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# 新創建 NWS

新創建集團有限公司\*

NWS HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

**(stock code: 659)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2014

### FINANCIAL HIGHLIGHTS

<b>Revenue</b>	<b>:</b>	<b>HK\$21,443.0 million</b>
<b>Profit attributable to shareholders</b>	<b>:</b>	<b>HK\$4,324.9 million</b>
<b>Earnings per share – basic</b>	<b>:</b>	<b>HK\$1.17</b>
<b>Proposed final dividend per share</b>	<b>:</b>	<b>HK\$0.22</b>

## RESULTS

The board of directors (the “Board”) of NWS Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 30 June 2014 (“FY2014”) together with comparative figures for the year ended 30 June 2013 (“FY2013”) as follows:

## Consolidated Income Statement For the year ended 30 June

	<i>Note</i>	<b>2014 HK\$'m</b>	2013 HK\$'m
Revenue	2	<b>21,443.0</b>	16,247.9
Cost of sales		<u><b>(18,363.1)</b></u>	<u>(13,114.0)</u>
Gross profit		<b>3,079.9</b>	3,133.9
Gain on deemed disposal of interests in joint ventures	8	<b>594.3</b>	-
Other income/gains (net)	3	<b>763.3</b>	1,251.3
General and administrative expenses		<u><b>(881.1)</b></u>	<u>(747.1)</u>
Operating profit	4	<b>3,556.4</b>	3,638.1
Finance costs		<b>(694.1)</b>	(768.7)
Share of results of Associated companies		<b>572.2</b>	438.0
Joint ventures		<u><b>1,553.3</b></u>	<u>1,415.8</u>
Profit before income tax		<b>4,987.8</b>	4,723.2
Income tax expenses	5	<u><b>(605.3)</b></u>	<u>(640.9)</u>
Profit for the year		<u><b>4,382.5</b></u>	<u>4,082.3</u>
Attributable to Shareholders of the Company		<b>4,324.9</b>	4,008.0
Non-controlling interests		<u><b>57.6</b></u>	<u>74.3</u>
		<u><b>4,382.5</b></u>	<u>4,082.3</u>
Dividends	6	<u><b>2,160.6</b></u>	<u>2,012.4</u>
Earnings per share attributable to the shareholders of the Company	7		
Basic		<u><b>HK\$1.17</b></u>	<u>HK\$1.11</u>
Diluted		<u><b>N/A</b></u>	<u>HK\$1.11</u>

## Consolidated Statement of Comprehensive Income

### For the year ended 30 June

	2014 HK\$'m	2013 HK\$'m
Profit for the year	<b>4,382.5</b>	4,082.3
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefit obligation	(9.8)	-
Revaluation of property, plant and equipment upon reclassification to investment properties	119.3	-
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Fair value changes of available-for-sale financial assets	(186.0)	(13.5)
Release of reserves upon deemed disposal of interests in joint ventures	(127.8)	-
Release of reserves upon disposal of assets held for sale	-	(2.4)
Release of exchange reserve upon disposal of subsidiaries	(71.5)	-
Share of other comprehensive (loss)/income of associated companies and joint ventures	(103.6)	25.7
Cash flow hedges	15.8	55.1
Currency translation differences	(420.1)	1,165.2
Other comprehensive (loss)/income for the year, net of tax	<b>(783.7)</b>	1,230.1
Total comprehensive income for the year	<b>3,598.8</b>	5,312.4
Total comprehensive income attributable to		
Shareholders of the Company	3,551.3	5,207.2
Non-controlling interests	47.5	105.2
	<b>3,598.8</b>	5,312.4

## Consolidated Statement of Financial Position

### As at 30 June

	<i>Note</i>	2014 HK\$'m	2013 HK\$'m
<b>ASSETS</b>			
Non-current assets			
Investment properties		<b>3,643.8</b>	3,443.1
Property, plant and equipment		<b>552.7</b>	454.1
Intangible concession rights		<b>15,697.0</b>	16,660.4
Intangible assets		<b>455.1</b>	486.3
Associated companies	8	<b>12,972.0</b>	9,686.2
Joint ventures		<b>19,181.9</b>	19,861.7
Available-for-sale financial assets		<b>1,599.4</b>	424.1
Other non-current assets		<b>1,033.6</b>	1,073.4
		<u>55,135.5</u>	<u>52,089.3</u>
Current assets			
Inventories		<b>329.6</b>	366.3
Trade and other receivables	9	<b>8,444.3</b>	5,464.1
Available-for-sale financial asset		-	583.5
Cash and bank balances		<b>7,636.9</b>	7,768.2
		<u>16,410.8</u>	<u>14,182.1</u>
Assets held for sale	10	<b>7.8</b>	751.4
		<u>16,418.6</u>	<u>14,933.5</u>
Total assets		<u><b>71,554.1</b></u>	<u>67,022.8</u>

## Consolidated Statement of Financial Position (continued)

As at 30 June

	<i>Note</i>	2014 HK\$m	2013 HK\$m
<b>EQUITY</b>			
Share capital		3,741.9	3,675.6
Reserves		37,651.3	35,551.8
Proposed final dividend		823.2	955.7
		<hr/>	<hr/>
Shareholders' funds		42,216.4	40,183.1
Non-controlling interests		827.0	837.9
		<hr/>	<hr/>
Total equity		43,043.4	41,021.0
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<b>LIABILITIES</b>			
Non-current liabilities			
Borrowings		12,154.0	16,275.8
Deferred tax liabilities		2,512.1	2,607.4
Other non-current liabilities		328.2	339.2
		<hr/>	<hr/>
		14,994.3	19,222.4
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Borrowings		5,513.5	1,403.7
Trade and other payables	<i>11</i>	7,644.0	4,972.2
Taxation		358.9	403.5
		<hr/>	<hr/>
		13,516.4	6,779.4
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		28,510.7	26,001.8
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		71,554.1	67,022.8
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Net current assets		2,902.2	8,154.1
		<hr/>	<hr/>
Total assets less current liabilities		58,037.7	60,243.4
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## *Notes:*

### **1. Basis of preparation and accounting policies**

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

(a) Adoption of new standards and amendments to standards

During FY2014, the Group adopted the following new standards and amendments to standards which are relevant to the Group’s operations and are mandatory for FY2014:

HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRSs Amendments	Improvements to HKFRSs issued in June 2012
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

Except as described below, the adoption of the above new standards and amendments to standards has no material effect on the results and financial position of the Group.

As a result of the adoption of HKFRS 10 on 1 July 2013, the accounting policy for subsidiaries has been revised. A subsidiary is an entity 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 assessed that the adoption of HKFRS 10 did not result in any change in the determination of control over its subsidiaries.

The Group also adopted HKFRS 11 on 1 July 2013. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor rather than the legal structure of the joint arrangements. The Group has assessed the nature of its joint arrangements and the application of HKFRS 11 has no material impact on the Group’s accounting treatment for joint ventures.

## 1. Basis of preparation and accounting policies (continued)

### (a) Adoption of new standards and amendments to standards (continued)

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. The Group provided these disclosures accordingly in notes to the financial statements.

The Group also adopted HKAS 19 (2011) on 1 July 2013. The revised standard calculates interest expense/income by applying the discount rate to the net defined benefit liability/asset. This replaces the interest cost on the defined benefit obligation and the expected return on plan assets. The initial application of this standard constitutes a change in accounting policy but is not material for restatement of the comparative figures.

### (b) 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 2014 or later periods but which the Group has not early adopted:

Effective for the year ending 30 June 2015 (“FY2015”)

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HKFRSs Amendments	Annual improvements to HKFRSs 2010-2012 Cycle and Annual improvements to HKFRSs 2011-2013 Cycle

## 1. Basis of preparation and accounting policies (continued)

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

Effective for the year ending 30 June 2016 or after

HKFRS 7 and HKFRS 9 (Amendments)	Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9 HKFRS 9	Financial Instruments Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interest in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16 and HKAS 38 (Amendments)	Clarification of Acceptance Methods of Depreciation and Amortization

The Group has already commenced an assessment of the impact of these new standards, 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 financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

## 2. Revenue and segment information

The Group's revenue is analyzed as follows:

	2014 HK\$'m	2013 HK\$'m
Roads	2,306.8	2,200.3
Ports & Logistics	99.7	102.1
Facilities Management	6,174.2	6,471.7
Construction & Transport	12,862.3	7,473.8
	<u>21,443.0</u>	<u>16,247.9</u>

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 business of the Group from product and service perspectives, which comprise (i) Roads; (ii) Energy & Water; (iii) Ports & Logistics; (iv) Facilities Management; (v) Construction & Transport; and (vi) Strategic Investments.

The Executive Committee assesses the performance of the operating segments based on a measure of attributable operating profit. This measurement basis excludes the effects of corporate office and non-operating items. Corporate interest income, finance costs and expenses are not allocated to segments.



## 2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2014 is as follows:

HK\$m	Energy &		Ports &	Facilities	Construction	Strategic	Total
	Roads	Water	Logistics	Management	& Transport	Investments	
<b>2014</b>							
Total revenue	2,306.8	-	99.7	6,195.4	12,986.1	-	21,588.0
Inter-segment	-	-	-	(21.2)	(123.8)	-	(145.0)
Revenue - external	<u>2,306.8</u>	<u>-</u>	<u>99.7</u>	<u>6,174.2</u>	<u>12,862.3</u>	<u>-</u>	<u>21,443.0</u>
Attributable operating profit							
Company and subsidiaries	756.3	6.3	71.3	906.1	283.2	221.2	2,244.4
Associated companies	51.8	8.3	135.5	(2.4)	148.8	241.6 (ii)	583.6 (b)
Joint ventures	<u>318.6</u>	<u>725.1</u>	<u>354.8</u>	<u>7.0</u>	<u>173.3 (i)</u>	<u>(27.8)</u>	<u>1,551.0 (b)</u>
	<u>1,126.7</u>	<u>739.7</u>	<u>561.6</u>	<u>910.7</u>	<u>605.3</u>	<u>435.0</u>	<u>4,379.0</u>
Reconciliation - corporate office and non-operating items							
Gain on deemed disposal of interests in joint ventures							594.3
Gain on disposals of projects, net of tax							79.0
Gain on fair value of investment properties							111.4
Share of profit from Harbour Place							41.8
Provision for impairment on a joint venture							(72.1)
Net exchange loss							(28.0)
Interest income							113.2
Finance costs							(561.9)
Expenses and others							<u>(331.8)</u>
Profit attributable to shareholders							<u><u>4,324.9</u></u>

(i) The amount includes the Group's share of attributable operating profit of HK\$172.6 million from its Transport business.

(ii) The amount includes the Group's share of attributable operating profit of HK\$180.2 million from three associated companies engaged in investment activities.

## 2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2014 is as follows (continued):

HK\$'m	Segment						Total	Corporate	Eliminations	Consolidated
	Roads	Energy & Water	Ports & Logistics	Facilities Management	Construction & Transport	Strategic Investments				
<b>2014</b>										
Depreciation	9.8	-	-	53.2	39.6	-	102.6	9.0	-	111.6
Amortization of intangible concession rights	764.5	-	-	-	-	-	764.5	-	-	764.5
Amortization of intangible assets	-	-	-	31.2	-	-	31.2	-	-	31.2
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	14.2	-	-	141.6	67.0	-	222.8	0.6	-	223.4
Interest income	112.5	23.1	6.3	2.0	7.3	209.3	360.5	113.2	(18.4)	455.3
Finance costs	120.7	-	8.8	0.5	20.4	0.2	150.6	561.9	(18.4)	694.1
Income tax expenses	358.9	19.7	25.0	178.9	16.5	6.2	605.2	0.1	-	605.3
<b>As at 30 June 2014</b>										
Company and subsidiaries	19,079.9	400.5	2,237.9	3,883.5	6,914.3	1,740.9	34,257.0	5,143.2	-	39,400.2
Associated companies	441.0	623.7	4,305.1	734.7	1,472.3	5,336.0	12,912.8	59.2	-	12,972.0
Joint ventures	6,189.7	6,772.4	2,961.2	5.6	1,965.8 (i)	1,238.4	19,133.1	48.8	-	19,181.9
Total assets	25,710.6	7,796.6	9,504.2	4,623.8	10,352.4	8,315.3	66,302.9	5,251.2	-	71,554.1
Total liabilities	5,481.6	41.9	74.1	896.4	6,299.0	138.3	12,931.3	15,579.4	-	28,510.7

(i) The balance includes the Group's investment in its Transport business of HK\$1,955.3 million.

## 2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2014 is as follows (continued):

HK\$'m	Energy &		Ports &	Facilities	Construction	Strategic	Total
	Roads	Water	Logistics	Management	& Transport	Investments	
2013							
Total revenue	2,200.3	-	102.1	6,491.5	7,599.7	-	16,393.6
Inter-segment	-	-	-	(19.8)	(125.9)	-	(145.7)
Revenue - external	<u>2,200.3</u>	<u>-</u>	<u>102.1</u>	<u>6,471.7</u>	<u>7,473.8</u>	<u>-</u>	<u>16,247.9</u>
Attributable operating profit							
Company and subsidiaries	708.3	-	63.3	1,122.7	127.9	257.3	2,279.5
Associated companies	30.6	23.1	20.3	(2.0)	113.9	269.2 (ii)	455.1 (b)
Joint ventures	<u>499.3</u>	<u>696.4</u>	<u>246.8</u>	<u>2.9</u>	<u>152.5</u>	<u>(i) (65.2)</u>	<u>1,532.7 (b)</u>
	1,238.2	719.5	330.4	1,123.6	394.3	461.3	4,267.3
Reconciliation - corporate office and non-operating items							
Gain on fair value of investment properties							333.6
Share of profit from Harbour Place							28.1
Net exchange gain							104.9
Interest income							109.7
Finance costs							(555.3)
Expenses and others							<u>(280.3)</u>
Profit attributable to shareholders							<u><u>4,008.0</u></u>

- (i) The amount included the Group's share of attributable operating profit of HK\$159.4 million from its Transport business.
- (ii) The amount included the Group's share of attributable operating profit of HK\$215.3 million from three associated companies engaged in investment activities.

## 2. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2014 is as follows (continued):

HK\$'m	Segment						Total	Corporate	Eliminations	Consolidated
	Roads	Energy & Water	Ports & Logistics	Facilities Management	Construction & Transport	Strategic Investments				
2013										
Depreciation	9.1	-	-	50.0	38.2	-	97.3	9.7	-	107.0
Amortization of intangible concession rights	715.0	-	-	-	-	-	715.0	-	-	715.0
Amortization of intangible assets	-	-	-	31.3	-	-	31.3	-	-	31.3
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	10.5	-	-	85.9	35.0	-	131.4	9.4	-	140.8
Interest income	63.3	14.5	1.7	0.8	6.2	216.2	302.7	109.7	(16.4)	396.0
Finance costs	206.6	-	10.3	0.6	12.3	-	229.8	555.3	(16.4)	768.7
Income tax expenses	360.3	25.5	11.8	221.8	8.4	12.2	640.0	0.9	-	640.9
As at 30 June 2013										
Company and subsidiaries	18,933.0	162.0	2,159.5	4,036.4	4,515.0	1,898.4	31,704.3	5,770.6	-	37,474.9
Associated companies	422.5	643.9	280.0	689.0	1,363.8	6,224.6	9,623.8	62.4	-	9,686.2
Joint ventures	6,409.7	7,480.9	3,039.1	17.5	1,617.0 (i)	1,273.1	19,837.3	24.4	-	19,861.7
Total assets	25,765.2	8,286.8	5,478.6	4,742.9	7,495.8	9,396.1	61,165.4	5,857.4	-	67,022.8
Total liabilities	5,899.5	27.3	91.2	916.2	3,674.9	148.3	10,757.4	15,244.4	-	26,001.8

(i) The balance included the Group's investment in its Transport business of HK\$1,922.0 million.

## 2. Revenue and segment information (continued)

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

HK\$'m	<u>Associated companies</u>		<u>Joint ventures</u>	
	2014	2013	2014	2013
Attributable operating profit	<b>583.6</b>	455.1	<b>1,551.0</b>	1,532.7
Corporate associated companies, joint ventures and non-operating items				
Harbour Place	-	-	<b>41.8</b>	28.1
Others	<b>(11.4)</b>	(17.1)	<b>(39.5)</b>	(145.0)
Share of results of associated companies and joint ventures	<b>572.2</b>	438.0	<b>1,553.3</b>	1,415.8

- (c) Information by geographical areas:

HK\$'m	<u>Revenue</u>		<u>Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets</u>	
	2014	2013	2014	2013
Hong Kong	<b>18,504.2</b>	13,973.6	<b>4,569.7</b>	4,306.4
Mainland China	<b>2,381.2</b>	2,265.9	<b>15,773.3</b>	16,731.8
Macau	<b>557.6</b>	8.4	<b>5.6</b>	5.7
	<b>21,443.0</b>	16,247.9	<b>20,348.6</b>	21,043.9

### 3. Other income/gains (net)

	2014 HK\$m	2013 HK\$m
Gain on fair value of investment properties	111.4	333.6
Gain on fair value of a derivative financial instrument	-	58.8
Profit on disposal of subsidiaries	75.7	-
Net gain on fair value of financial assets at fair value through profit or loss	-	36.9
Profit on disposal of an available-for-sale financial asset	14.3	3.3
Profit on disposal of assets held for sale	-	46.5
Net exchange gain	-	214.4
Interest income		
Available-for-sale financial asset	176.9	191.0
Bank deposits and others	278.4	205.0
Machinery hire income	101.1	86.9
Dividends and other income	51.8	43.6
Management fee income	25.8	31.3
Provision for impairment on a joint venture	(72.1)	-
	<u>763.3</u>	<u>1,251.3</u>

### 4. Operating profit

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

	2014 HK\$m	2013 HK\$m
<b>Crediting</b>		
Gross rental income from investment properties	157.1	155.2
Less: outgoings	(19.4)	(29.4)
	<u>137.7</u>	<u>125.8</u>

#### 4. Operating profit (continued)

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

	<b>2014</b>	2013
	<b>HK\$'m</b>	HK\$'m
<b>Charging</b>		
Auditor's remuneration	<b>20.0</b>	18.9
Cost of inventories sold	<b>2,076.9</b>	2,171.2
Cost of services rendered	<b>16,286.2</b>	10,942.8
Depreciation	<b>111.6</b>	107.0
Net exchange loss	<b>34.0</b>	-
Amortization of intangible concession rights	<b>764.5</b>	715.0
Amortization of intangible assets	<b>31.2</b>	31.3
Operating lease rental expenses		
Properties	<b>57.0</b>	51.8
Other equipment	<b>3.1</b>	2.8
Impairment of trade and other receivables	<b>28.6</b>	2.5
Staff costs (including directors' emoluments)	<b>2,171.2</b>	1,708.5

#### 5. Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2013: 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 9% to 25% (2013: 9% to 25%).

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

	<b>2014</b>	2013
	<b>HK\$'m</b>	HK\$'m
Current income tax		
Hong Kong profits tax	<b>186.8</b>	237.4
Mainland China and overseas taxation	<b>484.3</b>	449.5
Deferred income tax credit	<b>(65.8)</b>	(46.0)
	<b>605.3</b>	640.9

Share of taxation of associated companies and joint ventures of HK\$90.4 million (2013: HK\$54.0 million) and HK\$416.2 million (2013: HK\$340.2 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

## 6. Dividends

	2014 HK\$m	2013 HK\$m
Interim dividend paid of HK\$0.36 (2013: HK\$0.29) per share	1,337.4	1,056.7
Final dividend proposed of HK\$0.22 (2013: paid of HK\$0.26) per share	<u>823.2</u>	<u>955.7</u>
	<u><u>2,160.6</u></u>	<u><u>2,012.4</u></u>

At a meeting held on 23 September 2014, the Board recommended a final dividend of HK\$0.22 per share in scrip form with a cash option. This proposed dividend is not reflected as a dividend payable in the financial statements but will be reflected as an appropriation of the retained profits for FY2015.

## 7. Earnings per share

The calculation of basic earnings per share for the year is based on earnings of HK\$4,324.9 million (2013: HK\$4,008.0 million) and on the weighted average of 3,695,430,964 (2013: 3,621,018,152) ordinary shares outstanding during the year.

There is no dilutive potential ordinary share during the year. The calculation of diluted earnings per share for FY2013 was as follows:

	2013 HK\$m
Profit attributable to shareholders of the Company and for calculation of diluted earnings per share	<u>4,008.0</u>
	Number of shares 2013
Weighted average number of shares for calculating basic earnings per share	3,621,018,152
Effect of dilutive potential ordinary shares Share options	<u>289,260</u>
Weighted average number of shares for calculating diluted earnings per share	<u><u>3,621,307,412</u></u>



## 8. Associated companies

Pursuant to the announcement made by the Company on 25 February 2013 in relation to the establishment of a company with other major port operators in Xiamen which would involve the injection of the Group's two port investments in Xiamen — Xiamen New World Xiangyu Terminals Co., Ltd. ("NWXY Terminal") and Trend Wood Investments Limited ("Trend Wood", which invested in Xiamen Haicang Xinhaida Container Terminals Co., Limited) in exchange for a 13.8% interest in the new company, the carrying values of NWXY Terminal and Trend Wood, thereafter, had been reclassified as assets held for sale. The new company, namely Xiamen Container Terminal Group Co., Ltd. ("XCTG"), was legally established in December 2013 and a gain on deemed disposal of interests in joint ventures of HK\$594.3 million was recognized for FY2014. The Group's investment in XCTG was accounted for as an associated company as at 30 June 2014.

## 9. Trade and other receivables

Included in trade and other receivables are trade receivables which are further analyzed as follows:

	<b>2014</b>	2013
	<b>HK\$'m</b>	HK\$'m
Under 3 months	<b>1,807.2</b>	1,018.3
4 to 6 months	<b>50.5</b>	90.8
Over 6 months	<b>69.0</b>	35.0
	<b><u>1,926.7</u></b>	<u>1,144.1</u>

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

## 10. Assets held for sale

	<i>Note</i>	<b>2014</b>	2013
		<b>HK\$'m</b>	HK\$'m
Equity securities listed in Hong Kong		<b>7.8</b>	7.8
Assets reclassified as held for sale	8	<b>-</b>	743.6
		<b><u>7.8</u></b>	<u>751.4</u>

## 11. Trade and other payables

Included in trade and other payables are trade payables which are further analyzed as follows:

	<b>2014</b>	2013
	<b>HK\$'m</b>	HK\$'m
Under 3 months	<b>781.0</b>	534.3
4 to 6 months	<b>14.0</b>	5.5
Over 6 months	<b>13.4</b>	15.8
	<b><u>808.4</u></b>	<u>555.6</u>

## **12. Event subsequent to year end**

On 15 May 2014, Sino-French Holdings (Hong Kong) Limited (“SFH”, a 50% owned joint venture of the Group) and a third party entered into a conditional share purchase agreement pursuant to which SFH agreed to sell 90% of the issued share capital in Sino-French Energy Development Company Limited (“SFED”) together with the assignment of the shareholder loans owed by SFED to SFH at the aggregate cash consideration of US\$612.0 million (equivalent to HK\$4,755.24 million) (the “Disposal”). SFED owns approximately 42.2% interest in Companhia de Electricidade de Macau – CEM, S.A. (“Macau Power”).

In connection with the Disposal, SFH has granted a put option (the “Option”) to King Class Limited (“KCL”, the 10% shareholder of SFED) to require SFH to purchase, through a special purpose vehicle, effectively 9% of the issued share capital in SFED and 90% shareholder loans owed by SFED to KCL within a period of around seven months after the completion of the Disposal.

The Disposal was completed on 15 July 2014. As at the date of this announcement, the Option has not been exercised by KCL and accordingly, SFH ceased to have any interest in SFED. The expected gain to be shared by the Group in FY2015 amounts to approximately HK\$1.5 billion.

## FINAL DIVIDEND

The Board has resolved to recommend a final dividend for FY2014 (the “Final Dividend”) in scrip form equivalent to HK\$0.22 per share (2013: HK\$0.26 per share) with a cash option to the shareholders whose names appear on the register of members of the Company on 24 November 2014. Together with the interim dividend of HK\$0.36 per share (2013: HK\$0.29 per share) paid in May 2014, total distribution of dividend by the Company for FY2014 will thus be HK\$0.58 per share (2013: HK\$0.55 per share).

Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 18 November 2014 (the “AGM ”) and the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) granting the listing of and permission to deal in the new shares to be issued under the Final Dividend, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and they will be given the option of electing to receive payment in cash of HK\$0.22 per share instead of the allotment of shares. A circular containing details of the scrip dividend arrangement will be despatched to the shareholders of the Company together with a form of election for cash dividend on or about 26 November 2014.

## CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders’ eligibility to attend and vote at the AGM, and entitlement to the Final Dividend, the register of members of the Company will be closed. Details of such closures are set out below:

### For determining eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration	4:30 pm on 13 November 2014
Closure of register of members	14 to 18 November 2014 (both days inclusive)
Record date	18 November 2014
AGM date	18 November 2014

### For determining entitlement to the Final Dividend:

Latest time to lodge transfer documents for registration	4:30 pm on 21 November 2014
Closure of register of members	24 November 2014
Record date	24 November 2014
Final Dividend payment date	on or about 30 December 2014

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than the aforementioned latest time.

# FINANCIAL REVIEW

## Group overview

With a clear mandate to build and operate a well-diversified asset portfolio through efficient capital and human resource management, the Group has once again demonstrated its ability to withstand challenges and maintain growth momentum by increasing the Attributable Operating Profit (“AOP”) to HK\$4.379 billion for FY2014. This represented an increase of HK\$111.7 million from HK\$4.267 billion for FY2013. Infrastructure division achieved an AOP of HK\$2.428 billion, representing an increase of 6% when compared to HK\$2.288 billion in FY2013. The AOP of HK\$1.951 billion for Services division was comparable to the previous year.

In February 2013, the Company announced the plan to establish a company with other major port operators in Xiamen which would involve the injection of its two port investments in Xiamen – NWCY Terminal and Trend Wood in exchange for a 13.8% interest in the new company. The new company, XCTG, was legally established in December 2013 and a one-off gain on deemed disposal of HK\$594.3 million from the restructuring was recognized in FY2014.

## Contribution by Division

For the year ended 30 June

	2014 HK\$'m	2013 HK\$'m
Infrastructure	2,428.0	2,288.1
Services	1,951.0	1,979.2
<b>Attributable operating profit</b>	<b>4,379.0</b>	<b>4,267.3</b>
<i>Corporate office and non-operating items</i>		
Gain on deemed disposal of interests in joint ventures	594.3	-
Gain on disposal of projects, net of tax	79.0	-
Gain on fair value of investment properties	111.4	333.6
Share of profit from Harbour Place	41.8	28.1
Provision for impairment on a joint venture	(72.1)	-
Net exchange (loss)/gain	(28.0)	104.9
Interest income	113.2	109.7
Finance costs	(561.9)	(555.3)
Expenses and others	(331.8)	(280.3)
	<b>(54.1)</b>	<b>(259.3)</b>
<b>Profit attributable to shareholders</b>	<b>4,324.9</b>	<b>4,008.0</b>

Contributions from the operations in Hong Kong, Mainland China and Macau & others accounted for 52%, 38% and 10% of AOP respectively in both FY2014 and FY2013.

Final dividend for FY2014 of HK\$0.22 per share (2013: HK\$0.26 per share) is recommended by the Board. The total dividend for FY2014 represents payout ratio of approximately 50% which is in line with the dividend policy of the Company.

## Earnings per share

The basic earnings per share was HK\$1.17 in FY2014, representing an increase of 5% from HK\$1.11 in FY2013.

## OPERATIONAL REVIEW – INFRASTRUCTURE

### *AOP Contribution by Segment*

For the year ended 30 June

	<b>2014</b> <b>HK\$'m</b>	2013 HK\$'m	Change % Fav./ (Unfav.)
Roads	<b>1,126.7</b>	1,238.2	(9)
Energy	<b>384.0</b>	330.2	16
Water	<b>355.7</b>	389.3	(9)
Ports & Logistics	<b>561.6</b>	330.4	70
Total	<b><u>2,428.0</u></b>	<u>2,288.1</u>	6

### **Roads**

The decrease in AOP was mainly due to a significant decrease in gain on extra profit recognition from Tangjin Expressway (Tianjin North Section) in FY2014 in comparison with FY2013 despite a 7% increase in its average daily traffic flow. Excluding the AOP contribution from Tangjin Expressway (Tianjin North Section), AOP of the Roads segment actually increased by 3% in FY2014.

Hangzhou Ring Road (“HZRR”) continued to be the most significant AOP contributor for the Roads segment in FY2014. Its average daily traffic flow grew by 4% when compared to FY2013 while the reduction in bank loan interest expenses also had a positive impact on its AOP contribution.

Benefitting from the economic development in the Pearl River Delta region, all of the Group’s expressways in Guangdong Province registered traffic growth in FY2014. Average daily traffic flow of Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) rose by 12% and 10% respectively. Shenzhen-Huizhou Expressway (Huizhou Section) and Guangzhou-Zhaoqing Expressway saw an increase in traffic volume by 6% and 18% respectively when compared with FY2013. Guangzhou Dongxin Expressway also reported a traffic growth of 23% while a modest 4% increase in traffic volume was recorded by Guangzhou City Nansha Port Expressway in FY2014.

In Hong Kong, average daily traffic flow of Tate’s Cairn Tunnel reduced slightly by 1% but the toll revenue rose as a result of the tariff increase in August 2013.

## **Energy**

Falling coal prices continued to have a positive impact on the overall financial performance of the Group's power plants in Mainland China during FY2014. Compared with FY2013, the volume of electricity sales at the Zhujiang Power Plants were maintained at a similar level while the sales volume at the Chengdu Jintang Power Plant dropped by 11% as one of its generators underwent system upgrade during FY2014.

AOP from Guangzhou Fuel Company also improved as trading margin was more stable in FY2014 while trading volume grew by 11%.

In May 2014, the Group announced the divestment of its interest in Macau Power and accordingly, the Group ceased to account for its results upon the signing of the relevant agreements. The Disposal was completed in the first quarter of FY2015.

## **Water**

The decrease in AOP was mainly attributable to the drop in Chongqing Water Group's contribution resulting from the impairment loss on an investment, and the reduction in exchange gain in FY2014.

Notwithstanding the above, the other water projects in Mainland China reported favourable results including water sales, treatment volumes and network income. Sales volume of Chongqing Water Plant and Tanggu Water Plant increased by 11% and 10% respectively during FY2014. Waste water treated by Chongqing Tangjiatuo Waste Water Plant increased by 24% while Shanghai SCIP Water Treatment Plants also reported a healthy growth of waste water revenue by 19% during FY2014.

During FY2014, several new operating projects were acquired including Jiangsu Water Company and Chengdu Chongzhou Dayi Waste Water Plant by SFH. SFH was also contracted to build and operate a sludge treatment plant in Yangzhou. In addition, with the goal to establish a new business line and remain at the forefront of the water and recycling industry, Sino French Solutions Holdings Limited was set up by SFH to provide technical consultancy services and a research and development centre for environmental technology was established in Chongqing.

## **Ports & Logistics**

XCTG generated AOP for this segment since its establishment in December 2013 and its throughput volume since then was 3,106,000 TEUs. Being an operating asset, Beijing Capital International Airport Co., Ltd. (“BCIA”) also contributed to the significant growth of this segment by providing immediate and recurring AOP when the Group became its second largest shareholder following the share acquisition in December 2013.

In Tianjin, the throughput of Tianjin Five Continents International Container Terminal Co., Ltd. rose by 5% to 2,408,000 TEUs but terminal modification at Tianjin Orient Container Terminals Co., Ltd. resulted in a 3% decrease in its throughput to 937,000 TEUs in FY2014.

ATL Logistics Centre continued to take advantage of the strong demand for logistics and warehousing facilities in Hong Kong during FY2014. Its average rental rose by 16% while occupancy rate remained at a remarkably high level of 99%. NWS Kwai Chung Logistics Centre, which has been fully leased out, continued to provide strong and recurring AOP contribution to the segment.

Throughput of China United International Rail Containers Co., Limited (“CUIRC”) grew by 5% to 1,618,000 TEUs and continued to make positive AOP contribution during FY2014.



## OPERATIONAL REVIEW – SERVICES

### *AOP Contribution by Segment*

For the year ended 30 June

	2014 HK\$'m	2013 HK\$'m	Change % Fav./Unfav.)
Facilities Management	910.7	1,123.6	(19)
Construction & Transport	605.3	394.3	54
Strategic Investments	435.0	461.3	(6)
Total	<u>1,951.0</u>	<u>1,979.2</u>	(1)

### Facilities Management

The Facilities Management segment mainly comprises the management and operation of Hong Kong Convention and Exhibition Centre (“HKCEC”) and the business of Free Duty.

HKCEC, an iconic Hong Kong landmark, continued to maintain its steady growth momentum by leveraging on the strong demand to host international exhibitions and conventions at prime locations with state-of-art facilities. The strategy to offer low season rental incentives has been fruitful in recent years, as evidenced by the growing list of international events being held during off-peak periods. During FY2014, 1,086 events were held at HKCEC with a total patronage of approximately 5.9 million. Through continuous investment in upgrading of its complex and facilities and proactive marketing effort, turnover from exhibition rental has grown steadily over the years.

Free Duty’s travel retail, duty free liquor and tobacco business at all land border crossings continued to benefit from the rise in per passenger spending and increased patronage of visitors from Mainland China but the growth has been hindered by the Chinese government’s anti-corruption drive and crackdown on extravagant consumption.

### Construction & Transport

AOP contribution from the Construction business increased substantially by 84% to HK\$432.7 million in FY2014 mainly due to improved gross profit margin and project progress. Major projects during FY2014 included New World Centre Remodeling, residential developments “The Austin” at the MTR Austin Station, “Double Cove” in Ma On Shan, “Park Signature” in Yuen Long, residential development at Clear Water Bay Road, logistics centre for SF Express at Tsing Yi and Shatin Communications and Technology Centre for Hong Kong Jockey Club. As at 30 June 2014, the gross value of contracts on hand for the Construction business was approximately HK\$50.1 billion and the remaining works to be completed amounted to approximately HK\$34.5 billion.

The Group’s Transport business reported an AOP of HK\$172.6 million in FY2014, representing an 8% increase. This was mainly attributable to the increase in fare revenue in connection with the ridership growth and decrease in depreciation expenses for buses. Fuel costs decreased because of fuel cost hedging arrangements. In April 2014, the Transport business fully divested its 28.92% interest in Kwoon Chung Bus Holdings Limited in order to stay focus on the bus and ferry operations in Hong Kong. The existing five ferry service licences have been renewed by the Hong Kong government. With the exception of the North Point to Joss House Bay route which is renewed on an annual basis, the other four licences will expire in 2017.

## Strategic Investments

This segment includes contributions from Tricor Holdings Limited (“Tricor”), Haitong International Securities Group Limited (“Haitong International”), Newton Resources Ltd (“Newton Resources”), Hyva Holding B.V. (“Hyva”) and other investments held by the Group for strategic investment purposes.

Tricor’s corporate services businesses performed solidly during FY2014 and captured about 42% of the total share of new listings in Hong Kong. Its business operations in Hong Kong, Singapore and Mainland China altogether contributed about 82% of the total profit of Tricor in FY2014.

Haitong International attained notable growth across all business lines including securities brokerage, margin and structured financing, fixed income, currency and commodity. Further to a series of financing projects to strengthen its capital base in 2013 in anticipation for future expansion and growth, Haitong International bolstered its financial resources by issuing right issues and securing new syndicated loans in 2014. As the only Mainland brokerage firm with full listing status alongside its parent in Hong Kong, Haitong International is well positioned to grasp opportunities from the “Shanghai-Hong Kong Stock Connect” pilot programme.

During FY2014, disturbances caused by neighbouring villages and their inhabitants around the mine site of Newton Resources have been mitigated through mediation by local government authorities and village representatives. However, disputes over land expropriation and other external problems still prevented Newton Resources from resuming its mining activities. The trial production of iron concentrates at the Yanjiazhuang Mine has yet to resume. Following the restructuring of the management team in late 2013, with the efforts to enhance local communications and security measures, as well as the mediations and negotiations by local government officials, Newton Resources has gradually developed mutual trust and understanding with the neighbouring villages. This will help create favourable conditions for its next move to resolve the land expropriation issues at the Yanjiazhuang Mine that have long plagued Newton Resources, thus be conducive to its future business development in the long run. On the other hand, Newton Resources intends to create a new income stream through the sale of gabbro-diabase products like quarry stones, crushed stones and decorative slabs.

For Hyva, a company engaged in the manufacturing and supply of components used in hydraulic loading and unloading systems on trucks and trailers, revenue from Mainland China and Western Europe has improved due to market recovery but sales in India, Eastern Europe and other Asian countries remained flat as in FY2013.

## BUSINESS OUTLOOK

The economic growth of Mainland China is expected to soften slightly in 2014. With the implementation of various economic and structural reforms in progress, the Chinese government will address economic and social issues by moving towards a domestic demand driven economy and driving the urbanization process. The Group is well prepared and equipped to capture investment opportunities to strengthen its infrastructure assets portfolio and deliver value to its shareholders as and when they arise.

After the implementation of toll standardization measures in Guangdong Province and the Holiday Toll-free Policy in 2012, the operating environment of toll road business is expected to remain relatively stable in the near term. Urbanization in Mainland China will continue to stimulate traffic growth.

The competitiveness of the Group's road portfolio will be further enhanced upon the completion of the road expansion works of Tangjin Expressway (Tianjin North Section) and Shenzhen-Huizhou Expressway (Huizhou Section) in late 2014 and 2015 respectively. The performance of Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway which is linked to the pace of local road network and economic development, will continue to be closely monitored.

The downward trend in coal prices will enable coal-fired power plants to maintain reasonable production costs notwithstanding a minor reduction in on-grid tariff with effect from September 2014. Production is expected to normalize when the emission upgrade programme for the Group's power plants in Mainland China is duly completed by the end of 2014. Preferential government policies should create business opportunities for renewable energy in Mainland China.

In early FY2015, the Group has divested its interest in Macau Power and the expected disposal gain to be shared by the Group amounts to about HK\$1.5 billion. The divestment unlocks the value of Macau Power to the shareholders of the Company and provides capital for new investments.

The Chinese government support for environmental business continues to create favourable operating environment for industry participants in Mainland China. The reduction of value-added tax on water tariff effective from July 2014 will have a positive impact on the performance of the Group's water concessionary projects. The Group will stay focused on potential investment opportunities especially in waste and related businesses in the absence of public tender for sizeable government water project in Mainland China. The results of the Water segment in FY2015 will also benefit from the full-year contribution from Jiangsu Water Company and Chengdu Chongzhou Dayi Waste Water Plant, and tariff hikes for certain water projects. The new investment in Yangzhou Sludge Treatment Plant, which is scheduled to commence operation in 2016, has effectively strengthened the Group's presence in this niche market. SFH will broaden its revenue stream by providing various technical consultancy services. The setting up of a research and development centre in Chongqing will boost the Group's professional stature and competitiveness in the environmental industry.

To cater for rising local demand, Macau Water has commenced expansion works on its water plant. Upon the completion in 2015, the daily treatment capacity of Macau Water will be increased by 60,000m<sup>3</sup> to 390,000m<sup>3</sup>.

Throughput growth at China's ports is expected to be mild in 2014. Following the formation of XCTG during FY2014, the Group will make good use of the synergy effect to capture business opportunities arising from this strategic alliance. AOP of the Ports & Logistics segment for FY2015 will also be boosted by the full-year contribution from BCIA which has continued to maintain a stable return profile and solid growth outlook.

The railway freight reforms introduced in 2013 have set forth the framework for a more market-oriented and customer-focus rail freight sector in Mainland China. Under the Chinese government's initiative of building the Silk Road Economic Belt, international rail container transportation from Chongqing and Chengdu to Europe has been progressing satisfactorily. The successful launch of block train services from Zhengzhou and Wuhan to Europe reaffirmed the growing demand for rail container transportation from inland China to Europe which would benefit CUIRC's business growth in the long run. Capitalizing on these developments, Chongqing terminal will undergo an expansion plan in FY2015 to raise handling capacity, while the construction of two new terminals at Urumqi and Tianjin is also in the pipeline.

Sustained demand for logistics and warehousing facilities in Hong Kong will continue to support the high occupancy rate and rental growth of ATL Logistics Centre. This strong demand has propelled the development of new logistics centres in the Tsing Yi area over the next few years.

HKCEC celebrated its 25<sup>th</sup> anniversary in FY2014. Having been voted the "Best Convention and Exhibition Centre in Asia" for 11 times from 2001 to 2014 by CEI Asia Magazine, one of the most influential trade publications in the region and awarded the "Best Convention & Exhibition Centre" title for the fifth time by TTG Magazine, a leading travel trade business resource publication in the Asia-Pacific, HKCEC has firmly solidified its leading position in the industry and continued to host premier international events such as Art Basel Hong Kong and Watches & Wonders. HKCEC will continue to sustain healthy organic growth through different channels including proactive business development, facility enhancements, space optimization and service excellence. The re-opening of the newly refurbished Congress Plus in July 2014 with an innovative dining concept is set to enhance the food and beverage business. Looking ahead, the food and beverage business and exhibitions for high-end life style products such as luxury jewellery, watch, art and antique will be the major growth drivers.

The stance of the Chinese government against luxury consumption by public officials has negatively impacted Free Duty's business as the sales mix shifted away from high-end liquor and tobacco. However, Free Duty has successfully remodeled its shops and introduced additional branded products to increase sales and customer spending. On the other hand, the Group will actively seek opportunities to extend its footprint overseas.

The construction phase of the Gleneagles Hong Kong Hospital ("GHKH"), which the Group has 40% interest, officially kicked off in January 2014 and the foundation works are due to be completed by the end of this year. GHKH will have a capacity of 500 beds and provide a full range of clinical services with more than 15 specialties. This new business will augment our services portfolio in Hong Kong and develop a new growth driver for the Services division.

The realization of the Top Ten Mega Infrastructure Projects and the government's plan to increase land supply to cater for the ever increasing demand for residential, commercial and institutional properties in both public and private sectors has generated an unprecedented opportunity for the construction industry in Hong Kong. The need for construction services in Hong Kong, particularly demand from the public sector, will remain high. Based on the existing contracts on hand and the opportunities to participate in other sizeable projects, the Group maintains a positive and confident outlook on its construction business. However, labour shortage, fast escalating wages and material costs and more stringent rules on industrial safety and environmental protection are posing pressure on profit margins. Therefore, risk management, cost controls, staff training and retention, industrial safety and environmental protection continue to be the key management focus areas.

Profitability of the Transport business is highly dependable on fuel prices and the Group has been able to manage fuel costs effectively through hedging arrangements. This hedging strategy will continue into 2015. The Western Island Line of MTR is expected to be commissioned in December 2014 and final negotiation with the Hong Kong government regarding provision and rationalization of future bus services is well underway. In the meantime, the Group will make every effort to improve service quality and reliability, passenger safety, comfort and convenience.

The solid financial and operating performance in FY2014 bears testimony to the Group's effort and proficiency in maximizing growth potentials and overcoming challenges across different business segments. The acquisition of interest in BCIA and establishment of XCTG played a significant role in maintaining the growth momentum of the Infrastructure division. The full-year contribution from these two investments and newly acquired water projects, as well as the traffic growth of Tangjin Expressway (Tianjin North Section) upon the completion of its expansion works by the end of 2014, will act as growth drivers in the coming years. On the other hand, the anticipated profit gap for the Free Duty business was substantially bridged by the rise in profit contribution from the Construction & Transport segment.

The divestment of Macau Power and certain non-core assets reaffirmed the Group's long-term strategy in consolidating its asset portfolio and realizing the underlying value of assets while developing new investment opportunities. Having earmarked some HK\$4.0 billion of financial resources for new and potential investments, the Group will continue in this vein and forge ahead with its strategic plans for sustainable growth.

## **FINANCIAL RESOURCES**

### **Treasury management and cash funding**

The Group's funding and treasury policy is designed to maintain a comprehensively diversified and balanced debt profile and financial structure to minimize the Group's financial risks. The Group continues to monitor its cash flow position and debt profile, and to enhance the cost-efficiency of funding initiatives by its centralized treasury function. In order to maintain financial flexibility and adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources and will keep exploring new cost-efficient ways of financing.

### **Liquidity**

As at 30 June 2014, the Group's total cash and bank balances amounted to HK\$7.637 billion, as compared to HK\$7.768 billion a year ago. The Group's net debt as at 30 June 2014 was HK\$10.031 billion, comparable to HK\$9.911 billion as at 30 June 2013. The capital structure of the Group was 29% debt and 71% equity as at 30 June 2014, similar to 30% debt and 70% equity as at 30 June 2013. The Group has net current assets amounting to HK\$2.902 billion as at 30 June 2014, as compared to HK\$8.154 billion as at 30 June 2013. The decrease was mainly attributed to the reclassification of the Renminbi bonds which are due for redemption and certain bank borrowings which are due for refinancing in the following financial year as current liabilities. After FY2014, the Group has redeemed the Renminbi bonds and successfully arranged new or refinanced banking facilities amounting to approximately HK\$2.5 billion.

### **Debt profile and maturity**

As at 30 June 2014, the Group's total debt amounted to HK\$17.668 billion, similar to HK\$17.680 billion as at 30 June 2013. The Group has spaced out its debt maturity profile to reduce refinancing risks. Among the long-term loans and borrowings of HK\$12.154 billion as at 30 June 2014, 28% will mature in the second year and 72% will mature in the third to fifth year. Bank loans were denominated in Hong Kong Dollar or Renminbi, while bonds were denominated in Renminbi or United States Dollar. Apart from the fixed rate bonds, bank loans were mainly floating rate interest-bearing. Cross currency swaps and interest rate swaps are used to hedge part of the Group's underlying exchange risk and interest rate exposure respectively. The Group did not have any material exposure to exchange risk other than Renminbi during FY2014. As at 30 June 2014, intangible concession rights of HZRR were pledged as securities for a banking facility of the Group.

### **Commitments**

The Group's commitments for capital expenditure were HK\$1.616 billion as at 30 June 2014, as compared to HK\$1.463 billion as at 30 June 2013. This represented commitment for capital contributions to an associated company and certain joint ventures, properties and equipment and intangible concession rights. Sources of funding for capital expenditure include internally generated resources and banking facilities.

## **CONTINGENT LIABILITIES**

Contingent liabilities of the Group were HK\$1.104 billion as at 30 June 2014, as compared to HK\$603.1 million as at 30 June 2013. These composed of guarantees for credit facilities of an associated company, joint ventures and a related company.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2014, approximately 28,500 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 and staff bonus but excluding directors' remunerations were HK\$2.222 billion (2013 : HK\$1.767 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

## **AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS**

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for FY2014.

The figures in respect of the preliminary announcement of the Group for FY2014 have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC Hong Kong"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

## **CORPORATE GOVERNANCE PRACTICES**

The Board is committed to maintaining a high standard of corporate governance practices within the Group and devotes considerable effort to identify and formalize best practices. We believe that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholders' value.

The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") throughout FY2014.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during FY2014.

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

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company is satisfied that they have complied with the required standards of the said code during FY2014.

The Company has also adopted the "Code for Securities Transactions by Relevant Employees" 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 have confirmed that they complied with the standards set out in the "Code for Securities Transactions by Relevant Employees" during FY2014.

## **THE BOARD**

As at the date of this announcement, (a) the executive directors of the Company are Dr Cheng Kar Shun, Henry, Mr Tsang Yam Pui, Mr Lam Wai Hon, Patrick, Mr Cheung Chin Cheung and Mr Cheng Chi Ming, Brian; (b) the non-executive directors of the Company are Mr To Hin Tsun, Gerald, Mr Dominic Lai and Mr William Junior Guilherme Doo; and (c) the independent non-executive directors of the Company are Mr Kwong Che Keung, Gordon, Dr Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr Wilfried Ernst Kaffenberger (alternate director to Mr Wilfried Ernst Kaffenberger: Mr Yeung Kun Wah, David) and Mr Lee Yiu Kwong, Alan.

**Dr Cheng Kar Shun, Henry**  
*Chairman*

Hong Kong, 23 September 2014

*\* For identification purposes only*