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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

Revenue	**:**	**HK$14,188.0 million**
Profit attributable to shareholders	**:**	**HK$2,274.3 million**
Earnings per share – basic and diluted	**:**	**HK$0.58**
Interim dividend per share	**:**	**HK$0.29**

RESULTS

The board of directors (the "Board") of NWS Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2018 (the "Current Period"), together with comparative figures for the six months ended 31 December 2017 (the "Last Period") as follows:

Condensed Consolidated Income Statement – Unaudited

		For the six months ended 31 December	
		2018	2017
	Note	**HK$'m**	HK$'m
Revenue	*3*	**14,188.0**	18,076.9
Cost of sales		**(12,671.4)**	(16,134.5)
Gross profit		**1,516.6**	1,942.4
Other income/gains (net)	*4*	**476.7**	594.9
General and administrative expenses		**(634.5)**	(720.7)
Operating profit	*5*	**1,358.8**	1,816.6
Finance costs		**(210.7)**	(165.4)
Share of results of			
Associated companies	*3(b)*	**596.2**	352.2
Joint ventures	*3(b)*	**899.9**	909.9
Profit before income tax		**2,644.2**	2,913.3
Income tax expenses	*6*	**(353.5)**	(409.7)
Profit for the period		**2,290.7**	2,503.6
Attributable to			
Shareholders of the Company		**2,274.3**	2,478.1
Non-controlling interests		**16.4**	25.5
		2,290.7	2,503.6
Earnings per share attributable to the shareholders of the Company	*7*		
Basic and diluted		**HK$0.58**	HK$0.64

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	For the six months ended 31 December	
	2018	2017
	HK$'m	HK$'m
Profit for the period	**2,290.7**	2,503.6
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss		
Fair value changes on financial assets at fair value through other comprehensive income	**(36.4)**	-
Revaluation of property, plant and equipment upon transfer to investment properties	**-**	26.4
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Fair value changes on available-for-sale financial assets	**-**	91.6
Release of reserve upon disposal of available-for-sale financial assets	**-**	2.7
Release of reserve upon disposal of subsidiaries	**0.1**	-
Release of reserve upon partial disposal of an associated company	**(14.1)**	-
Release of reserve upon deregistration of subsidiaries	**-**	(61.1)
Share of other comprehensive income of associated companies and joint ventures	**6.9**	12.1
Cash flow hedges	**(222.0)**	41.8
Currency translation differences	**(1,316.5)**	1,233.0
Other comprehensive (loss)/income for the period, net of tax	**(1,582.0)**	1,346.5
Total comprehensive income for the period	**708.7**	3,850.1
Total comprehensive income attributable to		
Shareholders of the Company	**696.8**	3,831.1
Non-controlling interests	**11.9**	19.0
	708.7	3,850.1

Condensed Consolidated Statement of Financial Position – Unaudited

	Note	**(Unaudited) At 31 December 2018 HK$'m**	(Audited) At 30 June 2018 HK$'m
ASSETS			
Non-current assets			
Investment properties		**1,726.5**	1,693.3
Property, plant and equipment		**5,497.2**	5,370.3
Intangible concession rights		**10,556.0**	11,491.9
Intangible assets		**735.2**	753.6
Associated companies		**14,593.6**	13,763.0
Joint ventures		**13,901.0**	15,008.3
Financial assets at fair value through other comprehensive income		**3,526.6**	-
Financial assets at fair value through profit or loss		**3,241.3**	-
Available-for-sale financial assets		-	6,556.6
Other non-current assets		**870.8**	870.4
		54,648.2	55,507.4
Current assets			
Inventories		**482.2**	461.9
Trade and other receivables	*9*	**14,343.6**	12,148.7
Cash and bank balances		**7,275.6**	6,656.6
		22,101.4	19,267.2
Assets held-for-sale		-	3,364.0
Total assets		**76,749.6**	78,138.6
EQUITY			
Share capital		**3,902.7**	3,896.5
Reserves		**45,346.6**	46,053.5
Shareholders' funds		**49,249.3**	49,950.0
Non-controlling interests		**185.6**	173.8
Total equity		**49,434.9**	50,123.8
LIABILITIES			
Non-current liabilities			
Borrowings		**10,081.0**	9,139.6
Deferred tax liabilities		**2,355.1**	2,490.2
Other non-current liabilities		**168.0**	176.9
		12,604.1	11,806.7
Current liabilities			
Borrowings		**2,734.4**	1,035.0
Trade and other payables	*10*	**11,325.9**	11,384.2
Taxation		**650.3**	575.8
		14,710.6	12,995.0
Liabilities directly associated with assets held-for-sale		-	3,213.1
Total liabilities		**27,314.7**	28,014.8
Total equity and liabilities		**76,749.6**	78,138.6

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements (the "interim financial statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2018 ("FY2018").

The accounting policies used in the preparation of the interim financial statements are consistent with those set out in the annual report for FY2018 except as described in note 1(a) and (b) below.

(a) Adoption of new standard, amendments to standards and interpretation

During the Current Period, the Group has adopted the following new standard, amendments to standards and interpretation which are relevant to the Group's operations and are mandatory for the financial year ending 30 June 2019 ("FY2019"):

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

Except for HKFRS 9 as detailed in note 1(b) below, the adoption of the above amendments to standards and interpretation has no material effect on the results and financial position of the Group.

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

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

1. Basis of preparation and accounting policies (continued)

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

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

The Group adopted transitional provisions which do not require to restate comparative figures. The reclassifications and adjustments arising from implementation of new standard are therefore not reflected in the condensed consolidated statement of financial position as at 30 June 2018, but are recognized in the opening condensed consolidated statement of financial position as at 1 July 2018. Details of the change in accounting policy are set out in note 2.

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

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

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

1. Basis of preparation and accounting policies (continued)

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

The Group has already commenced an assessment of the likely impact of adopting the above new standards, amendments to standards and interpretation, in which the preliminary assessment of HKFRS 16 “Leases” (“HKFRS 16”) is detailed below.

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

The new standard will therefore result in an increase in assets and financial liabilities in the 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 interpretation, certain of which may be relevant to the Group’s operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

2. Change in accounting policy

As explained in note 1(b) above, the Group has adopted HKFRS 9 which resulted in changes in accounting policy used in the preparation of the consolidated financial statements. As allowed in the transitional provision in HKFRS 9 (2014), comparative figures are not restated.

(a) Investment and other financial assets

(i) Classification and measurement at initial recognition

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

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

(ii) Subsequent measurement

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

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

2. Change in accounting policy (continued)

(a) Investment and other financial assets (continued)

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

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

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

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

(b) Impairment of financial assets

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

(c) Hedging

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

3. Revenue and segment information

The Group's revenue is analyzed as follows:

	For the six months ended 31 December	
	2018	2017
	HK$'m	HK$'m
Roads	**1,288.5**	1,328.3
Aviation	**161.6**	-
Facilities Management	**2,093.7**	3,577.4
Construction & Transport	**10,644.2**	13,171.2
	14,188.0	18,076.9

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 (including share of results from associated companies and joint ventures). This measurement basis excludes the effects of corporate office and non-operating items. Corporate interest income, finance costs and expenses are not allocated to segments.

3. Revenue and segment information (continued)

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

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport		Strategic Investments	Total	
For the six months ended 31 December 2018										
Total revenue	**1,288.5**	**-**	**-**	**161.6**	**2,095.6**	**10,644.2**		**-**	**14,189.9**	
Inter-segment	**-**	**-**	**-**	**-**	**(1.9)**	**-**		**-**	**(1.9)**	
Revenue – external	**1,288.5**	**-**	**-**	**161.6**	**2,093.7**	**10,644.2**	**(i)**	**-**	**14,188.0**	
Recognized at a point in time	**1,288.5**	**-**	**-**	**161.6**	**1,391.6**	**1,732.1**		**-**	**4,573.8**	
Recognized over time	**-**	**-**	**-**	**-**	**702.1**	**8,912.1**		**-**	**9,614.2**	
Attributable operating profit										
Company and subsidiaries	**515.7**	**15.6**	**-**	**44.0**	**27.4**	**389.5**	**(i)**	**(48.1)**	**944.1**	
Associated companies	**92.4**	**376.5**	**71.7**	**-**	**(183.9)**	**238.2**		**9.6**	**604.5**	**(b)**
Joint ventures	**340.4**	**57.5**	**266.8**	**187.8**	**9.7**	**1.7**		**19.4**	**883.3**	**(b)**
	948.5	**449.6**	**338.5**	**231.8**	**(146.8)**	**629.4**		**(19.1)**	**2,431.9**	
Reconciliation – corporate office and non-operating items										
Gain on fair value of investment properties									**33.7**	
Gain on disposal of projects, net of tax									**180.8**	
Interest income									**20.9**	
Finance costs									**(172.6)**	
Expenses and others									**(220.4)**	
Profit attributable to shareholders									**2,274.3**	

(i) The amounts include revenue of HK$1,825.5 million and attributable operating loss of HK$26.0 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 the Current Period is as follows (continued):

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport		Strategic Investments	Segment Total	Corporate	Consolidated
For the six months ended 31 December 2018											
Depreciation	**13.5**	**-**	**-**	**-**	**52.9**	**216.7**		**-**	**283.1**	**3.0**	**286.1**
Amortization of intangible concession rights	**416.3**	**-**	**-**	**-**	**-**	**-**		**-**	**416.3**	**-**	**416.3**
Amortization of intangible assets	**-**	**-**	**-**	**-**	**15.6**	**0.9**		**-**	**16.5**	**-**	**16.5**
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	**28.2**	**-**	**-**	**-**	**50.6**	**347.4**		**-**	**426.2**	**3.7**	**429.9**
Interest income	**22.1**	**29.8**	**-**	**1.0**	**28.5**	**10.3**		**24.4**	**116.1**	**20.9**	**137.0**
Finance costs	**-**	**-**	**-**	**-**	**0.4**	**37.7**		**-**	**38.1**	**172.6**	**210.7**
Income tax expenses	**220.5**	**9.9**	**0.1**	**2.9**	**26.8**	**91.7**		**0.8**	**352.7**	**0.8**	**353.5**
As at 31 December 2018											
Company and subsidiaries	**12,208.3**	**405.1**	**-**	**8,568.8**	**4,623.4**	**13,514.5**		**4,647.7**	**43,967.8**	**4,287.2**	**48,255.0**
Associated companies	**2,434.8**	**5,022.4**	**2,011.8**	**-**	**1,232.4**	**2,024.4**		**1,864.3**	**14,590.1**	**3.5**	**14,593.6**
Joint ventures	**4,635.9**	**2,970.5**	**2,985.7**	**2,049.6**	**17.0**	**2.2**		**1,279.7**	**13,940.6**	**(39.6)**	**13,901.0**
Total assets	**19,279.0**	**8,398.0**	**4,997.5**	**10,618.4**	**5,872.8**	**15,541.1**	**(i)**	**7,791.7**	**72,498.5**	**4,251.1**	**76,749.6**
Total liabilities	**2,991.0**	**41.4**	**0.3**	**0.4**	**1,123.6**	**10,660.4**	**(i)**	**40.7**	**14,857.8**	**12,456.9**	**27,314.7**

(i) The balances include total assets of HK$5,898.8 million and total liabilities of HK$1,789.9 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 the Current Period is as follows (continued):

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Total	
For the six months ended 31 December 2017									
Total revenue	1,328.3	-	-	-	3,578.7	13,171.2	-	18,078.2	
Inter-segment	-	-	-	-	(1.3)	-	-	(1.3)	
Revenue – external	1,328.3	-	-	-	3,577.4	13,171.2 (i)	-	18,076.9	
Recognized at a point in time	1,328.3	-	-	-	2,850.1	1,660.3	-	5,838.7	
Recognized over time	-	-	-	-	727.3	11,510.9	-	12,238.2	
Attributable operating profit									
Company and subsidiaries	616.1	7.0	-	-	102.2	542.6 (i)	42.2	1,310.1	
Associated companies	36.7	216.3	73.8	154.2	(181.8)	64.0	81.5	444.7	(b)
Joint ventures	375.0	70.5	264.7	211.0	(4.8)	-	10.9	927.3	(b)
	1,027.8	293.8	338.5	365.2	(84.4)	606.6	134.6	2,682.1	
Reconciliation – corporate office and non-operating items									
Gain on fair value of investment properties								55.0	
Gain on disposal of projects, net of tax								38.8	
Interest income								18.1	
Finance costs								(126.6)	
Expenses and others								(189.3)	
Profit attributable to shareholders								2,478.1	

(i) The amounts included revenue of HK$1,750.1 million and attributable operating profit of HK$131.0 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 the Current Period is as follows (continued):

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Consolidated
For the six months ended 31 December 2017										
Depreciation	11.9	-	-	-	49.5	213.6	-	275.0	2.6	277.6
Amortization of intangible concession rights	427.4	-	-	-	-	-	-	427.4	-	427.4
Amortization of intangible assets	-	-	-	-	15.6	0.9	-	16.5	-	16.5
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	19.6	-	-	-	34.5	170.6	-	224.7	1.5	226.2
Interest income	26.4	6.5	-	0.1	19.6	2.9	26.5	82.0	18.5	100.5
Finance costs	1.7	-	-	-	0.4	36.7	0.1	38.9	126.5	165.4
Income tax expenses	224.9	48.4	-	4.4	27.3	104.2	0.2	409.4	0.3	409.7
As at 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 included 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)

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

	Associated companies		Joint ventures	
	For the six months ended 31 December		For the six months ended 31 December	
HK$'m	**2018**	2017	**2018**	2017
Attributable operating profit	**604.5**	444.7	**883.3**	927.3
Corporate and non-operating items	**(8.3)**	(92.5)	**16.6**	(17.4)
Share of results of associated companies and joint ventures	**596.2**	352.2	**899.9**	909.9

(c) Information by geographical areas:

	Revenue		Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	
	For the six months ended 31 December		At 31 December	At 30 June
HK$'m	**2018**	2017	**2018**	2018
Hong Kong	**12,365.8**	16,407.1	**7,768.3**	7,628.5
Mainland China	**1,331.4**	1,381.5	**10,671.6**	11,598.9
Global and others	**490.8**	288.3	**75.0**	81.7
	14,188.0	18,076.9	**18,514.9**	19,309.1

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 (net)

	For the six months ended 31 December	
	2018	2017
	HK$'m	HK$'m
Profit on disposal of subsidiaries	**140.1**	-
Profit on disposal of assets held-for-sale	**67.6**	-
Profit on disposal of financial assets at FVPL	**60.4**	-
Gain on fair value of investment properties	**33.7**	55.0
Gain on fair value of derivative financial instruments	-	106.8
Profit on disposal of available-for-sale financial assets	-	46.8
Interest income	**137.0**	100.5
Other income	**107.9**	86.6
Dividend income	**64.1**	35.2
Machinery hire income	**37.4**	48.0
Net exchange gain	**14.1**	116.0
Loss on fair value of financial assets at FVPL	**(109.2)**	-
Impairment loss on other receivables	**(22.2)**	-
Loss on partial disposal of an associated company	**(54.2)**	-
	476.7	594.9

5. Operating profit

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

	For the six months ended 31 December	
	2018	2017
	HK$'m	HK$'m
Crediting		
Gross rental income from investment properties	**31.2**	30.0
Less: outgoings	**(7.2)**	(7.4)
	24.0	22.6
Charging		
Cost of inventories sold	**1,188.4**	1,191.8
Cost of services rendered	**11,483.0**	14,942.7
Depreciation	**286.1**	277.6
Amortization of intangible concession rights	**416.3**	427.4
Amortization of intangible assets	**16.5**	16.5
Operating lease rental expenses – properties	**133.2**	129.1

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

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

	For the six months ended 31 December	
	2018	2017
	HK$'m	HK$'m
Current income tax		
Hong Kong profits tax	**121.0**	118.6
Mainland China and overseas taxation	**289.6**	264.7
Deferred income tax (credit)/ charge	**(57.1)**	26.4
	353.5	409.7

Share of taxation of associated companies and joint ventures of HK$73.8 million (2017: HK$65.6 million) and HK$206.1 million (2017: HK$237.5 million) respectively are included in the condensed consolidated income statement as share of results of associated companies and joint ventures respectively.

Dividends withholding tax of HK$57.3 million (2017: HK$51.2 million) is included in the above income tax charge.

7. Earnings per share

The calculation of basic earnings per share for the Current Period is based on earnings of HK$2,274.3 million (2017: HK$2,478.1 million) and on the weighted average of 3,898,457,613 (2017: 3,891,289,900) ordinary shares outstanding during the Current Period.

The calculation of diluted earnings per share for the Current Period is as follows:

	For the six months ended 31 December	
	2018	2017
	HK$'m	HK$'m
Profit attributable to shareholders of the Company and for calculation of basic and diluted earnings per share	**2,274.3**	2,478.1

	Number of shares For the six months ended 31 December	
	2018	2017
Weighted average number of shares for calculating basic earnings per share	**3,898,457,613**	3,891,289,900
Effect of dilutive potential ordinary shares		
Share options	**2,246,547**	1,199,867
Weighted average number of shares for calculating diluted earnings per share	**3,900,704,160**	3,892,489,767

8. Dividend

A final dividend of HK$1,794.7 million (2017: final dividend of HK$1,518.9 million and special final dividend of HK$2,804.0 million) that related to FY2018 were paid in December 2018.

On 26 February 2019, the Board has resolved to declare an interim dividend of HK$0.29 per share (2017: paid of HK$0.32 per share) for FY2019, which is payable on or about 12 April 2019 to shareholders whose names appear on the register of members of the Company on 25 March 2019. This interim dividend, amounting to HK$1,132.3 million (2017: HK$1,246.9 million), has not been recognized as liability in this interim financial information. It will be recognized in shareholders' equity in FY2019.

9. Trade and other receivables

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

	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Under 3 months	**1,669.9**	2,305.6
4 to 6 months	**53.5**	33.0
Over 6 months	**103.3**	112.6
	1,826.7	2,451.2

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

10. Trade and other payables

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

	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Under 3 months	**537.4**	1,200.1
4 to 6 months	**2.3**	10.3
Over 6 months	**57.3**	56.0
	597.0	1,266.4

11. Event subsequent to period end

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

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for FY2019 (the "Interim Dividend") of HK$0.29 per share (in cash) to the shareholders whose names appear on the register of members of the Company on 25 March 2019. It is expected that the Interim Dividend will be paid on or about 12 April 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the Interim Dividend, the register of members of the Company will be closed. Details of such closure are set out below:

Latest time to lodge transfer documents for registration	4:30 pm on 22 March 2019
Closure of register of members	25 March 2019
Record date	25 March 2019
Interim Dividend payment date	on or about 12 April 2019

On the abovementioned closure date, no transfer of shares will be registered. In order to qualify for the Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

FINANCIAL REVIEW

Group overview

For the Current Period, the Group recorded an Attributable Operating Profit ("AOP") of HK$2,431.9 million, representing a decrease of 9% from the Last Period. Despite healthy growth operationally in all major segments of the Group riding on, among other things, the Greater Bay Area development, and the Belt and Road Initiative as well as the growing fleet size under the commercial aircraft leasing platform, the depreciation of Renminbi, the reclassification of investment in Beijing Capital International Airport Company Limited ("BCIA") from an associated company to a financial asset after its partial disposal by the Group as well as the higher royalty and provision for committed capital expenditure under the new operation agreement of the management and operation of Hong Kong Convention and Exhibition Centre ("HKCEC"), all contributed to the decrease in AOP year-on-year.

AOP of the Infrastructure division recorded a mild decrease of 3% year-on-year, which was mainly attributable to the depreciation of Renminbi that has affected the AOP of the Roads segment. Besides, AOP contribution from BCIA only comprised dividend income after the reclassification which has affected the Aviation segment. AOP of the Services division has decreased by 29% year-on-year which was mainly attributable to the impact from the new operation agreement of the management and operation of HKCEC as explained above, the increase in operating expenses coupled with the delay in the expected fare increase for Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) ("CTB F1") and New World First Bus Services Limited ("NWFB") as well as certain one-off items under the Strategic Investments segment.

During the Current Period, the Group recognized net gain on disposal of projects totaling HK$180.8 million which was attributable to the disposal of Celestial Path Limited (together with its subsidiaries and a joint venture, "Hip Seng Group" which mainly acted as the main contractor or project manager for New World Development Company Limited ("NWD") and its associates) to a wholly-owned subsidiary of NWD and the disposal of 富城（北京）停車管理有限公司 (Urban Parking (Beijing) Limited*).

The profit attributable to shareholders decreased by 8% to HK$2,274.3 million year-on-year reflecting the above changes in AOP as well as the increase in finance costs. The basic earnings per share was HK$0.58 in the Current Period, down 9% from HK$0.64 in the Last Period. Contributions from the operations in Hong Kong accounted for 30% of the AOP in the Current Period compared with 34% in the Last Period, while Mainland China and other territories contributed 63% and 7% of the AOP respectively in the Current Period, compared with 55% and 11% respectively in the Last Period.

The Group's net gearing ratio increased from 7% as at 30 June 2018 to 11% as at 31 December 2018. As at 31 December 2018, the Group had unutilized committed banking facilities of approximately HK$7.6 billion (not including the bridging loan facility for the acquisition of FTLife Insurance Company Limited ("FTLife")) with total cash and bank balances amounted to HK$7,275.6 million, compared to HK$6,656.6 million as at 30 June 2018. In January 2019, the Group issued US$1.0 billion 5.75% senior perpetual capital securities. The proceeds of the capital securities are for general corporate purposes and the capital securities are listed on The Stock Exchange of Hong Kong Limited. The steady operational performance and strong cash flow, coupled with the strong financial position, has posed the Group in a very good position for further growth and development.

Contribution by Division
For the six months ended 31 December

	2018	2017
	HK$'m	HK$'m
Infrastructure	**1,968.4**	2,025.3
Services	**463.5**	656.8
Attributable operating profit	**2,431.9**	2,682.1
Corporate office and non-operating items		
Gain on fair value of investment properties	**33.7**	55.0
Gain on disposal of projects, net of tax	**180.8**	38.8
Interest income	**20.9**	18.1
Finance costs	**(172.6)**	(126.6)
Expenses and others	**(220.4)**	(189.3)
	(157.6)	(204.0)
Profit attributable to shareholders	**2,274.3**	2,478.1

OPERATIONAL REVIEW – INFRASTRUCTURE

AOP Contribution by Segment

For the six months ended 31 December

	2018	2017	Change %
	HK$'m	HK$'m	Fav./(Unfav.)
Roads	**948.5**	1,027.8	(8)
Environment	**449.6**	293.8	53
Logistics	**338.5**	338.5	-
Aviation	**231.8**	365.2	(37)
Total	**1,968.4**	2,025.3	(3)

Roads

AOP from the Roads segment fell by 8% to HK$948.5 million, which was attributable principally to the fluctuation of Renminbi during the Current Period. Excluding the exchange rate effect, AOP would have risen by 6%, which was in line with the overall increase in toll revenue during the Current Period.

The average daily traffic flow of the Group's four anchor expressways which contributed over 80% of the AOP in the Roads segment historically, namely Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section), all recorded steady growth with the highest growth rate achieved 18% year-on-year. Other expressways in the Greater Bay Area, including Shenzhen-Huizhou Expressway (Huizhou Section), Guangzhou-Zhaoqing Expressway, Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway, continued to register an increase in traffic volume of up to 28% year-on-year.

The Group completed its acquisition of 30% interest in Hubei Suiyuenan Expressway in January 2018 which has contributed AOP immediately while the concession rights of Tate's Cairn Tunnel in Hong Kong were ended in July 2018.

In December 2018, the Group extended its footprint into Hunan Province by completing its acquisition of 40% interest in Hunan Sui-Yue Expressway. This dual 3-lane expressway which is 24.08 km long and fully operational with concession rights ending in 2038 has provided immediate AOP contribution to the Group.

In January 2019, the Group entered into a memorandum of understanding for the proposed acquisition of 25.59% equity interest in 廣西龍光貴梧高速公路有限公司 (Guangxi Logan Guiwu Expressway Co., Ltd.[*]) which develops and operates an expressway between Wuzhou City and Guigang City in Guangxi Province. The undertaking of the proposed acquisition is subject to the satisfaction or waiver of the matters as set out in the announcement of the Company dated 17 January 2019.

Environment

AOP of the Environment segment increased by 53% to HK$449.6 million. The increase was mainly attributable to a one-off fair value gain of HK$232.5 million shared by the Group as a former joint venture of SUEZ NWS Limited (“SUEZ NWS”) was accounted for by SUEZ NWS as a subsidiary with effect from July 2018.

Disregarding the one-off gain, SUEZ NWS still delivered steady growth in its business with its average daily waste treatment volume grew by 6% and the overall water and wastewater treatment volume increased by 2% in the Current Period. In addition, SUEZ NWS succeeded to expand its waste management services with daily treatment capacity of 2,000 tonnes in the Jiangsu Province as well as the commencement of hazardous waste-to-energy plants in Jiangsu Province and Taiwan with a total annual treatment capacity of 59,200 tonnes in the Current Period. The first food waste treatment plant of SUEZ NWS in Hong Kong was also become operational in the last quarter of 2018.

Chongqing Derun Environment Co., Ltd. (“Derun Environment”) continued to provide stable contribution to the Group. During the Current Period, two new waste-to-energy contracts in Chongqing and Henan Province with a total daily treatment capacity of 1,830 tonnes were secured and it has also successfully extended its footprint outside of Chongqing by being awarded a river remediation contract in Chengdu. In order to meet the growing water demand in Chongqing, Derun Environment has recently mobilized the construction of a new water plant with a daily treatment capacity of 400,000 m^3 which is scheduled to commence operation in 2022.

While the combined AOP from the three energy projects decreased in the Current Period which was principally due to the persistently high coal price, overhaul of generator and lower coal trading volume, the financial impact to the Group as a whole remains to be minimal. With an aim to diversify the Group’s energy related investment portfolio and generate long-term growth for the shareholders, the Group has extended its footprint to the renewable energy sector in Europe by partnering with renowned investors and operators in the region with remarkable track record and formed an investment platform named ForVEI II S.r.l. in Italy dedicated to invest in and operate solar power assets mainly in Italy.

Logistics

AOP of the Logistics segment remained steady at HK$338.5 million in the Current Period.

The newly renovated ATL Logistics Centre and growing demand for logistics facilities in Hong Kong have resulted in an increase in the average occupancy from 96.3% to 99.4% year-on-year.

Benefiting from the Belt and Road Initiative, throughput of China United International Rail Containers Co., Limited continued its growth with an increase of 26% year-on-year to 1,720,000 TEUs driven by the development of rail container and sea-rail intermodal transportation, as well as the strong throughput growth momentum of the Urumqi terminal since its commencement of operation in mid-2017. Its AOP, however, decreased due to the cancellation of the special settlement policy of containerized break-bulk cargoes service in January 2018.

As for the ports business, throughput handled by Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd. rose by 4% to 1,396,000 TEUs and 5% to 569,000 TEUs, respectively, in the Current Period while Xiamen Container Terminal Group Co., Ltd. dropped slightly by 1% to 4,314,000 TEUs.

Aviation

This segment includes the Group's commercial aircraft leasing business and its investment in BCIA. The partial divestment of BCIA in the second half of FY2018 and its reclassification from an associated company to a financial asset has affected the AOP of this segment year-on-year.

In September 2018, the Group's commercial aircraft leasing platform Goshawk Aviation Limited ("Goshawk") completed the acquisition of Sky Aviation Leasing International Limited ("Sky Aviation"), catapulting Goshawk to top 10 aircraft lessor globally (in terms of fleet value). Together with the orders of 40 narrow-body aircraft directly from Airbus and Boeing as well as 10 managed/other committed aircraft, Goshawk's owned, managed and committed fleet reached 216 aircraft as of 31 December 2018 with a combined market value of US$11.1 billion. The acquisition and direct orders accelerated Goshawk's already fast growth trajectory and consolidated Goshawk's foothold in the industry with its strategy in focusing on young and popular narrow-body aircraft with long lease terms. Goshawk will continue to serve as an important growth driver of the Group.

During the Current Period, the Group's aviation portfolio grew from 111 to 166 aircraft with narrow-body aircraft representing 85% of the portfolio and the average age of the aircraft as at 31 December 2018 was 3.7 years, while the customer base was comprised of 62 airlines in 33 countries.

OPERATIONAL REVIEW – SERVICES

AOP Contribution by Segment

For the six months ended 31 December

	2018	2017	Change %
	HK$'m	HK$'m	Fav./(Unfav.)
Facilities Management	**(146.8)**	(84.4)	(74)
Construction & Transport	**629.4**	606.6	4
Strategic Investments	**(19.1)**	134.6	(114)
Total	**463.5**	656.8	(29)

Facilities Management

The Facilities Management segment mainly comprises the management and operation of HKCEC, the business of Free Duty, the operation of Gleneagles Hong Kong Hospital ("GHK Hospital") and other healthcare related investments.

HKCEC celebrated its 30th anniversary in 2018. During the Current Period, 521 events were held at HKCEC with a total patronage of approximately 5.2 million. While the core exhibition business remained stable, the AOP decreased which was mainly attributable to the higher royalty and provision for committed capital expenditure under the new operation agreement which became effective during the Current Period.

While the Free Duty business continued to operate under pressure, the reported loss of this business was stabilized during the Current Period. Apart from implementing multiple sales strategies to increase sales and profit margin, Free Duty is actively seeking opportunities to extend and develop its business and with the recent commencement of the duty free shop at the Hong Kong-Zhuhai-Macao Bridge with a 5-year contract, the management is confident that it will contribute positively to the Free Duty business as a whole.

GHK Hospital, in which the Group has 40% equity interest, was officially opened in late March 2018. While it is still in its ramp-up period, GHK Hospital continued to narrow its operating loss. Both outpatient visits and inpatient admissions have been increasing during the Current Period. More than 1,000 doctors have been accredited at GHK Hospital and more doctors are expected to join including the University of Hong Kong's seconded full time doctors, sessional and visiting doctors who have ramped up their caseload in GHK Hospital. A satellite clinic in Central is planned to be opened in the first quarter of 2019 to provide better access to the hospital services.

The Group, through its associated companies, Healthcare Assets Management Limited and UMP Healthcare China Limited ("UMP China"), operates nine medical centres in Beijing, Shanghai and Shenzhen. The business currently offers (i) outpatient service; (ii) medical check-up service; and (iii) corporate healthcare solution. During the Current Period, UMP China focused on launching family doctor training and successfully developed public-private-partnership co-operation with various public health centres in Guangdong Province.

Construction & Transport

AOP contribution from the Construction business increased notably by 38% to HK$655.4 million in the Current Period, which was mainly attributable to the continuous improvement in gross profit and satisfactory job progress. Major projects during the Current Period included the residential and commercial development "SAVANNAH" at Tseung Kwan O, construction of Home Ownership Scheme Developments at Kiu Cheong Road, Tin Shui Wai and Ngan Kwong Wan Road, Mui Wo, Xiqu Centre at West Kowloon Cultural District as well as Hong Kong Science Park Expansion Stage 1. In addition, new tenders awarded during the Current Period included the design and construction works of Inland Revenue Tower and foundation works for New Acute Hospital at Kai Tak Development Area. As at 31 December 2018, the gross value of contracts on hand for the Construction business was approximately HK$39.1 billion and the remaining works to be completed amounted to approximately HK$22.1 billion.

In December 2018, the Group's 25% owned associated company, Kai Tak Sports Park Limited ("KTSPL"), was awarded a contract for the design, construction and operation of Kai Tak Sports Park at the total construction contract sum of HK$29.993 billion which will be entirely borne by the Government of the Hong Kong Special Administrative Region (the "Government"). KTSPL will, among other things, bear the costs associated with operating and managing the facilities and venues, and will pay 3% of the gross income share and a total sum of HK$1.724 billion to the Government over the course of the operation period. The construction management services of the project are provided by Hip Hing Engineering Company Limited at a fixed amount of HK$1.4 billion plus a sharing of project cost savings with KTSPL on a 40:60 basis, which will add to stability in the revenue stream as well as cash flow for the Group's construction business. Kai Tak Sports Park is one of the most important sports infrastructure in Hong Kong in recent decades. It is planned to be developed into a large complex covering sports, leisure, entertainment, retail and dining facilities. Participation in such a mega-sized and signature infrastructure of Hong Kong will further enhance the reputation of the Group as one of the most renowned construction as well as facility management group in Hong Kong.

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

Due to the escalating operating expenses and the delay in the approval of fare increase applications for CTB F1 and NWFB, the Transport business swung into loss in the Current Period. With the approval for average fare increases of 7.0% and 5.6% borne by passengers of CTB F1 and NWFB respectively effective from 20 January 2019 and the mitigating effect from the Franchised Bus Toll Exemption Funds, the overall weighted average fare increase rate is 9.9%. The Group believes that after the fare increase and the continued ramp-up of ridership of bus routes to and from the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port, the operating results of the Transport business will improve.

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 and create value for the shareholders. The AOP for the Current Period mainly comprised the share of results and the dividends from certain investments and the negative AOP was mainly attributable to certain one-off items.

BUSINESS OUTLOOK

The risk of economic slowdown has recently been the top priority for governments around the globe as far as economic outlook and regional development are concerned. With the US gradually tightening its monetary policy, economic growth slowing down in Mainland China, weak economic data reported from the European Union, and the UK vacillating over Brexit, all of the above developments have intensified uncertainty and clouded the ability to assess risk for the future.

The January 2019 issue of the International Monetary Fund's World Economic Outlook pointed to a weakening global expansion, increased risks to economic growth and the escalation of trade tensions going beyond those already incorporated in the growth forecasts. Amid the heightened trade tensions and growing risk aversion, emerging markets will feel the crunch.

The China-US trade war is one of the key developments that will affect future economic growth. On 1 December 2018, the two countries announced a 90-day truce and talks were set in motion. While market watchers believe that more discussions are still very much needed for a comprehensive agreement to be reached before 1 March 2019, details that are coming out of current negotiations are mostly positive, which have a stimulating effect on the market.

The Central Government has in recent years adhered to a general course of stable progress by keeping the economy within reasonable and sustainable range while transforming external pressures to fuel its economy upgrade pushing for high-value growth. As a result, China's economic development has been strengthened, as evidenced by a stronger domestic market and accelerated growth momentum to offset the pressure of market uncertainty.

Having served the Greater China Region for over a decade, the Group has been a firm believer in the nation's excellent economic outlook. With our solid business portfolio and excellent project management capability, we have provided many of life's conveniences and in the meantime it has also provided us a steady and sustainable cash flow. Leveraging the team's bold and innovative thinking, the Group is optimizing its business portfolio through acquisitions of quality businesses with robust growth potential and disposition of non-core assets, and we are perfecting our sustainable business framework to offer new services to new clients and build strong growth for the Group.

During the Current Period, the AOP contributions from our businesses were partly offset or affected by the depreciation of Renminbi, as well as changes in operating costs and structures of individual businesses. However, the main operations of our Group remain fundamentally sound, with a solid and steady performance.

For example, the overall traffic flow of the Roads segment recorded steady growth. The Environment segment has been progressing steadily to take the Group into different areas of environmental pursuit and geographical markets. The new projects launched by SUEZ NWS and Derun Environment during the Current Period will lay the foundation for the future growth of the Environment segment. Construction business, another major contributor to the Group, enjoys strong recurring cash flows with a high level of visibility. Our successful bid for the construction management services contract for Kai Tak Sports Park during the Current Period will further strengthen the Construction business going forward.

In recent years, the Group has been assessing different opportunities with an aim to optimize its business portfolio, realize value through asset sales, and improve the efficiency of resources utilization. At the same time, the Group is proactively expanding and exploring into businesses that are compatible with our corporate philosophy to boost future cash flow contributions and sustainable growth prospects, while enhancing our corporate value. In the Aviation segment, the acquisition of Sky Aviation will continue to augment our leadership position in the aircraft leasing business and generate sustainable recurring income for the Group.

In December 2018, the Group entered into a share purchase agreement to acquire the entire issued share capital of FTLife. The Group considers the transaction as a unique opportunity to extend our ecosystem of premium products and services into the highly promising insurance sector.

Potential synergies with FTLife include building greater interaction, stronger connection and cross-promotion opportunities between FTLife's premium customers and our affluent customer base; a stronger partnership with our expanding healthcare business; and leveraging our Group's extensive resources in the Greater Bay Area to expand our business presence in the region. The acquisition is subject to the relevant regulatory approvals and fulfilment and/or waiver of other conditions as set out in the announcement of the Company dated 27 December 2018. Upon completion of the transaction, FTLife will become an indirect wholly-owned subsidiary of the Company.

The uncertainty of the external economic environment and the changing business landscape will pose certain challenges to the future growth of our businesses. The Group believes that pursuing a prudent and balanced approach to development, seeking change and innovation that evolve over time, and injecting new vitality into corporate development, will be an important strategy to achieve sustainable growth for the Group. Our team of professionals is ready and committed to work together to create lasting value for the Group's future.

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 position, cash flow and debt profile to optimize its funding cost-efficiency with a centralized treasury function. In order to maintain our 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 to review and optimize our capital structure and expand our source of funding from time to time. As at 31 December 2018, the Group had unutilized committed banking facilities of approximately HK$7.6 billion (not including the bridging loan facility for the acquisition of FTLife).

Liquidity and capital resources

As at 31 December 2018, the Group's total cash and bank balances which were mainly denominated in Hong Kong Dollar and Renminbi amounted to HK$7,275.6 million, compared with HK$6,656.6 million as at 30 June 2018. The Group's net debt as at 31 December 2018 was HK$5,539.8 million, compared with HK$3,518.0 million as at 30 June 2018. The increase in net debt was mainly due to investments/advances to joint ventures and associated companies, payment of final dividends, net of operating cash inflows and dividends received. The capital structure of the Group was 21% debt and 79% equity as at 31 December 2018, compared with 17% debt and 83% equity as at 30 June 2018. The Group's net gearing ratio, being net debt to total equity, increased from 7% as at 30 June 2018 to 11% as at 31 December 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 and Infrastructure division.

Certain joint ventures and associated companies have local currency project loans in place, these are naturally hedged against the investments in the same local currency of the entity concerned.

Debt profile and maturity

As at 31 December 2018, the Group's total debt increased to HK$12,815.4 million from HK$10,174.6 million as at 30 June 2018. The Group has managed to evenly distribute its debt maturity profile to reduce refinancing risks. Amongst the non-current portion of the long-term loans and borrowings of HK$10,081.0 million as at 31 December 2018, 29% will mature in the second year, 71% will mature in the third to fifth year. Bank loans were denominated in Hong Kong Dollar or United States 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 the Current Period. As at 31 December 2018, the Group has provided a pledge over its 30% equity interest in the project company which owns and operates the Hubei Suiyuenan Expressway as security for a bank loan made to the project company.

Commitments

The Group's total commitment for capital expenditures was HK$23,526.1 million as at 31 December 2018, compared with HK$3,798.2 million as at 30 June 2018. These comprised commitments for acquisition of the entire issued share capital of FTLife at a total consideration of HK$21,500.0 million (subject to adjustments), the acquisitions of/ capital contributions to certain associated companies, joint ventures and other investments of HK$1,545.4 million as well as additions of properties and equipment of HK$480.7 million. FTLife is a life insurance company incorporated in Hong Kong which engaged in the business of provision for protection and savings-related life and medical insurance products. Sources of funds for capital expenditures include internal resources of the Group and committed external financing from reputable international banks.

Financial guarantee contracts

Financial guarantee contracts of the Group were HK$3,851.8 million as at 31 December 2018, compared with HK$3,961.6 million as at 30 June 2018. These comprised guarantees for banking facilities of associated companies and joint ventures.

In addition, as at 31 December 2018, the Group and NWD, through their respective wholly-owned subsidiaries, namely NWS Sports Development Limited ("NWS Sports") and New World Sports Development Limited ("New World Sports"), have undertaken to provide the guarantee in favour of the Government and the guarantee has been entered into as at the date of this announcement. Pursuant to the guarantee, NWS Sports and New World Sports jointly and severally guaranteed to the Government, as a primary obligation, the punctual, true and faithful performance and observance by KTSPL of the obligations, terms, conditions and liabilities to be performed, observed and assumed by KTSPL under the contract entered into between the Government and KTSPL for the design, construction and operation of Kai Tak Sports Park (the "DBO Contract") and any further agreement entered into between the Government and KTSPL in connection with the DBO Contract. NWS Sports, the Company, New World Sports and NWD have also entered into a deed of counter-indemnity, under which the Group's guarantee towards KTSPL is up to the extent of 25% or amounts to approximately HK$7.5 billion. KTSPL, which is held as to 25% by NWS Sports and as to 75% by New World Sports, is an associated company of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, approximately 27,200 staff were employed by entities under the Group's management of which approximately 9,800 staff were employed in Hong Kong. Total staff related costs including provident funds, staff bonus and deemed share option benefits but excluding directors' remunerations during the Current Period were HK$2.099 billion (2017: HK$2.557 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 INTERIM RESULTS

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

The unaudited consolidated interim results of the Group for the Current Period have been reviewed by the Company's external auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CORPORATE GOVERNANCE PRACTICES

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

Throughout the Current Period, the Company has complied with all the applicable code provisions under the Corporate Governance Code as contained in Appendix 14 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

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

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

THE BOARD

As at the date of this announcement, (a) the executive directors of the Company are Dr Cheng Kar Shun, Henry, 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 Tsang Yam Pui, 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, 26 February 2019

** For identification purposes only*