新創建 NWS

NWS HOLDINGS LIMITED

STOCK CODE: 659

Interim Report 2017-2018

Connecting Lives ▸▸▸ Building Futures

VISION

To build a dynamic and premier group of infrastructure and service management companies driven by a shared passion for customer value and care

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Financial Highlights

	For the six months ended 31 December	
	2017 **HK$'m**	2016 HK$'m
Revenue	**18,076.9**	13,846.0
Profit attributable to shareholders of the Company	**2,478.1**	2,600.1
Basic Earnings per Share	**HK$0.64**	HK$0.68
Dividend Payout Ratio	**50%**	50%

	At 31 December 2017 HK$'m	At 30 June 2017 HK$'m
Net Debt	**6,149.0**	3,229.3
Total assets	**79,249.0**	75,725.9
Net Assets	**48,873.6**	49,275.0
Shareholders' funds	**48,653.3**	49,057.1
Net Assets per Share	**HK$12.55**	HK$12.67
Net Gearing Ratio	**13%**	7%

Chairman's Statement

Dear Shareholders,

On behalf of our board of directors (the "Board"), it is my pleasure to present the financial results of NWS Holdings Limited ("NWS Holdings" or the "Company", together with its subsidiaries, the "Group") for the six months ended 31 December 2017 (the "Current Period").

Decent Growth Prospects

The global economy continued to gather momentum and demonstrate its resilience during 2017. The advanced economies performed solidly as trading and investment activities thrived on the back of rising consumer confidence and lenient monetary conditions. Major stock markets around the world registered decent gains under the confluence of sound corporate fundamentals and ample liquidity in the financial system. In addition, many emerging countries benefitted from the steady increase in export demands and commodity prices. Nevertheless, the pace of monetary policy normalization, upbeat asset price trends and widespread geopolitical uncertainty will continue to pose challenges to the stability of the global financial system.

China reversed the downward growth path which began in 2010 by delivering 6.9% growth in 2017, beating the official target of 6.5%. This long awaited trend reversal bodes well for the future of the Chinese economy and the Central Government's effort in driving high-quality and sustainable development through coordinated economic policies and mandates. The Chinese authorities are also expected to persevere with policies and measures to alleviate structural imbalances and enhance financial stability. As an experienced and resourceful infrastructure player, the Group is well positioned and equipped to identify and capture investment opportunities arising from China's promising growth prospects and strong demands for infrastructure services.

In line with our long-term objectives in maintaining sustainable growth and creating shareholder values, the Group continued to deploy its capital to optimize its returns. To this end, the Infrastructure division capitalized on a number of value accretive asset enhancement and divestment opportunities. The investment in Suiyuenan Expressway in central China's Hubei province in January 2018 is set to provide immediate impetus to boost the performance of the Group's Roads segment. The commercial aircraft leasing business continues to grow strongly as the combined aircraft portfolio under the Group's leasing platforms surpassed 100 aircraft in the last quarter of 2017. Following a strategic review on the investment in Beijing Capital International Airport Company Limited ("BCIA"), the Group unlocked its underlying value through a partial disposal in January 2018. The Environment segment made solid progress in expanding its operation capabilities, particularly in the development of technologically advanced waste incineration and environmental remediation projects to capitalize on the increasingly stringent environmental standards in Mainland China.

Against persistent headwind in the operating environment, the mixed results of the Services division became more apparent during the Current Period. While the Construction business continued to perform on a strong footing, the Facilities Management segment registered a loss for the first time. Free Duty's performance was impacted by sluggish sales and cost pressures amid soft tourist spending while Gleneagles Hong Kong Hospital ("GHK Hospital") remained in its ramp-up phase after commencing operations in the latter half of the financial year ended 30 June 2017 ("FY2017"). However, it is pleasing to note that the Group has successfully won the contract for the operation of Hong Kong Convention and Exhibition Centre ("HKCEC") Phase II until 2028. This enables the Group to continue to operate this world class facility to help foster Hong Kong's trade and convention business. In light of the gradually improving operating efficiency in each of these segments, the Group remains optimistic in thwarting the downtrend of the Services division in the not too distant future.

Performance Review

Attributable Operating Profit ("AOP") grew by 6% to HK$2.7 billion while profit attributable to shareholders fell by 5% to HK$2.5 billion during the Current Period. The remarkable AOP growth of 33% generated by the Infrastructure division endorsed the high level of capital commitments in infrastructure assets, particularly in the Roads and Aviation segments. On the contrary, the Services division reported a 34% decline in AOP resulting mainly from the contraction of the Facilities Management segment under the effect of unfavourable business conditions.

The decline in profit attributable to shareholders reflected the impact of non-recurring exceptional items. As previously reported, the Group recognized gains of approximately HK$454 million and HK$113 million from the restructuring of SUEZ NWS Limited ("SUEZ NWS") and upon the full acquisition of NWS Transport Services Limited ("NWS Transport", together with its subsidiaries, the "NWS Transport Group") respectively and an impairment loss of approximately HK$204 million in relation to Newton Resources Ltd ("Newton Resources") in the six months ended 31 December 2016 (the "Last Period"). Excluding the net contribution from these one-off items, profit attributable to shareholders would have risen nearly 11% in line with the AOP growth and finance cost savings following the redemption of USD bonds in February 2017.

The Board is pleased to declare an interim dividend for the financial year ending 30 June 2018 ("FY2018") of HK$0.32 per share, representing a payout ratio of approximately 50%.

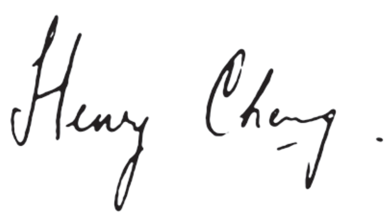
Corporate Sustainability

The Group continues to strive for excellence in corporate sustainability by fostering, among all levels of staff, the business culture of transparency and accountability and addressing social needs. The Group's fourth standalone Sustainability Report published in the Current Period has an expanded scope covering businesses over which the Group has major financial and operational control, and that are of environmental, social and governance significance. On the community front, we have empowered our corporate volunteers and, together with our cross-sectoral partners, implemented meaningful programmes for the benefit of the community. I am delighted that the Group's effort has been widely recognized. We have been selected as one of the constituents of Hang Seng Corporate Sustainability Benchmark Index for the seventh consecutive time, and named the top winner in both the enterprise and volunteer team categories at the Hong Kong Outstanding Corporate Citizenship Awards.

Conclusion

The global economic outlook for 2018 is positive although conditions will remain mixed across different business sectors. The Group will continue to build on our strengths and remain focused. We are committed to driving quality growth by leveraging our uniquely diversified asset base, solid capital structure and strong brand positioning.

Finally, I would like to thank the Board for their exemplary leadership and all our colleagues for their hard work and determination in maintaining the highest standard of excellence. I also wish to take this opportunity to extend my appreciation to our shareholders and business associates for their trust and continued support.



Dr Cheng Kar Shun, Henry
Chairman
Hong Kong, 26 February 2018

Management Discussion and Analysis

GROUP OVERVIEW

The Group recorded an 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 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, 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

GROUP OVERVIEW (continued)

Contribution by Division (continued)

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.

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.

OPERATIONAL REVIEW – INFRASTRUCTURE

All segments under the Infrastructure division, particularly the Roads and the Aviation segments, recorded an increase in profit contribution during the Current Period. AOP of the Infrastructure division grew significantly by 33% to HK$2,025.3 million for the Current Period.

AOP Contribution by Segment

For the six months ended 31 December

	2017 HK$'m	2016 HK$'m	Change % 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.

OPERATIONAL REVIEW – INFRASTRUCTURE (continued)

Roads (continued)

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 the 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.

OPERATIONAL REVIEW – INFRASTRUCTURE (continued)

Logistics (continued)

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 commercial aircraft leasing platforms reached US$4.6 billion as at 31 December 2017.

OPERATIONAL REVIEW – SERVICES

The Services division recorded an AOP of HK$656.8 million in the Current Period, representing a decrease of 34% from the Last Period. The Construction business maintained its growth momentum amid buoyant property market conditions but the impact could not mitigate the subdued performance of Free Duty and the initial operating losses incurred by GHK Hospital during its ramp-up phase.

AOP Contribution by Segment

For the six months ended 31 December

	2017 HK$'m	2016 HK$'m	Change % 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 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.

OPERATIONAL REVIEW – SERVICES (continued)

Facilities Management (continued)

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.

Independent Auditor's Review Report

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF NWS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 13 to 49, which comprises the condensed consolidated statement of financial position of NWS Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2017 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 February 2018

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The Board is pleased to present the unaudited condensed consolidated interim financial statements (the "interim financial statements") of the Group for the Current Period. The interim financial statements of the Group include the condensed consolidated income statement, condensed consolidated statements of comprehensive income, changes in equity and cash flows for the Current Period and the condensed consolidated statement of financial position as at 31 December 2017, all of which are unaudited, along with other explanatory notes, and are set out on pages 13 to 49 of this report.

Condensed Consolidated Income Statement – Unaudited

	Note	For the six months ended 31 December	
		2017 HK$'m	2016 HK$'m
Revenue	5	**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	6	**594.9**	892.2
General and administrative expenses		**(720.7)**	(616.7)
Operating profit	7	**1,816.6**	2,040.4
Finance costs		**(165.4)**	(289.1)
Share of results of			
Associated companies	5(b)	**352.2**	254.0
Joint ventures	5(b)	**909.9**	926.9
Profit before income tax		**2,913.3**	2,932.2
Income tax expenses	8	**(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	9		
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 HK$'m	2016 HK$'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	10	**1,654.8**	1,568.9
Property, plant and equipment	11	**5,429.5**	5,487.8
Intangible concession rights	12	**12,004.1**	11,936.2
Intangible assets	13	**770.1**	786.6
Associated companies	14	**17,034.8**	16,180.5
Joint ventures	15	**15,155.6**	15,128.8
Available-for-sale financial assets	16	**3,285.2**	3,025.5
Other non-current assets	17	**907.3**	887.0
		56,241.4	55,001.3
Current assets			
Inventories		**392.2**	484.0
Trade and other receivables	18	**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

Condensed Consolidated Statement of Financial Position – Unaudited (continued)

	Note	(Unaudited) At 31 December 2017 HK$'m	(Audited) At 30 June 2017 HK$'m
EQUITY			
Share capital	19	**3,894.5**	3,888.3
Reserves	20	**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	21	**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	21	**1,109.2**	305.8
Trade and other payables	22	**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

Condensed Consolidated Statement of Changes in Equity – Unaudited

		For the six months ended 31 December 2017						
		Shareholders' funds						
HK$'m	Note	Share capital	Share premium	Revenue reserve	Other reserves	Total	Non-controlling interests	Total
At 1 July 2017		3,888.3	17,521.8	27,002.4	644.6	49,057.1	217.9	49,275.0
Total comprehensive income for the period		–	–	2,480.7	1,350.4	3,831.1	19.0	3,850.1
Contributions by/(distribution to) owners								
Dividend paid to								
Shareholders of the Company	23	–	–	(4,322.9)	–	(4,322.9)	–	(4,322.9)
Non-controlling interests		–	–	–	–	–	(0.1)	(0.1)
Share options								
Nominal value of new shares issued		6.2	–	–	–	6.2	–	6.2
Share premium on new shares issued		–	81.8	–	–	81.8	–	81.8
Repayment of capital to a non-controlling shareholder		–	–	–	–	–	(16.5)	(16.5)
Total transactions with owners		6.2	81.8	(4,322.9)	–	(4,234.9)	(16.6)	(4,251.5)
At 31 December 2017		3,894.5	17,603.6	25,160.2	1,995.0	48,653.3	220.3	48,873.6

Condensed Consolidated Statement of Changes in Equity – Unaudited (continued)

		For the six months ended 31 December 2016						
		Shareholders' funds						
HK$'m	Note	Share capital	Share premium	Revenue reserve	Other reserves	Total	Non-controlling interests	Total
At 1 July 2016		3,832.0	16,840.4	23,824.7	1,121.8	45,618.9	239.5	45,858.4
Total comprehensive income for the period		–	–	2,590.7	(1,325.6)	1,265.1	(1.3)	1,263.8
Contributions by/(distributions to) owners								
Dividend paid to								
Shareholders of the Company	23	–	–	(1,302.9)	–	(1,302.9)	–	(1,302.9)
Non-controlling interests		–	–	–	–	–	(5.7)	(5.7)
Scrip dividend								
Nominal value of new shares issued		24.9	–	–	–	24.9	–	24.9
Share premium on new shares issued		–	291.1	–	–	291.1	–	291.1
Share options								
Value of services provided		–	–	–	6.3	6.3	–	6.3
Total transactions with owners		24.9	291.1	(1,302.9)	6.3	(980.6)	(5.7)	(986.3)
At 31 December 2016		3,856.9	17,131.5	25,112.5	(197.5)	45,903.4	232.5	46,135.9

Condensed Consolidated Statement of Cash Flows – Unaudited

	Note	For the six months ended 31 December 2017 HK$'m	2016 HK$'m
Cash flows from operating activities			
Net cash generated from operations	26(a)	**1,654.0**	1,007.3
Finance costs paid		**(134.7)**	(228.9)
Interest received		**92.4**	146.7
Hong Kong profits tax paid		**(216.6)**	(165.7)
Mainland China and overseas taxation paid		**(116.3)**	(247.8)
Net cash generated from operating activities		**1,278.8**	511.6
Cash flows from investing activities			
Dividends received from associated companies and joint ventures		**1,029.0**	1,255.5
Increase in investments in and advances to associated companies		**(233.4)**	(1,027.4)
Increase in investments in and advances to joint ventures		**(494.7)**	(1,112.7)
Additions of intangible concession rights, property, plant and equipment		**(226.2)**	(45.8)
Additions of available-for-sale financial assets		**(303.5)**	(34.5)
Disposal of property, plant and equipment		**2.7**	–
Disposal of available-for-sale financial assets and a financial asset at fair value through profit or loss		**208.0**	347.4
Acquisition of subsidiaries	26(b)	**–**	(930.1)
Disposal of subsidiaries	26(c)	**–**	11.4
Disposal of assets held-for-sale		**–**	3,373.1
Dividends received from available-for-sale financial assets		**35.2**	14.8
Increase in other non-current assets		**–**	(1.5)
Decrease in short-term bank deposits maturing after more than three months		**2.5**	26.9
Net cash from investing activities		**19.6**	1,877.1

Condensed Consolidated Statement of Cash Flows – Unaudited (continued)

	For the six months ended 31 December	
	2017 **HK$'m**	2016 HK$'m
Cash flows from financing activities		
Issuance of new shares from share options exercised	**88.0**	–
New bank loans and other borrowings	**3,286.5**	3,026.0
Repayment of bank loans and other borrowings	**(425.1)**	(3,054.5)
Balance payment of acquisition of additional interests in a subsidiary	**–**	(81.9)
Capital repayment to a non-controlling shareholder	**(16.5)**	–
Dividends paid to shareholders of the Company	**(4,322.9)**	(986.9)
Dividends paid to non-controlling interests	**(0.1)**	(5.7)
Decrease in loans from non-controlling interests	**(8.5)**	(8.2)
Net cash used in financing activities	**(1,398.6)**	(1,111.2)
Net (decrease)/increase in cash and cash equivalents	**(100.2)**	1,277.5
Cash and cash equivalents at the beginning of the period	**6,436.8**	8,892.9
Currency translation differences	**70.1**	(165.6)
Cash and cash equivalents at the end of the period	**6,406.7**	10,004.8
Analysis of cash and cash equivalents		
Cash and bank balances	**6,420.8**	10,020.5
Short-term bank deposits maturing after more than three months	**(14.1)**	(15.7)
	6,406.7	10,004.8

Notes to Condensed Consolidated Interim Financial Statements

1. General information

NWS Holdings Limited is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

(a) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and

(b) the investment in and/or operation of facilities, construction, transport and strategic investments.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The interim financial statements were approved for issuance by the Board on 26 February 2018.

2. Basis of preparation and accounting policies

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 Hong Kong Stock Exchange (the "Listing Rules"). The interim financial statements should be read in conjunction with the annual financial statements for 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 and early adoption of HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") 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 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.

2. Basis of preparation and accounting policies (continued)

(b) Early adoption of 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 3 below.

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.

2. 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.

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.

3. Change in accounting policy

As explained in note 2(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 were reclassified as "Contract assets/liabilities" under HKFRS 15 as shown in notes 18 and 22 respectively.

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

4. Financial risk management and fair value estimation

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk.

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's FY2017 annual financial statements.

There has been no change in any risk management policies since the last year end.

(b) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

(i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.

(ii) The fair value of long-term financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iii) The carrying values of bank balances, receivables, payables and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

4. Financial risk management and fair value estimation (continued)

(b) Fair value estimation (continued)

(iv) The following tables present the Group's financial instruments that are measured at fair value at 31 December 2017 and 30 June 2017 respectively:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At 31 December 2017:

HK$'m	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Trading securities	**0.1**	**–**	**–**	**0.1**
Available-for-sale financial assets				
Equity securities	**1,292.2**	**694.3**	**169.1**	**2,155.6**
Debt securities	**236.9**	**892.7**	**–**	**1,129.6**
Derivative financial instruments	**–**	**53.9**	**165.6**	**219.5**
	1,529.2	**1,640.9**	**334.7**	**3,504.8**
Liabilities				
Derivative financial instruments	**–**	**(20.7)**	**(16.0)**	**(36.7)**

At 30 June 2017:

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Trading securities	0.1	–	–	0.1
Available-for-sale financial assets				
Equity securities	1,358.0	545.9	13.1	1,917.0
Debt securities	239.8	868.7	–	1,108.5
Derivative financial instruments	–	–	58.8	58.8
	1,597.9	1,414.6	71.9	3,084.4
Liabilities				
Derivative financial instruments	–	(70.9)	(18.9)	(89.8)

There were no transfers of financial assets between Level 1 and Level 2 fair value hierarchy classifications.

4. Financial risk management and fair value estimation (continued)

(b) Fair value estimation (continued)

(iv) (continued)

The following table presents the changes in Level 3 financial instruments for the Current Period:

HK$'m	Available-for-sale financial assets	Derivative financial assets	Derivative financial liabilities
At 1 July 2017	13.1	58.8	(18.9)
Addition	156.0	–	–
Total gain recognized in the condensed consolidated income statement	–	106.8	2.9
At 31 December 2017	**169.1**	**165.6**	**(16.0)**

5. Revenue and segment information

The Group's revenue is analyzed as follows:

	For the six months ended 31 December	
	2017 HK$'m	2016 HK$'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.

5. 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.

5. 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.

5. 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
Impairment loss related to an associated company								(204.0) (b)
Interest income								38.4
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, a then 50% joint venture of the Group (note 6). 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, a then 50% joint venture of the Group held before the business combination (note 6). After completing the acquisition, NWS Transport and its subsidiaries became indirectly wholly owned subsidiaries of the Company.

5. 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.

5. 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 (note 14(d))	**–**	(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 2017**	At 30 June 2017
HK$'m	**2017**	2016		
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.

5. Revenue and segment information (continued)

(c) Information by geographical areas (continued):

The Group's share of revenue of associated companies and joint ventures are as follows:

	Associated companies		Joint ventures	
	For the six months ended 31 December		For the six months ended 31 December	
HK$'m	**2017**	2016	**2017**	2016
Hong Kong	**1,393.2**	1,049.7	**425.7**	1,386.8
Mainland China	**1,267.9**	1,018.0	**5,105.0**	3,858.0
Macau	**291.5**	23.2	**–**	133.3
Global and others	**338.0**	438.4	**1,942.0**	1,255.2
	3,290.6	2,529.3	**7,472.7**	6,633.3

6. Other income/gains

		For the six months ended 31 December	
	Note	**2017 HK$'m**	2016 HK$'m
Gain on fair value of derivative financial instruments		**106.8**	–
Gain on fair value of investment properties	10	**55.0**	71.8
Gain on restructuring of a joint venture	5(a)	**–**	454.3
Gain on remeasurement of previously held equity interest in a joint venture	5(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

7. Operating profit

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

	Note	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	11	**277.6**	93.9
Amortization of intangible concession rights	12	**427.4**	404.8
Amortization of intangible assets	13	**16.5**	15.6
Operating lease rental expenses – properties		**129.1**	40.8

8. 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 HK$'m	2016 HK$'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.

9. Earnings per share

The calculation of basic earnings per share for the Current Period is based on earnings of HK$2,478.1million (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.

10. Investment properties

HK$'m	Note	Commercial properties in Hong Kong	Commercial properties in Macau	Residential properties in Mainland China	Total
At 1 July 2017		**1,555.0**	**–**	**13.9**	**1,568.9**
Fair value changes	6	**55.0**	**–**	**–**	**55.0**
Transfer from property, plant and equipment	11	**–**	**30.3**	**–**	**30.3**
Translation differences		**–**	**–**	**0.6**	**0.6**
At 31 December 2017		**1,610.0**	**30.3**	**14.5**	**1,654.8**

The investment properties were revalued on 31 December 2017 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited and Savills (Macau) Limited. Valuations for properties were based on market value assessment or the income approach.

11. Property, plant and equipment

HK$'m	Note	Land and properties	Other plant and equipment	Construction in progress	Buses, vessels and other motor vehicles	Total
Cost						
At 1 July 2017		**1,364.5**	**2,299.1**	**147.2**	**3,269.0**	**7,079.8**
Additions		**–**	**43.6**	**98.6**	**80.5**	**222.7**
Disposals		**–**	**(34.6)**	**–**	**(1.9)**	**(36.5)**
Revaluation upon transfer to investment properties		**26.4**	**–**	**–**	**–**	**26.4**
Transfer to investment properties	10	**(31.3)**	**–**	**–**	**–**	**(31.3)**
Transfers		**–**	**0.5**	**(134.0)**	**133.5**	**–**
Translation differences		**–**	**6.9**	**–**	**0.1**	**7.0**
At 31 December 2017		**1,359.6**	**2,315.5**	**111.8**	**3,481.2**	**7,268.1**
Accumulated depreciation and impairment						
At 1 July 2017		**52.3**	**1,367.0**	**–**	**172.7**	**1,592.0**
Depreciation	7	**31.1**	**102.5**	**–**	**144.0**	**277.6**
Disposals		**–**	**(32.7)**	**–**	**(1.0)**	**(33.7)**
Transfer to investment properties	10	**(1.0)**	**–**	**–**	**–**	**(1.0)**
Translation differences		**–**	**3.7**	**–**	**–**	**3.7**
At 31 December 2017		**82.4**	**1,440.5**	**–**	**315.7**	**1,838.6**
Net book value						
At 31 December 2017		**1,277.2**	**875.0**	**111.8**	**3,165.5**	**5,429.5**
At 30 June 2017		1,312.2	932.1	147.2	3,096.3	5,487.8

12. Intangible concession rights

	Note	HK$'m
Cost		
At 1 July 2017		**18,482.7**
Additions		**3.5**
Translation differences		**771.9**
At 31 December 2017		**19,258.1**
Accumulated amortization and impairment		
At 1 July 2017		**6,546.5**
Amortization	7	**427.4**
Translation differences		**280.1**
At 31 December 2017		**7,254.0**
Net book value		
At 31 December 2017		**12,004.1**
At 30 June 2017		11,936.2

13. Intangible assets

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2017 and 31 December 2017		**424.0**	**636.4**	**1,060.4**
Accumulated amortization and impairment				
At 1 July 2017		**15.4**	**258.4**	**273.8**
Amortization	7	**–**	**16.5**	**16.5**
At 31 December 2017		**15.4**	**274.9**	**290.3**
Net book value				
At 31 December 2017		**408.6**	**361.5**	**770.1**
At 30 June 2017		408.6	378.0	786.6

14. Associated companies

	Note	At 31 December 2017 HK$'m	At 30 June 2017 HK$'m
Group's share of net assets			
Listed shares – Hong Kong	(a)	**4,387.9**	4,127.2
Listed shares – Overseas	(a)	**864.3**	874.9
Unlisted shares	(b)	**7,935.1**	8,702.2
		13,187.3	13,704.3
Goodwill		**816.1**	714.8
Amounts receivable		**1,819.4**	1,761.4
Deposit paid for the acquisition of an associated company	(c)	**1,212.0**	–
	(d)	**17,034.8**	16,180.5

(a) As at 31 December 2017, the carrying amount represents the Group's investments in BCIA, Wai Kee Holdings Limited and Tharisa plc. The share of market value of the Group's listed associated companies amounts to HK$6,545.2 million (30 June 2017: HK$6,025.7 million).

(b) As at 31 December 2017, the carrying amount mainly represents the Group's investments in various infrastructure, ports, healthcare, strategic investments and other projects. Among which the Group has participating interests and holds for investment purpose in certain investment companies amounted to HK$1,833.0 million (30 June 2017: HK$2,740.8 million), whose assets mainly comprise available-for-sale financial assets, loans and receivables. The Group's share of attributable operating profit of these investment companies for the Current Period amounted to HK$71.2 million (2016: HK$103.8 million) as detailed in note 5(a)(ii).

(c) The balance represents deposit paid for the investment in 30% equity interest in Hubei Suiyuenan Expressway Co., Limited. The total consideration for the transaction was approximately RMB1.1 billion. The transaction was completed in January 2018.

(d) Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies based on value in use calculations. Management is of the view that there is no impairment of the Group's investments in associated companies as at 31 December 2017.

The Group shared an impairment loss of approximately HK$204.0 million for Newton Resources, the then associated company, in the condensed consolidated income statement for the Last Period.

15. Joint ventures

	At 31 December 2017 HK$'m	At 30 June 2017 HK$'m
Co-operative joint ventures		
Cost of investment less provision	**1,497.6**	1,579.5
Goodwill	**86.2**	86.2
Share of undistributed post-acquisition results	**1,960.7**	2,087.4
Amounts receivable	**16.3**	12.1
	3,560.8	3,765.2
Equity joint ventures		
Group's share of net assets	**4,740.3**	4,533.1
Goodwill	**87.2**	87.2
	4,827.5	4,620.3
Companies limited by shares		
Group's share of net assets	**3,972.0**	3,737.7
Goodwill	**163.5**	163.5
Amounts receivable	**2,835.5**	3,034.8
Amounts payable	**(203.7)**	(192.7)
	6,767.3	6,743.3
	15,155.6	15,128.8

As at 31 December 2017, the carrying amount mainly represents the Group's investments in various infrastructure, ports, logistics, commercial aircraft leasing and other projects. Management is of the view that there is no impairment of the Group's investment in joint ventures as at 31 December 2017.

16. Available-for-sale financial assets

	At 31 December 2017 HK$'m	At 30 June 2017 HK$'m
Equity securities listed in Hong Kong	**1,292.2**	1,358.0
Debt securities listed in Hong Kong	**236.9**	239.8
Unlisted equity securities	**863.4**	559.0
Unlisted debt securities	**892.7**	868.7
	3,285.2	3,025.5

17. Other non-current assets

	At 31 December 2017 HK$'m	At 30 June 2017 HK$'m
Security deposits	**868.5**	868.1
Derivative financial instruments	**3.7**	–
Others	**35.1**	18.9
	907.3	887.0

18. Trade and other receivables

	Note	At 31 December 2017 HK$'m	At 30 June 2017 HK$'m
Trade receivables	(a)	**2,396.0**	2,543.3
Retention money receivables		**2,105.1**	1,822.3
Contract assets	3	**243.3**	–
Amounts due from customers for contract works	3	**–**	134.7
Other receivables, deposits and prepayments		**7,164.7**	6,056.2
Derivative financial instruments		**215.8**	58.8
Amounts due from associated companies		**20.0**	88.1
Amounts due from joint ventures		**4,049.7**	3,083.8
		16,194.6	13,787.2

(a) The ageing analysis of trade receivables based on invoice date is 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. Retention money receivables in respect of construction services are settled in accordance with the terms of respective contracts.

19. Share capital

	Ordinary shares	
	No. of shares	**HK$'m**
Authorized		
At 1 July 2017 and 31 December 2017	**6,000,000,000**	**6,000.0**
Issued and fully paid		
At 1 July 2017	**3,888,292,088**	**3,888.3**
Exercise of share options	**6,239,687**	**6.2**
At 31 December 2017	**3,894,531,775**	**3,894.5**

Share Option Scheme

The share option scheme of the Company (the "Share Option Scheme"), which was adopted on 21 November 2011, is valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the Share Option Scheme to subscribe for the shares of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the share capital of the Company in issue as at 21 November 2011, i.e. 3,388,900,598 shares.

Movements in the number of share options during the Current Period are as follows:

	Number of options
At 1 July 2017	**49,455,830**
Exercised	**(6,239,687)**
At 31 December 2017	**43,216,143**

(a) On 9 March 2015, 55,470,000 share options were granted to directors and certain eligible participants at the exercise price of HK$14.160 per share, which represents the average closing price of the Company's shares in the daily quotations sheets of the Hong Kong Stock Exchange for the five consecutive trading days immediately proceeding 9 March 2015. Such share options will expire on 8 March 2020.

(b) Pursuant to the Share Option Scheme, the number of unexercised share options and the exercise price may be subject to adjustment in case of alteration in the capital structure of the Company. Due to the distribution of dividends of the Company in scrip form, several adjustments had been made to the number and the exercise price of outstanding share options in accordance with the Share Option Scheme in prior years. With effect from 15 May 2017, the exercise price per share of the share options granted was adjusted to HK$14.120.

(c) The share options were vested according to the Share Option Scheme and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date.

20. Reserves

HK$'m	Share premium	Special reserves	Investment revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2017	17,521.8	692.4	207.6	(255.4)	27,002.4	45,168.8
Profit for the period	–	–	–	–	2,478.1	2,478.1
Dividend paid to shareholders of the Company	–	–	–	–	(4,322.9)	(4,322.9)
Release of reserve upon deregistration of subsidiaries	–	–	–	(45.6)	–	(45.6)
Release of reserve upon disposal of available-for-sale financial assets	–	–	2.7	–	–	2.7
Fair value changes on available-for-sale financial assets						
Group	–	–	89.8	–	–	89.8
Joint ventures	–	–	1.8	–	–	1.8
Currency translation differences						
Group	–	–	–	516.7	–	516.7
Associated companies	–	–	–	299.3	–	299.3
Joint ventures	–	–	–	408.0	–	408.0
Share options						
Share premium on new shares issued	81.8	–	–	–	–	81.8
Share of other comprehensive income of associated companies and joint ventures	–	9.5	–	–	2.6	12.1
Revaluation of property, plant and equipment upon transfer to investment properties	–	26.4	–	–	–	26.4
Cash flow hedges						
Group	–	2.5	–	–	–	2.5
Joint ventures	–	39.3	–	–	–	39.3
At 31 December 2017	**17,603.6**	**770.1**	**301.9**	**923.0**	**25,160.2**	**44,758.8**

Special reserves include statutory reserves which are created in accordance with the relevant laws of the People's Republic of China and/or terms of the joint venture agreements of subsidiaries and joint ventures established in Mainland China and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve, share option reserve, property revaluation reserve and cash flow hedges reserve arising from foreign exchange forward, interest rate and fuel price swaps.

21. Borrowings

	Note	At 31 December 2017 HK$'m	At 30 June 2017 HK$'m
Non-current			
Long-term bank loans			
Unsecured		**11,460.2**	9,376.9
Other borrowings			
Unsecured		**0.4**	–
		11,460.6	9,376.9
Current			
Current portion of long-term bank loans			
Secured	(a)	**71.9**	69.0
Unsecured		**437.2**	236.8
Short-term bank loans and overdrafts			
Unsecured		**600.0**	–
Other borrowings			
Unsecured		**0.1**	–
		1,109.2	305.8
		12,569.8	9,682.7

(a) Bank loans are secured by the intangible concession rights of Hangzhou Ring Road.

22. Trade and other payables

	Note	At 31 December 2017 HK$'m	At 30 June 2017 HK$'m
Trade payables	(a)	**703.5**	888.8
Retention money payables		**1,617.4**	1,453.6
Advances received from customers for contract works		**1,669.9**	1,669.9
Contract liabilities	3	**2,616.6**	–
Amounts due to customers for contract works	3	**–**	2,202.6
Amounts due to non-controlling interests		**173.8**	171.4
Other payables and accruals		**7,672.4**	7,204.0
Derivative financial instruments		**–**	33.8
Amounts due to associated companies		**34.2**	18.8
Amounts due to joint ventures		**0.5**	–
		14,488.3	13,642.9

(a) The ageing analysis of trade payables based on invoice date is 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

23. 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.

24. Commitments

(a) The outstanding commitments for capital expenditure are as follows:

	Note	**At 31 December 2017 HK$'m**	At 30 June 2017 HK$'m
Contracted but not provided for			
Property, plant and equipment		**576.1**	295.2
Capital contributions to/acquisitions of associated companies and joint ventures	(i)	**1,957.0**	1,656.6
		2,533.1	1,951.8

(i) The Group has committed to acquire or to provide sufficient funds in the form of advances, capital and loan contributions to certain associated companies and joint ventures to finance relevant projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK$1,957.0 million (30 June 2017: HK$1,656.6 million) which represents the attributable portion of acquisition costs, capital and loan contributions to be made to the associated companies and joint ventures.

(b) The Group's share of commitments for capital expenditure committed by the joint ventures not included above are as follows:

	At 31 December 2017 HK$'m	At 30 June 2017 HK$'m
Contracted but not provided for		
Property, plant and equipment	**862.8**	3,737.2

25. Financial guarantee contracts

The Group's financial guarantee contracts are as follows:

	At 31 December 2017 HK$'m	At 30 June 2017 HK$'m
Guarantees for credit facilities granted to		
Associated companies	**1,938.2**	1,938.2
Joint ventures	**2,136.8**	1,651.1
	4,075.0	3,589.3

26. Notes to condensed consolidated statement of cash flows

(a) Reconciliation of operating profit to net cash generated from operations:

	For the six months ended 31 December	
	2017 **HK$'m**	2016 HK$'m
Operating profit	**1,816.6**	2,040.4
Depreciation and amortization	**721.5**	514.3
Share-based payments	**–**	5.8
Interest income	**(100.5)**	(114.6)
Gain on restructuring of a joint venture	**–**	(454.3)
Gain on remeasurement of previously held equity interest in a joint venture	**–**	(113.1)
Gain on fair value of derivative financial instruments	**(106.8)**	–
Gain on fair value of investment properties	**(55.0)**	(71.8)
Profit on disposal of available-for-sale financial assets	**(46.8)**	(30.1)
Profit on disposal of assets held-for-sale	**–**	(77.8)
Dividend income from available-for-sale financial assets	**(35.2)**	(14.8)
Net exchange (gain)/loss	**(61.8)**	33.6
Other non-cash items	**8.7**	(3.1)
Operating profit before working capital changes	**2,140.7**	1,714.5
Increase in security deposits	**–**	(848.3)
Decrease/(increase) in inventories	**91.8**	(35.3)
Increase in trade and other receivables	**(1,415.4)**	(134.2)
Increase in trade and other payables	**793.5**	328.4
Decrease/(increase) in balances with associated companies and joint ventures	**3.9**	(17.3)
(Decrease)/increase in amounts due to non-controlling interests	**(1.8)**	0.9
Increase in deferred income	**38.3**	–
Others	**3.0**	(1.4)
Net cash generated from operations	**1,654.0**	1,007.3

26. Notes to condensed consolidated statement of cash flows (continued)

(b) Acquisition of subsidiaries

	For the six months ended 31 December	
	2017 HK$'m	2016 HK$'m
Consideration settled in cash	–	(1,380.0)
Cash and cash equivalents in subsidiaries acquired	–	449.9
Cash outflow on acquisition	–	(930.1)

(c) Disposal of subsidiaries

	For the six months ended 31 December	
	2017 HK$'m	2016 HK$'m
Net assets disposed		
Investment properties	–	11.3
Trade and other receivables	–	0.1
	–	11.4
Represented by		
Cash consideration received	–	11.4

27. Related party transactions

(a) Except for those disclosed, the following is a summary of significant related party transactions during the Current Period carried out in the normal course of the Group's business:

		For the six months ended 31 December	
	Note	**2017 HK$'m**	2016 HK$'m
Transactions with affiliated companies	(i)		
Provision of construction work services	(ii)	–	318.8
Provision of other services	(iii)	**1.7**	2.9
Interest income	(iv)	**42.4**	58.3
Management fee income	(v)	**4.3**	11.6
Rental and other related expenses	(vi)	**(3.4)**	(5.0)
Other expenses	(viii)	**(235.4)**	(169.1)
Transactions with other related parties	(i)		
Provision of construction work services	(ii)	**5,191.3**	4,516.6
Provision of other services	(iii)	**29.0**	18.6
Rental and other related expenses	(vi)	**(27.2)**	(27.5)
Mechanical and electrical engineering services	(vii)	**(261.0)**	(579.4)
Other expenses	(viii)	**(74.1)**	(73.1)

27. Related party transactions (continued)

(a) (continued)

(i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD and CTF Enterprises as well as Mr Doo Wai Hoi, William ("Mr Doo") and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is a substantial shareholder of NWD. Mr Doo is the Vice-chairman and a non-executive director of NWD and is the father of Mr William Junior Guilherme Doo, a non-executive director of the Company.

(ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts.

(iii) The Group provided various kinds of services including facilities management, property management and other services to certain affiliated companies and related parties. The services were provided and charged in accordance with the relevant contracts.

(iv) Interest income was charged at relevant interest rates on the outstanding balances due from the affiliated companies.

(v) Management fee was charged at rates in accordance with the relevant contracts.

(vi) Rental and other related expenses were charged at rates in accordance with the respective tenancy agreements.

(vii) Mechanical and electrical engineering services were charged in accordance with the relevant contracts.

(viii) Other expenses include purchase of construction materials, laundry, security and guarding, landscaping, cleaning, property management and other services. The services were charged in accordance with the relevant contracts.

(b) Key management compensation

The aggregate amounts of emoluments of the directors of the Company are as follows:

	For the six months ended 31 December	
	2017 HK$'m	2016 HK$'m
Remuneration	**34.9**	27.4
Deemed share option benefits	**–**	3.6
	34.9	31.0

27. Related party transactions (continued)

(c) On 29 September 2017, CTF Enterprises, Healthcare Ventures Holdings Limited ("Healthcare Ventures", a direct wholly owned subsidiary of CTF Enterprises), New World Strategic Investment Limited ("New World Strategic", a direct wholly owned subsidiary of NWD), Smart Future Investments Limited ("Smart Future", an indirect wholly owned subsidiary of New World Strategic), NWS Service Management Limited ("NWS Service", a direct wholly owned subsidiary of the Company), Dynamic Ally Limited ("Dynamic Ally", an indirect wholly owned subsidiary of NWS Service) and Healthcare Assets entered into an amended and restated joint venture agreement to regulate the respective rights and obligations of Healthcare Ventures, Smart Future and Dynamic Ally towards the management of Healthcare Assets, following the subscription of shares in Healthcare Assets by Smart Future. Upon completion of the subscription, the entire issued share capital of Healthcare Assets is owned as to 30%, 40% and 30% by Healthcare Ventures, Smart Future and Dynamic Ally respectively. The Group ceased its joint control in Healthcare Assets. Accordingly, the investment in Healthcare Assets was thereafter accounted for as an associated company. Pursuant to the amended and restated joint venture agreement, Healthcare Ventures, Smart Future and Dynamic Ally intend to invest an aggregate amount of up to HK$780 million in Healthcare Assets.

(d) The total amounts receivable from associated companies and joint ventures are HK$8,740.9 million (30 June 2017: HK$7,980.2 million). These balances are unsecured, of which HK$2,000.7 million (30 June 2017: HK$1,996.5 million) are interest bearing. These balances also include an aggregate amount of HK$197.5 million (30 June 2017: HK$197.5 million) which has been subordinated to certain indebtedness of a joint venture. The total amounts payable to associated companies, joint ventures and non-controlling interests are HK$451.9 million (30 June 2017: HK$429.3 million). These balances are unsecured and interest free.

28. 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 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.

29. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

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.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2017, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK$8,740.9 million to its affiliated companies, guaranteed bank loans and other credit facilities for the benefit of the affiliated companies in the amount of HK$4,075.0 million and contracted to provide an aggregate amount of HK$1,821.0 million in capital and/or loans to affiliated companies. The said amounts, in aggregate, represent approximately 18.8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. Affiliated companies include associated companies and joint ventures of the Group.

The advances are unsecured, interest free and have no definite repayment terms except for (i) an aggregate amount of HK$104.7 million which carries interest at 8% per annum; (ii) an amount of HK$16.3 million which carries interest at Hong Kong prime rate; (iii) an amount of HK$1,600.0 million which carries interest at 6-month Hong Kong Interbank Offered Rate plus a margin of 1.3% per annum and is not repayable within the next 12 months from the end of the reporting period; (iv) an amount of HK$279.7 million which carries interest at 12-month London Interbank Offered Rate plus a margin of 12.15% per annum and is repayable on demand; (v) an aggregate amount of HK$3,368.4 million which is interest free and is repayable within the next 12 months from the end of the reporting period; and (vi) an amount of HK$81.4 million which is interest free and is not repayable within the next 12 months from the end of the reporting period. The advances also include an aggregate amount of HK$197.5 million which has been subordinated to certain indebtedness of an affiliated company. Contracted capital and loan contributions to affiliated companies would be funded by internally generated resources and banking facilities of the Group.

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 31 December 2017 are presented as follows:

	Proforma combined statement of financial position HK$'m	**Group's attributable interest HK$'m**
Non-current assets	71,045.8	35,157.5
Current assets	8,296.1	3,104.8
Current liabilities	(16,703.3)	(10,289.6)
Non-current liabilities	(40,260.7)	(18,109.5)
	22,377.9	9,863.2

The proforma combined statement of financial position of the affiliated companies is prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 31 December 2017.

Additional Information

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.

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.

UPDATE ON DIRECTORS' INFORMATION

Changes in the information of directors of the Company since the disclosure made in the 2017 annual report of the Company and up to the date of this report, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. The term of service of Mr Tsang Yam Pui for acting as the Chief Executive Officer and an executive director of the Company has been extended for a further term of six months up to 31 December 2018.

2. Mr Cheung Chin Cheung was appointed as a member of the Hebei Province Committee of the Twelfth Chinese People's Political Consultative Conference of the People's Republic of China on 28 January 2018.

3. Mr Cheng Chi Ming, Brian resigned as a non-executive director of Beijing Capital International Airport Company Limited, a listed public company in Hong Kong, on 2 February 2018. He was appointed as a member of the Thirteenth Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China in January 2018, and he resigned as a member of the Eleventh Hangzhou Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China in February 2018.

UPDATE ON DIRECTORS' INFORMATION (continued)

4. Mr Dominic Lai was appointed as a non-executive director of Chuang's China Investments Limited, a listed public company in Hong Kong, on 1 December 2017. He resigned as a non-executive director of Midas International Holdings Limited, a listed public company in Hong Kong, on 26 January 2018.

5. Mr William Junior Guilherme Doo was appointed as an independent non-executive director of The Bank of East Asia (China) Limited, a subsidiary of The Bank of East Asia, Limited, on 30 September 2017. He was also appointed as a member of the Standing Committee of the Thirteenth Chinese People's Political Consultative Conference in Beijing of the People's Republic of China on 17 January 2018.

6. Mr Shek Lai Him, Abraham was appointed as an independent non-executive director of Everbright Grand China Assets Limited, a listed public company in Hong Kong, on 16 January 2018. He resigned as an independent non-executive director of Midas International Holdings Limited, a listed public company in Hong Kong, on 26 January 2018.

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 Audit Committee has also reviewed this interim report.

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.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2017, the directors of the Company had the following interests in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO:

(a) Long position in shares

	Number of shares				Approximate percentage of shareholding
	Personal interests	Family interests	Corporate interests	Total	as at 31.12.2017
The Company					
(Ordinary shares of HK$1.00 each)					
Dr Cheng Kar Shun, Henry	18,349,571	–	12,000,000[(1)]	30,349,571	0.779%
Mr Tsang Yam Pui	180,000	–	–	180,000	0.005%
Mr Lam Wai Hon, Patrick	1,816,207	–	7,608[(2)]	1,823,815	0.047%
Mr William Junior Guilherme Doo	–	–	128,869[(3)]	128,869	0.003%
Mr Kwong Che Keung, Gordon	1,207,077	–	–	1,207,077	0.031%
Dr Cheng Wai Chee, Christopher	2,875,786	–	–	2,875,786	0.074%
NWD					
(Ordinary shares)					
Mr Cheung Chin Cheung	124,400	–	–	124,400	0.001%
Mr William Junior Guilherme Doo	–	40,000[(4)]	–	40,000	0.000%
Mr Kwong Che Keung, Gordon	40,000	–	–	40,000	0.000%

Notes:
(1) The shares were held by a company wholly owned by Dr Cheng Kar Shun, Henry.

(2) The shares were held by a company wholly owned by Mr Lam Wai Hon, Patrick.

(3) The shares were held by a company wholly owned by Mr William Junior Guilherme Doo.

(4) The shares were held by the spouse of Mr William Junior Guilherme Doo.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long position in underlying shares – share options

(i) The Company

The following directors of the Company had personal interests in options to subscribe for shares of the Company:

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.07.2017	Granted during the period	Exercised during the period	Balance as at 31.12.2017	Exercise price per share HK$
Dr Cheng Kar Shun, Henry	9 March 2015	(1)	7,420,739	–	–	7,420,739	14.120
Mr Tsang Yam Pui	9 March 2015	(1)	3,710,368	–	–	3,710,368	14.120
Mr Cheung Chin Cheung	9 March 2015	(1)	3,710,368	–	–	3,710,368	14.120
Mr Cheng Chi Ming, Brian	9 March 2015	(1)	3,710,368	–	–	3,710,368	14.120
Mr To Hin Tsun, Gerald	9 March 2015	(1)	701,960	–	–	701,960	14.120
Mr Dominic Lai	9 March 2015	(1)	701,960	–	–	701,960	14.120
Mr Lam Wai Hon, Patrick	9 March 2015	(1)	3,281,368	–	(541,000)[2]	2,740,368	14.120
Mr Kwong Che Keung, Gordon	9 March 2015	(1)	1,403,922	–	–	1,403,922	14.120
Dr Cheng Wai Chee, Christopher	9 March 2015	(1)	1,403,922	–	–	1,403,922	14.120
Mr Shek Lai Him, Abraham	9 March 2015	(1)	1,403,922	–	–	1,403,922	14.120
Mr Lee Yiu Kwong, Alan	9 March 2015	(1)	1,403,922	–	–	1,403,922	14.120

Notes:

(1) 60% of the share options granted are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options granted are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

(2) The exercise price was HK$14.120 per share. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was approximately HK$15.982 per share.

(3) The cash consideration paid by each of the directors for the grant of share options was HK$10.

(ii) NWD

Under the share option scheme of NWD, the holding company of the Company, the following director of the Company had personal interest in options to subscribe for shares of NWD. Details of the share options of NWD granted to him are as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.07.2017	Granted during the period	Exercised during the period	Balance as at 31.12.2017	Exercise price per share HK$
Dr Cheng Kar Shun, Henry	10 June 2016	(1)	10,675,637	–	–	10,675,637	7.540
	3 July 2017	(2)	–	2,000,000	–	2,000,000	10.036

Notes:

(1) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

(2) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.

(3) The cash consideration paid by the director for each grant of the share options was HK$10.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(c) Long position in debentures

(i) New World China Land Limited ("NWCL")

The following director of the Company had interest in the debentures issued by NWCL, a fellow subsidiary of the Company, which included the RMB3,000,000,000 5.50% bonds due 2018, the US$900,000,000 5.375% notes due 2019 under its US$1,500,000,000 medium term note programme, and the US$600,000,000 4.75% guaranteed notes due 2027. Details of his interest in such debentures are as follows:

Name	Amount of debentures in RMB				Approximate percentage to the total amount of debentures in issue as at 31.12.2017
	Personal interests	Family interests	Corporate interests	Total	
Mr William Junior Guilherme Doo	–	–	33,756,000(Note)	33,756,000	0.305%

Note: The debentures were held by a company wholly owned by Mr William Junior Guilherme Doo of which RMB12,256,000 debentures were issued in US$ and had been translated into RMB using the rate of US$1 = RMB6.128.

(ii) Fita International Limited

The following director of the Company had interest in the US$750,000,000 7.00% guaranteed bonds due 2020 issued by Fita International Limited, a fellow subsidiary of the Company. Details of his interest in such debentures are as follows:

Name	Amount of debentures in US$				Approximate percentage to the total amount of debentures in issue as at 31.12.2017
	Personal interests	Family interests	Corporate interests	Total	
Mr William Junior Guilherme Doo	–	–	3,000,000(Note)	3,000,000	0.400%

Note: The debentures were held by a company wholly owned by Mr William Junior Guilherme Doo.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(c) Long position in debentures (continued)

(iii) NWD (MTN) Limited

The following director of the Company had interest in debentures issued under the medium term notes programme of NWD (MTN) Limited, a fellow subsidiary of the Company. Details of his interest in such debentures are as follows:

	Amount of debentures in US$				
Name	Personal interests	Family interests	Corporate interests	Total	Approximate percentage to the total amount of debentures in issue as at 31.12.2017
Mr William Junior Guilherme Doo	–	–	2,000,000 (Note)	2,000,000	0.071%

Note: The debentures were held by a company wholly owned by Mr William Junior Guilherme Doo.

(iv) NWD Finance (BVI) Limited

The following director of the Company had interest in US$1,200,000,000 5.75% guaranteed senior perpetual capital securities issued by NWD Finance (BVI) Limited, a fellow subsidiary of the Company. Details of his interest in such debentures are as follows:

	Amount of debentures in US$				
Name	Personal interests	Family interests	Corporate interests	Total	Approximate percentage to the total amount of debentures in issue as at 31.12.2017
Mr William Junior Guilherme Doo	–	–	1,310,000 (Note)	1,310,000	0.109%

Note: The debentures were held by a company wholly owned by Mr William Junior Guilherme Doo.

Save as disclosed above, as at 31 December 2017, none of the directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

During the Current Period, movement of share options granted by the Company under the Share Option Scheme is as follows:

(1) Details of the movement of share options granted to directors of the Company are disclosed under the section headed "Directors' Interests in Securities" above.

(2) Details of the movement of share options granted to other eligible participants are as follows:

Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.07.2017	Granted during the period	Exercised during the period[2]	Lapsed during the period	Balance as at 31.12.2017	Exercise price per share HK$
9 March 2015	(1)	20,603,011	–	(5,698,687)	–	14,904,324	14.120

Notes:

(1) 60% of the share options granted are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options granted are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

(2) The exercise price was HK$14.120 per share. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was approximately HK$15.822 per share.

(3) The cash consideration paid by each eligible participant for the grant of share options was HK$10.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2017, so far as are known to the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Number of shares: Beneficial interests	Corporate interests	Total	Approximate percentage to the issued share capital of the Company as at 31.12.2017
Cheng Yu Tung Family (Holdings) Limited	–	2,477,530,362 (1)	2,477,530,362	63.62%
Cheng Yu Tung Family (Holdings II) Limited	–	2,477,530,362 (2)	2,477,530,362	63.62%
Chow Tai Fook Capital Limited	–	2,477,530,362 (3)	2,477,530,362	63.62%
Chow Tai Fook (Holding) Limited	–	2,477,530,362 (4)	2,477,530,362	63.62%
CTF Enterprises	97,034,424	2,380,495,938 (5)	2,477,530,362	63.62%
NWD	1,588,468,276	792,027,662 (6)	2,380,495,938	61.12%
Mombasa Limited	718,384,979	–	718,384,979	18.45%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

Notes:

(1) Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in Chow Tai Fook Capital Limited ("CTFC") and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(2) Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(3) CTFC held approximately 81.03% direct interest in Chow Tai Fook (Holding) Limited ("CTFH") and was accordingly deemed to have an interest in the shares deemed to be interested by CTFH.

(4) CTFH held 100% direct interest in CTF Enterprises and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Enterprises.

(5) CTF Enterprises, together with its subsidiaries, held more than one-third of the issued shares of NWD and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.

(6) NWD held 100% indirect interest in Mombasa Limited and was accordingly deemed to have an interest in the shares held by Mombasa Limited in the Company. NWD was also deemed to be interested in 2,979,975 shares held by Financial Concepts Investment Limited, 35,331,354 shares each held by Hing Loong Limited and Fine Reputation Incorporated respectively, all of them being subsidiaries of NWD.

(7) All the interests stated above represented long positions.

Save as disclosed above, there was no other interest recorded in the register that was required to be kept under Section 336 of the SFO as at 31 December 2017.

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.

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.

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 26 February 2018

Corporate Information

(as at 26 February 2018)

Board of Directors

Executive Directors

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Tsang Yam Pui *(Chief Executive Officer)*
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Mak Bing Leung, Rufin

Non-executive Directors

Mr To Hin Tsun, Gerald
Mr Dominic Lai
Mr Lam Wai Hon, Patrick
Mr William Junior Guilherme Doo

Independent Non-executive Directors

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

Board Committees

Executive Committee

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Tsang Yam Pui
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Mak Bing Leung, Rufin

Audit Committee

Mr Kwong Che Keung, Gordon *(Chairman)*
Mr Dominic Lai
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan

Remuneration Committee

The Honourable Shek Lai Him, Abraham *(Chairman)*
Mr Tsang Yam Pui
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher

Nomination Committee

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Tsang Yam Pui
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Sustainability Committee

Mr Tsang Yam Pui *(Chairman)*
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Dominic Lai
Mr Lam Wai Hon, Patrick
Mr William Junior Guilherme Doo
Mr Lee Yiu Kwong, Alan
Mrs Oei Fung Wai Chi, Grace
Ms Lam Yuet Wan, Elina
Ms Tang Cheung Yi

Company Secretary

Mr Chow Tak Wing

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

28/F, New World Tower
18 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building, Central
Hong Kong

Principal Bankers

Bank of America, N.A.
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
BNP Paribas Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Crédit Agricole Corporate & Investment Bank
DBS Bank Ltd. Hong Kong Branch
Hang Seng Bank Limited
Mizuho Bank, Ltd. Hong Kong Branch
Oversea-Chinese Banking Corporation Limited
Scotiabank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of Tokyo – Mitsubishi UFJ, Ltd.
  Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited

Website

www.nws.com.hk

Note: Mr Mak Bing Leung, Rufin has been appointed as a member of the Sustainability Committee of the Company with effect from 1 March 2018.

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Where the English and the Chinese texts conflict, the English text prevails.

This interim report is also available at www.nws.com.hk.

新創建 NWS

NWS Holdings Limited
(incorporated in Bermuda with limited liability)

28/F New World Tower
18 Queen's Road Central
Central, Hong Kong

Tel : (852) 2131 0600
Fax : (852) 2131 0611
E-mail : nwsnews@nws.com.hk

www.nws.com.hk

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