividend:</u>	
Latest time to lodge transfer documents for registration	4:30 pm on 21 November 2019
Closure of register of members	22 November 2019
Record date	22 November 2019
Final Dividend payment date	on or about 11 December 2019

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, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

FINANCIAL REVIEW

Group overview

The year ended 30 June 2019 has proven to be a year of development for the Group in many aspects. Leveraging on our solid fundamentals, the Group expanded on its strong platform to prepare for sustainable growth in the forthcoming years.

During FY2019, the Group has made significant progress in its various business segments, namely, the acquisition of Hunan Sui-Yue Expressway, the acquisition of Sky Aviation Leasing International Limited ("Sky Aviation") through Goshawk Aviation Limited ("Goshawk"), the winning of the contract for the design, construction and operation of Kai Tak Sports Park together with our parent company New World Development Company Limited ("NWD") and the acquisition of FTLife Insurance, with completion subject to relevant regulatory approval. The Group has also streamlined our business portfolio and focused further on our core businesses by disposing of some of our non-core assets, which mainly included Celestial Path Limited (together with its subsidiaries and an unincorporated joint venture, "Hip Seng Group", one of our construction units which mainly acted as the main contractor or project manager for NWD and its associates), 富城 (北京) 停車管理有限公司 (Urban Parking (Beijing) Limited*), minority interests in two port projects in Tianjin, and further reduced our stake in one of our financial assets in Beijing Capital International Airport Company Limited ("BCIA"). The aforementioned assets were disposed at a total consideration of approximately HK$1.4 billion.

In order to prepare for the future growth of the Group, we continue to optimize our capital structure with prudent financial policy and capture the market opportunities by issuing senior perpetual capital securities and 10-year senior notes at the corporate level.

In order to align with our long-term corporate strategy, we have regrouped our business divisions into core businesses ("Core Business") which consist of Roads, Aviation, Construction and upon completion of the acquisition of FTLife Insurance, Insurance, with the remaining business divisions grouped under strategic portfolio ("Strategic Portfolio").

For FY2019, the Group recorded an attributable operating profit ("AOP") of HK$4,707.4 million, a decrease of approximately 10% from FY2018. Whilst most of our businesses maintained their healthy growth momentum, the Group recorded a decrease in AOP mainly due to the depreciation of Renminbi, the reclassification of investment in BCIA from an associated company to a financial asset after its partial disposal in FY2018, unfavourable interest rate swap contracts position of Goshawk, one-off acquisition expenses relating to Sky Aviation, the higher royalty and provision for committed capital expenditure under the new operation agreement of the management and operation of Hong Kong Convention and Exhibition Centre ("HKCEC"), the rising operating pressures for the Free Duty business, as well as the escalating cost pressures and the delay in expected fare increase for the bus operation.

Contribution by Division
For the year ended 30 June

	2019 HK$'m	2018 HK$'m
Core Business	**3,509.6**	3,697.6
Strategic Portfolio	**1,197.8**	1,534.3
Attributable operating profit	**4,707.4**	5,231.9
Corporate office and non-operating items		
Gains on partial disposal and remeasurement related to an associated company	**-**	1,879.3
Gain on fair value of investment properties	**33.7**	93.6
Net gain on disposal of projects, net of tax	**285.1**	52.7
Impairment losses related to joint ventures	**-**	(600.0)
Interest income	**78.3**	36.8
Finance costs	**(373.8)**	(266.6)
Expenses and others	**(500.6)**	(358.9)
	(477.3)	836.9
Profit for the year^	**4,230.1**	6,068.8
Profit attributable to:		
Shareholders of the Company	**4,043.2**	6,068.8
Holders of perpetual capital securities	**186.9**	-
	4,230.1	6,068.8

^*After non-controlling interests*

Under our new classification, AOP of the Core Business amounted to HK$3,509.6 million (which represents approximately 75% of total AOP), a decrease of approximately 5% year-on-year. This mild decrease was mainly attributable to the depreciation of Renminbi which affected the AOP of the Roads segment, the reduction in contribution from BCIA which only comprised dividend income after the reclassification, the share of non-cash mark-to-market loss on interest rate swap contracts as a result of falling swap rates during FY2019 and the one-off acquisition related expenses of Sky Aviation which affected the AOP of the Aviation segment. These factors had offset the increase in AOP contribution due to the acquisition of Hunan Sui-Yue Expressway and Sky Aviation for the respective segment.

AOP of the Strategic Portfolio amounted to HK$1,197.8 million (which represents approximately 25% of total AOP), a decrease of approximately 22% year-on-year. While the Environment and Logistics segments continued to be stable and proven to be resilient to the volatile business environment and Gleneagles Hong Kong Hospital ("GHK Hospital") continued to ramp up its business, the decrease was mainly attributable to the higher royalty and provision for committed capital expenditure under the new operation agreement of the management and operation of HKCEC, the rising operating pressures for the Free Duty business, as well as the escalating cost pressures and the delay in expected fare increase for the bus operation.

During FY2019, the Group recognized one-off exceptional gains of HK$318.8 million, attributable to the gain on fair value of investment properties, as well as the gain on disposal of projects. These include but are not limited to the disposal of two port projects in Tianjin, the disposal of Hip Seng Group, and the disposal of Urban Parking (Beijing) Limited. As for FY2018, the Group recognized one-off exceptional gains of HK$1,425.6 million, mainly attributable to approximately HK$1,879.3 million gains on partial disposal and remeasurement at fair value upon the reclassification of BCIA and impairment losses on three joint ventures, totalling HK$600.0 million.

Reflecting the above changes in AOP and the one-off exceptional items, the profit for the year decreased by 30% to HK$4,230.1 million year-on-year. The basic earnings per share was HK$1.04 in FY2019, down 33% from HK$1.56 in FY2018. Contributions from the operations in Hong Kong accounted for 28% of the AOP in FY2019 compared with 39% in FY2018, while Mainland China and other territories contributed 60% and 12% of the AOP respectively in FY2019, compared with 50% and 11% respectively in FY2018.

During FY2019, the Group issued US$1.0 billion 5.75% senior perpetual capital securities and US$650.0 million 4.25% senior notes due 2029. The proceeds of the senior perpetual capital securities and senior notes are for general corporate purposes. As at 30 June 2019, the Group had unutilized committed banking facilities of approximately HK$12.4 billion with total cash and bank balances amounting to HK$15.1 billion and a net gearing ratio of close to zero per cent. The overall strong financial position has posed the Group in an excellent position for further growth and development.

OPERATIONAL REVIEW – CORE BUSINESS

AOP Contribution by Segment

For the year ended 30 June

	2019 **HK$'m**	2018 HK$'m	Change % Fav./(Unfav.)
Roads	**1,805.5**	1,947.1	(7)
Aviation	**500.3**	695.2	(28)
Construction	**1,203.8**	1,055.3	14
Total	**3,509.6**	3,697.6	(5)

Roads

As affected by the fluctuation of Renminbi during FY2019, AOP of the Roads segment decreased by 7% to HK$1,805.5 million. Excluding the exchange rate effect, AOP would have increased by 4% which is in line with overall growth in toll income.

The Group's four anchor expressways which contributed more than 80% of the Roads segment's AOP, namely Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section), continued to register steady traffic growth with the highest growth rate at 14%. Traffic flow of seven expressways in the Greater Bay Area grew in FY2019 by up to 21%.

Following the acquisition of Hubei Suiyuenan Expressway in January 2018, the Group continued to strengthen its presence in Hunan and Hubei Provinces during FY2019. Hubei Suiyuenan Expressway contributed its first full-year AOP while the Group has acquired 40% interest in Hunan Sui-Yue Expressway in December 2018. This 24.08 km long dual 3-lane expressway served around 30,000 vehicles per day and provided immediate AOP contribution to the Group. These tactical road acquisitions, with remaining concession period of roughly 20 years, not only have further demonstrated the Group's leading position in the toll road operation in China and the Group's strategy to acquire quality road assets with long remaining concession period, they also offset the reduction in AOP contribution after the concession rights of Tate's Cairn Tunnel expired in July 2018.

Aviation

The Aviation segment mainly includes the Group's commercial aircraft leasing business, Goshawk, and its investment in BCIA. The decrease in AOP of the Aviation segment from HK$695.2 million to HK$500.3 million was mainly due to the reclassification of investment in BCIA from an associated company to a financial asset in FY2018 which reduced its AOP contribution from HK$204.9 million to HK$45.9 million in FY2019, the non-cash mark-to-market loss on interest rate swap contracts recognized by Goshawk as a result of falling swap rates during FY2019 as well as the one-off acquisition expenses relating to Sky Aviation.

The Group's commercial aircraft leasing business expanded rapidly in FY2019. With the milestone acquisition of Sky Aviation by Goshawk in September 2018, Goshawk's lease income has grown significantly in FY2019. Subsequently through the inaugural issuance of asset-backed securities ("ABS") in June 2019, Goshawk raised a total of US$643.6 million. The successful issuance of the ABS not only allowed Goshawk to broaden its fund raising channel to fuel its future growth, but also further validated Goshawk's presence in the market and its management's capability as a full platform servicer and long-term asset manager, thereby setting new foothold in the aircraft management business with an additional channel of income. Together with the orders of 40 narrow-body aircraft directly ordered from aircraft manufacturers with delivery scheduled between 2023 and 2025, Goshawk's owned, managed and committed fleet reached 223 aircraft as at 30 June 2019. AOP from Goshawk, however, decreased in FY2019 as a result of the share of mark-to-market loss on interest rate swap contracts totaling approximately HK$158.0 million in FY2019, compared to a gain of HK$89.7 million in FY2018, and the one-off acquisition related expenses of Sky Aviation.

Goshawk's innovative and tailored aircraft leasing solutions span across 60 airline customers in 33 countries. With one of the youngest fleets in the industry, Goshawk's 154 aircraft on book commands an average age of 3.9 years and has one of the longest average remaining lease term with 6.8 years, demonstrating its strength in growing its business while maintaining discipline. As at 30 June 2019, the combined market value of Goshawk's owned, managed and committed fleet amounted to approximately US$11.3 billion, propelling it to become a top 10 aircraft lessor globally in terms of fleet value.

Investment in BCIA had been reclassified from an associated company to a financial asset upon the partial divestment made in second half of FY2018, with the Group's interest reducing to 5.55%. In June 2019, the Group further divested a partial interest of 2.78% in BCIA for a consideration of approximately HK$778.8 million.

Construction

Enthused by the strong and steady growth in residential and commercial property market as well as government and institutional related projects, AOP contribution from the Construction business increased notably by 14% to HK$1,203.8 million in FY2019. Continuous improvement in projects' gross profit stemming from operational efficiency. Satisfactory job progress, effective project management and strong pipeline projects with attractive margins, all contributed to the healthy growth of the business. Major projects during FY2019 included the residential and commercial development project "SAVANNAH" in Tseung Kwan O, Citygate retail and hotel development project in Tung Chung, Home Ownership Scheme development project at Kiu Cheong Road, Tin Shui Wai, West Kowloon Government Offices and Hong Kong Science Park Expansion Stage 1.

During FY2019, a number of new projects were being awarded. Projects contracted for including, but not limited to, the commercial development in Kai Tak Area, the design and construction works of Immigration Headquarters in Tseung Kwan O, Two Taikoo Place in Quarry Bay, the residential development in Ap Lei Chau Island, the design and construction works of Inland Revenue Tower in Kai Tak Development Area and Kai Tak Sports Park. As at 30 June 2019, the gross value of contracts on hand for the Construction business was approximately HK$55.6 billion and the remaining works to be completed amounted to approximately HK$41.6 billion. These projects were originated from a well-balanced source with approximately 49% from government and institutional related projects and the remaining from private sector which includes both commercial and residential projects.

In December 2018, Kai Tak Sports Park Limited ("KTSPL") (25% and 75% indirectly owned by the Company and NWD respectively) was awarded a contract for the design, construction and operation of Kai Tak Sports Park (the "DBO Contract") at an approximate total construction contract sum of HK$30.0 billion. The construction management services of the project will be provided by Hip Hing Engineering Company Limited, an indirect wholly-owned subsidiary of the Group, which will add further stability in the revenue stream as well as cash flow for the Group's Construction business.

During FY2019, the Group completed the disposal of Hip Seng Group to a wholly-owned subsidiary of NWD at a total consideration of HK$168.0 million and a gain on disposal of HK$67.6 million was being recognized.

OPERATIONAL REVIEW – STRATEGIC PORTFOLIO

AOP Contribution by Segment

For the year ended 30 June

	2019 **HK$'m**	2018 HK$'m	Change % Fav./(Unfav.)
Environment	**629.0**	494.1	27
Logistics	**650.6**	654.6	(1)
Facilities Management	**(393.4)**	(73.1)	(438)
Transport	**(10.1)**	157.6	(106)
Strategic Investments	**321.7**	301.1	7
Total	**1,197.8**	1,534.3	(22)

Environment

AOP from the Environment segment increased by 27% to HK$629.0 million in FY2019. The increase was mainly attributable to a one-off fair value gain of HK$232.5 million shared by the Group, since a former joint venture of SUEZ NWS Limited ("SUEZ NWS") became accounted for as a subsidiary of SUEZ NWS with effect from July 2018, as compared to FY2018 where a one-off net fair value gain of HK$62.6 million was being recognized from Chongqing Silian Optoelectronics Science & Technology Co., Ltd.

On the operating front, SUEZ NWS maintained steady growth in its business. The overall water and wastewater treatment volume grew by 5% as two new water and wastewater treatment contracts in Taiwan and Macao came into service in the first quarter of 2019. The commencement of the waste-to-energy plants in Jiangsu Province and Taiwan as well as the first food waste treatment plant in Hong Kong with a total annual treatment capacity of 158,000 tonnes also contributed to the 4% increase in the average daily waste treatment volume during FY2019. In April 2019, SUEZ NWS has expanded its business scope into the environmental testing sector by acquiring a well-established China operation of an Australian environmental quality monitoring platform, namely ALS Analytical Testing (Shanghai) Co., Ltd.

Chongqing Derun Environment Co., Ltd. ("Derun Environment") continued to provide positive AOP contribution to the Environment segment although the Group shared an impairment loss of HK$21.7 million from its water treatment business. During FY2019, three waste-to-energy plants located in Chongqing, Zhejiang and Jiangsu commenced operation which has raised daily operating waste-to-energy capacity by 7,200 tonnes while five more waste-to-energy contracts with a total daily treatment capacity of 6,180 tonnes in Chongqing, Henan, Sichuan and Liaoning were awarded.

With an aim to diversify the Group's portfolio in the Environment segment and generate long-term growth for the shareholders, the Group has extended its footprint to the renewable energy sector in Europe by partnering with renowned investors and operators in the region with remarkable track record, and formed an investment platform named ForVEI II S.r.l. ("ForVEI II") in FY2019 dedicated to grasp the opportunities in solar power segment mainly in Italy. A total of 2.86 MW installed capacity of solar plants were acquired during this period since its formation.

Logistics

AOP of the Logistics segment for FY2019 was largely stable and fell slightly by less than 1% to HK$650.6 million, excluding the HK$104.3 million attributable disposal gain of two port investments in Tianjin. The increase in rental revenue from ATL Logistics Centre, throughput from China United International Rail Containers Co., Limited ("CUIRC") and Xiamen Container Terminal Group Co., Ltd. was offset by depreciation in Renminbi, reduction in CUIRC's average tariff from the cancellation of special settlement policy of containerized break-bulk cargoes business, and reduction of AOP contribution from the two Tianjin ports.

ATL Logistics Centre continued to deliver a robust performance in FY2019 with its newly renovated building and strong demand for logistics facilities in Hong Kong. Its AOP grew alongside average rent increase of 1.3% year-on-year, whilst average occupancy rate increased from 97.2% to 99.3% in FY2019.

Due to the strong business ramp up of its new Urumqi terminal, which is a strategic location under the Belt and Road Initiative, together with the development of sea-rail intermodal transportation, throughput of CUIRC grew remarkably by 26% to 3,438,000 TEUs in FY2019. To broaden its income stream, CUIRC has actively expanded its logistics services in FY2019. The increase in handling volume and service income compensated substantially the impact arising from the reduction in average tariff due to the cancellation of the special settlement policy of containerized break-bulk cargoes service in January 2018. In June 2019, a new terminal in Qinzhou, Guangxi Province commenced operation which allows CUIRC to expand its network through serving as a major hub on the strategic sea-rail transportation corridor from Western China to Southeast Asia.

As for the port business, throughput handled by Xiamen Container Terminal Group Co., Ltd. increased stably by 4% to 8,555,000 TEUs in FY2019.

Facilities Management

HKCEC, a venue which has been consistently awarded the title of "Best Convention and Exhibition Centre in Asia-Pacific" by leading industry professionals, celebrated its 30th anniversary in 2018. During FY2019, 1,000 events were held at HKCEC with a total patronage of approximately 8.5 million. While the core exhibition business remained stable, AOP decreased was mainly attributable to the higher royalty and provision for committed capital expenditure under the new operation agreement of HKCEC Phase II which extended our concession rights by 10.5 years to 2028 and became effective in mid-2018.

The operating loss of the Group's Free Duty business has widen in FY2019. Less than expected average consumer spending at some of its locations was the major operating pressure that led to the downturn of the business performance. The recent commencement of operation of a duty free shop at the Hong Kong-Zhuhai-Macao Bridge with a 5-year contract, however, has contributed positively since its commencement of business and it is expected that this shop will continue to ramp up its operation. Internal review of its organization structure and business commenced in FY2019 with an aim to optimize its organization and improve its profitability.

GHK Hospital, in which the Group has 40% equity interest, was officially opened in March 2018. Both outpatient visits and inpatient admissions have been ramping up and narrowing its operating loss in FY2019. Outpatient and inpatient/day case admissions increased by 93% and 87% respectively year-on-year. Over 1,100 doctors have been accredited at GHK Hospital and psychiatry inpatient wards were rolled out in February 2019 which makes GHK Hospital the only private hospital in Hong Kong offering this service. Its first satellite clinic located in Central was opened in March 2019 to bring additional revenue to GHK Hospital as well as better access to health services to the patients. The hospital has recently won the “Management Innovation of the Year Award” in Healthcare Asia Awards 2019 for initiating a number of innovative initiatives that aim to deliver excellent and transparent healthcare services to patients and to introduce new concepts and systems to Hong Kong’s private healthcare.

Transport

Despite the steady contribution from New World First Ferry Services Limited (“New World First Ferry”), escalating operating expenses mainly due to rising fuel costs and frontline staff wage enhancement as well as the delay in the approval of fare increase applications for Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) (“Citybus F1”) and New World First Bus Services Limited (“NWFB”) have affected the result of the Group’s Transport business which resulted in a loss of HK$10.1 million in FY2019. The Group believes that the continuing revenue enhancement strategies, the ramp-up of ridership of bus routes to/from the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port and further fare adjustments will improve the operating results of the Transport business of the Group.

Strategic Investments

This segment includes investments with strategic value to the Group, growth potential which will enhance and create value for our shareholders. The AOP for FY2019 mainly comprised the share of results, net fair value change and dividends from certain investments. The Group believes that the Strategic Investments segment will continue to have positive contribution in the medium to long term.

BUSINESS OUTLOOK

Core Business

Roads

In July 2019, the Group has stepped up its investment in Hunan Province by acquiring the concession rights of Changliu Expressway at a consideration of RMB4.571 billion. With a total length of approximately 65 km, this dual two-lane expressway has an average daily traffic flow of more than 29,000 vehicles in 2018. This quality infrastructure asset is expected to bring immediate AOP to the Group and has a remaining concession period of about 24 years, being the longest term among the Group's road portfolio. Together with acquisitions of Hubei Suiyuenan Expressway and Hunan Sui-Yue Expressway in 2018, the Group has successfully expanded its geographical reach in Hubei and Hunan Provinces which are located in the central part of China with growth potential as the key national logistics hub and ongoing urbanization. Coupled with its strong presence in the Greater Bay Area with seven expressways, the Group is well positioned to capture the further developments in connectivity and economic activities in China.

With the rapid development in technology and artificial intelligence, smart traffic monitoring system has been one of the keys to improve traffic management and efficiency. The Group's successful implementation of smart traffic monitoring system in our Hangzhou Ring Road has been a very successful pilot and role model for the Group's road projects and sets an industry standard in road safety and operation efficiency. To further enhance traffic flow efficiency, the Chinese government has announced its plan to revoke all toll stations at provincial boundaries by end of 2019. Expressway operators are expected to further utilize advanced toll equipment to improve traffic flow and thereby benefiting from staff cost savings and improved road network efficiency in the medium to long run, hence further improving profitability.

Aviation

Demand for air travel has been growing steadily in past years. Despite the short-term turbulence that may arise from the US-China and US-EU trade negotiations, the long-term outlook for global air traffic and aircraft demand remains on solid footing. Two of the world's largest aircraft manufacturers continued to forecast strong tailwind on global air traffic growth, led by the growing affluent middle class in emerging markets such as China and India. Global aircraft fleet is estimated to double from its current level in the next two decades, requiring around 25,000 new aircraft for growth and another 19,000 new aircraft for replacement. Goshawk has further committed to acquire 11 additional aircraft, increasing Goshawk's owned, managed and committed fleet to 234 as of August 2019, demonstrating the strong momentum and growth potential in the sector.

Following the success of the ABS issuance, Goshawk has demonstrated its strength in managing aircraft, structuring aircraft assets into financial products, optimizing its portfolio mix and recycling capital to accelerate its growth. On the backdrop of current economic and geopolitical environment, Goshawk will continue to pursue growth through strengthening its service spectrum and simultaneously implementing proactive balance of asset strategies such as portfolio diversification, reviewing customer concentration, country and regional risks, fleet renewal and trading strategies, and further expanding its broad-based financing means. With Goshawk's young and popular narrow-body fleet, diversified customer and country base, the platform possesses all the elements of resilience in this current market dynamic and we are confident Goshawk will continue to provide strong recurring investment returns from aircraft leasing and trading activities.

With the Greater Bay Area initiatives, it is expected that the concessionary tax regime for aircraft leasing will continue to attract more aircraft transaction activities to Hong Kong. Together with Goshawk's platform in the Tianjin Dongjiang Free Trade Port Zone, we are confident that Goshawk is well-positioned to further tap into the growth of aircraft leasing transactions in the Chinese market.

Further to the Group's divestment of its partial interest of 2.78% in BCIA in June 2019, the Group has sold all its remaining shareholding in BCIA at a consideration of approximately HK$778.3 million in September 2019.

Construction

Supported by government and private sector investment across residential, commercial, government and institutional construction projects, we remain positive in the construction industry in Hong Kong over medium to long term.

Nevertheless there is an undercurrent alongside the positive outlook in Hong Kong's construction industry. The ongoing trade war between China and the US, and the potential global economic slowdown are expected to impact Hong Kong's economy, which can have an adverse impact on construction spending and fixed asset investments. Furthermore, profit margins are under pressure due to labour shortage, escalating labour and material costs, and increasing focus on industrial safety and environmental protection.

Despite the above challenges, as a long established market leader and with a balanced portfolio of projects on hand, the Group is well positioned to resist market turbulence and to take advantage of the growth in the construction industry to build a strong yet diversified order book, including government and institutional projects such as government offices, hospitals, culture and recreational theatres which the Group believes is anti-cyclical and necessary to the long-term development of Hong Kong, as well as the traditional private sectors projects such as residential, offices, logistic centres and data centres. The construction management services of the Kai Tak Sports Park project provided by the Group will further add stability in its revenue pipeline and recurring cash flow for the Group's Construction business in the next few years. Investments in research and development, and the adoption of new construction technologies will also help in achieving the time, cost, and quality efficiency in all of our projects. The Group is confident in maintaining a healthy and diversified order book and pipeline of projects in the coming years.

Strategic Portfolio

Environment

The growing environmental awareness and more stringent ecological protection measures in China will continue to foster strong demand for environmental services and related capital expenditures. SUEZ NWS, as a leading integrated environmental solutions provider, is well equipped to capture these growing business opportunities and provide local customers with high quality environmental services. Through the newly acquired environmental quality monitoring platform, SUEZ NWS is well positioned to accelerate its development of new solutions for customers as well as leveraging synergies among its business units and partners in China. During FY2019, SUEZ NWS has successfully contracted for the construction of a wastewater treatment plant with daily treatment capacity of 25,000 m^3 in Zhuhai and a hazardous waste-to-energy plant with annual treatment capacity of 30,000 tonnes in Guangxi. These two new facilities are scheduled to commence operation in 2020 and 2021 respectively. SUEZ NWS will continue to pursue further opportunities in the Greater Bay Area as well as expand its business footprints in the hazardous waste treatment market in Greater China.

During FY2019, Derun Environment has commenced construction of a new water treatment plant with a daily treatment capacity of 400,000 m^3 in Chongqing which is scheduled to be operational in 2022 and recently further secured a new water supply concession contract in Jiangjin, Chongqing. This will undoubtedly strengthen its market presence in the western region of China.

ForVEI II will continue to ramp up its total installed capacity as demonstrated by the acquisition of a total of 2.66 MW installed capacity of solar plants in August 2019, giving a total installed capacity of 5.52 MW as of August 2019. ForVEI II has also contracted to acquire a further 43 MW installed capacity of solar plants, completion of which is expected to take place in the second half of 2019. With the continuous effort of its management team in seeking new profitable projects in Europe, particularly Italy, ForVEI II is expected to expand its foothold and capture the growth in the industry, thus contributing positively to the Group.

Logistics

In view of the limited new supply of logistics properties in Hong Kong in the near term, high quality logistics facilities at prime location like ATL Logistics Centre is expected to be continuously in high demand. With its proven track record and the completion of its comprehensive renovation programme, it will continue to benefit as a leading market player in Hong Kong for years to come.

CUIRC has been one of the direct beneficiaries of the latest development of the Belt and Road Initiative, as well as the government’s initiatives for environmental protection and reducing national logistics cost, namely the promotion of international rail transport and sea-rail intermodal transport. With the new Qinzhou terminal commenced operation in June 2019, the expected completion of the expansion of Qingdao and Xian terminals and the commencement of construction of Guangzhou terminal within the Greater Bay Area in FY2020, CUIRC will further strengthen its network and handling capacity to capture the market potential. Together with the expansion of CUIRC into logistics services to provide door-to-door transportation and freight forwarding services to broaden its service spectrum, CUIRC is well positioned to seize the market potentials and continue to contribute positively to the Group.

Facilities Management

While HKCEC continued to foster its leading position in the industry and leveraging on its new marketing theme of “The Art of Excellence”, the management will actively drive incremental business by targeting at upmarket and new exhibitions and conferences under various themes including e-sports, medical and technology to further improve utilization during non-tradeshow seasons. Various improvements and upgrades of its infrastructure and facilities will also be conducted in the next few years to maintain its competitiveness regionally as the world-class venue for conventions and exhibitions.

For the Free Duty business, with the recent slowdown in passenger throughput at our outlets and the less than expected consumer spending, Free Duty will continue its effort to increase merchandise assortment and marketing in order to stipulate sales and improve profit margins. Thorough review of the business and vigorous cost optimization are underway to stabilize and improve its profitability. The management is confident that these measures will effectively minimize the negative impact posed by the challenging environment and contribute positively to the results of the Free Duty business as a whole.

GHK Hospital has been the pioneer by introducing a number of initiatives that aim to deliver innovative, transparent and high-quality healthcare services in Hong Kong. It is the first private hospital in the city to introduce fee transparency and certainty via all-inclusive packages, fee advisory service to all patients before admission, automated drug dispensing system in all wards, and the 24-hour fully-automated track system in its laboratory to ensure accurate and efficient testing and diagnostic results are a few to name. To make transparent, high-quality healthcare more accessible to the public, GHK Hospital has also initiated innovative partnerships with major insurance companies such that its medical packages are fully or mostly covered by ward-class insurance plans. With the brand and services of GHK Hospital being more recognized and the opening of the satellite clinic in Central which also helps patients referral, together with the expected increase in beds in operation and outpatient visits as well as more doctor accreditation, the management is confident that GHK Hospital will continue to ramp up positively.

Transport

The Group's franchised buses, NWFB and Citybus Limited, are operating approximately 200 routes with a fleet of more than 1,600 buses, serving more than 1 million passengers daily. The Group continues to serve the public providing high quality services with strong commitment in safety and reliability. Apart from on-going fleet replacement with the most environmentally friendly buses, the management continues to upgrade the facilities for bus maintenance, improve passenger information and keep abreast of the latest technology development. Competition from railway remains fierce and the management will continue to work on route rationalization to minimize such adverse impact. Citybus F1 and NWFB have also recently applied to the Transport Department for a fare increase of 12% to alleviate the pressure from continuous rise in operating costs.

The Group's ferry business, New World First Ferry, will continue to strive for service excellence in providing reliable and high quality services for our passengers. We have also introduced green initiatives such as eco-friendly distilled water station in Central Pier 5 recently and solar energy garden at the rooftop of New World First Ferry's office building in late 2018 to help build a more environmental friendly community.

LOOKING FORWARD

While the outlook for the macro-economy remains uncertain with the looming trade war between US and China, the management believes the Group's strategy of persistent with measured investment is on the right course. The Group is committed to building a strong and resilient portfolio of businesses that can weather unexpected volatility ahead.

The Group's vision to fortify our Core Business and continuously review and streamline our non-core businesses which would allow us to focus on implementing a long term sustainable growth strategy and drive shareholder value. With the Core Business continuing to grow and new acquisition expected to be on-board which could leverage on and integrate into the ecosystem of New World Group, together with a strong financial position and the continuous development in China, especially the Greater Bay Area, the Group is well positioned to capture the opportunities ahead and maximize stakeholders' return.

FINANCIAL RESOURCES

Treasury management and cash funding

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group operates a centralized treasury function to monitor its cash position, cash flow and debt profile as well as optimize its funding cost-efficiency. In order to maintain maximum financial flexibility with adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources, optimizes our capital structure and expands our source of funding from time to time such as perpetual capital securities, capital market issue and bank borrowings, for which the proportion will change depending on financial market conditions. The capital structure of the Group was 21% debt and 79% equity as at 30 June 2019, compared with 17% debt and 83% equity as at 30 June 2018.

The Group manages its financial risks including interest rate exposure and foreign exchange risks. Interest rate swaps are used to hedge against part of the Group's exposures to changes in interest rates. Cross currency swaps are entered to reduce the Group's overall cost of funding and to manage the exposure from foreign currency translation. Fuel price swap contracts are used to hedge against fuel price rises for our Transport business, while foreign exchange forward contracts are used to hedge against foreign currency exposures of the Group's businesses which involve foreign currencies. The Group did not have any material exposure to exchange risk other than Renminbi and United States Dollar during FY2019. Certain joint ventures and associated companies have local currency project loans in place, these are naturally hedged against the investments in the same local currency of the entity concerned.

Liquidity and capital resources

As at 30 June 2019, the Group's total cash and bank balances amounted to HK$15,058.9 million, a significant increase from the balance of HK$6,656.6 million as at 30 June 2018. Cash and bank balances were mainly denominated as to 58% in United States Dollar, 28% in Hong Kong Dollar and 13% in Renminbi. The Group's net debt as at 30 June 2019 was HK$10.5 million, compared with HK$3,518.0 million as at 30 June 2018. The decrease in net debt was mainly due to the proceeds from the issuance of senior perpetual capital securities, operating cash inflows and dividends received, net of deposits paid for acquisition of subsidiaries, investments/advances to joint ventures and associated companies and payment of dividends. The Group's net gearing ratio (calculated as net debt over total equity) reduced from 7% as at 30 June 2018 to close to zero per cent as at 30 June 2019. The Group had unutilized committed banking facilities of approximately HK$12.4 billion as at 30 June 2019.

Debt profile and maturity

As at 30 June 2019, the Group's total debt increased to HK$15,069.4 million from HK$10,174.6 million as at 30 June 2018. The Group has managed to evenly distribute its debt maturity profile to reduce refinancing risks. Amongst the non-current portion of the long-term loans and borrowings of HK$12,666.1 million as at 30 June 2019, 12% will mature in the second year, 49% will mature in the third to fifth year and 39% will mature after the fifth year. Bank loans were denominated in Hong Kong Dollar and mainly bearing interest at floating rates while fixed rate bonds were denominated in United States Dollar. As at 30 June 2019, the Group has provided a pledge over its 30% equity interest in the project company which owns and operates the Hubei Suiyuenan Expressway as security for a bank loan made to the project company.

Commitments

The Group's total commitment for capital expenditures was HK$19,711.0 million as at 30 June 2019, compared with HK$3,798.2 million as at 30 June 2018. These comprised unpaid commitments for acquisition of the entire issued share capital of FTLife Insurance of HK$18,380.0 million (subject to adjustments), the acquisitions of/capital contributions to certain associated companies, joint ventures and other investments of HK$984.0 million as well as additions of property, plant and equipment of HK$347.0 million. FTLife Insurance is a life insurance company which is engaged in the business of provision for protection and savings-related life and medical insurance products. Sources of funds for capital expenditures include internal resources of the Group and committed external financing from reputable international banks.

Financial guarantee contracts

Financial guarantee contracts of the Group were HK$3,712.6 million as at 30 June 2019, compared with HK$3,961.6 million as at 30 June 2018. These comprised guarantees for banking facilities of associated companies and joint ventures.

In addition, as at 30 June 2019, the Company and NWD, through their respective wholly-owned subsidiaries, namely NWS Sports Development Limited ("NWS Sports") and New World Sports Development Limited ("New World Sports"), provided guarantee in favour of the government. Pursuant to the guarantee, NWS Sports and New World Sports jointly and severally guaranteed to the government, as a primary obligation, the punctual, true and faithful performance and observance by KTSPL of the obligations, terms, conditions and liabilities to be performed, observed and assumed by KTSPL under the contract entered into between the government and KTSPL for the DBO Contract and any further agreement entered into between the government and KTSPL in connection with the DBO Contract. NWS Sports, the Company, New World Sports and NWD have also entered into a deed of counter-indemnity, under which the Group's guarantee towards KTSPL is up to the extent of 25% or amounts to approximately HK$7.5 billion. KTSPL, which is held as to 25% by NWS Sports and as to 75% by New World Sports, is an associated company of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, approximately 27,700 staff were employed by entities under the Group's management of which approximately 10,000 staff were employed in Hong Kong. Total staff related costs including provident funds, staff bonus and deemed share option benefit but excluding directors' remunerations during FY2019 were HK$4.463 billion (2018: HK$5.216 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 FY2019 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 FY2019 as set out in the preliminary results 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 FY2019. 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 results announcement.

CORPORATE GOVERNANCE PRACTICES

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

Throughout FY2019, the Company has complied with all the applicable code provisions in the Corporate Governance Code 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 LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during FY2019.

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 FY2019.

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 FY2019.

THE BOARD

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

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 24 September 2019

* *For identification purposes only*