Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2018

FINANCIAL HIGHLIGHTS

Revenue	:	**HK$35,114.8 million**
Profit attributable to shareholders	:	**HK$6,068.8 million**
Earnings per share – basic and diluted	:	**HK$1.56**
Proposed final dividend per share	:	**HK$0.46**

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 2018 ("FY2018") together with comparative figures for the year ended 30 June 2017 ("FY2017") as follows:

Consolidated Income Statement
For the year ended 30 June

	Note	**2018 HK$'m**	2017 HK$'m
Revenue	*3*	**35,114.8**	31,385.0
Cost of sales		**(31,331.6)**	(27,763.2)
Gross profit		**3,783.2**	3,621.8
Other income/gains	*4*	**2,809.4**	1,105.2
General and administrative expenses		**(1,466.4)**	(1,293.7)
Operating profit	*5*	**5,126.2**	3,433.3
Finance costs		**(348.0)**	(468.3)
Share of results of			
Associated companies	*3(b)*	**756.2**	1,590.9
Joint ventures	*3(b),10*	**1,331.2**	1,774.5
Profit before income tax		**6,865.6**	6,330.4
Income tax expenses	*6*	**(745.0)**	(685.2)
Profit for the year		**6,120.6**	5,645.2
Attributable to			
Shareholders of the Company		**6,068.8**	5,628.9
Non-controlling interests		**51.8**	16.3
		6,120.6	5,645.2
Earnings per share attributable to			
the shareholders of the Company	*7*		
Basic		**HK$1.56**	HK$1.46
Diluted		**HK$1.56**	N/A

Consolidated Statement of Comprehensive Income
For the year ended 30 June

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

Consolidated Statement of Financial Position
As at 30 June

	Note	**2018 HK$'m**	2017 HK$'m
ASSETS			
Non-current assets			
Investment properties		**1,693.3**	1,568.9
Property, plant and equipment		**5,370.3**	5,487.8
Intangible concession rights		**11,491.9**	11,936.2
Intangible assets		**753.6**	786.6
Associated companies	*9*	**13,763.0**	16,180.5
Joint ventures	*10*	**15,008.3**	15,128.8
Available-for-sale financial assets		**6,556.6**	3,025.5
Other non-current assets		**870.4**	887.0
		55,507.4	55,001.3
Current assets			
Inventories		**461.9**	484.0
Trade and other receivables	*11*	**12,148.7**	13,787.2
Cash and bank balances		**6,656.6**	6,453.4
		19,267.2	20,724.6
Assets held-for-sale	*12*	**3,364.0**	-
Total assets		**78,138.6**	75,725.9
EQUITY			
Share capital		**3,896.5**	3,888.3
Reserves		**46,053.5**	45,168.8
Shareholders' funds		**49,950.0**	49,057.1
Non-controlling interests		**173.8**	217.9
Total equity		**50,123.8**	49,275.0
LIABILITIES			
Non-current liabilities			
Borrowings		**9,139.6**	9,376.9
Deferred tax liabilities		**2,490.2**	2,519.0
Other non-current liabilities		**176.9**	226.2
		11,806.7	12,122.1
Current liabilities			
Borrowings		**1,035.0**	305.8
Trade and other payables	*13*	**11,384.2**	13,642.9
Taxation		**575.8**	380.1
		12,995.0	14,328.8
Liabilities directly associated with assets held-for-sale	*12*	**3,213.1**	-
Total liabilities		**28,014.8**	26,450.9
Total equity and liabilities		**78,138.6**	75,725.9

Notes:

1. Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and interpretations (collectively the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, 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 amendments to standards

During the year, the Group adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for FY2018:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses
HKFRSs Amendments	Annual Improvements to HKFRSs 2014-2016 Cycle

The adoption of the above amendments to standards has no material effect on the results and financial position of the Group.

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

HKFRS 15 as issued by HKICPA is effective for the financial year beginning on or after 1 January 2018.

The Group has elected to early adopt HKFRS 15 for FY2018 because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of revenue and cash flows. The Group has also elected to apply the "cumulative catch-up" transition method whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at 30 June 2017 would be adjusted at the opening balance of equity as at 1 July 2017 and prior period comparatives are not restated.

HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when a performance obligation is satisfied. The core principle is that a company should recognize revenue when control of a good or service transfers to a customer.

The adoption of HKFRS 15 has no material impact on the consolidated income statement and the consolidated statement of cash flows and no adjustments are required on the opening balance of equity as at 1 July 2017. Details of the change in accounting policy are set out in note 2.

1. Basis of preparation and accounting policies (continued)

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

The following new standards, amendments to standards and interpretations are mandatory for accounting period beginning on or after 1 July 2018 or later periods but which the Group has not early adopted:

HKFRS 9	Financial Instruments
HKFRS 16	Leases
HKFRS 17	Insurance Contracts
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKAS 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRSs Amendments	Annual Improvements to HKFRSs 2014-2016 Cycle and Annual Improvements to HKFRSs 2015-2017 Cycle

The Group has already commenced an assessment of the likely impact of adopting the above new standards, amendments to standards and interpretations. The preliminary assessments of HKFRS 9 "Financial Instruments" ("HKFRS 9") and HKFRS 16 "Leases" ("HKFRS 16") are detailed below. The Group will continue to assess the impact in more details.

HKFRS 9

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

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

1. Basis of preparation and accounting policies (continued)

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

HKFRS 9 (continued)

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

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

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

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

The new accounting standard will be effective for the year ending 30 June 2019. As allowed in the transitional provisions in HKFRS 9 (2014), comparative figures will not be restated. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Group will continue to assess its impact in more details.

HKFRS 16

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

1. Basis of preparation and accounting policies (continued)

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

HKFRS 16 (continued)

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

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

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

2. Change in accounting policy

As explained in note 1(b) above, the Group has early adopted HKFRS 15 from 1 July 2017, which resulted in changes in accounting policies used in the preparation of the consolidated financial statements.

The accounting policies have been changed to comply with HKFRS 15, which replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" ("HKAS 11") and the related interpretations associated with the recognition, classification and measurement of revenue and costs.

From 1 July 2017 onwards, the Group has adopted the following accounting policies on revenue.

2. Change in accounting policy (continued)

Revenue is recognized when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the good or service transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the good or service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalized as contract assets and subsequently amortized when the related revenue is recognized.

The adoption of HKFRS 15 also resulted in changes in terminology used. "Amounts due from/to customers for contract works" previously used under HKAS 11 in relation to construction contracts were reclassified as "Contract assets/liabilities" under HKFRS 15.

3. Revenue and segment information

The Group's revenue is analyzed as follows:

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

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

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

3. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2018 is as follows:

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

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

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

(iii) The amount represents the gains in relation to the Group's interest in Beijing Capital International Airport Company Limited ("BCIA"), including profit on partial disposal of HK$783.8 million (note 4) and gain on remeasurement of HK$1,095.5 million (note 4) as detailed in note 9.

(iv) The amount represents share of impairment losses in relation to the Group's interest in three joint ventures, as detailed in notes 3(b) and 10.

3. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2018 is as follows (continued):

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

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

3. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2018 is as follows (continued):

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

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

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

(iii) The amount represented the net gain on disposal of interest in Tricor Holdings Limited ("Tricor").

(iv) The amount represented gain on the restructuring of SUEZ NWS Limited ("SUEZ NWS", a then 50% joint venture of the Group) (note 4). Upon completion of the restructuring, the Group's 42% investment in SUEZ NWS was accounted for as an associated company.

(v) The amount represented the gain on remeasuring the Group's 50% equity interest in NWS Transport Services Limited ("NWS Transport", a then 50% joint venture of the Group) held before the business combination (note 4). After completing the acquisition, NWS Transport and its subsidiaries ("NWS Transport Group") became indirect wholly owned subsidiaries of the Company.

(vi) The amount represented losses in relation to the Group's interest in Newton Resources Ltd ("Newton Resources"), including share of impairment loss of HK$204.0 million (note 3(b)), loss on partial disposal of HK$52.3 million (note 4) and loss on remeasurement of HK$34.3 million (note 4).

3. Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2018 is as follows (continued):

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

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

3. Revenue and segment information (continued)

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

	Associated companies		Joint ventures	
HK$'m	**2018**	2017	**2018**	2017
Attributable operating profit	**841.1**	820.7	**1,929.7**	1,750.7
Corporate associated companies, joint ventures and non-operating items				
Gain on disposal of a project under an associated company	**-**	967.2	**-**	-
Gain on fair value of derivative financial instruments (note 4)	**(80.5)**	-	**-**	-
Impairment losses (notes 3(a) and 10)	**-**	(204.0)	**(600.0)**	-
Others	**(4.4)**	7.0	**1.5**	23.8
Share of results of associated companies and joint ventures	**756.2**	1,590.9	**1,331.2**	1,774.5

(c) Information by geographical areas:

	Revenue		Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	
HK$'m	**2018**	2017	**2018**	2017
Hong Kong	**31,599.0**	28,449.7	**7,628.5**	7,706.1
Mainland China	**2,726.1**	2,470.5	**11,598.9**	12,047.8
Others	**789.7**	464.8	**81.7**	25.6
	35,114.8	31,385.0	**19,309.1**	19,779.5

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

4. Other income/gains

	Note	**2018 HK$'m**	2017 HK$'m
Gain/(loss) on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	*3(a),9*	**1,095.5**	(34.3)
Profit/(loss) on partial disposal of an associated company	*3(a),9*	**783.8**	(52.3)
Gain on fair value of investment properties		**93.6**	117.1
Gain on fair value of derivative financial instruments	*3(b)*	**80.5**	-
Profit on disposal of available-for-sale financial assets		**48.7**	30.1
Gain on restructuring of a joint venture	*3(a)*	**-**	454.3
Gain on remeasurement of previously held equity interest in a joint venture	*3(a)*	**-**	113.1
Profit on disposal of assets held-for-sale		**-**	77.8
Profit on disposal of a joint venture		**-**	72.5
Profit on disposal of subsidiaries		**-**	26.3
Interest income		**202.3**	202.1
Other income		**158.8**	104.3
Net exchange gain/(loss)		**132.3**	(47.9)
Dividend income		**107.5**	30.4
Machinery hire income		**106.4**	63.2
Goodwill written off		**-**	(34.1)
Loss on disposal of intangible concession rights		**-**	(17.4)
		2,809.4	1,105.2

5. Operating profit

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

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

6. Income tax expenses

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

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

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

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

7. Earnings per share

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

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

	2018
	HK$'m
Profit attributable to shareholders of the Company and for calculation of basic and diluted earnings per share	**6,068.8**
	Number of shares
Weighted average number of shares for calculating basic earnings per share	**3,893,503,821**
Effect of dilutive potential ordinary shares	
Share options	**1,397,373**
Weighted average number of shares for calculating diluted earnings per share	**3,894,901,194**

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

8. Dividends

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

At a meeting held on 19 September 2018, the Board recommended a final dividend of HK$0.46 per share. This proposed dividend is not reflected as dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained profits for the year ending 30 June 2019 ("FY2019").

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

9. Associated companies

On 11 January 2018, Fortland Ventures Limited (an indirect wholly owned subsidiary of the Company) entered into a placing agreement for the placing of 208,000,000 issued H shares of BCIA at the placing price of HK$11.35 per H share of BCIA (the "Placing"). Closing of the Placing took place on 16 January 2018 and thereafter, the Group's interest in BCIA's total issued H shares was reduced from approximately 23.86% to approximately 12.79%. A profit on disposal under the Placing of HK$783.8 million was recognized in FY2018.

Subsequently, an executive director of the Company resigned as a non-executive director and a member of the strategy committee of BCIA on 2 February 2018. As a result, the Group ceased to exercise significant influence on BCIA and its interest in BCIA was reclassified from investment in an associated company to an available-for-sale financial asset with effect from 2 February 2018 with its carrying value marked to its market value on 2 February 2018. Pursuant to HKAS 39, a gain on the remeasurement at fair value upon reclassification amounting to HK$1,095.5 million was recognized in FY2018.

10. Joint ventures

The share of results of joint ventures includes (i) the Group's share of impairment loss of HK$300.0 million for Guangzhou City Nansha Port Expressway (in which the Group's 22.5% effective interest is held through Wincon International Limited, a joint venture of the Group); (ii) the Group's share of impairment loss of HK$100.0 million for Guangzhou Dongxin Expressway (in which the Group's 45.9% effective interest is held through Success Concept Investments Limited, a joint venture of the Group); and (iii) the Group's share of impairment loss of HK$200.0 million for Guodian Chengdu Jintang Power Generation Co., Ltd., a joint venture in which the Group holds 35% equity interest, in FY2018.

11. Trade and other receivables

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

	2018	2017
	HK$'m	HK$'m
Under 3 months	**2,305.6**	2,398.1
4 to 6 months	**33.0**	107.7
Over 6 months	**112.6**	37.5
	2,451.2	2,543.3

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

12. 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 New World Development Company Limited ("NWD")) in respect of the sale of Celestial Path Limited ("Celestial"), its subsidiaries and an unincorporated joint venture (collectively, the "Hip Seng Group") by NWS CON to Sherman Drive through the sale of the entire issued share capital of Celestial on and subject to the terms and conditions contained in the SP Agreement. Total consideration for the disposal was HK$168 million and the gain on disposal amounted to approximately HK$66 million will be recognized in FY2019. Completion of the disposal took place on 21 August 2018. Assets and liabilities of Hip Seng Group were reclassified as held-for-sale as at 30 June 2018.

	2018
	HK$'m
Assets	
Property, plant and equipment	**64.2**
Trade and other receivables	**2,646.3**
Cash and bank balances	**653.5**
Assets of subsidiaries classified as held-for-sale	**3,364.0**
Liabilities	
Trade and other payables	**(3,258.3)**
Taxation	**(1.5)**
Deferred tax liabilities	**(3.8)**
	(3,263.6)
Less: Amount due to group companies	**50.5**
Liabilities of subsidiaries classified as held-for-sale	**(3,213.1)**

13. Trade and other payables

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

	2018	2017
	HK$'m	HK$'m
Under 3 months	**1,200.1**	829.0
4 to 6 months	**10.3**	25.7
Over 6 months	**56.0**	34.1
	1,266.4	888.8

FINAL DIVIDEND

The Board has resolved to recommend a final dividend for FY2018 (the "Final Dividend") of HK$0.46 per share (2017: final dividend of HK$0.39 per share and special final dividend of HK$0.72 per share) in cash to the shareholders whose names appear on the register of members of the Company on 23 November 2018. Together with the interim dividend of HK$0.32 per share (2017: HK$0.34 per share) paid in April 2018, total distribution of dividend by the Company for FY2018 will therefore be HK$0.78 per share (2017: HK$1.45 per share).

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

CLOSURE OF REGISTER OF MEMBERS

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

<u>For determining eligibility to attend and vote at the AGM:</u>

Latest time to lodge transfer documents for registration	4:30 pm on 13 November 2018
Closure of register of members	14 to 19 November 2018 (both days inclusive)
Record date	19 November 2018
AGM date	19 November 2018

<u>For determining entitlement to the Final Dividend:</u>

Latest time to lodge transfer documents for registration	4:30 pm on 22 November 2018
Closure of register of members	23 November 2018
Record date	23 November 2018
Final Dividend payment date	on or about 11 December 2018

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

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

Contribution by Division
For the year ended 30 June

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

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

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

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

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

Final dividend for FY2018 of HK$0.46 per share (2017: final dividend of HK$0.39 per share and special final dividend of HK$0.72 per share) is recommended by the Board. The total dividend for FY2018 represents a payout ratio of approximately 50.1% which is in line with the dividend policy of the Company.

Earnings per share

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

OPERATIONAL REVIEW – INFRASTRUCTURE

AOP Contribution by Segment

For the year ended 30 June

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

Roads

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

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

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

Most of the Group's expressways in the Pearl River Delta Region continued to register an increase in both traffic volume and toll revenue in FY2018. Average daily traffic flow of Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) grew by 8% and 7% respectively while Shenzhen-Huizhou Expressway (Huizhou Section) experienced 13% traffic growth. Facing competitive pressure from nearby expressways which opened in December 2016, the traffic volume of Guangzhou-Zhaoqing Expressway dropped slightly by 1% in FY2018. Despite registering 23% and 16% traffic growth respectively in FY2018, Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway sustained operating losses, albeit at controllable levels. Based on the consultant reports on the projection of traffic growth of these two expressways and the subsequent impairment assessment using discounted cash flow method, impairment losses totalling HK$400 million were shared by the Group.

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

In January 2018, the Group successfully extended its footprint into Hubei Province by acquiring a 30% interest in Suiyuenan Expressway for a cash consideration of approximately RMB1.1 billion. In addition to providing immediate profit contribution, this fully-operational expressway continues to perform in line with management expectation.

Environment

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

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

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

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

Logistics

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

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

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

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

Aviation

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

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

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

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

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

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

OPERATIONAL REVIEW – SERVICES

AOP Contribution by Segment

For the year ended 30 June

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

Facilities Management

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

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

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

GHK Hospital, in which the Group has 40% interest, was officially opened in late March 2018, around one year after commencing initial services. Notwithstanding the fact that it has so far performed in line with management expectation and enjoyed continuous patient volume growth, GHK Hospital reported its first annual loss as anticipated in FY2018 while it remained in its ramp-up phase. A wide range of clinical services, including Radiotherapy and Oncology Centre, Dialysis Centre, 24-hour Outpatient and Emergency Services, Obstetrics Service, Outpatient Psychiatry, PET-MR (Positron Emission Tomography - Magnetic Resonance Imaging) Service, were rolled out during FY2018. On another note, it is encouraging that GHK Hospital has been named one of the "2017 Best 50 Hospitals in the Guangdong-Hong Kong-Macau Greater Bay Area" by Asclepius Healthcare, a reputable healthcare management and research centre.

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

Construction & Transport

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

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

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

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

Strategic Investments

This segment includes investments which have strategic value to the Group or have growth potential, as well as certain investments which the management believes can enhance the value of the shareholders. The AOP for FY2018 mainly comprised the share of profits and the dividends from certain investments.

BUSINESS OUTLOOK

Infrastructure

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

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

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

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

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

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

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

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

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

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

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

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

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

Services

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

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

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

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

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

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

Conclusions

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

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

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

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

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

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 continues to monitor its cash flow position and debt profile, and to enhance its funding cost-efficiency with a centralized treasury function. In order to maintain financial flexibility and adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources and will continue exploring cost-efficient ways of financing. As at 30 June 2018, the Group had unutilized committed banking facilities of approximately HK$8.7 billion.

Liquidity and capital resources

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

Fuel price swap contracts are used to hedge against fuel price rises, and foreign exchange forward contracts are used to hedge against foreign currency exposures of the Group's Transport business.

Debt profile and maturity

As at 30 June 2018, the Group's total debt increased to HK$10.175 billion from HK$9.683 billion as at 30 June 2017. The Group has spaced out its debt maturity profile to reduce refinancing risks. Of the non-current portion of the long-term loans and borrowings of HK$9.140 billion as at 30 June 2018, 50% will mature in the second year, 43% will mature in the third to fifth years and 7% will mature after the fifth year. Bank loans were denominated in Hong Kong Dollar and mainly bearing interest at floating rates. Interest rate swaps are used to hedge against part of the Group's underlying interest rate exposures. The Group did not have any material exposure to exchange risk other than Renminbi during FY2018.

Commitments

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

Financial guarantee contracts

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, approximately 28,600 staff were employed by entities under the Group's management of which approximately 11,400 staff were employed in Hong Kong. Total staff related costs including provident funds, staff bonus and deemed share option benefit but excluding directors' remunerations during FY2018 were HK$5.216 billion (2017: HK$3.906 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company was set up by the Board with specific terms for the purpose of reviewing and providing supervision over the Group's financial reporting process, and risk management and internal control. It currently comprises four independent non-executive directors and a non-executive director of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for FY2018 with the management and the external auditor.

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for FY2018 as set out in the preliminary results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC Hong Kong"), to the amounts set out in the Group's audited consolidated financial statements for FY2018. 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC Hong Kong on the preliminary results announcement.

CORPORATE GOVERNANCE PRACTICES

The Board firmly believes that good corporate governance is fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. Maintaining a high standard of corporate governance has been and remains one of the core missions of the Company. The Board devotes considerable effort to identify and formalize best practices for adoption by the Company.

Throughout FY2018, the Company has complied with all the applicable code provisions under the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception of code provision E.1.2.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Dr Cheng Kar Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 17 November 2017 (the "2017 AGM") due to his other engagement. Mr Tsang Yam Pui, the Chief Executive Officer and Executive Director of the Company who took the chair of the 2017 AGM, together with other members of the Board who attended the 2017 AGM, were of sufficient calibre for answering questions at the 2017 AGM and had answered questions at the 2017 AGM competently.

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 FY2018.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct for securities transactions by directors. Specific enquiry was made with all directors of the Company and it was established that they had all complied with the required standard of the Model Code during FY2018.

The Company has also adopted the "Code for Securities Transactions by Relevant Employees", which is no less exacting than the Model Code, for governing the securities transactions of specified employees ("Relevant Employees") who, because of their positions, are likely to come across unpublished inside information. Following specific enquiry by the Company, all Relevant Employees had confirmed that they complied with the standard set out in the "Code for Securities Transactions by Relevant Employees" during FY2018.

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

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 19 September 2018

* *For identification purposes only*