新創建 NWS

NWS HOLDINGS LIMITED

STOCK CODE: 659

Annual Report 2018

Connecting Lives • Building Futures

About NWS Holdings

NWS Holdings Limited (Hong Kong stock code: 659) is the infrastructure and service flagship of New World Development Company Limited (Hong Kong stock code: 17). Listed on the Hong Kong Stock Exchange, NWS Holdings embraces a range of businesses predominately in Hong Kong and Mainland China.

With a workforce of approximately 30,000 people, NWS Holdings is committed to achieving sustainable growth in its two core business areas of infrastructure and services.

VISION

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

MISSION

Synergize and develop business units that:

- Nurture total integrity
- Attain total customer satisfaction
- Foster learning culture and employee pride
- Build a world-class service provider brand
- Maximize financial returns

CORE VALUES

- Reputable customer care
- Pride and teamwork
- Innovation
- Community contributions and environmental awareness
- Stakeholders' interest

CONNECTING LIVES • BUILDING FUTURES

This year's annual report features a brightly coloured bird, its vibrancy representing the Group's diverse and flourishing business segments. In tune with the seasons and changing conditions, birds migrate in search of the resources they require. Similarly, NWS Holdings adapts to the evolving market conditions, and continuously seeks out new opportunities for growth. With its wings spread wide, the bird in this cover design symbolizes the Group's determination to maintain growth momentum. Together with the Group's corporate tagline, "Connecting Lives • Building Futures", the design underpins our commitment to delivering strong, sustainable shareholder and stakeholder value.

Download the NWS Holdings Annual Report 2018

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Corporate Profile

As at 30 June 2018

(Please refer to Project Key Facts and Figures on page 230 to page 241 for project details)

INFRASTRUCTURE

As one of the leading infrastructure players in Greater China, NWS Holdings operates an extensive business network, managing and operating 97 projects in four major segments: Roads, Environment, Logistics and Aviation.

ROADS

15 projects in **Mainland China** with a network of approximately **700 km** long

ENVIRONMENT

72 projects in **45 cities** across Greater China region

LOGISTICS

Handling capacity of **16.5 million TEUs** per year for rail container terminals and port projects

AVIATION

Owned **111 commercial aircraft** for leasing

FACILITIES MANAGEMENT

Over **8.2 million visitors** attended events at Hong Kong Convention and Exhibition Centre this year

Over **35**
specialties and **subspecialties** in Gleneagles Hong Kong Hospital

CONSTRUCTION & TRANSPORT

Hip Hing Group has approximately

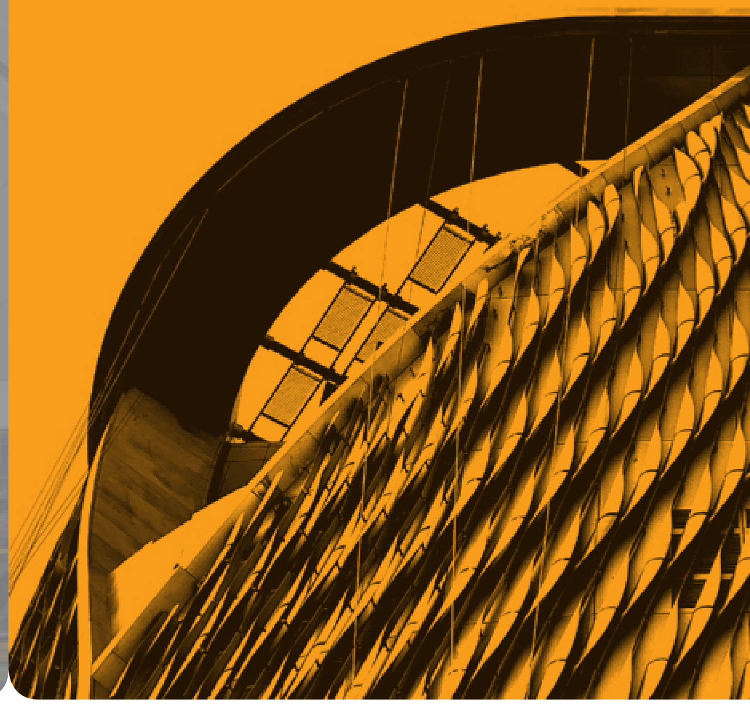
HK$47.1 billion
gross value of contracts on hand

Our bus and ferry fleets carry approximately

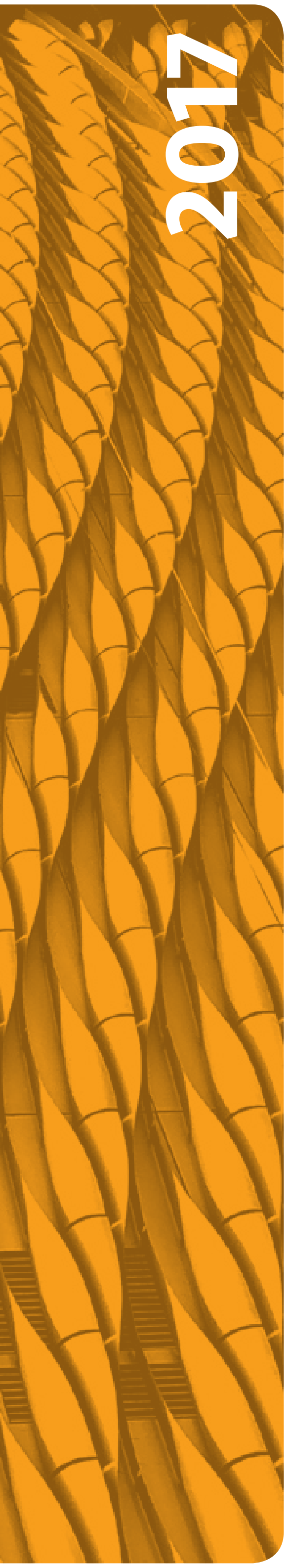
1.1 million patronage
per day

SERVICES

The Services division of NWS Holdings operates primarily in Hong Kong. The portfolio spans facilities management, healthcare, construction and public transport, supports the smooth running of daily life and drives the city's growth.



Major Events and Accolades



AUGUST

- The Group was named Dream Employer of the Year and garnered the Best Employer Brand Award at the eighth Asia's Best Employer Brand Awards 2017 organized by World HRD Congress.

SEPTEMBER

- NWS Holdings was selected as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index for the seventh consecutive year. It was again named the highest-scoring constituent company in Fair Operating Practices.

- Hong Kong Convention and Exhibition Centre championed the Outstanding Venue Award at the 2017 AFECA Asian Awards, organized by the Asian Federation of Exhibition and Convention Associations, reaffirming its leading position in the region.

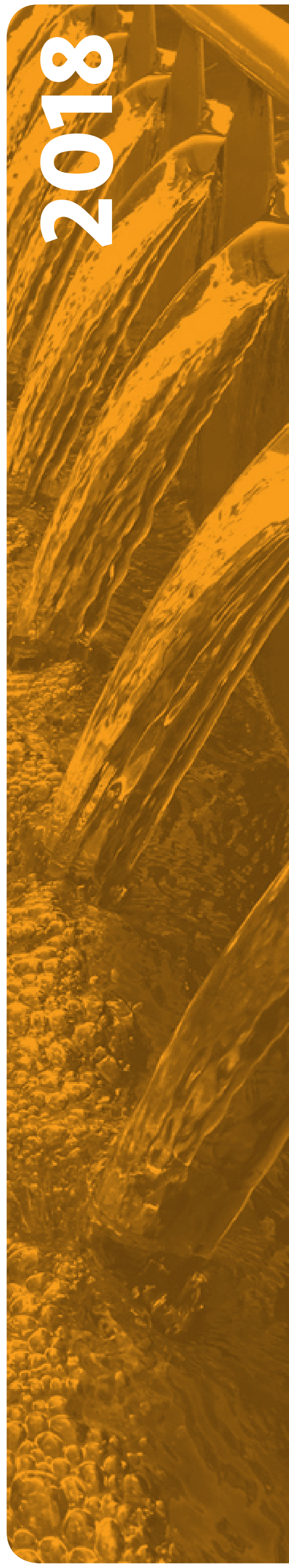
NOVEMBER

- Two of NWS Holdings' signature community programmes won a Gold and a Bronze award at the China Golden Awards for Excellence in Public Relations 2017, organized by China International Public Relations Association. These accolades came in addition to the Asia Responsible Enterprise Awards 2018, received later in June.

DECEMBER

- NWS Holdings garnered two gold awards in the Enterprise and Volunteer Team categories respectively at the eighth Hong Kong Outstanding Corporate Citizenship Awards. This was the sixth gold the Group has received for its commitment to corporate volunteering.

Major Events and Accolades



JANUARY

- NWS Holdings acquired a 30% stake in Suiyuenan Expressway for a cash consideration of approximately RMB1.1 billion, extending its roads business to Hubei province in Mainland China.

MARCH

- Gleneagles Hong Kong Hospital, a joint venture between Parkway Pantai Limited and NWS Holdings, officially opened. The Honourable Mrs Carrie Lam, Chief Executive of the HKSAR, officiated at the ceremony.

JUNE

- Goshawk Aviation Limited ("Goshawk") entered into an agreement to acquire Sky Aviation Leasing International Limited, placing it among the top 10 aircraft lessors in the world. Subsequent to this acquisition, Goshawk placed its first direct orders with Airbus and Boeing to purchase a total of 40 new aircraft.

- SUEZ NWS Limited won the Dafa hazardous waste treatment project in Kaohsiung, Taiwan with an annual capacity of 29,200 tonnes.

- The NWS Holdings Charities Foundation donated HK$10 million to Hong Kong Shue Yan University to enhance its teaching and learning facilities.

Financial Highlights

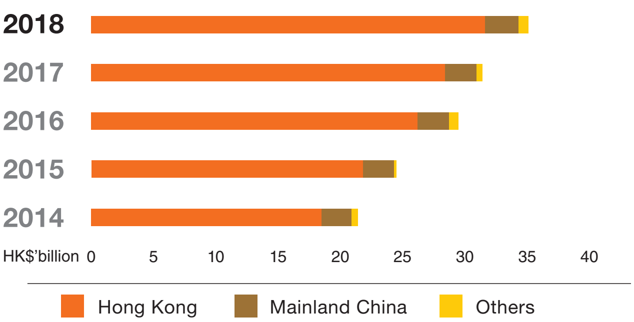
	2018 HK$'m	2017 HK$'m
Revenue	35,114.8	31,385.0
Profit attributable to shareholders of the Company	6,068.8	5,628.9
Net Debt	3,518.0	3,229.3
Total assets	78,138.6	75,725.9
Net Assets	50,123.8	49,275.0
Shareholders' funds	49,950.0	49,057.1

	2018 HK$	2017 HK$
Basic Earnings per Share	1.56	1.46
Dividend per Share		
– interim and final	0.78	0.73
– special final	–	0.72
Net Assets per Share	12.86	12.67

	2018	2017
Net Gearing Ratio	7%	7%
Return on Equity	12%	11%
Return on Capital Employed	10%	9%
Dividend Payout Ratio	50%	100%

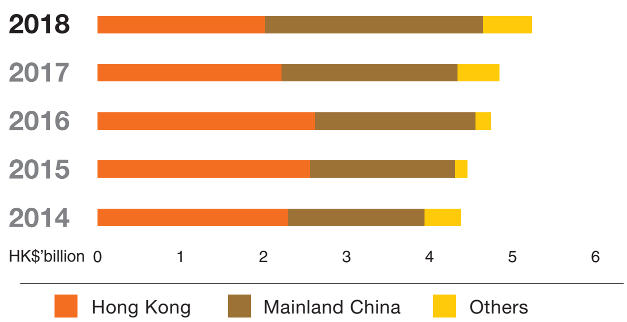
Revenue by Region
for the year ended 30 June

35.1 billion



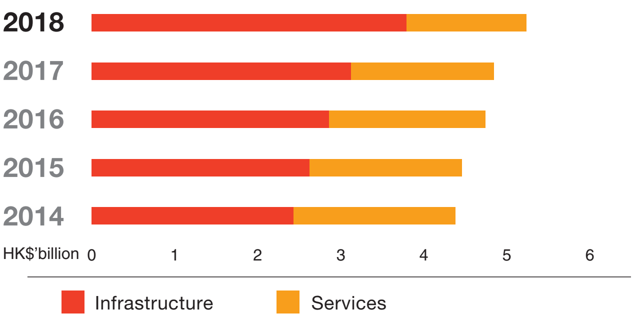
AOP by Region
for the year ended 30 June

5.2 billion



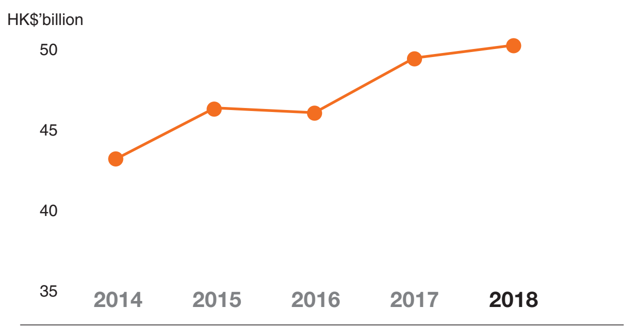
AOP by Division
for the year ended 30 June

5.2 billion



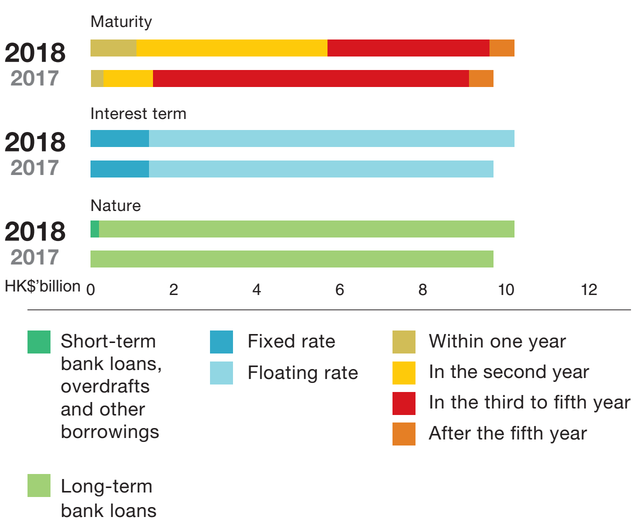
Total Equity
as at 30 June

50.1 billion



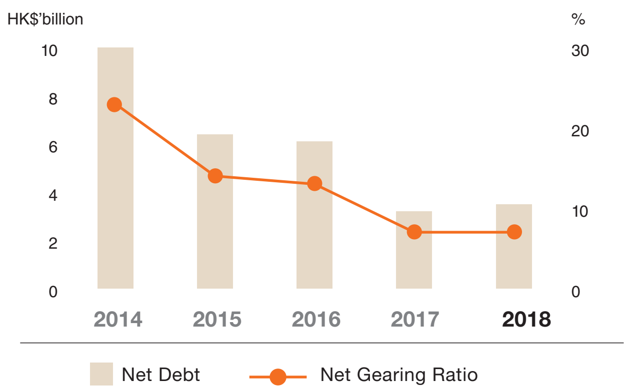
Debt Profile
as at 30 June

10.2 billion



Net Debt and Net Gearing Ratio
as at 30 June

3.5 billion and 7%



Chairman's Statement

Dear Shareholders,

The Group continued to demonstrate its proficiency and determination in achieving operational excellence and financial success in FY2018 as profit attributable to shareholders rose by 8% to a new high of HK$6.069 billion. This stellar performance fully endorsed the Group's long-term commitment in delivering value to shareholders and maximizing business growth opportunities through its effective capital and asset allocation strategies. To remain both robust and resilient in an ever changing business environment, the Group will stay focused on enhancing the quality, mix and strength of the underlying investment portfolio based on proactive and astute management practices.

POSITIVE OUTLOOK DESPITE UNCERTAINTY

The healthy global economic momentum which started back in 2017 has been dampened by the onset of the trade war between the United States and China since mid-2018. The possibility of a prolonged and escalating trade conflict looks set to suppress investor sentiment and upset macroeconomic stability in the near to medium-term. Depending on the scope and level of the tariffs and restrictions imposed reciprocally by the two countries and the consequential disruptions to the international supply chain, the magnitude of the economic and market impact may take some time to unfold.

Since returning to growth mode in 2017, China has remained vigilant in maintaining stable economic growth on the back of supportive monetary policy. While the ongoing trade dispute with the United States will cast a shadow over China's second half outlook, the Central Government has reiterated its firm commitment towards economic transformation and upgrading, by deepening supply-side structural reforms and stimulating domestic consumptions. The resolve to maintain financial market stability remains strong.

Other coherent and integrated policies are in place to facilitate urbanization and regional development, and to raise environmental protection standards. This calls for increased spending on public infrastructure. With proven expertise and experience in infrastructure-related projects, the Group remains optimistic in capturing and developing new investment opportunities in China in the years to come despite the recent uncertainty.

The across the board growth posted by the Infrastructure division reflected the strong fundamentals and operational efficiency of the individual business segments. With clear government objectives to improve transportation efficiency to enhance regional and international interconnectivity, quality expressways and rail freight facilities are essential components to China's economic development. The impressive toll revenue and traffic growth reported by Tangjin Expressway (Tianjin North Section) evidently demonstrated the potential synergistic effects arising from the coordinated development of the Beijing-Tianjin-Hebei region. The mission of China Railway Corporation to boost the market share of rail freight in cargo transportation, thereby raising the overall logistics efficiency in China, will continue to support China United International Rail Containers Co., Limited ("CUIRC") in developing its market niche in the provision of integrated sea-rail intermodal services and international block-train under the Belt and Road Initiative.

Bolstered by the outstanding performance of Goshawk, the Aviation segment sustained its growth momentum despite the much reduced profit contribution from Beijing Capital International Airport Company Limited ("BCIA") following the partial disposal of this investment in January 2018. From a humble beginning back in 2015, the size of the Group's aircraft portfolio had increased fourfold to 111 aircraft by the end of FY2018. Having entered into agreements to acquire Sky Aviation Leasing International Limited ("SALI") and place direct orders with major manufacturers in June 2018, Goshawk has laid down significant milestones in becoming one of the world's leading aircraft leasing companies in FY2019.

The imminent opening of the Hong Kong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link will undoubtedly add fresh impetus to Hong Kong's economic and social developments and open up investment opportunities across different business sectors. The Group, as an experienced service and infrastructure operator, will be well positioned to take advantage of this enhanced connectivity.

The Group is committed to delivering value to shareholders and maximizing business growth opportunities through efficient capital and asset allocations.

The overall contraction of the Services division was mainly attributable to the underperformance of the Facilities Management segment, which was anticipated with Gleneagles Hong Kong Hospital ("GHK Hospital") incurring its first full-year operating losses. Free Duty's retail business has regained some lost ground, having narrowed the annual losses with improved second half performance. Based on the favourable prospects of the Construction business and improvements in the local business environment, the Group is confident that the Services division will resume growth in the near future.

FINANCIAL PERFORMANCE

Attributable Operating Profit ("AOP") grew by 8% to HK$5.232 billion while profit attributable to shareholders likewise increased by 8% to HK$6.069 billion in FY2018. The notable growth of 21% posted by the Infrastructure division was mainly contributed by the Roads, Environment and Aviation segments, organically as well as via acquisitions. Notwithstanding the growth of the Construction & Transport segment, AOP from the Services division dropped by 16% reflecting the business challenges faced by the Facilities Management segment.

Profit attributable to shareholders rose by 8% in line with AOP growth as the net profit contribution from exceptional items remained similar to last financial year. As reported in the interim report of the Company for the six months ended 31 December 2017, the Group unlocked the investment in BCIA through a partial disposal in January 2018. The associated disposal and remeasurement gains resulted in approximately HK$1.9 billion being recognized. However, this was partly offset by impairment losses shared by the Group on three infrastructure projects which amounted to HK$600 million.

The Board is pleased to propose a final dividend of HK$0.46 per share, representing an overall payout ratio of 50.1%. Together with the interim dividend of HK$0.32 per share, total dividend for FY2018 will be HK$0.78 per share, a 7% increase compared with HK$0.73 per share in FY2017 (excluding special final dividend of HK$0.72 per share).

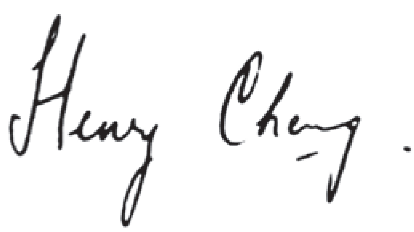
CORPORATE SUSTAINABILITY

The Group takes pride in our concerted effort in driving corporate sustainability encompassing governance, the environment and social investments. For the eighth consecutive year, the Group was selected as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index. Several of our signature community programmes received local and regional awards in FY2018, including Gold awards in the enterprise and volunteer team categories at the eighth Hong Kong Outstanding Corporate Citizenship Awards and the Asia Responsible Enterprise Awards 2018. The Group's charities foundation made a HK$10 million donation to Hong Kong Shue Yan University to help enhance its teaching and learning facilities, underlining our commitment to supporting the communities in which we operate. Our environmental work this year includes a Group-wide green campaign, encouraging staff and the wider community to go plastic-free as part of the continuous effort to reduce waste.

BOARD CHANGES AND APPRECIATION

I would like to welcome the four new board members who were appointed on 9 July 2018, namely Mr Ma Siu Cheung as Executive Director and Chief Operating Officer, Mr Ho Gilbert Chi Hang and Mr Chow Tak Wing as Executive Directors and Mr Wong Kwai Huen, Albert as Independent Non-executive Director, which will add new insights and capabilities to the Board. Furthermore, I would like to bid farewell to and thank Mr Mak Bing Leung, Rufin for his valuable contribution during his tenure of office.

The Group's fruitful results would not be obtained without the support of a dedicated team. In addition to expressing my appreciation to the Board for their sound leadership and the shareholders and business partners for their unwavering support, I wish to record my heartfelt thanks to our highly motivated and hard working management team and staff members for their sterling performance.



Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 19 September 2018

Board of Directors

Dr Cheng Kar Shun, Henry GBM, GBS

Chairman

Dr Cheng, aged 71, was appointed as Executive Director in March 2000 and became the Chairman from March 2001. He is also the Chairman of the Executive Committee and the Nomination Committee of the Company and a director of certain subsidiaries of the Group. Dr Cheng is the Chairman and Executive Director of New World Development Company Limited, a substantial shareholder of the Company, and Chow Tai Fook Jewellery Group Limited, the Chairman and Non-executive Director of New World Department Store China Limited and FSE Services Group Limited (formerly known as FSE Engineering Holdings Limited), the Vice Chairman and Non-executive Director of i-CABLE Communications Limited and a non-executive director of SJM Holdings Limited, all being listed public companies in Hong Kong. He is the Chairman and Managing Director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He was the Chairman and Executive Director of International Entertainment Corporation (resigned on 10 June 2017), the Chairman and Non-executive Director of Newton Resources Ltd (resigned on 9 April 2018), and an independent non-executive director of HKR International Limited (resigned on 31 March 2018) and Hang Seng Bank Limited (retired on 10 May 2018), all being listed public companies in Hong Kong. Dr Cheng is also the Chairman of New World Hotels (Holdings) Limited and a director of several substantial shareholders of the Company, namely Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited and Mombasa Limited. Dr Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation. Dr Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the HKSAR. Dr Cheng is the father of Mr Cheng Chi Ming, Brian and the uncle of Mr William Junior Guilherme Doo.

Mr Tsang Yam Pui GBS, OBE, QPM, CPM

Executive Director and Chief Executive Officer

Mr Tsang, aged 72, was appointed as Executive Director in June 2004 and became the Chief Executive Officer from July 2015. He is also the Chairman of the Sustainability Committee and a member of the Executive Committee, the Remuneration Committee and the Nomination Committee of the Company and a director of certain subsidiaries of the Group. Mr Tsang is the Vice Chairman of New World First Bus Services Limited, Citybus Limited, New World First Bus Services (China) Limited and New World First Ferry Services Limited. He is also a director of GHK Hospital Limited which owns and operates Gleneagles Hong Kong Hospital. Mr Tsang is a non-executive director of Wai Kee Holdings Limited, a listed public company in Hong Kong. He is also a director of Mapletree Investments Pte Ltd in Singapore and the Chairman and a non-executive director of Mapletree Commercial Trust Management Ltd. (as manager of Mapletree Commercial Trust which is listed on the Singapore Stock Exchange). Prior to joining the Company, Mr Tsang had served with the Hong Kong Police Force for 38 years and retired from the Force as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. Mr Tsang was awarded the Gold Bauhinia Star, the OBE, the Queen's Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner's Commendation, and the HKSAR Police Long Service Medal.

Mr Ma Siu Cheung GBS JP

Executive Director and Chief Operating Officer

Mr Ma, aged 55, was appointed as Executive Director and the Chief Operating Officer on 9 July 2018 and is also a member of the Executive Committee and the Sustainability Committee of the Company. He is also a director of certain subsidiaries of the Group. During the period from February to June 2018, Mr Ma was the Acting Chief Executive Officer of Hong Kong-Shenzhen Innovation and Technology Park Limited. He joined the Government of the HKSAR in January 2014 as the Under Secretary for Development and was subsequently appointed as the Secretary for Development in February 2017 and remained in the post until June 2017. Prior to working with the Government of the HKSAR, Mr Ma was the Executive Vice-President for Civil and Infrastructure Business (Asia Pacific) of AECOM Asia Company Limited. Mr Ma is a Fellow of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, United Kingdom, the Institution of Structural Engineers, United Kingdom and the Chartered Institution of Highways and Transportation, United Kingdom. He is also a Registered Professional Engineer in Hong Kong and a Chartered Engineer in the United Kingdom. Mr Ma holds a Bachelor of Science degree in Engineering (Civil) from The University of Hong Kong and a Master of Engineering degree in Transportation Planning from Monash University, Australia. He is an Honorary Professor of the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong. Mr Ma was appointed as Justice of the Peace in 2014 and was awarded the Gold Bauhinia Star by the Government of the HKSAR in 2017.

Mr Cheung Chin Cheung

Executive Director

Mr Cheung, aged 62, was appointed as Executive Director in October 2003 and is also a member of the Executive Committee and the Sustainability Committee of the Company. He had been an executive director of the Company during the period from May 1998 to January 2003. Mr Cheung is currently the Chairman of Tianjin Xinzhan Expressway Company Limited and Guangzhou Northring Freeway Company Limited, the Vice Chairman of Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited, and a director of Chongqing Water Group Company Limited, a company listed in Shanghai, the PRC, and Chongqing Derun Environment Co., Ltd. He is also a director of a number of companies in Mainland China and certain subsidiaries of the Group, and is mainly responsible for managing the Group's infrastructure business. Mr Cheung was a director of Sino-French Holdings (Hong Kong) Limited (now known as SUEZ NWS Limited) and Far East Landfill Technologies Limited, the Vice Chairman of Companhia de Electricidade de Macau – CEM, S.A. and the Managing Director of The Macao Water Supply Company Limited. He had been a member of the Infrastructure Development Advisory Committee and the China Trade Advisory Committee of the Hong Kong Trade Development Council. He has over 27 years of experience in business development, investment and management in the infrastructure business in Mainland China. Mr Cheung is a member of the Hebei Province Committee of the Twelfth Chinese People's Political Consultative Conference of the People's Republic of China. He holds a Bachelor of Commerce degree from Curtin University, Australia and is a Chartered Professional Accountant of Canada.

Board of Directors

Mr Cheng Chi Ming, Brian

Executive Director

Mr Cheng, aged 35, was appointed as Executive Director in July 2009 and is also a member of the Executive Committee and the Sustainability Committee of the Company. He is also a director of certain subsidiaries of the Group. He has been with the Company since January 2008 and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of the Group. Mr Cheng is the Chairman and non-executive director of Integrated Waste Solutions Group Holdings Limited and a non-executive director of Haitong International Securities Group Limited, Wai Kee Holdings Limited and Leyou Technologies Holdings Limited, all being listed public companies in Hong Kong. He is also the Chairman of Goshawk Aviation Limited, and a director of SUEZ NWS Limited and a number of companies in Mainland China. Mr Cheng was a non-executive director of Newton Resources Ltd (resigned on 23 January 2017) and Beijing Capital International Airport Company Limited (resigned on 2 February 2018), both being listed public companies in Hong Kong, and a non-executive director of Tharisa plc (retired on 1 February 2017), whose shares are listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc. He is currently a member of the Thirteenth Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Before joining the Company, Mr Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. Mr Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, USA. Mr Cheng is the son of Dr Cheng Kar Shun, Henry and the cousin of Mr William Junior Guilherme Doo.

Mr Ho Gilbert Chi Hang

Executive Director

Mr Ho, aged 42, was appointed as Executive Director on 9 July 2018 and is also a member of the Executive Committee of the Company. Joined the Company in January 2018, he is also a director of certain subsidiaries of the Group and is responsible for overseeing the business development and mergers and acquisitions affairs, and certain businesses of the Group. Mr Ho has extensive experience in the area of corporate management, investments, corporate finance, merger and acquisition transactions and international brand and retail management. Prior to joining the Group, Mr Ho was a director and/or senior executive in several Hong Kong listed public companies. He was the senior investment director of New World Development Company Limited, the substantial shareholder of the Company and a listed public company in Hong Kong, and an executive director of New World Strategic Investment Limited. He was also a partner of an international law firm Fried, Frank, Harris, Shriver & Jacobson LLP. Mr Ho is an independent non-executive director of Kam Hing International Holdings Limited, Hailiang International Holdings Limited and Asia Allied Infrastructure Holdings Limited and a non-executive director of Shougang Concord International Enterprises Company Limited, all being listed public companies in Hong Kong. He was an executive director of HMV Digital China Group Limited (resigned on 28 June 2017) and an executive director and the chief executive officer of AID Partners Technology Holdings Limited (now known as AID Life Science Holdings Limited) (resigned on 1 January 2018), both being listed public companies in Hong Kong. Mr Ho is a committee member of the Chinese People's Political Consultative Conference of Shenyang, a standing committee member of the Youth Federation of Inner Mongolia and the Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association. Mr Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and was admitted as a solicitor in New South Wales, Australia and England and Wales and as a solicitor and barrister in the High Court of Australia. He is also a fellow member of CPA Australia.

Mr Chow Tak Wing

Executive Director and Company Secretary

Mr Chow, aged 51, was appointed as Executive Director on 9 July 2018 and is also a member of the Executive Committee of the Company. He joined the Company in August 2002 and is also the Company Secretary of the Company and a director of certain subsidiaries of the Group. He is responsible for the financial management, treasury and corporate governance functions of the Group. Mr Chow is a director of Citybus Limited, New World First Bus Services Limited and New World First Ferry Services Limited. Mr Chow has nearly 30 years' experience in accounting and financial management and corporate governance. Prior to joining the Group, he was a manager of an international accounting firm and senior executive of several Hong Kong listed public companies. Mr Chow is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants (UK), The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He holds an Executive Master of Business Administration degree from Western University, Canada.

Mr To Hin Tsun, Gerald

Non-executive Director

Mr To, aged 69, was appointed as Independent Non-executive Director in May 1998 and was re-designated as Non-executive Director in August 2002. Mr To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr To is also a non-executive director of Mongolia Energy Corporation Limited whose shares are listed on the Main Board of the Hong Kong Stock Exchange. He was an executive director of International Entertainment Corporation (resigned on 10 June 2017) whose shares are listed on the Main Board of the Hong Kong Stock Exchange.

Board of Directors

Mr Dominic Lai

Non-executive Director

Mr Lai, aged 71, was appointed as Independent Non-executive Director in August 2002 and was re-designated as Non-executive Director in September 2004. He is also a member of the Audit Committee and the Sustainability Committee of the Company. He is a director of NWS Holdings Charities Foundation Limited. Mr Lai is a practising solicitor in Hong Kong and is also admitted in England and Wales, the Republic of Singapore and the States of New South Wales and Victoria, Australia. He is a senior partner of the Hong Kong law firm, Iu, Lai & Li. Mr Lai is also a non-executive director of Oriental Press Group Limited and Chuang's China Investments Limited, both being listed public companies in Hong Kong. He was a non-executive director of Midas International Holdings Limited (now known as Magnus Concordia Group Limited) (resigned on 26 January 2018), a listed public company in Hong Kong.

Mr Lam Wai Hon, Patrick

Non-executive Director

Mr Lam, aged 56, was appointed as Executive Director in January 2003 and was re-designated as Non-executive Director on 1 January 2016. He is also a member of the Sustainability Committee of the Company and a director of certain subsidiaries of the Group. Mr Lam is currently an executive director and the Chief Executive Officer of FSE Holdings Limited. He is also an executive director and the Vice Chairman of the board of directors of FSE Services Group Limited (formerly known as FSE Engineering Holdings Limited), a listed public company in Hong Kong. He was a non-executive director of Wai Kee Holdings Limited (resigned on 30 December 2015), the Vice Chairman and a non-executive director of Newton Resources Ltd (resigned on 2 January 2016) and a non-executive director of Road King Infrastructure Limited (retired on 18 May 2017), all being listed public companies in Hong Kong. Mr Lam is a Chartered Accountant by training and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Chartered Professional Accountants of Ontario, Canada. He is a member of the Asia advisory board of Ivey Business School of Western University, Canada.

Mr William Junior Guilherme Doo JP

Non-executive Director

Mr Doo, aged 44, was appointed as Director in December 2005 and was re-designated from Executive Director to Non-executive Director in July 2014. He is also a member of the Sustainability Committee of the Company and a director of certain subsidiaries of the Group. Mr Doo is an executive director of FSE Services Group Limited (formerly known as FSE Engineering Holdings Limited), a listed public company in Hong Kong, and an executive director and the Deputy Chief Executive Officer of FSE Holdings Limited. He is also an independent non-executive director of The Bank of East Asia (China) Limited, a subsidiary of The Bank of East Asia, Limited. Mr Doo is a solicitor admitted in the HKSAR and is currently a non-practising solicitor in England and Wales. He had legal practice experience in one of the largest global law firms specializing in finance and corporate transactions. He is a member of the Standing Committee of the Thirteenth Chinese People's Political Consultative Conference in Beijing of the People's Republic of China. He was appointed as Justice of the Peace in 2018. Mr Doo is the nephew of Dr Cheng Kar Shun, Henry and the cousin of Mr Cheng Chi Ming, Brian.

Mr Kwong Che Keung, Gordon

Independent Non-executive Director

Mr Kwong, aged 69, was appointed as Independent Non-executive Director in October 2002 and is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He is an independent non-executive director of a number of Hong Kong listed public companies including Agile Group Holdings Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, FSE Services Group Limited (formerly known as FSE Engineering Holdings Limited), Global Digital Creations Holdings Limited, Henderson Investment Limited, Henderson Land Development Company Limited and OP Financial Limited (formerly known as OP Financial Investments Limited). He is also an independent non-executive director of Piraeus Port Authority S.A., a listed company in Athens, Greece. He was an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd. (formerly known as China COSCO Holdings Company Limited) (retired on 25 May 2017), and an independent non-executive director of CITIC Telecom International Holdings Limited (retired on 1 June 2017), both being listed public companies in Hong Kong. Mr Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He was a Partner of Price Waterhouse from 1984 to 1998 and an independent member of the Council of the Hong Kong Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee.

Board of Directors

Dr Cheng Wai Chee, Christopher GBS, OBE, JP

Independent Non-executive Director

Dr Cheng, aged 70, was appointed as Independent Non-Executive Director in January 2003 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Dr Cheng is the Chairman and an executive director of Wing Tai Properties Limited, a listed public company in Hong Kong. He is an independent non-executive director of Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust which is listed on the Hong Kong Stock Exchange). Dr Cheng is also an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited. He was an independent non-executive director of New World China Land Limited (resigned on 1 September 2016), a listed public company in Hong Kong until its delisting on 4 August 2016, and an independent non-executive director of Kingboard Chemical Holdings Limited (now known as Kingboard Holdings Limited) (retired on 29 May 2017), a listed public company in Hong Kong. Dr Cheng has a keen interest in the public services. He serves as a member of the Board of Overseers of Columbia Business School and a member of the President's Council on International Activities of Yale University. He retired as a member of the board of Temasek Foundation CLG Limited on 7 September 2016. Dr Cheng holds a Doctorate in Social Sciences *honoris causa* from The University of Hong Kong and a Doctorate in Business Administration *honoris causa* from The Hong Kong Polytechnic University. He graduated from the University of Notre Dame, Indiana with a BBA degree and from Columbia University, New York with an MBA degree.

The Honourable Shek Lai Him, Abraham
GBS, JP

Independent Non-executive Director

Mr Shek, aged 73, was appointed as Independent Non-executive Director in September 2004 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr Shek is an independent non-executive director of MTR Corporation Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, Chuang's China Investments Limited (also acts as Chairman), ITC Properties Group Limited (also acts as Vice Chairman), Country Garden Holdings Company Limited, Hop Hing Group Holdings Limited, SJM Holdings Limited, China Resources Cement Holdings Limited, Lai Fung Holdings Limited, Cosmopolitan International Holdings Limited, Goldin Financial Holdings Limited, Everbright Grand China Assets Limited and CSI Properties Limited (appointed on 20 July 2018), all being listed public companies in Hong Kong. He is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both of the trusts are listed on the Hong Kong Stock Exchange. Mr Shek was an independent non-executive director of TUS International Limited (resigned on 6 January 2017), ITC Corporation Limited (now known as PT International Development Corporation Limited) (resigned on 28 March 2017) and Midas International Holdings Limited (now known as Magnus Concordia Group Limited) (resigned on 26 January 2018), all being listed public companies in Hong Kong. He also ceased to act as an independent non-executive director of Dorsett Hospitality International Limited (the shares of which were withdrawn from listing with effect from 17 October 2015) on 11 March 2016. Mr Shek is a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. He was appointed as Justice of the Peace in 1995 and was awarded the Gold Bauhinia Star in 2013. Mr Shek graduated from the University of Sydney with Bachelor of Arts.

Mr Lee Yiu Kwong, Alan

Independent Non-executive Director

Mr Lee, aged 74, was appointed as Independent Non-executive Director in October 2012 and he is also a member of the Audit Committee and the Sustainability Committee of the Company. He is the former Chief Executive Officer of CSX World Terminals Hong Kong Limited and ATL Logistics Centre Hong Kong Limited. Mr Lee has over 40 years of shipping and logistics experience, including over 15 years of international experience working in the United States, the Netherlands, Malaysia, Singapore and Thailand. Mr Lee is the former Chairman of Hong Kong Container Terminal Operators Association. He was also a committee member of Hong Kong Business Advisory Committee, Logistics Advisory Committee of Hong Kong Trade Development Council, Hong Kong Port Development Council, Hong Kong Logistics Development Council and the Sailors Home and Missions to Seamen Hong Kong. Mr Lee is an accountant by training and has over six years of experience at KPMG.

Mrs Oei Fung Wai Chi, Grace

Independent Non-executive Director

Ms Fung, aged 65, was appointed as Independent Non-executive Director in January 2016 and is also a member of the Sustainability Committee of the Company. She is currently the Chairperson of Ronald McDonald House Charities in Hong Kong since September 2008 and she has been elected to the global board of trustees of Ronald McDonald House Charities in Chicago since 1 January 2015. Ms Fung had worked in investment banking and wholesale banking for 36 years. She was the Vice Chairman, Corporate & Institutional Clients, at Standard Chartered Bank, Hong Kong when she retired from the bank in November 2014. Before joining Standard Chartered Bank in 2002, she had worked with UBS for nine years including service as Managing Director responsible for corporate finance and fixed income. During her service with UBS, Ms Fung had regional responsibilities for institutional sales, fixed income, supervising a team in Hong Kong and Singapore which covered 13 countries in Asia (excluding Japan). Her team advised central banks and other institutional investors in Asia on fixed income investments and hedging strategies for interest rates and currencies. Ms Fung had taken on a number of public service responsibilities over the years, including as a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission and a member of the Finance Committee of the Hong Kong Housing Authority. Ms Fung graduated from the London School of Economics and Political Science, London University, with a BSc (Econ) degree, majoring in Accounting and Finance.

Mr Wong Kwai Huen, Albert BBS, JP

Independent Non-executive Director

Mr Wong, aged 66, was appointed as Independent Non-executive Director on 9 July 2018. He is the principal of Fried, Frank, Harris, Shriver & Jacobson (Hong Kong Office) and its chief representative for Shanghai, and has served as its Managing Partner in Asia from 2006 until 2011. He is also an independent non-executive director of China International Marine Containers (Group) Co., Ltd., China Oilfield Services Limited, Hua Hong Semiconductor Limited and Vinda International Holdings Limited, all being listed public companies in Hong Kong. Mr Wong holds a Bachelor of Arts degree from The Chinese University of Hong Kong and a Bachelor of Laws degree from the University of London, United Kingdom. He is admitted as a solicitor in Hong Kong, the United Kingdom, Australia and Singapore. Mr Wong is a board member of the Hospital Authority, Aviation Security Company Limited and The Hong Kong Mortgage Corporation Limited, and the Honorary Chairman of Hong Kong International Arbitration Centre. He is also a Deputy Chairman of the Board of Review (Inland Revenue Ordinance), the Chairman of the Copyright Tribunal, a council member of The Hong Kong Institute of Directors, the Honorary Adviser of Financial Reporting Council, the Honorary Legal Adviser of Hong Kong Business Accountants Association and the former President of the Law Society of Hong Kong and the Inter-Pacific Bar Association. Mr Wong holds the posts of honorary lecturer, external examiner and professorships at The University of Hong Kong, The Chinese University of Hong Kong, City University of Hong Kong, Hang Seng Management College and Hong Kong Shue Yan University. He was appointed as Justice of the Peace in 2010 and was awarded the Bronze Bauhinia Star by the Government of the HKSAR in 2014.

Senior Management

Mr Cheng Chi Kwok

Senior Director – Infrastructure

NWS Infrastructure Management Limited

Mr Cheng, aged 54, joined New World Group in 1993 and is the Senior Director (Infrastructure) of NWS Infrastructure Management Limited, a wholly owned subsidiary of the Company. He is also a director of NWS Infrastructure Management Limited and several major PRC joint ventures in the Roads segment of the Group. Mr Cheng holds a Bachelor of Business Administration degree and he has over 25 years of experience in project development, investment and management in the infrastructure and roads business in Mainland China.

Mr Mak Kai Lert, Russell

Head – Audit & Risk Assurance

NWS Holdings Limited

Mr Mak, aged 63, joined the Company in 2006 and is the Head of Audit & Risk Assurance of the Company. He is responsible for internal audit and risk management of the Group. Mr Mak is a fellow of the Institute of Chartered Accountants in England & Wales and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Information Security Manager of the Information Systems Audit and Control Association (USA). He holds a BA(Hons) in Accountancy. Mr Mak has profound professional knowledge in auditing and corporate governance issues with over 30 years' auditing experience in various listed companies, financial institutions and investment banks. Prior to joining the Company, he had worked as the Head of Audit Departments in several Hong Kong listed public companies.

Mr Ng Tik Hong

Director – Merger & Acquisition

NWS Holdings Limited

Mr Ng, aged 48, joined New World Group in 1997 and is the Director of Merger & Acquisition of the Company. He is responsible for the merger and acquisition affairs of the Group. Mr Ng is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants (UK). He holds a Bachelor Degree in Accountancy, and a Master Degree of Business Administration from The Chinese University of Hong Kong. Mr Ng has over 20 years' experience in accounting, finance and project management. Prior to joining the Group, he worked in an international accounting firm.

Ms Lam Yuet Wan, Elina

Director – Human Resources

NWS Holdings Limited

Ms Lam, aged 55, joined the Company in 1997 and is the Director of Human Resources of the Company. She is responsible for managing the human resources and administration affairs of the Group. Ms Lam is a professional member of the Hong Kong Institute of Human Resources Management. She holds an Executive MBA degree from Western University, Canada and a Master of Business Administration degree from University of Strathclyde, United Kingdom. Ms Lam has over 30 years' experience in human resources and training and development. Prior to joining the Group, she was a senior executive of human resources in several companies in Hong Kong.

Senior Management

Ms Tang Cheung Yi

Director – Corporate Communications and Sustainability

NWS Holdings Limited

Ms Tang, aged 54, joined the Company in 2012 and is the Director of Corporate Communications and Sustainability of the Company. She is responsible for the Group's corporate communications, public affairs and corporate sustainability functions. Ms Tang possesses more than 25 years of management experience in corporate communications, government relations and journalism in Hong Kong and the United States. Prior to joining the Group, she was the corporate affairs director with a multinational company in information technology. Ms Tang holds a Bachelor of Social Science degree and a Master of Arts degree in Telecommunications.

Ms Cheng Ka Ki, Joanna

Director – Environment

NWS Infrastructure Management Limited

Ms Cheng, aged 51, joined New World Group in 1996 and is the Director (Environment) of NWS Infrastructure Management Limited, a wholly owned subsidiary of the Company. She is a non-executive director of Tharisa plc, whose shares are listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc. She is also a director of The Macao Water Supply Company Limited, Far East Landfill Technologies Limited and certain PRC joint venture companies in the Environment segment of the Group. Ms Cheng is a member of the Chartered Professional Accountants of Ontario, Canada. She has more than 20 years of experience in business development, investment and management in power industry in Mainland China. Prior to joining the Group, she had worked for audit firms in Canada and Hong Kong.

Mr Lee Wai Bong, Stephen

Director – Logistics & Ports

NWS Ports Management Limited

Mr Lee, aged 53, joined the Group in 2002 and is the Director (Logistics & Ports) of NWS Ports Management Limited, a wholly owned subsidiary of the Company. Mr Lee holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong and a Master of Business Administration degree from the University of Toronto, Canada. Mr Lee has extensive experience in project management and merger and acquisition activities. Prior to joining the Group, he had worked in several major multinational corporations.

Mr To Tsan Wai

Director – Logistics & Aviation

NWS Holdings Limited

Mr To, aged 56, joined New World Group in 1998, mainly responsible for infrastructures, ports and logistics projects. Mr To has over 20 years of experience in project investment and management. He is responsible for managing the Group's logistics and aviation projects including ATL Logistics Centre, a rail container terminal project in Mainland China, Beijing Capital International Airport and commercial aircraft leasing business. He also participated in managing the container terminal projects in Hong Kong, Xiamen, Tianjin, etc. Before joining the Group, Mr To had worked for international shipping and airline companies. Mr To is a member of the Hong Kong Institute of Certified Public Accountants.

Ms Carine Truong
Director – Aircraft Leasing (Strategy & Development)
NWS Holdings Limited

Ms Truong, aged 46, joined the Company in 2017 and is the Director of Aircraft Leasing (Strategy & Development) of the Company. She is responsible for managing the aircraft leasing, sales, financing and trading affairs of the Group. Ms Truong holds a Master of Science Degree in Aeronautical Engineering and Aviation Economics from Ecole Nationale de l'Aviation Civile (ENAC – National School of Civil Aviation of France). Ms Truong has over 20 years' experience in the aircraft, airline, finance and leasing industries. Prior to joining the Group, Ms Truong had worked for international aircraft manufacturers and financial institutions. She is also a lecturer in the Air Transport Advanced Master Programme at Tsinghua University School of Economics and Management, Beijing.

Mr Chu Tat Chi
Managing Director
Hip Hing Construction Company Limited

Mr Chu, aged 61, joined Hip Hing Construction Company Limited ("Hip Hing", a wholly owned subsidiary of the Company) in 1979 and is the Managing Director of Hip Hing. Mr Chu graduated from the Hong Kong Polytechnic in 1978 with a Diploma in Building Studies. He has over 35 years of experience in the civil engineering and construction industries. Mr Chu is also a director of Quon Hing Concrete Company Limited. Prior to joining Hip Hing, he had worked in the Public Works Department of Hong Kong Government.

Mr Abu Baker Salleh
Chief Executive Officer
Anway Limited and Sky Connection Limited

Mr Salleh, aged 71, joined DFS after his graduation from The University of Hong Kong, and worked in various senior management positions in Hong Kong, Honolulu, Singapore, Taipei, Los Angeles and San Francisco. Prior to joining Sky Connection Limited ("Sky Connection", a wholly owned subsidiary of the Company), Mr Salleh was the President of DFS West with retail operations in several major cities, including Los Angeles, San Francisco, Dallas and Houston.

After joining Sky Connection in 2000, Mr Salleh expanded its duty free business base from the Hong Kong International Airport to the Hong Kong Macau Ferry Terminal and the China Hong Kong Ferry Terminal. Anway Limited, also a wholly owned subsidiary of the Company, was formed in 2005 and won the rights from MTR Corporation Limited in 2007 to operate the duty free businesses at the Lok Ma Chau Spur Line, Lo Wu and Hung Hom MTR stations. In 2014, Sky Connection and Shilla Duty Free of Korea formed a joint venture to successfully tender for a duty free concession at the Macau International Airport.

Ms Lee Yuk Har, Monica
Managing Director
Hong Kong Convention and Exhibition Centre (Management) Limited

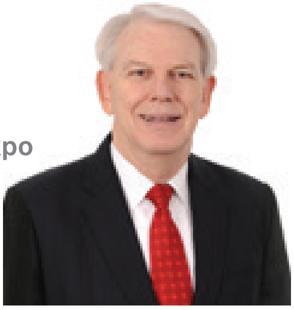
Ms Lee, aged 53, joined Hong Kong Convention and Exhibition Centre (Management) Limited, a wholly owned subsidiary of the Company, in 1994 and is currently its Managing Director. Ms Lee is a proven veteran in the hospitality industry for over 30 years. She is an executive committee member of the Hong Kong Exhibition & Convention Industry Association, as well as a board member of UFI, The Global Association of the Exhibition Industry. She was conferred the Honorary Fellowship by the Vocational Training Council in 2016. Ms Lee holds a Master degree in Management from Macquarie University, a Professional Certificate in Event Management & Marketing from the School of Business and Public Management of George Washington University, USA and a Certificate of Legal Studies from The University of Hong Kong.

Senior Management

Mr Clifford Noble Wallace III

Chairman

Shenyang New World Expo (Management) Limited



Mr Wallace, aged 71, is the Chairman of Shenyang New World Expo (Management) Limited and the Managing Director of NWS Venue Management Limited, both wholly owned subsidiaries of the Company. He was the Managing Director of Hong Kong Convention and Exhibition Centre (Management) Limited, a wholly owned subsidiary of the Company, through 30 June 2012 having served in this position since May 1995. He remains a member of the board of Hong Kong Convention and Exhibition Centre (Management) Limited.

Mr Wallace is an established and proven veteran with over 50 years in the public assembly facility industry. He has been a Certified Facility Executive since 1978 and is known internationally for his management, administrative, operations, public-relations, planning and consulting expertise. He has consulted on the development, design and operational aspects of numerous facilities in the US, Canada, Europe and Asia. Mr Wallace is an Honorary President of UFI, The Global Association of the Exhibition Industry. He was inducted into the Convention Industry Council's Hall of Leaders in 2011 acknowledging him as one of the industry's outstanding leaders and innovators and one whose contributions have spanned many facets of the industry. He is the former Chairman of the World Council for Venue Management and the Asia Pacific Exhibition and Convention Council and is the former president of the International Association of Venue Managers.

Mr Cheng Wai Po, Samuel

Managing Director

New World First Bus Services Limited and Citybus Limited

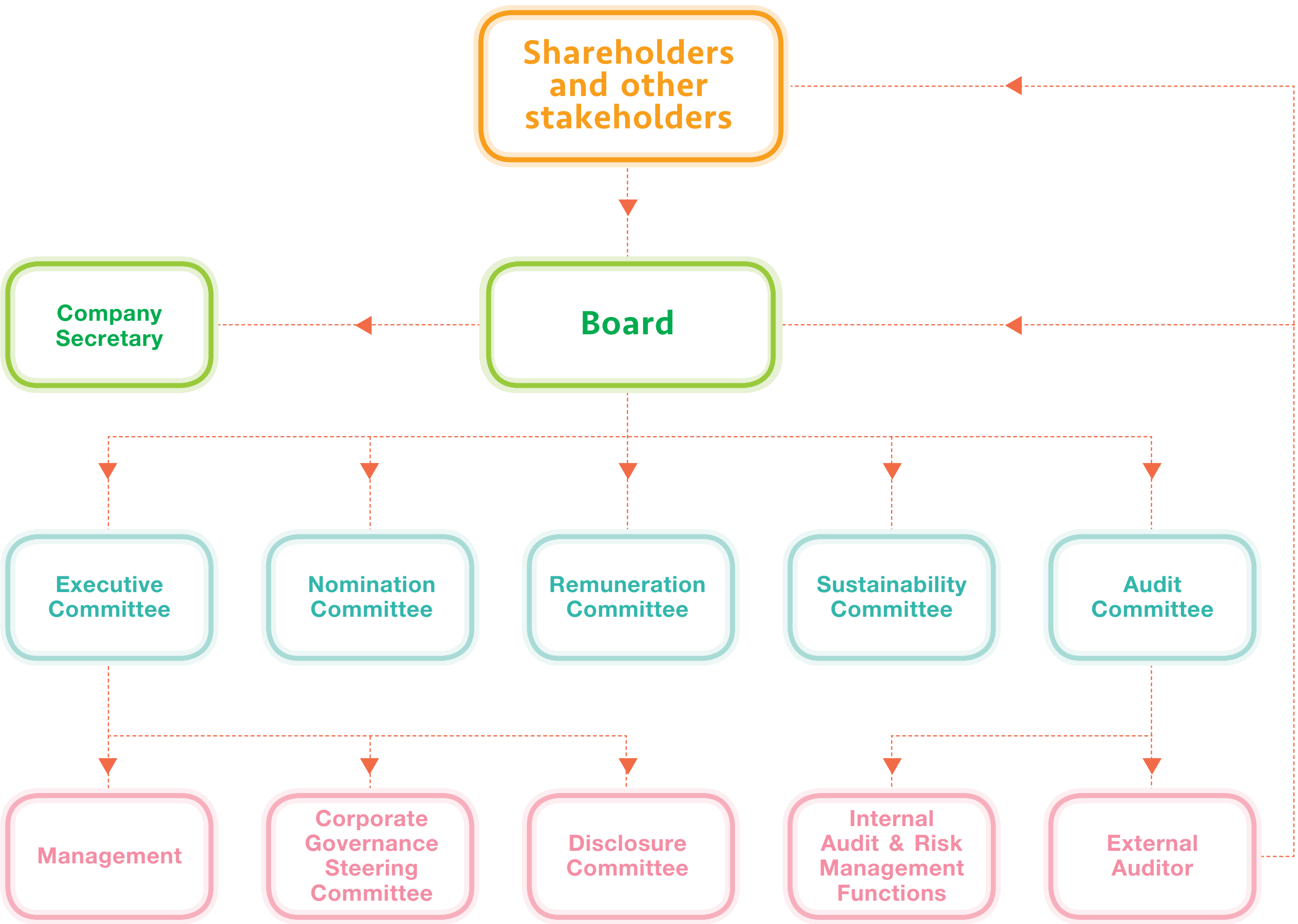
Mr Cheng, aged 59, joined Citybus Limited in 1992 and is the Managing Director of New World First Bus Services Limited and Citybus Limited, both being wholly owned subsidiaries of the Company. Mr Cheng is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Social Sciences Degree from The University of Hong Kong. Mr Cheng has over 25 years' experience in the public transport industry. Prior to joining Citybus Limited, he had worked in an international accounting firm.

Corporate Governance Report

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.

The Company has complied with all the applicable code provisions in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout FY2018, with the exception of code provision E.1.2 as set out below.

CORPORATE GOVERNANCE FRAMEWORK



- In support of the Group's corporate governance framework, comprehensive guidelines, policies and procedures have been formulated by the Board and are reviewed regularly by the Board and the relevant board committees. Such guidelines and policies include:
    - Director's Manual
    - Guidelines on Risk Management & Internal Control Systems
    - Whistleblowing Policy
    - Board Diversity Policy
    - Corporate Governance Manual
    - Corporate Policy on Staff Responsibility
    - Disclosure Policy for Inside Information
    - Terms of reference for various board committees

  These documents are updated in line with the amendments of applicable legislations and rules as well as the current market practices from time to time.

HIGHLIGHTS IN 2017/18

- **Three new executive directors and a new independent non-executive director were appointed in July 2018 to strengthen our top management team.**
- **Revised Guidelines on Risk Management & Internal Control Systems were adopted to keep abreast with the changes in statutory and regulatory requirements and/or accounting standards.**
- **Our directors actively participated in the meetings of the Board and board committees during the year with average attendance rate of nearly 100%.**
- **Board evaluation on the effectiveness of the Board has been conducted.**
- **The Sustainability Seminar of the Company was held in June 2018 for the Group's senior management with over 300 attendees.**

- The Board is responsible for performing the corporate governance duties. Specific terms of reference are set out in the Corporate Governance Manual of the Company and the relevant duties include the following:
  (a) to develop and review the Company's policies and practices on corporate governance;
  (b) to review and monitor the training and continuous professional development of directors and senior management;
  (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
  (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
  (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.
- The Company has complied with all the applicable code provisions in the CG Code throughout FY2018, 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 ("2017 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 2017 AGM, together with other members of the Board who attended that meeting, were of sufficient calibre for answering questions at that meeting and had answered questions at that meeting competently.

BOARD GOVERNANCE

The Board

Major Roles and Responsibilities and Delegation

- The primary role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group, supervises executive management and ensures good corporate governance policies and practices are implemented within the Group. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

- Day-to-day operation of the businesses of the Company is delegated to the management who is led by the Executive Committee. They are being closely monitored by the Board and are accountable for the performance of the Company as measured against the corporate goals and business targets set by the Board.

- The Board has separate and independent access to the senior management and the Company Secretary at all times. With prior request to the Company Secretary, the Board is given access to independent professional advice any time when it thinks appropriate.

- Appropriate liability insurance for directors has been arranged for indemnifying their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis.

Chairman and Chief Executive Officer

- The two posts are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business.

- Division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

Board Composition, Independence and Diversity

- The Board is a diversified board comprising 17 members, with expertise and experience covering a wide range of professions. Their biographical details (including their relationships (if any)) are set out in the "Board of Directors and Senior Management" section of this annual report and available on the Company's website.

- The Board currently comprises seven executive directors and ten non-executive directors, six of whom are independent non-executive directors. Coming from diverse business and professional backgrounds, the non-executive directors have shared their valuable experiences to the Board for promoting the best interests of the Company and its shareholders.

- The non-executive directors have actively participated in the board committees of the Company and have made significant contribution of their skills and expertise to these committees.

- Independent non-executive directors represent one-third of the Board, which facilitates in bringing to the Board independent advice and judgement. During the year, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, requiring at least one-third (and not less than three) directors being independent non-executive directors, and at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

- A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive directors in relation to his/her independence to the Company. The Company considers all its independent non-executive directors to be independent.

- Mr Kwong Che Keung, Gordon, Dr Cheng Wai Chee, Christopher and Mr Shek Lai Him, Abraham, all being independent non-executive directors of the Company, have served the Board for more than nine years. Notwithstanding their long-term service, given their extensive business experience and not being connected with any director or substantial shareholder of the Company, the Board is of the opinion that they continue to bring independent and objective perspectives to the Company's affairs.

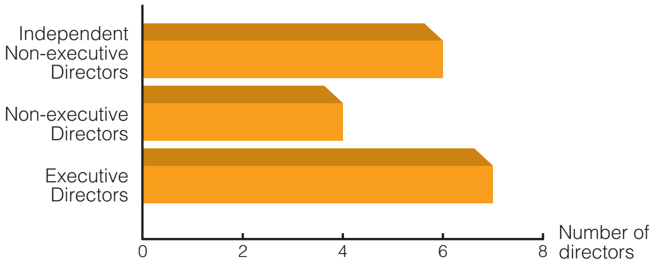
- The Board adopted the "*Board Diversity Policy*" in June 2013 setting out the approach to diversity on the Board, and strives for a broad spectrum of directors' background to bring along comprehensive considerations in forming board decisions.

- According to the "*Board Diversity Policy*", a truly diverse board will include and make good use of differences in the skills, regional and industrial experience, background, race, gender and other qualities of the members of the Board. These differences will be taken into account in determining the optimum composition of the Board.

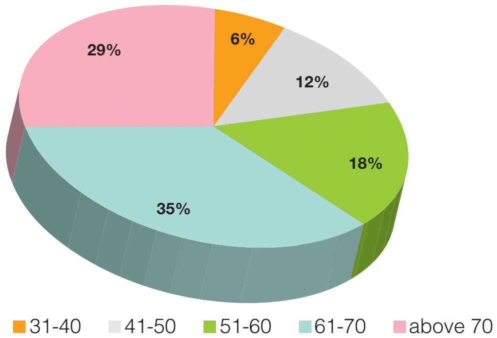
- For further enhancement of the diversity of Board members, Mr Ma Siu Cheung, Mr Ho Gilbert Chi Hang and Mr Chow Tak Wing were appointed as executive directors of the Company and Mr Wong Kwai Huen, Albert was appointed as an independent non-executive director of the Company, all with effect from 9 July 2018. The newly appointed directors have expertise and experience in different areas ranging from management, engineering, mergers and acquisitions, corporate finance, accounting, to legal profession.

- The following illustrates the board composition and the degree of diversity of the board members:

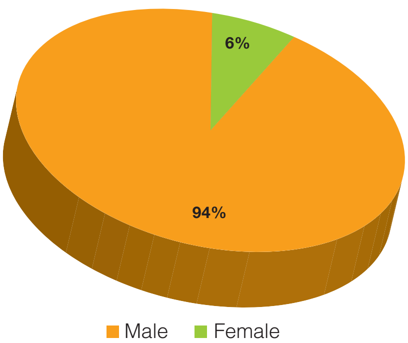
Board Composition



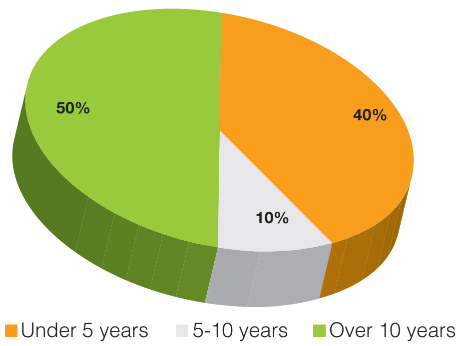
Age



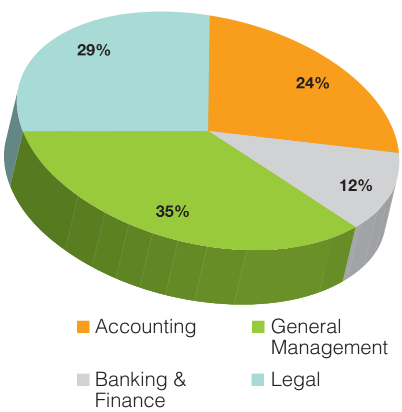
Gender



Length of Services of Non-executive Directors



Professional Experience



- The "*Board Diversity Policy*" states that the Nomination Committee is responsible for setting annually measurable objectives to implement diversity on the Board and recommends them to the Board for adoption. The "*Board Diversity Policy*" has been reviewed by the Nomination Committee during FY2018 to ensure its effectiveness.

- To evaluate the performance of the Board, board evaluation questionnaire was completed by the directors in respect of FY2018. The results of this evaluation have been reviewed by the Nomination Committee and reported to the Board.

Board Meeting

- The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate. Four Board meetings were held during FY2018.

- Notice of no less than 14 days was given to directors for the regular Board meetings. Draft agenda for Board meetings were prepared by the Company Secretary and were circulated to all directors for comments before each meeting. Directors were given an opportunity to include any other matters in the agenda. Board papers were sent to the directors not less than three business days before the intended date of the regular Board meeting.

- Minutes of Board meetings were prepared by the Company Secretary with details of decisions reached, any concerns raised and dissenting views expressed. The draft minutes were sent to all directors within a reasonable time after each meeting for their comment before being formally signed by the chairman of the meeting. Final version of minutes of the Board meetings were made available to the directors for information and record.

- At each regular Board meeting, executive directors of the Company made presentations to the Board on various aspects, including the business performance, financial performance, corporate governance and outlook, etc.

- Throughout FY2018, directors of the Company also participated in the consideration and approval of matters of the Company by way of written resolutions circulated to them. Supporting written materials were provided in the circulation and verbal briefings were given by the subject executive directors or the Company Secretary when required.

- Pursuant to the bye-laws of the Company, a director, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his/her interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered. Furthermore, a director shall not vote (nor be counted in the quorum) on any resolution of the directors in respect of any contract or arrangement or proposal in which he/she or any of his/her associate(s) is to his/her knowledge materially interested. Matters to be decided at Board meetings are decided by a majority of votes from directors entitled to vote. These bye-laws were strictly observed throughout FY2018.

Board Committees

- The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are being handled with relevant expertise.

- Five board committees have been established and each of them has its specific duties and authorities set out in its own terms of reference which are reviewed from time to time.

- Written terms of reference of each of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the website of each of the Hong Kong Stock Exchange and the Company.

- Regular board committee meetings were held during the year and the number of meetings and attendance of individual committee members are set out on page 31 of this annual report.

- All board committees are provided with sufficient resources to discharge their duties and are empowered to obtain independent legal or other professional advice at the Company's expense.

Board

Executive Committee	*Audit Committee*	*Nomination Committee*	*Remuneration Committee*	*Sustainability Committee*
Members	**Members**	**Members**	**Members**	**Members**
• Dr Cheng Kar Shun, Henry (Chairman) • Mr Tsang Yam Pui • Mr Ma Siu Cheung • Mr Cheung Chin Cheung • Mr Cheng Chi Ming, Brian • Mr Ho Gilbert Chi Hang • Mr Chow Tak Wing	• Mr Kwong Che Keung, Gordon (Chairman) • Mr Dominic Lai • Dr Cheng Wai Chee, Christopher • Mr Shek Lai Him, Abraham • Mr Lee Yiu Kwong, Alan	• Dr Cheng Kar Shun, Henry (Chairman) • Mr Tsang Yam Pui • Mr Kwong Che Keung, Gordon • Dr Cheng Wai Chee, Christopher • Mr Shek Lai Him, Abraham	• Mr Shek Lai Him, Abraham (Chairman) • Mr Tsang Yam Pui • Mr Kwong Che Keung, Gordon • Dr Cheng Wai Chee, Christopher	• Mr Tsang Yam Pui (Chairman) • Mr Ma Siu Cheung • 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
Meeting schedule	**Meeting schedule**	**Meeting schedule**	**Meeting schedule**	**Meeting schedule**
• meets from time to time when necessary	• two meetings were held during FY2018 • a private meeting with the Company's external auditor was held during FY2018 in the absence of the management	• two meetings were held during FY2018	• two meetings were held during FY2018	• two meetings were held during FY2018
Major responsibilities	**Major responsibilities**	**Major responsibilities**	**Major responsibilities**	**Major responsibilities**
• to review the Group's performance and manage its assets and liabilities in accordance with the policies and directives of the Board • to make recommendations to the Board in respect of the overall strategy for the Group from time to time	• to monitor the financial reporting process of the Company • to review the Company's financial control, risk management and internal control systems and arrangements under the Company's "*Whistleblowing Policy*" • to govern the engagement of external auditor and its performance	• to review the structure, size and composition (including the skills, knowledge and experience) of the Board • to make recommendations to the Board on the appointment or re-appointment of directors	• to review and make recommendations to the Board on the Company's policy and structure for remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration • to make recommendations to the Board on the remuneration packages, including benefits in kind, pension rights and compensation payments, of individual executive directors • to determine the remuneration packages of senior management	• to formulate and oversee the Group's corporate sustainability strategy, framework and policies • to track progress on human resources management, community investment, corporate volunteering and environmental protection • to oversee strategic direction and funding commitments of NWS Holdings Charities Foundation

Executive Committee	*Audit Committee*	*Nomination Committee*	*Remuneration Committee*	*Sustainability Committee*
	Work performed during FY2018	**Work performed during FY2018**	**Work performed during FY2018**	**Work performed during FY2018**
	• reviewing the audited consolidated financial statements of the Group for FY2017 and the interim results of the Group for FY2018 • reviewing the continuing connected transactions of the Company during FY2017 and during the six months ended 31 December 2017 • reviewing the risk management and internal control systems of the Company • reviewing the internal audit plan of the Group for FY2019 and the internal audit reports prepared by the Group Audit & Risk Assurance Department of the Company ("GARA") • reviewing the audit plans from external auditor and its remuneration • making recommendation on the re-appointment of the external auditor • reviewing the resources of GARA and the Group's finance team • reviewing and making recommendation on the revised "*Guidelines on Risk Management & Internal Control Systems*" of the Company • reviewing the performance, constitution and terms of reference of the Audit Committee	• reviewing the structure, size and composition of the Board • reviewing the results of the board evaluation questionnaire • reviewing the independence of independent non-executive directors • making recommendations in relation to the re-appointment of the retiring directors • making recommendations in relation to the appointment of directors • reviewing the terms of reference of the Nomination Committee	• reviewing the remuneration policy, structure and packages for directors and senior management • making recommendations to the Board regarding the directors' fee and other allowances for FY2018 and the remuneration packages of executive directors • determining the remuneration packages of senior management • making recommendations on the remuneration packages for the new directors	• reviewing the progress of the Group's overall corporate sustainability development, benchmarking and reporting • reviewing the development and implementation of human resources management, community investment, corporate volunteering and environmental protection • reviewing the funding commitments and statement of financial position of NWS Holdings Charities Foundation, including the donation of HK$10 million to Hong Kong Shue Yan University

- Two committees, namely, Corporate Governance Steering Committee and Disclosure Committee, were set up in 2007 and 2013 respectively under the supervision of the Executive Committee to ensure that good corporate governance practices are implemented within the Group and proper compliance procedures are followed.

Directors' Attendance

- Directors of the Company play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance record of each of the directors for the Board meetings, the board committees meetings and the general meetings held during FY2018 is listed as follows:

	Meetings attended/held					
Name of director	**Board meeting**	**Audit Committee meeting**	**Nomination Committee meeting**	**Remuneration Committee meeting**	**Sustainability Committee meeting**	**General meeting**
Executive directors:						
Dr Cheng Kar Shun, Henry (Chairman of the Board)	4/4	–	1/2	–	–	0/1
Mr Tsang Yam Pui	4/4	2/2[(1)]	2/2	2/2	2/2	1/1
Mr Hui Hon Chung[(2)]	1/4	–	–	–	1/2	0/1
Mr Cheung Chin Cheung	4/4	–	–	–	2/2	1/1
Mr Cheng Chi Ming, Brian	4/4	–	–	–	2/2	1/1
Mr Mak Bing Leung, Rufin[(3)]	4/4	–	–	–	1/2	1/1
Non-executive directors:						
Mr To Hin Tsun, Gerald	4/4	–	–	–	–	1/1
Mr Dominic Lai	4/4	2/2	–	–	2/2	1/1
Mr Lam Wai Hon, Patrick	4/4	–	–	–	2/2	1/1
Mr William Junior Guilherme Doo	4/4	–	–	–	2/2	1/1
Independent non-executive directors:						
Mr Kwong Che Keung, Gordon	4/4	2/2	2/2	2/2	–	1/1
Dr Cheng Wai Chee, Christopher	4/4	2/2	2/2	2/2	–	1/1[(4)]
Mr Shek Lai Him, Abraham	4/4	2/2	2/2	2/2	–	1/1
Mr Lee Yiu Kwong, Alan	4/4	2/2	–	–	2/2	1/1
Mrs Oei Fung Wai Chi, Grace	4/4	–	–	–	2/2	1/1

Notes:

1. The director attended the Audit Committee meetings as an invitee.

2. Mr Hui Hon Chung resigned as a director of the Company with effect from 1 November 2017.

3. Mr Mak Bing Leung, Rufin was appointed as a member of the Sustainability Committee of the Company with effect from 1 March 2018.

4. The director joined the general meeting by way of telephone conference.

Continuous Professional Development to Directors

Seminars

- Part of the training programme to develop and refresh knowledge and skills.
- During FY2018, seminars on corporate governance related topics including updates on corporate sustainability were organized.

Director Induction

- Newly appointed directors are provided with orientation immediately upon his/her appointment.
- They are also provided with a director's manual containing a package of orientation materials on the operations and businesses of the Group, together with information relating to the duties and responsibilities of directors under regulatory requirements and the Listing Rules.

Legal and Regulatory Updates

- The Company Secretary updates directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements.
- Reading materials on regulatory updates are also provided to directors to update their knowledge.

- According to the training records maintained by the Company, the training received by each of the directors during FY2018 is summarized as follows:

	Type of continuous professional development	
	Attending expert briefings/ seminars/conferences relevant to the businesses or directors' duties	**Reading regulatory updates or corporate governance related materials**
Dr Cheng Kar Shun, Henry		✓
Mr Tsang Yam Pui	✓	✓
Mr Hui Hon Chung		✓
Mr Cheung Chin Cheung	✓	✓
Mr Cheng Chi Ming, Brian		✓
Mr Mak Bing Leung, Rufin	✓	✓
Mr To Hin Tsun, Gerald	✓	✓
Mr Dominic Lai	✓	✓
Mr Lam Wai Hon, Patrick	✓	✓
Mr William Junior Guilherme Doo	✓	✓
Mr Kwong Che Keung, Gordon	✓	✓
Dr Cheng Wai Chee, Christopher	✓	✓
Mr Shek Lai Him, Abraham	✓	✓
Mr Lee Yiu Kwong, Alan	✓	✓
Mrs Oei Fung Wai Chi, Grace	✓	✓

- In accordance with the training records provided by the Company's directors, an average of approximately 17 training hours were undertaken by each director (not including time spent for reviewing information relevant to the Company or its businesses or attending corporate events of the Group) during FY2018.

NWS Sustainability Seminar 2018

Nomination, Appointment and Re-election of Directors

Nomination

- Nomination Committee will review and discuss the nomination of any director for his/her suitability on the basis of qualifications, experience and background.
- Suitable candidate will be recommended by the Nomination Committee to the Board for consideration.
    - ▶ *During FY2018, the Nomination Committee considered the appointment of Mr Ma Siu Cheung as an executive director and the Chief Operating Officer, Mr Ho Gilbert Chi Hang and Mr Chow Tak Wing as executive directors and Mr Wong Kwai Huen, Albert as an independent non-executive director and made recommendation to the Board for consideration.*

Appointment

- The Board, having considered the recommendation from the Nomination Committee, will decide whether to make the appointment.
    - ▶ *The appointment of Mr Ma Siu Cheung as an executive director and the Chief Operating Officer, Mr Ho Gilbert Chi Hang and Mr Chow Tak Wing as executive directors and Mr Wong Kwai Huen, Albert as an independent non-executive director was approved by the Board and took effect on 9 July 2018.*
- None of the directors of the Company has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).
- All non-executive directors are appointed under a fixed term of three years and are also subject to retirement on a rotational basis in accordance with the bye-laws of the Company.

Re-election

- Nomination Committee will make recommendations to the Board on the re-appointment of directors.
- The Board will consider whether to put forward the proposal for re-election of directors for shareholders' consideration.
    - **Newly appointed directors**

      All directors appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.
        - ▶ *Mr Ma Siu Cheung, Mr Ho Gilbert Chi Hang, Mr Chow Tak Wing and Mr Wong Kwai Huen, Albert retired at the special general meeting held on 14 August 2018 and were re-elected as directors at the meeting.*
    - **Existing directors**

      One-third of the directors that have been longest in office since their last re-election or appointment shall retire and be eligible for re-election at each annual general meeting. Each director is subject to retirement by rotation at least once every three years.

      Any further re-appointment of an independent non-executive director, who has served the Board for more than nine years, will be subject to a separate resolution to be approved by the shareholders.
        - ▶ *Mr Cheung Chin Cheung, Mr To Hin Tsun, Gerald, Mr Dominic Lai, Mr William Junior Guilherme Doo and Mr Lee Yiu Kwong, Alan will retire by rotation at the forthcoming annual general meeting, and being eligible, will offer themselves for re-election at the meeting.*

Remuneration of Directors

- Each director will be entitled to a director's fee which is determined by the Board with authorization granted by the shareholders at the Company's annual general meetings.

- The remuneration of executive directors and senior management of the Company is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions. The Company's Human Resources Department assists the Remuneration Committee by providing relevant remuneration data and market conditions for the Remuneration Committee's consideration. Remuneration is performance-based and coupled with an incentive system is competitive to attract and retain talented employees.

- The emoluments paid to each director for FY2018 are shown in note 15(a) to the financial statements on pages 176 to 178 of this annual report.

Directors' Responsibilities for Financial Reporting and Disclosures

- The Company's directors acknowledge their responsibilities to prepare accounts for each half and full financial year which give a true and fair view of the state of affairs of the Group. The directors consider that in preparing financial statements, the Group ensures statutory requirements are met and applies appropriate accounting policies that are consistently adopted and makes judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

- The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group. They consider that the Group has adequate resources to continue in operational existence for the foreseeable future and are not aware of material uncertainties in relation to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Group's financial statements have accordingly been prepared on a going concern basis.

- The directors are responsible for ensuring that proper accounting records are kept so that the Group can prepare financial statements in accordance with statutory requirements and the Group's accounting policies. The Board is aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorizes their publication as and when required.

SECURITIES TRANSACTIONS OF DIRECTORS AND RELEVANT EMPLOYEES

- The Company has adopted 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 FY2018.

- 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 FY2018.

- Employees are bound by the corporate policy issued by the Company, among other things, to keep unpublished inside information confidential and refrain from dealing in the Company's securities if they are in possession of such inside information.

- Formal notifications are sent by the Company to its directors and Relevant Employees reminding them that they should not deal in the securities of the Company during the "black-out period" specified in the Model Code.

RISK MANAGEMENT AND INTERNAL CONTROL

- Risk management and internal control are essential parts of corporate governance. The Board is responsible for ensuring that appropriate and effective risk management and internal control systems are established and maintained, and overseeing the systems on an ongoing basis, while management ensures sufficient and effective operational controls over the key business processes are properly implemented with regular reviews and updates.

- The Board has put in place effective and efficient risk management and internal control systems which enable the Group to respond appropriately to significant business, operational, financial, compliance and other risks. This includes safeguarding assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed. Furthermore, they help ensure the quality of internal and external reporting within the Group and the compliance with applicable laws and regulations, and also internal policies with respect to the conduct of businesses of the Group. However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

- With reference to the "*Internal Control – Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the Group has in place an integrated framework of risk management and internal control which is consistent with the principles outlined in the "*Internal Control and Risk Management – A Basic Framework*" issued by the Hong Kong Institute of Certified Public Accountants as illustrated below:

Monitoring

- Ongoing assessment of control systems' performance.
- Internal audits performed by GARA.

Information and Communication

- Information in sufficient detail is provided to the right person timely.
- Channels of communication across the Group and with customers, suppliers and external parties.
- Channels of communication for people to report any suspected improprieties.

Control Activities

- Policies and procedures for ensuring management directives are carried out.
- Control activities include performance review, segregation of duties, authorization, physical count, access control, documentation and records, etc.

Risk Assessment

- Identification, evaluation and assessment of the key risk factors affecting the achievement of the Company's objectives are performed regularly.
- Undertake proper actions to manage the risks so identified.

Control Environment

- Channels to communicate the Company's commitment to integrity and high ethical standards to the staff are established.
- Organizational chart and limits of authority are set and communicated to staff concerned.
- Reporting lines in accordance with organizational chart and line of authority are set.

Policies, procedures and practices

- The Board monitors the Group's internal control through GARA which is staffed by six professionals. GARA is responsible for reviewing the major operational, financial, compliance and risk management controls of the Group on a continuous basis. GARA schedules its work in an annual audit plan which is reviewed by the Audit Committee every year. The audit plan is derived from risk assessment basis and is aimed at covering each significant business unit in which the Group involves in day-to-day management within a reasonable period.

- Internal audit reports are submitted to the Audit Committee regularly. Key audit findings are presented in Executive Committee meetings and diligently followed up. Management is responsible for ensuring appropriate actions are taken to rectify any control deficiencies highlighted in the audit reports within a reasonable period. For every half year, GARA reports the status of internal audit findings to the Audit Committee. It will also follow up on the implementation progress if there are any internal control recommendations given by the external auditor.

- GARA also summarizes the legal case registers of the business units and reports them to the Executive Committee on a regular basis.

- Effective risk management facilitates the Group's business development and operation by setting the appropriate risk appetite, maintaining an optimal risk level and most importantly, managing the risks proactively. The Board, through the Audit Committee, oversees the risk management function of the Group. The Group's risk management system and key risks can be found in the "Risk Management" section on pages 47 to 53 of this annual report.

- Upholding high standards of ethics and integrity by all staff is critical to the success of our business. The Company has "*Corporate Policy on Staff Responsibility*" and "*Human Rights Policy*" which provide guidelines and instructions on best management and personal integrity. These policies ensure our business are conducted in accordance with applicable laws and regulations, including those on health and safety at work and environment, equal opportunities, social responsibilities, safeguard of company information and assets, avoidance of conflict of interest, and work against corruption in all forms, including extortion, fraud and bribery. It is the duty of every staff member to comply with the policies. Regular training programmes are provided for staff to raise awareness and foster an ethical culture. These policies are under regular review by the Board and the relevant board committees. Established mechanisms and good communication channels between the staff and management are in place to ensure the compliance of these policies across the Group.

Guidelines on Risk Management & Internal Control Systems

- These guidelines provide guidance and procedures to subsidiaries and corporate departments of the Company for implementing risk management and internal control practices. Management of all subsidiaries is required to submit to GARA the "*Risk Management & Internal Control Compliance Certificate*" ("Certificate") and the "*Risk Management and Internal Control Assessment Checklist*" ("Checklist") half-yearly. The Certificate and the Checklist report the following:

    - the effectiveness and efficiency of operations;
    - reliability of financial reporting;
    - compliance with applicable laws and regulations; and
    - key risks with detailed descriptions, changes in risk level and mitigation actions.

- After consolidation from the subsidiaries and an holistic review of the Group, executive directors of the Company submit a written report on the effectiveness of the Group's risk management and internal control systems to the Audit Committee for review on a half-yearly basis.

- In FY2018, the Board, through the Audit Committee, had conducted a review on the effectiveness of the risk management and internal control systems of the Group. Along with the Group's framework of risk management and internal control, the review covered all material controls, including financial, operational and compliance controls. The Board considered these systems effective and adequate.

Whistleblowing Policy

- This policy is established for staff members to raise concerns, in strict confidence, about possible improprieties in any matters related to the Group, such as misconduct, corruption and bribery. Reported cases will be investigated by GARA in a confidential and timely manner and the investigation report will be submitted to the Executive Committee, the Audit Committee and the Corporate Governance Steering Committee.

Disclosure Policy for Inside Information

- The Company has adopted this policy and established the Disclosure Committee, under the authority delegated by the Executive Committee, to promote consistent disclosure practices. Various internal control measures such as management review, use of project codes and assignment of project coordinators are instituted in the reporting procedures. Furthermore, GARA conducts a review on the compliance of the policy and reports the results to the Audit Committee annually.

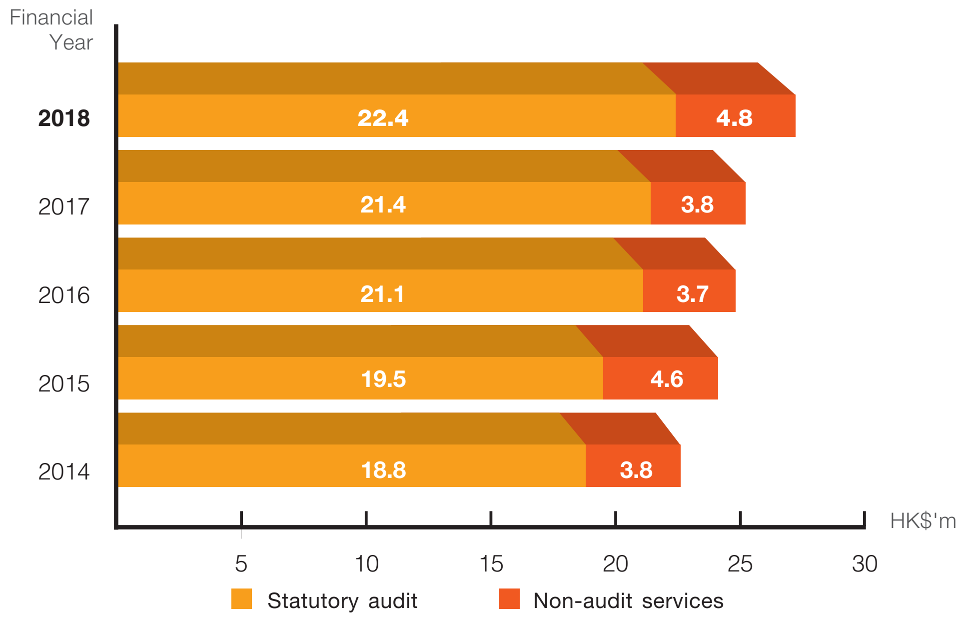
EXTERNAL AUDITOR

- The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditor subject to endorsement by the Board and final approval and authorization by the shareholders of the Company in general meetings.

- PricewaterhouseCoopers, who was first appointed in 2000 and is also the Group's principal auditor, is the existing auditor of the Company. The reporting responsibilities of PricewaterhouseCoopers are stated in the Independent Auditor's Report on pages 109 to 115 of this annual report.

- Total auditors' remuneration for FY2018 in relation to statutory audit work of the Group amounted to HK$24.4 million (2017: HK$22.8 million), of which a sum of HK$22.4 million (2017: HK$21.4 million) was paid to PricewaterhouseCoopers. A sum of HK$4.8 million (2017: HK$3.8 million) was paid to PricewaterhouseCoopers for its non-audit services provided to the Group for FY2018. The remuneration paid to PricewaterhouseCoopers and its affiliated firms for services rendered is illustrated as follows:

Auditor's Remuneration



Note: Non-audit services comprise primarily accounting, tax advisory and other related services.

- A resolution for re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting.

REVIEW OF AUDITED RESULTS

- The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for FY2018.

COMPANY SECRETARY

- The Company Secretary of the Company, who is also an executive director of the Company, is an employee of the Company and reports to the Chairman and the Board. He also acts as secretary of the Audit Committee and the Nomination Committee. He is responsible for providing advice on compliance and corporate governance matters and ensuring the effective conduct of meetings and that proper procedures are followed.

- The Company Secretary has undertaken over 28 hours of professional training during FY2018 for updating his skills and knowledge.

COMMUNICATION WITH SHAREHOLDERS

- The Board recognizes the importance of communication with the Company's shareholders. A "*Shareholders' Communication Policy*" was adopted by the Board for ensuring effective and transparent communication between the Company and its shareholders.

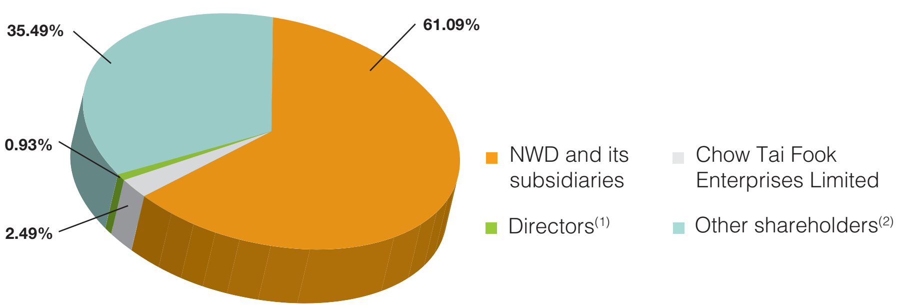
Press conference for FY2018 interim results

- Annual general meeting of the Company provides an opportunity for face-to-face communication between the Board and the shareholders of the Company. Shareholders are welcome to raise any query in relation to the Group's businesses at the annual general meeting.

- Shareholders' enquiries, either received by telephone or by email, are properly attended by the Company Secretarial Department and are addressed to the Executive Committee, if necessary. Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at the Company's head office in Hong Kong.

- Useful information for reference by the Company's shareholders:

Shareholding Structure as at 30 June 2018



Notes:

(1) Including their deemed interests under the Securities and Futures Ordinance.

(2) Including individuals, institutions, corporates and nominees.

Stock Code

- 659 (Listed on the Main Board of the Hong Kong Stock Exchange)

Board Lot

- 1,000 shares

Shareholder Services

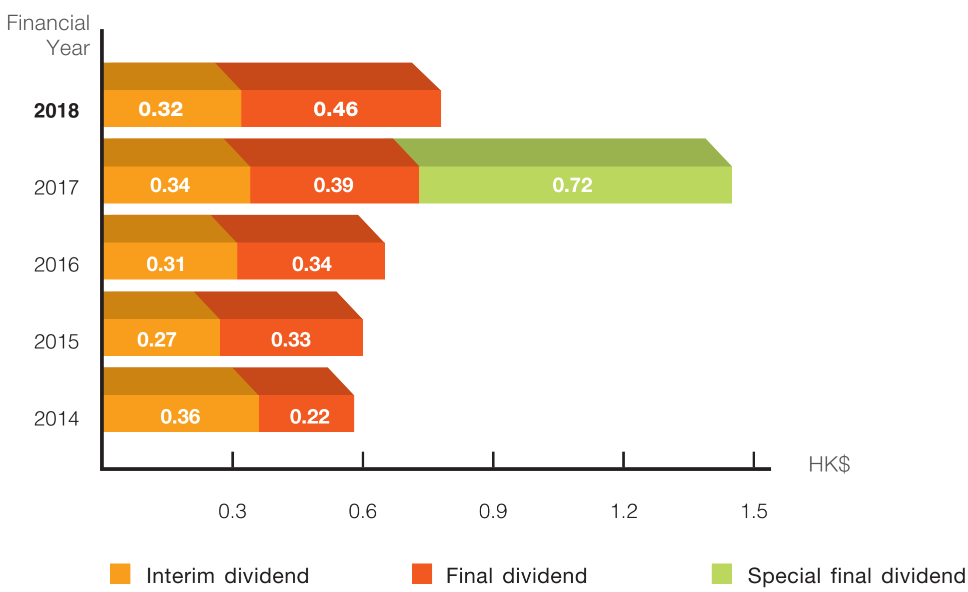
- Any matter in relation to the transfer of shares, change of name or address, or loss of share certificates or dividend cheques, registrations and requests for annual/interim report copies should be addressed to the Company's branch share registrar as follows:

  Tricor Standard Limited
  Level 22, Hopewell Centre
  183 Queen's Road East
  Hong Kong
  Tel: 2980 1333
  Fax: 2810 8185

Dividend Policy

- Subject to the financial performance of the Company, we expect to pay two dividends each financial year. Barring unforeseen special circumstances, the Company intends to maintain a dividend payout ratio at not less than 50%.

Dividend per share



Financial Calendar

Announcement of FY2018 final results	19 September 2018
For determining eligibility to attend and vote at the 2018 annual general meeting of the Company ("2018 AGM"):	
Latest time to lodge transfer documents for registration	4:30 pm on 13 November 2018
Closure of register of members	14 to 19 November 2018 (both days inclusive)
Record date	19 November 2018
2018 AGM date	19 November 2018
For determining entitlement to the proposed final dividend:	
Latest time to lodge transfer documents for registration	4:30 pm on 22 November 2018
Closure of register of members	23 November 2018
Record date	23 November 2018
Final dividend payment date	on or about 11 December 2018

Company Website and Annual Report

- To ensure all shareholders have equal and timely access to important company information, the Company makes extensive use of the Company's website to deliver up-to-date information. Latest information regarding the activities and publications of the Group is included in the Company's website at www.nws.com.hk.

- The Company's annual report is printed in both English and Chinese and is available on the Company's website. Shareholders may at any time change their choice of means of receiving the Company's corporate communications free of charge by notice in writing to the Company's branch share registrar, Tricor Standard Limited.

Shareholders' Rights

- The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Company's bye-laws, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Shareholders who hold not less than one-tenth of the paid up capital of the Company shall have the right, by written requisition to the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

- The procedures for shareholders to put forward proposals at general meetings are stated as follows:

  1. The written requisition must state the purposes of the meeting, and must be signed by all the shareholders concerned and may consist of several documents in like form each signed by one or more shareholders concerned.

  2. The written requisition must be deposited at the Company's registered office in Bermuda as well as the principal place of business in Hong Kong for the attention of the Company Secretary.

  3. The written requisition will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders. Such general meeting shall be held within two months after deposit of such requisition.

  4. If within 21 days of such deposit, the Board fails to proceed to convene such general meeting, the shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

- Details of the abovementioned procedures are also available on the website of the Company. Any vote of shareholders at a general meeting must be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under the Listing Rules.

- Chairman of each of the board committees, or failing the Chairman, any member from the respective committees, must attend the annual general meetings of the Company to address shareholders' queries. External auditor is also invited to attend the Company's annual general meetings and is available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

General Meeting

Meeting held during FY2018 – 2017 AGM

(a) Matters resolved

(i) Receipt of the FY2017 audited financial statements and Reports of the Directors and Auditor

(ii) Declaration of FY2017 final dividend of HK$0.39 per share

(iii) Declaration of FY2017 special final dividend of HK$0.72 per share

(iv) Re-election of Dr Cheng Kar Shun, Henry, Mr Cheng Chi Ming, Brian, Mr Lam Wai Hon, Patrick and Dr Cheng Wai Chee, Christopher as directors and authorization of the Board to fix directors' remuneration

(v) Re-appointment of PricewaterhouseCoopers as the Company's auditor and authorization of the Board to fix the auditor's remuneration

(vi) Granting a general mandate to directors to issue shares not exceeding 20% of the then existing issued share capital of the Company

(vii) Granting a general mandate to directors to repurchase shares not exceeding 10% of the then existing issued share capital of the Company

(viii) Extending the general mandate granted to directors pursuant to the resolution in (vi) above

All resolutions proposed at the 2017 AGM were passed by the Company's shareholders.

(b) Notices

More than 20 clear business days' notice was sent for the 2017 AGM.

(c) Proceedings and attendance

- Voting on each resolution was conducted by way of a poll.
- Poll voting procedure was explained fully to shareholders.
- A separate resolution was proposed by the chairman of the meeting in respect of each separate issue.
- Tricor Standard Limited, the branch share registrar of the Company in Hong Kong, was appointed as scrutineer to monitor and count the poll votes cast at the meeting.
- Chairman or members of the board committees, as well as representative from the Company's external auditor, were available at the 2017 AGM to answer questions from shareholders.

2017 AGM

2018 AGM

The 2018 AGM will be held on 19 November 2018. Details of the meeting are set out in the notice of the 2018 AGM which constitutes part of the circular to shareholders sent together with this annual report. Notice of the 2018 AGM and the proxy form are also available on the Company's website.

INVESTOR RELATIONS

- The Company maintains effective communication with shareholders and an open-dialogue with investors and analysts to ensure transparent, timely and accurate dissemination of information including operating performance and strategic business developments.

- The investor relations team of the Company, which comprises of executive directors and senior management, meets existing and potential shareholders, research analysts and investment managers on a regular basis. During FY2018, the team participated in over 100 investor meetings in Hong Kong and overseas cities including Paris, London, San Francisco, New York, Toronto, Singapore, Tokyo, Melbourne and Sydney.

- An analyst briefing session is held as soon as practicable following results announcement to promote direct interaction between analysts and the management team. The positive recommendations from reputable financial research institutions including Citigroup, Daiwa and Nomura International during FY2018 bear testimony to the Company's devotion in fostering transparency and accountability.

- The Company utilizes multiple communication channels such as results announcements and presentations, press releases, annual and interim reports, corporate website and e-news notifications to ensure fair and equal access to material information.

CONSTITUTIONAL DOCUMENTS

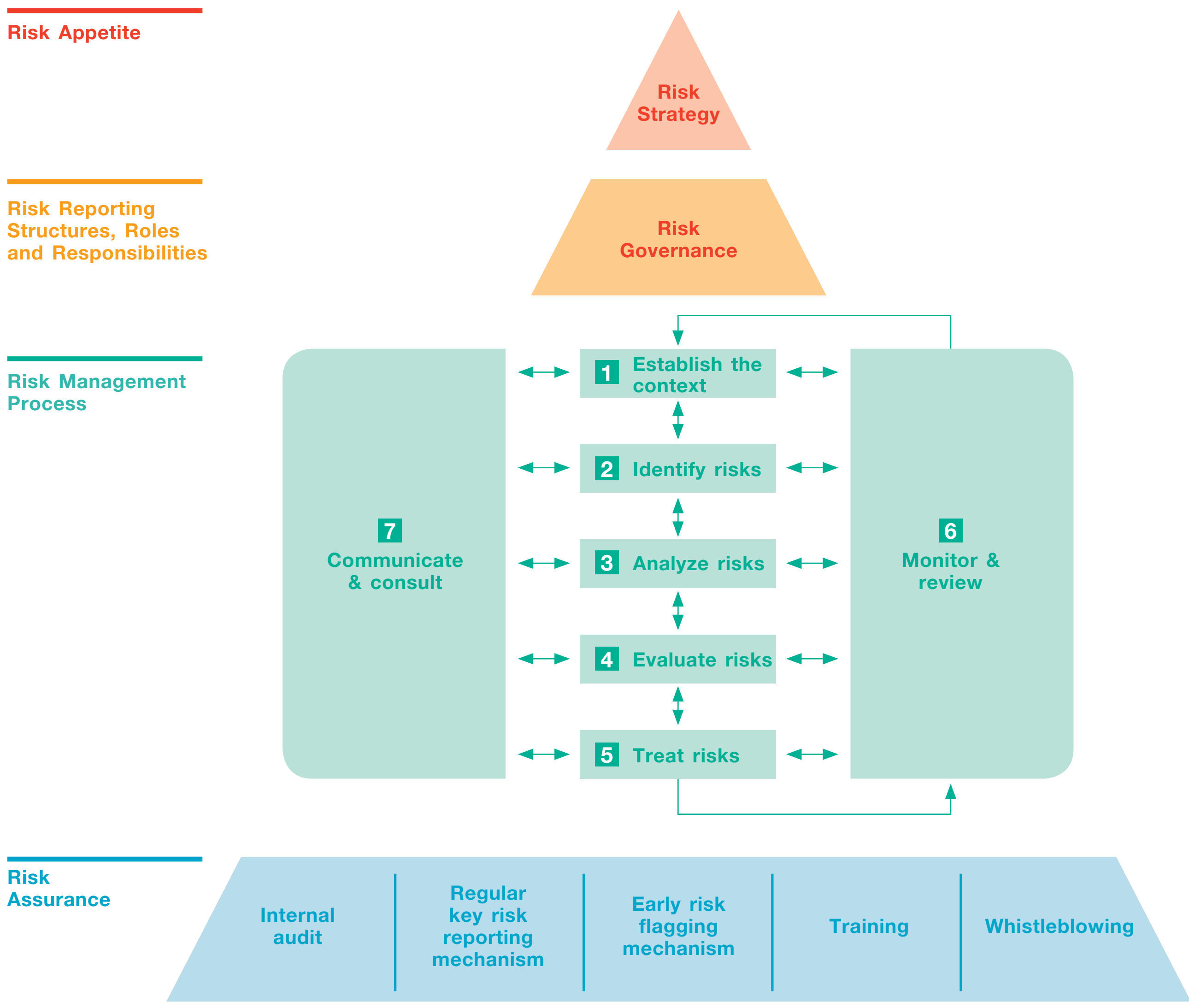
- The Company has not made any change to its constitutional documents during FY2018.

- A consolidated version of the Company's constitutional documents is available on the website of each of the Hong Kong Stock Exchange and the Company.

Risk Management

Risk management is an essential part of good corporate governance. The management of the Group proactively manages the risks by establishing an effective risk management framework, setting the appropriate risk appetite and maintaining an optimal risk level.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management system. The Audit Committee supports the Board in monitoring the Group's risk exposures, the design and operating effectiveness of the underlying risk management system.



RISK MANAGEMENT APPROACH

NWS Holdings adopts both top-down and bottom-up approaches in relation to risk management. It involves collating and appraising bottom-up inputs from risk owners of all NWS Holdings corporate departments and business units of the Group, with refinements and adjustments through top-down inputs from the Board in an iterative manner.

The risk management process is integrated into our daily operations and is an ongoing process involving all parts of the Group from the Board down to each individual staff. The risk owners and risk oversight parties are clearly defined across the Group. They are required to identify, analyze and evaluate the risks facing their businesses with proper management execution to avoid, reduce or transfer those risks accordingly.

We have the *"Guidelines on Risk Management & Internal Control Systems"* for enhancing the effective implementation of the risk management and internal control exercises within the Group. To ensure that all major risks are properly identified, evaluated and monitored for achieving a sound and effective risk management system, risk owners across the Group are required to report the risk review exercises to the management by submitting the Checklist half-yearly. They need to report the effectiveness of the risk management and internal control systems and set out details of the key risks including the risk description, change of risk level, current risk level and the corresponding key risk control or mitigation action in the *"Key Risks Reporting Table"*.

The overall business risks of the Group are also reviewed and assessed regularly. Executive directors of the Company would also submit a written report on the effectiveness of the Group's risk management and internal control systems together with the Group's *"Key Risks Reporting Table"* to the Audit Committee for review on a half-yearly basis.

Besides, an early risk flagging mechanism is established which enables the Group to proactively identify and assess emerging risks and broad areas of changes, emanating from both internal and external factors, and act on them in a timely manner. Risk owners have to flag and report immediately to the corresponding risk oversight parties when a potential risk is perceived and significant impact is expected in any business areas.

The Board has put in place effective risk management and internal control systems which will enable the Group to respond appropriately to significant business, operational, financial, compliance and other risks in achieving its objectives. The Group strives to continually improve its risk management framework in order to keep pace with the dynamic business environment.

RISK FACTORS

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial condition, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Global economy

The Group is exposed to the development of the global economy as well as the industries and geographical markets in which it operates. As a result, the Group's financial condition and results of operations may be influenced by the general state of the global economy or the general state of a specific market or economy. Any significant decrease in the level of economic growth in the global or regional or a specific economy and any form of protectionism such as trade war could adversely affect the Group's financial condition or results of operations. To address the uncertainties in the global economy, the Group strives for efficiency and cost effectiveness in all aspects of its operations and continues to seek opportunities in growing businesses and market segments.

Currency fluctuations

The results of the Group are presented in Hong Kong dollars, but its various subsidiaries, associated companies and joint ventures may receive revenue and incur expenses in other currencies such as RMB, the major currency denominated in the infrastructure projects in Mainland China. Any currency fluctuations on translation of the accounts of these subsidiaries, associated companies and joint ventures and also on the repatriation of earnings, equity investments and loans may have an impact on the Group's financial condition and results of operations. To mitigate the currency risks, the Group closely monitors currency movements and adopts various measures such as the use of foreign exchange forward contracts when necessary.

Interest rate fluctuations

The Group's finance costs and interest expenses fluctuate with changes in interest rates. The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group may be affected by changes in the prevailing interest rate of the global credit market. Any increase in interest rate in connection with the currencies the Group borrows will increase the Group's finance costs and may adversely affect the Group's businesses, financial condition, results of operations and growth prospects. The treasury function of the Group monitors the trend and fluctuations of the interest rate and enters into interest rate swaps as part of the mitigation measures. The financing strategy and debt structure of the Group are regularly reviewed by the management.

Impact on changes of government policies and legislation, concession, franchise and license terms

The Group operates and manages certain concession and franchise businesses such as roads, environmental projects, public transport and facilities management. There can be no assurance that these concessions, franchises and license agreements can be renewed or, if renewed, that the terms of such concessions, franchises and license agreements will not be less favourable than those currently obtained by the Group. Also, any changes in government policies and legislations such as tax regulations and concession requirements, and the implementation of new schemes such as Municipal Solid Waste Charging Scheme may affect the Group's financial condition and results of operations. The Group closely monitors any changes in government policies and legislations, concession, franchise and license terms and seeks opportunities in new concessions, franchises and license agreements.

Social and political unrest, terrorist attack, natural disasters and cyber security

Social and political unrest, and terrorist attacks occurred in many places around the world in recent years. There is no assurance that there will not be social and political unrest, or terrorist attack in places where the Group operates, and if these events take place, they may have a negative impact on the Group's financial condition and results of operations. Natural disasters and extreme weather events caused by global climate change are not uncommon. The occurrence of these events may disrupt the Group's business and adversely affect the Group's financial condition and results of operations.

With the advent of information technology and its increased application, the frequency and intensity of cyber attacks are on the rise. The Group's critical information assets are exposed to risk of damage or unauthorized access in the digital world. Any system breakdown or breach in security may have adverse impact on the integrity, accuracy and confidentiality of the Group's data and information. The Group has established comprehensive information technology policy and procedures to mitigate the cyber security risks. Close monitoring on the risk level, regular reviews on the policy and procedures and adoption of advance defensive technology are implemented to cope with the fast changing environment. An annual penetration test is carried out by external agency to mitigate the risk of cyber attacks.

Tariff and service fee determination

Tariffs and fees charged by the Group for its toll roads, environmental projects and rail container terminal network are set by the various government authorities. Factors that these government authorities take into account when considering rate changes may include construction costs, prospective recovery periods of investment, loan repayment terms, inflation rates, operating and maintenance costs, affordability and usage. Reductions in or cessation of tariffs and fees charged by the Group's projects may adversely affect the Group's operating results. To mitigate these risks, the Group maintains close communication with the government authorities and monitors any changes in the relevant policies.

MAJOR RISK FACTORS ON DIFFERENT BUSINESS SEGMENTS

Infrastructure Division

Roads

The Group invests in and operates a wide range of roads and related projects in Mainland China. Revenue from the Group's toll roads is principally dependent upon the number and types of vehicles using such roads and their applicable toll regimes. Traffic volume is directly and indirectly affected by a number of factors, such as the availability, quality, proximity and toll rate differentials of alternative roads, competition from new roads and other means of transport, fall-behind-schedule development in the peripheral areas such as the opening of connecting interchanges, fuel prices and suspension of operation due to material accidents. The Group's operating results may also be affected by capital expenditure requirements for ongoing repair, maintenance, renewal and expansion of the toll roads. In view of these risks, the Group has established effective internal control systems on toll collection, repair, maintenance and capital expenditure investment. By making use of advanced technology, the Group is able to optimize the traffic capacity of the roads. Although the changes in government policies, such as the review of toll rates by the Mainland China government, may create uncertainties, the Group strives to maintain good communication with the government authorities and explore opportunities provided by the national development strategies such as Guangdong-Hong Kong-Macao Greater Bay Area.

Environment

The Group engages in environmental business in Greater China by providing water and wastewater treatment, waste treatment, renewable resource recycling and utilization, environmental remediation as well as related design, engineering and procurement services. These projects are subject to extensive and stringent environmental protection laws and regulations, violations of which may result in fines and penalties such as suspension of operation. The Group's reputation may be damaged if it fails to meet public expectations for water safety and compliance with environmental legislations. To address these risks, the Group has adopted high environmental protection and safety standards and keeps track of the latest environmental requirements.

The operation of the Group's power plants in Mainland China may be adversely affected by many factors, such as reduced demand in electricity, changes in fuel prices, supply and quality, downtimes caused by system upgrades and overhaul works and the impact of on-grid renewable energy. Measures such as close monitoring of fuel prices and regular updates of environmental requirements are in place to mitigate these operational risks.

Logistics

The Group engages in the operation of a logistics centre, container terminal ports and a pivotal rail container terminal network. The operation of these logistics facilities in Mainland China and Hong Kong may be adversely affected by many factors, such as the breakdown of shore cranes and other machinery, inclement weather, the lack of adjoining land for expansion and the general downturn of the logistics sector. In addition, these facilities outsource various internal operations and trucking services to contractors. The failure or inefficient operations of such contractors, labour shortages and labour disputes could disrupt operation. The performance of the outsourced contractors is closely monitored to ensure their service quality. Cargo handling charges, service fees and rental incomes received by the logistics centre and facilities may be adversely affected by many factors, such as increase in warehouse supply, availability of alternative facilities, slowdown in the domestic and international trade and changes in government policies. The Group focuses on the sustainability of the logistics business through process optimization and innovation. Comprehensive risk management strategies are formulated for its logistics management. Detailed policies and extensive measures are implemented to mitigate the operational risks of the logistics business. The Group strives to maintain good communication with the government authorities and explore opportunities provided by the national development strategies such as the Belt and Road Initiative.

Similarly, container terminals' charges, tariffs and throughputs are affected by many competitive and trade factors including rate competitiveness, service levels, availability of competing terminals and trade trends. Container terminals tariffs are subject to government authorities' antitrust investigation which may cause tariff adjustments. The Group closely monitors these factors and adopts responsive operational and marketing initiatives to counter any adverse impacts that may occur.

Aviation

The Group's commercial aircraft leasing business has seen increasing competition in the sale and lease back market of commercial aircraft which has consequently reduced profit margins for leasing companies, leading to higher aircraft purchase values, and therefore higher exposure for leasing companies. The business model relies on the airline customers to honour their payments and other obligations under their existing or future leases. The business may be adversely affected by factors such as disruptions in the aviation industry, global economic downturn, fluctuation of financial market and oil prices, as well as geopolitical uncertainties. The aircraft asset value may be affected by various factors such as market demand fluctuations and changes in technology. The Group maintains a globally diversified aircraft leasing portfolio with different lessees and operating countries. The counterparty risk is reduced by carefully identifying and engaging customers with good track records and closely monitoring their credit status. The Group also mitigates the interest rate exposure by entering into interest rate swap agreements and leveraging with fixed rate debts. Loan maturity and lease expiries are also closely monitored to ensure these potential risk factors are appropriately spread out or otherwise mitigated. The Group is able to capture the market demand by maintaining a young, fuel-efficient and in-demand fleet.

Services Division

Facilities Management

The Group's facilities management of Hong Kong Convention and Exhibition Centre may be adversely affected by factors such as space constraints, fierce competition from other exhibition venues in Hong Kong, Shanghai, Shenzhen and other major Asian cities, continuous increase in operating costs, inadequate supply of skilled service staff and the changing needs for trade shows and exhibitions. The Group continues to explore new exhibition themes and attract international exhibitions and conferences to Hong Kong during off peak seasons. A wide range of effective cost control initiatives are established to reduce the risk of rising cost of operation.

The Group's duty free business may be adversely affected by changes in government policies relating to domestic and cross-border duties on liquor and tobacco. Revenue of the Group's duty free business is dependent upon the volume and spending power of cross border tourists and travellers, any significant changes in travel policies may affect the footfall in the retail outlets and cause fluctuations in the Group's revenue. Various measures are taken by the management to mitigate the risks such as expanding the range of merchandise in the duty free shops to boost sales.

The Group's healthcare business, especially the Gleneagles Hong Kong Hospital ("GHK Hospital"), is subject to extensive government regulations and media and public scrutiny. Any failure to comply with laws and regulations and safety/care requirements could adversely affect the Group's business and results, and tarnish the Group's corporate image. Additionally, doctors and other medical professionals, together with the Group, could become the subject of claims, complaints and regulatory investigations arising from service failures or medical disputes.

As a hospital offering many specialties, GHK Hospital faces and closely monitors its clinical and safety risks. To ensure proper competency and experience of its doctors, GHK Hospital has applied a strict accreditation system through its medical board. The medical board is chaired by and mainly composed of appointees from the Li Ka Shing Faculty of Medicine of The University of Hong Kong, GHK Hospital's clinical partner. There are regular competency assessments and ongoing training for medical and nursing staff. A clinical governance committee is set up to regularly review the clinical quality risks and mitigation measures. Various committees and task forces such as Medication Safety Committee and Patient Fall Prevention Task Force are established to specifically deal with the major clinical risks identified. The Group's healthcare business is subject to competition from other healthcare services providers for qualified medical professionals. Continuous and focused recruitment, together with retention and training/development programmes are in place to ensure the availability of sufficient qualified and skilled professionals needed for the delivery of high standard clinical services.

Construction & Transport

The Group's government projects are affected by government investment plans and its ability to secure funding approvals from the legislature. Its private sector projects may be adversely affected by the downturn and slowdown in any of the industries served by the Group's construction business, leading to a decrease in potential construction projects as well as project delays or cancellations. The general economic environment such as mortgage and interest rates, inflations, demographic trends, rivalry among competitors and subcontractors, supply of skilled labour and material prices may also influence the performance and growth of the Group's construction business. The recent concern of the public about the quality of certain infrastructure projects carried out by other contractors may cause negative impacts on the construction industry as a whole, possibly resulting in higher cost and slower progress. With the increasing concern over the number of fatal accidents and the accident rate of the construction industry, the Labour Department is actively reviewing the penalty levels of occupation safety and health legislation with a view to strengthening its deterrent effect, including studying whether it is appropriate to increase the maximum fines by pegging them to the financial means of those convicted. The Group adopts mitigating measures on construction market trend monitoring, cost control and quality improvement, project selection and diversification, and employer performance. Regular training on health and safety are also implemented to mitigate these construction risks.

The Group's transport business could be affected by fluctuations in fuel costs, elasticity of fares, competition from other means of transport, labour shortages, strikes and collective actions of labour unions and serious traffic accidents. Given Hong Kong's heavy reliance on public transport, any fare increase proposals to offset rising overheads and costs would invariably attract strong public objections and negative publicity. Besides maintaining good communication with stakeholders, the Group also adopts prudent strategy on fuel cost hedging and continues to develop new transport routes to offset the impact of railway expansion. Remuneration packages are reviewed regularly to tackle labour shortages. The Group continues to provide quality services to the general public by putting the safety of passengers as its first priority.

Strategic Investments

The Group invests in the stock and capital markets through investments in shares, private equities and pre-IPO financing of companies in a variety of businesses and industries. These investments are affected by factors particular to the specific industries as well as external and global factors, including but not limited to the performance of global financial markets which are generally sensitive to economic conditions, investment sentiment and fluctuations in interest rates. In view of these risks, the Group adopts careful and pragmatic investment strategies and maintains a balanced and diversified portfolio to manage the risks effectively.

Sustainability

Over **HK$ 40 million**

contributed to charitable causes through
NWS Holdings Charities Foundation since 2006

Approximately

16,000 hours of

community services generated by corporate volunteers in FY2018

Over **1,400**

environmentally-friendly Euro 5 or above buses are in service

Sustainability

At NWS Holdings, **sustainability** is an **indispensable part** of our corporate culture.

Sustainability guides our decision-making and daily operations to ensure that we deliver lasting value and growth, both for our business and the communities in which we live and work.

INTEGRATED MANAGEMENT APPROACH

The Group has a well-established framework of policies, dedicated committees and management systems to guide sustainable development based on integrity, equity and transparency. Our clear, integrated management structure is supported by regular reviews of policies and processes, staff training and communications.

Ultimate accountability for sustainability sits with our Board-level Sustainability Committee, chaired by our Chief Executive Officer. It sets the overarching strategy for sustainability and oversees its progress across the Group. Under the purview of the Sustainability Committee, the Environmental Management Committee acts as the bridge between Corporate Office and each subsidiary, driving green initiatives throughout our operations. The Sports and Recreation Committee oversees activities for staff, while the NWS Holdings Charities Foundation ("Charities Foundation") and NWS Volunteer Alliance manage dedicated funding for charitable causes and development of corporate volunteering respectively.

SUSTAINABILITY GOVERNANCE STRUCTURE

SUSTAINABILITY COMMITTEE

NWS Volunteer Alliance

Around 1,700 active members serving people in need with their diverse skills, clocking over 10,000 hours of community service annually

NWS Holdings Charities Foundation

Four areas of focus:
- Community Welfare
- Education
- Environmental Protection
- Healthcare

Environmental Management Committee

Drives major subsidiaries to optimize their environmental performance, pursue BEAM Plus and LEED Green Building certification, ISO accreditation, and reduce emissions, water use and solid waste

Sports and Recreation Committee

Oversees activities to promote work-life balance and foster a sense of belonging among staff members

In January 2017, the Sustainability Committee adopted a new, all-encompassing Sustainability Policy, underpinning the Group's efforts to integrate sustainability into every aspect of our business. Aligning with the Group's vision, mission and core values, and referencing the principles of United Nations ("UN") Global Compact, the policy sets out our commitments under four core pillars of Business Operations, Human Capital, Community Contribution, and Environmental Responsibility, and guides the development of approaches and practices of our subsidiaries and business units.

The Group also has long-standing policies that detail our expectations for the ethical conduct of our staff, prevention of bribery and discrimination, whistleblowing, human rights, and health and safety. Our Corporate Policy on Staff Responsibilities details how staff should regard ethical issues, and informs their dealings with business partners. Our Human Rights Policy, which aligns with the UN Global Compact, highlights our respect for the fundamental rights of our employees. Our corporate governance and risk management policies can be found in the Corporate Governance Report and Risk Management sections of this Annual Report, on page 23 to 53, and on our corporate website http://www.nws.com.hk.

Scan the QR code to read the full version of NWS Holdings Sustainability Policy

Sustainability

In FY2018, we began mapping our key initiatives to the UN's Sustainable Development Goals ("SDGs") to ensure our efforts align with the global roadmap for sustainable development. We identified six of the 17 SDGs – those on which we believe the Group can have greatest impact. We therefore aim to align our longer-term objectives with the following goals:

Goal 6
Clean water and sanitation

Goal 7
Affordable and clean energy

Goal 8
Decent work and economic growth

Goal 11
Sustainable cities and communities

Goal 12
Responsible consumption and production

Goal 13
Climate Action

Developing staff capability is vital to our pursuit of a more sustainable business. To keep our employees informed on the latest in sustainability, the Group provides a range of training activities. For example, our annual Sustainability Seminar in FY2018 focused on "Sustaining Growth in the Age of Digitization", with prominent business leaders sharing their views on the opportunities and new business models brought by advancing technologies. About 300 managerial staff from across the Group took part, and the discussion was streamed online to reach employees who could not be there.

Hang Seng Corporate Sustainability Index Series Member 2018-2019

To ensure we constantly improve, we track our progress and benchmark our performance against best practices and industry leaders. The Group is honoured to have been selected as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index for the eighth year running and maintained its overall AA rating in the Index's review results announced in August 2018.

In support of the Hong Kong Smart City Blueprint, which also covers the Government's long-term action in combating climate change outlined in Hong Kong's Climate Action Plan 2030+, the Group is taking steps to further reduce emissions, water consumption, and enhance waste management. We are in the process of setting targets against which we can track our progress and accelerate change towards a low-carbon economy.

Further details of the specific initiatives that contribute to the SDGs can be found in our standalone Sustainability Report, which will be available by December 2018 on our corporate website http://www.nws.com.hk.

The following sections provide an overview of the Group's performance and progress* on key aspects of sustainability in FY2018. To learn more, please read the full Sustainability Report.

* The reporting entities covered in the overview are: Corporate Office of NWS Holdings, Hong Kong Convention and Exhibition Centre (Management) Limited ("HML"), Free Duty, Hip Hing Construction Group ("Hip Hing"), New World Construction Company Limited ("NWCON"), New World First Bus Services Limited and Citybus Limited ("NWFB and Citybus"), New World First Ferry Services Limited ("NWFF"), and Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.

HUMAN CAPITAL

Our subsidiaries operate in diverse sectors and within competitive and rapidly-changing business environments. To build and maintain committed and innovative workforce, we emphasize staff training and development, competitive remuneration and benefits, a healthy work-life balance, diversity and equality, and respect for human rights. Across our businesses, we provide safe and inclusive workplaces in which our employees are motivated to learn, grow and advance in their careers.

FAIR AND EQUITABLE WORK ENVIRONMENT

We respect and protect the fundamental rights of our people, and aim to secure a fair and equitable workplace for all, regardless of age, gender, ethnicity and other aspects of diversity. The Group's Corporate Policy on Staff Responsibilities provides detailed guidelines and instructions on areas including compensation and dismissal, equal opportunities and diversity, health and safety at work, and the environment. Our Human Rights Policy is in full compliance with Hong Kong laws. It stipulates our clear commitments in four areas: human rights, labour, environment and anti-corruption, alongside the whistleblowing mechanism.

DEVELOPING TALENT

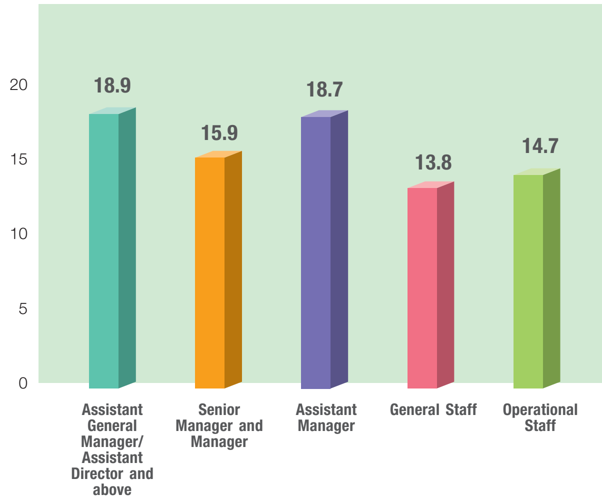
In today's competitive market, it is essential to develop the capabilities of our employees to support business development. Corporate Office staff are provided with a tailor-made career advancement plan and comprehensive training programmes, as well as guidance from assigned mentors. Each employee may apply for examination leave and education and membership fee subsidies, to encourage them to pursue professional development and life-long learning. Similarly, HML employees receive a wide range of in-house and external training, including monthly and yearly refresher courses on topics such as safety awareness and ISO training. New joiners also receive support from their mentors. During the reporting period, average training hours of our reporting entities is 14.8 hours per employee.

HEALTH AND SAFETY

Occupational Health and Safety ("OHS") is of paramount importance to the Group. We have established stringent procedures and dedicated management committees to reinforce health and safety, particularly for our subsidiaries where OHS related risks are high. Our health and safety management systems follow internationally-recognized standards such as OHSAS 18001, and are in full compliance with local legislation and codes of practice. On our construction sites, we go beyond statutory compliance, establishing joint management-worker taskforces to train, monitor and review on-site health and safety processes. Feedback is sought from employees at all levels during regular Health and Safety Committee meetings.

During the reporting period, high-profile bus accidents in Hong Kong have heightened public concern over bus safety and the working hours of bus captains. Following the Transport Department's revisions of bus operational guidelines in February 2018, NWFB and Citybus announced the introduction of new measures including phased reduction of working hours per shift, and more rest facilities. Salary package for frontline staff was also enhanced.

AVERAGE TRAINING HOURS BY EMPLOYEE CATEGORY IN FY2018



GROUP APPRENTICESHIP PROGRAMME

We provide young people with a variety of apprenticeship opportunities across our operations. Since 1993, talented young people have taken up apprenticeships in functions such as chef, marine management, bus engineering, construction and human resources. In FY2018, we recruited 152 young people for apprenticeships, giving them valuable first-hand experience of real workplaces to help them discover their career passion and potential.

"Despite being afraid of heights, I managed to work on the rooftop without worrying as I knew we had adequate safety measures and protective equipment. The company also offers a wide range of internal training and sponsors us to take work-related external courses. This allows less-experienced staff, like me, to quickly gain new skills, and ensures our projects proceed smoothly and safely."

Ginny Kong
Foreman Apprentice at Hip Hing

Over 8,000 local staff and their family members enjoy a trip to Hong Kong Disneyland for quality family time.

A COLLABORATIVE CULTURE

Enhancing the well-being of our people is crucial to maintaining a healthy and productive workforce. We have family-friendly policies in place across the Group, and arrange fun activities for employees and their families, including the NWS Adventure Day that took place at Hong Kong Disneyland in September 2017. New initiatives introduced in FY2018 included the Steps Challenge scheme, which incentivizes colleagues at our Corporate Office with sports vouchers should they achieve the target number of steps on a quarterly and yearly basis to improve their fitness.

We strive to create a culture of collaboration, so that ideas are shared and communication enhanced between colleagues. We organized sporting activities and excursions as part of our corporate team-building programme. To enhance communication between our businesses, Hip Hing, NWFB and Citybus updated their intranet in FY2018, adding new functions that enable staff to more easily connect and share their knowledge.

Our efforts to promote employee wellness helped us earn several industry accolades in the reporting year. These include: Best Employer Award 2017 at the sixth China Finance Summit in Beijing, Best Employer Brand Award and Dream Employer of the Year at the Asia's Best Employer Brand Awards 2017, organized by the World HRD Congress.

VALUE CHAIN

The breadth of our operations means the Group impacts a broad range of stakeholders. Through active engagement and clear communication, we work closely with our business partners to promote progressive, sustainable practices. Ongoing improvements to the quality of our products and services create value for our customers, meeting their evolving needs. We encourage our business partners to join us in helping make Hong Kong a sustainable, smart city.

MANAGING OUR SUPPLIERS

We remain committed to influencing our supply chain to promote strong ethical, social and environmental performance. We ensure that our suppliers meet the high standards detailed in the Group's Sustainability Policy and the Supplier Code of Conduct developed by our parent company.

Given the relatively high-risk nature of the construction sector in terms of social and environmental impacts, our construction businesses have established extra practices, regulations and penalties to mitigate the risk of non-compliance from suppliers. Our construction businesses require suppliers and subcontractors to complete a self-assessment questionnaire, which sets out their track record of regulatory compliance, product and service quality, environmental management, and health and safety performance as part of the tendering process. With existing business partners, we promote knowledge exchange through training, meetings and sharing sessions that help to build trust and identify opportunities for process enhancement and risk reduction.

Hip Hing's cross-disciplinary team identify and assess risk tasks to ensure a safe workplace for all frontline staff and subcontracted workers.

STRIVING FOR SERVICE EXCELLENCE

We continuously enhance our services to meet customers' evolving needs and exceed their expectations. Our customer-facing subsidiaries, HML, NWFB and Citybus, and NWFF regularly obtain feedback from customers through meetings and surveys. In the past, we have improved accessibility and environmental protection measures in response to customers' valuable suggestions. As part of the on-going effort, HML proactively seeks customers' preferences on environmental measures such as the donation of unconsumed food to charitable organizations, separation of waste for reuse and recycling, and selection of sustainable seafood in catering. This helps HML better respond to customers' increasing expectations regarding the reduction of their impact on the environment. Installation of a new Wi-Fi system is also underway and expected to be completed by the end of 2018, allowing 660 new Wi-Fi access points to simultaneously support 20,000 mobile devices. The system also supports location-based technology, allowing event organizers to better monitor crowd flows and understand customer behaviour which in the end enhance guest experience.

NWFB and Citybus enhanced their mobile application with new features that give passengers real-time information on bus arrivals and estimated journey times. Passengers can also use location-based technology to determine the best routes to their destinations based on their preferences, such as lowest fare or shortest walking distance. Arrival times for all NWFB and Citybus routes have been made available on the application since the third quarter of 2018. Similarly, NWFF's updated mobile application has new features including instant seating status updates, and enables passengers to buy monthly tickets online.

(Left) *HML is installing a new Wi-Fi system which will support 20,000 mobile devices by the end of 2018.*

(Right) *Passengers can access to real-time information on seating status and purchase monthly tickets with the new version of NWFF mobile application.*

COMMUNITY CARE

We aim to generate lasting value for the communities we serve through a three-pronged approach: partnering with non-profit organizations to deliver strategic community programmes; empowering our corporate volunteers to serve the community; and contributing financial and in-kind support to charitable causes through the Group's charity arm.

CREATING SOCIAL VALUE

Our relationship with community partners is focused on creating a lasting, positive impact on society. In FY2018, 58 non-profit organizations received donations or in-kind support from our Charities Foundation, which has contributed over HK$40 million to support charitable causes since 2006.

Volunteering is central to the caring culture of the Group. The NWS Volunteer Alliance consists of employees and their families, who dedicate their time and skills towards enhancing the lives of underprivileged groups, including the elderly, single-parent families, at-risk youth, people recovering from mental illness, and those with intellectual disabilities. Volunteering opportunities organized by the Group and community partners leverage our volunteers' talents in personal care services, performing arts, and handicrafts. In FY2018, our team of volunteers contributed approximately 16,000 hours to 240 community and volunteering welfare activities.

The Charities Foundation donated HK$10 million to Hong Kong Shue Yan University ("HKSYU") to fund the refurbishment of its iconic Academic Building, improving the learning environment for students and supporting HKSYU's mission to nurture the next generation of leaders.

"I'm grateful for NWS Holdings' volunteers and Hong Kong Sheng Kung Hui Welfare Council for offering me with a safety chair and bathroom bars. I really like the safety chair as it is more stable and secure than normal chair, which gives my family members a sense of comfort."

Wong In Yiu
Beneficiary of Count on You – Safe Home for Seniors programme

COUNT ON YOU – SAFE HOME FOR SENIORS PROGRAMME

An ageing population is putting pressure on Hong Kong's public healthcare system, and there is a growing need to enhance community care services. In FY2018, at our annual NWS Caring Day, the Group launched the Count on You - Safe Home for Seniors programme. In partnership with the Hong Kong Sheng Kung Hui Welfare Council, the programme helps vulnerable, elderly people in Wong Tai Sin district with wheelchair maintenance and small-scale home modifications. The programme enables retired craftsmen and corporate volunteers to help make the homes of elderly residents safer and more comfortable. It also features workshops and activities to promote home safety and inter-generational interaction.

Recognizing the Group's commitment to build powerful partnerships across sectors and cultivate a strong volunteer team to achieve social good, we won gold awards in both the Enterprise and Volunteer Team categories at the Eighth Hong Kong Outstanding Corporate Citizenship Awards.

INVESTING IN FUTURE GENERATIONS

We have a long tradition of helping young people to unleash their full potential. The NWS Career Navigator for Youth programme, set up in 2016, helps young people pursue their career aspirations and enhance their self-confidence. It provides career-planning support, and access to mentors, to prepare them for the transition from school to employment. Together with the Association of Heads of Secondary Schools of Tsuen Wan, Kwai Chung and Tsing Yi District, the Hong Kong Council of Social Service, Po Leung Kuk, Hong Kong Young Women's Christian Association and Hong Kong Playground Association, we have engaged 400 young people and 100 teachers in the first phase of the programme. We are proud that this programme garnered local and regional accolades, including the Asia Responsible Enterprise Awards 2018 (Social Empowerment category) organized by Enterprise Asia.

RUNNING FOR A GREENER FUTURE

For a decade, the Group has supported geological conservation through its partnership with the Association for Geoconservation, Hong Kong. The NWS Hong Kong Geo Wonders Hike initiative, which includes the popular Young Ambassadors for Geoconservation Training Programme and the NWS Geo Hero Run, has involved over 30,000 members of the public since 2008.

The third NWS Geo Hero Run, held in December 2017, set an example in plastic and waste-reduction by engaging participants and partners.

ENVIRONMENTAL PERFORMANCE

We endeavour to protect natural resources and closely monitor the environmental impacts of our operations. Regular reviews of the Group's environmental performance metrics enable us to identify areas for improvement and manage environmental risks. Through new technologies and the adoption of international management standards and best practices, we are committed to reducing emission levels, minimizing waste and improving our environmental performance.

ENVIRONMENTAL MANAGEMENT

The Group-wide Environmental Management Committee oversees the development and implementation of green strategies, and guides environmental progress at operational level. The Committee also tracks environmental performance outlined in our Sustainability Policy, including environmental management in line with international standards, sustainable use of resources, and compliance with environmental laws and regulations.

In FY2018, Hip Hing and NWCON had a total of 46 active sites certified with ISO 14001 Environmental Management System and ISO 50001 Energy Management System. HKCEC was the first venue in Hong Kong to attain the ISO 20121 Event Sustainability Management System certification.

EMISSIONS REDUCTION AND WASTE MANAGEMENT

Electricity and fuel consumption is a significant source of greenhouse gas emissions, and we have introduced energy-efficient equipment and installations across our Group to reduce these. Each subsidiary is required to develop its own energy-reduction plans, aligned with the Group's overall environmental goals. NWFB and Citybus, for example, continue to invest in more fuel-efficient vehicles. In FY2018, 10 low-emission Euro 6 buses were commissioned, which means that nearly 90% of our bus fleet meet Euro 5 emission standard or above.

Over 1,400 buses meet Euro 5 emission standard or above are in service, representing nearly 90% of our entire bus fleet.

The bulk of our waste is generated by our construction businesses. Hip Hing and NWCON have adopted the Engineered Waste Management Plan, and BEAM Plus and LEED Building standards, to minimize waste. On-site training is conducted to ensure workers follow these procedures. In FY2018, over 860,000 tonnes of our construction and demolition waste was diverted from landfill, and sent to public filling facilities for reuse in reclamation and site-formation projects.

RESPONSIBLE CONSUMPTION

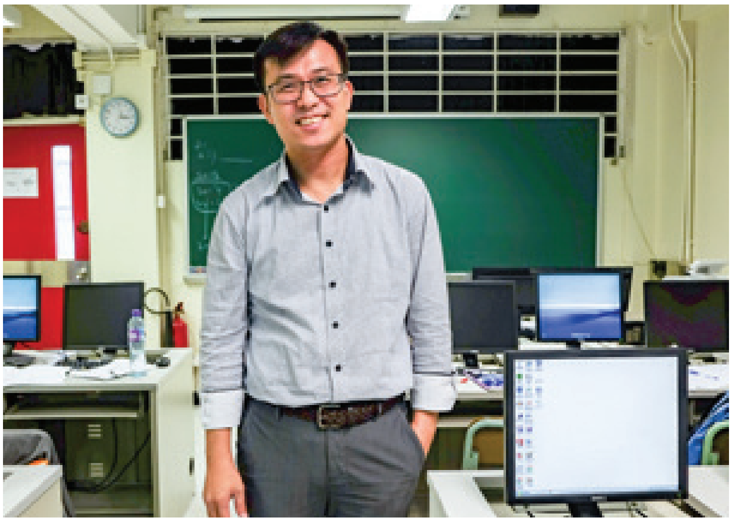
Across our operations, sustainability is a key consideration when we are procuring products and services. As part of our effort to reduce paper consumption, NWFB and Citybus introduced an electronic system for engineering staff to go paperless when updating bus maintenance records. We have a water recycling system in our vehicle washing equipment so that 70% of water can be reused. Our offices and managed premises are fitted with recycling infrastructure, and we run programmes to encourage our staff and customers to separate waste for recycling.

HML continues to lead sustainable practices in the event industry through HKCEC's LoveGreen Meeting Package. By engaging exhibitors, event organisers and local charities through events we run on food waste separation, waste reduction and recycling. HML was among the first companies in Hong Kong to deliver food waste to the Government's Organic Resources Recovery Centre Phase 1, which opened in 2018. While effective food waste handling is beneficial, consumer education is critical to the success of food waste reduction. To this end, HML has organized a poster design competition to raise awareness among students, event visitors and patrons of HKCEC restaurants. In FY2018, over 10 tonnes of treated food waste were diverted from landfills, with over two tonnes of unconsumed but still perfectly edible food donated to the needy.

The Waste Less • Save Food HKCEC Poster Design Competition, organized by HML, unleashed students' creativity on poster and slogan design to promote the importance of reducing food waste at source.

RECYCLED COMPUTERS TO SCHOOLS IN NEED

In FY2018, NWS Holdings carried out a Group-wide electronic waste recycling campaign in partnership with ALBA Integrated Waste Solutions (Hong Kong) Ltd. Launched a year before the implementation of the Government's Producer Responsibility Scheme on Waste Electrical and Electronic Equipment, the full-year campaign aimed to encourage employees to adopt green concepts both at work and at home. Over 180 electronic items were collected for recycling or for refurbishment and use by local schools and charities. As an extension of our community project, NWS Career Navigator for Youth, the Group arranged to equip refurbished computers with new software and donate them to primary and secondary schools in Kwai Tsing District.



"Thanks to NWS Holdings for the donated computers. I think it's mutually beneficial to both corporations and schools as the former can better utilize their resources while the later can be benefitted from improved productivity and efficiency in teaching and learning. Such initiative can also help our students understand the concept of reuse."

Fung Ping Kee
Panel Chairman of Computer
The Methodist Lee Wai Lee College

Revenue

HK$ 35.115 billion +12%

Attributable Operating Profit

HK$ 5.232 billion +8%

Profit Attributable to Shareholders

HK$ 6.069 billion +8%

Management Discussion and Analysis

Management Discussion and Analysis
Group Overview

Despite the changing economic landscape and increasingly volatile environment, the Group continued to deliver resilient performance and once again achieved record financial results. AOP for FY2018 grew by HK$391.6 million or 8% to HK$5.232 billion compared with the previous financial year, reflecting an increase of 21% to HK$3.791 billion for the Infrastructure division and a reduction of 16% to HK$1.441 billion for the Services division. Profit attributable to shareholders also grew by 8% to reach a new high of HK$6.069 billion.

Contribution by Division

For the year ended 30 June

	2018 HK$'m	2017 HK$'m
Infrastructure	**3,791.0**	3,122.9
Services	**1,440.9**	1,717.4
Attributable operating profit	**5,231.9**	4,840.3
Corporate office and non-operating items		
Gains on partial disposal and remeasurement related to an associated company	**1,879.3**	–
Gain on fair value of investment properties	**93.6**	117.1
Net gain on disposal of projects, net of tax	**52.7**	179.8
Net gain on disposal of a project under an associated company	**–**	932.8
Gain on restructuring of a joint venture	**–**	454.3
Gain on remeasurement of previously held equity interest in a joint venture	**–**	113.1
Impairment losses related to joint ventures	**(600.0)**	–
Losses on partial disposal, impairment and remeasurement related to an associated company	**–**	(290.6)
Interest income	**36.8**	54.4
Finance costs	**(266.6)**	(399.8)
Expenses and others	**(358.9)**	(372.5)
	836.9	788.6
Profit attributable to shareholders	**6,068.8**	5,628.9

As previously disclosed in the 2017/2018 interim report, a strategic decision was made to partially dispose of the Group's interest in BCIA. Upon the completion of this divestment in January 2018, the Group's interest in BCIA's total issued H shares was reduced from approximately 23.86% to approximately 12.79% and a gain on partial disposal of an associated company of HK$783.8 million was recognized. Subsequently, an executive director of the Company resigned as a non-executive director and a member of the strategy committee of BCIA. As the Group ceased to exercise significant influence on BCIA, the Group's remaining interest in BCIA was reclassified from investment in an associated company to an available-for-sale financial asset with effect from 2 February 2018. Pursuant to Hong Kong Accounting Standard 39 "Financial instruments: Recognition and Measurement", a gain on the remeasurement at fair value upon reclassification which amounted to approximately HK$1.096 billion was also recognized in FY2018.

In FY2018, the Group shared impairment losses on three joint ventures that incurred net operating losses under the Infrastructure division. Firstly, two Roads projects, namely Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway, which are located in Panyu and Nansha districts of Guangdong Province. Secondly, Chengdu Jintang Power Plant, a coal-fired power station in Sichuan Province which is facing significant operating pressure from high fuel cost. Based on the impairment assessments conducted by management on these investments, the Group shared HK$600.0 million of impairment losses in aggregate.

In contrast, the Group shared a net gain of HK$932.8 million upon the disposal of its entire interest in Tricor Holdings Limited ("Tricor") and recognized a gain of HK$454.3 million from the restructuring of SUEZ NWS Limited ("SUEZ NWS") and a remeasurement gain of HK$113.1 million in relation to the acquisition of the remaining interest in NWS Transport Services Limited ("NWS Transport") in FY2017. The positive impact of these gains was however partly offset by partial disposal, impairment and remeasurement losses relating to Newton Resources Ltd ("Newton Resources"), a then associated company of the Group, which amounted to HK$290.6 million.

Contributions from the operations in Hong Kong accounted for 39% of AOP in FY2018 compared with 46% in FY2017. Mainland China and other territories contributed 50% and 11% respectively in FY2018, compared with 44% and 10% respectively in FY2017.

Earnings per share

The basic earnings per share was HK$1.56 in FY2018, representing an increase of 7% from HK$1.46 in FY2017.

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 30 June 2018, the Group had unutilized committed banking facilities of approximately HK$8.7 billion.

Liquidity and capital resources

As at 30 June 2018, the Group's total cash and bank balances which were mainly denominated in Hong Kong Dollar and Renminbi amounted to HK$6.657 billion, compared with HK$6.453 billion as at 30 June 2017. The Group's net debt as at 30 June 2018 was HK$3.518 billion, which was comparable to HK$3.229 billion as at 30 June 2017. The capital structure of the Group was 17% debt and 83% equity as at 30 June 2018, similar to 16% debt and 84% equity as at 30 June 2017. The Group's net gearing ratio, being net debt to total equity, remained at 7% as at 30 June 2017 and 2018.

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 30 June 2018, the Group's total debt increased to HK$10.175 billion from HK$9.683 billion as at 30 June 2017. The Group has spaced out its debt maturity profile to reduce refinancing risks. Of the non-current portion of the long-term loans and borrowings of HK$9.140 billion as at 30 June 2018, 50% will mature in the second year, 43% will mature in the third to fifth years and 7% will mature after the fifth year. Bank loans were denominated in Hong Kong Dollar 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 FY2018.

Commitments

The Group's total commitment for capital expenditures was HK$3.798 billion as at 30 June 2018, compared with HK$1.952 billion as at 30 June 2017. These comprised commitments for capital contributions to an associated company and certain joint ventures as well as properties and equipment and other investments. Sources of funds for capital expenditures include internally generated cash and banking facilities.

Financial guarantee contracts

Financial guarantee contracts of the Group were HK$3.962 billion as at 30 June 2018, compared with HK$3.589 billion as at 30 June 2017. These comprised guarantees for banking facilities of associated companies and joint ventures.

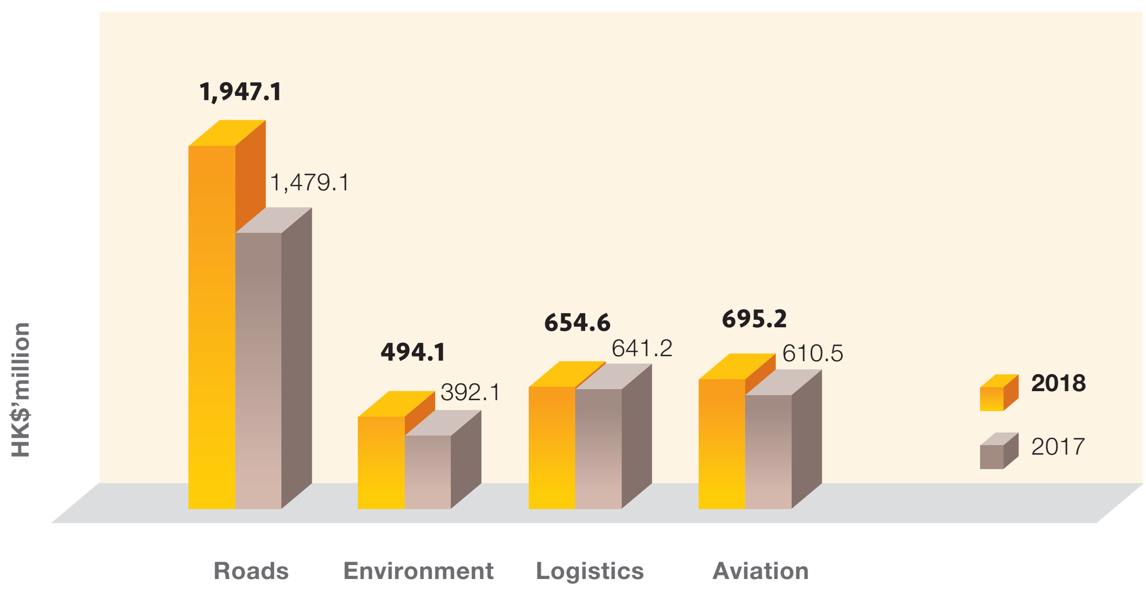
Management Discussion and Analysis
Operational Review – Infrastructure

Infrastructure division experienced robust growth as AOP rose by 21% to HK$3,791.0 million. In addition to the rising operating profits from each segment, the positive exchange impact arising from the reversal of RMB depreciation trend also contributed to the overall earnings growth in FY2018.

AOP Contribution by Segment

For the year ended 30 June

	2018 HK$'m	2017 HK$'m	Change % Fav.
Roads	**1,947.1**	1,479.1	32
Environment	**494.1**	392.1	26
Logistics	**654.6**	641.2	2
Aviation	**695.2**	610.5	14
Total	**3,791.0**	3,122.9	21



Operational Review – Infrastructure

Management Discussion and Analysis

Operational Review – Infrastructure

Hangzhou Ring Road

Roads

AOP from the Roads segment rose by 32% to HK$1,947.1 million in FY2018. Discounting the exchange rate effect, AOP would have increased by 10% in line with the overall traffic volume growth of 10% as the Group's road portfolio continued to benefit from rising vehicle ownership and urbanization in Mainland China.

Both toll revenue and average daily traffic flow of Hangzhou Ring Road grew healthily by 5% in FY2018, reflecting the increase in long-haul truck traffic and passenger cars which grew alongside the rise of online sales and residential property development in the surrounding areas.

Average daily traffic flow of Tangjin Expressway (Tianjin North Section) increased by 19% as the expressway capitalized on the rising economic activities across the region under the Beijing-Tianjin-Hebei integration plan. Toll revenue grew notably by 27% mainly due to the traffic growth and the rise in truck traffic since mid-2017 when certain expressways in the area introduced traffic control measures to prohibit heavy vehicle patronage.

Most of the Group's expressways in the Pearl River Delta Region continued to register an increase in both traffic volume and toll revenue in FY2018. Average daily traffic flow of Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) grew by 8% and 7% respectively while Shenzhen-Huizhou Expressway (Huizhou Section) experienced 13% traffic growth. Facing competitive pressure from nearby expressways which opened in December 2016, the traffic volume of Guangzhou-Zhaoqing Expressway dropped slightly by 1% in FY2018. Despite registering 23% and 16% traffic growth respectively in FY2018, Guangzhou Dongxin Expressway and

Operational Review – Infrastructure

Guangzhou City Nansha Port Expressway sustained operating losses, albeit at controllable levels. Based on the consultant reports on the projection of traffic growth of these two expressways and the subsequent impairment assessment using discounted cash flow method, impairment losses totalling HK$400 million were shared by the Group.

In Hong Kong, the average daily traffic flow of Tate's Cairn Tunnel grew by 2% in FY2018. The concession rights of this project subsequently ended in July 2018.

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. In addition to providing immediate profit contribution, this fully-operational expressway continues to perform in line with management expectation.

Environment

AOP from the Environment segment increased by 26% to HK$494.1 million in FY2018. Riding on the rising demand for environmental services in Mainland China, both of the Group's environmental platforms – SUEZ NWS and Chongqing Derun Environment Co., Ltd. ("Derun Environment") contributed to the overall AOP growth. In addition, a net fair value gain of HK$62.6 million was recognized from Chongqing Silian Optoelectronics Science & Technology Co., Ltd. in FY2018.

The enlarged portfolio of SUEZ NWS established after the restructuring in FY2017 continued to provide a broader income base to the Group, with provision of services ranging from water and wastewater projects, waste treatment to design, engineering and procurement. The growth of the water business in FY2018 was mainly driven by a 9% increase in water sales and wastewater treatment volume, which reflected the full-year operating results of Pillar Point Sewage Treatment Plant in Hong Kong together with rising network income. Benefitting from extensive waste treatment capabilities and the timely opening of the third production line at the hazardous waste incineration plant in Shanghai Chemical Industrial Park in March 2017, the average daily volume of waste treated increased by 8%. Likewise, the expanded sludge drying facilities in Suzhou, which became operational in mid-2017, boosted the sludge treatment volume in FY2018. During FY2018, SUEZ NWS also expanded its total daily wastewater treatment capacity by 57,000 m^3 after securing three new sewage treatment projects in Jiangsu, Hainan and Shaanxi.

Derun Environment performed satisfactorily having successfully delivered organic growth in both water and waste-to-energy businesses, and commissioned a new waste-to-energy project in Chongqing in January 2018 which also raised its daily treatment capacity by 1,000 tonnes. The receipt of a lump sum value added tax subsidy for its sewage business also contributed to the AOP growth. Furthermore, Derun Environment demonstrated its capability having been awarded two contracts on river remediation and land restoration respectively in Chongqing and acquired several new waste-to-energy contracts with a total daily treatment capacity of 5,760 tonnes in Henan, Jiangsu and Zhejiang during FY2018.

A waste-to-energy plant operated by SUEZ NWS in Taiwan

Management Discussion and Analysis

Operational Review – Infrastructure

Combined electricity sales volume of Zhujiang Power Station – Phase II and Chengdu Jintang Power Plant grew by 10% as extreme weather conditions drove up electricity demand during FY2018 although the positive impact was unable to offset the impact of persistently high coal price. Amid a tough operating environment, the Group shared an impairment loss of HK$200 million in Chengdu Jintang Power Plant. Despite a 43% increase in coal trading sales in FY2018, AOP of Guangzhou Fuel Company fell as the trading margin continued to be squeezed due to mounting competition in the downstream market and tightening supply from major coal mines.

Logistics

AOP from the Logistics segment increased by 2% to HK$654.6 million in FY2018.

ATL Logistics Centre continued to provide significant and stable AOP to the Logistics segment. Buoyed by the recovery of the retail market in Hong Kong in FY2018, its average rental rate grew by 4% while average occupancy rate remained high at 97.2%.

CUIRC reported a throughput growth of 8% to 2,730,000 TEUs in FY2018 which was underpinned by the development of rail container and sea-rail intermodal transportation and the newly opened Urumqi terminal. The logistics capabilities and services at Chongqing and Wuhan terminals were further enhanced in FY2018 following the construction of new warehouse facilities. However, CUIRC registered a drop in AOP mainly due to an 11% decrease in revenue arising from the cancellation of the special settlement policy of containerized break-bulk cargoes service in January 2018.

The Group's port projects maintained stable performance in FY2018. Throughput handled by Xiamen Container Terminal Group Co., Ltd. rose slightly by 1% to 8,248,000 TEUs. In Tianjin, throughput of Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd. grew by 4% to 2,661,000 TEUs and 14% to 1,092,000 TEUs respectively in FY2018.

Aviation

This segment includes the Group's investments in commercial aircraft leasing business and BCIA. Despite the partial divestment of BCIA and its reclassification as an available-for-sale financial asset during FY2018, the segment still attained double-digit AOP growth from the steadfast expansion of Goshawk.

ATL Logistics Centre

Operational Review – Infrastructure

Goshawk Aviation Limited

Goshawk continued to pursue growth opportunities by focusing on commercial aircraft that are young, in-demand, fuel efficient and equipped with modern technology and through customer diversification. During FY2018, Goshawk's fleet size grew from 84 to 105 aircraft and the average age of the aircraft as at 30 June 2018 was 3.5 years, while the customer base comprised of 43 airlines in 29 countries.

In addition to pursuing its established and proven portfolio trading strategy, Goshawk has taken significant steps to cement itself as a leading aircraft leasing company. Firstly, Goshawk entered into an agreement to acquire Sky Aviation Leasing International Limited ("SALI") in June 2018. The acquisition is expected to deliver synergistic values to Goshawk as both companies focus on young and popular narrow body aircraft with long lease terms. Secondly, Goshawk has secured future aircraft supply by ordering a total of 40 narrow-body aircraft directly from Airbus and Boeing. With the completion of the acquisition of SALI in September this year, the size and value of Goshawk's owned, managed and committed fleet has reached 223 aircraft and US$11.4 billion (equivalent to approximately HK$88.9 billion) respectively and thereby placing Goshawk as a top 10 aircraft lessor in the world. These strategic moves shall undoubtedly position Goshawk in establishing a comprehensive and integrated aircraft leasing platform to capture the high global demand for air travel in the foreseeable future.

The second commercial aircraft leasing platform, Bauhinia Aviation Capital Limited ("Bauhinia"), owned a fleet of six aircraft as at 30 June 2018. Subsequent to the exit of Aviation Capital Group LLC in January 2018, the Group and Chow Tai Fook Enterprises Limited (through its wholly owned subsidiary) increased their respective equity interest in Bauhinia from 40% to 50%. To enhance management efficiency, the entire portfolio held by Bauhinia will be transferred to Goshawk in FY2019 and Bauhinia will be subsequently dissolved.

The total aircraft asset value under both of the Group's aircraft leasing platforms reached US$4.7 billion as at 30 June 2018.

BCIA has been ranked the world's second busiest airport in terms of passenger throughput since 2010. As aforementioned, the Group's interest in BCIA was reclassified from investment in an associated company to an available-for-sale financial asset with effect from 2 February 2018. Thereafter, AOP contribution from BCIA only comprised dividend income.

Management Discussion and Analysis
Business Outlook – Infrastructure

Mainland China's stable economic performance continued to support consumer and business confidence as overall GDP grew by 6.8% in the first half of 2018. Notwithstanding the potential adverse impacts on the global economy and investor sentiment caused by the recent trade tensions between the United States and its trading partners, notably China, the Group will continue to leverage its financial strength and technical capabilities to seek public infrastructure investments, which are essential elements for sustainable economic growth and development.

Roads
Driven by Mainland China's urbanization policy and rising automobile ownership, the outlook of roads sector remains robust. The Guangdong-Hong Kong-Macao Greater Bay Area integration plan promotes connectivity among the nine cities and two special administrative regions. Road network in the region will be enhanced to meet the traffic demand which will benefit the Group's expressways in Guangdong as a whole. With the deleveraging process in full swing, divestment and business consolidation activities by both private and state-owned enterprises are expected to be on the rise. The Group will actively seek opportunities to expand its road portfolio and achieve continuous growth and success in this segment.

Tianjin Orient Container Terminals

Environment
With increasing global environmental awareness in the face of climate changes and resource scarcity, SUEZ NWS, as the leading environmental services company in Greater China, stands to play a key role in the transformation from a traditional linear economy towards regenerative development through integrated environmental solutions. Having forged many successful partnerships with local authorities and industrial customers over the years, SUEZ NWS is ideally positioned to expand its business footprint and market presence in the provision of integrated, innovative and cost-effective resource management solutions.

In Mainland China, SUEZ NWS is in active pursuit to strengthen its existing project pipeline of wastewater and waste treatment including opportunities in Changshu and Jiangsu, while several wastewater and hazardous waste-to-energy projects are scheduled to commence operations in the coming years. Leveraging the successful experience in Yangtze River Delta region, SUEZ NWS recently won a bid to acquire a hazardous waste treatment company in the city of Kaohsiung in Taiwan. Furthermore, SUEZ NWS will continue to exploit its unique competitive advantages in design, engineering and procurement services to widen its income stream.

Riding on the successes in acquiring river remediation and land restoration projects in Chongqing, Derun Environment looks forward to seizing more environmental remediation opportunities across the region.

High coal price trends and the government support policies for renewable energy will continue to affect the outlook of coal-fired power plants in Mainland China. The Group will make every effort to enhance the operating efficiency of the remaining two power stations and closely monitor potential investments in the renewable energy sector.

Business Outlook – Infrastructure

Logistics

The trade war waged by the United States looks set to disrupt international trade and cargo volume. As such, the Group will stay vigilant in assessing the impact, particularly in relation to the port projects.

The recovery of the retail market in 2018 has visibly spurred the demand for warehouse space in Hong Kong. As the comprehensive renovation programme costing approximately HK$400 million is nearing completion, ATL Logistics Centre is poised to retain its market leading position notwithstanding the new supply in the market.

Chongqing Rail Container Terminal

The development of rail container transportation under the Belt and Road Initiative will continue to support the growth of CUIRC. While the Guangzhou terminal is currently under planning, CUIRC will continue to foster its ancillary logistics services such as warehouse storage to complement container handling services. Under the initiative to enhance national transportation efficiency, various provincial governments in Mainland China are actively studying port consolidation and/or merger proposals under their respective jurisdictions. Henceforth, CUIRC will be able to forge stronger partnerships with local authorities in the development of sea-rail and other modern intermodal systems.

Aviation

Against the backdrop of economic growth, falling travel costs and improving connectivity, global air traffic growth has maintained strong momentum in recent years. Based on the forecast prepared by the International Air Transport Association, air passenger traffic is expected to grow at 7% in 2018, well above the average annual growth rate of 5.5% in the past decade. The overall air traffic industry will be driven by passenger traffic growth, especially from the affluent middle class in emerging countries such as China, India and Indonesia. According to Boeing's projection, the world's aircraft fleet will double over the next 20 years, which equates to some 43,000 new aircraft.

In light of the uptrends for global air traffic and commercial aircraft demand, the outlook of the aircraft leasing market is certainly promising.

As air traffic and aircraft demands are sensitive to prevailing economic and geopolitical conditions, Goshawk will continue to implement proactive strategies to strengthen its business, including portfolio diversification, customer concentration, country and regional risks, lease maturity profile, aircraft types and broad based financing means.

The new concessionary tax regime rolled out in June 2017 has given Hong Kong the much needed competitive edge to attract local and overseas investments in aircraft leasing. The favourable tax arrangement along with the free trade policy and established legal system will provide the necessary conditions for the development of Hong Kong into a major aircraft leasing and financing hub in Asia in the foreseeable future.

Notwithstanding the rising interest rate trend and competition from new entrants, the Group is confident in Goshawk's ability and expertise in securing funding resources and maximizing investment returns from aircraft leasing and trading activities. The acquisition of SALI is expected to generate immediate AOP contribution to the Group in FY2019. As such, the Aviation segment will serve as an important growth driver of the Group in the years to come.

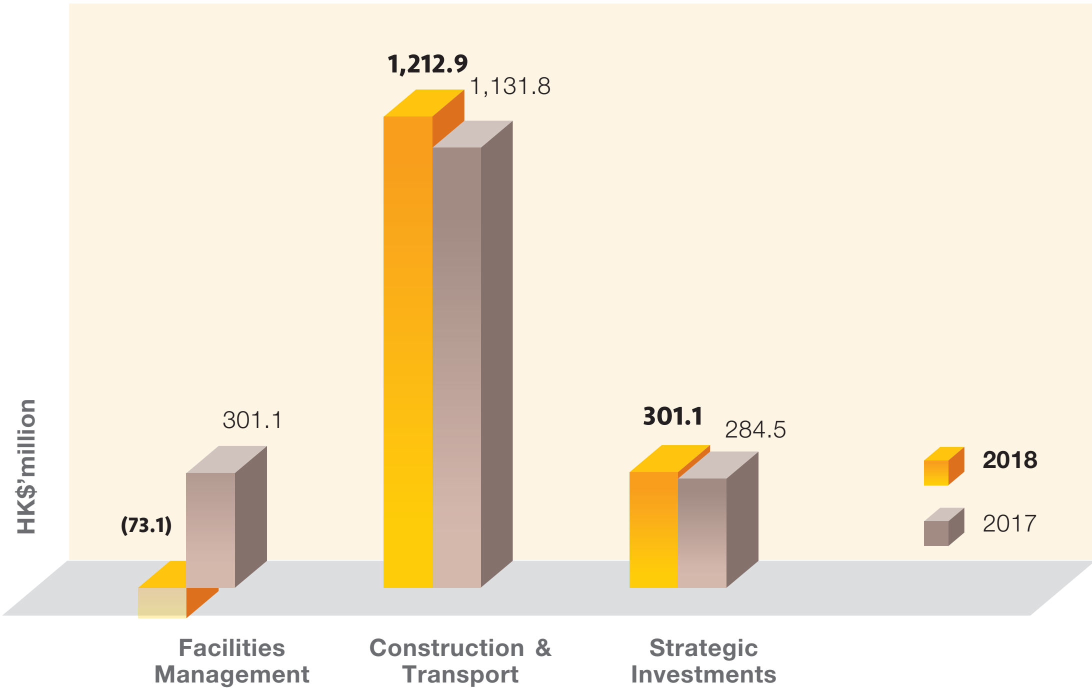
Management Discussion and Analysis
Operational Review – Services

The Services division recorded an AOP of HK$1,440.9 million in FY2018, representing a 16% decrease from FY2017. Enthused by the upbeat property market sentiment, the Construction business sustained its healthy growth momentum although the impact was offset by the underperformance of the Facilities Management segment as Free Duty experienced its first ever annual loss while GHK Hospital incurred initial operating losses during its ramp-up phase.

AOP Contribution by Segment

For the year ended 30 June

	2018 HK$'m	2017 HK$'m	Change % Fav./(Unfav.)
Facilities Management	**(73.1)**	301.1	(124)
Construction & Transport	**1,212.9**	1,131.8	7
Strategic Investments	**301.1**	284.5	6
Total	**1,440.9**	1,717.4	(16)



Operational Review – Services

Management Discussion and Analysis

Operational Review – Services

Gleneagles Hong Kong Hospital

Facilities Management

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

During FY2018, HKCEC hosted 1,061 events with over 8.2 million visitors. Despite rising cost pressures, HKCEC delivered stable revenue and earnings growth having secured 76 new exhibitions and conferences under various themes including sports and leisure, international franchising, hospitality, start-ups, cyber security, smart city and "Internet of Things".

The Free Duty business swung into a loss in FY2018 as consumer spending remained soft although the operating results rebounded in the second half of FY2018 under a new concession contract. Having implemented multiple sales strategies to increase sales and profit margins, the management is confident in arresting the current downtrend in the not too distant future.

GHK Hospital, in which the Group has 40% interest, was officially opened in late March 2018, around one year after commencing initial services. Notwithstanding the fact that it has so far performed in line with management expectation and enjoyed continuous patient volume growth, GHK Hospital reported its first annual loss as anticipated in FY2018 while it remained in its ramp-up phase. A wide range of clinical services, including Radiotherapy and Oncology Centre, Dialysis Centre, 24-hour Outpatient and Emergency Services, Obstetrics Service, Outpatient Psychiatry, PET-MR (Positron Emission Tomography – Magnetic Resonance Imaging) Service, were rolled out during FY2018. On another note, it is encouraging that GHK Hospital has been named one of the "2017 Best

50 Hospitals in the Guangdong-Hong Kong-Macau Greater Bay Area" by Asclepius Healthcare, a reputable healthcare management and research centre.

To capture the growing demand for healthcare services in Mainland China, the Group has invested through its associated companies, Healthcare Assets Management Limited ("Healthcare Assets") and UMP Healthcare China Limited ("UMP Healthcare"), to tap into the local primary healthcare market.

Construction & Transport

AOP contribution from the Construction business increased notably by 16% to reach a new record of HK$1,055.3 million in FY2018 mainly due to the continuous improvement in gross profit and satisfactory job progress. Major projects during FY2018 included construction of Home Ownership Scheme Developments at Kiu Cheong Road, Tin Shui Wai and Ngan Kwong Wan Road, Mui Wo, a factory development at Yuen Long Industrial Estate, New World Centre re-modelling and a property development project at the MTR Tai Wai Station. In addition, new tenders awarded during FY2018 included construction of Public Rental Housing Developments at Queen's Hill, Fanling and Chung Nga Road East, Tai Po, design and construction of Transport Department's Vehicle Examination Centre at Tsing Yi and foundation works for the proposed residential development of Sin Fat Road, Kwun Tong.

In June 2018, the Group entered into a conditional sale and purchase agreement with a wholly owned subsidiary of NWD for the disposal of Celestial Path Limited, its subsidiaries and an unincorporated joint venture (collectively, the "Hip Seng Group") at a cash consideration of HK$168 million. Hip Seng Group mainly acts as the main contractor or project manager for NWD and its associates. Assets and liabilities of Hip Seng Group were reclassified as held-for-sale as at 30 June 2018. Completion of the disposal took place on 21 August 2018.

The Group will continue to carry on its construction business through NWS Construction Limited and its subsidiaries (collectively, "Hip Hing Group"), joint ventures and associated companies, which has long been a major AOP contributor to the Group. As at 30 June 2018, the gross value of contracts on hand for Hip Hing Group was approximately HK$47.1 billion and the remaining works to be completed amounted to approximately HK$21.2 billion.

Under the combined impact of declining fare revenue and escalating operating expenses, profit of public bus operations of NWS Transport Group fell substantially by 63% from HK$339.9 million to HK$127.3 million in FY2018 despite the drop in fuel costs under the hedging programme. Correspondingly, AOP from the Group's Transport business decreased by 29% to HK$157.6 million, with the additional contribution from NWS Transport as a wholly owned subsidiary of the Group partly offsetting the abovementioned negative effects, in FY2018. The comprehensive review aimed to shorten the working hours of the bus drivers by 2019 will most likely lead to a higher cost base. As previously reported, New World First Bus Services Limited ("NWFB") and Citybus Limited ("Citybus") applied for a fare increase of 12% in August 2017 on the grounds of rising operational costs. The result is still being awaited.

New World First Bus and Citybus

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 FY2018 mainly comprised the share of profits and the dividends from certain investments.

Management Discussion and Analysis
Business Outlook – Services

In Hong Kong, domestic demand is expected to stay resilient as favourable job and income conditions should help support positive consumer sentiment. Despite some signs of improvement in the operating environment, challenges for the Group's Services division still remain.

Facilities Management

HKCEC continued to foster its leading position in the industry. It was awarded the Champion in the "Outstanding Venue Award" at the 2017 AFECA Asian Awards, organized by the Asian Federation of Exhibitions and Convention Associations, and named the "Best Convention and Exhibition Centre in Asia-Pacific" in the 2018 CEI Readers' Choice Award conducted by CEI Asia magazine. Looking ahead, the management company of HKCEC, Hong Kong Convention and Exhibition Centre (Management) Limited, will formulate business development strategies to grow its revenue by targeting at new technology-based exhibitions and conferences. Following the successful bid for the global tender to operate Phase II of HKCEC until 2028, the Group will continue to leveraging its experience and expertise to optimize the operational efficiency of this world class facility.

In view of the recent rebound in Mainland tourist arrivals and the optimistic local market sentiments, Free Duty will step up marketing efforts to extend and develop its e-commerce platform and duty paid business.

Since opening for business in early 2017, GHK Hospital has been operating smoothly in delivering innovative, transparent and high-quality healthcare services in Hong Kong. At the same time, the investments in Healthcare Assets and UMP Healthcare enable the Group to capture the increasing demand for primary healthcare services in Mainland China. Apart from enhancing the Group's services portfolio in Hong Kong, the healthcare business has the necessary credentials to be a long-term growth driver for the Services division.

Construction and Transport

The construction industry in Hong Kong will remain buoyant over the short to medium term, mainly supported by the active first-hand residential property market. As a long established market leader, the

Free Duty

Group is well positioned to take advantage of the vibrancy effect to build a strong and yet diversified order book ranging from traditional residential projects to other types of buildings including hotel, hospital, art theatre, logistic centre and data centre. However, profit margins are under pressure due to labour shortage, escalating labour and material costs and increasing regulations on industrial safety and environmental protection. This is mitigated by the Group having established itself as a key player in the higher return "design-and-construct" segment. Retention of skilled project management staff and labour will remain a challenge in order to ensure high quality, cost efficient and timely project delivery.

The application submitted by NWFB and Citybus for a fare increase of 12% in mid-2017 to alleviate the pressure from increasing operating costs and loss of ridership remains pending. As both public affordability and the maintenance of service quality had been taken into account before submitting the application, the Group remains optimistic that the proposed increase will be granted in due course. Notwithstanding the competition from the railway network expansion, public bus service in Hong Kong has its competitive advantages in terms of point-to-point travel and a more extensive geographical coverage. The opening of Hong Kong-Zhuhai-Macao Bridge will also generate new demand for bus services. With an average daily patronage of over one million, our franchised buses will continue to be an important mode of transportation in Hong Kong.

Management Discussion and Analysis
Conclusions

The Group's relentless pursuit of value creation and quest for excellence led to another record breaking financial year. Our strategic focus on high-quality and cash-generative assets, and prudent capital allocation, have proven to be critical to our success in continuous business growth. Furthermore, as an advocate to active management practices, the Group makes every effort to consolidate and strengthen the asset portfolio to maximize synergy and efficiency and evaluate divestment opportunities to unlock the true economic value of the underlying assets on an ongoing basis.

Benefitting from the development of the Construction & Transport segment, revenue of the Group grew by 12% to reach an all-time high of HK$35.1 billion in FY2018. Bearing in mind the overall savings in finance costs and expenses in FY2018, the Group prevailed in delivering top-line growth while tightening the cost base.

Having registered continued organic growth across all segments and with strategic growth catalysts in place, the outlook of Infrastructure division is indeed encouraging. Apart from the traffic volume growth arising from urbanization and regional development, the Roads segment will benefit from the full-year contribution from Suiyuenan Expressway in FY2019. At the same time, the Group will actively seek road acquisition opportunities to capitalize on the rising vehicle ownership and logistics industry in Mainland China. The strong project pipeline and the demand for sustainability development will support the long-term growth of the Environment segment. Although the reduction in AOP contribution from BCIA will affect the results of the Aviation segment in FY2019, this impact can be mitigated by the continuous growth of Goshawk.

The mixed outlook of the Services division is set to persist but to a lesser extent. Backed by the successes in winning competitive tenders and solid professional reputation, Hip Hing Group will stay focused on attaining jobs that can deliver healthy profit margins and providing quality services. Conversely, NWS Transport Group will have to navigate rising cost pressures pending the outcome of the fare increase application. At the same time, the Group will face more challenges under the new operating agreement for Phase II of HKCEC. In light of the improvement in Free Duty's business since early 2018 and the ability and timeliness of GHK Hospital in achieving business objectives since commencing operations, the Group is confident in its ability to arrest the downtrend for the Services division.

As evidenced by the low net gearing ratio and the strong recurring cash flows, the Group has a deep war chest and full financial flexibility to undertake sizeable investments with good growth prospects. Having incurred over HK$5 billion in capital expenditures in FY2018, the Group will set aside HK$7 billion for potential investments in FY2019. However, in identifying new investment opportunities, the Group will remain mindful and diligent in preserving the defensive nature of our diversified asset portfolio, especially in light of the ongoing geopolitical uncertainty, exchange rate volatility and the rising interest rate environment.

Xiqu Centre at West Kowloon Cultural District, a construction project undertaken by Hip Hing Construction Company Limited

Reports and Financial Statements

Report of the Directors

The directors of NWS Holdings Limited (the "Company", together with its subsidiaries, the "Group") submit their report together with the audited financial statements of the Group for the year ended 30 June 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

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

(ii) the investment in and/or operation of facilities, duty free shops, healthcare, construction, transport and strategic investments.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, as well as the outlook for the Group's business, are provided in the "Chairman's Statement" (pages 8 and 9) and the "Management Discussion and Analysis" (pages 68 to 85) sections. Particulars of significant events affecting the Group that have occurred since the end of the year ended 30 June 2018, if applicable, can also be found in the aforesaid sections and the notes to the financial statements (pages 124 to 227). Description of the principal risks and uncertainties faced by the Group can be found throughout this annual report, particularly in the "Risk Management" section (pages 47 to 53). Description of the Group's relationships with its key stakeholders is included in the "Corporate Governance Report" (pages 23 to 46) and the "Sustainability" (pages 54 to 67) sections. Furthermore, the Group's environmental policies and performance are set out in the "Sustainability" section (pages 54 to 67) and details regarding the Group's compliance with relevant laws and regulations which have a significant impact on the Group are provided in the "Corporate Governance Report" section (pages 23 to 46).

This discussion forms part of this report of the directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year and the state of affairs of the Company and of the Group as at 30 June 2018 are set out in the financial statements on pages 116 to 227.

The board of directors of the Company (the "Board") has resolved to recommend a final dividend (the "Final Dividend") of HK$0.46 per share (2017: final dividend of HK$0.39 per share and special final dividend of HK$0.72 per share) in cash for the year ended 30 June 2018 to the shareholders whose names appear on the register of members of the Company on 23 November 2018. Together with the interim dividend of HK$0.32 per share (2017: HK$0.34 per share) paid in April 2018, total distribution of dividend by the Company for the year ended 30 June 2018 will therefore be HK$0.78 per share (2017: HK$1.45 per share).

RESULTS AND APPROPRIATIONS (continued)

Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 19 November 2018 (the "2018 AGM"), it is expected that the Final Dividend will be paid on or about 11 December 2018.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 44 to the financial statements.

ASSOCIATED COMPANIES AND JOINT VENTURES

Particulars of the Group's principal associated companies and joint ventures are set out in notes 45 and 46 to the financial statements respectively.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in notes 43 and 30 to the financial statements respectively.

DISTRIBUTABLE RESERVES

At 30 June 2018, the Company's reserves available for distribution amounted to HK$17,377.6 million (2017: HK$16,868.4 million).

DONATIONS

During the year, the Group made charitable donations amounted to HK$14.8 million (2017: HK$5.0 million).

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

SHARES ISSUED

During the year, as a result of the exercise of share options under the share option scheme of the Company, a total of 8,214,363 ordinary shares of the Company, fully paid, were issued for a total consideration of HK$115.9 million.

Details of movements in the share capital of the Company during the year are set out in note 29 to the financial statements.

DEBENTURES ISSUED

The Group has not issued any debentures during the year.

BANK LOANS AND OTHER BORROWINGS

Particulars of the bank loans and other borrowings of the Group are set out in note 31 to the financial statements.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company disclosed in the section headed "Share Option Scheme" below and note 29 to the financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers accounted for less than 30% of the Group's total turnover and purchases for the year ended 30 June 2018 respectively.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PERMITTED INDEMNITY PROVISIONS

The bye-laws of the Company provides that directors, secretary or other officers of the Company shall be indemnified out of the assets and profits of the Company from and against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

In addition, a directors and officers liability insurance policy insuring claims made against, among others, the directors and the senior management of the Group members and the persons representing the Group in associates as directors or senior management was in effect throughout the year ended 30 June 2018 and remained in effect up to the date of this report.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors

Dr Cheng Kar Shun, Henry *(Chairman)*	
Mr Tsang Yam Pui *(Chief Executive Officer)*	
Mr Ma Siu Cheung *(Chief Operating Officer)*	(appointed on 9 July 2018)
Mr Cheung Chin Cheung	
Mr Cheng Chi Ming, Brian	
Mr Ho Gilbert Chi Hang	(appointed on 9 July 2018)
Mr Chow Tak Wing	(appointed on 9 July 2018)
Mr Hui Hon Chung *(Deputy Chief Executive Officer)*	(resigned on 1 November 2017)
Mr Mak Bing Leung, Rufin	(resigned on 13 September 2018)

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	
Mr Wong Kwai Huen, Albert	(appointed on 9 July 2018)

In accordance with bye-law 87 of the Company's bye-laws, Mr Cheung Chin Cheung, Mr To Hin Tsun, Gerald, Mr Dominic Lai, Mr William Junior Guilherme Doo and Mr Lee Yiu Kwong, Alan will retire by rotation at the 2018 AGM and being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No director has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" below and note 15(b) to the financial statements, and the contracts amongst group companies, no other transactions, arrangements or contracts of significance in relation to the Group's businesses to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party, and in which any director of the Company or the director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following directors of the Company are considered to have interests in the business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group, pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") as set out below:

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Dr Cheng Kar Shun, Henry	Chow Tai Fook Enterprises Limited ("CTF Enterprises") group of companies	Investment in healthcare, commercial aircraft leasing and aircraft trading businesses	Director
	FSE Holdings Limited group of companies	Carpark management	Shareholder
	Silver City International Limited group of companies	Food and beverage operations	Director
Mr Cheng Chi Ming, Brian	Integrated Waste Solutions Group Holdings Limited	Investment in waste management business	Director
Mr To Hin Tsun, Gerald	Mongolia Energy Corporation Limited	Investment in coal mining	Director
Mr Lam Wai Hon, Patrick	FSE Holdings Limited group of companies	Carpark management	Director
Mr William Junior Guilherme Doo	FSE Holdings Limited group of companies	Carpark management	Director
	Silver City International Limited group of companies	Food and beverage operations	Director

As the Board is independent of the boards of the abovementioned entities and none of the above directors of the Company can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of these entities.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the interests disclosed in the section headed "Directors' Interests in Securities" below, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executives of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2018, the directors of the Company had the following interests in the 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 as at 30.06.2018
	Personal interests	Family interests	Corporate interests	Total	
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	1,446,207	–	7,608[(2)]	1,453,815	0.037%
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%
New World Development Company Limited ("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 year	Exercised during the year	Balance as at 30.06.2018	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	–	(514,000)[3]	889,922	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 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$15.392 per share.

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

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long position in underlying shares – share options (continued)

(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:

			Number of share options				
Name	**Date of grant**	**Exercisable period (Note)**	**Balance as at 01.07.2017**	**Granted during the year**	**Exercised during the year**	**Balance as at 30.06.2018**	**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 the grant of share options was HK$10.

(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 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:

	Amount of debentures in HK$				
Name	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Approximate percentage to the total amount of debentures in issue as at 30.06.2018**
Mr William Junior Guilherme Doo	–	–	15,600,000(Note)	15,600,000	0.152%

Note: The debentures were held by a company wholly owned by Mr William Junior Guilherme Doo and were issued in US$ and had been translated into HK$ using the rate of US$1=HK$7.8.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(c) Long position in debentures (continued)

(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 30.06.2018
	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.

(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:

Name	Amount of debentures in US$				Approximate percentage to the total amount of debentures in issue as at 30.06.2018
	Personal interests	Family interests	Corporate interests	Total	
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.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(c) Long position in debentures (continued)

(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$				Approximate percentage to the total amount of debentures in issue as at 30.06.2018
Name	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	
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 30 June 2018, 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 for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Listing Rules.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Scheme") was adopted at the annual general meeting of the Company held on 21 November 2011. Summary of the Scheme disclosed in accordance with the Listing Rules is as follows:

Purpose of the Scheme	To reward directors and employees of the Group for their past service or performance; providing incentive, motivation or reward to eligible participants for optimizing their performance or making contribution to the Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to the Group; and fostering a sense of corporate identity.
Participants of the Scheme	Eligible participant may be a person or an entity belonging to any of the following classes: (i) any eligible employee; (ii) any non-executive director (including independent non-executive director) of the Group or any invested entity of the Group ("Invested Entity"); (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

SHARE OPTION SCHEME (continued)

Total number of shares available for issue under the Scheme and percentage of the issued shares as at the date of this report	The Company had granted share options to certain eligible participants to subscribe for a total of 55,623,705 shares of the Company under the Scheme, which include certain adjustments made pursuant to the rules of the Scheme, up to the date of this report. The total number of shares available for issue under the Scheme is 284,347,671 shares, representing approximately 7.30% of the Company's total number of issued shares as at the date of this report.
Maximum entitlement of each participant under the Scheme	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue.
The period within which the shares must be taken up under an option	At any time during a period as specified by the directors, however in any event the share options must be exercised within 10 years from the date of grant.
The minimum period for which an option must be held before it can be exercised	Any period as determined by the directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK$10 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The basis of determining the exercise price	The exercise price is determined by the directors which must be at least the highest of: (i) the closing price of the share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the share as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five dealing days immediately preceding the date of grant; and (iii) the nominal value of the share.
The remaining life of the Scheme	The Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 21 November 2011.

SHARE OPTION SCHEME (continued)

During the year ended 30 June 2018, movement of share options granted by the Company under the Scheme is as follows:

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

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

		Number of share options					
Date of grant	**Exercisable period (Note)**	**Balance as at 01.07.2017**	**Granted during the year**	**Exercised during the year[2]**	**Lapsed during the year**	**Balance as at 30.06.2018**	**Exercise price per share HK$**
9 March 2015	(1)	20,603,011	–	(7,159,363)	(74)	13,443,574	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$15.731 per share.

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

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 June 2018, 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:

	Number of shares			
Name	**Beneficial interests**	**Corporate interests**	**Total**	**Approximate percentage to the issued share capital of the Company as at 30.06.2018**
Cheng Yu Tung Family (Holdings) Limited	–	2,477,530,362[1]	2,477,530,362	63.58%
Cheng Yu Tung Family (Holdings II) Limited	–	2,477,530,362[2]	2,477,530,362	63.58%
Chow Tai Fook Capital Limited	–	2,477,530,362[3]	2,477,530,362	63.58%
Chow Tai Fook (Holding) Limited	–	2,477,530,362[4]	2,477,530,362	63.58%
CTF Enterprises	97,034,424	2,380,495,938[5]	2,477,530,362	63.58%
NWD	1,588,468,276	792,027,662[6]	2,380,495,938	61.09%
Mombasa Limited	718,384,979	–	718,384,979	18.44%

SUBSTANTIAL SHAREHOLDERS' INTEREST 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 30 June 2018.

SUFFICIENCY OF PUBLIC FLOAT

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares during the year and up to the date of this report.

CONNECTED TRANSACTIONS

The Group has entered into the following connected transactions during the year and up to the date of this report:

(1) On 10 April 2017, a master services agreement was entered into between the Company and CTF Enterprises (the "CTF Enterprises Master Services Agreement") whereby each of the Company and CTF Enterprises agreed to, and agreed to procure that members of the Group or the CTF Enterprises Group (being (a) CTF Enterprises; (b) any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company; (c) any other company in the equity capital of which CTF Enterprises and/or such other companies referred to in (b) above taken together are or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers (the "Takeovers Code") as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors; and (d) the subsidiaries of such other companies referred to in (b) and (c) above, but excluding members of the NWD Group (as defined in (2) below) and the Group) (to the extent practicable), engage relevant members of the CTF Enterprises Group or the Group to provide certain operational services to relevant members of the Group or the CTF Enterprises Group during the term of the CTF Enterprises Master Services Agreement.

As at the date of signing of the CTF Enterprises Master Services Agreement, CTF Enterprises together with its subsidiaries held approximately 44.20% of the total issued share capital of NWD and CTF Enterprises directly held approximately 2.52% of the total issued share capital of the Company. NWD together with its subsidiaries held approximately 61.32% of the total issued share capital of the Company. Accordingly, CTF Enterprises was a connected person of the Company under the Listing Rules and the CTF Enterprises Master Services Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The CTF Enterprises Master Services Agreement has an initial term of three years commencing from 1 July 2017. Subject to re-compliance with the applicable Listing Rules at the relevant time, the CTF Enterprises Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules).

During the year ended 30 June 2018, the contract amounts for the operational services under the CTF Enterprises Master Services Agreement are summarized as follows:

Categories	Approximate total contract sum HK$'m	Annual cap HK$'m
Operational services by members of the Group to members of the CTF Enterprises Group	133.7	150.0
Operational services by members of the CTF Enterprises Group to members of the Group	0.3	10.0

CONNECTED TRANSACTIONS (continued)

(2) On 10 April 2017, a master services agreement was entered into between the Company and NWD (the "NWD Master Services Agreement") whereby each of the Company and NWD agreed to, and agreed to procure that members of the Group or the NWD Group (being NWD, its subsidiaries, any other company in the equity capital of which NWD and/or any of its subsidiaries taken together are or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors, and the subsidiaries of such other companies, but excluding members of the Group) (to the extent practicable), engage relevant members of the NWD Group or the Group to provide certain operational services to relevant members of the Group or the NWD Group during the term of the NWD Master Services Agreement.

As at the date of signing of the NWD Master Services Agreement, NWD together with its subsidiaries held approximately 61.32% of the total issued share capital of the Company. Accordingly, NWD was a connected person of the Company under the Listing Rules and the NWD Master Services Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The NWD Master Services Agreement, the transactions contemplated thereunder and the related annual caps were approved by the independent shareholders at the special general meeting of the Company held on 25 May 2017 (the "SGM"). The NWD Master Services Agreement has an initial term of three years commencing from 1 July 2017. Subject to re-compliance with the applicable Listing Rules at the relevant time, the NWD Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules).

During the year ended 30 June 2018, the contract amounts for the operational services under the NWD Master Services Agreement are summarized as follows:

Categories	**Approximate total contract sum HK$'m**	**Annual cap HK$'m**
Operational services by members of the Group to members of the NWD Group	9,167.5	12,526.0
Operational services by members of the NWD Group to members of the Group	52.2	96.0

CONNECTED TRANSACTIONS (continued)

(3) On 10 April 2017, a master services agreement (the "DOO Master Services Agreement") was entered into between the Company and Mr Doo Wai Hoi, William ("Mr Doo") whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (being Mr Doo and any company in the equity capital of which Mr Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors, and the subsidiaries of such other companies) (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group during the term of the DOO Master Services Agreement.

Mr Doo was the father of Mr William Junior Guilherme Doo, brother-in-law of Dr Cheng Kar Shun, Henry and uncle of Mr Cheng Chi Ming, Brian, all of whom were directors of the Company. Mr Doo was therefore a connected person of the Company under the Listing Rules. Certain members of the Services Group were majority-controlled companies of Mr Doo and hence connected persons of the Company. Accordingly, the DOO Master Services Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The DOO Master Services Agreement, the transactions contemplated thereunder and the related annual caps were approved by the independent shareholders at the SGM. The DOO Master Services Agreement has an initial term of three years commencing from 1 July 2017. Subject to re-compliance with the applicable Listing Rules at the relevant time, the DOO Master Services Agreement may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules).

During the year ended 30 June 2018, the contract amounts for the operational services under the DOO Master Services Agreement are summarized as follows:

Categories	**Approximate total contract sum HK$'m**	**Annual cap HK$'m**
Operational services by members of the Group to members of the Services Group	1.5	38.0
Operational services by members of the Services Group to members of the Group	1,365.4	2,235.0

CONNECTED TRANSACTIONS (continued)

(4) 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 (a direct wholly owned subsidiary of NWD), Smart Future Investments Limited ("Smart Future", an indirect wholly owned subsidiary of New World Strategic Investment Limited), NWS Service Management Limited (a company incorporated in the Cayman Islands with limited liability and a direct wholly owned subsidiary of the Company), Dynamic Ally Limited ("Dynamic Ally", an indirect wholly owned subsidiary of NWS Service Management Limited) and Healthcare Assets Management Limited ("Healthcare Assets") entered into an amended and restated joint venture agreement (the "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 on 29 September 2017 (the "Subscription"). Upon completion of the Subscription, the entire issued share capital of Healthcare Assets was owned as to 30%, 40% and 30% by Healthcare Ventures, Smart Future and Dynamic Ally respectively.

Pursuant to the Amended and Restated Joint Venture Agreement, Healthcare Ventures, Smart Future and Dynamic Ally intended to invest an aggregate amount of up to HK$780 million in Healthcare Assets for the business of Healthcare Assets and its subsidiaries, of which (a) HK$5 million by way of capital injection and HK$58 million by way of interest-free shareholder's loan had been contributed by each of Healthcare Ventures and Dynamic Ally; (b) HK$10,177,194 had been contributed by way of capital injection and HK$77,333,333 had been contributed by way of interest-free shareholder's loan by Smart Future on the date of completion of the Subscription; and (c) the remaining amount would be contributed by way of capital injection and/or shareholder's loan by shareholders of Healthcare Assets in proportion to their shareholding interests in Healthcare Assets (i.e. up to HK$169,946,842, HK$226,595,789 and HK$169,946,842 by Healthcare Ventures, Smart Future and Dynamic Ally respectively), called on an as-needed basis pursuant to the Amended and Restated Joint Venture Agreement and subject to any changes as may be agreed by all the shareholders of Healthcare Assets from time to time. The parties further acknowledged that each of Healthcare Ventures' and Dynamic Ally's finance obligation under the joint venture agreement dated 15 December 2016 had been fully discharged.

As at the date of signing of the Amended and Restated Joint Venture Agreement, Healthcare Ventures was directly wholly owned by CTF Enterprises and Smart Future is indirectly wholly owned by NWD. CTF Enterprises together with its subsidiaries held approximately 44.15% of the total issued share capital of NWD and CTF Enterprises directly held approximately 2.49% of the total issued share capital of the Company. NWD together with its subsidiaries held approximately 61.18% of the total issued share capital of the Company. Accordingly, the entering into of the Amended and Restated Joint Venture Agreement constituted a connected transaction of the Company under the Listing Rules.

CONNECTED TRANSACTIONS (continued)

(5) On 7 March 2018, pursuant to the request of 湖北隨岳南高速公路有限公司 (Hubei Suiyuenan Expressway Co., Limited*) ("Hubei Suiyuenan"), 廣東新川有限公司 (Guangdong Xin Chuan Co., Ltd.*) ("Xin Chuan", an indirect wholly owned subsidiary of the Company) agreed to provide a pledge over its 30% equity interest in Hubei Suiyuenan (the "Equity Pledge") as security for a fixed assets loan facility granted by Industrial and Commercial Bank of China Limited, Guangzhou Nanfang Sub-Branch ("ICBC, Guangzhou Branch") to Hubei Suiyuenan in the principal amount of RMB2.10 billion (the "Loan") (repayable over a term of 15 years from the date of the Loan Agreement (as hereinafter defined)) pursuant to a loan agreement dated 12 September 2016 between Hubei Suiyuenan (as borrower) and ICBC, Guangzhou Branch (as Lender) (the "Loan Agreement"), in the event that ICBC, Guangzhou Branch confirms that the Equity Pledge is required so as not to affect the continuation of the Loan. Hubei Suiyuenan was owned by 越秀(中國)交通基建投資有限公司 (Yuexiu (China) Transport Infrastructure Investment Company Limited*) ("Yuexiu China Transport", a wholly owned subsidiary of Yuexiu Transport Infrastructure Limited ("Yuexiu Transport")) and Xin Chuan as to 70% and 30% respectively.

As at the date of Xin Chuan's agreement to provide the Equity Pledge, Yuexiu Transport, through its wholly owned subsidiary, was a substantial shareholder of 廣州北環高速公路有限公司 (Guangzhou Northring Freeway Company Limited*), an indirect non-wholly owned subsidiary of the Company (as defined under the Listing Rules) owned as to 65.29% (indirectly) by the Company and 24.30% (indirectly) by Yuexiu Transport. Therefore, Yuexiu Transport was a connected person of the Company at the subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules. As Yuexiu Transport, through its wholly owned subsidiary Yuexiu China Transport, indirectly owned 70% equity interest in Hubei Suiyuenan, Hubei Suiyuenan was an associate of Yuexiu Transport and therefore a connected person of the Company pursuant to Rule 14A.13 of the Listing Rules. Accordingly, Xin Chuan's agreement to provide the Equity Pledge for the benefit of Hubei Suiyuenan represents a commitment of Xin Chuan to provide financial assistance to a connected person and was therefore a connected transaction of the Company under the Listing Rules.

As at the date of this report, the Equity Pledge has not yet been provided by Xin Chuan.

(* For identification purposes only)

(6) On 8 June 2018, NWS CON Limited ("NWS CON", an indirect wholly owned subsidiary of the Company) and Sherman Drive Limited ("Sherman Drive", a direct wholly owned subsidiary of NWD) entered into a sale and purchase agreement (the "SP Agreement") pursuant to which NWS CON conditionally agreed to sell and Sherman Drive conditionally agreed to acquire one share ("Sale Share") of par value of US$1 in the capital of Celestial Path Limited ("Celestial Path"), representing the entire issued share capital of Celestial Path, at a total cash consideration of HK$168 million. Pursuant to the SP Agreement, Sherman Drive has provided certain non-competition undertakings to NWS CON to protect the Group against (i) competition from NWD and its subsidiaries (excluding the Group) with the Group's construction business ("Construction Business") in Hong Kong and (ii) NWD and its subsidiaries (excluding the Group) soliciting or enticing away any employee of the Group in an executive, supervisory, technical, or administrative capacity for employment by it, NWD or its subsidiaries (excluding the Group) for or in connection with the Construction Business for a period of 18 months from the date of completion of the SP Agreement (and for so long as NWD and its subsidiaries (other than the Group) remain a controlling shareholder of the Company or are the single largest shareholder of the Company, and the shares of the Company remain listed on any stock exchange), subject to certain exceptions. Details of the non-competition undertakings are disclosed in the circular of the Company dated 20 July 2018.

CONNECTED TRANSACTIONS (continued)

(6) (continued)

As at the date of signing of the SP Agreement, NWD together with its subsidiaries held approximately 61.09% of the total issued share capital of the Company. As Sherman Drive was a direct wholly owned subsidiary of NWD, Sherman Drive was a connected person of the Company and the transaction contemplated under the SP Agreement constituted a connected transaction of the Company under the Listing Rules. The disposal of the Sale Share by NWS CON to Sherman Drive under the SP Agreement (the "Disposal") also constituted a major transaction of the Company under the Listing Rules.

The SP Agreement and the transaction contemplated thereunder were approved by the independent shareholders at the special general meeting of the Company held on 14 August 2018. Completion of the Disposal took place on 21 August 2018.

The price and terms of the continuing connected transactions mentioned in (1) to (3) above have been determined in accordance with the pricing policies and guidelines as set out in the circular of the Company dated 9 May 2017. These continuing connected transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better;

(c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(d) within the caps as set out in the relevant announcement and circular.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Company in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Save as disclosed above, a summary of significant related party transactions made during the year, which included the abovesaid connected transactions of the Company, is disclosed in note 40 to the financial statements.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 30 June 2018, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK$9,081.5 million to its affiliated companies (included in amounts disclosed in notes 20, 21 and 25 to the financial statements), guaranteed bank loans and other credit facilities for the benefit of the affiliated companies in the amount of HK$3,961.6 million (included in the amounts disclosed in note 37 to the financial statements) and contracted to provide an aggregate amount of HK$2,872.9 million in capital and/or loans to affiliated companies (included in the amounts disclosed in note 36 to the financial statements). The said amounts, in aggregate, represent approximately 20.8% 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$20.5 million which carries interest at Hong Kong prime rate; (iii) an amount of HK$1,600.0 million which carries interest at 6-month HIBOR 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 LIBOR plus a margin of 12.15% per annum and is repayable on demand; (v) an amount of HK$238.1 million which carries interest at 90% of 5-year Renminbi benchmark lending rate published by People's Bank of China and is not repayble within the next 12 months from the end of the reporting period; (vi) an aggregate amount of HK$3,712.4 million which is interest free and is repayable within the next 12 months from the end of the reporting period; and (vii) an amount of HK$81.0 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 30 June 2018 are presented as follows:

	Proforma combined statement of financial position HK$'m	**The Group's attributable interest HK$'m**
Non-current assets	72,129.6	35,647.9
Current assets	9,203.0	3,509.7
Current liabilities	(18,380.9)	(9,237.4)
Non-current liabilities	(41,478.3)	(20,463.1)
	21,473.4	9,457.1

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES (continued)

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 30 June 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, approximately 28,600 staff were employed by entities under the Group's management of which approximately 11,400 staff were employed in Hong Kong. Total staff related costs, including provident funds, staff bonus and deemed share option benefit but excluding directors' remunerations during FY2018 were HK$5.216 billion (2017: HK$3.906 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.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 228 and 229.

AUDITOR

The financial statements for the year ended 30 June 2018 have been audited by PricewaterhouseCoopers, who will retire at the 2018 AGM and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 19 September 2018

Independent Auditor's Report

羅兵咸永道

To the shareholders of NWS Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of NWS Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 116 to 227, which comprise:

- the consolidated statement of financial position as at 30 June 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit relates to (i) impairment of the Group's interests in joint ventures and associated companies and (ii) fair value measurement of unlisted available-for-sale financial assets.

Key Audit Matters	How our audit addressed the Key Audit Matters
(i) Impairment of the Group's interests in joint ventures and associated companies (Refer to notes 6, 20, 21 to the consolidated financial statements) As at 30 June 2018, the carrying values of the Group's interests in joint ventures and associated companies amounted to HK$15,008 million and HK$13,763 million respectively. Management reviewed regularly whether there are any indicators of impairment of the investments by reference to the requirements of HKAS 28 (2011) "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets". Based on management's assessment, the Group has certain joint ventures and associated companies engaging in infrastructure and resources related businesses where impairment indicators existed at the end of the reporting period.	Our procedures in assessing the management's judgement and estimates for the impairment assessments of the Group's interests in joint ventures and associated companies included: • We evaluated the competence, capabilities and objectivity of the independent external valuers; • With the support of our in-house valuation experts, we assessed the appropriateness of the valuation methodology and the reasonableness of the key assumptions adopted in the cash flow projections; • We assessed the reasonableness of the discount rates applied by the management in the discounted cash flows models by comparing to external market data and publicly available information; • We checked the key assumptions used to external market data or other supporting evidence where available. We performed sensitivity analysis on the key assumptions adopted in the impairment assessments to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts; and • We evaluated management's assessments on impairment of underlying available-for-sale financial assets and the recoverability assessment on underlying loans and receivables held by the Group's associated companies which take into account the repayment histories of the borrowers, credit worthiness, value of the pledged assets and subsequent settlement of loans and receivables, if applicable.

KEY AUDIT MATTERS (continued)

Key Audit Matters

(i) Impairment of the Group's interests in joint ventures and associated companies (continued)

For the above-mentioned businesses, management estimated the recoverable amounts of the underlying assets, being higher of value in use or fair value less costs of disposal. The value in use is determined based on the discounted cash flow projections. Significant judgements are required to determine the key assumptions used in the discounted cash flows models such as estimated traffic volume, toll rates, revenue growth, resources and tariff prices, production volume, fuel costs and discount rates. In assessing the appropriateness of certain industry specific key assumptions, management made reference to independent professional studies, where relevant. Independent external valuers were also involved in certain value in use assessments, where management believed necessary. Based on the results of these impairment assessments, impairment losses were recognized for the underlying assets of those joint ventures and the Group's share of such impairment losses, in aggregate, of HK$600 million, which have been included in the Group's share of results of joint ventures for the year ended 30 June 2018. Management considered no further impairment is required in respect of the carrying values of the Group's interests in these joint ventures and associated companies.

In respect of other associated companies, whose assets principally included available-for-sale financial assets and loans and receivables. Management carried out impairment assessments on the underlying available-for-sale financial assets and loans and receivables held by these associated companies. Based on the results of the impairment assessments, management concluded that no impairment provision is needed for the Group's investments in these associated companies.

As the impairment assessments involve significant judgement and estimates, we regard these as a key audit matter.

How our audit addressed the Key Audit Matters

Based on the procedures performed, we found management's impairment assessments relating to the Group's interests in joint ventures and associated companies were supported by the available evidence.

KEY AUDIT MATTERS (continued)

Key Audit Matters	How our audit addressed the Key Audit Matters

(ii) Fair value measurement of unlisted available-for-sale financial assets
 	
(Refer to notes 6, 22 to the consolidated financial statements)
 	
As at 30 June 2018, the Group's available-for-sale financial assets which were carried at fair value amounted to HK$6,557 million, of which HK$3,313 million were investments in unlisted investment funds or equity and debt securities without quoted prices in active markets for fair value measurement purposes.
 	
Management determined the fair value of these available-for-sale financial assets as follows:
 	
• For investments in investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate;
 	
• For investments in unlisted equity and debt securities with recent transactions, management determined the fair value at the end of reporting period with reference to recent transaction prices of these financial assets; and
 	
• For investments in unlisted equity and debt securities without recent transactions, management has established fair values of these investments by using appropriate valuation techniques. Independent external valuer has been involved in determining the fair value, where appropriate.
 	
We focused on this area due to the high degree of judgement required in determining the fair values of these financial assets which do not have direct open market quoted values.
	Our procedures on assessing management's judgement in respect of the fair value measurement of available-for-sale financial assets included:
	
	• We evaluated and tested management's control procedures in relation to fair value measurement of available-for-sale financial assets;
	
	• We performed the following work with the support of our in-house valuation experts:
	
	  • For investments in investment funds, we selected certain investments, on a sample basis, to make enquiry of and assessment on management and fund managers regarding the appropriateness of methodologies, key assumptions and parameters used;
	
	  • For investments in unlisted equity and debt securities with recent transactions, we tested, on a sample basis, the appropriateness and evidence of recent transaction prices of those financial assets in fair value measurement;
	
	  • For investments in unlisted equity and debt securities without recent transactions, we evaluated the competence, capabilities and objectivity of the independent valuer. We assessed, on a sample basis, the appropriateness of methodologies and key assumptions used in the fair value measurement of these financial assets. We also assessed the reasonableness of the key observable and unobservable inputs used in the valuation by comparing assumptions used against appropriate third party pricing sources such as public stock prices and bond yields.
	
	Based on the procedures performed above, we found management's fair value measurement of available-for-sale financial assets were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ng Wai Lun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 September 2018

Consolidated Income Statement

For the year ended 30 June

	Note	2018 HK$'m	2017 HK$'m
Revenue	7	**35,114.8**	31,385.0
Cost of sales		**(31,331.6)**	(27,763.2)
Gross profit		**3,783.2**	3,621.8
Other income/gains	8	**2,809.4**	1,105.2
General and administrative expenses		**(1,466.4)**	(1,293.7)
Operating profit	9	**5,126.2**	3,433.3
Finance costs	11	**(348.0)**	(468.3)
Share of results of			
Associated companies	7(b)	**756.2**	1,590.9
Joint ventures	7(b)	**1,331.2**	1,774.5
Profit before income tax		**6,865.6**	6,330.4
Income tax expenses	12	**(745.0)**	(685.2)
Profit for the year		**6,120.6**	5,645.2
Attributable to			
Shareholders of the Company		**6,068.8**	5,628.9
Non-controlling interests		**51.8**	16.3
		6,120.6	5,645.2
Earnings per share attributable to			
the shareholders of the Company	14		
Basic		**HK$1.56**	HK$1.46
Diluted		**HK$1.56**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	2018 HK$'m	2017 HK$'m
Profit for the year	**6,120.6**	5,645.2
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
Revaluation of property, plant and equipment upon transfer to investment properties	**26.4**	–
Remeasurement of post-employment benefit obligation	**24.7**	24.7
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Fair value changes on available-for-sale financial assets	**(1,085.1)**	196.2
Release of reserves upon partial disposal of interest in an associated company	**46.6**	(5.6)
Release of reserve upon disposal of an available-for-sale financial asset	**2.7**	(15.1)
Release of reserve upon disposal of interest in a joint venture	**–**	(129.8)
Release of reserves upon reclassification of an associated company to an available-for-sale financial asset	**53.6**	–
Release of reserves upon remeasurement of previously held equity interest in a joint venture	**–**	35.6
Release of reserve upon restructuring of a joint venture	**–**	5.7
Release of reserve upon deregistration of subsidiaries	**(60.6)**	(15.3)
Release of reserve upon return of registered capital of a subsidiary	**(22.5)**	–
Share of other comprehensive income/(loss) of associated companies and joint ventures	**1.4**	(7.0)
Cash flow hedges	**83.9**	253.8
Currency translation differences	**1,194.4**	(673.4)
Other comprehensive income/(loss) for the year, net of tax	**265.5**	(330.2)
Total comprehensive income for the year	**6,386.1**	5,315.0
Total comprehensive income attributable to		
Shareholders of the Company	**6,346.8**	5,306.4
Non-controlling interests	**39.3**	8.6
	6,386.1	5,315.0

Consolidated Statement of Financial Position

As at 30 June

	Note	2018 HK$'m	2017 HK$'m
ASSETS			
Non-current assets			
Investment properties	16	**1,693.3**	1,568.9
Property, plant and equipment	17	**5,370.3**	5,487.8
Intangible concession rights	18	**11,491.9**	11,936.2
Intangible assets	19	**753.6**	786.6
Associated companies	20	**13,763.0**	16,180.5
Joint ventures	21	**15,008.3**	15,128.8
Available-for-sale financial assets	22	**6,556.6**	3,025.5
Other non-current assets	23	**870.4**	887.0
		55,507.4	55,001.3
Current assets			
Inventories	24	**461.9**	484.0
Trade and other receivables	25	**12,148.7**	13,787.2
Cash and bank balances	26	**6,656.6**	6,453.4
		19,267.2	20,724.6
Assets held-for-sale	27	**3,364.0**	–
Total assets		**78,138.6**	75,725.9
EQUITY			
Share capital	29	**3,896.5**	3,888.3
Reserves	30	**46,053.5**	45,168.8
Shareholders' funds		**49,950.0**	49,057.1
Non-controlling interests		**173.8**	217.9
Total equity		**50,123.8**	49,275.0

Consolidated Statement of Financial Position

As at 30 June

	Note	2018 HK$'m	2017 HK$'m
LIABILITIES			
Non-current liabilities			
Borrowings	31	**9,139.6**	9,376.9
Deferred tax liabilities	32	**2,490.2**	2,519.0
Other non-current liabilities	33	**176.9**	226.2
		11,806.7	12,122.1
Current liabilities			
Borrowings	31	**1,035.0**	305.8
Trade and other payables	34	**11,384.2**	13,642.9
Taxation		**575.8**	380.1
		12,995.0	14,328.8
Liabilities directly associated with assets held-for-sale	27	**3,213.1**	–
Total liabilities		**28,014.8**	26,450.9
Total equity and liabilities		**78,138.6**	75,725.9

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Shareholders' funds						
HK$'m	**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 year	**–**	**–**	**6,085.7**	**261.1**	**6,346.8**	**39.3**	**6,386.1**
Contributions by/(distribution to) owners							
Dividends paid to							
Shareholders of the Company	**–**	**–**	**(5,569.8)**	**–**	**(5,569.8)**	**–**	**(5,569.8)**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(43.0)**	**(43.0)**
Share options							
Nominal value of new shares issued	**8.2**	**–**	**–**	**–**	**8.2**	**–**	**8.2**
Share premium on new shares issued	**–**	**107.7**	**–**	**–**	**107.7**	**–**	**107.7**
Repayment of capital to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(40.4)**	**(40.4)**
Total transactions with owners	**8.2**	**107.7**	**(5,569.8)**	**–**	**(5,453.9)**	**(83.4)**	**(5,537.3)**
At 30 June 2018	**3,896.5**	**17,629.5**	**27,518.3**	**905.7**	**49,950.0**	**173.8**	**50,123.8**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

HK$'m	Shareholders' funds: 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 year	–	–	5,765.7	(459.3)	5,306.4	8.6	5,315.0
Contributions by/(distribution to) owners							
Dividends paid to							
Shareholders of the Company	–	–	(2,614.4)	–	(2,614.4)	–	(2,614.4)
Non-controlling interests	–	–	–	–	–	(10.9)	(10.9)
Scrip dividends							
Nominal value of new shares issued	51.3	–	–	–	51.3	–	51.3
Share premium on new shares issued	–	615.8	–	–	615.8	–	615.8
Share options							
Value of services provided	–	–	–	8.5	8.5	–	8.5
Nominal value of new shares issued	5.0	–	–	–	5.0	–	5.0
Share premium on new shares issued	–	65.6	–	–	65.6	–	65.6
Repayment of capital to non-controlling interests	–	–	–	–	–	(19.3)	(19.3)
Transfer	–	–	26.4	(26.4)	–	–	–
Total transactions with owners	56.3	681.4	(2,588.0)	(17.9)	(1,868.2)	(30.2)	(1,898.4)
At 30 June 2017	3,888.3	17,521.8	27,002.4	644.6	49,057.1	217.9	49,275.0

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2018 HK$'m	2017 HK$'m
Cash flows from operating activities			
Net cash generated from operations	38(a)	**5,159.1**	3,898.0
Finance costs paid		**(250.4)**	(439.9)
Interest received		**171.6**	200.9
Hong Kong profits tax paid		**(184.8)**	(168.1)
Mainland China and overseas taxation paid		**(466.7)**	(532.6)
Net cash generated from operating activities		**4,428.8**	2,958.3
Cash flows from investing activities			
Dividends received from associated companies		**541.6**	1,879.7
Dividends received from joint ventures		**1,845.3**	1,587.1
Increase in investments in and advances to associated companies		**(127.0)**	(1,128.2)
Increase in investments in and advances to joint ventures		**(977.1)**	(1,425.4)
Acquisition of subsidiaries	39(b)	**–**	(1,017.6)
Disposal of subsidiaries	38(b)	**–**	189.0
Partial disposal of an associated company		**2,331.3**	352.0
Disposal of a joint venture		**–**	197.1
Additions of intangible concession rights, property, plant and equipment		**(536.4)**	(688.4)
Additions of available-for-sale financial assets		**(1,903.1)**	(1,360.4)
Disposal of property, plant and equipment		**15.9**	3.0
Disposal of available-for-sale financial assets and a financial asset at fair value through profit or loss		**248.9**	367.5
Disposal of intangible concession rights		**–**	12.7
Disposal of assets held-for-sale		**–**	3,373.1
Dividends received from available-for-sale financial assets		**63.9**	30.4
Decrease in other non-current assets		**–**	5.6
Decrease in short-term bank deposits maturing after more than three months		**3.6**	26.4
Net cash from investing activities		**1,506.9**	2,403.6

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2018 HK$'m	2017 HK$'m
Cash flows from financing activities			
Issuance of new shares from share options exercised		**115.9**	70.6
New bank loans and other borrowings	38(c)	**1,395.9**	2,802.4
Repayment of bank loans and other borrowings	38(c)	**(952.4)**	(4,643.0)
Redemption of fixed rate bonds		**–**	(3,885.0)
Balance payment of acquisition of additional interests in a subsidiary		**–**	(81.9)
Capital repayment to non-controlling interests		**(52.0)**	(23.6)
Decrease in loan from non-controlling interests	38(c)	**(9.1)**	(23.8)
Dividends paid to shareholders of the Company		**(5,569.8)**	(1,947.3)
Dividends paid to non-controlling interests		**(43.0)**	(10.9)
Net cash used in financing activities		**(5,114.5)**	(7,742.5)
Net increase/(decrease) in cash and cash equivalents		**821.2**	(2,380.6)
Cash and cash equivalents at the beginning of year		**6,436.8**	8,892.9
Currency translation differences		**38.7**	(75.5)
Cash and cash equivalents at the end of year		**7,296.7**	6,436.8
Analysis of cash and cash equivalents			
Cash and bank balances	26	**6,656.6**	6,453.4
Short-term bank deposits maturing after more than three months	26	**(13.4)**	(16.6)
Cash and bank balances of subsidiaries reclassified as assets held-for-sale	27	**653.5**	–
		7,296.7	6,436.8

Notes to the Financial Statements

1 GENERAL INFORMATION

NWS Holdings Limited (the "Company") 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, duty free shops, healthcare, construction, transport and strategic investments.

The Company has its listing on the Main Board of the Hong Kong Stock Exchange.

The consolidated financial statements were approved for issuance by the Board on 19 September 2018.

2 BASIS OF PREPARATION

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

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 6 below.

(a) Adoption of amendments to standards

During the year, 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 (continued)

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

HKFRS 15 as issued by HKICPA is effective for the financial year beginning on 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 would be adjusted at the opening balance of equity as at 1 July 2017 and prior period comparatives are not restated.

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.

The adoption of HKFRS 15 has no material impact on the consolidated income statement and the consolidated statement of cash flows and no adjustments are required on the opening balance of equity as at 1 July 2017. Details of the change in accounting policy are set out in note 3.

(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
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 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRSs Amendments	Annual Improvements to HKFRSs 2014–2016 Cycle and Annual Improvements to HKFRSs 2015–2017 Cycle

2 BASIS OF PREPARATION (continued)

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

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 9 "Financial Instruments" ("HKFRS 9") and HKFRS 16 "Leases" ("HKFRS 16") are detailed below. The Group will continue to assess the impact in more details.

HKFRS 9

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

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

The Group's equity investments currently classified as available-for-sale financial assets will be reclassified to financial assets at FVOCI or FVPL, which is being under the process of the election. For debt instruments currently classified as available-for-sale financial assets, the Group is in the process of assessing whether those instruments would be reclassified as amortized cost, FVOCI or FVPL, which depends on the contractual cash flow characteristics and the Group's business model for managing these instruments.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

In addition, the new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. Based on the assessments undertaken to date, the Group does not expect material change of the loss allowance for the Group's trade receivables.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. The Group does not expect a significant impact on the accounting for hedging relationship.

2 BASIS OF PREPARATION (continued)

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

HKFRS 9 (continued)

The new accounting standard will be effective for FY2019. As allowed in the transitional provisions in HKFRS 9 (2014), comparative figures will not be restated. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Group will continue to assess its impact in more details.

HKFRS 16

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.

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.

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.

The adoption of HKFRS 15 also 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 25, 28 and 34 respectively.

4 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of the consolidated financial statements, which have been consistently applied to all the years presented are set out as below:

(a) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 30 June.

(i) Subsidiaries

Subsidiaries are entities in which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in the consolidated income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

Inter-group transactions, balances and unrealized gains or losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to the consolidated income statement.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment losses. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(ii) Associated companies

An associated company is a company other than a subsidiary and a joint venture, in which the Group has significant influence exercised through representatives on the board of directors.

The Group's interests in associated companies include the loans and advances to the associated companies which, in substance, form part of the Group's interests in the associated companies. The provision of loans and advances to the associated companies are a form of commercial arrangement between the parties to the associated companies to finance the development of projects and viewed as a means by which the Group invests in the relevant projects.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(ii) Associated companies (continued)

Investments in associated companies are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition. The interests in associated companies also include long-term interests that, in substance, form part of the Group's net investment in associated companies.

The Group's share of its associated companies' post-acquisition profits or losses is recognized in the consolidated income statement, and the share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivable, the Group does not recognize further losses, unless it has incurred legal and constructive obligations or made payments on behalf of the associated company.

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

For equity accounting purpose, accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses arising from investments in associates are recognized in the consolidated income statement.

The cost of an associated company acquired in stages is measured as the sum of consideration paid for each purchase plus a share of investee's profits and other equity movements.

The Group ceases to use the equity method from the date an investment ceases to be an associated company that is the date on which the Group ceases to have significant influence over the associated company or on the date it is classified as held-for-sale.

(iii) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(iii) Joint arrangements (continued)

(1) Joint operations

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

(2) Joint ventures

A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

The Group's interests in joint ventures include the loans and advances to the joint ventures which, in substance, form part of the Group's interests in the joint ventures. The provision of loans and advances to the joint ventures is a form of commercial arrangement between the parties to the joint ventures to finance the development of projects are viewed as a means by which the Group invests in the relevant projects.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.

When the Group's share of losses of a joint venture equals or exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of that joint venture.

The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the joint ventures set out as follows:

- Equity joint ventures
  Equity joint ventures are joint ventures in respect of which the capital contribution ratios of the venturers are defined in the joint venture contracts and the profit sharing ratios of the venturers are in proportion to the capital contribution ratios.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(iii) Joint arrangements (continued)

(2) Joint ventures (continued)

- Co-operative joint ventures
  Co-operative joint ventures are joint ventures in respect of which the profit sharing ratios of the venturers and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts.

- Companies limited by shares
  Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interests therein is in accordance with the amount of the voting share capital held thereby.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Non-controlling interests

Non-controlling interests are the equity in a subsidiary which is not attributable, directly or indirectly, to a parent. The Group treats transactions with non-controlling interests (namely, acquisitions of additional interests and disposals of partial interests in subsidiaries that do not result in a loss of control) as transactions with equity owners of the Group. For purchases of additional interests in subsidiaries from non-controlling shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of partial interests to non-controlling shareholders are also recorded in equity.

(c) Intangible assets

(i) Goodwill

Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill arising on acquisitions of associated companies and joint ventures is included in interests in associated companies and joint ventures respectively and is tested for impairment as part of overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of all or part of an entity include the carrying amount of goodwill relating to the entity sold.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Intangible assets (continued)

(i) Goodwill (continued)

Goodwill is allocated to cash-generating units ("CGU") for the purpose of testing for impairment. The allocation is made to those CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose.

(ii) Operating right

Operating right primarily resulted from the acquisition of right to operate facilities management and transport businesses. Separately acquired operating rights are initially recognized at cost. Operating rights acquired in a business combination are initially recognized at fair value at the acquisition date. Operating right is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method to allocate the cost over the period of the operating right.

(iii) Intangible concession rights

The Group has entered into various service concessions ("Service Concessions") with local government authorities for its participation in the development, financing, operation and maintenance of infrastructural projects ("Infrastructures"). The Group carries out the construction or upgrade work of Infrastructures from the granting authorities in exchange for the right to operate the Infrastructures concerned and the right to charge users of the respective Infrastructures. The fees collected during the operating periods are attributable to the Group. The relevant Infrastructures are required to be returned to the local government authorities upon the expiry of the operating rights without significant compensation to the Group.

The Group applies the intangible asset model to account for the Infrastructures where they are paid by the users of the Infrastructures and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. The consideration to be received during the construction or upgrade period is classified as contract asset and reclassified as intangible concession rights upon completion.

Land use rights acquired in conjunction with the Service Concessions which the Group has no discretion or latitude to deploy for other services other than the use in the Service Concessions are treated as intangible assets acquired under the Service Concessions.

Amortization of intangible concession rights is calculated to write off their costs, where applicable, on an economic usage basis for roads and bridges whereby the amount of amortization is provided based on the ratios of actual volume compared to the total projected volume or on a straight-line basis for water treatment plant over the periods which the Group is granted the rights to operate these Infrastructures. The total projected volume of the respective Infrastructures is reviewed regularly with reference to both internal and external sources of information and appropriate adjustments will be made should there be a material change.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Revenue recognition

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.

(i) Port revenue

Port revenue from cargo, container handling and storage is recognized at a point in time when services are rendered.

(ii) Toll revenue

Toll revenue from road and bridge operations is recognized at a point in time when services are rendered.

(iii) Service fee income

Property and facilities management service fees and property letting agency fee are recognized over time and at a point in time respectively when services are rendered.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Revenue recognition (continued)

(iv) Rental income

Rental income from investment properties is recognized on a straight-line basis over the terms of the lease agreements.

(v) Construction revenue

Revenue from construction service contract is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation using input method.

(vi) Sales of goods

Income from sales of goods is recognized at a point in time when the goods are delivered to customers and title has passed.

(vii) Fare revenue

Fare revenue from bus and ferry services is recognized at a point in time when the services are rendered.

(viii) Advertising income

Advertising income is recognized over time when the advertisement or commercial appears before the public.

(ix) Interest income

Interest income is recognized on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues to unwind the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(x) Dividend income

Dividend income is recognized when the right to receive payment is established.

(e) Leases

(i) Finance leases

Leases that transfer to the Group substantially all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalized at the lease's commencement date at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balances outstanding. The corresponding rental obligations net of finance charges are included in liabilities as trade and other payables. The finance charges are charged to the consolidated income statement over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Leases (continued)

(ii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(f) Land use rights

The upfront prepayments made for the land use rights held under operating leases is expensed in the consolidated income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated income statement.

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation or estimation by management conducted at the end of each reporting period. Changes in fair values are recognized in the consolidated income statement.

Property that is being constructed or developed for future use as investment property is stated at fair value.

Subsequent expenditure is included in the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If a property becomes an investment property because its use has been changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognized in equity as a revaluation of property, plant and equipment. However, if a fair value gives rise to a reversal of the previous impairment loss, the write-back is recognized in the consolidated income statement.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the assets or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of replaced part is derecognized. All other repairs and maintenance costs are charged in the consolidated income statement during the financial period in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) Assets under construction

All direct costs relating to the construction of property, plant and equipment, including borrowing costs during the construction period are capitalized as the costs of the assets.

(ii) Depreciation

No depreciation is provided in respect of construction in progress until such time when the relevant assets are completed and available for intended use.

Leasehold land classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Amortization of leasehold land classified as finance lease and depreciation of other property, plant and equipment are calculated to allocate their cost to their estimated residual values over their estimated useful lives or lease terms, using the straight-line method, at the following annual rates:

Leasehold land classified as finance lease	over the period of lease terms
Properties	2.5%-5%
Other plant and equipment	4%-50%
Buses, vessels and other motor vehicles	5%-25%

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

(iii) Gain or loss on disposal

The gain or loss on disposal of property, plant and equipment is determined by comparing the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the consolidated income statement.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Impairment of investments in subsidiaries, associated companies, joint ventures and non-financial assets

Assets that have an indefinite useful life (e.g. goodwill) or have not yet been available for use are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. An impairment loss is recognized in the consolidated income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. Impairment losses on goodwill are not reversed. For the purpose of assessing impairment, assets are grouped as CGU for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the investments are acquired.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated as at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods and services directly to a debtor with no intention of trading the receivable and are included in current assets, except for those with maturities more than 12 months after the end of the reporting period, which are classified as non-current assets. These are accounted for in accordance with the policy set out in note 4(m).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Financial assets (continued)

Regular purchases and sales of financial assets are recognized on the trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction cost are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the consolidated income statement in the financial period in which they arise. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income. When available-for-sale financial assets are sold, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from financial assets. The translation differences of monetary financial assets are recognized in the consolidated income statement; translation differences on non-monetary financial assets are recognized in equity.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The fair values of listed investments are based on current bid prices. If the market for a financial asset in not active and for unlisted financial assets, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether the asset is impaired. In the case of debt instruments, objective evidence of impairment includes significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganization. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated income statement, is removed from equity and recognized in the consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments classified as available-for-sale are not reversed through the consolidated income statement.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Deferred income

Deferred income is included in both current and non-current liabilities and is credited to the consolidated income statement on a straight-line basis over the concession periods.

(l) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

The Group designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in notes 25, 33 and 34. Movements in the hedging reserve in shareholders' equity are shown in note 30. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement.

Amounts accumulated in equity are transferred to the consolidated income statement in the period when the hedged item affects profit or loss. The forecast transaction that is hedged results in the recognition of non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity immediately transferred to the consolidated income statement.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operation cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the assets and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognized in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

(n) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average or the first-in first-out methods depending on the operating segments. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(o) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the cumulative revenue recognized in profit or loss exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognized as contract liabilities if the cumulative payments made by customers exceeds the revenue recognized in profit or loss.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortized cost. Contract liabilities are recognized as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalized and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortized on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognizes an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognized exceeds the remaining amounts of consideration that the Group expects to receive less the costs that relate directly to providing those goods or services that have not been recognized as expenses.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Assets held-for-sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Investment properties classified as assets held-for-sale are stated at fair value at the end of reporting period.

(q) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities in the consolidated statement of financial position.

(r) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(s) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow of resources with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(t) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognized but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

(v) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group, associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(v) Current and deferred income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(w) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the construction period when the asset is being prepared for its intended use. Other borrowing costs are expensed as incurred.

(x) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the end of the reporting period are recognized in the consolidated income statement.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(x) Foreign currencies (continued)

(ii) Transactions and balances (continued)

Changes in the fair value of debt securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Translation differences on financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the entities of the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each consolidated statement of financial position presented are translated at the exchange rate prevailing at the date of that consolidated statement of financial position;

(b) income and expenses for each consolidated income statement are translated at the average exchange rate during the period covered by the consolidated income statement; and

(c) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(x) Foreign currencies (continued)

(iv) Disposal of foreign operation and partial disposal

On the disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and not recognized in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associated companies or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to the consolidated income statement.

(y) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Bonus plans

Provision for bonus plans are recognized when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans including the Mandatory Provident Fund Scheme and employee pension schemes established by municipal governments in the PRC are expensed as incurred. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(y) Employee benefits (continued)

(iv) Defined benefit plans

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income in the period in which they arise.

(v) Share-based compensation

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(z) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement or capitalized as stated in note 4(w) over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(aa) Segment reporting

Operating segment are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

Segment assets consist primarily of property, plant and equipment, investment properties, intangible concession rights, intangible assets, available-for-sale financial assets, other non-current assets, inventories, receivables and cash and bank balances. Segment liabilities primarily comprise operating liabilities, taxation and borrowings. Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets comprise additions to investment properties, property, plant and equipment, intangible concession rights and intangible assets.

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the consolidated financial statements in the financial period when the dividends are approved by the Company's shareholders and/or directors, where appropriate.

(ac) Insurance contracts

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognized in the consolidated income statement.

The Group accounts for its financial guarantee contracts as insurance contracts.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

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 Group has centralized treasury function for all of its subsidiaries in a manner consistent with the overall policies of the Group.

(a) Market risk

(i) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include cash deposits and amounts due from associated companies and joint ventures.

Debt securities classified as available-for-sale financial assets which expose the Group to fair value interest rate risk, the Group's borrowings are mainly on a floating rate basis, which will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

Interest bearing financial assets and liabilities are mainly subject to an interest re-pricing risk of one year or below.

If interest rates had been 100 basis points (2017: 100 basis points) higher/lower with all other variables held constant, the Group's profit for the year would have been HK$49.1 million (2017: HK$31.9 million) lower/higher respectively.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to calculate the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points increase or decrease represents a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of the next reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. As a consequence, they are included in the calculation of profit for the year sensitivities.

(ii) Foreign exchange risk

The Group operates mainly in Hong Kong and Mainland China. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group's foreign currency exposure arises from procurement of buses and spare parts from overseas suppliers that are denominated in foreign currencies other than its functional currency. The Group monitors and controls this foreign exchange risk by entering into foreign exchange forward contracts to cover its major foreign currency payments. Besides, the Group also manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arises.

At 30 June 2018, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in United States dollar of HK$5,085.0 million (2017: HK$3,553.3 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

At 30 June 2018, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Renminbi of HK$595.0 million (2017: HK$281.8 million) which the related foreign exchange risk has not been hedged. If Hong Kong dollar had strengthened/weakened by 5% against Renminbi with all other variables held constant, the Group's profit for the year would have been HK$28.7 million (2017: HK$12.0 million) lower/higher respectively.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents reasonably next possible changes in foreign exchange rates over the period until the end of the next reporting period. There are no other significant monetary balances held by Group companies at both 30 June 2018 and 30 June 2017 that are denominated in a non-functional currency. Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(iii) Price risk

The Group is exposed to equity securities price risk because the Group held listed and unlisted equity investments of which the fair value are subject to changes in market prices. Gains and losses arising from changes in the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are dealt with in equity and consolidated income statement respectively. The performance of the Group's listed and unlisted equity investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans.

At 30 June 2018, if the price of listed and unlisted equity investments, classified as available-for-sale financial assets (note 22) and financial assets at fair value through profit or loss had been 25% higher with all other variables held constant, the Group's investment revaluation reserve would have been HK$1,639.1 million higher (2017: HK$756.4 million). If the price of the above-mentioned listed and unlisted equity investments had been 25% lower with all other variables held constant, the Group's profit for the year would have been HK$1,710.7 million (2017: HK$231.0 million) lower which represented impairment charge of available-for-sale financial assets and investment revaluation reserve would have been HK$71.6 million higher due to the transfer of investment revaluation deficit to the consolidated income statement that resulted from the impairment charge (2017: HK$525.4 million lower). The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

The Group is exposed to the upside risk of fuel prices as it has heavy demand on fuel for its transport business. The Group manages its exposure to this risk by using fuel price swap contracts if considered appropriate.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(b) Credit risk

The credit risk of the Group mainly arises from deposits with banks, trade and other receivables, debt securities and balances receivable from group companies, including amounts due from associated companies and joint ventures. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses.

Deposits are mainly placed with high-credit-quality financial institutions. The Group carries out regular reviews and follow-up actions on any overdue amounts to minimize exposures to credit risk. There is no concentration of credit risk with respect to trade receivables from third party customers as of the customer bases are widely dispersed in different industries.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to associated companies and joint ventures through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis. Debt securities are limited to financial institutions or investment counterparty with high quality.

The maximum exposure to credit risk is represented by the carrying amount of financial assets in the consolidated statement of financial position after deducting any impairment allowance.

(c) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(c) Liquidity risk (continued)

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

At 30 June 2018

Non-derivative financial liabilities

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Trade payables	34	1,266.4	1,266.4	1,266.2	0.2	–
Retention money payables and other payables		6,754.2	6,754.2	5,065.4	1,688.8	–
Amounts due to non-controlling interests	34	191.3	191.3	191.3	–	–
Amounts due to associated companies	34	37.6	37.6	37.6	–	–
Amounts due to joint ventures	34	0.2	0.2	0.2	–	–
Borrowings and contracted interest payment	31	10,174.6	10,778.3	1,297.3	8,879.2	601.8
Loans from non-controlling interests	33	39.1	39.1	–	39.1	–

Derivative financial liabilities

HK$'m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years
Derivative financial instruments (net settled)	39.1	27.8	11.3

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(c) Liquidity risk (continued)

At 30 June 2017

Non-derivative financial liabilities

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Trade payables	34	888.8	888.8	888.6	0.2	–
Retention money payables and other payables		8,460.9	8,460.9	6,873.2	1,587.7	–
Amounts due to non-controlling interests	34	171.4	171.4	171.4	–	–
Amounts due to associated companies	34	18.8	18.8	18.8	–	–
Borrowings and contracted interest payment	31	9,682.7	10,105.8	422.0	9,073.5	610.3
Loans from non-controlling interests	33	46.4	46.4	–	46.4	–

Derivative financial liabilities

HK$'m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years
Derivative financial instruments (net settled)	109.4	59.3	50.1

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group intends to maintain a dividend payout ratio at not less than 50%. In order to maintain or adjust the capital structure, the Group may issue or repurchase shares, or raise new debt financing.

The net gearing ratios at 30 June were as follows:

	Note	**2018 HK$'m**	2017 HK$'m
Total borrowings	31	**(10,174.6)**	(9,682.7)
Add: Cash and bank balances	26	**6,656.6**	6,453.4
Net debt		**(3,518.0)**	(3,229.3)
Total equity		**50,123.8**	49,275.0
Net gearing ratio		**7%**	7%

(e) 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.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(e) Fair value estimation (continued)

(iv) The following table presents the Group's financial instruments that are measured at fair value at 30 June:

- 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).

Management determined the fair value of these available-for-sale financial assets within Level 2 and Level 3 as follows:

- For investments in investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate;

- For investments in unlisted equity and debt securities with recent transactions, management determined the fair value at the end of reporting period with reference to recent transaction prices of these financial assets; and

- For investments in unlisted equity and debt securities without recent transactions, management has established fair values of these investments by using appropriate valuation techniques. Independent external valuer has been involved in determining the fair value, where appropriate.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(e) Fair value estimation (continued)

(iv) (continued)

At 30 June 2018:

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	**3,009.6**	**1,194.7**	**1,197.6**	**5,401.9**
Debt securities	**234.2**	**704.2**	**216.3**	**1,154.7**
Derivative financial instruments	**–**	**16.4**	**–**	**16.4**
	3,243.9	**1,915.3**	**1,413.9**	**6,573.1**
Liabilities				
Derivative financial instruments	**–**	**(4.9)**	**(13.1)**	**(18.0)**

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.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(e) Fair value estimation (continued)

(iv) (continued)

The following table presents the changes in Level 3 instruments for the year ended 30 June 2018:

HK$'m	Available-for-sale financial assets	Derivative financial assets	Derivative financial liabilities
At 1 July 2017	**13.1**	**58.8**	**(18.9)**
Additions	**1,048.3**	**–**	**–**
Transfer from Level 2	**352.5**	**–**	**–**
Settlement	**–**	**(58.8)**	**–**
Total gain recognized in the consolidated income statement	**–**	**–**	**5.8**
At 30 June 2018	**1,413.9**	**–**	**(13.1)**

The following table presents the changes in Level 3 instruments for the year ended 30 June 2017:

HK$'m	Available-for-sale financial assets	Derivative financial assets	Derivative financial liabilities
At 1 July 2016	90.0	58.8	(24.6)
Acquisition of subsidiaries	7.3	–	–
Transfer to Level 2	(54.2)	–	–
Disposal	(30.0)	–	–
Total gain recognized in the consolidated income statement	–	–	5.7
At 30 June 2017	13.1	58.8	(18.9)

Given majority of the Level 3 instruments were newly acquired by the Group within six months from the end of reporting period, the fair value is determined primarily based on the purchase price paid by the Group and taking into account of the analysis of the investees' financial position and results, risk profile, prospects, industry trend and other factors, it is not practical to quote a range of key unobservable inputs.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

(a) Impairment of the Group's investments in associated companies and joint ventures

In accordance with the requirements under HKAS 28 (2011) "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets", management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies and joint ventures based on value in use calculations. In determining the value in use, management assesses the present value of estimated future cash flows expected to arise from their businesses. Estimates and judgements are applied in determining these future cash flows and discount rate.

(i) The Group holds approximately 16% equity interest in Tharisa, an associated company of the Group incorporated in Cyprus with its ordinary shares dual-listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc and principally engaged in platinum group metals and chrome mining, processing and trading in South Africa.

As at 30 June 2018, the Group's share of market value of Tharisa amounting to approximately HK$0.4 billion, is lower than its carrying value of approximately HK$0.9 billion. Management has carried out an impairment assessment on the carrying value of such investment based on value in use approach using the discounted cash flow method. The estimated cash flows used in the assessment are based on assumptions, such as revenue growth rate, metal price and discount rate. Long term metal price annual growth of 2% are made reference to the business plan and prevailing market conditions. The discount rate is derived with reference to the weighted average cost of capital of comparable companies that are engaged in mining industry. The assessment indicated no further impairment on the carrying value of Tharisa as at 30 June 2018.

The assumptions used in the carrying value assessment are highly judgemental, and heavily dependent on the discount rate used and metal price projection. For example, if the risk premium increases by 1.1%, or metal price for the first five projection years decreases by 8% with other variables remain constant, any of such changes, if adopted, would reduce the recoverable amount as determined by the value in use calculation to approximate the carrying value of the Group.

The above impairment assessments involved estimates and judgements that are more sensitive and any deviation from estimates may result in the recoverable amount lower than the carrying amount.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Impairment of the Group's investments in associated companies and joint ventures (continued)

(ii) As detailed in note 20(e), the Group has participating interests and holds for investment purpose in certain investment companies amounted to HK$1,148.9 million (2017: HK$2,740.8 million), whose assets mainly comprise available-for-sale financial assets, loans and receivables. Management has carried out an impairment assessment on the underlying investments and loans and receivables based on various valuation techniques and credit risk assessment. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of reporting period and considered the repayment histories of the borrowers, credit worthiness and financial performance of the borrowers and their guarantors, value of the pledged assets and subsequent settlement of loans and receivables, if applicable.

(iii) The Group has 35% equity interest in Guodian Chengdu Jintang Power Generation Co., Ltd. ("Chengdu Jintang"), a joint venture of the Group engaged in generation and supply of electricity through coal-fired power plants. The profitability of the joint venture is directly affected by a number of key factors including but not limited to fuel costs, sales volume and tariff. The Group shared a loss from Chengdu Jintang for FY2017 and FY2018 mainly due to coal price in Mainland China maintained at high level in both years. Management has carried out an impairment assessment based on value in use approach using the discounted cash flow method. The estimated cash flows used are based on assumptions, such as tariff, sales volume, fuel costs and discount rate. The annual sales volume growth rate of 4%–8% for the first five projection years are made reference to the business plan and prevailing market condition. Discount rate of 9% was used to reflect specific risk relating to the investment. Based on the assessment, an impairment loss of HK$200 million was shared by the Group in the consolidated income statement for FY2018. Any changes in any of the key assumptions used would result in increase or decrease in impairment loss shared by the Group.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Impairment of the Group's investments in associated companies and joint ventures (continued)

(iv) The Group invested in two expressways located in Nansha and Pangyu district, namely, Guangzhou City Nansha Port Expressway (in which the Group's 22.5% effective interest is held through Wincon International Limited, a joint venture of the Group) and Guangzhou Dongxin Expressway (in which the Group's 45.9% effective interest is held through Success Concept Investments Limited, a joint venture of the Group) with concession rights expiring in 2030 and 2035 respectively. The Group shared a loss from both expressways for FY2017 and FY2018 despite there was traffic growth in both years. The outlook of their profitability depends on the future traffic growth and forecast toll income which are highly tied to the future economic and transportation network development of the area in which these expressways serve. The estimated growth in coming years may be lower than expected in light of the certain development plans may complete later than planned schedule. Management made reference to the traffic consultant report and carried out an impairment assessment for each of the expressways based on value in use approach using the discounted cash flow method. The estimated cash flows are based on assumptions, such as traffic growth, toll rate growth and discount rate. The annual traffic growth rates of 5%–20% for the first five projection years was adopted after taking into accounts the latest business plan and prevailing market condition. Discount rate of 8% was used to reflect specific risk relating to these investments. Based on the assessments, an aggregate impairment loss of HK$400 million was shared by the Group in the consolidated income statement during FY2018. Any changes in any of the key assumptions used would result in increase or decrease in impairment loss shared by the Group.

(b) Estimated volume of Infrastructures of public services

The amortization for intangible concession rights and impairment assessment of Infrastructures for public services using discounted cash flow model are affected by the estimated volume for public services, such as toll roads. Management performs annual reviews to assess the appropriateness of estimated volume by making reference to independent professional studies, if necessary.

The traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads and the existence of other means of transportation. The growth of the traffic flow is also highly tied to the future economic and transportation network development of the area in which the Infrastructures serve. The growth in future traffic flow projected by the management is highly dependent on the realization of the aforementioned factors.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Estimate of revenue for construction contracts

For revenue from construction work that is recognized over time, the Group recognizes such revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgets. In making the above estimation, the Group conducts periodic review on the budgets and makes reference to past experience and work of internal quantity surveyors.

(d) Impairment of assets other than property, plant and equipment

The Group tests annually whether goodwill has suffered any impairment according to its recoverable amount determined by the CGU based on value in use calculations and detailed in note 19(a). These calculations require the use of estimates which are subject to changes of economic environment in future. The assumptions used in the impairment assessment for goodwill allocated to the transport business are highly judgemental, and heavily dependent on the discount rate and projected fare revenue. For example, if the discount rate increases by 1.8%, or the projected fare revenue decreases by 1.8% with other variables constant, any of such changes, if adopted, would reduce the recoverable amount as determined by the value in use calculation to approximate the carry value of the transport business.

The Group determines whether an available-for-sale financial asset is impaired by the duration or extent to which the fair value of an investment is less than its original cost.

The Group assesses whether there is objective evidence as stated in note 4(m) that deposits, loans and receivables are impaired. It recognizes impairment based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

(e) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by management or by independent valuers based on a market value assessment. Fair value is based on active market prices and adjusted if necessary for any difference in nature, location or conditions of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, income capitalization approach or professional valuation. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Valuation of investment properties (continued)

At 30 June 2018, if the market value of investment properties had been 5% (2017: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK$84.7 million (2017: HK$78.4 million) higher/lower respectively.

(f) Fair value of available-for-sale financial assets and financial assets at fair value through profit or loss

The fair value of available-for-sale financial assets and financial assets at fair value through profit or loss that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and evaluates, among other factors, whether there is significant or prolonged decline in the fair value below the cost of an investment; and the financial health and short-term business outlook for the investee and historical price volatility of these investments. The key assumptions adopted on projected cashflow are based on management's best estimates.

7 REVENUE AND SEGMENT INFORMATION

The Group's revenue is analyzed as follows:

	2018 HK$'m	2017 HK$'m
Roads	**2,623.6**	2,377.0
Aviation	**160.8**	–
Facilities Management	**5,570.9**	6,915.1
Construction & Transport	**26,759.5**	22,092.9
	35,114.8	31,385.0

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.

7 REVENUE AND SEGMENT INFORMATION (continued)

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

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Total
2018								
Total revenue	2,623.6	–	–	160.8	5,573.5	26,759.5	–	35,117.4
Inter-segment	–	–	–	–	(2.6)	–	–	(2.6)
Revenue – external	2,623.6	–	–	160.8	5,570.9	26,759.5 (i)	–	35,114.8
Recognized at a point in time	2,623.6	–	–	160.8	4,119.2	3,317.6	–	10,221.2
Recognized over time	–	–	–	–	1,451.7	23,441.9	–	24,893.6
Attributable operating profit								
Company and subsidiaries	1,078.2	14.0	–	58.0	290.9	934.1 (i)	85.9	2,461.1
Associated companies	127.6	364.8	124.4	165.8	(363.0)	278.9	142.6 (ii)	841.1 (b)
Joint ventures	741.3	115.3	530.2	471.4	(1.0)	(0.1)	72.6	1,929.7 (b)
	1,947.1	494.1	654.6	695.2	(73.1)	1,212.9	301.1	5,231.9
Reconciliation – corporate office and non-operating items								
Gains on partial disposal and remeasurement related to an associated company								1,879.3 (iii)
Gain on fair value of investment properties								93.6
Net gain on disposal of projects, net of tax								52.7
Impairment losses related to joint ventures								(600.0) (iv)
Interest income								36.8
Finance costs								(266.6)
Expenses and others								(358.9)
Profit attributable to shareholders								6,068.8

(i) The amounts include revenue of HK$3,499.1 million and attributable operating profit of HK$157.6 million from the Group's Transport business.

(ii) The amount includes the Group's share of attributable operating profit of HK$105.0 million from certain associated companies engaged in investment activities.

(iii) The amounts represent the gains in relation to the Group's interest in BCIA, including profit on disposal of HK$783.8 million (note 8) and gain on remeasurement of HK$1,095.5 million (note 8) as detailed in note 20(b).

(iv) The amount represents share of impairment losses in relation to the Group's interests in three joint ventures as detailed in note 6(a)(iii) and (iv).

7 REVENUE AND SEGMENT INFORMATION (continued)

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

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Consolidated
2018										
Depreciation	25.8	–	–	–	101.5	437.9	–	565.2	5.1	570.3
Amortization of intangible concession rights	883.7	–	–	–	–	–	–	883.7	–	883.7
Amortization of intangible assets	–	–	–	–	31.2	1.8	–	33.0	–	33.0
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	23.7	–	–	–	171.7	335.0	–	530.4	6.6	537.0
Interest income	33.1	27.2	–	0.8	41.6	7.3	51.2	161.2	41.1	202.3
Finance costs	3.6	–	–	–	4.4	73.2	0.2	81.4	266.6	348.0
Income tax expenses	414.6	28.4	16.8	9.3	55.1	214.7	5.8	744.7	0.3	745.0
As at 30 June 2018										
Company and subsidiaries	12,665.1	396.5	21.3	5,888.5	4,594.5	18,431.3	4,759.6	46,756.8	2,610.5	49,367.3
Associated companies	1,880.8	4,172.7	2,046.1	–	1,194.6	1,956.1	2,508.1	13,758.4	4.6	13,763.0
Joint ventures	5,205.6	3,157.6	3,021.8	2,240.5	7.4	2.5	1,354.8	14,990.2	18.1	15,008.3
Total assets	19,751.5	7,726.8	5,089.2	8,129.0	5,796.5	20,389.9 (i)	8,622.5	75,505.4	2,633.2	78,138.6
Total liabilities	2,530.9	37.7	2.4	167.1	1,199.1	14,008.6 (i)	17.6	17,963.4	10,051.4	28,014.8

(i) The balances include total assets of HK$5,441.2 million and total liabilities of HK$1,566.5 million from the Group's Transport business.

7 REVENUE AND SEGMENT INFORMATION (continued)

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

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Total
2017								
Total revenue	2,377.0	–	–	–	6,918.5	22,092.9	–	31,388.4
Inter-segment	–	–	–	–	(3.4)	–	–	(3.4)
Revenue – external	2,377.0	–	–	–	6,915.1	22,092.9 (i)	–	31,385.0
Attributable operating profit								
Company and subsidiaries	879.2	13.8	–	1.0	511.3	765.3	98.3	2,268.9
Associated companies	64.7	116.1	112.8	304.2	(205.5)	241.4	187.0 (ii)	820.7 (b)
Joint ventures	535.2	262.2	528.4	305.3	(4.7)	125.1	(0.8)	1,750.7 (b)
	1,479.1	392.1	641.2	610.5	301.1	1,131.8 (i)	284.5	4,840.3
Reconciliation – corporate office and non-operating items								
Net gain on disposal of a project under an associated company								932.8 (iii)
Gain on restructuring of a joint venture								454.3 (iv)
Gain on fair value of investment properties								117.1
Gain on remeasurement of previously held equity interest in a joint venture								113.1 (v)
Net gain on disposal of projects, net of tax								179.8
Losses on partial disposal, impairment and remeasurement related to an associated company								(290.6) (vi)
Interest income								54.4
Finance costs								(399.8)
Expenses and others								(372.5)
Profit attributable to shareholders								5,628.9

7 REVENUE AND SEGMENT INFORMATION (continued)

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

(i) The amounts included revenue of HK$1,732.6 million (revenue consolidated after being acquired as the Company's indirect wholly owned subsidiaries, detailed in note 39(a)) and attributable operating profit of HK$222.3 million from the Group's Transport business.

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

(iii) The amount represented the net gain on disposal of interests in Tricor (note 20(d)).

(iv) The amount represented gain on restructuring of SUEZ NWS (a then 50% joint venture of the Group) (notes 8 and 20(c)).

(v) 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 39(c)).

(vi) The amount represented losses in relation to the Group's interest in Newton Resources, including share of impairment loss of HK$204.0 million (note 7(b)), loss on partial disposal of HK$52.3 million (note 8) and loss on remeasurement of HK$34.3 million (note 8) as detailed in note 20(g).

7 REVENUE AND SEGMENT INFORMATION (continued)

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

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

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

7 REVENUE AND SEGMENT INFORMATION (continued)

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

	Associated companies		Joint ventures	
HK$'m	**2018**	2017	**2018**	2017
Attributable operating profit	**841.1**	820.7	**1,929.7**	1,750.7
Corporate associated companies, joint ventures and non-operating items				
Gain on disposal of a project under an associated company (note 20(d))	**–**	967.2	**–**	–
Gain on fair value of derivative financial instruments (note 8)	**(80.5)**	–	**–**	–
Impairment losses (notes 6(a)(iii), (iv) and 20(g))	**–**	(204.0)	**(600.0)**	–
Others	**(4.4)**	7.0	**1.5**	23.8
Share of results of associated companies and joint ventures	**756.2**	1,590.9	**1,331.2**	1,774.5

(c) Information by geographical area:

	Revenue		Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	
HK$'m	**2018**	2017	**2018**	2017
Hong Kong	**31,599.0**	28,449.7	**7,628.5**	7,706.1
Mainland China	**2,726.1**	2,470.5	**11,598.9**	12,047.8
Others	**789.7**	464.8	**81.7**	25.6
	35,114.8	31,385.0	**19,309.1**	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.

7 REVENUE AND SEGMENT INFORMATION (continued)

(c) Information by geographical area (continued):

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

		Associated companies		Joint ventures	
HK$'m	Note	**2018**	2017	**2018**	2017
Hong Kong		**2,964.1**	2,444.9	**854.6**	1,804.8
Mainland China		**2,043.2**	2,220.1	**9,725.2**	7,267.6
Macau		**567.1**	203.5	**–**	133.3
Global and others		**636.0**	633.3	**4,384.5**	2,974.3
	20(l),21(f)	**6,210.4**	5,501.8	**14,964.3**	12,180.0

8 OTHER INCOME/GAINS

	Note	**2018 HK$'m**	2017 HK$'m
Gain/(loss) on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	20(b),(g)	**1,095.5**	(34.3)
Profit/(loss) on partial disposal of an associated company	20(b),(g)	**783.8**	(52.3)
Gain on fair value of investment properties	16	**93.6**	117.1
Gain on fair value of derivative financial instruments	7(b)	**80.5**	–
Profit on disposal of available-for-sale financial assets		**48.7**	30.1
Gain on restructuring of a joint venture	20(c)	**–**	454.3
Gain on remeasurement of previously held equity interest in a joint venture	39(c)	**–**	113.1
Profit on disposal of assets held-for-sale		**–**	77.8
Profit on disposal of a joint venture		**–**	72.5
Profit on disposal of subsidiaries	38(b)	**–**	26.3
Interest income		**202.3**	202.1
Other income		**158.8**	104.3
Net exchange gain/(loss)		**132.3**	(47.9)
Dividend income		**107.5**	30.4
Machinery hire income		**106.4**	63.2
Goodwill written off	19	**–**	(34.1)
Loss on disposal of intangible concession rights		**–**	(17.4)
		2,809.4	1,105.2

9 OPERATING PROFIT

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

	Note	2018 HK$'m	2017 HK$'m
Crediting			
Gross rental income from investment properties		**59.7**	63.3
Less: outgoings		**(14.3)**	(14.1)
		45.4	49.2
Charging			
Auditor's remuneration		**24.4**	22.8
Cost of inventories sold		**2,526.7**	2,376.1
Cost of services rendered		**28,804.9**	25,387.1
Depreciation	17	**570.3**	362.5
Amortization of intangible concession rights	18	**883.7**	808.2
Amortization of intangible assets	19	**33.0**	32.1
Operating lease rental expenses – properties		**272.9**	174.3
Staff costs (including directors' emoluments (note 15))	10	**5,266.2**	3,853.2

10 STAFF COSTS

(a) Staff costs

	Note	2018 HK$'m	2017 HK$'m
Wages, salaries and other benefits		**5,059.5**	3,793.8
Share-based payments	30	**–**	8.0
Pension costs – defined contribution plans		**218.6**	165.4
Pension costs – defined benefits plans		**2.5**	2.7
		5,280.6	3,969.9
Less: amount capitalized		**(14.4)**	(116.7)
	9	**5,266.2**	3,853.2

Directors' emoluments are included in staff costs.

10 STAFF COSTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2017: four) directors whose emoluments are reflected in note 15(a). The emoluments of the remaining two individuals (2017: one) during the year are as follows:

	2018 HK$'m	2017 HK$'m
Fees	**0.1**	0.1
Basic salaries, allowances and other benefits	**24.4**	9.1
Employer's contribution to retirement benefits schemes	**0.5**	0.5
	25.0	9.7
Deemed share option benefits	**–**	0.1
	25.0	9.8

The emoluments of the individuals fell within the following bands:

	Number of individual(s)	
	2018	2017
Emolument band (HK$)		
9,000,001 – 10,000,000	**–**	1
12,000,001 – 13,000,000	**2**	–

10 STAFF COSTS (continued)

(c) Emoluments of senior management

Other than the emoluments of five highest paid individuals and directors disclosed in notes 10(b) and 15(a), the emoluments of the senior management whose profiles are included in the "Board of Directors and Senior Management" section of this report fell within the following bands:

	Number of individual(s)	
	2018	2017
Emolument band (HK$)		
2,000,001 – 3,000,000	**6**	6
3,000,001 – 4,000,000	**3**	3
4,000,001 – 5,000,000	**1**	1
5,000,001 – 6,000,000	**2**	2
6,000,001 – 7,000,000	**1**	–
7,000,001 – 8,000,000	**1**	2
8,000,001 – 9,000,000	**1**	–

11 FINANCE COSTS

	2018 HK$'m	2017 HK$'m
Interest on borrowings	**258.3**	240.3
Interest on fixed rate bonds	**–**	153.6
Others	**89.7**	74.4
	348.0	468.3

12 INCOME TAX EXPENSES

Hong Kong profits tax is provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2017: 12% to 25%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2017: 5% or 10%).

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

	Note	**2018 HK$'m**	2017 HK$'m
Current income tax			
Hong Kong profits tax		**248.1**	212.8
Mainland China and overseas taxation		**583.3**	541.3
Deferred income tax credit	32	**(86.4)**	(68.9)
		745.0	685.2

Share of taxation of associated companies and joint ventures of HK$143.1 million (2017: HK$212.7 million) and HK$457.1 million (2017: HK$429.1 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

12 INCOME TAX EXPENSES (continued)

The tax expenses on the Group's profit before income tax differ from the theoretical amount that would arise using the profits tax rate of Hong Kong as follows:

	2018 HK$'m	2017 HK$'m
Profit before income tax	**6,865.6**	6,330.4
Excluding share of results of associated companies	**(756.2)**	(1,590.9)
Excluding share of results of joint ventures	**(1,331.2)**	(1,774.5)
	4,778.2	2,965.0
Calculated at a taxation rate of 16.5% (2017: 16.5%)	**788.4**	489.2
Effect of different taxation rates in other countries	**129.9**	105.5
Income not subject to taxation	**(399.6)**	(171.6)
Expenses not deductible for taxation purposes	**126.3**	141.0
Tax losses not recognized	**12.2**	9.4
Utilization of previously unrecognized tax losses	**(6.7)**	(7.9)
Withholding tax	**93.2**	125.5
Under/(over)-provisions in prior years	**0.3**	(0.7)
Others	**1.0**	(5.2)
Income tax expenses	**745.0**	685.2

13 DIVIDENDS

	2018 HK$'m	2017 HK$'m
Interim dividend paid of HK$0.32 (2017: HK$0.34) per share	**1,246.9**	1,311.5
Final dividend proposed of HK$0.46 (2017: paid of HK$0.39) per share	**1,792.4**	1,518.9
Special final dividend paid of HK$0.72 per share in 2017	**–**	2,804.0
	3,039.3	5,634.4

At a meeting held on 19 September 2018, the Board recommended a final dividend of HK$0.46 per share. This proposed dividend is not reflected as dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained profits for FY2019.

Subject to the passing of the relevant resolution at the 2018 AGM, it is expected that the final dividend will be paid on or about 11 December 2018.

14 EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on earnings of HK$6,068.8 million (2017: HK$5,628.9 million) and on the weighted average of 3,893,503,821 (2017: 3,848,314,143) ordinary shares outstanding during the year.

The calculation of diluted earnings per share for FY2018 is as follows:

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

	Number of shares
Weighted average number of shares for calculating basic earnings per share	**3,893,503,821**
Effect of dilutive potential ordinary shares	
Share options	**1,397,373**
Weighted average number of shares for calculating diluted earnings per share	**3,894,901,194**

The share options of the Company had an anti-dilutive effect on the basic earnings per share for FY2017 and were ignored in the calculation of diluted earnings per share.

15 BENEFITS AND INTERESTS OF DIRECTORS

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

	Note	**2018 HK$'m**	2017 HK$'m
Remunerations	(i)	**64.8**	59.3
Deemed share option benefits	(ii)	**–**	4.8
		64.8	64.1

Remuneration package, including director's fee, basic salaries, allowances and other benefits, discretionary bonuses, employer's contribution to retirement benefits scheme and share option benefits, is determined according to individual performance, job responsibility and seniority, and is reviewed with reference to market conditions.

During this year, the Group did not pay the directors any inducement to join or upon joining the Group, or as compensation for loss of office. No director waived or agreed to waive any emoluments during the year.

15 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) The aggregate amounts of emoluments of the directors of the Company are as follows (continued):

(i) The remunerations of individual directors are set out below:

Name of director	As director# Fees HK$'m	As director# Allowances and other benefits HK$'m	As management## HK$'m	**2018 Total HK$'m**	2017 Total HK$'m
Dr Cheng Kar Shun, Henry	0.77	0.02	14.79	**15.58**	14.93
Mr Tsang Yam Pui	0.54	0.10	12.54	**13.18**	12.63
Mr Hui Hon Chung*	0.31	0.06	5.90	**6.27**	8.50
Mr Cheung Chin Cheung	0.37	0.07	8.09	**8.53**	8.17
Mr Cheng Chi Ming, Brian	0.40	0.06	8.72	**9.18**	8.17
Mr Mak Bing Leung, Rufin**	0.34	0.05	7.24	**7.63**	2.61
Mr To Hin Tsun, Gerald	0.30	0.06	–	**0.36**	0.34
Mr Dominic Lai	0.43	0.09	–	**0.52**	0.51
Mr Lam Wai Hon, Patrick	0.35	0.07	–	**0.42**	0.41
Mr William Junior Guilherme Doo	0.35	0.06	–	**0.41**	0.41
Mr Kwong Che Keung, Gordon	0.55	0.08	–	**0.63**	0.63
Dr Cheng Wai Chee, Christopher	0.47	0.09	–	**0.56**	0.52
Mr Shek Lai Him, Abraham	0.52	0.09	–	**0.61**	0.60
Mr Lee Yiu Kwong, Alan	0.43	0.09	–	**0.52**	0.51
Mrs Oei Fung Wai Chi, Grace	0.35	0.07	–	**0.42**	0.40
	6.48	1.06	57.28	**64.82**	59.34

* Resigned on 1 November 2017

** Appointed on 1 January 2017 and resigned on 13 September 2018

\# The amount represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

\## The amount represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included basic salaries, discretionary bonuses, employer's contribution to retirement benefit scheme, allowances and other benefits.

15 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) The aggregate amounts of emoluments of the directors of the Company are as follows (continued):

(ii) The deemed share option benefits of individual directors are set out below:

Name of director	2018 HK$'m	2017 HK$'m
Dr Cheng Kar Shun, Henry	–	1.18
Mr Tsang Yam Pui	–	0.59
Mr Cheung Chin Cheung	–	0.59
Mr Cheng Chi Ming, Brian	–	0.59
Mr To Hin Tsun, Gerald	–	0.11
Mr Dominic Lai	–	0.11
Mr Lam Wai Hon, Patrick	–	0.59
Mr William Junior Guilherme Doo	–	0.11
Mr Kwong Che Keung, Gordon	–	0.22
Dr Cheng Wai Chee, Christopher	–	0.22
Mr Shek Lai Him, Abraham	–	0.22
Mr Lee Yiu Kwong, Alan	–	0.22
	–	4.75

The deemed share option benefits are calculated in accordance with the requirement as stipulated in HKFRS 2 "Share-based Payment".

15 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Directors' material interest in transactions, arrangements or contracts

On 10 April 2017, a master services agreement (the "DOO Master Services Agreement") was entered into between the Company and Mr Doo Wai Hoi, William ("Mr Doo") whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (being Mr Doo and any company in the equity capital of which Mr Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors, and the subsidiaries of such other companies) (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group during the term of the DOO Master Services Agreement. Mr Doo is the father of Mr William Junior Guilherme Doo, brother-in-law of Dr Cheng Kar Shun, Henry and uncle of Mr Cheng Chi Ming, Brian, all of whom except for Mr. Doo are directors of the Company.

The DOO Master Services Agreement has an initial term of three years commencing from 1 July 2017. For FY2018, the approximate total contract sum was HK$1,366.9 million (2017: HK$966.7 million).

Save as mentioned above, no other significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16 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**
Transfer from property, plant and equipment	17	**–**	**30.3**	**–**	**30.3**
Fair value changes	8	**93.0**	**0.6**	**–**	**93.6**
Translation differences		**–**	**–**	**0.5**	**0.5**
At 30 June 2018		**1,648.0**	**30.9**	**14.4**	**1,693.3**

HK$'m	Note	Commercial and industrial properties in Hong Kong	Residential properties in Mainland China	Total
At 1 July 2016		1,590.3	22.3	1,612.6
Fair value changes	8	114.0	3.1	117.1
Disposal of subsidiaries	38(b)	(149.3)	(11.3)	(160.6)
Translation differences		–	(0.2)	(0.2)
At 30 June 2017		1,555.0	13.9	1,568.9

The investment properties of the Group measured at fair value are categorized as Level 3 in the fair value hierarchy. The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer among Levels 1, 2 and 3 during the year.

(a) Valuation process of the Group

The investment properties were revalued on 30 June 2018 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited and Savills (Macau) Limited based on a market value assessment or income approach as detailed in note 6(e).

The Group's management reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

16 INVESTMENT PROPERTIES (continued)

(b) Valuation methods

Fair values of the residential properties in Mainland China are generally derived using the sales comparison method. This valuation method is based on comparing the properties to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

Fair values of commercial properties in Hong Kong and Macau are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation techniques during the year.

(c) Significant unobservable inputs used to determine fair value

	Fair value at 30 June 2018 HK$'m	Fair value at 30 June 2017 HK$'m	Valuation methods	Unobservable inputs	**Range of unobservable inputs for 2018**	Range of unobservable inputs for 2017	Note
Commercial and industrial properties in Hong Kong	**1,648.0**	1,555.0	Income capitalization	Capitalization rate	**4.20%–5.20%**	4.25%–5.25%	(i)
				Average monthly rental	**HK$44– HK$400/sq.ft HK$3,550 per carpark space**	HK$42– HK$400/sq.ft HK$3,500 per carpark space	(ii)
Commercial properties in Macau	**30.9**	–	Income capitalization	Capitalization rate	**1.90%–2.95%**	N/A	(i)
				Average monthly rental	**HK$29.2– HK$32.9/sq.ft HK$3,500 per carpark space**	N/A	(ii)
Residential properties in Mainland China	**14.4**	13.9	Sales comparison	Property specific adjusting factor	**0.8–1.0**	0.8–1.0	(ii)
	1,693.3	1,568.9					

Notes: Descriptions of the sensitivity in unobservable inputs and inter-relationship:

(i) The fair value measurement is negatively correlated to the unobservable input that the lower the factor will result in a higher fair value.

(ii) The fair value measurement is positively correlated to the unobservable input that the higher the factor will result in a higher fair value.

17 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		–	267.2	81.9	184.4	533.5
Disposals		–	(98.8)	–	(6.1)	(104.9)
Reclassified as assets held-for-sale	27	–	(109.9)	–	(4.7)	(114.6)
Revaluation upon transfer to investment properties		26.4	–	–	–	26.4
Transfer to investment properties	16	(31.3)	–	–	–	(31.3)
Transfers		–	0.4	(143.7)	143.3	–
Translation differences		–	5.9	–	0.1	6.0
At 30 June 2018		1,359.6	2,363.9	85.4	3,586.0	7,394.9
Accumulated depreciation and impairment						
At 1 July 2017		52.3	1,367.0	–	172.7	1,592.0
Depreciation	9	62.1	209.3	–	298.9	570.3
Disposals		–	(84.4)	–	(4.6)	(89.0)
Reclassified as assets held-for-sale	27	–	(47.9)	–	(2.5)	(50.4)
Transfer to investment properties	16	(1.0)	–	–	–	(1.0)
Translation differences		–	2.6	–	0.1	2.7
At 30 June 2018		113.4	1,446.6	–	464.6	2,024.6
Net book value						
At 30 June 2018		1,246.2	917.3	85.4	3,121.4	5,370.3

17 PROPERTY, PLANT AND EQUIPMENT (continued)

HK$'m	Note	Land and properties	Other plant and equipment	Construction in progress	Buses, vessels and other motor vehicles	Total
Cost						
At 1 July 2016		316.3	1,942.7	–	45.9	2,304.9
Acquisition of subsidiaries	39(b)	1,050.1	126.5	192.5	2,764.0	4,133.1
Additions		0.2	247.1	92.7	348.4	688.4
Disposals		–	(38.8)	–	(3.7)	(42.5)
Disposal of subsidiaries	38(b)	(2.1)	–	–	–	(2.1)
Transfers		–	23.6	(138.0)	114.4	–
Translation differences		–	(2.0)	–	–	(2.0)
At 30 June 2017		1,364.5	2,299.1	147.2	3,269.0	7,079.8
Accumulated depreciation and impairment						
At 1 July 2016		16.9	1,219.8	–	33.5	1,270.2
Depreciation	9	35.7	185.7	–	141.1	362.5
Disposals		–	(37.5)	–	(1.9)	(39.4)
Disposal of subsidiaries	38(b)	(0.3)	–	–	–	(0.3)
Translation differences		–	(1.0)	–	–	(1.0)
At 30 June 2017		52.3	1,367.0	–	172.7	1,592.0
Net book value						
At 30 June 2017		1,312.2	932.1	147.2	3,096.3	5,487.8

The Group's interests in land use rights grouped under land and properties amounted to HK$192.1 million (2017: HK$200.6 million).

18 INTANGIBLE CONCESSION RIGHTS

	Note	2018 HK$'m	2017 HK$'m
Cost			
At beginning of year		**18,482.7**	18,899.0
Additions		**3.5**	–
Disposals		**–**	(91.6)
Translation differences		**657.6**	(324.7)
At end of year		**19,143.8**	18,482.7
Accumulated amortization and impairment			
At beginning of year		**6,546.5**	5,892.3
Amortization	9	**883.7**	808.2
Disposals		**–**	(61.6)
Translation differences		**221.7**	(92.4)
At end of year		**7,651.9**	6,546.5
Net book value			
At end of year		**11,491.9**	11,936.2

Intangible concession rights refer to the Group's investment in the Roads segment. Amortization of intangible concession rights is included in the cost of sales in the consolidated income statement.

As at 30 June 2017, certain amount of bank loans of the Group was secured by intangible concession rights of Hangzhou Ring Road with net book value of HK$11,697.8 million. The aforesaid bank loan was fully repaid during the year (note 31(b)).

19 INTANGIBLE ASSETS

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2017 and at 30 June 2018		**424.0**	**636.4**	**1,060.4**
Accumulated amortization and impairment				
At 1 July 2017		**15.4**	**258.4**	**273.8**
Amortization	9	**–**	**33.0**	**33.0**
At 30 June 2018		**15.4**	**291.4**	**306.8**
Net book value				
At 30 June 2018		**408.6**	**345.0**	**753.6**

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2016		61.4	567.2	628.6
Acquisition of subsidiaries	39(b)	396.7	69.2	465.9
Amount written off	8	(34.1)	–	(34.1)
At 30 June 2017		424.0	636.4	1,060.4
Accumulated amortization and impairment				
At 1 July 2016		15.4	226.3	241.7
Amortization	9	–	32.1	32.1
At 30 June 2017		15.4	258.4	273.8
Net book value				
At 30 June 2017		408.6	378.0	786.6

19 INTANGIBLE ASSETS (continued)

(a) Goodwill

A summary of the goodwill allocation to segment/business is presented below:

HK$'m	Hong Kong	Mainland China	Total
At 30 June 2017 and 2018			
Roads	**–**	**11.9**	**11.9**
Transport	**396.7**	**–**	**396.7**
	396.7	**11.9**	**408.6**

Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified according to country of operation and business segment. For the purpose of impairment test, the recoverable amount of the business unit is determined based on either fair value less costs of disposal or value in use calculations whichever is higher. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management's best estimates and past experience. For transport business, annual growth rates for revenue being 3%–11% for the first five projection years and terminal growth rate of 2% are determined by considering both internal and external factors. Discount rate of 8.5% was used to reflect specific risk relating to such business.

(b) Operating right

Operating right was primarily resulted from the acquisition of right to operate facilities management business. Other intangible asset represents the licenses to operate and provide services under the Group's transport business. Operating right and other intangible assets are tested for impairment when there is indication of impairment and amortized over the period of the operating right.

(c) Amortization

Amortization of intangible assets is included in the cost of sales in the consolidated income statement.

20 ASSOCIATED COMPANIES

	Note	2018 HK$'m	2017 HK$'m
Group's share of net assets			
Listed shares – Hong Kong	(a),(b)	**2,303.2**	4,127.2
Listed shares – Overseas	(a)	**875.3**	874.9
Unlisted shares	(c),(d),(e),(f)	**8,374.9**	8,702.2
		11,553.4	13,704.3
Goodwill		**390.2**	714.8
Amounts receivable	(h)	**1,819.4**	1,761.4
	(g)	**13,763.0**	16,180.5

(a) As at 30 June 2018, the carrying amount represents the Group's investments in Wai Kee Holdings Limited ("Wai Kee"), Shougang Concord International Enterprises Company Limited and Tharisa (2017: Wai Kee, Tharisa and BCIA). The share of market value of the Group's listed associated companies amounts to HK$1,648.6 million (2017: HK$6,025.7 million).

(b) 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 was reduced from approximately 23.86% to approximately 12.79%. A profit on disposal under the Placing of HK$783.8 million was recognized in FY2018 (notes 7(a)(iii) and 8).

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, a gain on the remeasurement at fair value upon reclassification amounting to HK$1,095.5 million was recognized in FY2018 (notes 7(a)(iii) and 8).

(c) On 1 November 2016, the shareholders of Sino-French Holdings (Hong Kong) Limited, a then 50% joint venture of the Group and now renamed SUEZ NWS, entered into an agreement to restructure and expand the scope of operations of SUEZ NWS by injecting cash and their respective waste and wastewater treatment businesses in Greater China into SUEZ NWS. Consequently, the transaction resulted in a restructuring gain of HK$454.3 million for the Group for FY2017 (notes 7(a)(iv) and 8). The Group ceased its joint control and owns 42% equity interest in SUEZ NWS upon completion of the restructuring. Accordingly, the investment in SUEZ NWS was thereafter accounted for as an associated company.

20 ASSOCIATED COMPANIES (continued)

(d) On 5 October 2016, the Company, The Bank of East Asia, Limited ("BEA"), East Asia Secretaries (BVI) Limited ("East Asia Secretaries") and Trivium Investment Limited ("Trivium") entered into a share purchase agreement for the sale of all the issued shares of Tricor held by East Asia Secretaries to Trivium at a consideration of approximately HK$6.5 billion (the "Disposal"). Tricor was 24.39% owned by the Company and 75.61% owned by BEA, in each case through East Asia Secretaries immediately before completion of the Disposal. Completion of the Disposal took place on 31 March 2017 and the Group ceased to own any equity interest in Tricor. Share of net gain arising from the Disposal of HK$932.8 million was recognized by the Group in FY2017 (note 7(a)(iii)).

(e) As at 30 June 2018, 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$1,148.9 million (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 year amounted to HK$105.0 million (2017: HK$133.1 million) as detailed in note 7(a)(ii).

(f) In January 2018, the Group acquired 30% equity interest in Hubei Suiyuenan Expressway Co., Limited ("Hubei Suiyuenan") at a cash consideration of approximately RMB1.1 billion.

In March 2018, the Group agreed to provide a pledge over its 30% equity interest in Hubei Suiyuenan as security for a bank loan made to Hubei Suiyuenan in the event that the bank confirms that such pledge is required so as not to affect the continuation of the bank loan. As at 30 June 2018, the pledge has not yet been provided.

(g) Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies as detailed in note 6(a). Management is of the view that there is no impairment of the Group's investments in associated companies as at 30 June 2018.

The Group shared an impairment loss of approximately HK$204.0 million for Newton Resources, the then associated company, in the consolidated income statement in FY2017 (note 7(a)(vi)).

In January 2017, management of the Group revisited its investment strategy in Newton Resources and subsequently disposed 20% of the equity interest in Newton Resources. The remaining 15.5% equity interest has since been reclassified from investment in an associated company to an available-for-sale financial asset with its carrying value marked to its market value. As a result, losses on partial disposal and remeasurement upon reclassification of HK$52.3 million and HK$34.3 million respectively were recognized in FY2017 (notes 7(a)(vi) and 8).

20 ASSOCIATED COMPANIES (continued)

(h) Amounts receivable are analyzed as follows:

	Note	2018 HK$'m	2017 HK$'m
Interest bearing	(i)	**1,704.7**	1,704.7
Non-interest bearing		**114.7**	56.7
		1,819.4	1,761.4

(i) The balance includes an amount of HK$104.7 million (2017: HK$104.7 million) which carries interest at 8% per annum and an aggregate amount of HK$1,600.0 million (2017: HK$1,600.0 million) which carries interest at 6-month HIBOR plus a margin of 1.3% per annum.

The amounts are not repayable within the next 12 months from the end of the reporting period. As at 30 June 2018, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

(i) Dividend income from associated companies for the year is HK$503.3 million (2017: HK$1,858.4 million). The amount of dividend income received during the year is disclosed in the consolidated statement of cash flows.

(j) Details of principal associated companies are given in note 45. The directors of the Company were of the view that as at 30 June 2018, there was no individual associated company that was material to the Group.

(k) Financial guarantee contracts relating to associated companies are disclosed in note 37.

20 ASSOCIATED COMPANIES (continued)

(l) The Group's share of revenue, results, assets and liabilities of associated companies are summarized below:

	Note	2018 HK$'m	2017 HK$'m
Revenue	7(c)	**6,210.4**	5,501.8
Profit for the year		**756.2**	1,590.9
Other comprehensive income/(loss) for the year		**490.9**	(110.4)
Total comprehensive income for the year		**1,247.1**	1,480.5
Non-current assets		**18,533.3**	17,913.9
Current assets		**3,785.0**	5,469.4
Current liabilities		**(4,848.4)**	(4,055.6)
Non-current liabilities		**(5,916.5)**	(5,623.4)
Net assets		**11,553.4**	13,704.3

21 JOINT VENTURES

	Note	2018 HK$'m	2017 HK$'m
Co-operative joint ventures			
Cost of investment less provision		**1,480.6**	1,579.5
Goodwill		**86.2**	86.2
Share of undistributed post-acquisition results		**2,106.8**	2,087.4
Amounts receivable	(b)	**20.5**	12.1
		3,694.1	3,765.2
Equity joint ventures			
Group's share of net assets		**4,862.0**	4,533.1
Goodwill		**87.2**	87.2
		4,949.2	4,620.3
Companies limited by shares			
Group's share of net assets		**3,414.2**	3,737.7
Goodwill		**163.5**	163.5
Amounts receivable	(b)	**3,011.2**	3,034.8
Amounts payable		**(223.9)**	(192.7)
		6,365.0	6,743.3
	(a)	**15,008.3**	15,128.8

(a) As at 30 June 2018, 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 30 June 2018 except as detailed in notes 6(a)(iii) and (iv).

21 JOINT VENTURES (continued)

(b) Amounts receivable are analyzed as follows:

	Note	2018 HK$'m	2017 HK$'m
Interest bearing	(i),(ii)	**258.6**	12.1
Non-interest bearing	(iii)	**2,773.1**	3,034.8
		3,031.7	3,046.9

(i) The balance includes an amount of HK$20.5 million (2017: HK$12.1 million) which carries interest at Hong Kong prime rate.

(ii) The balance includes an amount of HK$238.1 million (2017: Nil) which carries interest at 90% of 5-year Renminbi benchmark lending rate published by People's Bank of China.

(iii) The balance includes an amount of HK$197.5 million (2017: HK$197.5 million) which has been subordinated to certain indebtedness of a joint venture.

As at 30 June 2018, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

(c) Dividend income from joint ventures for the year is HK$1,789.7 million (2017: HK$1,508.2 million). The amount of dividend income received during the year is disclosed in the consolidated statement of cash flows.

(d) Details of principal joint ventures are given in note 46. The directors of the Company were of the view that as at 30 June 2018, there was no individual joint venture that was material to the Group.

(e) Financial guarantee contracts relating to joint ventures are disclosed in note 37.

21 JOINT VENTURES (continued)

(f) The Group's share of revenue, results, assets and liabilities of joint ventures are summarized below:

	Note	2018 HK$'m	2017 HK$'m
Revenue	7(c)	**14,964.3**	12,180.0
Profit for the year		**1,331.2**	1,774.5
Other comprehensive income/(loss) for the year		**460.9**	(247.6)
Total comprehensive income for the year		**1,792.1**	1,526.9
Non-current assets		**35,528.2**	31,388.8
Current assets		**5,457.5**	4,409.0
Current liabilities		**(9,547.1)**	(9,411.8)
Non-current liabilities		**(19,575.0)**	(14,448.3)
Net assets		**11,863.6**	11,937.7

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	2018 HK$'m	2017 HK$'m
Equity securities listed in Hong Kong		**3,009.6**	1,358.0
Debt securities listed in Hong Kong		**234.2**	239.8
Unlisted equity securities	(a),(b)	**2,392.3**	559.0
Unlisted debt securities	(a)	**920.5**	868.7
	(c)	**6,556.6**	3,025.5
Market value of listed securities		**3,243.8**	1,597.8

(a) Unlisted investments are stated at fair values which are estimated using a variety of valuation methods or assessed the reasonableness with reference to market comparables, with the assistance of external valuer.

(b) The Group has committed to invest US$125 million (equivalent to approximately HK$975 million) in a newly setup investment fund (the "Fund"), the target fund size of which is determined by the general partner and currently is set at US$300–400 million. As at 30 June 2018, the Group has contributed US$65.2 million (equivalent to HK$512 million) to the Fund. The Fund is managed by the general partner while the Group participated in the Fund as a limited partner. Management considered that the Group has neither significant influence nor joint control over the Fund and therefore it is classified as an available-for-sale financial assets.

(c) The available-for-sale financial assets are denominated in the following currencies:

	2018 HK$'m	2017 HK$'m
Hong Kong dollar	**3,065.5**	1,413.8
United States dollar	**2,801.0**	1,031.2
Renminbi	**647.4**	580.5
Pound Sterling	**42.7**	–
	6,556.6	3,025.5

23 OTHER NON-CURRENT ASSETS

	Note	2018 HK$'m	2017 HK$'m
Security deposits		**852.4**	868.1
Deferred tax assets	32	**9.9**	6.0
Others		**8.1**	12.9
		870.4	887.0

24 INVENTORIES

	2018 HK$'m	2017 HK$'m
Raw materials and consumables	**107.1**	119.2
Finished goods	**354.8**	364.8
	461.9	484.0

25 TRADE AND OTHER RECEIVABLES

	Note	2018 HK$'m	2017 HK$'m
Trade receivables	(a)	**2,451.2**	2,543.3
Retention money receivables		**1,891.4**	1,822.3
Contract assets	28	**36.9**	–
Amounts due from customers for contract works	28	**–**	134.7
Other receivables, deposits and prepayments		**3,522.4**	6,056.2
Derivative financial instruments		**16.4**	58.8
Amounts due from associated companies	(b)	**51.3**	88.1
Amounts due from joint ventures	(b)	**4,179.1**	3,083.8
		12,148.7	13,787.2

25 TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables can be further analyzed as follows:

The ageing analysis of trade receivables based on invoice date is as follows:

	2018 HK$'m	2017 HK$'m
Under 3 months	**2,305.6**	2,398.1
4 to 6 months	**33.0**	107.7
Over 6 months	**112.6**	37.5
	2,451.2	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.

An allowance for impairment of trade receivables is made based on the estimated irrecoverable amount determined by reference to past default experience and where there are indicators that the debt is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payment are considered indicators that the debt is impaired.

At 30 June 2018, trade receivables of HK$378.4 million (2017: HK$422.0 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018 HK$'m	2017 HK$'m
Under 3 months	**232.8**	276.8
4 to 6 months	**33.0**	107.7
Over 6 months	**112.6**	37.5
	378.4	422.0

25 TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables can be further analyzed as follows (continued):

At 30 June 2018, trade receivables of HK$0.8 million (2017: HK$0.8 million) were impaired, which were related to customers that were in financial difficulties. The ageing analysis of these trade receivables is as follows:

	2018 HK$'m	2017 HK$'m
Over 6 months	**0.8**	0.8

(b) As at 30 June 2018, the amounts due from associated companies and joint ventures of the Group are interest free, unsecured and repayable on demand or within the next 12 months from the end of the reporting period except for an amount of HK$279.7 million (2017: HK$279.7 million) due from a joint venture which carries interest at 12-month LIBOR plus a margin of 12.15% per annum.

(c) Included in the Group's trade and other receivables are HK$341.5 million (2017: HK$182.7 million) denominated in Renminbi, HK$16.5 million (2017: HK$26.6 million) denominated in Macau Pataca and HK$4,648.9 million (2017: HK$3,400.7 million) denominated in United States dollar. The remaining balances are mainly denominated in Hong Kong dollar.

26 CASH AND BANK BALANCES

	2018 HK$'m	2017 HK$'m
Time deposits – maturing within three months	**4,432.1**	2,891.4
Time deposits – maturing after more than three months	**13.4**	16.6
Other cash at bank and on hand	**2,211.1**	3,545.4
Cash and bank balances	**6,656.6**	6,453.4

The effective interest rate on time deposits is 2.4% (2017: 1.2%) per annum; these deposits have an average maturity of 36 days (2017: 33 days).

The balances include HK$1,228.8 million (2017: HK$1,607.1 million) which are kept in the bank accounts opened with banks in Mainland China where the remittance of funds is subject to foreign exchange control.

26 CASH AND BANK BALANCES (continued)

The cash and bank balances are denominated in the following currencies:

	2018 HK$'m	2017 HK$'m
Hong Kong dollar	**4,699.5**	4,504.4
Renminbi	**1,215.1**	1,625.4
United States dollar	**700.7**	279.0
Macau Pataca	**40.1**	43.4
Others	**1.2**	1.2
	6,656.6	6,453.4

27 ASSETS HELD-FOR-SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD-FOR-SALE

On 8 June 2018, NWS CON Limited ("NWS CON", an indirect wholly owned subsidiary of the Company) entered into a conditional sale and purchase agreement ("SP Agreement") with Sherman Drive Limited ("Sherman Drive", a direct wholly owned subsidiary of NWD) in respect of the sale of Celestial Path Limited ("Celestial Path"), its subsidiaries and an unincorporated joint venture (collectively, the "Hip Seng Group") by NWS CON to Sherman Drive through the sale of the entire issued share capital of Celestial Path on and subject to the terms and conditions contained in the SP Agreement. Total consideration for the disposal was HK$168 million and the gain on disposal amounted to approximately HK$66 million will be recognized in FY2019. Completion of the disposal took place on 21 August 2018. Assets and liabilities of the Hip Seng Group were reclassified as held-for-sale as at 30 June 2018.

	Note	2018 HK$'m
Assets		
Property, plant and equipment	17	**64.2**
Trade and other receivables		**2,646.3**
Cash and bank balances		**653.5**
Assets of subsidiaries reclassified as held-for-sale		**3,364.0**
Liabilities		
Trade and other payables		**(3,258.3)**
Taxation		**(1.5)**
Deferred tax liabilities	32	**(3.8)**
		(3,263.6)
Less: Amounts due to group companies		**50.5**
Liabilities of subsidiaries reclassified as held-for-sale		**(3,213.1)**

28 CONTRACT ASSETS AND CONTRACT LIABILITIES/CONTRACTS IN PROGRESS

Contract assets and contract liabilities/contracts in progress are related to the Group's construction business, details are as follows.

	Note	2018 HK$'m	2017 HK$'m
Contract assets	25	**36.9**	–
Amounts due from customers for contract works	25	**–**	134.7
Contract liabilities	34	**(2,867.3)**	–
Amounts due to customers for contract works	34	**–**	(2,202.6)
		(2,830.4)	(2,067.9)

As at 30 June 2017, the contracts in progress recognized under HKAS 11 comprised contract costs incurred plus attributable profits less foreseeable losses amounted to HK$51,086.2 million, netted off with the progress payments received and receivable amounted to HK$53,154.1 million.

The following table shows the amount of the revenue recognized in the current reporting period relates to contract liability balance at the beginning of the year and the amount relates to performance obligations that were satisfied in previous years:

	2018 HK$'m
Revenue recognized that was included in the contract liability balance at the beginning of the year	**2,162.2**
Revenue recognized from performance obligations satisfied/partially satisfied in previous years	**190.9**

The following table shows the amount of unsatisfied performance obligations:

	2018 HK$'m
Expected to be recognized within one year	**15,030.0**
Expected to be recognized after one year	**6,155.0**
	21,185.0

29 SHARE CAPITAL

	Ordinary Shares	
	No. of shares	**HK$'m**
Authorized		
At 1 July 2017 and 30 June 2018	**6,000,000,000**	**6,000.0**
Issued and fully paid		
At 1 July 2016	3,831,966,840	3,832.0
Issued as scrip dividends	51,329,288	51.3
Exercise of share options	4,995,960	5.0
At 30 June 2017	**3,888,292,088**	**3,888.3**
Exercise of share options	**8,214,363**	**8.2**
At 30 June 2018	**3,896,506,451**	**3,896.5**

Share Option Scheme

(a) 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.

29 SHARE CAPITAL (continued)

(a) (continued)

Movements in the number of share options outstanding and their weighted average exercise prices during the year are as follows:

	Note	Number of options		Weighted average exercise price of each category (HK$)	
		2018	2017	**2018**	2017
At beginning of year		**49,455,830**	55,275,823	**14.120**	14.137
Adjusted	(ii)	**–**	63,634	**–**	14.124
Lapsed		**(74)**	(887,667)	**14.120**	14.133
Exercised		**(8,214,363)**	(4,995,960)	**14.120**	14.121
At end of year		**41,241,393**	49,455,830	**14.120**	14.120

(i) 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 preceding 9 March 2015. Such share options will expire on 8 March 2020.

(ii) 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 in prior years, 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 for the share options granted was adjusted to HK$14.120.

Share options outstanding at the end of year have the following terms:

	Expiry Date	Number of options		Vested percentage	
		2018	2017	**2018**	2017
Exercise price		**HK$14.120**	HK$14.120		
Directors	8 March 2020	**27,797,819**	28,852,819	**100%**	100%
Other eligible participants	8 March 2020	**13,443,574**	20,603,011	**100%**	100%
		41,241,393	49,455,830		

(b)

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.

Notes to the Financial Statements

30 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 year	–	–	–	–	6,068.8	6,068.8
Dividends paid to shareholders of the Company	–	–	–	–	(5,569.8)	(5,569.8)
Fair value changes on available-for-sale financial assets						
Group	–	–	(1,084.4)	–	–	(1,084.4)
Associated company	–	–	3.6	–	–	3.6
Joint ventures	–	–	(4.3)	–	–	(4.3)
Release of reserve upon deregistration of subsidiaries	–	–	–	(45.6)	–	(45.6)
Release of reserve upon return of registered capital of a subsidiary	–	–	–	(16.0)	–	(16.0)
Release of reserves upon partial disposal of interest in an associated company	–	(6.6)	–	53.2	–	46.6
Release of reserve upon disposal of an available-for-sale financial asset	–	–	2.7	–	–	2.7
Release of reserves upon reclassification of an associated company to an available-for-sale financial asset	–	(7.7)	–	61.3	–	53.6
Currency translation differences						
Group	–	–	–	438.6	–	438.6
Associated companies	–	–	–	387.2	–	387.2
Joint ventures	–	–	–	359.6	–	359.6
Share options						
Share premium on new shares issued	107.7	–	–	–	–	107.7
Share of other comprehensive income/(loss) of associated companies and joint ventures	–	9.2	–	–	(7.8)	1.4
Cash flow hedges						
Group	–	(20.2)	–	–	–	(20.2)
Joint ventures	–	104.1	–	–	–	104.1
Revaluation of property, plant and equipment upon transfer to investment properties	–	26.4	–	–	–	26.4
Remeasurement of post-employment benefit obligation	–	–	–	–	24.7	24.7
At 30 June 2018	17,629.5	797.6	(874.8)	982.9	27,518.3	46,053.5

30 RESERVES (continued)

HK$'m	Note	Share premium	Special reserves	Investment revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2016		16,840.4	548.8	26.5	546.5	23,824.7	41,786.9
Profit for the year		–	–	–	–	5,628.9	5,628.9
Dividends paid to shareholders of the Company		–	–	–	–	(2,614.4)	(2,614.4)
Fair value changes on available-for-sale financial assets							
Group		–	–	188.8	–	–	188.8
Joint ventures		–	–	7.4	–	–	7.4
Release of reserve upon deregistration of a subsidiary		–	–	–	(15.3)	–	(15.3)
Release of reserve upon disposal of subsidiaries		–	(119.4)	–	–	119.4	–
Release of reserves upon partial disposal of interest in an associated company		–	(21.5)	–	15.9	–	(5.6)
Release of reserve upon disposal of interest in a joint venture		–	–	–	(129.8)	–	(129.8)
Release of reserve upon disposal of an available-for-sale financial asset		–	–	(15.1)	–	–	(15.1)
Release of reserve upon restructuring of a joint venture		–	–	–	5.7	–	5.7
Release of reserves upon remeasurement of previously held equity interest in a joint venture		–	48.3	–	(12.7)	–	35.6
Currency translation differences							
Group		–	–	–	(243.0)	–	(243.0)
Associated companies		–	–	–	(130.2)	–	(130.2)
Joint ventures		–	–	–	(292.5)	–	(292.5)
Scrip dividends							
Share premium on new shares issued		615.8	–	–	–	–	615.8
Share options							
Value of services provided							
Group	10	–	8.0	–	–	–	8.0
Associated company		–	0.1	–	–	–	0.1
Joint ventures		–	0.4	–	–	–	0.4
Share premium on new shares issued		65.6	–	–	–	–	65.6
Share of other comprehensive income/(loss) of associated companies and joint ventures		–	0.3	–	–	(7.3)	(7.0)
Cash flow hedges							
Group		–	95.3	–	–	–	95.3
Associated company		–	25.2	–	–	–	25.2
Joint ventures		–	133.3	–	–	–	133.3
Remeasurement of post-employment benefit obligation		–	–	–	–	24.7	24.7
Transfer		–	(26.4)	–	–	26.4	–
At 30 June 2017		17,521.8	692.4	207.6	(255.4)	27,002.4	45,168.8

30 RESERVES (continued)

Special reserves include statutory reserves which are created in accordance with the relevant PRC laws 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.

31 BORROWINGS

	Note	**2018 HK$'m**	2017 HK$'m
Non-current			
Long-term bank loans			
Unsecured	(a),(c)	**9,139.2**	9,376.9
Other borrowings			
Unsecured		**0.4**	–
		9,139.6	9,376.9
Current			
Current portion of long-term bank loans			
Secured	(a),(b),(c)	**–**	69.0
Unsecured	(a),(c)	**834.9**	236.8
Short-term bank loans and overdrafts			
Unsecured	(c)	**200.0**	–
Other borrowings			
Unsecured		**0.1**	–
		1,035.0	305.8
		10,174.6	9,682.7

31 BORROWINGS (continued)

(a) Long-term bank loans

	2018 HK$'m	2017 HK$'m
Secured bank loans	**–**	69.0
Unsecured bank loans	**9,974.1**	9,613.7
Total long-term bank loans	**9,974.1**	9,682.7
Amounts repayable within one year included in current liabilities	**(834.9)**	(305.8)
	9,139.2	9,376.9

The maturity of long-term bank loans is as follows:

	2018 HK$'m	2017 HK$'m
Within one year	**834.9**	305.8
In the second year	**4,612.2**	1,188.6
In the third to fifth year	**3,927.2**	7,590.8
After the fifth year	**599.8**	597.5
	9,974.1	9,682.7

As at 30 June 2018, the Group's long-term bank loans of HK$9.974 billion (2017: HK$9.683 billion) are exposed to interest rate risk of contractual repricing dates falling within one year except for an amount of HK$0.4 billion (2017: HK$0.4 billion) which is fixed rate interest-bearing. Interest rate swaps are used to hedge against part of the Group's underlying interest rate exposures.

(b) Bank loan was secured by the intangible concession rights of Hangzhou Ring Road for FY2017 and the bank loans was fully repaid on 26 June 2018 (note 18).

(c) The effective interest rates of bank loans at the end of the reporting period were as follows:

	2018	2017
Hong Kong dollar	**2.72%**	1.65%
Renminbi	**N/A**	4.41%

31 BORROWINGS (continued)

(d) The carrying amounts of the borrowings approximate their fair values.

(e) The carrying amounts of the borrowings are denominated in the following currencies:

	2018 HK$'m	2017 HK$'m
Hong Kong dollar	**10,174.6**	9,613.7
Renminbi	**–**	69.0
	10,174.6	9,682.7

32 DEFERRED INCOME TAX

	Note	2018 HK$'m	2017 HK$'m
At beginning of year		**2,513.0**	2,106.7
Translation differences		**57.5**	(34.4)
Acquisition of subsidiaries	39(b)	**–**	508.5
Disposal of subsidiaries	38(b)	**–**	1.1
Reclassified as liabilities directly associated with assets held-for-sale	27	**(3.8)**	–
Net amount credited to the consolidated income statement	12	**(86.4)**	(68.9)
At end of year		**2,480.3**	2,513.0

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2017: 16.5%).

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK$1,011.3 million (2017: HK$964.4 million) to be carried forward against future taxable income. These tax losses have no expiry dates.

As at 30 June 2018, the aggregate amount of unrecognized deferred tax liabilities associated with investments in subsidiaries totalled approximately HK$198.1 million (2017: HK$169.6 million). For this unrecognized amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

32 DEFERRED INCOME TAX (continued)

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets

HK$'m	Note	Tax losses 2018	Tax losses 2017	Other deductible temporary differences 2018	Other deductible temporary differences 2017	Total 2018	Total 2017
At beginning of year		**3.8**	1.1	**81.9**	70.8	**85.7**	71.9
Translation differences		**–**	–	**2.2**	(0.9)	**2.2**	(0.9)
Acquisition of subsidiaries	39(b)	**–**	0.5	**–**	–	**–**	0.5
Disposal of subsidiaries	38(b)	**–**	–	**–**	(1.1)	**–**	(1.1)
(Charged)/credited to the consolidated income statement		**(2.2)**	2.2	**(20.0)**	13.1	**(22.2)**	15.3
At end of year		**1.6**	3.8	**64.1**	81.9	**65.7**	85.7

Deferred tax liabilities

HK$'m	Note	Accelerated tax depreciation 2018	Accelerated tax depreciation 2017	Amortization of concession rights 2018	Amortization of concession rights 2017	Undistributed profits of subsidiaries, associated companies and joint ventures 2018	Undistributed profits of subsidiaries, associated companies and joint ventures 2017	Others 2018	Others 2017	Total 2018	Total 2017
At beginning of year		**616.8**	61.9	**1,744.3**	1,883.8	**207.6**	202.9	**30.0**	30.0	**2,598.7**	2,178.6
Translation differences		**–**	–	**66.6**	(35.1)	**(6.9)**	(0.2)	**–**	–	**59.7**	(35.3)
Acquisition of subsidiaries	39(b)	**–**	509.0	**–**	–	**–**	–	**–**	–	**–**	509.0
Reclassified as liabilities directly associated with assets held-for-sale	27	**(3.8)**	–	**–**	–	**–**	–	**–**	–	**(3.8)**	–
(Credited)/charged to the consolidated income statement		**–**	45.9	**(124.8)**	(104.4)	**16.2**	4.9	**–**	–	**(108.6)**	(53.6)
At end of year		**613.0**	616.8	**1,686.1**	1,744.3	**216.9**	207.6	**30.0**	30.0	**2,546.0**	2,598.7

32 DEFERRED INCOME TAX (continued)

Deferred income tax assets and liabilities are offset when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	Note	2018 HK$'m	2017 HK$'m
Deferred tax assets	23	**(9.9)**	(6.0)
Deferred tax liabilities		**2,490.2**	2,519.0
		2,480.3	2,513.0

33 OTHER NON-CURRENT LIABILITIES

	Note	2018 HK$'m	2017 HK$'m
Long service payment obligations		**32.5**	48.3
Deferred income		**80.7**	63.3
Loans from non-controlling interests	(a)	**39.1**	46.4
Derivative financial instruments		**18.0**	56.0
Retirement benefit obligations		**6.6**	12.2
		176.9	226.2

(a) The loans are interest free, unsecured and not repayable within one year.

34 TRADE AND OTHER PAYABLES

	Note	2018 HK$'m	2017 HK$'m
Trade payables	(a)	**1,266.4**	888.8
Retention money payables		**1,206.5**	1,453.6
Advances received from customers for contract works		**–**	1,669.9
Contract liabilities	28	**2,867.3**	–
Amounts due to customers for contract works	28	**–**	2,202.6
Amounts due to non-controlling interests	(b)	**191.3**	171.4
Other payables and accruals		**5,814.9**	7,204.0
Derivative financial instruments		**–**	33.8
Amounts due to associated companies	(b)	**37.6**	18.8
Amounts due to joint ventures	(b)	**0.2**	–
		11,384.2	13,642.9

34 TRADE AND OTHER PAYABLES (continued)

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

	2018 HK$'m	2017 HK$'m
Under 3 months	**1,200.1**	829.0
4 to 6 months	**10.3**	25.7
Over 6 months	**56.0**	34.1
	1,266.4	888.8

(b) The amounts payable are interest free, unsecured and have no fixed repayment terms.

(c) Included in the Group's trade and other payables are HK$464.4 million (2017: HK$454.2 million) denominated in Renminbi, HK$189.1 million (2017: HK$199.6 million) denominated in Macau Pataca and HK$268.3 million (2017: HK$147.7 million) denominated in United States dollar. The remaining balances are mainly denominated in Hong Kong dollar.

35 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets in the consolidated statement of financial position include available-for-sale financial assets, financial assets at fair value through profit or loss, derivative financial instruments, trade receivables, loan and other receivables and cash and bank balances. All these financial assets are carried at amortized cost using the effective interest method as "loans and receivables" except for the "available-for-sale financial assets", "financial assets at fair value through profit or loss" and "derivative financial instruments" which are carried at fair value.

Financial liabilities in the consolidated statement of financial position include borrowings, trade payables, derivative financial instruments, loan and other payables. All these financial liabilities are carried at amortized cost using the effective interest method except for the "derivative financial instruments" which are carried at fair value.

36 COMMITMENTS

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

	Note	2018 HK$'m	2017 HK$'m
Contracted but not provided for			
Property, plant and equipment		**402.3**	295.2
Capital contributions to/acquisitions of an associated company and joint ventures	(i)	**2,872.9**	1,656.6
Other investments		**523.0**	–
		3,798.2	1,951.8

36 COMMITMENTS (continued)

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

(i) The Group has committed to provide sufficient funds in the form of advances, capital and loan contributions to an associated company and certain 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$2,872.9 million (2017: HK$1,656.6 million) which represents the attributable portion of the capital and loan contributions to be made to an associated company and joint ventures.

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

	2018 HK$'m	2017 HK$'m
Contracted but not provided for		
Property, plant and equipment	**9,651.3**	3,737.2

(c) Commitments under operating leases

The future aggregate lease payments under non-cancellable operating leases are as follows:

	2018 HK$'m	2017 HK$'m
Buildings		
In the first year	**119.7**	128.7
In the second to fifth year inclusive	**48.9**	85.5
After the fifth year	**3.3**	3.8
	171.9	218.0

The lease terms range from 1 to 19 years.

36 COMMITMENTS (continued)

(d) Future minimum rental payments receivable

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	2018 HK$'m	2017 HK$'m
In the first year	**37.7**	32.2
In the second to fifth year inclusive	**15.7**	20.7
	53.4	52.9

The Group's operating leases terms range from 1 to 5 years.

37 FINANCIAL GUARANTEE CONTRACTS

The Group's financial guarantee contracts are as follows:

	2018 HK$'m	2017 HK$'m
Guarantees for credit facilities granted to		
Associated companies	**1,824.8**	1,938.2
Joint ventures	**2,136.8**	1,651.1
	3,961.6	3,589.3

38 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2018 HK$'m	2017 HK$'m
Operating profit	**5,126.2**	3,433.3
Depreciation and amortization	**1,487.0**	1,202.8
Share-based payments	**–**	8.0
(Gain)/loss on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	**(1,095.5)**	34.3
(Profit)/loss on partial disposal of an associated company	**(783.8)**	52.3
Gain on fair value of investment properties	**(93.6)**	(117.1)
Gain on fair value of derivative financial instruments	**(80.5)**	–
Profit on disposal of available-for-sale financial assets	**(48.7)**	(30.1)
Gain on restructuring of a joint venture	**–**	(454.3)
Gain on remeasurement of previously held equity interest in a joint venture	**–**	(113.1)
Profit on disposal of assets held-for-sale	**–**	(77.8)
Profit on disposal of a joint venture	**–**	(72.5)
Profit on disposal of subsidiaries	**–**	(26.3)
Interest income	**(202.3)**	(202.1)
Dividend income	**(107.5)**	(30.4)
Goodwill written off	**–**	34.1
Loss on disposal of intangible concession rights	**–**	17.4
Net exchange (gain)/loss	**(91.4)**	13.8
Other non-cash items	**(27.1)**	(38.8)
Operating profit before working capital changes	**4,082.8**	3,633.5
Decrease/(increase) in inventories	**22.1**	(2.5)
Decrease/(increase) in security deposits	**947.9**	(848.3)
Increase in trade and other receivables	**(787.0)**	(331.6)
Increase in trade and other payables	**858.6**	1,470.6
Increase in deferred income	**38.6**	19.4
Increase in balances with associated companies, joint ventures and related companies	**(36.3)**	(63.4)
Increase/(decrease) in long service payment obligations	**15.9**	(4.4)
Increase in amounts due to non-controlling interests	**16.5**	24.7
Net cash generated from operations	**5,159.1**	3,898.0

38 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Disposal of subsidiaries

	Note	2017 HK$'m
Net assets disposed		
Investment properties	16	160.6
Property, plant and equipment	17	1.8
Deferred tax assets	32	1.1
Trade and other receivables		0.7
Trade and other payables		(0.7)
Tax payable		(0.8)
		162.7
Net profit on disposal	8	26.3
		189.0
Represented by		
Cash consideration received		189.0

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans and other borrowings HK$'m	Loans from non-controlling interests HK$'m	Total HK$'m
At 1 July 2017	**9,682.7**	**46.4**	**9,729.1**
Cash flows			
Drawdown	**1,395.9**	**–**	**1,395.9**
Repayment	**(952.4)**	**(9.1)**	**(961.5)**
Translation differences	**3.3**	**1.8**	**5.1**
Other non-cash movements	**45.1**	**–**	**45.1**
At 30 June 2018	**10,174.6**	**39.1**	**10,213.7**

(d) Major non-cash transaction

In relation to the restructuring of SUEZ NWS as detailed in note 20(c), the Group injected its investments in landfill and waste treatment business in Hong Kong and Mainland China into SUEZ NWS in FY2017.

39 BUSINESS COMBINATION

(a) Acquisition of subsidiaries

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

(b) The fair value of assets acquired and liabilities assumed as at the date of acquisition were as follows:

	Note	2017 HK$'m
Consideration		
Cash		1,467.5
Fair value of equity interest held by the Group as a joint venture before the business combination		2,361.0
		3,828.5
Recognized amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment	17	4,133.1
Intangible assets	19	69.2
Available-for-sale financial asset		7.3
Deferred tax assets	32	0.5
Inventories		85.8
Trade and other receivables		317.1
Cash and bank balances		449.9
Trade and other payables		(731.3)
Taxation		(33.2)
Borrowings		(300.0)
Deferred tax liabilities	32	(509.0)
Other non-current liabilities		(57.6)
		3,431.8
Goodwill on acquisition	19	396.7
		3,828.5

39 BUSINESS COMBINATION (continued)

(b) The fair value of assets acquired and liabilities assumed as at the date of acquisition were as follows (continued):

	HK$'m
Consideration settled in cash	(1,467.5)
Cash and cash equivalents in subsidiaries acquired	449.9
Cash outflow on acquisition	(1,017.6)

(c) The Group recognized a gain of HK$113.1 million as a result of remeasuring its 50% equity interest in NWS Transport held before the business combination. The gain was included in other income/gains in the consolidated income statement for FY2017.

(d) If the acquisition had occurred on 1 July 2016, consolidated revenue and consolidated profit for FY2017 would have been increased by HK$1,840.7 million and HK$112.6 million respectively.

40 RELATED PARTY TRANSACTIONS

(a) The following is a summary of significant related party transactions during the year carried out in the normal course of the Group's business:

	Note	2018 HK$'m	2017 HK$'m
Transactions with affiliated companies	(i)		
Provision of construction work services	(ii)	**–**	417.8
Provision of other services	(iii)	**3.5**	4.7
Interest income	(iv)	**89.9**	100.0
Management fee income	(v)	**6.8**	14.4
Rental and other related expenses	(vi)	**(7.6)**	(9.4)
Other expenses	(viii)	**(532.1)**	(479.7)
Transactions with other related parties	(i)		
Provision of construction work services	(ii)	**9,208.7**	9,720.4
Provision of other services	(iii)	**64.1**	43.6
Rental and other related expenses	(vi)	**(54.1)**	(49.8)
Mechanical and electrical engineering services	(vii)	**(1,224.3)**	(944.8)
Other expenses	(viii)	**(155.2)**	(156.3)

(i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD, 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 interest rates as specified in notes 20, 21 and 25 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.

40 RELATED PARTY TRANSACTIONS (continued)

(b) Key management compensation

No significant compensation arrangement has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 15.

(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 Management Limited ("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) On 8 June 2018, NWS CON (an indirect wholly owned subsidiary of the Company) entered into the SP Agreement with Sherman Drive (a direct wholly owned subsidiary of NWD) in respect of the sale of Hip Seng Group by NWS CON to Sherman Drive through the sale of the entire issued share capital of Celestial Path on and subject to the terms and conditions contained in the SP Agreement. Total consideration for the disposal was HK$168 million and the gain on disposal amounted to approximately HK$66 million will be recognized in FY2019. Completion of the disposal took place on 21 August 2018.

(e) The amounts of outstanding balances with associated companies, joint ventures and non-controlling interests are disclosed in notes 20, 21, 25, 33 and 34.

41 COMPARATIVE FIGURES

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

42 ULTIMATE HOLDING COMPANY

The directors regard NWD, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as being the ultimate holding company. The Company is held by NWD and certain of its subsidiaries.

43 COMPANY STATEMENT OF FINANCIAL POSITION

	2018 HK$'m	2017 HK$'m
ASSETS		
Non-current assets		
Property, plant and equipment	**12.3**	10.4
Subsidiaries	**7,893.4**	7,893.4
Other non-current asset	**3.3**	3.3
	7,909.0	7,907.1
Current assets		
Trade and other receivables	**39,803.7**	36,250.6
Cash and bank balances	**921.4**	1,169.1
	40,725.1	37,419.7
Total assets	**48,634.1**	45,326.8
EQUITY		
Share capital	**3,896.5**	3,888.3
Reserves	**35,007.1**	34,390.2
Total equity	**38,903.6**	38,278.5
LIABILITIES		
Current liabilities		
Trade and other payables	**9,730.5**	7,048.3
Total liabilities	**9,730.5**	7,048.3
Total equity and liabilities	**48,634.1**	45,326.8

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

43 COMPANY STATEMENT OF FINANCIAL POSITION (continued)

Reserves

HK$'m	Share premium	Contributed surplus	Special reserves	Revenue reserve	Total
At 1 July 2017	**17,521.8**	**237.3**	**208.3**	**16,422.8**	**34,390.2**
Profit for the year	**–**	**–**	**–**	**6,079.0**	**6,079.0**
Dividends	**–**	**–**	**–**	**(5,569.8)**	**(5,569.8)**
Share options					
Share premium on new shares issued	**107.7**	**–**	**–**	**–**	**107.7**
At 30 June 2018	**17,629.5**	**237.3**	**208.3**	**16,932.0**	**35,007.1**
At 1 July 2016	16,840.4	237.3	199.8	9,610.2	26,887.7
Issue of new shares as scrip dividends	615.8	–	–	–	615.8
Profit for the year	–	–	–	9,427.0	9,427.0
Dividends	–	–	–	(2,614.4)	(2,614.4)
Share options					
Share premium on new shares issued	65.6	–	–	–	65.6
Value of services provided					
Company	–	–	5.6	–	5.6
Subsidiaries	–	–	2.4	–	2.4
Associated company	–	–	0.1	–	0.1
Joint ventures	–	–	0.4	–	0.4
At 30 June 2017	17,521.8	237.3	208.3	16,422.8	34,390.2

The contributed surplus of the Company represents the difference between the nominal value of the ordinary share capital issued by the Company and the consolidated net asset value of the subsidiaries acquired at the date of acquisition pursuant to the group reorganization implemented in 1997. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

Special reserves mainly include capital redemption reserve and share option reserve.

44 PRINCIPAL SUBSIDIARIES

The directors of the Company were of the view that as at 30 June 2018, there was no individual subsidiary that had non-controlling interests that were material to the Group.

	Issued and fully paid share capital#		Approximate percentage of shares held	
	Number	Amount HK$	by the Group	Principal activities
Incorporated and operate in Hong Kong				
Anway Limited	1	1	100.0	Duty free operation and general trading
Billionoble Investment Limited	4,998	4,998	100.0	Investment holding
	2*	2	100.0	
Bounty Gain Limited	1	1	100.0	Investment holding
Cheering Step Investments Limited	1	1	100.0	Investment holding
Chinese Future Limited	1,300,000,000	1,300,000,000	100.0	Investment holding
CiF Solutions Limited	10	1,000	100.0	Provision of information technology
	160,000*	16,000,000	100.0	solutions
Citybus Limited	37,500,000	376,295,750	100.0	Provision of franchized and non-franchized bus services
Dynamic Ally Limited	1	1	100.0	Investment holding
Grace Crystal Limited	1	1	100.0	Investment holding
Grand Express International Limited	1	1	100.0	Investment holding
Hip Hing Builders Company Limited	40,000	40,000,000	100.0	Construction
	10,000*	10,000,000	100.0	
Hip Hing Construction Company Limited	400,000	40,000,000	100.0	Construction and civil engineering
	600,000*	60,000,000	100.0	
Hip Hing Engineering Company Limited	2,000,000	200,000,000	100.0	Building construction
Hip Seng Builders Limited##	20,000	20,000,000	100.0	Construction
Hip Seng Construction Company Limited##	1	1	100.0	Construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	3	100.0	Management of HKCEC
	1*	1	100.0	
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	100.0	Investment holding
Kiu Lok Property Services (China) Limited	2	2	100.0	Property agency management and
	2*	2	100.0	consultancy
New Advent Limited	1	1	100.0	Property investment
New World Construction Company Limited##	1	1	100.0	Construction
New World Construction Management Company Limited##	1	1	100.0	Construction
New World Facade Engineering Company Limited##	1	1	100.0	Facade operation
New World-Guangdong Highway Investments Co. Limited	999,900	99,990,000	100.0	Investment holding
	100*	10,000	50.0	
New World Port Investments Limited	2	2	100.0	Investment holding

44 PRINCIPAL SUBSIDIARIES (continued)
As at 30 June 2018

	Issued and fully paid share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong (continued)				
New World (Xiamen) Port Investments Limited	2	2	100.0	Investment holding
NWS (Finance) Limited	2	2	100.0	Financial services
NWS Holdings (Finance) Limited	1	1	100.0	Financing
NWS Hong Kong Investment Limited	1	1	100.0	Investment holding
NWS Ports Management (Tianjin) Limited	1	1	100.0	Investment holding
Polytown Company Limited	2	20	100.0	Property investment, operation, marketing, promotion and management of HKCEC
	100,000*	1,000,000	100.0	
Profit Now Limited	1	1	100.0	Investment holding
Sky Connection Limited	100	100	100.0	Duty free operation and general trading
True Hope Investment Limited	299,999,998	299,999,998	100.0	Investment holding
	2*	2	100.0	
Twinic International Limited	1	1	100.0	Investment holding
Urban Parking Limited	15,000,000	15,000,000	100.0	Carpark management
Vibro Construction Company Limited	1,630,000	163,000,000	100.0	Civil engineering
	20,000*	2,000,000	100.0	
Vibro (H.K.) Limited	20,000,004	60,328,449	99.8(a)	Piling, ground investigation and civil engineering
Wisemec Enterprises Limited	2	2	100.0	Investment holding

Notes to the Financial Statements

44 PRINCIPAL SUBSIDIARIES (continued)
As at 30 June 2018

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operates in Hong Kong				
NWS Service Management Limited	1,323,943,165	HK$0.10	100.0	Investment holding
Incorporated in the Cayman Islands				
Chinese Future Corporation	1,000,000	US$0.01	100.0	Investment holding
Incorporated in the British Virgin Islands and operate in Hong Kong				
Bellwood Group Limited	100	US$1	100.0	Investment holding
Best Star (BVI) Investments Limited	1	US$1	100.0	Investment holding
Creative Profit Group Limited	1	US$1	100.0	Investment holding
Economic Velocity Limited	1	US$1	100.0	Investment holding
Great Start Group Corporation	1	US$1	100.0	Investment holding
Hetro Limited	101	US$1	100.0	Investment holding
Lucky Strong Limited	1	US$1	100.0	Investment holding
Noonday Limited	100	US$1	100.0	Investment holding
New World First Bus Services Limited	200,000,000	HK$1	100.0	Provision of franchized bus services
New World First Ferry Services Limited	1	US$1	100.0	Provision of ferry services
NWS Financial Management Services Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Management Limited	2	US$1	100.0	Investment holding
NWS Infrastructure Roads Limited	1	US$1	100.0	Investment holding
NWS Ports Management Limited	2	US$1	100.0	Investment holding
NWS Transport Services Limited	500,000,016	HK$1	100.0	Investment holding
Incorporated in the British Virgin Islands				
Beauty Ocean Limited	1	US$1	100.0	Investment holding
Flying Gravity Limited	1	US$1	100.0	Investment holding
Fortland Ventures Limited	1	US$1	100.0	Investment holding
Gravy Train Investments Limited	1	US$1	100.0	Investment holding
Ideal Global International Limited	1	US$1	100.0	Investment holding
Moscan Developments Limited	1	US$1	100.0	Investment holding
Natal Global Limited	1	US$1	100.0	Investment holding
NWS CON Limited	1	HK$1	100.0	Investment holding
NWS Construction Limited	190,000	US$0.1	100.0	Investment holding
	8,125**	US$0.1	–	
	6,791***	US$0.1	–	
NWS Infrastructure Bridges Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Power Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Water Limited	1	US$1	100.0	Investment holding
Pure Cosmos Limited	1	US$1	100.0	Investment holding
Right Heart Associates Limited	4	US$1	100.0	Investment holding
Righteous Corporation	1	US$1	100.0	Investment holding
Stockfield Limited	1	US$1	100.0	Investment holding

44 PRINCIPAL SUBSIDIARIES (continued)
As at 30 June 2018

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
^ Chaoming (Chongqing) Investment Company Limited	US$78,000,000	100.0	Investment holding
^ Guangdong Xin Chuan Co., Ltd.	RMB714,853,600	100.0	Investment holding
@ Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.	US$320,590,000	100.0	Operation of toll road
+ Shanxi Xinda Highways Ltd.	RMB49,000,000	60.0 (b)	Operation of toll road
+ Shanxi Xinhuang Highways Ltd.	RMB56,000,000	60.0 (b)	Operation of toll road
+ Wuzhou Xinwu Highways Limited	RMB72,000,000	52.0 (c)	Operation of toll road
^ Xiamen NWS Management Consultancy Limited	US$500,000	100.0	Management consultation
Incorporated and operate in Macau			
Hip Hing Engineering (Macau) Company Limited	MOP100,000	100.0	Construction
Vibro (Macau) Limited	MOP1,000,000	99.8 (a)	Foundation works

- # Ordinary shares, unless otherwise stated
- ## Company classified as assets held-for-sale/liabilities directly associated with assets held-for-sale
- * Non-voting deferred shares
- ** Redeemable, non-convertible and non-voting A preference shares
- *** Redeemable, non-convertible and non-voting B preference shares
- ^ Registered as wholly foreign owned enterprises under PRC law
- @ Registered as sino-foreign equity joint venture under PRC law
- + Registered as sino-foreign cooperative joint venture under PRC law

(a) The approximate percentage of shares held by non-controlling interests is 0.2%

(b) Cash sharing ratio of 90% (percentage for non-controlling interest is 10%) for the first 12 years from the operation date and thereafter 60% (percentage for non-controlling interest is 40%)

(c) Profit sharing percentage (percentage for non-controlling interest is 48%)

45 PRINCIPAL ASSOCIATED COMPANIES

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2018 is as follows:

	Issued and fully paid share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
GHK Hospital Limited	10	10	40.0	Healthcare
Healthcare Assets Management Limited	10	20,177,194	30.0	Healthcare
Joy Fortune Investments Limited	10,000	10,000	50.0	Investment holding
Quon Hing Concrete Company Limited	200,000	20,000,000	50.0	Production and sales of ready-mixed concrete
Yargoon Company Limited	150,000	15,000,000	42.0	Stone quarrying
Shougang Concord International Enterprises Company Limited	18,963,723,510	7,576,945,623	10.0(b)	Investment holding
Incorporated in Hong Kong and operates in Greater China				
SUEZ NWS Limited	20,256,429	5,134,005,207	42.0	Investment holding and operation of water, wastewater and waste management businesses

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Island and operates in Hong Kong				
VMS Private Investment Partners III Limited	1,500* 611**	US$0.01 US$0.01	– 100.0(a)	Securities investment
Incorporated in the British Virgin Islands				
VMS Private Investment Partners II Limited	2,500* 1,745**	US$0.01 US$0.01	– 100.0(a)	Securities investment
Incorporated in Bermuda and operates in Hong Kong				
Wai Kee Holdings Limited	793,124,034	HK$0.10	27.0	Construction

45 PRINCIPAL ASSOCIATED COMPANIES (continued)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2018 is as follows (continued):

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operates in Hong Kong and Mainland China				
UMP Healthcare China Limited	100	US$0.01	20.0	Healthcare
Incorporated in Cyprus and operates in South Africa				
Tharisa plc	260,240,839	US$0.001	15.58(b)	Platinum group metals and chrome mining, processing and trading

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Chongqing Silian Optoelectronics Science And Technology Co., Ltd.	RMB500,000,000	20.0(c)	Manufacturing and sale of sapphire substrate and wafer, LED packaging and application
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	39.0(d)	Operation of gasoline station
Hubei Suiyuenan Expressway Co., Ltd.	RMB1,770,000,000	30.0(c)	Operation of toll road
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	18.0(b),(c)	Operation of container terminal
Xiamen Container Terminal Group Co., Ltd.	RMB2,436,604,228	20.0(c)	Operation of container terminals
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	25.0(d)	Operation of toll road

Ordinary shares, unless otherwise stated

* Voting, non-participating, non-redeemable management shares

** Non-voting, redeemable participating shares

(a) The directors of the Company considered the Group has significant influence over these companies through its representative on the investment committee which governs the relevant activities

(b) The directors of the Company considered the Group has significant influence over these companies through its representatives on the board of directors of these companies

(c) Percentage of equity interest

(d) Percentage of interest in ownership and profit sharing

46 PRINCIPAL JOINT VENTURES

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2018 is as follows:

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Beijing–Zhuhai Expressway Guangzhou–Zhuhai Section Company Limited	RMB580,000,000	25.0(a)	Operation of toll road
China United International Rail Containers Co., Limited	RMB4,200,000,000	30.0(b)	Operation of rail container terminals and related business
Chongqing Suyu Business Development Company Limited	RMB650,000,000	50.0(a)	Investment holding
Guangzhou Northring Freeway Company Limited	US$19,255,000	65.3(a),(d)	Operation of toll road
Guangzhou Oriental Power Co., Ltd.	RMB990,000,000	25.0(b)	Generation and supply of electricity
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB613,361,800	35.0(b)	Wholesale, assembling and storage of fuel
Guodian Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	35.0(a)	Generation and supply of electricity
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	50.0(a)	Investment holding
Tianjin Xinzhan Expressway Company Limited	RMB2,539,100,000	60.0(c),(d)	Operation of toll road

	Issued and fully paid share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
ATL Logistics Centre Hong Kong Limited	100,000'A'	100,000	56.0(d)	Operation of cargo handling and storage facilities
	20,000'B'**	20,000	79.6	
	54,918*	54,918	–	
First Star Development Limited	100	100	50.0	Property development
Supertime Holdings Limited	100	100	50.0	Property development
Tate's Cairn Tunnel Investment Holdings Company Limited	1,100,000	1,100,000	29.5	Investment holding
Wincon International Limited	300,000,000	300,000,000	50.0	Investment holding

46 PRINCIPAL JOINT VENTURES (continued)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2018 is as follows (continued):

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Islands				
DP World New World Limited	2,000	US$1	50.0	Investment holding
Silverway Global Limited	2	US$1	50.0	Investment holding
Success Concept Investments Limited	1,000	US$1	90.0(d)	Investment holding
Incorporated and operates in the Netherlands				
Hyva I B.V.	19,000	EUR1	50.0	Manufacturing and supply of components used in hydraulic loading and unloading systems

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operate globally				
Goshawk Aviation Limited	362,026,264 preference shares	US$0.001	50.0	Commercial aircraft leasing
Goshawk Management Holdings (Cayman) Limited	100	US$1	50.0	Commercial aircraft leasing management

\# Ordinary shares, unless otherwise stated

* Non-voting deferred shares

** Non-voting preference shares

(a) Percentage of interest in ownership and profit sharing

(b) Percentage of equity interest

(c) Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%

(d) The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these joint ventures

Five-Year Financial Summary

	2018	2017	2016	2015	2014
Earnings per share – Basic (HK$)	**1.56**	1.46	1.30	1.19	1.17
Earnings per share – Diluted (HK$)	**1.56**	N/A	N/A	N/A	N/A
Key ratios					
Net Gearing Ratio	**7%**	7%	13%	14%	23%
Return on Equity	**12%**	11%	11%	10%	10%
Return on Capital Employed	**10%**	9%	9%	7%	8%
Consolidated income statement data (HK$'m)					
Revenue	**35,114.8**	31,385.0	29,497.8	24,491.8	21,443.0
Revenue by segment					
Roads	**2,623.6**	2,377.0	2,399.8	2,416.2	2,306.8
Logistics	**–**	–	100.1	100.1	99.7
Aviation	**160.8**	–	–	–	–
Facilities Management	**5,570.9**	6,915.1	6,917.9	6,768.6	6,174.2
Construction & Transport	**26,759.5**	22,092.9	20,080.0	15,206.9	12,862.3
Revenue by region					
Hong Kong	**31,599.0**	28,449.7	26,243.3	21,818.3	18,504.2
Mainland China	**2,726.1**	2,470.5	2,480.2	2,490.0	2,381.2
Others	**789.7**	464.8	774.3	183.5	557.6
Profit attributable to shareholders of the Company	**6,068.8**	5,628.9	4,912.8	4,477.6	4,324.9
Attributable operating profit	**5,231.9**	4,840.3	4,739.6	4,456.6	4,379.0
Attributable operating profit by segment					
Roads	**1,947.1**	1,479.1	1,259.8	1,201.0	1,126.7
Environment	**494.1**	392.1	469.8	631.4	739.7
Logistics	**654.6**	641.2	702.6	548.9	477.7
Aviation	**695.2**	610.5	424.0	243.6	83.9
Facilities Management	**(73.1)**	301.1	645.0	861.5	910.7
Construction & Transport	**1,212.9**	1,131.8	911.6	691.1	605.3
Strategic Investments	**301.1**	284.5	326.8	279.1	435.0

Five-Year Financial Summary

	2018	2017	2016	2015	2014
Consolidated income statement data (continued) (HK$'m)					
Attributable operating profit by region					
Hong Kong	**2,015.8**	2,213.8	2,615.9	2,556.1	2,292.4
Mainland China	**2,623.5**	2,117.9	1,937.9	1,748.0	1,642.8
Others	**592.6**	508.6	185.8	152.5	443.8
Corporate office and non-operating items					
Gains on partial disposal and remeasurement related to an associated company	**1,879.3**	–	–	–	–
Gain on fair value of investment properties	**93.6**	117.1	1,420.0	306.6	111.4
Net gain on disposal of projects, net of tax	**52.7**	179.8	199.4	51.4	79.0
Net gain on disposal of a project under an associated company	**–**	932.8	–	–	–
Gain on restructuring of a joint venture	**–**	454.3	–	–	–
Net gain on deemed disposals of interests in joint ventures	**–**	–	–	–	594.3
Gain on remeasurement of a previously held equity interest in a joint venture	**–**	113.1	–	–	–
Net gain on disposal of a project under a joint venture	**–**	–	–	1,549.9	–
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	**–**	–	–	914.0	–
Gain on disposal of an available-for-sale financial asset	**–**	–	534.1	–	–
Net gain on deemed disposal of a project under a joint venture	**–**	–	179.3	–	–
Losses on partial disposal, impairment and remeasurement related to an associated company	**–**	(290.6)	–	(1,910.9)	–
Impairment loss of an available-for-sale financial asset	**–**	–	(670.4)	–	–
Impairment loss related to an associated company	**–**	–	(200.0)	–	–
Impairment losses related to joint ventures	**(600.0)**	–	(177.6)	(300.0)	–
Provision for impairment on a joint venture	**–**	–	–	–	(72.1)
Interest income	**36.8**	54.4	198.1	210.5	113.2
Finance costs	**(266.6)**	(399.8)	(546.3)	(522.0)	(561.9)
Expenses and others	**(358.9)**	(372.5)	(763.4)	(278.5)	(318.0)
Consolidated statement of financial position data (HK$'m)					
Total assets	**78,138.6**	75,725.9	75,685.0	75,153.6	71,554.1
Total liabilities and non-controlling interests	**28,188.6**	26,668.8	30,066.1	29,740.2	29,337.7
Total borrowings	**10,174.6**	9,682.7	15,064.8	16,811.4	17,667.5
Shareholders' funds	**49,950.0**	49,057.1	45,618.9	45,413.4	42,216.4

Project Key Facts and Figures

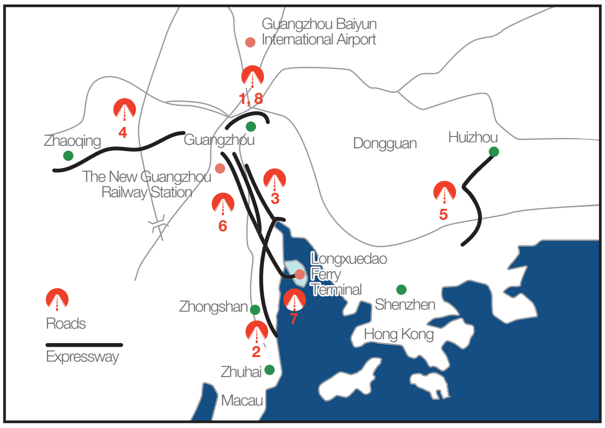
(As at 30 June 2018)

INFRASTRUCTURE

ROADS

The road portfolio includes 15 roads in strategic locations in Mainland China, namely Guangdong, Zhejiang, Guangxi, Shanxi, Tianjin and Hubei, covering approximately 700 km in length.

GUANGDONG PROVINCE



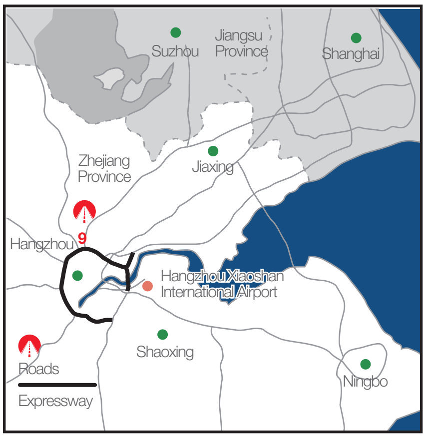
	1. Guangzhou City Northern Ring Road		
Attributable Interest	65.29%		
Form of Investment	CJV		
Length	22 km		
Lanes	Dual 3-Lane		
Location	Guangzhou City		
Operation Date	January 1994		
Expiry Date	2023		
Current Toll Rates	RMB1 – RMB28 (Normal) RMB0.12/tonne/km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2018**	**2017**	**2016**
	345,037	319,406	286,088

	2. Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)			3. Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)			4. Guangzhou-Zhaoqing Expressway		
Attributable Interest	25%			15%			25%		
Form of Investment	CJV			CJV			CJV		
Length	Section 1: 8.6 km Section 2: 49.59 km			27 km			Phase 1: 48 km Phase 2: 5.39 km		
Lanes	Section 1: Dual 3-Lane Section 2: Dual 2 to 3-Lane			Dual 3-Lane			Phase 1: Dual 2-Lane Phase 2: Dual 3-Lane		
Location	Zhongshan City & Zhuhai City			Guangzhou City			Zhaoqing City & Foshan City		
Operation Date	December 1999			December 2005			Phase 1: September 2002 Phase 2: September 2010		
Expiry Date	2030			2032			2031		
Current Toll Rates	Section 1: RMB6 – RMB10 (Normal) Section 2: RMB2 – RMB59 (Normal) Section 1 & 2: RMB0.09 – RMB0.12/tonne/km (Toll-by-weight vehicle)			RMB1 – RMB30 (Normal) RMB0.12/tonne/km (Toll-by-weight vehicle)			RMB1 – RMB84 (Normal) RMB0.09 – RMB0.12/tonne/km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
	194,400	181,618	156,152	71,765	58,730	50,970	79,527	79,990	77,091

	5. Shenzhen-Huizhou Expressway (Huizhou Section)			6. Guangzhou Dongxin Expressway		
Attributable Interest	33.33%			45.9%		
Form of Investment	CJV			Equity		
Length	34.7 km			46.22 km		
Lanes	Dual 3 to 4-Lane			Dual 3 to 4-Lane		
Location	Huizhou City			Guangzhou City		
Operation Date	June 1993			December 2010		
Expiry Date	2023			2035		
Current Toll Rates	RMB1 – RMB67 (Normal) RMB0.12/tonne/km (Toll-by-weight vehicle)			RMB2 – RMB55 (Normal) RMB0.12/tonne/km (Toll-by-weight vehicle)		
Average Daily	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Traffic Flow	103,958	91,848	80,852	123,163	100,344	82,769

	7. Guangzhou City Nansha Port Expressway			8. Guangdong E-serve United Co., Ltd.		
Attributable Interest	22.5%			1.4%		
Form of Investment	Equity			Equity		
Length	72.4 km			N/A		
Lanes	Dual 3 to 4-Lane			N/A		
Location	Guangzhou City			Guangzhou City		
Operation Date	December 2004			January 2013		
Expiry Date	2030			N/A		
Current Toll Rates	RMB2 – RMB78 (Normal) RMB0.12/tonne/km (Toll-by-weight vehicle)			N/A		
Average Daily	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Traffic Flow	122,357	105,092	94,853	N/A	N/A	N/A

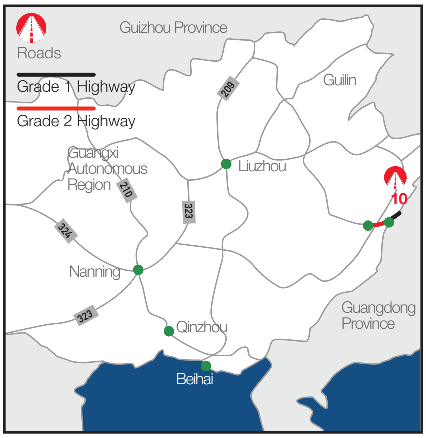
ZHEJIANG PROVINCE



	9. Hangzhou Ring Road		
Attributable Interest	100%		
Form of Investment	Equity		
Length	103.4 km		
Lanes	Dual 2 to 3-Lane		
Location	Hangzhou City		
Operation Date	January 2005		
Expiry Date	2029		
Current Toll Rates	RMB5 – RMB170 (Normal) RMB0.09/tonne/km (Toll-by-weight vehicle)		
Average Daily	**2018**	**2017**	**2016**
Traffic Flow	82,620	78,844	84,485

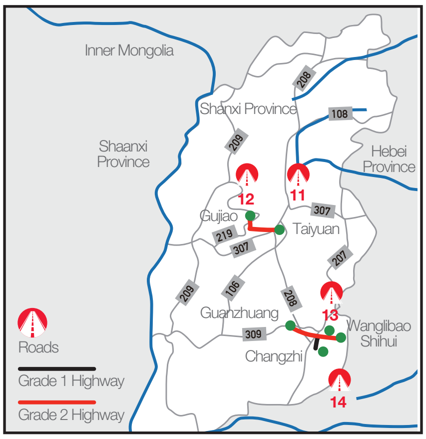
Project Key Facts and Figures

GUANGXI PROVINCE



	10. Roadway No. 321 (Wuzhou Section)		
Attributable Interest	52%		
Form of Investment	CJV		
Length	Phase 1: 8.7 km Phase 2: 4.3 km		
Lanes	Dual 2-Lane		
Location	Wuzhou City		
Operation Date	Phase 1: March 1997 Phase 2: December 1998		
Expiry Date	2022		
Current Toll Rates	RMB1 – RMB35 (Normal) RMB1.8/tonne (Toll-by-weight vehicle)		
Average Daily	**2018**	**2017**	**2016**
Traffic Flow	4,588	5,093	4,083

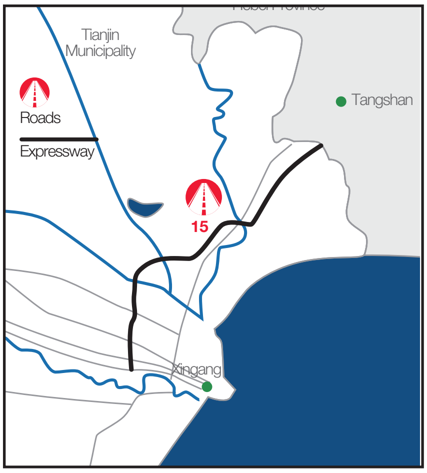
SHANXI PROVINCE



	11. Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)		
Attributable Interest	60%†		
Form of Investment	CJV		
Length	23.18 km		
Lanes	Dual 1-Lane		
Location	Taiyuan City		
Operation Date	July 2000		
Expiry Date	2025		
Current Toll Rates	RMB10 – RMB60		
Average Daily	**2018**	**2017**	**2016**
Traffic Flow	66	180	527

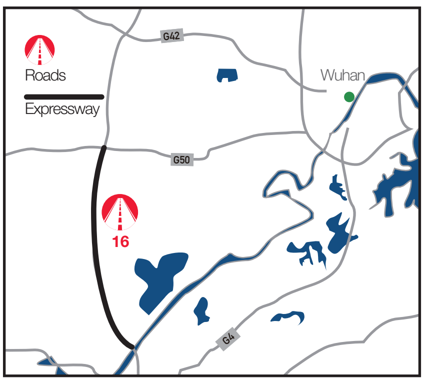
	12. Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)			13. Roadway No.309 (Changzhi Section)			14. Taiyuan – Changzhi Roadway (Changzhi Section)		
Attributable Interest	60%†			60%†			60%†		
Form of Investment	CJV			CJV			CJV		
Length	36.02 km			22.2 km			18.3 km		
Lanes	Dual 1-Lane			Dual 1 to 2-Lane			Dual 1 to 2-Lane		
Location	Gujiao City			Changzhi City			Changzhi City		
Operation Date	April 1999			July 2000			August 2000		
Expiry Date	2025			2023			2023		
Current Toll Rates	RMB10 – RMB60			RMB10 – RMB60			RMB10 – RMB70		
Average Daily	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Traffic Flow	716	706	1,296	5,183	5,625	5,367	1,420	1,483	1,128

TIANJIN MUNICIPALITY



	15. Tangjin Expressway (Tianjin North Section)		
Attributable Interest	60%[††]		
Form of Investment	CJV		
Length	Section 1: 43.45 km Section 2: 17.22 km		
Lanes	Dual 3-Lane		
Location	Tianjin Municipality		
Operation Date	Section 1: December 1998 Section 2: December 2000		
Expiry Date	2039		
Current Toll Rates	RMB5 – RMB105 (Normal) RMB0.1/tonne/km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2018**	**2017**	**2016**
	62,369	52,451	46,999

HUBEI PROVINCE



	16. Suiyuenan Expressway		
Attributable Interest	30%		
Form of Investment	EJV		
Length	98.06 km		
Lanes	Dual 2-Lane		
Location	Xiantao City and Jingzhou City		
Operation Date	March 2010		
Expiry Date	2040		
Current Toll Rates	RMB5 – RMB155 (Normal) RMB0.1/tonne/km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2018**	**2017**	**2016**
	23,196[*]	N/A[*]	N/A[*]

HONG KONG

	17. Tate's Cairn Tunnel		
Attributable Interest	29.5%		
Form of Investment	Equity		
Length	4 km		
Lanes	Dual 2-Lane		
Location	Hong Kong		
Operation Date	June 1991		
Expiry Date	2018[#]		
Current Toll Rates	HK$15 – HK$35		
Average Daily Traffic Flow	**2018**	**2017**	**2016**
	61,499	60,114	59,178

† Cash sharing ratio of 90% for the first 12 years from the operation date and thereafter 60%
†† Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%
* The figure for FY2018 represented the average daily traffic flow from January (completion of acquisition) to June 2018. No comparative figures are provided for FY2017 and FY2016
\# Concession rights ended on 10 July 2018

Project Key Facts and Figures

ENVIRONMENT

The Group engages in environmental business in 45 cities across the Greater China region mainly through two strategic platforms, SUEZ NWS Limited ("SUEZ NWS") and Chongqing Derun Environment Co., Ltd. These two platforms provide one-stop environmental services, including water and wastewater treatment, waste management, renewable resource recycling and utilization, environmental remediation, as well as design, engineering and procurement services. In addition, the Group operates two power plants in Guangdong and Sichuan with a total installed capacity of approximately 1,820 MW.

	1. SUEZ NWS Limited			
Attributable Interest	42%			
Form of Investment	Equity			
No. of Projects and Capacity			**No. of Projects**	**Total Capacity**
	Water and wastewater (including industrial) treatment:		35	9.12 million m³/day
	Sludge treatment:		4	2,140 tonnes/day
	Waste collection and treatment:		11	9,250 tonnes/day
	Industrial and municipal waste incineration:		8	750,800 tonnes/year
	Landfill and landfill restoration:		9	96 million m³ (excluding landfill restoration)
	Total		67	
Location	Liaoning, Beijing, Tianjin, Hebei, Shandong, Shanghai, Jiangsu, Zhejiang, Guangdong, Shaanxi, Henan, Hubei, Jiangxi, Chongqing, Sichuan, Hainan, Hong Kong, Macau, Taiwan			
Operation Date	May 1985#			
Average Daily Volume Treated/Sold		**2018**	**2017**	**2016**
	Water and wastewater treatment (million m³):	6.58	6.02	5.78
	Waste treatment (tonnes):	24,153	22,406^	3,896†

	2. Chongqing Derun Environment Co., Ltd.	3. Chongqing Silian Optoelectronics Science & Technology Co., Ltd.
Attributable Interest	12.55%	20%
Form of Investment	Equity	EJV
Location	Chongqing Municipality	Chongqing Municipality
Operation Date	October 2014#	July 2008

	4. Zhujiang Power Station – Phase II			5. Chengdu Jintang Power Plant		
Attributable Interest	25%			35%		
Form of Investment	EJV			Equity		
Installed Capacity	620 MW			1,200 MW		
Location	Guangzhou City, Guangdong Province			Chengdu City, Sichuan Province		
Type of Power	Coal-Fired Thermal			Coal-Fired Thermal		
Operation Date	April 1996			June 2007		
Expiry Date	2020			2040		
Electricity Sales (GWh)	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
	2,904	2,450	2,089	3,213	3,118	3,128

	6. Guangzhou Fuel Company
Attributable Interest	35%
Form of Investment	EJV
Coal Pier Handling Capacity	7 million tonnes/year
Location	Guangzhou City, Guangdong Province
Nature of Business	Wholesale, assembling and storage of coal
Operation Date	January 2008
Expiry Date	2033

Date of incorporation

^ Pursuant to the restructuring of SUEZ NWS, the Group's interests in Far East Landfill Technologies Limited and Shanghai SCIP Waste Incineration Plant have been injected into SUEZ NWS during FY2017. For reference purposes, the figure includes the average daily volume treated by the two projects for the period from 1 July 2016 to the date of completion of the restructuring

† For reference purposes, the figures represent the aggregate average daily volume treated by Far East Landfill Technologies Limited and Shanghai SCIP Waste Incineration Plant for the year ended 30 June 2016

Project Key Facts and Figures

LOGISTICS

Through its joint venture, China United International Rail Containers Co., Limited, the Group develops and operates a large-scale pivotal rail container terminal network across Mainland China. The Group also invests in a logistics centre in Hong Kong that offers a total leasable area of approximately 5.9 million sq ft, and three port projects in Mainland China with an aggregate container handling capacity of 12 million TEUs per year.

	1. China United International Rail Containers Co., Limited		
Attributable Interest	30%		
Form of Investment	EJV		
Investment Scope	Pivotal rail container terminal network		
Handling Capacity	4.5 million TEUs/year		
Location	Kunming, Chongqing, Chengdu, Zhengzhou, Dalian, Qingdao, Wuhan, Xian, Tianjin, Urumqi		
Operation Date	Kunming: January 2008 Chongqing: December 2009 Chengdu: March 2010 Zhengzhou: April 2010 Dalian: July 2010 Qingdao: August 2010 Wuhan: August 2010 Xian: December 2010 Tianjin: January 2017 Urumqi: June 2017		
Expiry Date	2057		
Throughput Achieved (TEUs)	**2018** 2,730,000	**2017** 2,529,000	**2016** 2,062,000

	2. ATL Logistics Centre		
Attributable Interest	56%		
Form of Investment	Equity		
Leasable Area	5.9 million sq ft		
Location	Hong Kong		
Operation Date	Phase 1: February 1987 Phase 2: March 1988 Phase 3: February 1992 Phase 4: January 1994 Phase 5: November 1994		
Expiry Date	2047		
Average Occupancy Rate	**2018** 97.2%	**2017** 97.1%	**2016** 97.4%

	3. Xiamen Container Terminal Group Co., Ltd.			4. Tianjin Orient Container Terminals Co., Ltd.		
Attributable Interest	20%			24.5%		
Form of Investment	EJV			Equity		
Handling Capacity	9.1 million TEUs/year			1.4 million TEUs/year		
Total Area	3,420,000 sq m			469,000 sq m		
Location	Xiamen City, Fujian Province			Tianjin Municipality		
Operation Date	December 2013			January 1999		
Expiry Date	2063			2027		
Length of Berths	6,838 m			1,136 m		
No. of Cranes	61			10		
Throughput Achieved (TEUs)	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
	8,248,000*	8,182,000*	7,872,000*	1,092,000	961,000	897,000

	5. Tianjin Five Continents International Container Terminal Co., Ltd.		
Attributable Interest	18%		
Form of Investment	EJV		
Handling Capacity	1.5 million TEUs/year		
Total Area	447,000 sq m		
Location	Tianjin Municipality		
Operation Date	November 2005		
Expiry Date	2035		
Length of Berths	1,202 m		
No. of Cranes	12		
Throughput Achieved (TEUs)	**2018**	**2017**	**2016**
	2,661,000	2,555,000	2,486,000

* The figures represent the aggregate throughput handled by Xiamen Container Terminal Group Co., Ltd. and its invested companies

AVIATION

The Group invests in commercial aircraft for leasing to worldwide airline operators through Goshawk Aviation Limited and Bauhinia Aviation Capital Limited. The Group has also invested in Beijing Capital International Airport, the second busiest airport in the world in terms of passenger throughput.

	1. Goshawk Aviation Limited			2. Bauhinia Aviation Capital Limited		
Attributable Interest	50%			50%		
Form of Investment	Equity			Equity		
Operation Date	October 2013#			March 2016		
No. of Aircraft Owned	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
	105	84	68	6	6	–

	3. Beijing Capital International Airport Co., Ltd.		
Attributable Interest	5.55%		
Form of Investment	Equity		
Facility	3 runways & 3 terminals (total floor area: 1.41 million sq m)		
Location	Beijing Municipality		
Operation Date	October 1999#		
	2018	**2017**	**2016**
Passenger Throughput	98,711,000	95,423,000	91,462,000
Aircraft Movements	609,000	600,000	597,000

Date of incorporation

SERVICES

FACILITIES MANAGEMENT

The segment mainly comprises the management and operation of Hong Kong Convention and Exhibition Centre ("HKCEC"), Free Duty business and Gleneagles Hong Kong Hospital ("GHK Hospital"). GHK Hospital is a joint venture between Parkway Pantai Limited and the Group, with The University of Hong Kong being responsible for its clinical governance. HKCEC, managed and operated by the Group, is an award-winning venue for international exhibitions and conventions. Free Duty and Sky Shilla Duty Free Limited retail duty free tobacco, liquor, perfume, cosmetics, package food and general merchandise at Hong Kong's cross-border transport terminals and Macau International Airport respectively.

	Hong Kong Convention and Exhibition Centre (Management) Limited	Shenyang New World Expo (Management) Limited	Hong Kong – Shanghai Venue Management (Zhengzhou) Limited
Attributable Interest	100%	100%	30%
Services Offered	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc
Gross Rentable Space	91,500 sq m	28,000 sq m	93,000 sq m
No. of Events Held this Year	1,061	12	296
No. of Visitors this Year	Over 8.2 million	Approximately 0.23 million	Approximately 2.63 million

	Free Duty	Sky Shilla Duty Free Limited
Attributable Interest	100%	60%
Services Offered	Retail of duty free tobacco, liquor, perfume, cosmetics, package food and general merchandise	Retail of duty free tobacco, liquor, perfume, cosmetics, package food and general merchandise
Shop Locations	MTR Lo Wu, Hung Hom and Lok Ma Chau Stations; Hong Kong-Macau Ferry Terminal and China Ferry Terminal; Hong Kong International Airport	Macau International Airport

Project Key Facts and Figures

	Gleneagles Hong Kong Hospital
Attributable Interest	40%
Services Offered	500-bed private hospital with more than 35 specialties and subspecialties. It offers a comprehensive range of healthcare facilities and services, including 24-hour Outpatient and Emergency, cardiovascular laboratory, clinical laboratory, critical care unit, radiotherapy and oncology centre, radiology, endoscopy centre, chemotherapy centre, dialysis centre, health screening, rehabilitation, specialist outpatient clinics, dietetic services, etc

	Healthcare Assets Management Limited	UMP Healthcare China Limited
Attributable Interest	30%	20%
Services Offered	Medical and clinical healthcare services	Corporate healthcare solution business, clinical healthcare and health check-up services in Mainland China
No. of Medical Centres	4	5
Service Locations	Beijing and Shanghai	Beijing, Shanghai and Shenzhen

CONSTRUCTION & TRANSPORT

With abundant experience in constructing large-scale projects, the Group provides professional construction services in Hong Kong. The Group is also dedicated to providing reliable public transport services, including bus and ferry services in Hong Kong.

	Hip Hing Construction Company Limited	New World Construction Company Limited*
Attributable Interest	100%	100%
Services Offered	General contracting, construction management, civil engineering works and foundation works	General contracting and construction management
Total Value of Contracts Awarded this Year	HK$8.9 billion	HK$0.9 billion
Value of Contracts on Hand	HK$47.1 billion (remaining value of works to be completed: HK$21.2 billion)	HK$45.1 billion (remaining value of works to be completed: HK$19.1 billion)
Major Projects	West Kowloon Government Offices; Xiqu Centre at West Kowloon Cultural District; Residential Development "Pavilia Bay" at Tsuen Wan; Residential and Commercial Development "SAVANNAH" at Tseung Kwan O; Residential and Commercial Development at Kai Tak NKIL 6541 Area 1H Site 3; Residential Development "LOHAS Park" Package 5 and 6 at Tseung Kwan O; "Alto Residences" at Tseung Kwan O; Property Redevelopment at 123 Hoi Bun Road in Kwun Tong; Office Development at No. 8–10 Wong Chuk Hang Road; Commercial and Hotel Development at Tung Chung Town Lot No. 2 and 11; Hong Kong Airlines Aviation Training Centre at Chek Lap Kok; Hong Kong Jockey Club Happy Valley Clubhouse Extension; Hong Kong Science Park Expansion Stage 1; Transport Department's Vehicle Examination Centre at Tsing Yi; Public Rental Housing Development at Chung Nga Road East, Tai Po; Public Rental Housing Development at Queen's Hill Site 1 (Phase 1 and portion of phase 6)	Clear Water Bay Residential Development at Sai Kung; New World Centre Remodeling at Tsim Sha Tsui; Palace Mall Remodeling at Tsim Sha Tsui; Residential Development at Sheung Heung Road; Residential Development at Sai Yuen Lane; Office Development at King's Road; Avenue of Stars Revitalization at Tsim Sha Tsui; Tai Wai Station Development; Residential Development at Tuen Mun Heung Sze Wui Road; Residential Development at No. 5 Kai Yuen Street; Residential Development at Tong Yan San Tsuen Lot 2131, Yuen Long; Industrial Development at No. 43 and 45 Tsun Yip Street; K11 Art Mall Revamp; Commercial Development at King Lam Street (Advance Work); Commercial Development at Cheung Shun Street (Advance Work); Commercial Development at Wing Hong Street (Advance Work)

	New World First Ferry Services Limited	Citybus Limited	New World First Bus Services Limited
Attributable Interest	100%	100%	100%
Services Offered	Ferry services of outlying islands and inner harbour routes	Franchised bus services in Hong Kong	Franchised bus services in Hong Kong
Fleet Size	17 owned vessels and 3 chartered vessels	965 buses	677 buses
No. of Routes	5	113	94
Average Daily Patronage	37,600	589,000	450,000

* This project has been disposed of on 21 August 2018

Glossary of Terms

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

GENERAL TERMS

"Board"	the board of directors of NWS Holdings
"EUR"	Euro, the official currency of the Eurozone
"FY2017"	the financial year ended 30 June 2017
"FY2018"	the financial year ended 30 June 2018
"FY2019"	the financial year ending 30 June 2019
"Group"	NWS Holdings and its subsidiaries
"HIBOR"	Hong Kong Interbank Offered Rate
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HK$'m"	million of Hong Kong dollar
"Hong Kong" or "HKSAR"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"LIBOR"	London Interbank Offered Rate
"Listing Rules"	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Macau"	The Macau Special Administrative Region of the PRC
"Mainland China"	the PRC excluding Hong Kong, Macau and Taiwan
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
"MOP"	Macau Pataca, the lawful currency of Macau
"NWD"	New World Development Company Limited
"New World Group"	NWD and its subsidiaries
"NWS Holdings" or "Company"	NWS Holdings Limited
"PRC"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Takeovers Code"	the Code on Takeovers and Mergers
"USA"	the United States of America
"US$"	United States dollar, the lawful currency of USA

TECHNICAL TERMS

"cbm(s)" or "m^3"	cubic metre(s)
"CJV"	co-operative joint venture company
"EJV"	equity joint venture company
"ft"	foot (feet)
"GWh"	gigawatt-hour, equals to 1,000,000 kilowatt-hours
"km"	kilometre(s)
"MW"	megawatt(s), equals to 1,000 kilowatts
"sq ft"	square foot (feet)
"sq km"	square kilometre(s)
"sq m"	square metre(s)
"TEU(s)"	twenty-foot equivalent unit(s), a standard measurement unit of a container. It is based on the dimensions of a container 20 feet long by 8 feet wide by 8.5 feet high with an average load of approximately nine tonnes
"tonne(s)"	equal to 1,000 kilograms

FINANCIAL TERMS

"Attributable operating profit" or "AOP"	profit available for appropriation before corporate office and non-operating items
"Dividend Payout Ratio"	$\frac{\text{dividends}}{\text{profit attributable to shareholders of the Company}}$
"Basic Earnings per Share"	$\frac{\text{profit attributable to shareholders of the Company}}{\text{weighted average number of shares in issue during the year}}$
"Net Gearing Ratio"	$\frac{\text{Net Debt}}{\text{total equity}}$
"Net Assets"	total assets less total liabilities
"Net Assets per Share"	$\frac{\text{Net Assets}}{\text{number of issued shares at the end of the year}}$
"Net Debt"	Total Debt less cash and bank balances and short-term deposits
"Return on Capital Employed"	$\frac{\text{profit for the year}}{\text{total equity + non-current liabilities}}$
"Return on Equity"	$\frac{\text{profit for the year}}{\text{total equity}}$
"Total Debt"	the aggregate of bank loans, other loans, overdrafts and finance leases

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Tsang Yam Pui *(Chief Executive Officer)*
Mr Ma Siu Cheung *(Chief Operating Officer)*
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Ho Gilbert Chi Hang
Mr Chow Tak Wing

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
Mr Wong Kwai Huen, Albert

BOARD COMMITTEES

Executive Committee

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Tsang Yam Pui
Mr Ma Siu Cheung
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Ho Gilbert Chi Hang
Mr Chow Tak Wing

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 Ma Siu Cheung
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
Sumitomo Mitsui Banking Corporation
 Hong Kong Branch
MUFG Bank, Ltd. Hong Kong Branch
The Hongkong and Shanghai Banking
 Corporation Limited

WEBSITE

www.nws.com.hk

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

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

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新創建 NWS

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