新創建 NWS

NWS Holdings Limited
Annual Report 2019

Stock code: 659

Connecting Lives

Building Futures

Contents

Where the English and the Chinese texts conflict, the English text prevails.
This annual report is also available at www.nws.com.hk.

Corporate Profile

NWS Holdings Limited (Hong Kong Stock Code: 659), headquartered and listed in Hong Kong, invests and operates a wide range of businesses predominantly in Hong Kong and across Greater China. Our core businesses include toll roads, commercial aircraft leasing and construction, while we also manage a strategic portfolio spanning sectors from environment, logistics, facilities management to transport.

As the diversified industries flagship of New World Development Company Limited (Hong Kong Stock Code: 17), NWS Holdings seeks to foster long-term and sustainable growth that benefits our employees, investors and stakeholders.

(Please refer to Project Key Facts and Figures on page 237 to page 251 for project details)

Roads

15 projects

in Mainland China with
a network of approximately

700 km long

Our road portfolio spans multiple strategic locations in Mainland China, including seven expressways in the Greater Bay Area.

Aviation

Owned, managed and committed

223

commercial aircraft
for leasing

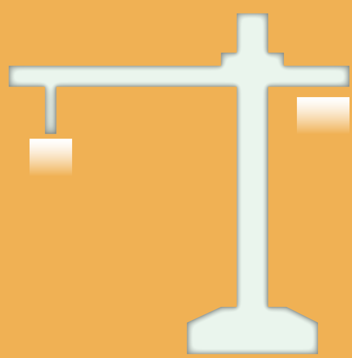
The Group invests in commercial aircraft for leasing to worldwide airline operators through Goshawk, which is one of the world's top 10 aircraft lessors in terms of fleet value.

Construction

Hip Hing Group has approximately

55.6 HK$ billion

gross value of contracts on hand



With abundant experience in constructing large-scale projects, the Group offers professional construction services to the residential, commercial, government and institutional sectors in Hong Kong.

Environment

117 projects

48 cities

across Greater China region

Logistics

13.75 million TEUs

per year for rail container terminals and port project

Transport

Our bus and ferry fleets carry over

1.12 million patronage per day

Facilities Management

35+

specialties and subspecialties in GHK

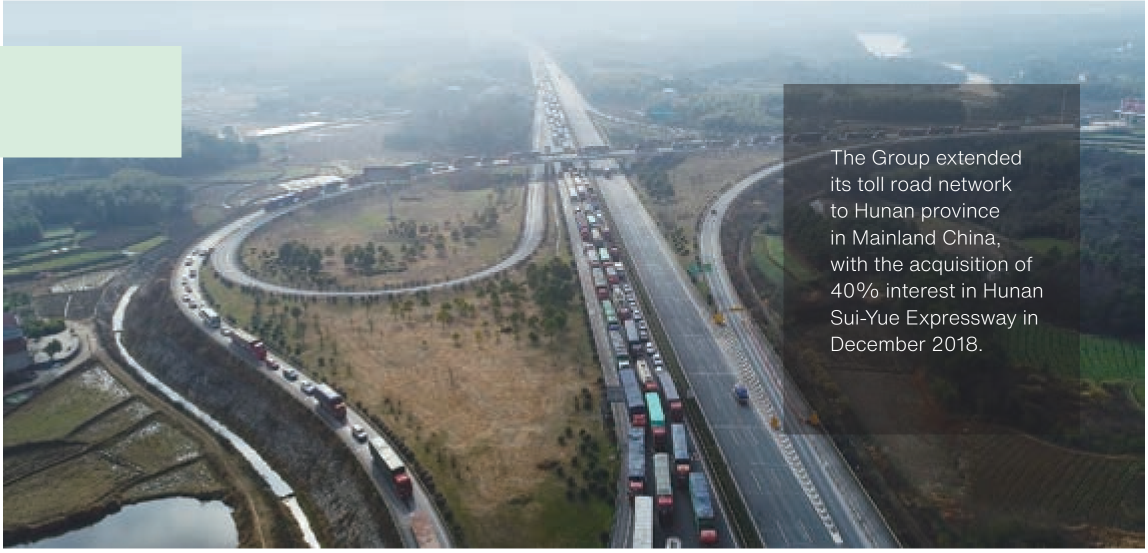
8.5 million attendance

at HKCEC this year

Major Events and Accolades

In December 2018, NWS Holdings announced the acquisition of FTLife Insurance to further enhance the Group's diversified business portfolio.

Goshawk leaped into a top 10 global aircraft lessor after the acquisition of Sky Aviation in September 2018. The inaugural issuance of US$644 million asset-backed securities in June 2019, comprising a portfolio of 18 aircraft, marked its entry into aircraft management business.



The Group extended its toll road network to Hunan province in Mainland China, with the acquisition of 40% interest in Hunan Sui-Yue Expressway in December 2018.

Xiqu Centre, an iconic project in West Kowloon Cultural District built by Hip Hing Group, opened in January 2019.

ATL Logistics Centre continued to deliver a robust performance with its newly renovated building in Hong Kong. CUIRC also actively expanded its logistics services. The new Qinzhou terminal which commenced operation in 2019 has added to its network of 11 terminals in Mainland China.

Free Duty opened the doors of its new shop at Hong Kong-Zhuhai-Macao Bridge.

SUEZ NWS formed a joint venture to invest in, build and operate a wastewater treatment plant in the petrochemical park of Zhuhai Gaolan Port Economic Zone, in the Greater Bay Area. It will have the capacity to treat 25,000 m^3 of industrial wastewater each day for the next 50 years. In addition, O • Park1, Hong Kong's first organic resources recovery centre, has started receiving commercial and industrial food waste in July 2018. The facility has a treatment capacity of 200 tonnes per day, and was designed, built and is operated by SUEZ NWS.

NWS Holdings was included as one of the constituent stocks in the Hang Seng Stock Connect Hong Kong Greater Bay Area Index, launched in October 2018, reflecting the Group's strong growth prospects in the region.

NWS Holdings was selected as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index for the eighth consecutive year, and maintained an AA rating for its overall sustainability performance.

NWS Holdings garnered two Silver Awards in the Enterprise and Volunteer Team categories at the ninth Hong Kong Outstanding Corporate Citizenship Awards, organized by the Hong Kong Productivity Council.

A new community programme, “Catch Your 5**”, was launched on NWS Caring Day 2019 to celebrate the talents of children with special educational needs.

NWS Holdings clinched the Award for Continuous Innovation in HR Strategy at Work, at the Global Best Employer Brands Award. And, for the second time, it also won the Award for Best Talent Management Strategy at the HR Talent Management Leadership Awards. Both events were hosted by the World HRD Congress.

Campaign “Breakthrough • Advance Together” was launched to celebrate the 30th anniversary of HKCEC. More than 900 guests joined a celebratory event in December 2018 to mark this important milestone.

Chairman's Statement

Dear Shareholders,

A diverse business such as ours is like a suite of building blocks, in which many pieces of different shapes and sizes combine and support each other to create endless possibilities and opportunities. The fiscal year 2019 is significant for NWS Holdings as we have begun reviewing and reorganizing our businesses to focus on the competitive edges we possess in our core businesses, aiming to build a foundation focusing on sustainability and position the Group to capture more future growth opportunities.

All three of the Group's core businesses, namely Roads, Aviation and Construction, have enjoyed significant growth this year. Following the acquisition of a 30% interest in the Suiyuenan Expressway in Hubei in early 2018, the Group acquired a 40% stake in the Sui-Yue Expressway in Hunan at the end of 2018 and secured the concession rights to operate the Changliu Expressway in Hunan in July 2019. These acquisitions in Roads reflect our confidence in its growth and prospect.

Our commercial aircraft leasing company Goshawk also saw rapid expansion with the acquisition of Sky Aviation in September last year and the first issuance of asset-backed securities in June 2019, thereby expanded its aircraft management business. These transactions formed a strong foundation for its future expansion.

In late 2018, the Group seized the opportunity to enter the insurance sector through the acquisition of FTLife Insurance. Upon completion of the deal, FTLife Insurance will become one of our core businesses and growth engines for the Group. It will generate strong synergies with our health care businesses as it integrates into the ecosystem of the New World Group.

Despite the uncertainties of the global economy and the local environment, we are confident that the Group's strong financial resources and solid foundation in the Greater China region, especially in the Greater Bay Area, will continue to equip us to navigate through volatility and capitalize on the investment opportunities to maximize shareholder returns.

Under the new development strategy, the Group management will continue to review and optimize the existing businesses. Meanwhile, through acquisitions and investments in new projects, we will fortify the development of our core businesses to enhance the investment value of the Group. We believe this will nurture a well-balanced and solid enterprise with sustainable growth for our shareholders.

Henry Cheng

Dr Cheng Kar Shun, Henry
Chairman
Hong Kong, 24 September 2019

Financial Highlights

	2019 HK$'m	2018 HK$'m
Revenue	**26,833.5**	35,114.8
Profit attributable to shareholders of the Company	**4,043.2**	6,068.8
Net Debt	**10.5**	3,518.0
Total assets	**86,065.0**	78,138.6
Net Assets	**57,246.6**	50,123.8
Shareholders' funds	**49,046.0**	49,950.0

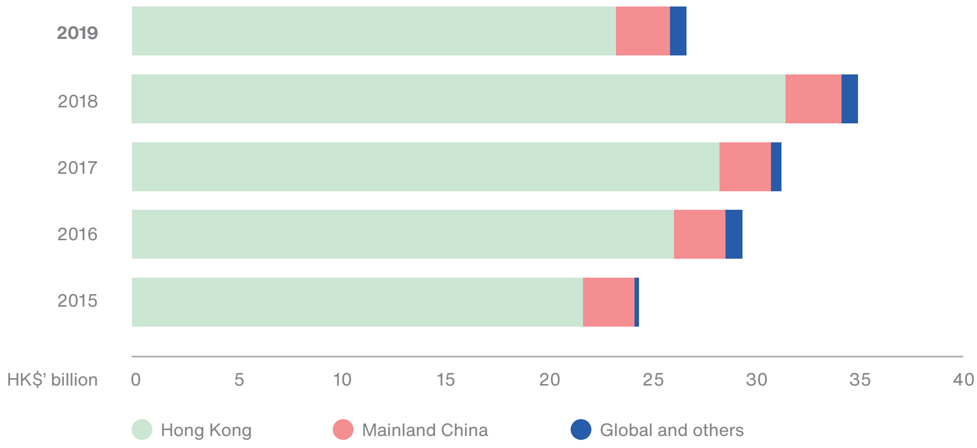
	2019 HK$	2018 HK$
Basic Earnings per Share	**1.04**	1.56
Dividend per share – interim and final	**0.58**	0.78
Net Assets per Share	**14.64**	12.86

	2019	2018
Net Gearing Ratio	**0%**	7%
Return on Equity	**7%**	12%
Return on Capital Employed	**6%**	10%
Dividend Payout Ratio	**56%**	50%

Revenue by region

for the year ended 30 June

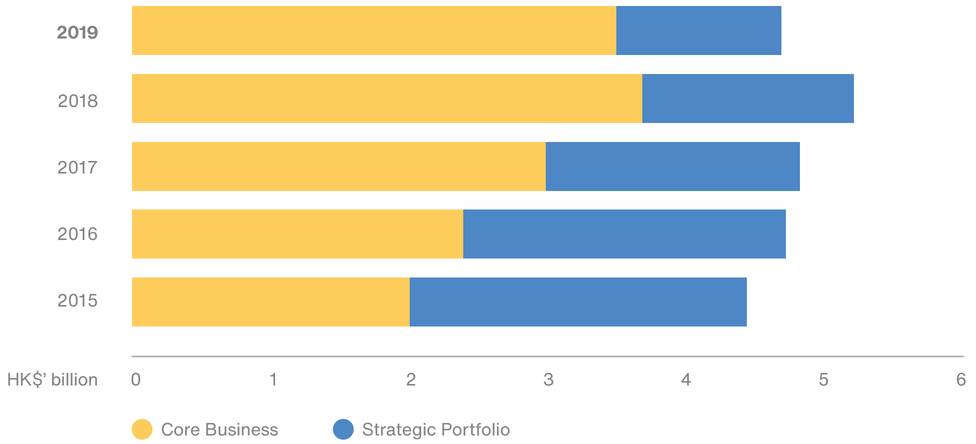
26.8 billion



AOP by division

for the year ended 30 June

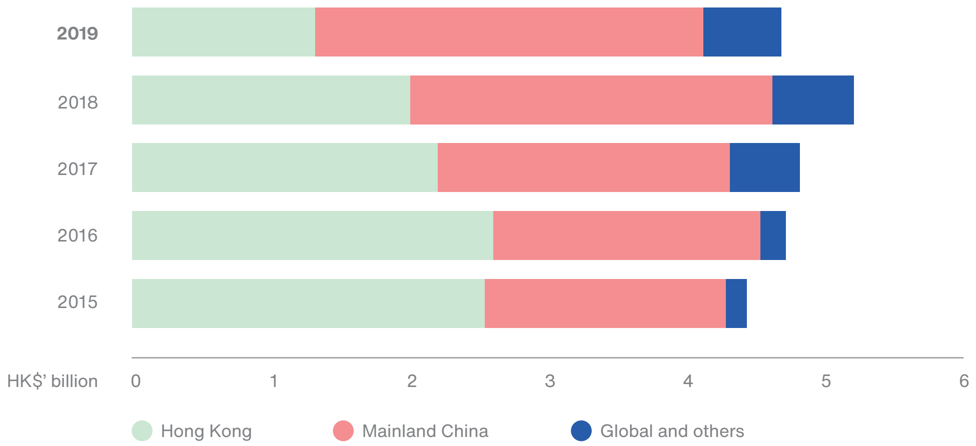
4.7 billion



AOP by region

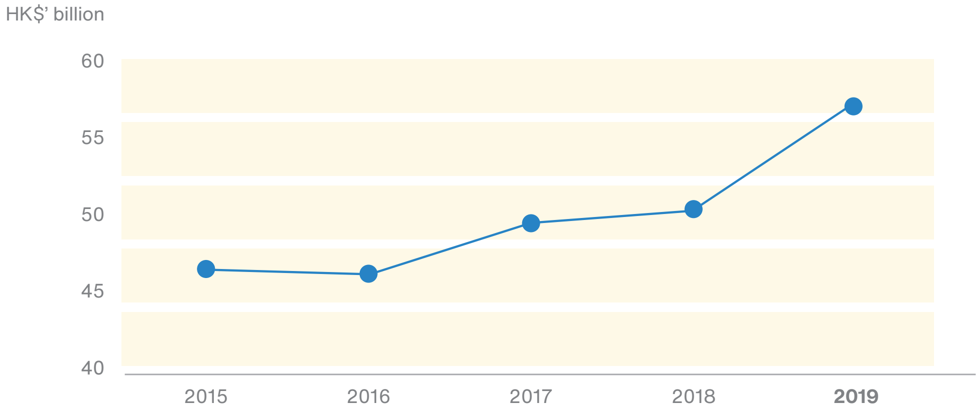
for the year ended 30 June

4.7 billion



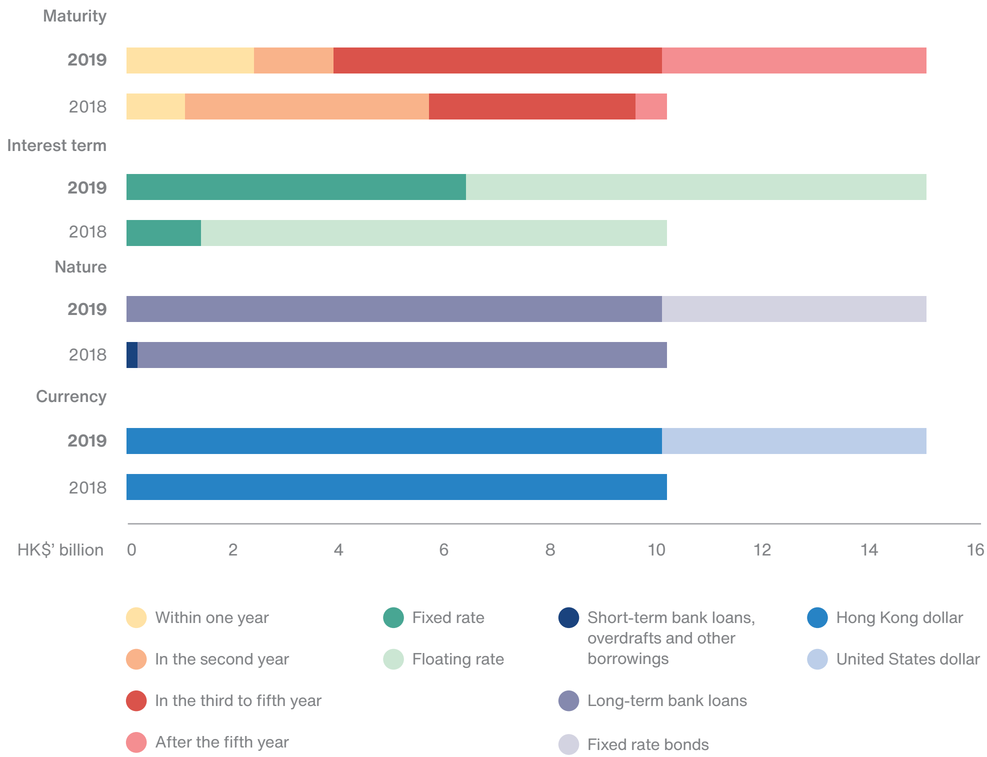
Total equity
as at 30 June

57.2 billion



Debt profile
as at 30 June

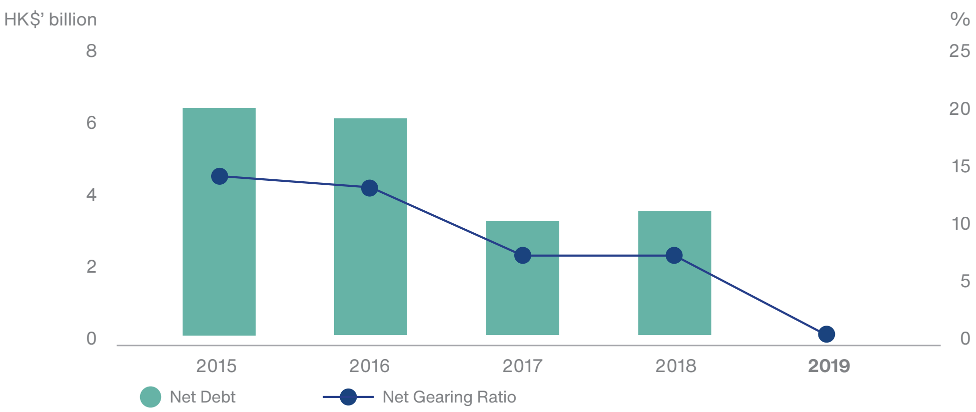
15.1 billion



Net Debt and Net Gearing Ratio
as at 30 June

10.5 million

and **0**%



Board of Directors

Dr Cheng Kar Shun, Henry

GBM, GBS

Chairman

Dr Cheng, aged 72, 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, the Vice Chairman and Non-executive Director of i-CABLE Communications Limited and the Non-executive Director of DTXS Silk Road Investment Holdings Company Limited (appointed on 28 August 2019), all being listed public companies in Hong Kong. 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), and a non-executive director of SJM Holdings Limited (retired on 11 June 2019), all being listed public companies in Hong Kong. Dr Cheng is also the Chairman and Managing Director of New World China Land Limited, 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. He was a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of the People's Republic of China. 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 Ma Siu Cheung

GBS, JP

Executive Director and Chief Executive Officer

Mr Ma, aged 56, was appointed as Executive Director in July 2018. He was the Chief Operating Officer of the Company during the period from July to December 2018 and became the Chief Executive Officer of the Company from 1 January 2019. He is also the Chairman of the Sustainability Committee and a member of the Executive Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee of the Company. He is also a director of certain subsidiaries of the Group and is responsible for overseeing the overall strategic development and business operations 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, the Chartered Institution of Highways and Transportation, United Kingdom and Royal Institution of Chartered Surveyors, 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 and an Adjunct Professor of the Department of Civil and Environmental Engineering, Faculty of Construction and Environment of The Hong Kong Polytechnic University. 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 63, was appointed as Executive Director in October 2003 and is also a member of the Executive Committee, the Corporate Governance 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 28 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.

Mr Cheng Chi Ming, Brian

Executive Director

Mr Cheng, aged 36, 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 a non-executive director of Integrated Waste Solutions Group Holdings Limited and a non-executive director of Haitong International Securities Group Limited and Wai Kee 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, PBA International Pte. Ltd. and a number of companies in Mainland China. Mr Cheng was a non-executive director of Newton Resources Ltd (resigned on 23 January 2017), Beijing Capital International Airport Company Limited (resigned on 2 February 2018) and Leyou Technologies Holdings Limited (resigned on 5 June 2019), all 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 and the London Stock Exchange. 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 43, 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, a 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 and Wai Kee Holdings Limited, all being listed public companies in Hong Kong. He was an executive director of HMV Digital China Group Limited (now known as China Creative Digital Entertainment 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 52, was appointed as Executive Director on 9 July 2018 and is also a member of the Executive Committee and the Corporate Governance 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 over 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 70, 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.

Mr Dominic Lai

Non-executive Director

Mr Lai, aged 72, 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 Tsang Yam Pui

GBS, OBE, QPM, CPM

Non-executive Director

Mr Tsang, aged 73, was appointed as Executive Director in June 2004 and was re-designated as Non-executive Director on 1 January 2019. He was the Chief Executive Officer of the Company during the period from July 2015 to December 2018. He is 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). He was a non-executive director of Wai Kee Holdings Limited (resigned on 31 December 2018), a listed public company in Hong Kong. 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 Lam, aged 57, 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, a listed public company in Hong Kong. He was a non-executive director of Road King Infrastructure Limited (retired on 18 May 2017), a listed public company 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 Lam Wai Hon, Patrick

Non-executive Director

Mr Doo, aged 45, 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, 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 has been 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 William Junior Guilherme Doo

JP

Non-executive Director

Mr Kwong Che Keung, Gordon

Independent Non-executive Director

Mr Kwong, aged 70, was appointed as Independent Non-executive Director in October 2002 and is the Chairman of the Audit Committee and the Corporate Governance 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, Global Digital Creations Holdings Limited, Henderson Investment Limited and Henderson Land Development Company 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. (retired on 25 May 2017), CITIC Telecom International Holdings Limited (retired on 1 June 2017) and OP Financial Limited (retired on 27 August 2019), all 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.

Dr Cheng Wai Chee, Christopher

GBS, OBE, JP

Independent Non-executive Director

Dr Cheng, aged 71, 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 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 74, 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 Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, Chuang's China Investments Limited (also acts as Honorary 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, CSI Properties Limited and Far East Consortium International Limited (appointed on 3 June 2019), 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), Midas International Holdings Limited (now known as Magnus Concordia Group Limited) (resigned on 26 January 2018) and MTR Corporation Limited (retired on 22 May 2019) and the Chairman of Chuang's China Investments Limited (retired on 29 April 2019), all being listed public companies in Hong Kong. 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 75, 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

Mrs Oei, aged 66, was appointed as Independent Non-executive Director in January 2016 and is also a member of the Corporate Governance Committee and 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.
Mrs Oei 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, Mrs Oei 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. Mrs Oei 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. Mrs Oei 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 67, was appointed as Independent Non-executive Director on 9 July 2018 and is also a member of the Corporate Governance Committee of the Company. He is the principal of Fried, Frank, Harris, Shriver & Jacobson (China Offices) and has served as its Managing Partner in Asia from 2006 until 2011. He is also an independent non-executive director of China Oilfield Services Limited, Hua Hong Semiconductor Limited and Vinda International Holdings Limited, all being listed public companies in Hong Kong. He was an independent non-executive director of China International Marine Containers (Group) Co., Ltd. (retired on 3 June 2019), a listed public company 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 and Singapore. Mr Wong is a board member of 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, The Hang Seng University of Hong Kong 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 55, 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 Chu Tat Chi

Managing Director
Hip Hing Construction Company Limited

Mr Chu, aged 62, joined Hip Hing Construction Company Limited, a wholly owned subsidiary of the Company, in 1979 and is currently its Managing Director. 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 Construction Company Limited, he had worked in the Public Works Department of Hong Kong Government.

Ms Lee Yuk Har, Monica

Managing Director
Hong Kong Convention and Exhibition Centre (Management) Limited

Ms Lee, aged 54, 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 and venue management 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. Since January 2013, Ms Lee was appointed a member of the Working Group on Convention and Exhibition Industries and Tourism under the Economic Development Commission of the HKSAR Government. She was conferred the Honorary Fellowship by the Vocational Training Council in 2016. Ms Lee holds a Master degree in Management from Macquarie University, Sydney, Australia, 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.

Mr Chung Chak Man

Managing Director
New World First Bus Services Limited and Citybus Limited

Mr Chung, aged 60, joined Citybus Limited in 1997 and is the Managing Director of New World First Bus Services Limited and Citybus Limited, both being wholly owned subsidiaries of the Company. Mr Chung is a chartered fellow of The Chartered Institute of Logistics and Transport in Hong Kong. He holds an MBA degree from the University of South Australia. Mr Chung has over 35 years' experience in the transport industry. Prior to joining Citybus Limited, he had worked in the Government Land Transport Agency and Kowloon-Canton Railway Corporation.

Mr Au Tze Kei

Chief Executive Officer
Anway Limited and Sky Connection Limited

Mr Au, aged 65, joined Sky Connection Limited in 1997 and is the Chief Executive Officer of Anway Limited and Sky Connection Limited (collectively, "Free Duty", both are wholly owned subsidiaries of the Company). Mr Au is responsible for managing Free Duty's concession business at land border crossings, namely Lok Ma Chau, Lo Wu and Hung Hom MTR stations, and Hong Kong-Zhuhai-Macao Bridge. He has over 35 years of experience in duty free business and possesses extensive experience in merchandising and buying function. He was acknowledged "Buyer of the Year in 2010" by the Drinks International Travel Retail Excellence Awards and was also recognized as "Keepers of the Quaich" by the Scotch Whisky Association in 2016. Prior to joining Free Duty, Mr Au had held various senior management positions in a global luxury travel retailer in Hong Kong and New Zealand.

Corporate Governance Report

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

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 FY2019.

Governance Overview

Highlights in 2018/19

- Three new executive directors and a new independent non-executive director were appointed in July 2018 to strengthen our top management team.
- The Corporate Governance Committee was established in November 2018 with the purpose of enhancing the Group's corporate governance practices.
- Our directors actively participated in the meetings of the Board and board committees during the year with average attendance rate of over 96%.
- Independent consultant was engaged for conducting the Board evaluation for the purpose of obtaining feedback from the Board members in a more comprehensive way and hence, introducing an element of external review in the optimal way.
- An online training platform was introduced for providing an easily accessible way to directors for obtaining training materials from the Company's board website.
- The annual sustainability seminar of the Company was held in June 2019 for the Group's senior management with over 230 attendees.
- To strengthen the risk management framework of the Group, an external consultant was engaged by the Company for conducting risk assessment review of the Group. Prompt follow up actions were taken by the Group Audit & Risk Assurance Department ("GARA") to enhance the monitoring and reporting measures.
- As an enterprise risk management ("ERM") enhancement progress, an ERM Steering Group was formed and is composed of key management or representatives from the Group's subsidiaries and relevant department heads of the Company to lead the risk management initiative.

Leadership

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. The management is being closely monitored by the Board and is 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 at any time when it thinks appropriate.

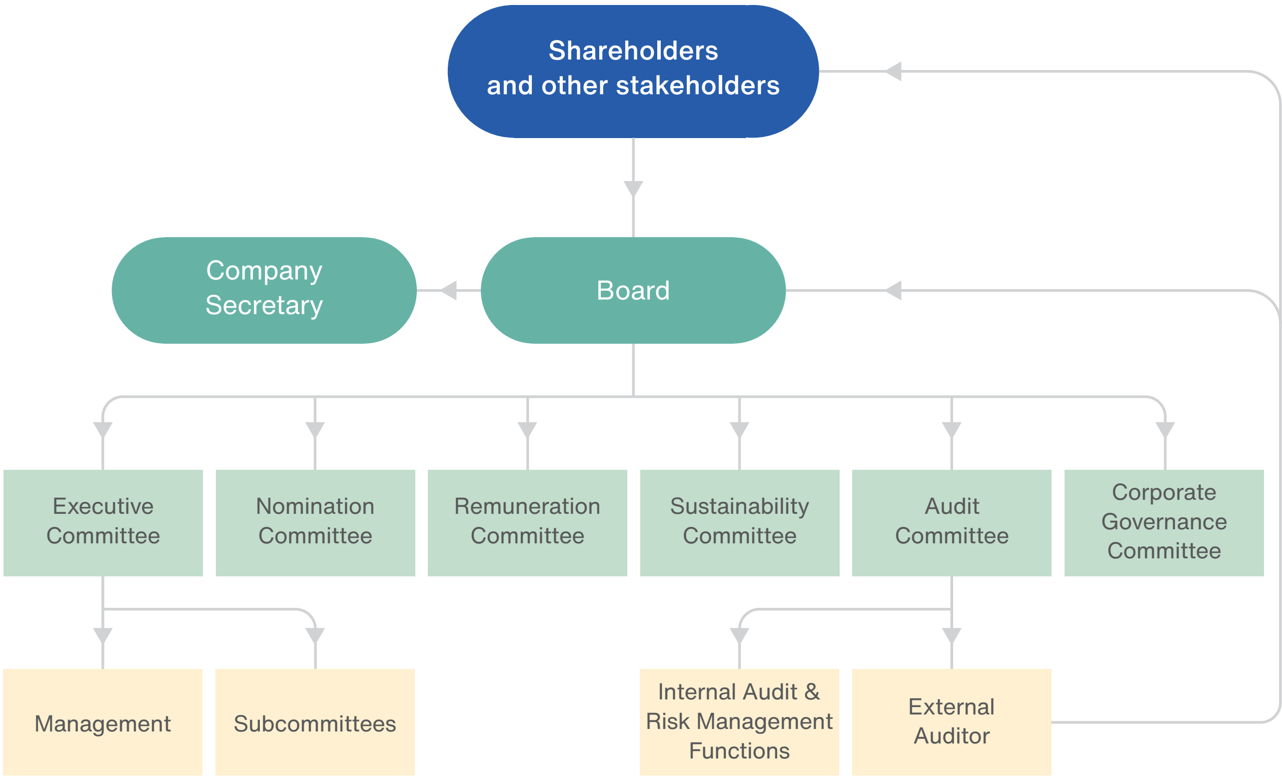
- Appropriate liability insurance for directors has been arranged for indemnifying their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis.

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.

Governance Framework



- In support of the Group's 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
  - Shareholders' Communication Policy
  - Corporate Governance Manual
  - Corporate Policy on Staff Responsibility
  - Disclosure Policy for Inside Information
  - Dividend Policy
  - 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.

- 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 FY2019.

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. Five Board meetings were held during FY2019.

- Notice of no less than 14 days was given to all directors for the regular Board meetings. Draft agendas for Board meetings were prepared by the Company Secretary and were circulated to all directors for comment 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 versions 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 FY2019, 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 FY2019.

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 FY2019.

- The Company has also adopted the "*Code for Securities Transactions by Relevant Employees*", which is no less exacting than the Model Code, for governing the securities transactions of specified employees ("Relevant Employees") who, because of their positions, are likely to come across unpublished inside information. Following specific enquiry by the Company, all Relevant Employees had confirmed that they complied with the standard set out in the "*Code for Securities Transactions by Relevant Employees*" during FY2019.

- 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.

Board Composition

- 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 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.

Nomination, Appointment and Re-election of Directors

Nomination

- Formal nomination procedures were adopted by the Board for governing the nomination and re-election of directors. Provisions regarding the key nomination criteria and principles of the Company for nomination of directors as set out in the terms of reference of the Nomination Committee constitute the "Nomination Policy" of the Company. The 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.

Appointment

- The Board, having considered the recommendation from the Nomination Committee, will decide whether to make the appointment.

    - The appointments 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 were considered by the Nomination Committee and recommendations were made to the Board for approval of such appointments. The said appointments were then 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 fixed term and are also subject to retirement on a rotational basis in accordance with the bye-laws of the Company.

Re-election

- The 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 who 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 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 Cheng Chi Ming, Brian, Mr Tsang Yam Pui, Mr Kwong Che Keung, Gordon, Mr Shek Lai Him, Abraham and Mrs Oei Fung Wai Chi, Grace 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 in providing relevant remuneration data and market conditions for the Remuneration Committee's consideration. Remuneration is performance-based and coupled with an incentive system which is competitive to attract and retain talented employees.

- The emoluments paid to each director for FY2019 are shown in note 15(a) to the financial statements on pages 184 to 186 of this annual report.

Effectiveness

Board Diversity

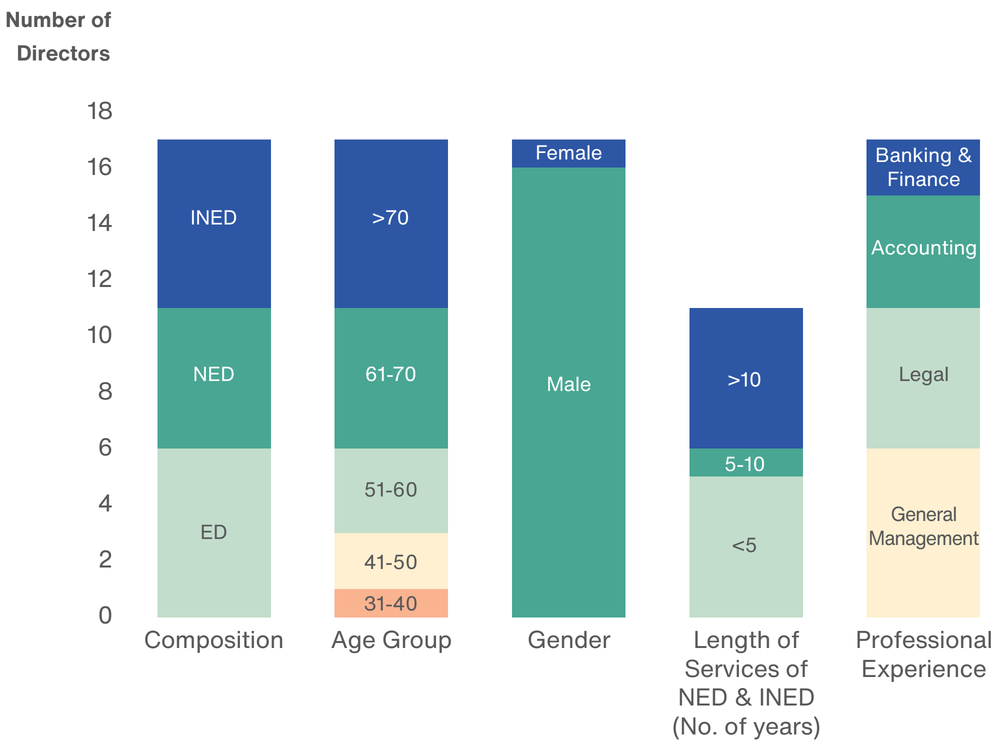
- The Board currently comprises six executive directors and eleven non-executive directors, six of whom are independent non-executive directors. Coming from diverse business and professional backgrounds, the non-executive directors have shared their valuable experience to the Board for promoting the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

- The Board adopted the "*Board Diversity Policy*" in June 2013 setting out the approach to achieve 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 financing, accounting to legal profession.

- The following illustrates diversity profile of the Board members:



ED – executive directors
NED – non-executive directors
INED – independent non-executive directors

- The "*Board Diversity Policy*" also 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 FY2019 to ensure its effectiveness.

Board Evaluation

- The Company recognizes the importance for measuring the effectiveness of the Board through a proper board evaluation process on a regular basis. The Board has taken a progressive step of rolling out board evaluation. It has started conducting internally-administered questionnaires for its board evaluation exercise since 2017.

- Practising Governance Limited, an independent consultant specializing in corporate governance, has been engaged to conduct the board evaluation for FY2019 under the facilitated questionnaire approach. The overall result is very positive and Board members responded to open-ended questions actively. Directors' appreciation of "respect" among fellow Board members and management laid the foundation for continual strengthening in the corporate governance journey.

- Top ranked areas are (i) the integrity of financial statements and (ii) the understanding of the role of the Board and his/her own responsibilities as a director.

- The board evaluation result has been reviewed by the Board and suggestions arising out of this board evaluation exercise will be closely followed up by the management of the Company.

Commitment and Independence

Directors' Attendance

- Directors of the Company play an active role in participating in 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 committee meetings and the general meetings held during FY2019 is listed as follows:

	Meetings attended/held						
Name of director	Board	Audit Committee	Nomination Committee	Remuneration Committee	Sustainability Committee	Corporate Governance Committee	General meeting
Executive directors:							
Dr Cheng Kar Shun, Henry (Chairman of the Board)	5/5	–	1/1	–	–	–	1/2
Mr Ma Siu Cheung(2)	5/5	2/2(1)	1/1(1)	1/1	2/2	1/1	2/2
Mr Cheung Chin Cheung(3)	5/5	–	–	–	2/2	1/1	2/2
Mr Cheng Chi Ming, Brian	5/5	–	–	–	0/2	–	2/2
Mr Ho Gilbert Chi Hang(4)	5/5	–	–	–	–	–	2/2
Mr Chow Tak Wing(5)	5/5	2/2(1)	1/1(1)	–	–	1/1	2/2
Mr Mak Bing Leung, Rufin(6)	–	–	–	–	–	–	1/2
Non-executive directors:							
Mr To Hin Tsun, Gerald	5/5	–	–	–	–	–	2/2
Mr Dominic Lai	5/5	2/2	–	–	2/2	–	2/2
Mr Tsang Yam Pui(7)	5/5	1/2(1)	1/1	1/1	1/2	–	2/2
Mr Lam Wai Hon, Patrick	5/5	–	–	–	2/2	–	2/2
Mr William Junior Guilherme Doo	5/5	–	–	–	2/2	–	2/2
Independent non-executive directors:							
Mr Kwong Che Keung, Gordon(8)	5/5	2/2	1/1	1/1	–	1/1	2/2
Dr Cheng Wai Chee, Christopher	4/5	2/2	1/1	1/1	–	–	1/2(11)
Mr Shek Lai Him, Abraham	5/5	2/2	1/1	1/1	–	–	2/2
Mr Lee Yiu Kwong, Alan	5/5	2/2	–	–	2/2	–	2/2
Mrs Oei Fung Wai Chi, Grace(9)	5/5	–	–	–	1/2	1/1	2/2
Mr Wong Kwai Huen, Albert(10)	5/5	–	–	–	–	1/1	2/2
Attendance Rate	100%	100%	100%	100%	83.3%	100%	94.4%

Notes:

1. The directors attended the board committee meetings as the invitees.

2. Mr Ma Siu Cheung was appointed as an executive director and a member of the Sustainability Committee of the Company with effect from 9 July 2018 and a member of each of the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee of the Company with effect from 16 November 2018.

3. Mr Cheung Chin Cheung was appointed as a member of the Corporate Governance Committee of the Company with effect from 16 November 2018.

4. Mr Ho Gilbert Chi Hang was appointed as an executive director of the Company with effect from 9 July 2018.

5. Mr Chow Tak Wing was appointed as an executive director of the Company with effect from 9 July 2018 and was appointed as a member of the Corporate Governance Committee of the Company with effect from 16 November 2018.

6. Mr Mak Bing Leung, Rufin resigned as an executive director of the Company and ceased to be a member of the Sustainability Committee of the Company both with effect from 13 September 2018.

7. Mr Tsang Yam Pui ceased to be a member of the Nomination Committee of the Company with effect from 16 November 2018 and the Chairman and a member of the Sustainability Committee, and a member of the Remuneration Committee of the Company and was re-designated as a non-executive director of the Company all with effect from 1 January 2019.

8. Mr Kwong Che Keung, Gordon was appointed as the chairman of the Corporate Governance Committee of the Company with effect from 16 November 2018.

9. Mrs Oei Fung Wai Chi, Grace was appointed as a member of the Corporate Governance Committee of the Company with effect from 16 November 2018.

10. Mr Wong Kwai Huen, Albert was appointed as an independent non-executive director of the Company with effect from 9 July 2018 and a member of the Corporate Governance Committee of the Company with effect from 16 November 2018.

11. Joining the general meeting by way of telephone conference.

Independence

- 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.

Continuous Professional Development to Directors

Seminars

- Seminars are arranged or organized as part of the training programme to develop and refresh knowledge and skills.
- During FY2019, 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.
- An online training platform was introduced in FY2019 of which directors can access the training materials provided by the Company through the Company's board website.

- According to the training records maintained by the Company, the training received by each of the directors during FY2019 is summarized as follows:

	Type of continuous professional development	
Name of director	Attending expert briefings/ seminars/conferences relevant to the businesses or directors' duties	Reading regulatory updates or corporate governance related materials
Executive directors:		
Dr Cheng Kar Shun, Henry		✓
Mr Ma Siu Cheung	✓	✓
Mr Cheung Chin Cheung	✓	✓
Mr Cheng Chi Ming, Brian		✓
Mr Ho Gilbert Chi Hang	✓	✓
Mr Chow Tak Wing	✓	✓
Mr Mak Bing Leung, Rufin(Note)		✓
Non-executive directors:		
Mr To Hin Tsun, Gerald	✓	✓
Mr Dominic Lai		✓
Mr Tsang Yam Pui	✓	✓
Mr Lam Wai Hon, Patrick	✓	✓
Mr William Junior Guilherme Doo	✓	✓
Independent non-executive directors:		
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	✓	✓
Mr Wong Kwai Huen, Albert	✓	✓

Note: Mr Mak Bing Leung, Rufin resigned as an executive director of the Company on 13 September 2018.

- In accordance with the training records provided by the Company's directors, an average of approximately 18 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 FY2019.

NWS Sustainability Seminar 2019

Role of Company Secretary

- As an employee of the Company, the Company Secretary, who is also an executive director of the Company, 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 37 hours of professional training during FY2019 for updating his skills and knowledge.

Accountability

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.
- Six 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 pursuant to the requirements under the Listing Rules.
- Written terms of reference of each of the Sustainability Committee and the Corporate Governance Committee are available on the website of 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 37 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 (All are executive directors)	Members: Dr Cheng Kar Shun, Henry (Chairman) Mr Ma Siu Cheung Mr Cheung Chin Cheung Mr Cheng Chi Ming, Brian Mr Ho Gilbert Chi Hang Mr Chow Tak Wing
	Audit Committee (Majority are independent non-executive directors)	Members: Mr Kwong Che Keung, Gordon# (Chairman) Mr Dominic Lai Dr Cheng Wai Chee, Christopher# Mr Shek Lai Him, Abraham# Mr Lee Yiu Kwong, Alan#
	Nomination Committee (Majority are independent non-executive directors)	Members: Dr Cheng Kar Shun, Henry (Chairman) Mr Ma Siu Cheung Mr Kwong Che Keung, Gordon# Dr Cheng Wai Chee, Christopher# Mr Shek Lai Him, Abraham#
	Remuneration Committee (Majority are independent non-executive directors)	Members: Mr Shek Lai Him, Abraham# (Chairman) Mr Ma Siu Cheung Mr Kwong Che Keung, Gordon# Dr Cheng Wai Chee, Christopher#
	Sustainability Committee (Majority are non-executive directors)	Members: Mr Ma Siu Cheung (Chairman) Mr Cheung Chin Cheung Mr Cheng Chi Ming, Brian Mr Dominic Lai Mr Lam Wai Hon, Patrick Mr William Junior Guilherme Doo Mr Lee Yiu Kwong, Alan# Mrs Oei Fung Wai Chi, Grace#
	Corporate Governance Committee (Half of members are independent non-executive directors)	Members: Mr Kwong Che Keung, Gordon# (Chairman) Mr Ma Siu Cheung Mr Cheung Chin Cheung Mr Chow Tak Wing Mrs Oei Fung Wai Chi, Grace# Mr Wong Kwai Huen, Albert#

independent non-executive director

Executive Committee

Meeting schedule	• meets from time to time when necessary
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

Audit Committee

Meeting schedule	• two meetings were held during FY2019 • a private meeting with the Company's external auditor was held during FY2019 in the absence of the management
Major responsibilities	• 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
Work performed during FY2019	• reviewing the audited consolidated financial statements of the Group for FY2018 and the interim results of the Group for FY2019 • reviewing the continuing connected transactions of the Company during FY2018 and during the six months ended 31 December 2018 • reviewing the risk management and internal control systems of the Company • reviewing the internal audit plan of the Group for FY2020 and the internal audit reports prepared by 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 the performance, constitution and terms of reference of the Audit Committee

Nomination Committee

Meeting schedule	• one meeting was held during FY2019
Major responsibilities	• to review the structure, size and composition (including the skills, knowledge and experience) of the Board • to identify qualified individuals and to make recommendations to the Board on the appointment or re-appointment of directors
Work performed during FY2019	• 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 to the Board in relation to the re-appointment of the retiring directors • making recommendation to the Board in relation to the re-designation of director • making recommendation to the Board in relation to the change of Chief Executive Officer • reviewing and making recommendation to the Board in relation to the amendments to the terms of reference of the committee

Remuneration Committee

Meeting schedule	• one meeting was held during FY2019
Major responsibilities	• 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
Work performed during FY2019	• 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 FY2019 and the remuneration packages of executive directors • making recommendation to the Board regarding the remuneration package for Chief Executive Officer • determining the remuneration packages of senior management

Sustainability Committee

Meeting schedule	• two meetings were held during FY2019
Major responsibilities	• to review and report to the Board on the Group's sustainability frameworks, standards, priorities and goals, and to oversee group-level strategies, policies and sustainability matters to attain those standards and goals • to oversee and evaluate Group's sustainability performance in terms of internationally-recognised metrics relevant to the industry • to review and advise the Board on public reporting of its performance on sustainability matters • to oversee the Group's community, charitable and environmental partnerships, strategies and related group-level policies
Work performed during FY2019	• reviewing the progress of the Group's overall corporate sustainability development, benchmarking and reporting • reviewing the development and implementation of the Group's corporate social responsibility, human resources management, and environmental friendly initiatives • reviewing the funding commitments and statement of financial position of NWS Holdings Charities Foundation • reviewing and making recommendation to the Board in relation to the amendments to the terms of reference of the committee

Corporate Governance Committee

Meeting schedule	• one meeting was held during FY2019
Major responsibilities	• to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board • to review and monitor the training and continuous professional development of directors and senior management of the Company • to review and monitor the Company's policies and practices on investor relations, and compliance with legal and regulatory requirements
Work performed during FY2019	• approving the appointment of secretary of the committee • determining the scope of review for the corporate governance policies and practices • determining the schedule for regular meeting of the committee • reviewing the directors' training plan for 2019 • reviewing and making recommendation to the Board for amendments to the terms of reference of the committee

- A board committee, namely Corporate Governance Committee, was set up on 16 November 2018 under the supervision of the Board to ensure that good corporate governance practices are implemented within the Group and proper compliance procedures are followed.

- A subcommittee, namely Disclosure Committee, was set up in 2013 under the supervision of the Executive Committee for governing the dissemination of inside information of the Group.

Risk Management and Internal Control

Risk management and internal control are essential parts of corporate governance. The Board is responsible for overseeing the risk management and internal control systems on an ongoing basis. The Board has reviewed the effectiveness of the risk management and internal control systems of the Group in FY2019. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The annual review also considers the change in the nature and extent of significant risks and our ability to respond to changes in our business and the external environment. The Group has put in place effective and efficient risk management and internal control systems to safeguard our shareholders' investment and the Group's assets against loss, inappropriate use and fraud. The Board considers these systems sound and adequate.

With reference to the "*Internal Control – Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and the "*Internal Control and Risk Management – A Basic Framework*" issued by the Hong Kong Institute of Certified Public Accountants, the main features of our risk management and internal control systems are illustrated below:

Objectives

Operations

Effectiveness and efficiency

Reporting

Reliability, timeliness and transparency

Compliance

Adherence to laws and regulations

Control Environment

- A set of standards, processes and structures that lays the foundation of other components of internal controls.
- Comprise integrity and ethical values of the organization.
- Cover organizational structure and assignment of authority and responsibility.

Risk Assessment

- Involve a dynamic and iterative process for identifying and assessing risks to the achievement of objectives.
- Form the basis for determining how risks should be mitigated and managed.

Control Activities

- A diverse range of policies and procedures that help ensure the management directives to mitigate risks are carried out.
- Preventive or detective in nature, involving authorizations and approvals, verifications, reconciliations, business performance review, segregation of duties, etc.

Information and Communication

- Effective processes and systems that identify, capture and report operational, financial and compliance-related information as well as suspected improprieties throughout the Group.
- Enable personnel to receive a clear message from senior management that control responsibilities must be taken seriously.

Monitoring

- Ongoing assessment to evaluate the performance of internal controls.
- GARA performs internal audit regularly and reports the control deficiencies to the senior management and the Audit Committee.

The Company has an internal audit function carried out by GARA comprising six professionals. GARA carries out analysis and independent appraisal on the adequacy and effectiveness of the risk management and internal control systems. GARA reviews the operational, financial, compliance and risk management controls of the Group on a continuous basis.

According to the annual audit plan approved by the Audit Committee, GARA performs risk-based internal audits to major business units where the Group is involved in day-to-day management. The audit reports prepared by GARA contain evaluation on the risk management and internal control of the business units. Management is responsible for ensuring appropriate actions are taken to remediate any control deficiencies highlighted in the audit reports within a reasonable period. GARA submits the audit reports to the Audit Committee and presents the key findings to senior management regularly. In every half year, GARA reports the implementation status of the mitigation controls to the Audit Committee to ensure proper monitoring. If there are any internal control recommendations given by the external auditor, GARA will also ensure they are properly implemented.

The Board has ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. Notwithstanding the establishment of the above controls, 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 but not absolute assurance against material misstatement or loss.

Policies, Practices and Guidelines

Guidelines on Risk Management & Internal Control Systems

These guidelines provide guidance and procedures to business units and corporate departments of the Company for implementing risk management and internal control practices. In every half year, management of major business units is required to submit to GARA the "*Risk Management & Internal Control Compliance Certificate*", "*Risk Management and Internal Control Assessment Checklist*" and "*Risk Register*" to report on the following:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Key risks with detailed description, risk level and mitigations

The above documents are subsequently consolidated to give a holistic view on the risk management and internal control systems of the Group. Executive Committee of the Company would report the results to the Audit Committee in every half year.

Whistleblowing Policy

The Company has established a Whistleblowing Policy for staff to raise concerns, in strict confidence, about possible improprieties in any matters related to the Group, such as misconduct, corruption and bribery. GARA will investigate the reported cases in a confidential and timely manner. The investigation report will be submitted to the Executive Committee and the Audit Committee. In FY2019, there is no whistleblowing case in the Group.

Corporate Policy on Staff Responsibility/Human Rights Policy

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 businesses 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. 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.

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.

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.

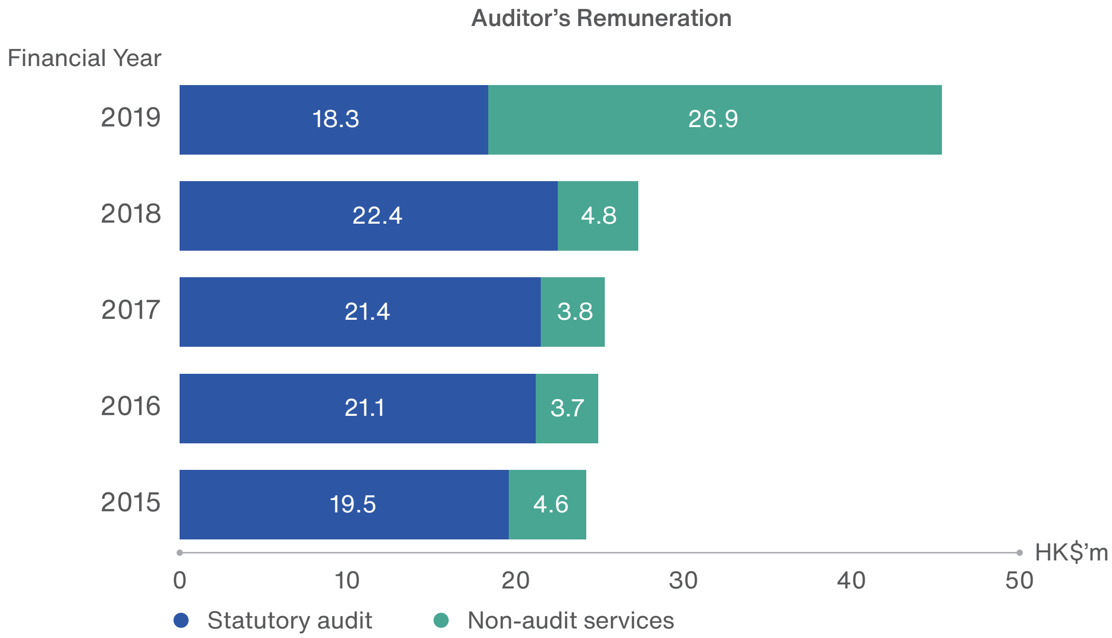
- The directors are responsible for ensuring that proper accounting records are kept so that the Group can prepare financial statements in accordance with statutory requirements and the Group's accounting policies. The Board is aware of the requirements under the applicable Listing Rules and statutory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

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 120 to 125 of this annual report.

- Total auditors' remuneration for FY2019 in relation to statutory audit work of the Group amounted to HK$20.8 million (2018: HK$24.4 million), of which a sum of HK$18.3 million (2018: HK$22.4 million) was paid/payable to PricewaterhouseCoopers. A sum of HK$26.9 million (2018: HK$4.8 million) was paid/payable to PricewaterhouseCoopers for its non-audit services provided to the Group for FY2019. The remuneration paid/payable to PricewaterhouseCoopers and its affiliated firms for services rendered is illustrated as follows:



Note: Non-audit services comprise primarily accounting and tax advisory, circular work related to capital market transactions, due diligence and transaction advisory services related to various acquisition activities (including FTLife Insurance), as well as 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 FY2019.

Engagement

Communication with Shareholders

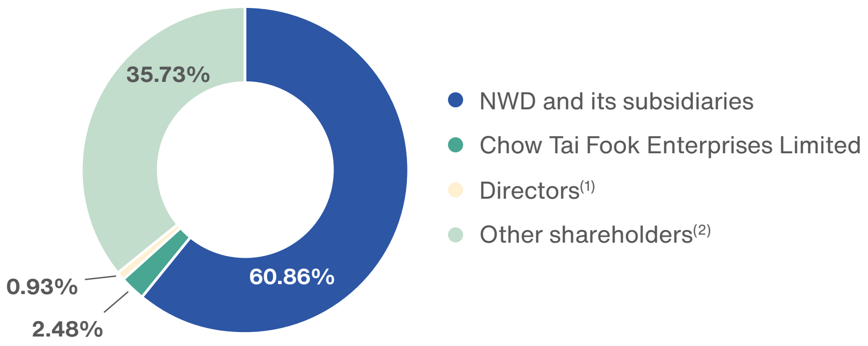
- The Board recognizes the importance of communication with the Company's shareholders. A "*Shareholders' Communication Policy*" was adopted by the Board for ensuring effective and transparent communication between the Company and its shareholders.

- General meetings 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 general meetings.

- 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 2019



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

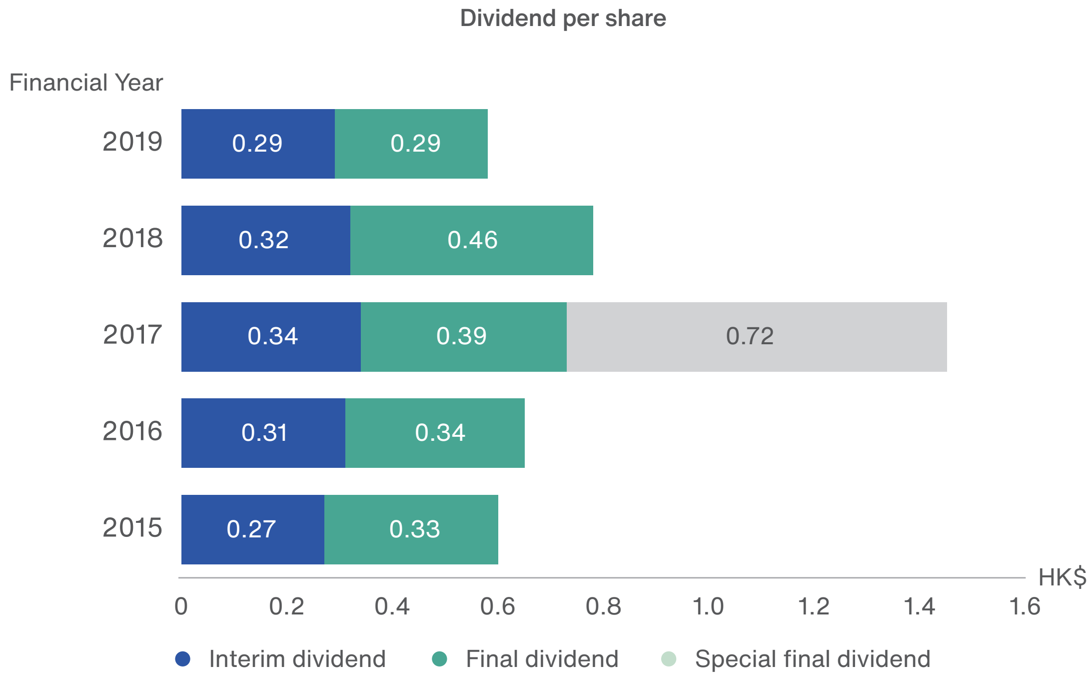
Shareholder Services

- 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 should be addressed to the Company's branch share registrar as follows:

  Tricor Standard Limited
  Level 54, Hopewell Centre
  183 Queen's Road East
  Hong Kong
  Tel: 2980 1333
  Fax: 2810 8185

Dividend Policy

- The Board has adopted a new dividend policy of the Company in 2019.
- The Company is committed to delivering a sustainable and progressive dividend policy. The aim of its dividend policy is to steadily increase or at least maintain the Hong Kong dollar value of ordinary dividend per share annually. The prospective dividend growth, however, remains dependent upon the financial performance and future funding needs of the Company.
- Subject to the financial performance of the Company, we expect to pay two dividends each financial year.



Financial Calendar

Announcement of FY2019 final results	24 September 2019

For determining eligibility to attend and vote at the 2019 annual general meeting of the Company ("2019 AGM"):

Latest time to lodge transfer documents for registration	4:30 pm on 12 November 2019
Closure of register of members	13 to 18 November 2019 (both days inclusive)
Record date	18 November 2019
2019 AGM date	18 November 2019

For determining entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration	4:30 pm on 21 November 2019
Closure of register of members	22 November 2019
Record date	22 November 2019
Final dividend payment date	on or about 11 December 2019

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 Board or 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 contents of its auditor's report.

General Meetings

Meetings held during FY2019

	Special general meeting held on 14 August 2018 ("SGM")	2018 annual general meeting held on 19 November 2018 ("2018 AGM")
Matters resolved	The sale and purchase agreement dated 8 June 2018 entered into between NWS CON Limited as vendor and Sherman Drive Limited as purchaser in relation to the disposal of the entire issued share capital of Celestial Path Limited and all transactions contemplated thereunder	(i) Receipt of the FY2018 audited financial statements and Reports of the Directors and Auditor (ii) Declaration of FY2018 final dividend of HK$0.46 per share (iii) Re-election of Mr Cheung Chin Cheung, Mr To Hin Tsun, Gerald, Mr Dominic Lai, Mr William Junior Guilherme Doo and Mr Lee Yiu Kwong, Alan as directors and authorization of the Board to fix directors' remuneration (iv) Re-appointment of PricewaterhouseCoopers as the Company's auditor and authorization of the Board to fix the auditor's remuneration (v) Granting a general mandate to directors to issue shares not exceeding 20% of the then issued share capital of the Company (vi) Granting a general mandate to directors to repurchase shares not exceeding 10% of the then issued share capital of the Company (vii) Extending the general mandate granted to directors pursuant to the resolution in (v) above
Notices	More than 10 clear business days' notice was given	More than 20 clear business days' notice was given
Proceedings and attendance	• Voting on the resolution was conducted by way of a poll • Poll voting procedure was explained fully to shareholders during the meeting • 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 • The meeting was chaired by the then Chief Executive Officer of the Company. Members of the board committees and the independent board committee in respect of this transaction were available at the SGM to answer questions from shareholders	• Voting on each resolution was conducted by way of a poll • Poll voting procedure was explained fully to shareholders during the meeting • 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 and members of the board committees, as well as representative from the Company's external auditor, were available at the 2018 AGM to answer questions from shareholders

All resolutions proposed at the SGM and the 2018 AGM were passed by the Company's shareholders.

2018 AGM

2019 AGM

The 2019 AGM will be held on 18 November 2019. Details of the meeting are set out in the notice of the 2019 AGM which constitutes part of the circular to shareholders sent together with this annual report. Notice of the 2019 AGM and the proxy form are also available on the HKEXnews website and 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 executive directors and senior management, meets existing and potential shareholders, research analysts and investment managers on a regular basis. The Company is often invited to attend large-scale investor conferences at home and abroad to outreach and promote the differentiation of our brand and business with different stakeholders. During FY2019, the team participated in more than 15 non-deal roadshows and investor conferences in Hong Kong, Beijing, Shanghai, Shenzhen, Singapore, Tokyo, London, San Francisco, Chicago, New York and Toronto. Including one-on-one meetings and teleconferences, over 130 investor meetings were held with institutional investors and analysts. Site visits were also organized to enhance investors' understanding of the Company's business.

- Press conference and analyst briefing session are 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 CLSA, Daiwa Securities and HSBC during FY2019 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 FY2019.
- 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

The Company's overall risk management process is overseen by the Board. Effective risk management is essential to achieve the Company's strategy and business objectives. ERM is, thus, integrated into our daily operations and we are committed to improving our risk management system to cope with a dynamic business environment.

ERM Framework

The structures of our ERM and internal control systems are based on the integrated frameworks issued by COSO. Our ERM framework consists of five interrelated components:

1. Governance and Culture
2. Strategy and Objective-Setting
3. Performance
4. Review and Revision
5. Information, Communication and Reporting

Risk Management Components

Reference to COSO Enterprise Risk Management: Integrating with Strategy and Performance

1. Governance and Culture

The Board instills risk awareness into the Group's culture including risk interviews and workshops for sharing information and identifying opportunities. Moreover, a clear risk governance structure with defined roles and responsibilities is established.

Board

- Bear overall responsibility to evaluate and determine the nature and extent of the risks the Group is willing to take in achieving its strategic objectives.
- Ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems.

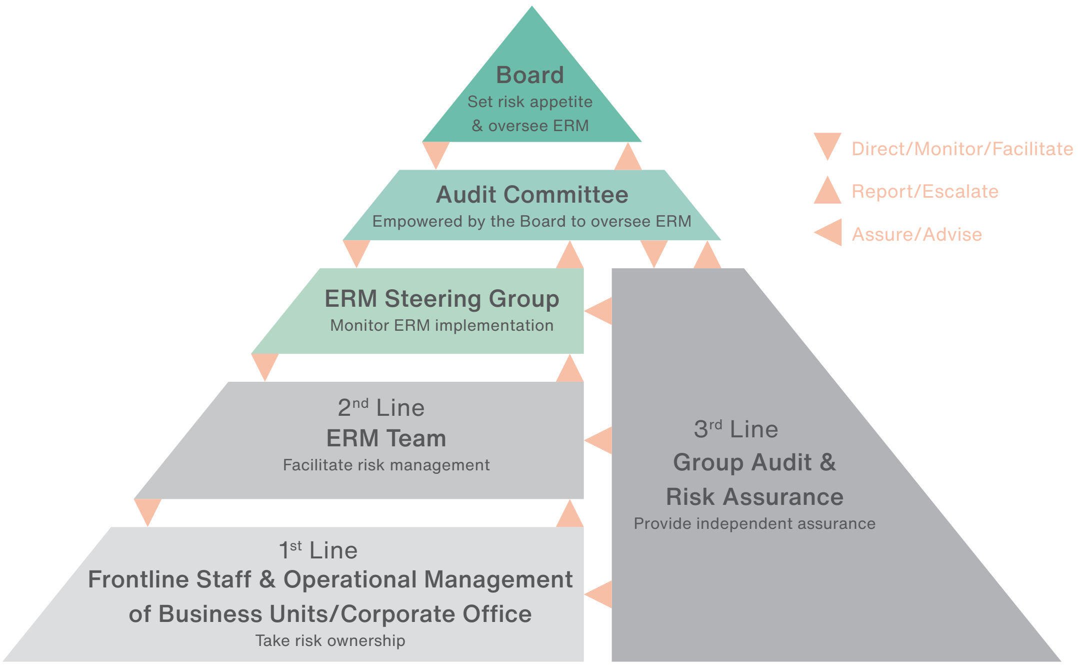
Audit Committee

- Support the Board in overseeing the Group's risk exposures.
- Oversee the design, implementation and supervision of the risk management and internal control systems on behalf of the Board.

ERM Steering Group

- The Executive Committee and representatives from business segments lead the ERM Steering Group to review the risks and internal control issues regularly.
- Identify and review top risks at corporate level.
- Suggest the priority of risk management issues at corporate level.
- Drive risk-conscious culture, reinforce the risk management and internal control systems and monitor the implementation of ERM.

The Group's Governance Structure, Roles & Responsibilities



2. Strategy and Objective-Setting

The Board considers business context when developing strategy to support the vision, mission and core values of the Company. The Board defines the Company's risk appetite, which establishes the quantum and nature of risks the Group is willing to take in achieving its strategy and business objectives.

3. Performance

The risks that may impact the achievement of the Company's strategy and business objectives are identified, assessed and responded.

Risk ownership by frontline staff and operational management

- Internal controls over risk management have been integrated into the daily operations with clear established policies and procedures.
- Responsible for making effective risk management decisions.
- Risk owner reports risks promptly to the risk oversight party through early flagging mechanism.

Risk management facilitation by ERM Team

- Provide guidance to business units to facilitate risk management processes.
- Support management in assessing known and emerging risks.
- Coordinate survey. Conduct risk analysis and risk workshops.
- Establish policies, procedures and guidelines to reinforce risk management and internal control systems.
- Develop Risk Profile of the Group and report to the Executive Committee.
- Prepare detailed documentation in the regular risk reporting mechanism.

4. Review and Revision

By reviewing the key performance indicators, the Group considers how well our ERM system is functioning over time and determines what revisions are needed in light of changes. Moreover, GARA carries out internal audit to provide independent and objective assurance on the adequacy and effectiveness of our risk management and internal control systems.

Risk Review and Monitoring

- Operational management reviews the risk profiles and updates mitigation controls as appropriate.
- Operational management evaluates the adequacy and effectiveness of existing risk controls.
- The Executive Committee and ERM Steering Group monitor the implementation of risk management plans and ensure the effectiveness of the ERM framework through ongoing monitoring and communication.

GARA

- Perform internal audit on business units according to annual audit plan approved by the Audit Committee.
- Validate the effectiveness of risk controls through internal audit and identify improvement opportunities as appropriate.
- Report to the Audit Committee regarding the audit findings, control deficiencies and the implementation status of remedial actions regularly.
- Establish "Whistleblowing Policy" to ensure staff members have a confidential channel to raise concerns of potential fraud or improprieties.

5. Information, Communication and Reporting

Our ERM involves continual processes of obtaining and sharing necessary information, from both internal and external sources, which flows up, down and across the Group. Risk communication channels, such as flagging mechanism and regular reporting, are well established and stipulated in the policies and procedures. In addition, the communication channels for risk reporting and escalation protocol are properly established and defined.

Focus of our Continuous Improvement

To strive for excellence, the Board is committed to continuous improvement of the risk management system in order to facilitate the long-term growth and sustainability of the Group's businesses. During the year ended 30 June 2019, Environmental, Social and Governance ("ESG") risk factors have been integrated into ERM processes given the increasing concerns of ESG risks. In addition, an external consultant has been engaged to identify improvement opportunities for the Company's ERM system.

As such, we have further:

- Instilled risk culture to employees of all business units,
- Strengthened our top-down and bottom-up risk assessment processes, and
- Enhanced our risk management and monitoring systems.

Highlights of the Year

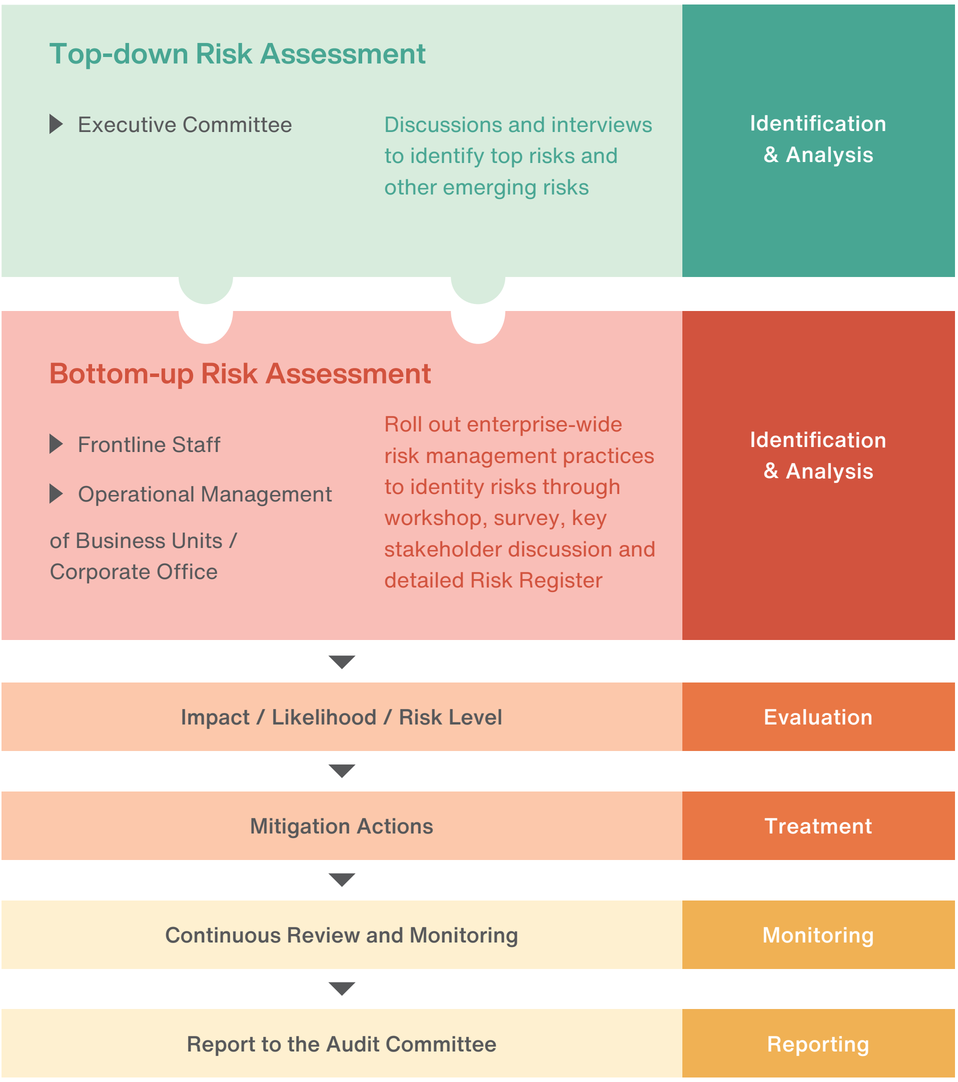
The Board has put in place effective risk management and internal control systems which enable the Group to respond appropriately to significant strategic, operational, financial, compliance and other risks in achieving its objectives. We have:

- Conducted risk interviews and workshop with the Executive Committee and risk owners.
- Carried out robust discussions and interactive communications to identify, assess, evaluate and prioritize risks and their corresponding risk controls.
- Risk owners to conduct self-assessment semi-annually and ascertained appropriate risk management processes to the Group by:
  - Risk Management & Internal Control Compliance Certificate
  - Risk Management & Internal Control Assessment Checklist
  - Detailed Risk Register covering impact, likelihood and risk level of each risk
- Monitored the risk management and internal control frameworks by:
  - Self-assessment at business unit level
  - Monitoring by the Executive Committee at corporate level
  - Evaluation by independent internal and external audits
  - Oversight by the Audit Committee and the Board

Risk Management Process

Both top-down and bottom-up approaches in the risk management process have been adopted which involve risk identification, analysis, evaluation, treatment, monitoring and reporting.

The Group's Risk Assessment and Risk Reporting Process



Top Risks of the Group

Through our combined top-down and bottom-up risk review processes, the Company has identified the following top risks of various business segments for the year.

	Risk Description	Risk Trend	Applicable Business Segment(s)	Key Mitigation Measures
Strategic Risks				
1	Business partnership risk due to limited controls in minority interest investment	Risk level increased during FY2019	Roads, Environment, Logistics, Facilities Management, Strategic Investments	• Perform detailed due diligence before establishment of long term partnership • Carefully select business partners with good reputation, industrial background and operational experience • Set up minority protection mechanism • Build our own expertise in the industry to reduce reliance on business partners
2	Investment risk due to long-term commitment to unprofitable projects and deviation from desired return of investment	Risk level remained similar as FY2018	Roads, Construction, Environment, Logistics, Transport, Facilities Management, Strategic Investments	• Adopt careful and pragmatic investment strategies and maintain a balanced and diversified portfolio • Perform risk assessment and due diligence by internal professionals and external consultants • Regularly review the investment and explore divestment opportunities if needed
3	Risk of unsuccessful cultural integration and retention of senior management for newly acquired businesses (ESG)	Risk level remained similar as FY2018	Aviation	• Launch long-term incentive schemes for senior management of the newly acquired businesses • Establish our internal expertise, market intelligence and knowhow • Promote corporate culture and create synergy within the Group
4	Unfavourable change of government policies (ESG)	Risk level remained similar as FY2018	Roads, Construction, Environment, Logistics, Transport	• Closely monitor the change of government policies and requirements • Maintain good working relationships with local authorities • Team up with strategic partners to enhance lobbying • Diversify business focus to reduce impact from specific government policy
Compliance Risk				
5	More stringent regulatory requirements leading to increase in the operational and compliance costs	Risk level increased during FY2019	Construction, Environment, Facilities Management	• Closely monitor the change of laws and regulatory requirements • Regularly review the compliance of regulations • Provide regular regulatory compliance training to employees • Maintain proper documentation and records

Involve ESG Risks Roads Aviation Construction

Environment Logistics Facilities Management Transport Strategic Investments

Risk level increased during FY2019 Risk level remained similar as FY2018

	Risk Description	Risk Trend	Applicable Business Segment(s)	Key Mitigation Measures
Operational Risks				
6	Unable to renew or renegotiate favourable terms for expiring concessions and key contracts			• Provide proper and efficient service in accordance with franchise or concession agreements • Adopt flexible renewal strategy • Keep a good service standard and performance record to increase the chance of renewing concessions or key contracts
7	Major crises (e.g. safety incidents and natural disasters) affecting business operation and damaging reputation			• Conduct regular monitoring to keep track of issues related to the Group's different businesses • Deliver quick and effective responses according to crisis management procedures, communication and escalation protocols • Recognize the impact of climate change and promote sustainability within the Group • Raise awareness through periodic safety training and drills • Ensure sufficient insurance coverage
8	Labour shortage			• Offer competitive remuneration package and establish clear career path • Promote work life balance and sense of belonging • Provide structural training to improve staff competency and productivity • Digitize and streamline workflow to enhance efficiency • Explore different recruitment channels to fill up manpower demand
Financial Risks				
9	Unfavourable fluctuation of foreign currencies resulting in realised/ unrealised exchange losses			• Closely monitor the currency movement • Quantify the currency movement impact regularly • Execute forward exchange contracts if needed • Set up RMB cash pool in Mainland China • Monitor the desired level of RMB on hand
10	Interest rate and refinancing risk due to unfavourable fluctuation in interest rate and difficulty in accessing new capital			• Closely monitor the trend and fluctuation of interest rate and diversify funding sources • Maintain a balanced portfolio of bank loans with spreading interest periods and interest rate reset dates to avoid concentration risk • Enter into interest rate swaps or cross-currency swaps if needed • Review the financing strategy and debt structure of the Group regularly

Apart from the above top risks, we have also identified other emerging risks faced by the Group. We have evaluated the mitigation controls and determined that the controls are appropriate and effective to address the risks.

Sustainability

Over

1.27 million tonnes

of construction and demolition materials are reused

Less than

370,000 tonnes CO_2e

of greenhouse gas emissions

Over

5.7 HK$ million

contributed to charitable causes through NWS Holdings Charities Foundation

Sustainability Governance

The Group believes that business success depends on sustainable development and creating shared value with our stakeholders. We are keenly aware of the impact our operations can have on the environment and communities if not properly managed. We therefore strive to contribute to the sustainable development of our business and society, going above and beyond compliance with laws and regulations.

Our Approach

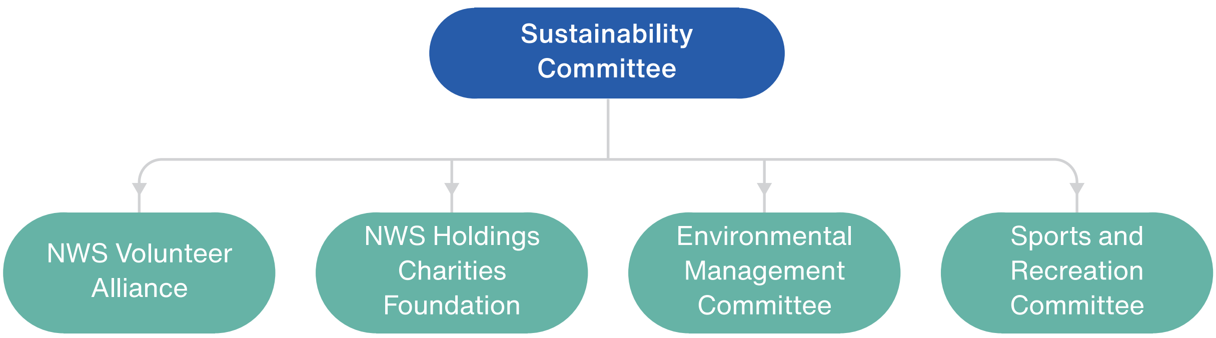
To oversee the Group's sustainable development, we have a well-established framework of policies, dedicated committees and management systems. Together, these ensure we uphold our values of integrity, equity and transparency. We conduct regular policy and process reviews, staff training and communications to ensure our approach to sustainability is well communicated and implemented.

Our Sustainability Policy provides top-down direction at the Group level covering every aspect of our businesses. This policy sets out our commitment under four core pillars: Business Operations, Human Capital, Community Contribution and Environmental Responsibility.

The following sections are an overview of the Group's performance and progress on key aspects of sustainability in FY2019. To learn more, please read the full Sustainability Report, to be published in December 2019 on our corporate website. The Sustainability Report is published in accordance with the Hong Kong Stock Exchange ESG Reporting Guide and follows the Core option of the Global Reporting Initiative Sustainability Reporting Standards, with independent third-party verification.

NWS Holdings Sustainability Policy

Sustainability Governance Structure



The board-level Sustainability Committee, chaired by our Chief Executive Officer, is responsible for the Group's sustainability governance. This committee sets the overall strategy for sustainability management, and oversees its implementation. As illustrated above, the Sustainability Committee is supported by four groups and sub-committees that help drive sustainability initiatives throughout our operations. We take into consideration ESG issues in our enterprise risk assessment and are aware of the associated impacts on our business. Please refer to the Risk Management section on pages 57 to 64 of this report for further details of the ESG risks.

Contributing towards Global Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) outline the most pressing environmental and social challenges of our time. As a responsible company, we pledge to protect the planet and ensure stable and thriving societies. This year, we have better aligned with the New World Sustainability Vision 2030 of NWD and the latest materiality results, and refined the focus to four SDGs that are most relevant to the Group and that enable us to have the greatest impacts.

Ethical Business Practices and Anti-Corruption

We uphold the highest ethics and standards of corporate governance, both in our business operations and throughout the value chain. Long-standing policies demonstrate our commitment and expectations regarding the conduct of staff and suppliers in the following areas:

- prevention of bribery and discrimination;
- human rights;
- health and safety.

Our “Corporate Policy on Staff Responsibility” and “Code of Conduct” set out the standards of behaviour we expect.

A “Whistleblowing Policy” is in place enabling staff members to raise concerns, in strict confidence, about possible impropriety in any matter related to the Group, including misconduct, corruption and bribery.

During the year in review, there were no corruption litigation or reported incidents related to bribery or unethical conduct.

Please refer to the Corporate Governance Report section on pages 28 to 56 of this report for further details on our efforts to maintain the highest standards of corporate transparency and reliability in reported financials.

Public Recognition of Our Sustainable Development Strategy

Award(s)	Organizer(s)
Caring Company Logo 2018/19	Hong Kong Council of Social Service
Green Event Award — “NWS Geo Hero Run 2018”	The Green Earth
HR Asia Best Companies to Work for in Asia 2019 — Hong Kong Chapter	Business Media International

Please also refer to the Major Events and Accolades section on pages 10 to 13 of this Annual Report for additional sustainability achievements.

Sustainability Reporting Boundary

While ESG considerations are taken into account throughout the Group's businesses and investments, our Sustainability Report highlights the performance of entities and business units in which the Group holds a controlling interest.

Unless otherwise stated, the Sustainability Report comprises performance information for the Corporate Office of NWS Holdings and our subsidiaries in four key business segments: Roads, Construction, Facilities Management and Transport, represented by the business units listed below:

Business Segment	Business Units
Roads	• Hangzhou Guoyi Expressway and Bridge Management Co., Ltd
Construction	• Hip Hing Group
Facilities Management	• HML • Free Duty
Transport	• NWFB and Citybus • New World First Ferry

Note: New World Construction Company Limited has been a wholly owned subsidiary of NWD, since 21 August 2018, and is therefore excluded from the scope of the Group's sustainability reporting in FY2019.

Stakeholder Engagement and Materiality Assessment

We maintain ongoing engagement and open dialogue with our key stakeholders, to understand their expectations and views on how we manage sustainable development.

In FY2019, we commissioned an independent consultant to conduct stakeholder engagement that included an online survey, interviews and focus group discussions. These targeted more than 500 of our key internal and external stakeholders, including employees, customers, suppliers, business partners and peers, investors and financial analysts, NGOs and the media. We then identified nine ESG issues that are closest to the heart of our stakeholders and most relevant to our business. They are listed below:

Top 9 ESG Issues

Corporate Governance	Corporate Governance
Employment	Occupational Health and Safety Employee Wellness and Benefits
Customers	Customer Privacy Customer Health and Safety
Environmental	Sustainable Construction Greenhouse Gas and Air Emissions Management Waste Management Energy Management

Human Capital

Our Sustainability Policy sets out the way in which we provide employees with a safe and healthy working environment and a rewarding career journey. Starting with a fair recruitment process, we attract and retain talent by offering competitive remuneration and benefits, training and development opportunities, and a healthy work-life balance. Management actively engages with employees to understand their needs in order to improve job satisfaction and productivity.

A Respectful Culture

We believe that creating a diverse and inclusive environment for our staff improves innovation, employee retention and financial returns. We respect human rights and implement fair labour practices. Child labour and forced labour are strictly prohibited across our businesses. There were no cases of non-compliance regarding child or forced labour during the reporting year.

Recruitment

We hire talented people regardless of age, gender, ethnicity, religion, disability, sexual orientation or other aspects of diversity. We comply with the Employment Ordinance (Cap. 57), Employment of Children Regulations (Cap. 57B), Employment of Young Persons (Industry) Regulations (Cap. 57C), anti-discrimination ordinances in Hong Kong, and the local labour laws in other markets where we operate.

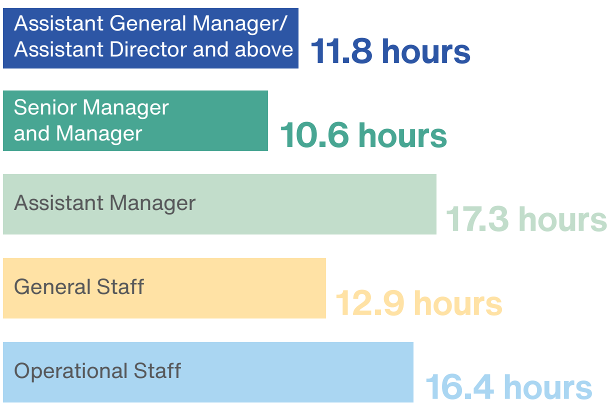
We have established policies and guidelines, such as the "Code of Conduct", "Human Rights Policy", and "General Guidelines on Employment for the Race Discrimination Ordinance", to guide staff on our approach to employment. Key topics covered by these policies and guidelines include compensation and dismissal, equal opportunities and diversity, health and safety, and the environment.

Talent Development

The long-term development of our employees is crucial to the growth of the Group. We manage and motivate our staff, offering awards such as performance-based bonus and a share option scheme. Our employees are entitled to Education Subsidy Scheme which aims to enhance their job-related skills and encourage their self-development.

To nurture young talent and maintain a stable talent pool, some of our subsidiaries, in particular those that are prone to shortages of skilled workers, offer on-the-job trainee programmes for fresh graduates. NWFB and Citybus offer the Engineering Graduate Trainee programme for engineering graduates. Hip Hing Group offers scholarships for universities and Vocational Training Council students studying construction-related courses, to attract more qualified people to the industry and strengthen pool of available talent for future construction projects.

Average Training Hours by Employee per Category in FY2019



Average Training Hours by Gender in FY2019

Employee Engagement

The Group strives to engage with its employees by understanding individuals' needs and enhancing their sense of unity within the Group. As well as conducting regular employee satisfaction surveys, we use a range of other platforms to facilitate dialogue between management and staff, including "Town Hall" meetings and regular meetings with unions[1] to discuss employees' ideas on ways to improve the workplace environment.

To strengthen our team spirit, we hold regular recreational events, celebrate the promotion of high-performing employees, and welcome new joiners. The Hip Hing Spirit/Vibro Spirit/Quon Hing Spirit Annual Recognition Award ceremony is an example of the ways in which we show our appreciation of high-performing employees.

Employee Health and Safety

Occupational health and safety (OHS) is essential to our operations. We are committed to building a healthy and safe workplace for our employees. We strictly observe the Occupational Safety and Health Ordinance (Cap. 509) and have procedures and dedicated management committees on OHS, especially in high-risk areas such as construction sites and transport operations. Regular OHS-related education and training sessions are arranged.

Our health and safety management systems at Hip Hing Group are certified OHSAS 18001 and ISO 45001. At Hip Hing Group, we continue to explore ways to improve construction site safety. For example, we have improved the tower crane's mobile working load display, which now provides more rapid transmission of lifting information, giving the signaller greater control and thereby enhancing operational safety.

[1] Unions are for NWFB and Citybus employees.

Staff and Family Wellness

Employees' wellbeing is essential to the Group's long-term development. Throughout the years, we have introduced measures and initiatives to promote a healthy work-life balance. In February 2019, NWS Holdings established a "Flexible Working Hours Policy" to build a more efficient and motivated working culture. Caring rooms have been set up at various offices for breastfeeding employees. We also organize recreational activities such as sports competitions, hiking trips and art workshops from time to time, to help employees relieve stress and maintain a healthy lifestyle. Additionally, employees are entitled to different types of leave, such as examination leave and volunteer leave for employees of NWS Holdings and Hip Hing Group respectively.

Staff from different departments enjoy a fun hiking trip together.

Value Chain

It is our responsibility to manage environmental and social risks throughout our value chain. The Group complies with all relevant laws and regulations and we expect the same from our business partners. We have established policies and procedures to monitor the effectiveness of our suppliers' environmental and social management.

Service Quality — Transport, Construction and Facilities Management

We take pride in the quality of services provided to our customers. We have enhanced our bus services by sharing the real-time arrival information with the general public through our mobile application. In 2019, we also became the first public transport operator to sign a Memorandum of Understanding with the Transport Department to open up our real-time bus arrival data to support the city's smart mobility development. Our entire bus fleet is designed to be barrier free, providing features such as low-floor and wheelchair ramp that enhance accessibility. Additional wheelchair parking space is also available on some new buses. For the comfort of passengers, we are also installing additional shelters and seats at our bus stops.

Hip Hing Group is committed to developing outstanding high-quality projects that exceed clients' expectations. After eight years of development and construction, Xiqu Centre, a unique venue dedicated to Chinese opera, was opened in January 2019. This project was one of Hip Hing Group's most significant and challenging projects to date. Major challenges in the design included a 1,073-seat Grand Theatre suspended above the atrium and six concrete mega-columns, signifying the six major roles in Cantonese opera. Building involved not only heavy structural steelwork within a congested site, but also the deployment and operation of the tallest standalone tower crane at the time.

HML uses the latest technology to continually improve the customer experience especially the indoor comfort of the facility by incorporating Internet of Things (IoT) networks in the Smart Building Management System to optimize the indoor air quality, temperature and humidity.

Advertising and labelling are not central to our business, however we do ensure the accuracy of information in the marketing and promotional materials used to communicate with our customers. All promotional messages and materials for the public are reviewed by designated staff to ensure accuracy and compliance with the Trade Descriptions Ordinance (Cap. 362). All video broadcasts aboard ferries are also certified by The Office for Film, Newspaper and Article Administration. There were no reported cases of regulatory non-compliance regarding advertising or labelling during the reporting year.

Customer Privacy and Protection

To protect customer privacy and personal data, we collect minimal information from our customers and restrict the use of the data collected. Customer and visitor data is not used for personal identification. Personal information collection statements are available to customers of HML, before they make booking requests, make general enquiries or subscribe to the HKCEC newsletter. These statements ensure customers know the reason for the collection of personal data and understand their rights. HML has also referenced the EU General Data Protection Regulation by adding a pop-up message on its Cookie Policy to the HKCEC website to clarify the purposes of data being collected from the website users.

All customer data is handled in compliance with the Personal Data (Privacy) Ordinance (Cap. 486). The Data Confidentiality and Protection Policy section as outlined in the “Group’s IT Policy and Procedures” provides further guidance on data storage and handling for computer users, the IT department and IT service providers, to ensure all information is managed properly. We ensure compliance by our staff and service providers with the strictest standards of security and confidentiality. We have implemented appropriate physical, technical, and administrative measures to safeguard and secure the customer data we collect. In FY2019, there were no reported cases of regulatory non-compliance regarding personal data privacy.

Customer Health and Safety

Customer health and safety is a priority for our business operations; in particular, for the transport services provided by NWFB, Citybus and NWFF, and the facility management service provided by HML at the HKCEC. We have measures and systems in place to ensure the services that we provide are safe, reliable, and environmentally responsible in accordance with our Sustainability Policy.

HML prioritizes food safety and facility security in its daily operations. We conduct monthly audits covering all kitchens, catering services, and restaurants. During the year, two restaurants in the HKCEC successfully renewed their Hazard Analysis and Critical Control Points certification. NWFB and Citybus work closely with the Transport Department to monitor service reliability. We also have a 24-hour operations control centre to handle emergencies and incidents.

FY2019 saw the introduction of new buses with new safety features, including seat belts on all seats, and the latest speed controls and stabilizing devices. In order to enhance road safety, Advanced Driver Assistance Systems were trialed on 17 buses. They include forward collision warnings, lane departure warnings, headway monitoring and warnings, and driver state monitoring. On our ferries, additional fixtures such as handrails and luggage racks were installed to improve customer safety.

Managing Our Suppliers

We are committed to managing the environmental and social impact of our supply chain. Guided by the "Sustainable Procurement Policy" of our parent company, we require all our suppliers to adhere to our "Sustainability Policy" and the "Supplier Code of Conduct" developed by NWD. These policies relate to reducing our environmental footprint, encouraging responsible and ethical sourcing, and integrating sustainability into new supplier selection and supplier management.

The Four Key Aspects of Supply Chain Management

Social and environmental issues vary across our subsidiaries and are managed according to the business needs of each, within the Group's framework. Policies and procedures are reviewed and updated regularly to ensure suppliers are properly managed.

Environment

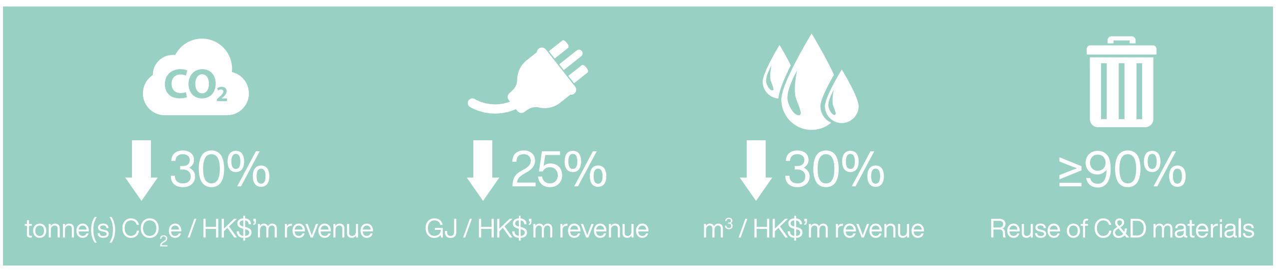
The Group strives to apply innovative solutions and initiatives to our services and operations in order to reduce greenhouse gas emissions, waste, and the consumption of resources, from energy to water. We endeavour to go beyond local regulatory compliance and consistently benchmark against local and international standards and best practices to continually enhance our performance.

Combating Climate Change

Having observed the impact of climate change in recent years, we are in the process of reviewing the potential impacts to our businesses. As we face more frequent and more acute weather events, we have revised our emergency plans to include provisions to guide employees on ways to stay safe and maintain secure operations. As we work to play a role in combating climate change, we are constantly exploring ways to improve energy and water efficiencies, with the aim of reducing carbon emissions from our operations.

This year, the Group sets its Environmental Targets for 2030. Using FY2013 data as the baseline, we aim to reduce carbon intensity by 30%, energy intensity by 25%, water intensity by 30% and maintain at least 90% reuse of construction and demolition (C&D) materials by FY2030. These targets will set the direction and roadmap for the Group to improve environmental performance.

Environmental Targets for 2030



Our Environmental Management Committee leads the development and implementation of green strategies across our operating entities. HML was the first organization in Hong Kong to attain ISO 20121 Event Sustainability Management System certification. Hip Hing Group has obtained certifications for ISO 14001 Environmental Management System and ISO 50001 Energy Management System for a total of 42 active sites in FY2019. Hip Hing Group also focuses on sustainable construction and 17 projects in FY2019 have met the green construction standards set out by BEAM Plus[2].

We comply with local environmental laws and regulations in the places where we operate. These include but are not limited to the Air Pollution Control Ordinance (Cap. 311), the Waste Disposal Ordinance (Cap. 354), the Water Pollution Control Ordinance (Cap. 358) and the Environmental Protection Law of PRC. For the reporting year, there were no cases of non-compliance resulting in fines or prosecution.

Energy Consumption

A vast and highly ambitious renovation of HKCEC facilities and infrastructure was launched during the reporting year. The Five-Year Advancement Project involves making significant, state-of-the-art improvements to the building in order to provide a safer and more comfortable environment for all HKCEC users. The work, to be completed in stages, will also enhance the energy and water efficiency of the entire venue.

At NWFB, Citybus and NWFF, bus depots, vessels and office buildings have been fitted with alternative energy for various on-site applications. These systems power lighting equipment, signage and engine starters. In addition, solar panels installed on the rooftop of the NWFF office building have been grid-connected and it is anticipated that they will generate approximately 10,500 kWh of energy per year, saving CO_2 emissions to the environment.

Solar panels on the roof of NWFF's office building in Cheung Sha Wan.

[2] BEAM Plus assessment is the Hong Kong's leading initiative to offer independent assessments of building sustainability performance.

Air Emissions

Last year, we invested in building a fleet of energy-efficient vehicles by commissioning 145 low-emission Euro 6 buses. These reduce 5-times nitrogen oxides (NO_x) emissions relative to Euro 5 buses, and halve the levels of particulate matter (PM) emissions. Consequently, 95% of our entire bus fleet now meets Euro 5 emission standards or above versus only 90% in the previous reporting year. NWFF has installed environmentally friendly engines to reduce soot emissions at low engine speeds and to reduce fuel consumption. At Hip Hing Group, equipment such as venturi cyclones have been introduced to reduce air pollutants from diesel generators on construction sites.

Waste Management

Construction waste and municipal solid waste comprise the majority of waste stream from our businesses. Hazardous waste is handled by qualified third-party contractors, and we try to reuse and recycle non-hazardous wastes where practicable.

At Hip Hing Group, we strive to minimize waste from our construction sites. Among our projects in FY2019, we reused over 1.27 million tonnes of C&D materials for site formation and other construction works through our in-house Inert Materials Transfer programme.

Echoing the global campaign to reduce the plastic footprint of companies and individuals, a Group-wide campaign has been launched to reach out to staff and customers and urge them to reduce their use of plastics. In June 2019, HML was awarded the UFI Sustainable Development Award 2019 for its “Think Before Plastic” initiative, which saved the use of 1.7 million pieces of disposable plastic during FY2019. NWFF promotes a reduction in the use of disposable plastic food/beverage containers by offering fare rebates to passengers using their own reusable products via the “First Ferry BYOC+” Campaign.

To engage communities and our stakeholders in our sustainability journey, the Group cooperated with the social venture BottLess for the “Have a Plastic-Free Day” campaign, held in August 2018 on Cheung Chau. Reusable food containers and cutlery were available for borrow, allowing visitors to enjoy street food without needing single-use plastic. The campaign generated significant publicity and the idea gained traction in the community.

Water Conservation

Water plays an important part in our operations and we are committed to using it efficiently. Although we do not anticipate any particular difficulty in sourcing water, we have launched several initiatives to reduce consumption, such as installing water-saving fixtures in washrooms as part of the HKCEC Five-Year Advancement Project. At Hip Hing Group, we are reusing treated wastewater on site to cool construction equipment, suppress dust and wash vehicles.

At NWFB and Citybus, 86 automatic water taps were installed at bus depots to save water. The toilet flushing systems on five NWFF vessels have been replaced by seawater flushing to reduce the consumption of freshwater.

Community

The Group's community investment strategy is spearheaded by the NWS Holdings Charities Foundation and the NWS Volunteer Alliance. They strive to have a positive impact on the community by partnering with non-profit organizations to deliver strategic community programmes. Our corporate volunteers are empowered to serve the community, and at the same time we contribute financial and in-kind support to charitable causes.

The Company has nurtured a close partnership with organizations that are dedicated to bringing positive and lasting value to the communities in which we operate. In FY2019, the Group partnered with over 50 non-profit organizations to pursue various social causes in the form of donation and in-kind support.

Our community investment has evolved from our strong tradition of philanthropy and charity via volunteering. The NWS Volunteer Alliance continues to explore volunteering opportunities with community partners. In FY2019, approximately 17,000 volunteer hours were contributed by our corporate volunteers in more than 230 community activities.

In recognition of our contribution to the community, NWS Holdings and 5 of our subsidiary companies have been awarded Caring Company Logo by the Hong Kong Council of Social Service for more than 10 consecutive years. NWFB and Citybus also won the Age-Friendly Facilities Award from the Jockey Club Age-Friendly City Partnership Scheme held in 2019, while our YWCA NWS Y-Care Centre (North District) won the Age-Friendly Collaborator Award.

We continue to work with various social organizations this year to advance worthy causes relating to youth empowerment, elderly health care and environmental protection.

To unleash the full potential of young people in Hong Kong, the Group continues to partner with NGOs through our flagship NWS Career Navigator for Youth programme, to provide a diverse workplace experience for high school students and help students plan their future careers.

We launched a brand new community programme "Catch Your 5**" in partnership with The Salvation Army in FY2019. This scheme aims to provide opportunities for children with special educational needs to develop their talents, and fostering diversity and social inclusion.

Students in the NWS Career Navigator for Youth programme visit the Group's construction company to learn more about the industry.

Management Discussion and Analysis

Revenue

HK$26.834 billion

Attributable operating profit

HK$4.707 billion

Profit attributable to shareholders

HK$4.043 billion

Group Overview

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

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

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

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

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

* *For identification purposes only*

Contribution by Division

For the year ended 30 June	**2019 HK$'m**	2018 HK$'m
Core Business	**3,509.6**	3,697.6
Strategic Portfolio	**1,197.8**	1,534.3
Attributable operating profit	**4,707.4**	5,231.9
Corporate office and non-operating items		
Gains on partial disposal and remeasurement related to an associated company	**–**	1,879.3
Gain on fair value of investment properties	**33.7**	93.6
Net gain on disposal of projects, net of tax	**285.1**	52.7
Impairment losses related to joint ventures	**–**	(600.0)
Interest income	**78.3**	36.8
Finance costs	**(373.8)**	(266.6)
Expenses and others	**(500.6)**	(358.9)
	(477.3)	836.9
Profit for the year^	**4,230.1**	6,068.8
Profit attributable to		
Shareholders of the Company	**4,043.2**	6,068.8
Holders of perpetual capital securities	**186.9**	–
	4,230.1	6,068.8

^ *After non-controlling interests*

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

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

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

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

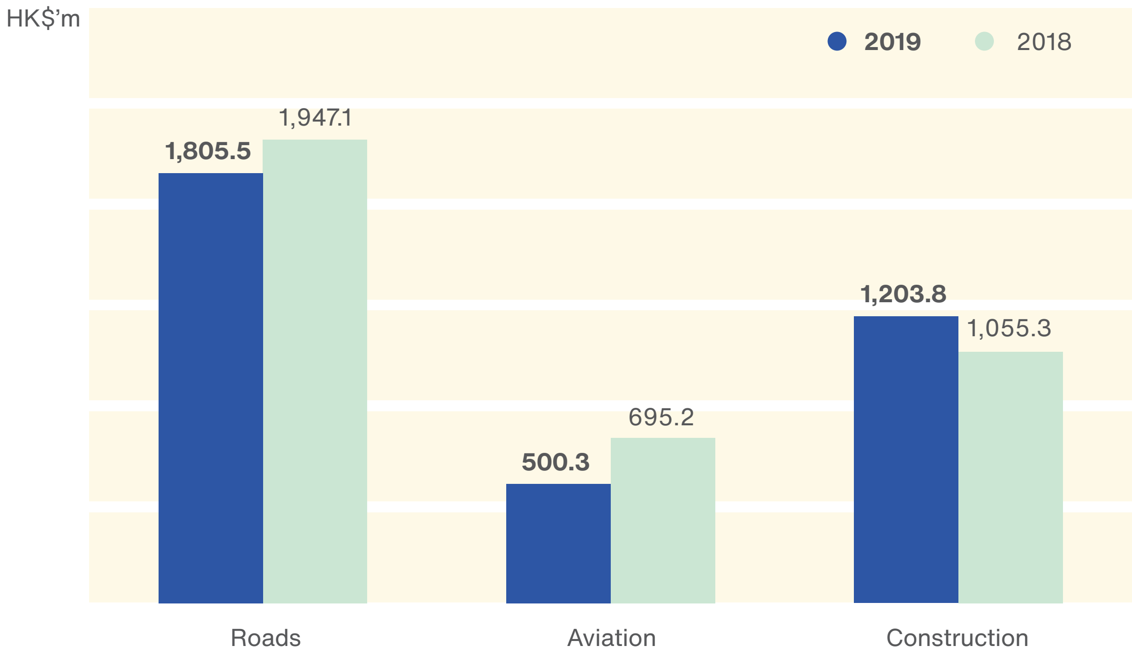
During FY2019, the Group issued US$1.0 billion 5.75% senior perpetual capital securities and US$650.0 million 4.25% senior notes due 2029. The proceeds of the senior perpetual capital securities and senior notes are for general corporate purposes. As at 30 June 2019, the Group had unutilized committed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

Operational Review – Core Business

The Core Business reported an AOP of HK$3,509.6 million for FY2019, representing 75% of the Group's AOP.

AOP Contribution by Segment

For the year ended 30 June	**2019 HK$'m**	2018 HK$'m	Change % Fav./(Unfav.)
Roads	**1,805.5**	1,947.1	(7)
Aviation	**500.3**	695.2	(28)
Construction	**1,203.8**	1,055.3	14
Total	**3,509.6**	3,697.6	(5)



Roads

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

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

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

Guangzhou City Northern Ring Road

Aviation

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

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

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

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

Construction

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

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

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

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

Kai Tak Sports Park (artistic rendering)

Business Outlook – Core Business

Roads

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

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

Aviation

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

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

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

Goshawk is one of the world's top 10 aircraft lessors

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

Construction

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

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

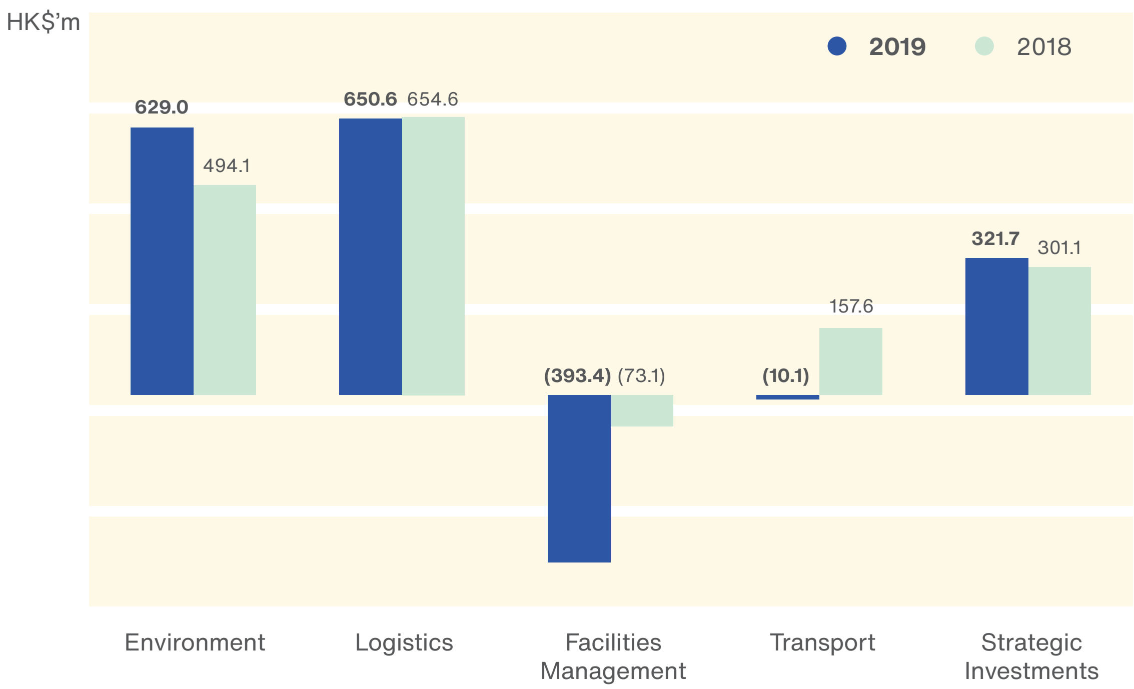
Despite the above challenges, as a long established market leader and with a balanced portfolio of projects on hand, the Group is well positioned to resist market turbulence and to take advantage of the growth in the construction industry to build a strong yet diversified order book, including government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

Operational Review – Strategic Portfolio

The Strategic Portfolio posted an AOP of HK$1,197.8 million in FY2019, representing 25% of the Group's AOP.

AOP Contribution by Segment

For the year ended 30 June	**2019 HK$'m**	2018 HK$'m	Change % Fav./(Unfav.)
Environment	**629.0**	494.1	27
Logistics	**650.6**	654.6	(1)
Facilities Management	**(393.4)**	(73.1)	(438)
Transport	**(10.1)**	157.6	(106)
Strategic Investments	**321.7**	301.1	7
Total	**1,197.8**	1,534.3	(22)



Environment

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

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

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

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

O • Park1, Hong Kong's first organic resources recovery centre (Photo credit to O • Park1)

Logistics

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

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

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

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

Facilities Management

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

Art Basel Hong Kong 2019 at HKCEC

Gleneagles Hong Kong Hospital

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

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

Transport

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

Strategic Investments

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

Business Outlook – Strategic Portfolio

Environment

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

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

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

Logistics

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

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

Facilities Management

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

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

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

Transport

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

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

Looking Forward

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

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

Financial Resources

Treasury management and cash funding

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

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

Liquidity and capital resources

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

Debt profile and maturity

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

Commitments

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

Financial guarantee contracts

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

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

Reports and Financial Statements

Report of the Directors

The directors of NWS Holdings Limited submit their report together with the audited financial statements of the Group for the year ended 30 June 2019.

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 of, investment in and/or operation of roads, commercial aircraft leasing and construction; and

(ii) the investment in and/or operation of environmental and logistics projects, facilities and transport.

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" (page 14) and the "Management Discussion and Analysis" (pages 77 to 95) sections. Particulars of significant events affecting the Group that have occurred since the end of the year ended 30 June 2019, if applicable, can also be found in the aforesaid sections and the notes to the financial statements (pages 134 to 234). 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 57 to 64). Description of the Group's relationships with its key stakeholders is included in the "Corporate Governance Report" (pages 28 to 56) and the "Sustainability" (pages 65 to 76) sections. Furthermore, the Group's environmental policies and performance are set out in the "Sustainability" section (pages 65 to 76) 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 28 to 56).

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 2019 are set out in the financial statements on pages 126 to 234.

The board of directors of the Company (the "Board") has resolved to recommend a final dividend (the "Final Dividend") of HK$0.29 per share (2018: final dividend of HK$0.46 per share) in cash for the year ended 30 June 2019 to the shareholders whose names appear on the register of members of the Company on 22 November 2019. Together with the interim dividend of HK$0.29 per share (2018: HK$0.32 per share) paid in April 2019, total distribution of dividend by the Company for the year ended 30 June 2019 will be HK$0.58 per share (2018: HK$0.78 per share).

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

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 47 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 48 and 49 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 46 and 32 to the financial statements respectively.

Distributable Reserves

As at 30 June 2019, the Company's reserves available for distribution amounted to HK$21,038.7 million (2018: HK$17,377.6 million).

Donations

During the year, the Group made charitable donations amounted to HK$6.3 million (2018: HK$14.8 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 (the "Share Option Scheme"), a total of 14,631,398 ordinary shares of the Company, fully paid, were issued for a total consideration of HK$206.6 million.

Details of movements in the share capital of the Company during the year are set out in note 31 to the financial statements.

Debentures Issued

During the year ended 30 June 2019, two indirect wholly owned subsidiaries of the Company had issued senior perpetual capital securities/notes for general corporate purposes of the Group as follows:

1. On 31 January 2019, US$1,000.0 million in aggregate principal amount of 5.75% guaranteed senior perpetual capital securities were issued by Celestial Miles Limited and listed on the Hong Kong Stock Exchange, among which US$800.0 million were issued at a price of 100.000% principal amount and US$200.0 million were issued at a price of 100.400% of the principal amount, with aggregate gross proceeds of US$1,000.8 million (equivalent to approximately HK$7,852.9 million) and aggregate net proceeds of US$991.0 million (equivalent to approximately HK$7,776.9 million); and

2. On 27 June 2019, US$650.0 million 4.25% guaranteed senior notes due 2029 were issued by Celestial Dynasty Limited and listed on the Hong Kong Stock Exchange at a price of 99.718% of the principal amount with gross proceeds of US$648.2 million (equivalent to approximately HK$5,066.3 million) and net proceeds of US$641.2 million (equivalent to approximately HK$5,012.9 million).

Save as disclosed above, 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 34 to the financial statements.

Equity-Linked Agreements

Save for the Share Option Scheme disclosed in the section headed "Share Option Scheme" below and note 31 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 2019 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 provide 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 2019 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 Ma Siu Cheung *(Chief Executive Officer)*	(appointed on 9 July 2018 and became Chief Executive Officer on 1 January 2019)
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 Mak Bing Leung, Rufin	(resigned on 13 September 2018)

Non-executive directors

Mr To Hin Tsun, Gerald	
Mr Dominic Lai	
Mr Tsang Yam Pui	(re-designated as a non-executive director on 1 January 2019)
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 Cheng Chi Ming, Brian, Mr Tsang Yam Pui, Mr Kwong Che Keung, Gordon, Mr Shek Lai Him, Abraham and Mrs Oei Fung Wai Chi, Grace will retire by rotation at the 2019 AGM, and being eligible, will offer themselves for re-election at the meeting.

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 Listing Rules 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
	NWD group of companies	Investment in healthcare and development and operation of sports park complex	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 2019, 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 30.06.2019
	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	0.776%
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%
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 01.07.2018	Granted during the year	Exercised during the year	Reclassified during the year	Balance as at 30.06.2019	Exercise price per share HK$
Dr Cheng Kar Shun, Henry	9 March 2015	(1)	7,420,739	–	–	–	7,420,739	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 Chow Tak Wing	9 March 2015	(1)	–	–	–	508,212[2]	508,212	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 Tsang Yam Pui	9 March 2015	(1)	3,710,368	–	(3,510,000)[3]	–	200,368	14.120
Mr Lam Wai Hon, Patrick	9 March 2015	(1)	2,740,368	–	(1,311,000)[4]	–	1,429,368	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)	889,922	–	(889,000)[5]	–	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 interest in the share options of Mr Chow Tak Wing, who was appointed as an executive director of the Company on 9 July 2018, was reclassified from eligible participant's interest to director's interest on the date of his appointment.

(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$15.495 per share.

(4) 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.

(5) 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$16.060 per share.

(6) 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:

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.07.2018	Granted during the year	Exercised during the year	Balance as at 30.06.2019	Exercise price per share HK$
Dr Cheng Kar Shun, Henry	10 June 2016	(1)	10,675,637	–	–	10,675,637	7.540
	3 July 2017	(2)	2,000,000	–	–	2,000,000	10.036

Notes:

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

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

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

(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:

Name	Amount of debentures in HK$: Personal interests	Family interests	Corporate interests	Total	Approximate percentage to the total amount of debentures in issue as at 30.06.2019
Mr William Junior Guilherme Doo	–	–	15,600,000 (Note)	15,600,000	0.123%

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$ Personal interests	Family interests	Corporate interests	Total	Approximate percentage to the total amount of debentures in issue as at 30.06.2019
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$ Personal interests	Family interests	Corporate interests	Total	Approximate percentage to the total amount of debentures in issue as at 30.06.2019
Mr William Junior Guilherme Doo	–	–	2,000,000 (Note)	2,000,000	0.067%

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 and US$500,000,000 6.25% guaranteed senior perpetual capital securities issued by NWD Finance (BVI) Limited, a fellow subsidiary of the Company. Details of his interest in such debentures are as follows:

	Amount of debentures in US$				
Name	Personal interests	Family interests	Corporate interests	Total	Approximate percentage to the total amount of debentures in issue as at 30.06.2019
Mr William Junior Guilherme Doo	–	–	5,310,000 (Note)	5,310,000	0.312%

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

Save as disclosed above, as at 30 June 2019, none of the directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Share Option Scheme was adopted at the annual general meeting of the Company held on 21 November 2011. Summary of the Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

Purpose of the Share Option 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 Share Option Scheme	Eligible participant may be a person or an entity belonging to any of the following classes: (i) any employee (whether full time or part time employee, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any invested entity ("Invested Entity") of the Group (the "Eligible Employee"); (ii) any non-executive director (including independent non-executive director) of the Group or any 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 Share Option 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 Share Option Scheme, which include certain adjustments made pursuant to the rules of the Share Option Scheme, up to the date of this report. The total number of shares available for issue under the Share Option Scheme is 284,910,064 shares, representing approximately 7.28% of the Company's total number of issued shares as at the date of this report.
Maximum entitlement of each participant under the Share Option 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 Share Option Scheme	The Share Option 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 2019, movement of share options granted by the Company under the Share Option 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 01.07.2018	Granted during the year	Exercised during the year[2]	Reclassified during the year	Lapsed during the year	Balance as at 30.06.2019	Exercise price per share HK$
9 March 2015	(1)	13,443,574	–	(8,921,398)	(508,212)[3]	(562,393)	3,451,571[4]	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$16.560 per share.

(3) The interest in the share options of Mr Chow Tak Wing, who was appointed as an executive director of the Company on 9 July 2018, was reclassified from eligible participant's interest to director's interest on the date of his appointment.

(4) Such balance includes interest in 2,047,649 share options of Eligible Employees and interest in 1,403,922 share options of a retired independent non-executive director.

(5) 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 2019, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Number of shares: Beneficial interests	Number of shares: Corporate interests	Number of shares: Total	Approximate percentage to the issued share capital of the Company as at 30.06.2019
Cheng Yu Tung Family (Holdings) Limited	–	2,477,530,362[(1)]	2,477,530,362	63.35%
Cheng Yu Tung Family (Holdings II) Limited	–	2,477,530,362[(2)]	2,477,530,362	63.35%
Chow Tai Fook Capital Limited	–	2,477,530,362[(3)]	2,477,530,362	63.35%
Chow Tai Fook (Holding) Limited	–	2,477,530,362[(4)]	2,477,530,362	63.35%
CTF Enterprises	97,034,424	2,380,495,938[(5)]	2,477,530,362	63.35%
NWD	1,588,468,276	792,027,662[(6)]	2,380,495,938	60.86%
Mombasa Limited	718,384,979	–	718,384,979	18.37%

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 of the Company held by Mombasa Limited. 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 2019.

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 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 2019, 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	36.5	180.0
Operational services by members of the CTF Enterprises Group to members of the Group	7.5	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 "2017 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 2019, 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	1,759.7	12,292.0
Operational services by members of the NWD Group to members of the Group	32.3	115.0

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 2017 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 2019, 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	1.7	41.0
Operational services by members of the Services Group to members of the Group	1,034.8	3,542.0

Connected Transactions (continued)

(4) On 7 March 2018, pursuant to the request of Hubei Suiyuenan Expressway, Xin Chuan, an indirect wholly owned subsidiary of the Company, agreed to provide a pledge over its 30% equity interest in Hubei Suiyuenan Expressway (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 Expressway 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 Expressway (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 Expressway 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 Expressway, Hubei Suiyuenan Expressway 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 Expressway 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.

On 13 December 2018, Xin Chuan executed a pledge agreement in favour of ICBC, Guangzhou Branch in relation to the provision of the Equity Pledge as security for the Loan in accordance with the Loan Agreement.

** For identification purposes only*

Connected Transactions (continued)

(5) On 28 December 2018, KTSPL, which was held as to 75% by New World Sports (a direct wholly owned subsidiary of NWD) and 25% by NWS Sports (an indirect wholly owned subsidiary of the Company), was awarded the DBO Contract at the total construction contract sum of HK$29.993 billion. The DBO Contract was executed by the government of Hong Kong (the "Government") and KTSPL on 29 January 2019.

On 28 December 2018, NWD, New World Sports, the Company and NWS Sports entered into a shareholders' agreement to regulate the respective rights and obligations of New World Sports and NWS Sports towards the operation and management of KTSPL for the purpose of jointly undertaking the Kai Tak Sports Park project (the "Project"). The estimated maximum funding commitment of NWS Sports in relation to KTSPL was approximately HK$0.5 billion (the "Funding Commitment").

New World Sports and NWS Sports had undertaken to provide a guarantee in favour of the Government to jointly and severally guarantee, as a primary obligation, the punctual, true and faithful performance and observance by KTSPL of the obligations and liabilities of KTSPL under the DBO Contract and any further related agreement (the "Guarantee").

A deed of counter-indemnity was entered into among New World Sports, NWD, NWS Sports and the Company on 10 August 2018 (the "Indemnity"), pursuant to which (i) New World Sports and NWD had agreed to indemnify the Group from all liabilities and claims suffered or incurred by the Group under the Guarantee or other guarantees provided for the obligations of KTSPL to the extent in excess of 25%; and (ii) NWS Sports and the Company had agreed to indemnify New World Group (except the Group) from all liabilities and claims suffered or incurred by the New World Group (except the Group) under the Guarantee or other guarantees provided for the obligations of KTSPL to the extent in excess of 75%.

Further, the Government had requested that a guarantee and an undertaking were provided by NWD in favour of the Government (the "NWD Guarantee") to, among other things, guarantee as a primary obligation the punctual, true and faithful performance and observance by KTSPL of the obligations and liabilities of KTSPL under the DBO Contract and any further related agreement. Meanwhile, another deed of counter-indemnity was entered into between the Company and NWD on 15 February 2019 (the "Further Counter-Indemnity") in relation to the provision of indemnity by the Company to NWD from all liabilities and claims suffered or incurred by NWD under the NWD Guarantee for the obligations of KTSPL to the extent proportionate to 25%.

As at 28 December 2018, NWD together with its subsidiaries held approximately 61% of the total issued share capital of the Company. New World Sports and KTSPL are subsidiaries of NWD. Accordingly, NWD, New World Sports and KTSPL were connected persons of the Company and KTSPL was a commonly held entity of the Company under Chapter 14A of the Listing Rules. The formation of KTSPL and the Funding Commitment, the provision of the Guarantee by NWS Sports for the obligations of KTSPL, the Indemnity and the Further Counter-Indemnity, constituted connected transactions of the Company under Chapter 14A of the Listing Rules. A waiver from compliance with the circular and independent shareholders' approval requirements in relation to the Guarantee and the Indemnity pursuant to Rule 14A.104 of the Listing Rules had been granted by the Hong Kong Stock Exchange.

Connected Transactions (continued)

(5) (continued)

On 28 January 2019, KTSPL and Hip Hing Engineering (an indirect wholly owned subsidiary of the Company) entered into a design and build management agreement, pursuant to which Hip Hing Engineering would provide design and build management services to KTSPL for the Project for a term exceeding three years. An independent financial adviser has opined that it is a normal business practice for agreements of this type to be of such duration. As KTSPL was a connected person of the Company under Chapter 14A of the Listing Rules, the provision of the design and build management services constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The provision of the design and build management services by Hip Hing Engineering to KTSPL is of a nature falling within the scope of operational services under the NWD Master Services Agreement mentioned in (2) above.

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 42 to the financial statements.

Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules

The information as required to disclose under Rules 13.20 and 13.22 of the Listing Rules in relation to the Company's advance to entities, and the financial assistance and guarantees to affiliated companies provided by the Company are as follows:

(a) Advance to entities

As at 30 June 2019, the Group has made advances to Goshawk Group in the aggregate amount of HK$7,888.3 million for financing its purchase of aircraft (including the acquisition of Sky Aviation). Such advances include the sum of HK$5,743.3 million due from Goshawk Group, which is interest free, unsecured and is repayable within the next 12 months from the end of the reporting period and a guarantee provided by the Group up to the amount of HK$2,145.0 million as security for a banking facility granted to the Goshawk Group (together, the "Advance to Goshawk Group"). These advances represent approximately 9.3% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

As at 30 June 2019, the Company and NWD, through their respective wholly owned subsidiaries, namely NWS Sports and New World Sports, provided guarantee in favour of the Government. Pursuant to the guarantee, NWS Sports and New World Sports jointly and severally guaranteed to the Government, as a primary obligation, the punctual, true and faithful performance and observance by KTSPL of the obligations, terms, conditions and liabilities to be performed, observed and assumed by KTSPL under the DBO Contract and any further agreement entered into between the Government and KTSPL in connection with the DBO Contract. NWS Sports, the Company, New World Sports and NWD have also entered into a deed of counter-indemnity, under which the Group's guarantee towards KTSPL is up to the extent of 25% and amounts to approximately HK$7.5 billion (the "Advance to KTSPL"). KTSPL, which is held as to 25% by NWS Sports and as to 75% by New World Sports, is an associated company of the Group. This advance represents approximately 8.8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

(b) Financial assistance and guarantees to affiliated companies

As at 30 June 2019, including the Advance to Goshawk Group and the Advance to KTSPL above, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK$11,590.3 million to its affiliated companies (included in the amounts disclosed in notes 20, 21 and 27 to the financial statements), guarantees given for bank loans and other credit facilities for the benefit of the affiliated companies and the guarantee towards KTSPL in the aggregate amount of HK$11,212.6 million (included in the amounts disclosed in note 40 to the financial statements) and contracted to provide the aggregate amount of HK$873.1 million in capital and/or loans to affiliated companies (included in the amounts disclosed in note 39 to the financial statements). The said amounts, in aggregate, represent approximately 27.9% 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.

Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules (continued)

(b) Financial assistance and guarantees to affiliated companies (continued)

The advances are unsecured, interest free and have no definite repayment terms except for (i) an amount of HK$104.7 million which carries interest at 8% per annum; (ii) an amount of HK$12.8 million which carries interest at Hong Kong prime rate; (iii) an aggregate 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$280.8 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$227.3 million which carries interest at 90% of over-five-year Renminbi benchmark lending rate published by the People's Bank of China and is not repayable within the next 12 months from the end of the reporting period; (vi) an amount of HK$110.4 million which carries interest at one-to-five-year Renminbi benchmark lending rate published by the People's Bank of China and is not repayable within the next 12 months from the end of the reporting period; (vii) an amount of HK$793.8 million which carries interest at 1-month HIBOR plus a margin of 1.025% per annum and is not repayable within the next 12 months from the end of the reporting period; (viii) an amount of HK$18.1 million which carries interest at 4% per annum; and (ix) an aggregate amount of HK$5,743.3 million which is interest free and is repayable within the next 12 months from the end of the reporting period. The advances also include an 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 2019 are presented as follows:

	Proforma combined statement of financial position HK$'m	The Group's attributable interest HK$'m
Non-current assets	93,814.8	45,973.4
Current assets	12,183.3	4,660.9
Current liabilities	(24,646.9)	(12,532.7)
Non-current liabilities	(61,711.0)	(29,821.3)
	19,640.2	8,280.3

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 2019.

Employees and Remuneration Policies

As at 30 June 2019, approximately 27,700 staff were employed by entities under the Group's management of which approximately 10,000 staff were employed in Hong Kong. Total staff related costs, including provident funds, staff bonus and deemed share option benefit but excluding directors' remunerations during FY2019 were HK$4.463 billion (2018: HK$5.216 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

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 235 and 236.

Auditor

The financial statements for the year ended 30 June 2019 have been audited by PricewaterhouseCoopers, who will retire at the 2019 AGM and, being eligible, will offer themselves for re-appointment at the meeting.

On behalf of the Board

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 24 September 2019

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 (the "Group") set out on pages 126 to 234, which comprise:

- the consolidated statement of financial position as at 30 June 2019;
- 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 2019, 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.

Key Audit Matters (continued)

The key audit matters identified in our audit relates to (i) impairment of the Group's interests in associated companies and joint ventures and (ii) fair value measurement of unlisted financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Key Audit Matters	How our audit addressed the Key Audit Matters
(i) Impairment of the Group's interests in associated companies and joint ventures (Refer to notes 6, 20, 21 to the consolidated financial statements) As at 30 June 2019, the carrying values of the Group's interests in associated companies and joint ventures amounted to HK$14,552 million and HK$13,645 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 associated companies and joint ventures engaging in resources and infrastructure related businesses with carrying amounts of approximately HK$851 million and approximately HK$1,149 million respectively where relevant impairment indicators existed at the end of the reporting period. For the above-mentioned businesses, management estimated the recoverable amounts of the underlying assets, being the 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, exchange rate and discount rates. Independent external valuer was involved in certain value in use assessments, where management believed necessary. Based on the results of these impairment assessments, the Group considered no further impairment is required in respect of the carrying values of the Group's interests in these associated companies and joint ventures. As the impairment assessments involve significant judgement and estimates, we regard these as a key audit matter.	Our procedures in assessing the management's judgement and estimates for the impairment assessments of the Group's interests in associated companies and joint ventures included: • We evaluated the competence, capabilities and objectivity of the independent external valuer; • 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; and • 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. Based on the procedures performed, we found management's impairment assessments relating to the Group's interests in associated companies and joint ventures 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 financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss
 	
(Refer to notes 6, 22 and 23 to the consolidated financial statements)
 	
As at 30 June 2019, the Group's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which were carried at fair value amounted to HK$2,125 million and HK$4,300 million respectively, of which an aggregate amount of HK$4,620 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 unlisted investments 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.
	Our procedures on assessing management's judgement in respect of the fair value measurement of unlisted investment funds or equity and debt securities included:
	
	• We evaluated and tested management's control procedures in relation to fair value measurement of unlisted investment funds or equity and debt securities;
	
	• 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; and
	
	  • For investments in unlisted equity and debt securities without recent transactions, we evaluated the competence, capabilities and objectivity of the independent valuer, where appropriate. 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, where appropriate.

Key Audit Matters (continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
(ii) Fair value measurement of unlisted financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss (continued) 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.	Based on the procedures performed above, we found management's fair value measurement of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss 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.

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

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, 24 September 2019

Consolidated Income Statement

For the year ended 30 June

	Note	2019 HK$'m	2018 HK$'m
Revenue	7	**26,833.5**	35,114.8
Cost of sales		**(23,790.5)**	(31,331.6)
Gross profit		**3,043.0**	3,783.2
Other income/gains (net)	8	**1,029.6**	2,809.4
General and administrative expenses		**(1,417.7)**	(1,466.4)
Operating profit	9	**2,654.9**	5,126.2
Finance costs	11	**(452.2)**	(348.0)
Share of results of			
Associated companies	7(b)	**759.3**	756.2
Joint ventures	7(b)	**1,948.5**	1,331.2
Profit before income tax		**4,910.5**	6,865.6
Income tax expenses	12	**(651.8)**	(745.0)
Profit for the year		**4,258.7**	6,120.6
Profit attributable to			
Shareholders of the Company		**4,043.2**	6,068.8
Holders of perpetual capital securities		**186.9**	–
Non-controlling interests		**28.6**	51.8
		4,258.7	6,120.6
Earnings per share attributable to			
the shareholders of the Company	14		
Basic and diluted		**HK$1.04**	HK$1.56

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	2019 HK$'m	2018 HK$'m
Profit for the year	**4,258.7**	6,120.6
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss		
Fair value changes on financial assets at fair value through other comprehensive income	**(391.8)**	–
Remeasurement of post-employment benefit obligation	**(8.3)**	24.7
Revaluation of property, plant and equipment upon transfer to investment properties	**–**	26.4
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Fair value changes on available-for-sale financial assets	**–**	(1,085.1)
Release of reserve upon disposal of available-for-sale financial assets	**–**	2.7
Release of reserves upon reclassification of an associated company to an available-for-sale financial asset	**–**	53.6
Release of reserve upon disposal of subsidiaries	**0.1**	–
Release of reserve upon deregistration of subsidiaries	**–**	(60.6)
Release of reserve upon return of registered capital of a subsidiary	**–**	(22.5)
Release of reserves upon disposal/partial disposal of interests in associated companies	**(57.1)**	46.6
Share of other comprehensive income of associated companies and joint ventures	**88.1**	1.4
Cash flow hedges in relation to the Group and joint ventures	**(543.2)**	83.9
Currency translation differences	**(1,553.5)**	1,194.4
Other comprehensive (loss)/income for the year, net of tax	**(2,465.7)**	265.5
Total comprehensive income for the year	**1,793.0**	6,386.1
Total comprehensive income attributable to		
Shareholders of the Company	**1,582.7**	6,346.8
Holders of perpetual capital securities	**186.9**	–
Non-controlling interests	**23.4**	39.3
	1,793.0	6,386.1

Consolidated Statement of Financial Position

As at 30 June

	Note	**2019 HK$'m**	2018 HK$'m
ASSETS			
Non-current assets			
Investment properties	16	**1,726.5**	1,693.3
Property, plant and equipment	17	**5,413.4**	5,370.3
Intangible concession rights	18	**10,060.8**	11,491.9
Intangible assets	19	**718.7**	753.6
Associated companies	20	**14,552.3**	13,763.0
Joint ventures	21	**13,645.1**	15,008.3
Financial assets at fair value through other comprehensive income	22	**2,125.1**	–
Financial assets at fair value through profit or loss	23	**4,300.0**	–
Available-for-sale financial assets	3a(iii), 24	**–**	6,556.6
Other non-current assets	25	**4,037.9**	870.4
		56,579.8	55,507.4
Current assets			
Inventories	26	**428.6**	461.9
Trade and other receivables	27	**13,997.7**	12,148.7
Cash and bank balances	28	**15,058.9**	6,656.6
		29,485.2	19,267.2
Assets held-for-sale	29	**–**	3,364.0
Total assets		**86,065.0**	78,138.6
EQUITY			
Share capital	31	**3,911.1**	3,896.5
Reserves	32	**45,134.9**	46,053.5
Shareholders' funds		**49,046.0**	49,950.0
Perpetual capital securities	33	**8,039.8**	–
Non-controlling interests		**160.8**	173.8
Total equity		**57,246.6**	50,123.8

	Note	2019 HK$'m	2018 HK$'m
			As at 30 June
LIABILITIES			
Non-current liabilities			
Borrowings	34	**12,666.1**	9,139.6
Deferred tax liabilities	35	**2,262.2**	2,490.2
Other non-current liabilities	36	**161.0**	176.9
		15,089.3	11,806.7
Current liabilities			
Borrowings	34	**2,403.3**	1,035.0
Trade and other payables	37	**10,842.6**	11,384.2
Taxation		**483.2**	575.8
		13,729.1	12,995.0
Liabilities directly associated with assets held-for-sale	29	**–**	3,213.1
Total liabilities		**28,818.4**	28,014.8
Total equity and liabilities		**86,065.0**	78,138.6

Dr Cheng Kar Shun, Henry
Director

Mr Ma Siu Cheung
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

HK$'m	Note	Shareholders' funds: Share capital	Share premium	Revenue reserve	Other reserves	Total	Perpetual capital securities	Non-controlling interests	Total
At 30 June 2018		3,896.5	17,629.5	27,518.3	905.7	49,950.0	–	173.8	50,123.8
Impact on initial adoption of HKFRS 9	3(a)(iii)	–	–	414.0	(104.0)	310.0	–	–	310.0
At 1 July 2018, restated		3,896.5	17,629.5	27,932.3	801.7	50,260.0	–	173.8	50,433.8
Total comprehensive income for the year		–	–	3,364.1	(1,781.4)	1,582.7	186.9	23.4	1,793.0
Contributions by/(distribution to) owners									
Dividends paid to									
Shareholders of the Company		–	–	(2,927.3)	–	(2,927.3)	–	–	(2,927.3)
Non-controlling interests		–	–	–	–	–	–	(36.4)	(36.4)
Share options									
Nominal value of new shares issued		14.6	–	–	–	14.6	–	–	14.6
Share premium on new shares issued		–	192.0	–	–	192.0	–	–	192.0
Issuance of perpetual capital securities		–	–	–	–	–	7,852.9	–	7,852.9
Transaction costs in relation to the issuance of perpetual capital securities		–	–	(76.0)	–	(76.0)	–	–	(76.0)
Transfer		–	–	(2.4)	2.4	–	–	–	–
Total transactions with owners		14.6	192.0	(3,005.7)	2.4	(2,796.7)	7,852.9	(36.4)	5,019.8
At 30 June 2019		3,911.1	17,821.5	28,290.7	(977.3)	49,046.0	8,039.8	160.8	57,246.6

For the year ended 30 June 2018

HK$'m	Shareholders' funds: 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 Cash Flows

For the year ended 30 June

	Note	2019 HK$'m	2018 HK$'m
Cash flows from operating activities			
Net cash generated from operations	41(a)	**3,043.3**	5,159.1
Finance costs paid		**(331.4)**	(250.4)
Interest received		**284.5**	171.6
Hong Kong profits tax paid		**(229.7)**	(184.8)
Mainland China and overseas taxation paid		**(650.0)**	(466.7)
Net cash generated from operating activities		**2,116.7**	4,428.8
Cash flows from investing activities			
Dividends received from associated companies		**484.5**	541.6
Dividends received from joint ventures		**1,887.7**	1,845.3
Increase in investments in and advances to associated companies		**(1,218.9)**	(127.0)
Increase in investments in and advances to joint ventures		**(1,638.7)**	(977.1)
Deposits paid for acquisition of a subsidiary		**(3,120.0)**	–
Disposal of subsidiaries, net of cash disposed	41(c)	**153.5**	–
Disposal/partial disposal of associated companies		**86.8**	2,331.3
Additions of intangible concession rights and property, plant and equipment		**(647.6)**	(536.4)
Additions of financial assets at fair value through profit or loss		**(1,613.3)**	–
Additions of available-for-sale financial assets		**–**	(1,903.1)
Disposal of financial assets at fair value through other comprehensive income		**1,012.8**	–
Disposal of financial assets at fair value through profit or loss		**756.9**	–
Disposal of available-for-sale financial assets and a financial asset at fair value through profit or loss		**–**	248.9
Disposal of intangible concession rights and property, plant and equipment		**59.7**	15.9
Disposal of assets held-for-sale		**168.0**	–
Dividends received from financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss		**113.7**	–
Dividends received from available-for-sale financial assets		**–**	63.9
(Increase)/decrease in short-term bank deposits maturing after more than three months		**(0.7)**	3.6
Net cash (used in)/from investing activities		**(3,515.6)**	1,506.9

For the year ended 30 June

	Note	**2019 HK$'m**	2018 HK$'m
Cash flows from financing activities			
Issuance of new shares from share options exercised		**206.6**	115.9
Proceeds from issuance of perpetual capital securities, net of transaction costs	33	**7,776.9**	–
Issuance of fixed rate bonds	41(d)	**5,012.9**	–
New bank loans and other borrowings	41(d)	**3,116.4**	1,395.9
Repayment of bank loans and other borrowings	41(d)	**(3,275.0)**	(952.4)
Capital repayment to non-controlling interests		**–**	(52.0)
Decrease in loan from non-controlling interests	41(d)	**(2.7)**	(9.1)
Dividends paid to shareholders of the Company		**(2,927.3)**	(5,569.8)
Dividends paid to non-controlling interests		**(36.4)**	(43.0)
Net cash from/(used in) financing activities		**9,871.4**	(5,114.5)
Net increase in cash and cash equivalents		**8,472.5**	821.2
Cash and cash equivalents at the beginning of year		**6,643.2**	6,436.8
Currency translation differences		**(70.3)**	38.7
Cash and cash equivalents at the end of year		**15,045.4**	7,296.7
Analysis of cash and cash equivalents			
Cash and bank balances	28	**15,058.9**	6,656.6
Short-term bank deposits maturing after more than three months	28	**(13.5)**	(13.4)
		15,045.4	6,643.2
Cash and bank balances of subsidiaries reclassified as assets held-for-sale	29	**–**	653.5
		15,045.4	7,296.7

Notes to the Financial Statements

1 General information

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

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

(a) the development of, investment in and/or operation of roads, commercial aircraft leasing and construction; and

(b) the investment in and/or operation of environmental and logistic projects, facilities and transport.

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 24 September 2019.

2 Basis of preparation

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

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 new standard, amendments to standards and interpretation

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

HKFRS 9	Financial Instruments
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 15 (Amendments)	Clarification to HKFRS 15
HKAS 40 (Amendments)	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
HKFRSs Amendments	Annual Improvements to HKFRSs 2014–2016 Cycle

Except for HKFRS 9 as detailed in notes 2(b) and 3 below, the adoption of the above amendments to standards and interpretation has no material effect on the results and financial position of the Group.

2 Basis of preparation (continued)

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

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

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

The Group adopted transitional provisions which do not require to restate comparative figures. The reclassifications and adjustments arising from implementation of new standard are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognized in the opening consolidated statement of financial position as at 1 July 2018. Details of the change in accounting policy are set out in note 3.

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

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

HKFRS 16	Leases
HKFRS 17	Insurance Contracts
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKAS 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
HKAS 1 and HKAS 8 (Amendments)	Amendments to Definition of Material
HKFRSs Amendments	Annual Improvements to HKFRSs 2015–2017 Cycle
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

2 Basis of preparation (continued)

(c) Standards, amendments to standards and interpretation 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 interpretation, in which the preliminary assessment of HKFRS 16 "Leases" ("HKFRS 16") is detailed below.

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the statements of financial position for lessees. The Group is a lessee of certain premises and properties which are currently classified as operating leases. HKFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee, almost all leases should be recognized in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation). Short-term leases of less than 12 months and leases of low-value assets are exempt from the reporting obligation.

The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated income statement, straight-line depreciation expenses on the right-of-use assets and the interest expenses on the financial liabilities are recognized and no rental expenses will be recognized. The combination of a straight-line depreciation of the right-of-use assets and the effective interest rate method applied to the financial liabilities will result in a higher total charge to consolidated income statement in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

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

The Group is considering to elect the modified retrospective approach upon the initial adoption. Under the modified retrospective approach, comparative information for prior periods is not restated and the Group will recognize the cumulative effect of initially applying the guidance as an adjustment to the opening balance of the consolidated statement of financial position in the year of adoption commencing on 1 July 2019.

The Group has already commenced an assessment of the impact of other new standard, amendments to standards and interpretation, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

3 Change in accounting policy

As explained in note 2(b) above, the Group has adopted HKFRS 9 which resulted in change in accounting policy used in the preparation of the consolidated financial statements. As allowed in the transitional provision in HKFRS 9 (2014), comparative figures are not restated.

(a) Investments and other financial assets

(i) Classification and measurement at initial recognition

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

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

(ii) Subsequent measurement

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

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

3 Change in accounting policy (continued)

(a) Investments and other financial assets (continued)

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

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

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

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

(b) Impairment of financial assets

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

(c) Hedging

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

4 Significant accounting policies

The significant 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.

4 Significant accounting policies (continued)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

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.

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.

4 Significant accounting policies (continued)

(a) Consolidation (continued)

(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.

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. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associated companies at the date of 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.

4 Significant accounting policies (continued)

(a) Consolidation (continued)

(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.

(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.

4 Significant accounting policies (continued)

(a) Consolidation (continued)

(iii) Joint arrangements (continued)

(2) Joint ventures (continued)

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.

- 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.

4 Significant accounting policies (continued)

(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.

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 assets 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.

4 Significant accounting policies (continued)

(c) Intangible assets (continued)

(iii) Intangible concession rights (continued)

Amortization of intangible concession rights is calculated to write off their costs, where applicable, on an economic usage basis for roads 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.

(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.

4 Significant accounting policies (continued)

(d) Revenue recognition (continued)

(i) Toll revenue

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

(ii) Service fee income

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

(iii) Rental income

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

(iv) 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.

(v) 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.

(vi) Fare revenue

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

(vii) Advertising income

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

(viii) 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.

(ix) Dividend income

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

4 Significant accounting policies (continued)

(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.

(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.

4 Significant accounting policies (continued)

(g) Investment properties (continued)

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.

(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.

4 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

(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.

(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) Investments and other financial assets

Accounting policy applied before 1 July 2018

The Group classifies its investments 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 investments at initial recognition depending on the purpose for which the investments are acquired.

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

The Group classifies financial assets held for trading and those designated as at fair value through profit or loss at inception under certain circumstances as financial assets at fair value through profit or loss. 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. They are presented as current assets if they are expected to be settled within 12 months after the end of the reporting period; 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 or 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(n).

4 Significant accounting policies (continued)

(j) Investments and other financial assets (continued)

Accounting policy applied before 1 July 2018 (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified into any of the other categories.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Regular purchases and sales of financial assets are recognized on 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 financial assets 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 and held-to-maturity investments are carried at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 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 on monetary financial assets are recognized in the consolidated income statement; translation differences on non-monetary financial assets are recognized in other comprehensive income.

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 quoted bid prices at the end of the reporting period. If the market for a financial asset is 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.

4 Significant accounting policies (continued)

(j) Investments and other financial assets (continued)

Accounting policy applied from 1 July 2018

(i) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

4 Significant accounting policies (continued)

(j) Investments and other financial assets (continued)

Accounting policy applied from 1 July 2018 (continued)

(iii) Measurement (continued)

(1) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

Financial assets at fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses and impairment loss are presented in other gains and losses.

Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the income statement within other gains/(losses) in the period in which it arises.

(2) Equity instruments

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

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gain/(losses) in the income statement. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

4 Significant accounting policies (continued)

(k) Impairment of financial assets

Accounting policy applied before 1 July 2018

(i) Assets carried at amortized cost

Assets 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.

(ii) Assets classified as available-for-sale

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.

Accounting policy applied from 1 July 2018

The Group's trade and other receivables are subject to HKFRS 9 expected credit loss model. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 5(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach for provision for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables and contract assets.

4 Significant accounting policies (continued)

(l) 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.

(m) 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 to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in notes 27, 36 and 37. Movements in the hedging reserve in shareholders' equity are shown in note 32. 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; it is classified 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.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognized within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognized within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the cash flow hedge reserve within equity.

4 Significant accounting policies (continued)

(m) Derivative financial instruments and hedging activities (continued)

(i) Cash flow hedges that qualify for hedge accounting (continued)

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset, both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss.

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognized in profit or loss at the same time as the interest expense on the hedged borrowings.

- When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the consolidated income statement.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the consolidated income statement.

(n) 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 receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. The Group's impairment policies are further described in notes 4(k) and 5(b).

(o) 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.

4 Significant accounting policies (continued)

(p) Contracts related 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 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 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.

(q) 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.

(r) 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.

(s) 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.

4 Significant accounting policies (continued)

(t) 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.

(u) Share capital and perpetual capital securities

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.

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

(v) 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.

4 Significant accounting policies (continued)

(w) 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.

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.

(x) 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.

4 Significant accounting policies (continued)

(y) 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.

Changes in the fair value of debt securities denominated in foreign currency classified as FVPL or FVOCI 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 FVOCI, 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:

(1) 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;

(2) 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

(3) 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 Significant accounting policies (continued)

(y) 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.

(z) 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.

(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.

4 Significant accounting policies (continued)

(z) Employee benefits (continued)

(iv) Defined benefit plans (continued)

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.

(aa) 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(x) 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.

(ab) 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.

4 Significant accounting policies (continued)

(ab) Segment reporting (continued)

Segment assets consist primarily of property, plant and equipment, investment properties, intangible concession rights, intangible assets, financial assets at FVOCI, financial assets at FVPL, 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.

(ac) 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.

(ad) 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 FVPL 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.

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 (2018: 100 basis points) higher/lower with all other variables held constant, the Group's profit for the year would have been HK$18.9 million higher/lower (2018: HK$49.1 million lower/higher) respectively.

5 Financial risk management and fair value estimation (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

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 2019, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in United States dollar of HK$13,563.1 million (2018: HK$5,085.0 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 2019, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Renminbi of HK$574.6 million (2018: HK$595.0 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 (2018: HK$28.7 million) lower/higher respectively.

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 2019 and 30 June 2018 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.

5 Financial risk management and fair value estimation (continued)

(a) Market risk (continued)

(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 FVOCI and FVPL 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 2019, if the price of listed and unlisted equity investments, classified as financial assets at FVOCI (note 22) and financial assets at FVPL (note 23) had been 25% higher/lower with all other variables held constant, the Group's FVOCI reserve would have been HK$531.3 million higher/lower and profit for the year would have been HK$1,075.0 million higher/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.

(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 with banks are mainly placed with high-credit-quality financial institutions and the balances are considered to be of low credit risk. Debt securities are limited to financial institutions or investment counterparty with high quality.

For trade receivables and contract assets in relation to provision of services and infrastructure operations, no significant loss allowance had been provided under lifetime expected credit loss assessment with reference to the historical credit loss experience with counterparties and ageing analysis, adjusted for forward-looking factors specific to the counterparties and the economic environment. There is no concentration of credit risk with respect to trade receivables and contract assets from third party customers as 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 joint control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

Impairment on financial assistance provided to associated companies and joint ventures, other receivables and other non-current assets is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition, through the management's critical assessment on the recoverable amounts based on underlying assets, historical repayment pattern, the actual and expected changes in business performance and general market default rate. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses.

5 Financial risk management and fair value estimation (continued)

(b) Credit risk (continued)

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 loss 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 (including financing for the Group's capital commitments as detailed in note 39). The directors of the Company are of the view that the Group has sufficient resources to meet the Group's commitments and liabilities as and when they fall due.

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 flows.

At 30 June 2019

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	37	933.7	933.7	933.4	0.3	–
Retention money payables and other payables		8,150.7	8,150.7	6,066.3	2,084.4	–
Amounts due to non-controlling interests	37	149.9	149.9	149.9	–	–
Amounts due to associated companies	37	64.7	64.7	64.7	–	–
Amounts due to joint ventures	37	0.8	0.8	0.8	–	–
Borrowings and contracted interest payment	34	15,069.4	18,067.5	2,901.8	9,085.9	6,079.8
Loans from non-controlling interests	36	34.5	34.5	–	34.5	–

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)	24.2	24.0	0.2

5 Financial risk management and fair value estimation (continued)

(c) Liquidity risk (continued)

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	37	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	37	191.3	191.3	191.3	–	–
Amounts due to associated companies	37	37.6	37.6	37.6	–	–
Amounts due to joint ventures	37	0.2	0.2	0.2	–	–
Borrowings and contracted interest payment	34	10,174.6	10,778.3	1,297.3	8,879.2	601.8
Loans from non-controlling interests	36	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

(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. In order to maintain or adjust the capital structure, the Group may issue or repurchase shares, issue perpetual capital securities or raise new debt financing.

5 Financial risk management and fair value estimation (continued)

(d) Capital management (continued)

The net gearing ratios at 30 June were as follows:

	Note	**2019** **HK$'m**	2018 HK$'m
Total borrowings	34	**(15,069.4)**	(10,174.6)
Add: Cash and bank balances	28	**15,058.9**	6,656.6
Net debt		**(10.5)**	(3,518.0)
Total equity		**57,246.6**	50,123.8
Net gearing ratio		**0%**	7%

The decrease of net debt as at 30 June 2019 was primarily resulted from the proceeds from the issuance of perpetual capital securities, operating cash inflows and dividends received, net of deposits paid for acquisition of a subsidiary, investments/advances to joint ventures and associated companies and payment of dividends.

(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 financial assets at FVOCI and financial assets at FVPL 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 2019:

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI				
Equity securities	**1,805.3**	**319.8**	**–**	**2,125.1**
Financial assets at FVPL				
Equity securities	**–**	**117.0**	**311.0**	**428.0**
Debt securities				
Investment funds	**–**	**–**	**2,243.0**	**2,243.0**
Others	**0.1**	**1,348.2**	**280.7**	**1,629.0**
Derivative financial instruments	**–**	**40.0**	**–**	**40.0**
	1,805.4	**1,825.0**	**2,834.7**	**6,465.1**
Liabilities				
Derivative financial instruments	**–**	**(24.8)**	**(7.3)**	**(32.1)**

At 30 June 2018:

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVPL				
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)

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/transfers in Level 3 financial instruments for the year ended 30 June 2019:

HK$'m	Available-for-sale financial assets	Financial assets at FVOCI	Financial assets at FVPL	Derivative financial liabilities
At 30 June 2018	1,413.9	–	–	(13.1)
Impact on initial adoption HKFRS 9	(1,413.9)	317.3	1,406.6	–
At 1 July 2018, restated	–	317.3	1,406.6	(13.1)
Transfer (to)/from Level 2	–	(317.3)	459.8	–
Translation differences	–	–	(7.9)	–
Additions	–	–	1,554.7	–
Disposals	–	–	(756.8)	–
Net gain recognized in the consolidated income statement	–	–	178.3	5.8
At 30 June 2019	–	–	2,834.7	(7.3)

The following table presents the changes/transfers in Level 3 financial 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)	–
Gain recognized in the consolidated income statement	–	–	5.8
At 30 June 2018	1,413.9	–	(13.1)

Level 3 financial instruments comprise investment funds, unlisted debt and equity securities. Fair values of the investment funds are mainly determined based on the net asset value, representing the fair value of the funds reported by respective fund managers and relevant factors if deemed necessary. Fair value of unlisted debt and equity securities 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. Recent transaction prices, if any, are referenced or independent external valuer is involved, where appropriate, to determine the fair value.

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.

The Group holds approximately 15% 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 2019, the Group's share of market value of Tharisa's shares amounting to approximately HK$450 million on average, is lower than its carrying value of approximately HK$851 million. 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 with assistance from independent external Valuer. The estimated cash flows used in the assessment are based on assumptions, such as revenue growth rate, metal price, production volume, exchange rate and discount rate. Long term metal price annual growth of 2.8% 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 2019.

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, any increase in the risk premium or any decrease in the metal price for the first five projection years with other variables remain constant, if adopted, would result in decrease in the recoverable amount as determined by the value in use calculation.

In relation to the Group's investments in joint ventures which operate Guangzhou City Nansha Port Expressway and Guangzhou Dongxin Expressway with aggregate carrying value of approximately HK$1,149 million as at 30 June 2019, management has carried out an updated assessment on the carrying value using a discounted cash flow method. In preparing the assessment, management has taken into consideration certain key assumptions such as future traffic and toll income growth with reference to the prevailing market condition and latest business plan as well as discount rate. Based on the assessment, there was no further impairment for the Group's investments in both expressways as at 30 June 2019.

6 Critical accounting estimates and judgements (continued)

(b) Fair value of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss

The fair value of financial assets at FVOCI and financial assets at FVPL that are not traded in an active market is determined by using valuation techniques as detailed in note 5(e)(iv). The Group uses its judgement to select a variety of methods and determine the fair values primarily based on the purchase price paid by the Group, net asset value and taking into account of the analysis of the investees' financial trends and results, risk profile, prospects, industry trends and other factors. Recent transaction prices, if any, are referenced and independent external valuer has been involved in determining fair value of certain unlisted investments. The key assumptions adopted on projected cashflow are based on management's best estimates.

(c) 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.

(d) 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.

(e) 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. Independent external valuer has been involved in impairment assessment of goodwill allocated to the transport business. The assumptions used are highly judgemental, and heavily dependent on the discount rate and projected fare revenue. For example, if the discount rate increases by 2.8%, or the projected fare revenue decreases by 2.5% 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 carrying value of the transport business.

The loss allowances for financial assets at amortized cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

6 Critical accounting estimates and judgements (continued)

(f) 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 external 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.

At 30 June 2019, if the market value of investment properties had been 5% (2018: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK$86.3 million (2018: HK$84.7 million) higher/lower respectively.

7 Revenue and segment information

The Group's revenue is analyzed as follows:

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

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the businesses of the Group from product and service perspectives, which comprised (i) Roads; (ii) Aviation; (iii) Construction; (iv) Environment; (v) Logistics; (vi) Facilities Management; (vii) Transport; and (viii) Strategic Investments. In prior years, Construction and Transport were grouped as one segment.

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

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

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

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

(i) The amounts represented 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).

(ii) The amount represented share of impairment losses in relation to the Group's interests in three joint ventures as detailed in note 21(a).

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

7 Revenue and segment information (continued)

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

HK$'m	Associated companies 2019	Associated companies 2018	Joint ventures 2019	Joint ventures 2018
Attributable operating profit	**759.4**	841.1	**1,928.5**	1,929.7
Corporate and non-operating items				
Gain on fair value of derivative financial instruments (note 8)	**–**	(80.5)	**–**	–
Impairment losses (note 21(a))	**–**	–	**–**	(600.0)
Others	**(0.1)**	(4.4)	**20.0**	1.5
Share of results of associated companies and joint ventures	**759.3**	756.2	**1,948.5**	1,331.2

(c) Information by geographical areas:

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

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

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

HK$'m	Note	Associated companies 2019	Associated companies 2018	Joint ventures 2019	Joint ventures 2018
Hong Kong		**2,924.3**	2,964.1	**729.2**	854.6
Mainland China		**1,927.4**	2,043.2	**8,095.0**	9,725.2
Macau		**609.4**	567.1	**–**	–
Global and others		**587.3**	636.0	**5,572.3**	4,384.5
	20(j), 21(f)	**6,048.4**	6,210.4	**14,396.5**	14,964.3

8 Other income/gains (net)

	Note	2019 HK$'m	2018 HK$'m
Profit on disposal of subsidiaries	41(b)	**140.1**	–
Net gain on fair value of financial assets at FVPL		**117.9**	–
Profit on disposal of an associated company		**83.0**	–
Profit on disposal of assets held-for-sale	29	**67.6**	–
Profit on disposal of financial assets at FVPL		**60.4**	–
Gain on fair value of investment properties	16	**33.7**	93.6
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company		**–**	1,095.5
Gain on fair value of derivative financial instruments	7(b)	**–**	80.5
Profit on disposal of available-for-sale financial assets		**–**	48.7
Interest income		**310.0**	202.3
Other income		**180.3**	265.2
Dividend income		**92.1**	107.5
Net exchange (loss)/gain		**(1.3)**	132.3
(Loss)/profit on partial disposal of associated companies		**(54.2)**	783.8
		1,029.6	2,809.4

9 Operating profit

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

	Note	2019 HK$'m	2018 HK$'m
Crediting			
Gross rental income from investment properties		**61.0**	59.7
Less: outgoings		**(14.1)**	(14.3)
		46.9	45.4
Charging			
Auditors' remuneration		**20.8**	24.4
Cost of inventories sold		**2,269.6**	2,526.7
Cost of services rendered		**21,520.9**	28,804.9
Depreciation	17	**590.4**	570.3
Amortization of intangible concession rights	18	**859.0**	883.7
Amortization of intangible assets	19	**32.9**	33.0
Operating lease rental expenses – properties		**263.1**	272.9
Staff costs (including directors' emoluments (note 15))	10	**4,554.2**	5,266.2

10 Staff costs

(a) Staff costs

	Note	2019 HK$'m	2018 HK$'m
Wages, salaries and other benefits		**4,353.3**	5,045.1
Pension costs – defined contribution plans		**198.6**	218.6
Pension costs – defined benefits plans		**2.3**	2.5
	9	**4,554.2**	5,266.2

Directors' emoluments are included in staff costs.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2018: three) directors whose emoluments are reflected in note 15(a). The emoluments of the remaining one individual (2018: two) during the year are as follows:

	2019 HK$'m	2018 HK$'m
Fees	**0.1**	0.1
Basic salaries, allowances and other benefits	**12.0**	24.4
Employer's contribution to retirement benefits schemes	**0.6**	0.5
	12.7	25.0

10 Staff costs (continued)

(b) Five highest paid individuals (continued)

The emoluments of the individuals fell within the following band:

	Number of individual(s)	
	2019	2018
Emolument band (HK$)		
12,000,001–13,000,000	**1**	2

(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)	
	2019	2018
Emolument band (HK$)		
2,000,001–3,000,000	**1**	6
3,000,001–4,000,000	**1**	3
4,000,001–5,000,000	**–**	1
5,000,001–6,000,000	**1**	2
6,000,001–7,000,000	**1**	1
7,000,001–8,000,000	**–**	1
8,000,001–9,000,000	**–**	1

11 Finance costs

	2019 **HK$'m**	2018 HK$'m
Interest on borrowings	**339.1**	258.3
Interest on fixed rate bonds	**1.8**	–
Others	**111.3**	89.7
	452.2	348.0

12 Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2018: 12% to 25%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2018: 5% or 10%).

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

	Note	**2019 HK$'m**	2018 HK$'m
Current income tax			
Hong Kong profits tax		**237.6**	248.1
Mainland China and overseas taxation		**577.0**	583.3
Deferred income tax credit	35	**(162.8)**	(86.4)
		651.8	745.0

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

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

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:

	2019 HK$'m	2018 HK$'m
Profit before income tax	**4,910.5**	6,865.6
Excluding share of results of associated companies	**(759.3)**	(756.2)
Excluding share of results of joint ventures	**(1,948.5)**	(1,331.2)
	2,202.7	4,778.2
Calculated at a taxation rate of 16.5% (2018: 16.5%)	**363.4**	788.4
Effect of different taxation rates in other countries	**106.7**	129.9
Income not subject to taxation	**(146.9)**	(399.6)
Expenses not deductible for taxation purposes	**190.4**	126.3
Tax losses not recognized	**49.5**	12.2
Utilization of previously unrecognized tax losses	**(2.9)**	(6.7)
Withholding tax	**89.9**	93.2
(Over)/under-provisions in prior years	**(1.2)**	0.3
Others	**2.9**	1.0
Income tax expenses	**651.8**	745.0

13 Dividends

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

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

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

14 Earnings per share

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

The calculation of diluted earnings per share is as follows:

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

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

15 Benefits and interests of directors

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

	Note	**2019 HK$'m**	2018 HK$'m
Remunerations	(i)	**93.5**	64.8

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$'m	2019 Total HK$'m	2018 Total HK$'m
Dr Cheng Kar Shun, Henry	0.77	0.07	19.87	**20.71**	15.58
Mr Ma Siu Cheung**	0.22	0.07	7.69	**7.98**	–
Mr Cheung Chin Cheung	0.37	0.07	9.76	**10.20**	8.53
Mr Cheng Chi Ming, Brian	0.40	0.06	9.80	**10.26**	9.18
Mr Ho Gilbert Chi Hang**	0.14	0.05	7.68	**7.87**	–
Mr Chow Tak Wing**	0.16	0.05	9.13	**9.34**	–
Mr To Hin Tsun, Gerald	0.30	0.06	–	**0.36**	0.36
Mr Dominic Lai	0.43	0.09	–	**0.52**	0.52
Mr Tsang Yam Pui*	0.54	0.12	15.22	**15.88**	13.18
Mr Lam Wai Hon, Patrick	0.35	0.07	–	**0.42**	0.42
Mr William Junior Guilherme Doo	0.35	0.07	–	**0.42**	0.41
Mr Kwong Che Keung, Gordon	0.56	0.10	–	**0.66**	0.63
Dr Cheng Wai Chee, Christopher	0.47	0.10	–	**0.57**	0.56
Mr Shek Lai Him, Abraham	0.52	0.10	–	**0.62**	0.61
Mr Lee Yiu Kwong, Alan	0.43	0.09	–	**0.52**	0.52
Mrs Oei Fung Wai Chi, Grace	0.35	0.07	–	**0.42**	0.42
Mr Wong Kwai Huen, Albert**	0.15	0.04	–	**0.19**	–
Mr Mak Bing Leung, Rufin^	0.26	0.03	6.27	**6.56**	7.63
Mr Hui Hon Chung^^	–	–	–	**–**	6.27
	6.77	1.31	85.42	**93.50**	64.82

* Re-designated from executive director to non-executive director on 1 January 2019

** Appointed on 9 July 2018

^ Resigned on 13 September 2018

^^ Resigned on 1 November 2017

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)

(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 of 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 the year ended 30 June 2019, the approximate total contract sum was HK$1,036.5 million (2018: HK$1,366.9 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 2018		**1,648.0**	**30.9**	**14.4**	**1,693.3**
Fair value changes	8	**33.0**	**0.7**	**–**	**33.7**
Translation differences		**–**	**–**	**(0.5)**	**(0.5)**
At 30 June 2019		**1,681.0**	**31.6**	**13.9**	**1,726.5**

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

16 Investment properties (continued)

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 2019 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(f).

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.

(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.

16 Investment properties (continued)

(c) Significant unobservable inputs used to determine fair value

	Fair value at 30 June 2019 HK$'m	Fair value at 30 June 2018 HK$'m	Valuation methods	Unobservable inputs	**Range of unobservable inputs for 2019**	Range of unobservable inputs for 2018	Note
Commercial properties in Hong Kong	**1,681.0**	1,648.0	Income capitalization	Capitalization rate	**4.20%-5.20%**	4.20%-5.20%	(i)
				Average monthly rental	**HK$45–HK$478/sq.ft HK$3,640 per carpark space**	HK$44–HK$400/sq.ft HK$3,550 per carpark space	(ii)
Commercial properties in Macau	**31.6**	30.9	Income capitalization	Capitalization rate	**1.90%–2.95%**	1.90%–2.95%	(i)
				Average monthly rental	**HK$30.0–HK$33.8/sq.ft HK$3,500 per carpark space**	HK$29.2–HK$32.9/sq.ft HK$3,500 per carpark space	(ii)
Residential properties in Mainland China	**13.9**	14.4	Sales comparison	Property specific adjusting factor	**0.8–1.0**	0.8–1.0	(ii)
	1,726.5	1,693.3					

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 2018		1,359.6	2,363.9	85.4	3,586.0	7,394.9
Additions		–	180.1	160.4	307.1	647.6
Disposals		–	(36.0)	–	(24.3)	(60.3)
Disposal of subsidiaries	41(b)	–	(2.6)	–	–	(2.6)
Transfers		–	1.6	(103.8)	102.2	–
Translation differences		–	(7.9)	–	(0.1)	(8.0)
At 30 June 2019		1,359.6	2,499.1	142.0	3,970.9	7,971.6
Accumulated depreciation and impairment						
At 1 July 2018		113.4	1,446.6	–	464.6	2,024.6
Depreciation	9	62.1	206.5	–	321.8	590.4
Disposals		–	(34.1)	–	(16.3)	(50.4)
Disposal of subsidiaries	41(b)	–	(1.6)	–	–	(1.6)
Translation differences		–	(4.7)	–	(0.1)	(4.8)
At 30 June 2019		175.5	1,612.7	–	770.0	2,558.2
Net book value						
At 30 June 2019		1,184.1	886.4	142.0	3,200.9	5,413.4

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 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	29	–	(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	29	–	(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

The Group's interests in land use rights grouped under land and properties amounted to HK$185.6 million (2018: HK$192.1 million).

18 Intangible concession rights

	Note	**2019 HK$'m**	2018 HK$'m
Cost			
At beginning of year		**19,143.8**	18,482.7
Additions		**–**	3.5
Disposals		**(125.6)**	–
Translation differences		**(865.1)**	657.6
At end of year		**18,153.1**	19,143.8
Accumulated amortization and impairment			
At beginning of year		**7,651.9**	6,546.5
Amortization	9	**859.0**	883.7
Disposals		**(64.5)**	–
Translation differences		**(354.1)**	221.7
At end of year		**8,092.3**	7,651.9
Net book value			
At end of year		**10,060.8**	11,491.9

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.

19 Intangible assets

HK$'m	Note	**Goodwill**	**Operating right and others**	**Total**
Cost				
At 1 July 2018		**424.0**	**636.4**	**1,060.4**
Disposals		**(2.0)**	**–**	**(2.0)**
At 30 June 2019		**422.0**	**636.4**	**1,058.4**
Accumulated amortization and impairment				
At 1 July 2018		**15.4**	**291.4**	**306.8**
Amortization	9	**–**	**32.9**	**32.9**
At 30 June 2019		**15.4**	**324.3**	**339.7**
Net book value				
At 30 June 2019		**406.6**	**312.1**	**718.7**

19 Intangible assets (continued)

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

(a) Goodwill

A summary of the goodwill allocation to segment is presented below:

HK$'m	**Hong Kong**	**Mainland China**	**Total**
At 30 June 2019			
Roads	**–**	**9.9**	**9.9**
Transport	**396.7**	**–**	**396.7**
	396.7	**9.9**	**406.6**
At 30 June 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 segment, annual growth rates for revenue being 2%–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 9% was used to reflect specific risk relating to such business.

19 Intangible assets (continued)

(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	**2019 HK$'m**	2018 HK$'m
Group's share of net assets			
Listed shares – Hong Kong	(a)	**2,627.4**	2,303.2
Listed shares – Overseas	(a)	**850.6**	875.3
Unlisted shares	(b),(c),(d)	**7,810.0**	8,374.9
		11,288.0	11,553.4
Goodwill		**591.8**	390.2
Amounts receivable	(f)	**2,672.5**	1,819.4
	(e)	**14,552.3**	13,763.0

(a) As at 30 June 2019, the carrying amount represents the Group's investments in Wai Kee Holdings Limited, Shougang Concord and Tharisa. The share of market value of the Group's listed associated companies amounts to HK$2,152.6 million (2018: HK$1,648.6 million).

(b) As at 30 June 2019, the Group has provided a pledge over its 30% equity interest in Hubei Suiyuenan Expressway with carrying amount of approximately HK$1,477.4 million as security for a bank loan of Hubei Suiyuenan Expressway.

(c) The share of results for the Current Year included a share of a one-off fair value gain from SUEZ NWS, an associated company of the Group, amounted to approximately HK$232.5 million arising from remeasurement of interests previously held in a joint venture of SUEZ NWS. Such joint venture has been accounted by SUEZ NWS as a subsidiary with effect from July 2018.

20 Associated companies (continued)

(d) As at 30 June 2019, 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$205.9 million (2018: HK$1,148.9 million), whose assets mainly comprise financial assets at FVPL. The Group's share of attributable operating loss of these investment companies for the year amounted to HK$17.9 million (2018: attributable operating profit HK$105.0 million).

(e) 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 further impairment of the Group's investments in associated companies as at 30 June 2019.

(f) Amounts receivable are analyzed as follows:

	Note	**2019** **HK$'m**	2018 HK$'m
Interest bearing	(i)	**2,608.9**	1,704.7
Non-interest bearing		**63.6**	114.7
		2,672.5	1,819.4

(i) The balance includes an amount of HK$104.7 million (2018: HK$104.7 million) which carries interest at 8% per annum, an aggregate amount of HK$1,600.0 million (2018: HK$1,600.0 million) which carries interest at 6-month HIBOR plus a margin of 1.3% per annum, an amount of HK$793.8 million (2018: Nil) which carries interest at 1-month HIBOR plus a margin of 1.025% per annum and an amount of HK$110.4 million (2018: Nil) which carries interest at one-to-five-year Renminbi benchmark lending rate published by People's Bank of China.

The amounts are not repayable within the next 12 months from the end of the reporting period. As at 30 June 2019, the carrying amounts of the amounts receivable are not materially different from their fair values.

20 Associated companies (continued)

(g) Dividend income from associated companies for the year is HK$463.2 million (2018: HK$503.3 million). The amount of dividend income received during the year is disclosed in the consolidated statement of cash flows.

(h) Details of principal associated companies are given in note 48. The directors of the Company were of the view that as at 30 June 2019, there was no individual associated company that was material to the Group.

(i) Financial guarantee contracts relating to associated companies are disclosed in note 40.

(j) The Group's share of revenue, results, assets and liabilities of associated companies are summarized below:

	Note	**2019 HK$'m**	2018 HK$'m
Revenue	7(c)	**6,048.4**	6,210.4
Profit for the year		**759.3**	756.2
Other comprehensive (loss)/income for the year		**(427.6)**	490.9
Total comprehensive income for the year		**331.7**	1,247.1
Non-current assets		**19,531.3**	18,533.3
Current assets		**3,842.5**	3,785.0
Current liabilities		**(4,645.6)**	(4,848.4)
Non-current liabilities		**(7,440.2)**	(5,916.5)
Net assets		**11,288.0**	11,553.4

21 Joint ventures

	Note	2019 HK$'m	2018 HK$'m
Co-operative joint ventures			
Cost of investment less provision		**1,392.4**	1,480.6
Goodwill		**86.2**	86.2
Share of undistributed post-acquisition results		**1,980.7**	2,106.8
Amounts receivable	(b)	**12.8**	20.5
		3,472.1	3,694.1
Equity joint ventures			
Group's share of net assets		**4,099.7**	4,862.0
Goodwill		**87.2**	87.2
		4,186.9	4,949.2
Companies limited by shares			
Group's share of net assets		**3,342.2**	3,414.2
Goodwill		**180.2**	163.5
Amounts receivable	(b)	**2,688.3**	3,011.2
Amounts payable		**(224.6)**	(223.9)
		5,986.1	6,365.0
	(a)	**13,645.1**	15,008.3

(a) As at 30 June 2019, 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 further impairment of the Group's investment in joint ventures as at 30 June 2019.

For FY2018, an aggregate impairment loss of HK$600.0 million was shared by the Group in relation to the Group's interests in three joint ventures namely Guodian Chengdu Jintang Power Generation Co., Ltd., Guangzhou City Nansha Port Expressway and Guangzhou Dongxin Expressway.

21 Joint ventures (continued)

(b) Amounts receivable are analyzed as follows:

	Note	**2019 HK$'m**	2018 HK$'m
Interest bearing	(i)	**258.2**	258.6
Non-interest bearing	(ii)	**2,442.9**	2,773.1
		2,701.1	3,031.7

(i) The balance includes an amount of HK$12.8 million (2018: HK$20.5 million) which carries interest at Hong Kong prime rate, an amount of HK$227.3 million (2018: HK$238.1 million) which carries interest at 90% of over-five-year Renminbi benchmark lending rate published by People's Bank of China and an amount of HK$18.1 million (2018: Nil) which carries interest at 4% per annum.

(ii) The balance includes an amount of HK$197.5 million (2018: HK$197.5 million) which has been subordinated to certain indebtedness of a joint venture.

As at 30 June 2019, the carrying amounts of the amounts receivable are not materially different from their fair values.

(c) Dividend income from joint ventures for the year is HK$1,857.9 million (2018: HK$1,789.7 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 49. The directors of the Company were of the view that as at 30 June 2019, there was no individual joint venture that was material to the Group.

(e) Financial guarantee contracts relating to joint ventures are disclosed in note 40.

21 Joint ventures (continued)

(f) The Group's share of revenue, results, assets and liabilities of joint ventures are summarized below:

	Note	**2019 HK$'m**	2018 HK$'m
Revenue	7(c)	**14,396.5**	14,964.3
Profit for the year		**1,948.5**	1,331.2
Other comprehensive (loss)/income for the year		**(993.6)**	460.9
Total comprehensive income for the year		**954.9**	1,792.1
Non-current assets		**43,984.0**	35,528.2
Current assets		**6,016.9**	5,457.5
Current liabilities		**(13,003.6)**	(9,547.1)
Non-current liabilities		**(26,182.3)**	(19,575.0)
Net assets		**10,815.0**	11,863.6

22 Financial assets at fair value through other comprehensive income

	Note	**2019 HK$'m**	2018 HK$'m
Equity securities listed in Hong Kong		**1,805.3**	–
Unlisted equity securities	(a)	**319.8**	–
	(b)	**2,125.1**	–

(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 independent external valuer.

(b) The financial assets at fair value through other comprehensive income are denominated in Hong Kong dollar.

23 Financial assets at fair value through profit or loss

	Note	2019 HK$'m	2018 HK$'m
Unlisted equity securities		**428.0**	–
Unlisted debt securities			
Investment funds	(b),(c)	**2,243.0**	–
Others		**1,629.0**	–
	(a),(d)	**4,300.0**	–

(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 independent external valuer, where appropriate.

(b) As at 30 June 2019, the Group has invested HK$1,136.0 million (2018: HK$512.0 million) in an investment 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 financial assets at fair value through profit or loss.

(c) During the year, the Group subscribed participating shares of another newly established investment fund with fair value of HK$658.4 million as at 30 June 2019. Given all relevant investment decision making power is rested with the management shareholder and investment manager. There is no mechanism in place that allow participating shareholder to participate in investment related decision making. Management considered that the Group has neither significant influence nor joint control over this investment fund and therefore accounted for this investment as financial assets at fair value through profit or loss.

(d) The financial assets at fair value through profit or loss are denominated in the following currencies:

	2019 HK$'m	2018 HK$'m
Hong Kong dollar	**48.6**	–
United States dollar	**3,420.8**	–
Renminbi	**787.9**	–
Pound Sterling	**42.7**	–
	4,300.0	–

24 Available-for-sale financial assets

	Note	**2019 HK$'m**	2018 HK$'m
Equity securities listed in Hong Kong		–	3,009.6
Debt securities listed in Hong Kong		–	234.2
Unlisted equity securities	(a)	–	2,392.3
Unlisted debt securities	(a)	–	920.5
	(b)	–	6,556.6
Market value of listed securities		–	3,243.8

The Group's available-for-sale financial assets at 30 June 2018 were reclassified as financial assets at FVOCI or financial assets at FVPL following the adoption of HKFRS 9 on 1 July 2018 as detailed in note 3(a)(iii).

(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 available-for-sale financial assets are denominated in the following currencies:

	2019 HK$'m	2018 HK$'m
Hong Kong dollar	–	3,065.5
United States dollar	–	2,801.0
Renminbi	–	647.4
Pound Sterling	–	42.7
	–	6,556.6

25 Other non-current assets

	Note	2019 HK$'m	2018 HK$'m
Deposits paid for acquisition of a subsidiary	39(a)(i)	**3,120.0**	–
Security deposits		**852.2**	852.4
Deferred tax assets	35	**28.0**	9.9
Derivative financial instruments		**34.4**	–
Others		**3.3**	8.1
		4,037.9	870.4

26 Inventories

	2019 HK$'m	2018 HK$'m
Raw materials and consumables	**105.0**	107.1
Finished goods	**323.6**	354.8
	428.6	461.9

27 Trade and other receivables

	Note	2019 HK$'m	2018 HK$'m
Trade receivables	(a)	**1,971.1**	2,451.2
Other receivables, deposits and prepayments	(b)	**4,077.4**	3,522.4
Retention money receivables		**1,681.2**	1,891.4
Contract assets	30	**45.7**	36.9
Derivative financial instruments		**5.6**	16.4
Amounts due from associated companies	(c)	**37.7**	51.3
Amounts due from joint ventures	(c)	**6,179.0**	4,179.1
		13,997.7	12,148.7

27 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:

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

The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Retention money receivables in respect of construction services are settled in accordance with the terms of respective contracts.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for trade receivables. The movement of loss allowance is as follows:

	2019 **HK$'m**	2018 HK$'m
At beginning of year	**0.8**	0.8
Amounts provided during the year	**0.2**	–
Amounts recovered during the year	**(0.8)**	–
Amounts written off during the year	**(0.2)**	–
	–	0.8

No loss allowance was provided for retention money receivables and contract assets as they have a low risk of default.

(b) The balance includes construction related receivables amounted to HK$2,901.1 million (2018: HK$2,469.8 million) which have not yet been billed at year end.

(c) As at 30 June 2019, 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$280.8 million (2018: HK$279.7 million) due from a joint venture which carries interest at 12-month LIBOR plus a margin of 12.15% per annum.

(d) Included in the Group's trade and other receivables are HK$620.0 million (2018: HK$341.5 million) denominated in Renminbi, HK$18.0 million (2018: HK$16.5 million) denominated in Macau Pataca and HK$6,495.0 million (2018: HK$4,648.9 million) denominated in United States dollar. The remaining balances are mainly denominated in Hong Kong dollar.

28 Cash and bank balances

	2019 HK$'m	2018 HK$'m
Time deposits – maturing within three months	**7,053.2**	4,432.1
Time deposits – maturing after more than three months	**13.5**	13.4
Other cash at bank and on hand	**7,992.2**	2,211.1
Cash and bank balances	**15,058.9**	6,656.6

The effective interest rate on time deposits is 2.6% (2018: 2.4%) per annum; these deposits have an average maturity of 16 days (2018: 36 days).

The balances include HK$1,977.0 million (2018: HK$1,228.8 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.

The cash and bank balances are denominated in the following currencies:

	2019 HK$'m	2018 HK$'m
Hong Kong dollar	**4,258.1**	4,699.5
Renminbi	**1,972.6**	1,215.1
United States dollar	**8,766.3**	700.7
Macau Pataca	**45.6**	40.1
Others	**16.3**	1.2
	15,058.9	6,656.6

29 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 Hip Seng Group by NWS CON to Sherman Drive through the sale of the entire issued share capital of Celestial Path Limited on and subject to the terms and conditions contained in the SP Agreement. Total consideration for the disposal was HK$168.0 million. Assets and liabilities of the Hip Seng Group were reclassified as held-for-sale as at 30 June 2018 and the Group ceased to consolidate the financial results of Hip Seng Group since 1 July 2018. The transaction was legally completed during the year. The gain on disposal of HK$67.6 million (note 8) was recognized in the consolidated income statement.

	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	35	(3.8)
		(3,263.6)
Less: Amounts due to group companies		50.5
Liabilities of subsidiaries reclassified as held-for-sale		(3,213.1)

30 Contract assets and contract liabilities

Contract assets and contract liabilities are related to the Group's construction business, details are as follows:

	Note	**2019 HK$'m**	2018 HK$'m
Contract assets	27	**45.7**	36.9
Contract liabilities	37	**(1,337.3)**	(2,867.3)
		(1,291.6)	(2,830.4)

30 Contract assets and contract liabilities (continued)

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:

	2019 HK$'m	2018 HK$'m
Revenue recognized that was included in the contract liability balance at the beginning of the year	**2,791.6**	2,162.2
Revenue recognized from performance obligations satisfied/partially satisfied in previous years	**900.0**	190.9

The following table shows the amount of unsatisfied performance obligations:

	2019 HK$'m	2018 HK$'m
Expected to be recognized within one year	**12,271.6**	15,030.0
Expected to be recognized after one year	**29,342.1**	6,155.0
	41,613.7	21,185.0

31 Share capital

	Ordinary Shares	
	No. of shares	**HK$'m**
Authorized		
At 1 July 2018 and 30 June 2019	**6,000,000,000**	**6,000.0**
Issued and fully paid		
At 1 July 2017	3,888,292,088	3,888.3
Exercise of share options	8,214,363	8.2
At 30 June 2018	**3,896,506,451**	**3,896.5**
Exercise of share options	**14,631,398**	**14.6**
At 30 June 2019	**3,911,137,849**	**3,911.1**

31 Share capital (continued)

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.

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2019	2018
At beginning of year	**41,241,393**	49,455,830
Lapsed	**(562,393)**	(74)
Exercised	**(14,631,398)**	(8,214,363)
At end of year	**26,047,602**	41,241,393

(i) On 9 March 2015, 55,470,000 share options were granted to directors and certain eligible participants at the exercise price of HK$14.16 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$14.12.

Share options outstanding at the end of year are granted to:

	Number of options	
	2019	2018
Directors	**22,596,031**	27,797,819
Other eligible participants	**3,451,571**	13,443,574
	26,047,602	41,241,393

(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. All share options outstanding as at 30 June 2018 and 30 June 2019 are fully vested.

32 Reserves

HK$'m	Note	Share premium	Special reserve	Cash flow hedges reserve	Investment revaluation reserve	FVOCI reserve	Exchange reserve	Revenue reserve	Total
At 30 June 2018		17,629.5	675.9	121.7	(874.8)	–	982.9	27,518.3	46,053.5
Impact on initial adoption of HKFRS 9	3(a)(iii)	–	–	–	874.8	(978.8)	–	414.0	310.0
At 1 July 2018, restated		17,629.5	675.9	121.7	–	(978.8)	982.9	27,932.3	46,363.5
Profit for the year		–	–	–	–	–	–	4,043.2	4,043.2
Dividends paid to shareholders of the Company		–	–	–	–	–	–	(2,927.3)	(2,927.3)
Fair value changes on financial assets at FVOCI									
Group		–	–	–	–	(424.0)	–	–	(424.0)
Associated company		–	–	–	–	18.9	–	–	18.9
Joint ventures		–	–	–	–	13.3	–	–	13.3
Release of reserve upon disposal of financial assets at FVOCI		–	–	–	–	665.9	–	(665.9)	–
Release of reserve upon disposal of subsidiaries		–	–	–	–	–	0.1	–	0.1
Release of reserves upon disposal/partial disposal of interest in associated companies		–	–	–	–	–	(57.1)	–	(57.1)
Currency translation differences									
Group		–	–	–	–	–	(571.2)	–	(571.2)
Associated companies		–	–	–	–	–	(483.1)	–	(483.1)
Joint ventures		–	–	–	–	–	(494.0)	–	(494.0)
Share options									
Share premium on new shares issued		192.0	–	–	–	–	–	–	192.0
Share of other comprehensive income/(loss) of associated companies and joint ventures		–	106.2	–	–	–	(13.2)	(4.9)	88.1
Cash flow hedges									
Group		–	–	(31.0)	–	–	–	–	(31.0)
Joint ventures		–	–	(512.2)	–	–	–	–	(512.2)
Remeasurement of post-employment benefit obligation		–	–	–	–	–	–	(8.3)	(8.3)
Transaction cost in relation to the issuance of perpetual capital securities		–	–	–	–	–	–	(76.0)	(76.0)
Transfer		–	2.4	–	–	–	–	(2.4)	–
At 30 June 2019		17,821.5	784.5	(421.5)	–	(704.7)	(635.6)	28,290.7	45,134.9

32 Reserves (continued)

HK$'m	Share premium	Special reserves	Cashflow hedges reserve	Investment revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2017	17,521.8	654.6	37.8	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	675.9	121.7	(874.8)	982.9	27,518.3	46,053.5

Special reserves include statutory reserves which are created in accordance with the relevant laws of PRC 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. Cash flow hedges reserve arising from foreign exchange forward, interest rate and fuel price swaps.

33 Perpetual capital securities

In January 2019, the Group issued US$1.0 billion 5.75% senior perpetual capital securities of which US$800.0 million were issued at a price of 100% of the principal amount and US$200.0 million were issued at a price of 100.4% of the principal amount. The proceeds of the capital securities are for general corporate purpose and the capital securities are listed on Hong Kong Stock Exchange. The senior perpetual capital securities have no maturity date and the Group has the right to redeem the securities from the holders and the payments of distribution can be deferred at the discretion of the Group. The securities are classified as equity in the consolidated financial statements of the Group.

34 Borrowings

	Note	**2019 HK$'m**	2018 HK$'m
Non-current			
Unsecured long-term bank loans	(a),(b)	**7,663.4**	9,139.2
Unsecured fixed rate bonds	(c)	**5,002.4**	–
Unsecured other borrowings		**0.3**	0.4
		12,666.1	9,139.6
Current			
Current portion of unsecured long-term bank loans	(a),(b)	**2,403.2**	834.9
Unsecured short-term bank loans		**–**	200.0
Unsecured other borrowings		**0.1**	0.1
		2,403.3	1,035.0
		15,069.4	10,174.6

(a) Unsecured long-term bank loans

	2019 HK$'m	2018 HK$'m
Unsecured long-term bank loans	**10,066.6**	9,974.1
Amounts repayable within one year included in current liabilities	**(2,403.2)**	(834.9)
	7,663.4	9,139.2

34 Borrowings (continued)

(a) Unsecured long-term bank loans (continued)

The maturity of unsecured long-term bank loans is as follows:

	2019 HK$'m	2018 HK$'m
Within one year	**2,403.2**	834.9
In the second year	**1,470.6**	4,612.2
In the third to fifth year	**6,192.8**	3,927.2
After the fifth year	**–**	599.8
	10,066.6	9,974.1

As at 30 June 2019, the Group's long-term bank loans of HK$10.067 billion (2018: HK$9.974 billion) are exposed to interest rate risk of contractual repricing dates falling within one year except for an amount of HK$0.4 billion (2018: 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) The effective interest rates of bank loans at the end of the reporting period were as follows:

	2019	2018
Hong Kong dollar	**3.29%**	2.72%

(c) Fixed rate bonds

Fixed rate bonds represent US$650.0 million bonds issued in June 2019 at a price 99.718% of the principal amount bearing a coupon rate of 4.25% per annum. These bonds are unsecured, have maturity of ten years due 2029 and listed on the Hong Kong Stock Exchange.

The Group has the option to redeem the bonds in whole but not in part at any time in accordance with the terms and conditions of the bonds. The effective interest rates applied to the bonds is 4.42% per annum.

As at 30 June 2019, the fair value of the bonds amounted to US$657.2 million (equivalent to approximately HK$5,126.2 million) which is based on the quoted market prices.

(d) Other than fixed rate bonds in note (c) above, the carrying amounts of the borrowings approximate their fair values.

34 Borrowings (continued)

(e) The carrying amounts of the borrowings are denominated in the following currencies:

	2019 HK$'m	2018 HK$'m
Hong Kong dollar	**10,067.0**	10,174.6
United States dollar	**5,002.4**	–
	15,069.4	10,174.6

35 Deferred income tax

	Note	**2019 HK$'m**	2018 HK$'m
At beginning of year		**2,480.3**	2,513.0
Translation differences		**(76.8)**	57.5
Reclassified as liabilities directly associated with assets held-for-sale	29	**–**	(3.8)
Written back upon disposal of intangible concession rights		**(6.5)**	–
Net amount credited to the consolidated income statement	12	**(162.8)**	(86.4)
At end of year		**2,234.2**	2,480.3

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2018: 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$1,176.9 million (2018: HK$1,011.3 million) to be carried forward against future taxable income. These tax losses have no expiry dates.

As at 30 June 2019, the aggregate amount of unrecognized deferred tax liabilities associated with investments in subsidiaries totalled approximately HK$212.7 million (2018: HK$198.1 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.

35 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

	Tax losses		Other deductible temporary differences		Total	
HK$'m	**2019**	2018	**2019**	2018	**2019**	2018
At beginning of year	**1.6**	3.8	**64.1**	81.9	**65.7**	85.7
Translation differences	**–**	–	**(2.3)**	2.2	**(2.3)**	2.2
Credited/(charged) to the consolidated income statement	**0.3**	(2.2)	**3.6**	(20.0)	**3.9**	(22.2)
At end of year	**1.9**	1.6	**65.4**	64.1	**67.3**	65.7

Deferred tax liabilities

		Accelerated tax depreciation		Amortization of concession rights		Undistributed profits of subsidiaries, associated companies and joint ventures		Others		Total	
HK$'m	Note	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
At beginning 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
Translation differences		**–**	–	**(78.1)**	66.6	**(4.2)**	(6.9)	**3.2**	–	**(79.1)**	59.7
Reclassified as liabilities directly associated with assets held-for-sale	29	**–**	(3.8)	**–**	–	**–**	–	**–**	–	**–**	(3.8)
Written back upon disposal of intangible concession rights		**–**	–	**(6.5)**	–	**–**	–	**–**	–	**(6.5)**	–
(Credited)/charged to the consolidated income statement		**(18.9)**	–	**(112.7)**	(124.8)	**2.6**	16.2	**(29.9)**	–	**(158.9)**	(108.6)
At end of year		**594.1**	613.0	**1,488.8**	1,686.1	**215.3**	216.9	**3.3**	30.0	**2,301.5**	2,546.0

35 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	**2019 HK$'m**	2018 HK$'m
Deferred tax assets	25	**(28.0)**	(9.9)
Deferred tax liabilities		**2,262.2**	2,490.2
		2,234.2	2,480.3

36 Other non-current liabilities

	Note	**2019 HK$'m**	2018 HK$'m
Long service payment obligations		**37.4**	32.5
Deferred income		**67.5**	80.7
Loans from non-controlling interests	(a)	**34.5**	39.1
Derivative financial instruments		**8.3**	18.0
Retirement benefit obligations		**13.3**	6.6
		161.0	176.9

(a) The loans are interest free, unsecured and not repayable within one year.

37 Trade and other payables

	Note	2019 HK$'m	2018 HK$'m
Trade payables	(a)	**933.7**	1,266.4
Other payables and accruals	(b)	**7,171.4**	5,814.9
Retention money payables		**1,161.0**	1,206.5
Contract liabilities	30	**1,337.3**	2,867.3
Amounts due to non-controlling interests	(c)	**149.9**	191.3
Derivative financial instruments		**23.8**	–
Amounts due to associated companies	(c)	**64.7**	37.6
Amounts due to joint ventures	(c)	**0.8**	0.2
		10,842.6	11,384.2

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

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

(b) The balance includes construction related accruals and provisions amounted to HK$4,780.5 million (2018: HK$3,449.9 million).

(c) The amounts payable are interest free, unsecured and have no fixed repayment terms.

(d) Included in the Group's trade and other payables are HK$371.6 million (2018: HK$464.4 million) denominated in Renminbi, HK$180.5 million (2018: HK$189.1 million) denominated in Macau Pataca and HK$154.3 million (2018: HK$268.3 million) denominated in United States dollar. The remaining balances are mainly denominated in Hong Kong dollar.

38 Financial instruments by category

Financial assets in the consolidated statement of financial position include financial assets at FVOCI, financial assets at FVPL, 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 "financial assets at FVOCI", "financial assets at FVPL" 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.

39 Commitments

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

	Note	2019 HK$'m	2018 HK$'m
Contracted but not provided for			
Intangible concession rights		**62.5**	–
Property, plant and equipment		**347.0**	402.3
Acquisition of a subsidiary	(i)	**18,380.0**	–
Capital contributions to/acquisitions of associated companies and joint ventures	(ii)	**873.1**	2,872.9
Other investments		**48.4**	523.0
		19,711.0	3,798.2

(i) On 27 December 2018, Earning Star Limited, an indirect wholly owned subsidiary of the Group, entered into a share purchase agreement to acquire the entire issued share capital of FTLife Insurance at a total consideration of HK$21.5 billion (subject to adjustments) of which deposits of HK$3,120.0 million was paid as at 30 June 2019. The consideration for the acquisition will be funded by a combination of internal resources of the Group and the committed external financing from banks. FTLife Insurance is a life insurance company engaged in the business of provision for protection and savings-related life and medical insurance products. Upon completion of the acquisition, FTLife Insurance will become an indirect wholly owned subsidiary of the Company and the financial statements of FTLife Insurance will be consolidated into the financial statements of the Group.

(ii) The Group has committed to acquire or to provide sufficient funds in the form of advances, capital and loan contributions to certain associated companies and joint ventures to finance relevant projects. The Group estimates that the share of projected funds requirements of these projects would be approximately HK$873.1 million (2018: HK$2,872.9 million) which represents the attributable portion of the capital and loan contributions to be made to the associated companies and joint ventures.

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

	2019 HK$'m	2018 HK$'m
Contracted but not provided for		
Property, plant and equipment	**11,064.0**	9,651.3

39 Commitments (continued)

(c) Commitments under operating leases

The future aggregate lease payments under non-cancellable operating leases are as follows:

	2019 HK$'m	2018 HK$'m
Buildings		
In the first year	**123.1**	119.7
In the second to fifth year inclusive	**58.1**	48.9
After the fifth year	**2.7**	3.3
	183.9	171.9

The lease terms range from 1 to 19 years.

(d) Future minimum rental payments receivable

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	2019 HK$'m	2018 HK$'m
In the first year	**37.7**	37.7
In the second to fifth year inclusive	**27.7**	15.7
	65.4	53.4

The Group's operating leases terms range from 1 to 5 years.

40 Financial guarantee contracts

The Group's financial guarantee contracts are as follows:

	2019 HK$'m	2018 HK$'m
Guarantees for credit facilities granted to		
Associated companies	**1,567.6**	1,824.8
Joint ventures	**2,145.0**	2,136.8
	3,712.6	3,961.6

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

41 Notes to consolidated statement of cash flows

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

	2019 HK$'m	2018 HK$'m
Operating profit	**2,654.9**	5,126.2
Depreciation and amortization	**1,482.3**	1,487.0
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	**–**	(1,095.5)
Net gain on fair value of financial assets at FVPL	**(117.9)**	–
Loss/(profit) on partial disposal of associated companies	**54.2**	(783.8)
Profit on disposal of an associated company	**(83.0)**	–
Gain on fair value of investment properties	**(33.7)**	(93.6)
Gain on fair value of derivative financial instruments	**–**	(80.5)
Profit on disposal of available-for-sale financial assets	**–**	(48.7)
Profit on disposal of assets held-for-sale	**(67.6)**	–
Profit on disposal of financial assets at FVPL	**(60.4)**	–
Profit on disposal of subsidiaries	**(140.1)**	–
Interest income	**(310.0)**	(202.3)
Dividend income	**(92.1)**	(107.5)
Net exchange gain	**(14.0)**	(91.4)
Other non-cash items	**(58.0)**	(27.1)
Operating profit before working capital changes	**3,214.6**	4,082.8
Decrease in inventories	**33.3**	22.1
Decrease in security deposits	**19.5**	947.9
Decrease/(increase) in trade and other receivables	**359.8**	(787.0)
(Decrease)/increase in trade and other payables	**(551.4)**	858.6
Increase in deferred income	**0.1**	38.6
Increase in balances with associated companies, joint ventures and related companies	**(18.0)**	(36.3)
Increase in long service payment obligations	**21.6**	15.9
(Decrease)/increase in amounts due to non-controlling interests	**(36.2)**	16.5
Net cash generated from operations	**3,043.3**	5,159.1

41 Notes to consolidated statement of cash flows (continued)

(b) Disposal of subsidiaries

	Note	2019 HK$'m
Net assets disposed		
Property, plant and equipment	17	**1.0**
Joint ventures		**56.1**
Trade and other receivables		**3.4**
Cash and bank balances		**19.2**
Trade and other payables		**(13.6)**
Tax payable		**(0.1)**
Exchange reserves		**0.1**
		66.1
Net profits on disposal	8	**140.1**
		206.2
Represented by		
Cash consideration received		**172.7**
Consideration settled by additional equity interest in an associated company by the Group	42(d)	**33.5**
		206.2

(c) Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2019 HK$'m
Cash consideration received	**172.7**
Cash and bank balances disposed of	**(19.2)**
	153.5

41 Notes to consolidated statement of cash flows (continued)

(d) Reconciliation of liabilities arising from financing activities:

HK$'m	Bank loans and other borrowings	Fixed rate bonds	Loans from non-controlling interests	Total
At 1 July 2018	**10,174.6**	**–**	**39.1**	**10,213.7**
Cash flows				
Issuance of fixed rate bonds	**–**	**5,012.9**	**–**	**5,012.9**
Drawdown	**3,116.4**	**–**	**–**	**3,116.4**
Repayment	**(3,275.0)**	**–**	**(2.7)**	**(3,277.7)**
Translation differences	**–**	**(10.5)**	**(1.9)**	**(12.4)**
Other non-cash movements	**51.0**	**–**	**–**	**51.0**
At 30 June 2019	**10,067.0**	**5,002.4**	**34.5**	**15,103.9**

HK$'m	Bank loans and other borrowings	Fixed rate bonds	Loans from non-controlling interests	Total
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

42 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	**2019 HK$'m**	2018 HK$'m
Transactions with affiliated companies	(i)		
Provision of construction work services	(ii)	**7.0**	–
Provision of other services	(iii)	**0.8**	3.5
Interest income	(iv)	**134.8**	89.9
Management fee income	(v)	**5.4**	6.8
Rental and other related expenses	(vi)	**(8.8)**	(7.6)
Other expenses	(viii)	**(231.4)**	(532.1)
Transactions with other related parties	(i)		
Provision of construction work services	(ii)	**880.7**	9,208.7
Provision of other services	(iii)	**52.1**	64.1
Rental and other related expenses	(vi)	**(29.1)**	(54.1)
Mechanical and electrical engineering services	(vii)	**(861.1)**	(1,224.3)
Other expenses	(viii)	**(133.7)**	(155.2)

42 Related party transactions (continued)

(a) (continued)

(i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD, CTF Enterprises as well as 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 a Vice-chairman and a non-executive director of NWD and is the father of Mr William Junior Guilherme Doo, a non-executive director of the company.

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

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

(iv) Interest income was charged at relevant interest rates as specified in notes 20, 21 and 27 on the outstanding balances due from the affiliated companies.

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

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

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

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

(b) Key management compensation

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) Disposal of Hip Seng Group to NWD as detailed in note 29.

(d) On 1 November 2018, Urban Parking Limited (an indirect wholly owned subsidiary of the Company) entered into an agreement with Shougang Concord, an associated company of the Company, and 首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.*) ("Shouzhong Investment", a wholly owned subsidiary of Shougang Concord) to dispose its entire equity interest in 富城(北京)停車管理有限公司 (Urban Parking (Beijing) Limited*) (an indirect wholly owned subsidiary of the Company) to Shouzhong Investment at a consideration settled in cash of RMB9.98 million and by the issue of 177,425,528 ordinary shares of Shougang Concord. The completion of the disposal took place on 28 December 2018. The Company recognized HK$39.4 million disposal gain (net of tax and professional fees) in the current year. Upon completion, the Group's shareholding in Shougang Concord increases from approximately 10.47% to approximately 11.14%.

* *For identification purposes only*

42 Related party transactions (continued)

(e) On 28 December 2018, KTSPL, which is held as to 75% by New World Sports and 25% by NWS Sports, was awarded the DBO Contract at the total construction contract sum of HK$29.993 billion. On the same day, NWD, New World Sports, the Company and NWS Sports entered into the shareholders' agreement to regulate the respective rights and obligations of New World Sports and NWS Sports towards the operation and management of KTSPL for the purpose of jointly undertaking of the Kai Tak Sports Park project. The estimated maximum funding commitment of NWS Sports in relation to KTSPL is approximately HK$0.5 billion.

As detailed in note 40, the Company provided a guarantee in favour of the government for the obligations of KTSPL in respect of the Kai Tak Sports Park project. The Group's guarantee towards KTSPL is up to the extent of 25% or amounts to approximately HK$7.5 billion after taking into account the deed of counter-indemnity entered into between NWS Sports, the Company, New World Sports and NWD.

Further, another deed of counter-indemnity has been entered into between the Company and NWD in relation to the provision of indemnity by the Company to NWD from all liabilities and claims suffered or incurred by NWD under any guarantee provided by NWD in favour of the government for the obligations of KTSPL to the extent proportionate to 25%.

To facilitate the construction for the Kai Tak Sports Park project, KTSPL and Hip Hing Engineering, an indirect wholly owned subsidiary of the Company, entered into a construction management agreement, pursuant to which Hip Hing Engineering will provide the construction management services to KTSPL for the Kai Tak Sports Park project. The fee payable to Hip Hing Engineering as compensation for the performance of the construction management services will be a fixed amount equal to HK$1.4 billion plus a sharing of Hip Hing Engineering with KTSPL of project cost savings on a 40:60 basis.

(f) The amounts of outstanding balances with associated companies, joint ventures and non-controlling interests are disclosed in notes 20, 21, 27, 36 and 37, and the pledge of the Group's equity interest in an associated company as security for a bank loan of the associated company is disclosed in note 20(b).

43 Events subsequent to year end

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

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

(b) Acquisition of concession rights over Changliu Expressway

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

44 Comparative figures

Certain comparative figures have been reclassified or extended to conform with the current year's presentation.

45 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.

46 Company statement of financial position

	2019 HK$'m	2018 HK$'m
ASSETS		
Non-current assets		
Property, plant and equipment	**10.6**	12.3
Subsidiaries	**7,893.4**	7,893.4
Other non-current asset	**3.3**	3.3
	7,907.3	7,909.0
Current assets		
Trade and other receivables	**42,752.6**	39,803.7
Cash and bank balances	**10,519.5**	921.4
	53,272.1	40,725.1
Total assets	**61,179.4**	48,634.1
EQUITY		
Share capital	**3,911.1**	3,896.5
Reserves	**38,860.2**	35,007.1
Total equity	**42,771.3**	38,903.6
LIABILITIES		
Current liabilities		
Trade and other payables	**18,408.1**	9,730.5
Total liabilities	**18,408.1**	9,730.5
Total equity and liabilities	**61,179.4**	48,634.1

Dr Cheng Kar Shun, Henry
Director

Mr Ma Siu Cheung
Director

46 Company statement of financial position (continued)

Reserves

HK$'m	Share premium	Contributed surplus	Special reserves	Revenue reserve	Total
At 1 July 2018	**17,629.5**	**237.3**	**208.3**	**16,932.0**	**35,007.1**
Profit for the year	**–**	**–**	**–**	**6,588.4**	**6,588.4**
Dividends	**–**	**–**	**–**	**(2,927.3)**	**(2,927.3)**
Share options					
Share premium on new shares issued	**192.0**	**–**	**–**	**–**	**192.0**
At 30 June 2019	**17,821.5**	**237.3**	**208.3**	**20,593.1**	**38,860.2**
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

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.

47 Principal subsidiaries

The directors of the Company were of the view that as at 30 June 2019, 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 by the Group	Principal activities
	Number	Amount HK$		
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 solutions
	160,000*	16,000,000	100.0	
Citybus Limited	37,500,000	376,295,750	100.0	Provision of franchised and non-franchised 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
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 consultancy
	2*	2	100.0	
New Advent Limited	1	1	100.0	Property investment
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

47 Principal subsidiaries (continued)

As at 30 June 2019

	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 Infrastructure Renewables (Italy) 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

47 Principal subsidiaries (continued)

As at 30 June 2019

	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
Celestial Dynasty Limited	1	US$1	100.0	Bond issuer
Celestial Miles Limited	1	US$1	100.0	Bond issuer
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 franchised 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
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
	8,025**	US$0.1	–	
	6,044***	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

47 Principal subsidiaries (continued)

As at 30 June 2019

	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
^NWS (Guangdong) Investment Company Limited (Formerly known as Guangdong Xin Chuan Co., Ltd.)	RMB1,384,853,600	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
*	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%)

48 Principal associated companies

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2019 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
Kai Tak Sports Park Limited	100	100	25.0	To develop and operate Kai Tak Sports Park
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	Aggregates and stone times trading
Shougang Concord International Enterprises Company Limited	27,428,933,903	9,676,168,451	9.8 (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 and fully paid share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount		
Incorporated and operates in Singapore				
PBA International Pte. Ltd.	10,932	Singapore dollar 24,242,000	20.0	Development and manufacturing of advanced robotics

48 Principal associated companies (continued)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2019 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 Island and operates in Hong Kong				
VMS Private Investment Partners III Limited	1,500*	US$0.01	–	Securities investment
	479**	US$0.01	100.0 (a)	
Incorporated in the British Virgin Islands				
VMS Private Investment Partners II Limited	2,500*	US$0.01	–	Securities investment
	691**	US$0.01	100.0 (a)	
Incorporated in Bermuda and operates in Hong Kong				
Wai Kee Holdings Limited	793,124,034	HK$0.10	25.0	Construction
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	263,912,051	US$0.001	15.37 (b)	Platinum group metals and chrome mining, processing and trading

48 Principal associated companies (continued)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2019 is as follows (continued):

	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
Hunan Daoyue Expressway Industry Co., Ltd	RMB600,950,000	40.0 (c)	Operation of toll road
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

49 Principal joint ventures

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2019 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
Incorporated and operates in Italy			
ForVEI II S.r.l.	EUR20,000	40.0	Investment holding and operation of solar power assets

49 Principal joint ventures (continued)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2019 is as follows (continued):

	Issued and fully paid share capital#		Approximate percentage of share 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	–	
Supertime Holdings Limited	100	100	50.0	Property development
Wincon International Limited	300,000,000	300,000,000	50.0	Investment holding

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Islands				
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

49 Principal joint ventures (continued)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2019 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 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

	2019	2018	2017	2016	2015
Earnings per share — Basic (HK$)	**1.04**	1.56	1.46	1.30	1.19
Earnings per share — Diluted (HK$)	**1.04**	1.56	N/A	N/A	N/A
Key ratios					
Net Gearing Ratio	**0%**	7%	7%	13%	14%
Return on Equity	**7%**	12%	11%	11%	10%
Return on Capital Employed	**6%**	10%	9%	9%	7%
Consolidated income statement data (HK$'m)					
Revenue	**26,833.5**	35,114.8	31,385.0	29,497.8	24,491.8
Revenue by segments					
Roads	**2,529.0**	2,623.6	2,377.0	2,399.8	2,416.2
Aviation	**161.6**	160.8	–	–	–
Construction	**16,211.0**	23,260.4	20,360.3	20,080.0	15,206.9
Logistics	**–**	–	–	100.1	100.1
Facilities Management	**4,151.7**	5,570.9	6,915.1	6,917.9	6,768.6
Transport	**3,780.2**	3,499.1	1,732.6*	–	–
Revenue by region					
Hong Kong	**23,382.9**	31,599.0	28,449.7	26,243.3	21,818.3
Mainland China	**2,600.2**	2,726.1	2,470.5	2,480.2	2,490.0
Global and others	**850.4**	789.7	464.8	774.3	183.5
Profit attributable to shareholders of the Company	**4,043.2**	6,068.8	5,628.9	4,912.8	4,477.6
Attributable operating profit	**4,707.4**	5,231.9	4,840.3	4,739.6	4,456.6
Attributable operating profit by segments					
Roads	**1,805.5**	1,947.1	1,479.1	1,259.8	1,201.0
Aviation	**500.3**	695.2	610.5	424.0	243.6
Construction	**1,203.8**	1,055.3	909.5	715.5	565.8
Environment	**629.0**	494.1	392.1	469.8	631.4
Logistics	**650.6**	654.6	641.2	702.6	548.9
Facilities Management	**(393.4)**	(73.1)	301.1	645.0	861.5
Transport	**(10.1)**	157.6	222.3	196.1	125.3
Strategic Investments	**321.7**	301.1	284.5	326.8	279.1
Attributable operating profit by region					
Hong Kong	**1,324.4**	2,015.8	2,213.8	2,615.9	2,556.1
Mainland China	**2,815.6**	2,623.5	2,117.9	1,937.9	1,748.0
Global and others	**567.4**	592.6	508.6	185.8	152.5

* The amount represented revenue consolidated after being acquired as the Group's subsidiaries since 30 December 2016.

	2019	2018	2017	2016	2015
Consolidated income statement data (continued) (HK$'m)					
Corporate office and non-operating items					
Net gain on disposal of projects, net of tax	**285.1**	52.7	179.8	199.4	51.4
Gain on fair value of investment properties	**33.7**	93.6	117.1	1,420.0	306.6
Net gain on disposal of a project under an associated company	**–**	–	932.8	–	–
Gain on restructuring of a joint venture	**–**	–	454.3	–	–
Gain on remeasurement of a previously held equity interest in a joint venture	**–**	–	113.1	–	–
Net gain on disposal of a project under a joint venture	**–**	–	–	–	1,549.9
Gains on partial disposal and remeasurement related to an associated company	**–**	1,879.3	–	–	–
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	**–**	–	–	–	914.0
Gain on disposal of an available-for-sale financial asset	**–**	–	–	534.1	–
Net gain on deemed disposal of a project under a joint venture	**–**	–	–	179.3	–
Losses on partial disposal, impairment and remeasurement related to an associated company	**–**	–	(290.6)	–	(1,910.9)
Impairment loss of an available-for-sale financial asset	**–**	–	–	(670.4)	–
Impairment loss related to an associated company	**–**	–	–	(200.0)	–
Impairment losses related to joint ventures	**–**	(600.0)	–	(177.6)	(300.0)
Interest income	**78.3**	36.8	54.4	198.1	210.5
Finance costs	**(373.8)**	(266.6)	(399.8)	(546.3)	(522.0)
Expenses and others	**(500.6)**	(358.9)	(372.5)	(763.4)	(278.5)
Consolidated statement of financial position data (HK$'m)					
Total assets	**86,065.0**	78,138.6	75,725.9	75,685.0	75,153.6
Total liabilities, perpetual capital securities and non-controlling interests	**37,019.0**	28,188.6	26,668.8	30,066.1	29,740.2
Total borrowings	**15,069.4**	10,174.6	9,682.7	15,064.8	16,811.4
Shareholders' funds	**49,046.0**	49,950.0	49,057.1	45,618.9	45,413.4

Project Key Facts and Figures

(As at 30 June 2019)

Roads

Guangdong Province

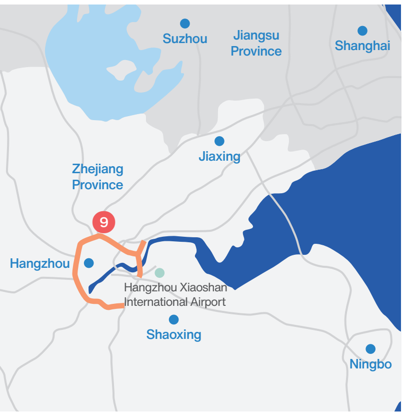
	1. Guangzhou City Northern Ring Road	2. Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)
Attributable Interest	65.29%	25%
Form of Investment	CJV	CJV
Length	22 km	Section 1: 8.6 km Section 2: 49.59 km
Lanes	Dual 3-Lane	Section 1: Dual 3-Lane Section 2: Dual 2 to 3-Lane
Location	Guangzhou City	Zhongshan City & Zhuhai City
Operation Date	January 1994	December 1999
Expiry Date	2023	2030
Current Toll Rates	RMB1 – RMB28 (Normal) RMB0.12 / tonne / km (Toll-by-weight vehicle)	Section 1: RMB6 – RMB10 (Normal) Section 2: RMB2 – RMB59 (Normal) Section 1 & 2: RMB0.09 – RMB0.12 / tonne / km (Toll-by-weight vehicle)
Average Daily Traffic Flow	**2019** **2018** **2017** 350,818 345,037 319,406	**2019** **2018** **2017** 195,047 194,400 181,618

	3. Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)	4. Guangzhou-Zhaoqing Expressway
Attributable Interest	15%	25%
Form of Investment	CJV	CJV
Length	27 km	Phase 1: 48 km Phase 2: 5.39 km
Lanes	Dual 3-Lane	Phase 1: Dual 2-Lane Phase 2: Dual 3-Lane
Location	Guangzhou City	Zhaoqing City & Foshan City
Operation Date	December 2005	Phase 1: September 2002 Phase 2: September 2010
Expiry Date	2032	2031
Current Toll Rates	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	**2019** 83,974 **2018** 71,765 **2017** 58,730	**2019** 87,003 **2018** 79,527 **2017** 79,990

	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 Traffic Flow	**2019** 105,694 **2018** 103,958 **2017** 91,848	**2019** 148,685 **2018** 123,163 **2017** 100,344

	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 Traffic Flow	**2019** **2018** **2017** 139,714 122,357 105,092	**2019** **2018** **2017** N/A N/A N/A

Zhejiang Province



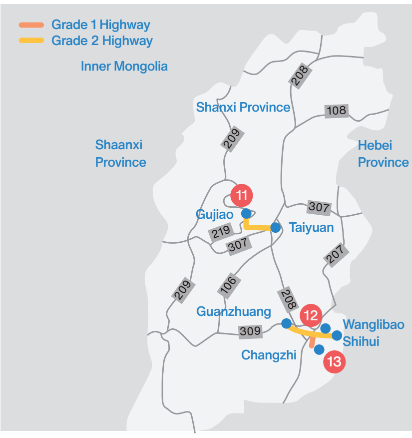
	9. Hangzhou Ring Road
Attributable Interest	100%
Form of Investment	Equity
Length	103.4 km
Lanes	Dual 2 to 3-Lane
Location	Hangzhou City
Operation Date	January 2005
Expiry Date	2029
Current Toll Rates	RMB5 – RMB170 (Normal) RMB0.09 / tonne / km (Toll-by-weight vehicle)
Average Daily Traffic Flow	**2019** **2018** **2017** 88,969 82,620 78,844

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 Traffic Flow	**2019** 3,381 **2018** 4,588 **2017** 5,093

Shanxi Province



11. Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)

Attributable Interest	60%†
Form of Investment	CJV
Length	36.02 km
Lanes	Dual 1-Lane
Location	Gujiao City
Operation Date	April 1999
Expiry Date	2025
Current Toll Rates	RMB10 – RMB60
Average Daily Traffic Flow	**2019** 1,541 **2018** 716 **2017** 706

	12. Roadway No. 309 (Changzhi Section)	13. Taiyuan – Changzhi Roadway (Changzhi Section)
Attributable Interest	60%[†]	60%[†]
Form of Investment	CJV	CJV
Length	22.2 km	18.3 km
Lanes	Dual 1 to 2-Lane	Dual 1 to 2-Lane
Location	Changzhi City	Changzhi City
Operation Date	July 2000	August 2000
Expiry Date	2023	2023
Current Toll Rates	RMB10 – RMB60	RMB10 – RMB70
Average Daily Traffic Flow	**2019** **2018** **2017** 4,955 5,183 5,625	**2019** **2018** **2017** 1,061 1,420 1,483

Tianjin Municipality

	14. 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	**2019** **2018** **2017** 71,337 62,369 52,451

Hubei Province

15. Hubei 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	**2019** 24,389 **2018** 23,196* **2017** N/A*

Hunan Province

16. Hunan Sui-Yue Expressway

Attributable Interest	40%
Form of Investment	EJV
Length	24.08 km
Lanes	Dual 3-Lane
Location	Yueyang City
Operation Date	December 2011
Expiry Date	2038
Current Toll Rates	RMB1 – RMB38 (Normal) RMB0.1 / tonne / km (Toll-by-weight vehicle)
Average Daily Traffic Flow	**2019** 30,660# **2018** N/A# **2017** N/A#

† 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 figure is provided for FY2017

The figure for FY2019 represented the average daily traffic flow from December 2018 (completion of acquisition) to June 2019. No comparative figures are provided for FY2018 and FY2017

^ The project was disposed of in July 2019

Aviation

1. Goshawk Aviation Limited

Attributable Interest	50%		
Form of Investment	Equity		
Operation Date	October 2013#		
	2019	**2018**	**2017**
No. of Aircraft Owned	154	105	84

2. Beijing Capital International Airport Company Limited

Attributable Interest	2.77%*		
Form of Investment	Equity		
Facility	3 runways & 3 terminals (total floor area: 1.41 million sq m)		
Location	Beijing Municipality		
Operation Date	October 1999#		
	2019	**2018**	**2017**
Passenger Throughput	100,673,000	98,711,000	95,423,000
Aircraft Movements	604,000	609,000	600,000

Date of incorporation

* In September 2019, the Group has sold the entire shareholding of 2.77% in BCIA

Construction

	Hip Hing Group
Attributable Interest	100%
Services Offered	General contracting, construction management, civil engineering works and foundation works
Total Value of Contracts Awarded this Year	HK$35.6 billion
Value of Contracts on Hand	HK$55.6 billion (remaining value of works to be completed: HK$41.6 billion)
Major Projects	Construction Management of Kai Tak Sports Park; Inland Revenue Tower at Kai Tak Development; Immigration Headquarters at Tseung Kwan O; InnoCell adjacent to Hong Kong Science Park, Tai Po; West Kowloon Government Offices; Xiqu Centre at West Kowloon Cultural District; Residential Development "LOHAS Park" Package 5 and 6 at Tseung Kwan O; Residential and Commercial Development at Kai Tak NKIL 6541 Area 1H Site 3; Residential Development at Lee Nam Road, Ap Lei Chau; Residential Development at NKIL 6584 Off Sin Fat Road, 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; Commercial Development at Nos. 999–1021 King's Road, Quarry Bay; Commercial Development at Kai Tak NKIL 6556 Area 1F Site 2; Two Taikoo Place Phase 2B at Taikoo Place; 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)

Environment

1. SUEZ NWS Limited

Attributable Interest	42%
Form of Investment	Equity

No. of Projects and Design Capacity

	No. of Projects	Total Design Capacity
Water and wastewater treatment:	38	9.41 million m^3 / day
Sludge treatment:	4	2,140 tonnes / day
Waste collection and treatment:	13	11,283 tonnes / day
Industrial and municipal waste incineration:	9	778,300 tonnes / year
Landfill and landfill restoration:	9	96 million m^3 (excluding landfill restoration)
Total	73	

Location	Liaoning, Beijing, Tianjin, Hebei, Shandong, Shanghai, Jiangsu, Zhejiang, Guangdong, Shaanxi, Henan, Hubei, Jiangxi, Chongqing, Sichuan, Guangxi, Hainan, Hong Kong, Macau, Taiwan
Operation Date	May 1985[#]

Average Daily Volume Treated/Sold

	2019	2018	2017
Water and wastewater treatment (million m^3):	6.90	6.58	6.02
Waste treatment (tonnes):	25,052	24,153	22,406[^]

2. Chongqing Derun Environment Co., Ltd.

Attributable Interest	12.55%
Form of Investment	Equity

No. of Projects and Design Capacity

	No. of Projects	Total Design Capacity
Water and wastewater treatment:	4	5.88 million m^3 / day
Municipal waste incineration:	33	49,490 tonnes / day
Environmental remediation:	3	47.68 km (river) 1,037 mu (landfill)
Total	40	

Location	Xinjiang, Gansu, Inner Mongolia, Liaoning, Shandong, Henan, Hubei, Jiangsu, Anhui, Zhejiang, Chongqing, Sichuan, Yunnan, Guangxi, Guangdong
Operation Date	October 2014[#]

3. Chongqing Silian Optoelectronics Science & Technology Co., Ltd.

Attributable Interest	20%
Form of Investment	EJV
Location	Chongqing Municipality
Operation Date	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)	**2019** 2,029 **2018** 2,904 **2017** 2,450	**2019** 3,592 **2018** 3,213 **2017** 3,118

	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

	7. ForVEI II S.r.l.	
Attributable Interest	40%	
Form of Investment	Equity	
No. of Projects and Installed Capacity	**No. of Projects** 3	**Total Installed Capacity** 2.86 MW
Location	Italy	
Type of Power	Solar Power	
Operation Date	June 2018#	
Expiry Date	2050	

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

Logistics

1. ATL Logistics Centre Hong Kong Limited

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	**2019** 99.3%	**2018** 97.2%	**2017** 97.1%

2. China United International Rail Containers Co., Limited

Attributable Interest	30%		
Form of Investment	EJV		
Investment Scope	Pivotal rail container terminal network		
Handling Capacity	4.65 million TEUs / year		
Location	Kunming, Chongqing, Chengdu, Zhengzhou, Dalian, Qingdao, Wuhan, Xian, Ningbo, Tianjin, Urumqi, Qinzhou		
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 Ningbo: January 2011 Tianjin: January 2017 Urumqi: June 2017 Qinzhou: June 2019		
Expiry Date	2057		
Throughput Achieved (TEUs)	**2019** 3,438,000	**2018** 2,730,000	**2017** 2,529,000

3. Xiamen Container Terminal Group Co., Ltd.

Attributable Interest	20%		
Form of Investment	EJV		
Handling Capacity	9.1 million TEUs / year		
Total Area	3.42 million sq m		
Location	Xiamen City, Fujian Province		
Operation Date	December 2013		
Expiry Date	2063		
Length of Berths	6,838 m		
No. of Cranes	63		
Throughput Achieved (TEUs)	**2019** 8,555,000*	**2018** 8,248,000*	**2017** 8,182,000*

* The figures represent the aggregate throughput handled by Xiamen Container Terminal Group Co., Ltd. and its invested companies

Facilities Management

	1. Hong Kong Convention and Exhibition Centre (Management) Limited	2. Shenyang New World Expo (Management) Limited	3. 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	1,000	39	217
Total Attendance this Year	Approximately 8.5 million*	Over 0.4 million**	Approximately 2.56 million**

	4. 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 department, endoscopy centre, chemotherapy centre, dialysis centre, health screening clinic, rehabilitation centre, specialist outpatient clinics, dietetic services, etc

	5. Healthcare Assets Management Limited	6. 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

	7. Free Duty	8. 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 International Airport; Hong Kong-Zhuhai-Macao Bridge (Hong Kong Port Passenger Clearance Building)	Macau International Airport

* Includes event visitors, exhibitors and outlet guests not attending exhibitions

** Includes event visitors only

Transport

	1. Citybus Limited	2. New World First Bus Services Limited	3. New World First Ferry Services Limited
Attributable Interest	100%	100%	100%
Services Offered	Franchised bus services in Hong Kong	Franchised bus services in Hong Kong	Ferry services of outlying islands and inner harbor routes
Fleet Size	978 buses	690 buses	17 owned vessels and 3 chartered vessels
No. of Routes	118	93	5
Average Daily Patronage	622,000	463,000	36,300

Glossary of Terms

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

GENERAL TERMS

"ABS"	asset-backed securities
"ATL Logistics Centre"	ATL Logistics Centre Hong Kong Limited
"BCIA"	Beijing Capital International Airport Company Limited
"Board"	the board of directors of NWS Holdings
"Citybus"	Citybus Limited
"Citybus F1"	Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network)
"CUIRC"	China United International Rail Containers Co., Limited
"DBO Contract"	the contract for design, construction and operation of Kai Tak Sports Park
"Derun Environment"	Chongqing Derun Environment Co., Ltd.
"EU"	European Union
"EUR"	Euro, the official currency of the Eurozone
"ForVEI II"	ForVEI II S.r.l.
"FTLife Insurance"	FTLife Insurance Company Limited
"FY2018"	the financial year ended 30 June 2018
"FY2019"	the financial year ended 30 June 2019
"FY2020"	the financial year ending 30 June 2020
"GHK Hospital"	Gleneagles Hong Kong Hospital
"Goshawk"	Goshawk Aviation Limited
"Goshawk Group"	Goshawk and its subsidiaries
"Greater Bay Area"	the Guangdong-Hong Kong-Macao Greater Bay Area
"Greater China"	the PRC including Hong Kong, Macau and Taiwan
"Group"	NWS Holdings and its subsidiaries
"HIBOR"	Hong Kong Interbank Offered Rate
"Hip Hing Group"	NWS Construction Limited and its subsidiaries
"Hip Hing Engineering"	Hip Hing Engineering Company Limited
"Hip Seng Group"	Celestial Path Limited and its subsidiaries and an unincorporated joint venture
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong

GENERAL TERMS (continued)

"HK$'m"	million of Hong Kong dollar
"HKCEC"	Hong Kong Convention and Exhibition Centre
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HML"	Hong Kong Convention and Exhibition Centre (Management) Limited
"Hong Kong" or "HKSAR"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hubei Suiyuenan Expressway"	Hubei Suiyuenan Expressway Co., Ltd
"KTSPL"	Kai Tak Sports Park Limited
"LIBOR"	London Interbank Offered Rate
"Listing Rules"	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Macau"	The Macau Special Administrative Region of the PRC
"Mainland China"	the PRC excluding Hong Kong, Macau and Taiwan
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
"MOP"	Macau Pataca, the lawful currency of Macau
"New World First Ferry" or "NWFF"	New World First Ferry Services Limited
"New World Group"	NWD and its subsidiaries
"New World Sports"	New World Sports Development Limited
"NWD"	New World Development Company Limited
"NWFB"	New World First Bus Services Limited
"NWS Holdings" or "Company"	NWS Holdings Limited
"NWS Sports"	NWS Sports Development Limited
"PRC"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Shougang Concord"	Shougang Concord International Enterprises Company Limited
"Sky Aviation"	Sky Aviation Leasing International Limited
"SUEZ NWS"	SUEZ NWS Limited
"Takeovers Code"	the Code on Takeovers and Mergers
"Tharisa"	Tharisa plc
"US" or "USA"	the United States of America
"US$"	United States dollar, the lawful currency of USA
"Xin Chuan"	Guangdong Xin Chuan Co., Ltd., now known as NWS (Guangdong) Investment Company Limited

TECHNICAL TERMS

"CO_2e"	carbon dioxide equivalent
"GJ"	gigajoule(s), equal to 1,000,000,000 joules
"m^3"	cubic metre(s)
"CJV"	co-operative joint venture company
"EJV"	equity joint venture company
"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 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"	$\frac{\text{profit attributable to shareholders of the Company}}{\text{weighted average number of shares in issue during the year}}$
"HKAS"	Hong Kong Accounting Standards
"HKFRS"	Hong Kong Financial Reporting Standards
"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 fixed rate bonds, bank loans, overdrafts and other borrowings

Corporate Information

Board of Directors

Executive Directors

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Ma Siu Cheung *(Chief Executive 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 Tsang Yam Pui
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 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 Ma Siu Cheung
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher

Nomination Committee

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

Sustainability Committee

Mr Ma Siu Cheung *(Chairman)*
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Dominic Lai
Mr Lam Wai Hon, Patrick
Mr William Junior Guilherme Doo
Mr Lee Yiu Kwong, Alan
Mrs Oei Fung Wai Chi, Grace

Corporate Governance Committee

Mr Kwong Che Keung, Gordon *(Chairman)*
Mr Ma Siu Cheung
Mr Cheung Chin Cheung
Mr Chow Tak Wing
Mrs Oei Fung Wai Chi, Grace
Mr Wong Kwai Huen, Albert

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
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong
Tricor Standard Limited
Level 54, 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
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

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