新創建 NWS

NWS HOLDINGS LIMITED

STOCK CODE: 659

Annual Report 2017

Connecting Lives ▸▸▸ Building Futures

About NWS Holdings

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

With a workforce of over 28,000 people, NWS Holdings is committed to achieving sustainable growth in its two core business areas of infrastructure and services.

VISION

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

CORE VALUES

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

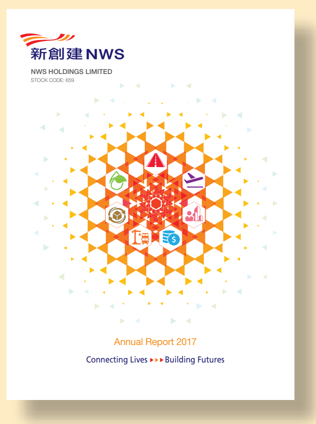
MISSION

Synergize and develop business units that:

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

Connecting Lives • Building Futures

The vibrant colours and design of this year's annual report represent the stable growth of our enterprise, and the relationships that link our diverse business portfolio. Icons of the seven business segments lie at the heart of the circular image, symbolizing the focus of the Group's prudent development strategy. These business segments are linked by interconnecting shapes, which represent the synergies among them and the dynamism driving expansion. The Group's corporate tagline "Connecting Lives • Building Futures" underpins our commitment to delivering strong, sustainable shareholder and stakeholder value.



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Corporate Profile

As at 30 June 2017 (Please refer to Project Key Facts and Figures on page 218 to page 229 for project details)

INFRASTRUCTURE

As a leading infrastructure player in Mainland China, NWS Holdings possesses an extensive business network in managing and operating 94 projects in four major segments, namely Roads, Environment, Logistics and Aviation as at 30 June 2017.

ROADS

The road portfolio comprises 16 roads and related projects in strategic locations in Hong Kong and Mainland China.

Roads network approximately
599 km in length

ENVIRONMENT

This segment comprises water and wastewater treatment, waste management, renewable resource recycling and utilization, environmental remediation, as well as design, engineering and procurement services and energy related projects.

Treat up to a total of
9.02 million cbms
of water and wastewater per day

24,000 tonnes
of waste per day

Total installed capacity of power plants reaches
1,820 MW

LOGISTICS

The Group invests in a large-scale pivotal rail container terminal network and three ports in Mainland China, and a logistics centre in Hong Kong.

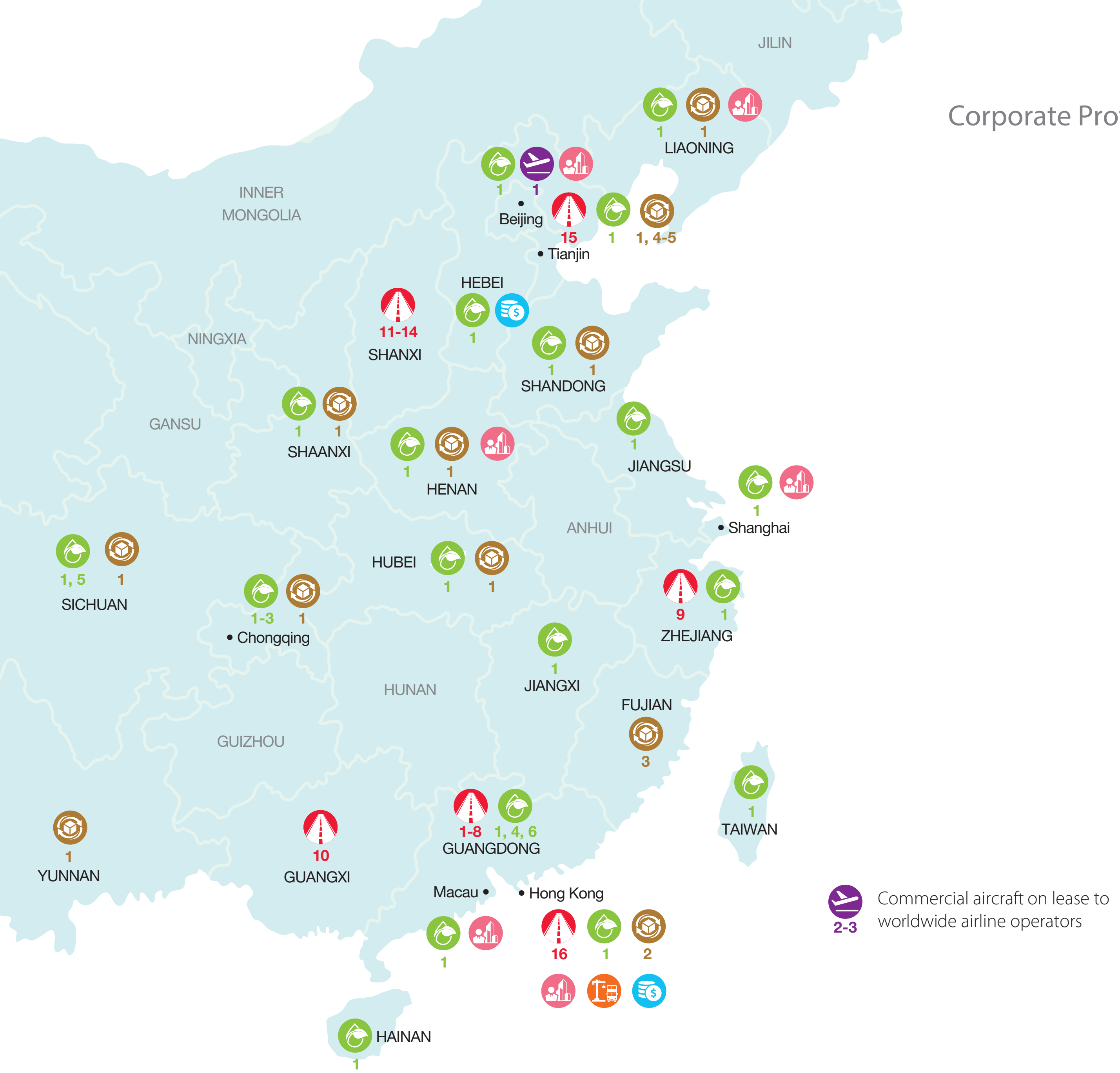
The logistics centre offers total leasable area of
5.9 million sq ft

Handling capacity of
12 million TEUs
per year for port projects

AVIATION

The Group invests in Beijing Capital International Airport and develops commercial aircraft leasing business through two investment platforms.

A fleet of
90 commercial aircraft on lease



SERVICES

As a pioneer in the services industry, NWS Holdings provides excellent services in supporting the needs of Hong Kong people and driving the city's growth.

FACILITIES MANAGEMENT

This segment mainly comprises the management and operation of Hong Kong Convention and Exhibition Centre, the businesses of Free Duty and Gleneagles Hong Kong Hospital.

Approximately

5.7 million visitors

attended events at Hong Kong Convention and Exhibition Centre this year

CONSTRUCTION & TRANSPORT

The Group is dedicated to providing professional construction services and reliable public transport services in Hong Kong.

The bus and ferry fleets carry approximately

1.1 million patronage per day

STRATEGIC INVESTMENTS

The segment includes Haitong International Securities Group Limited, Newton Resources Ltd, Tharisa plc, Hyva Holding B.V. and other investments held by the Group for strategic investment purposes.

Major Events and Accolades

2016

SEPTEMBER

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

OCTOBER

- The Group increased its stake in Goshawk Aviation Limited to 50% as part of its effort to expand its commercial aircraft leasing business.

- The Group was named a Distinguished Family-Friendly Employer 2015/16 with a Special Mention (Gold) Award by the Family Council.

NOVEMBER

- The Group's corporate volunteering team, the NWS Volunteer Alliance, celebrated its 15 years of community work involving more than 165,000 hours of social service to date.

- Free Duty renewed its five-year duty free concessions to continue its retail business at three land border crossing terminals in Hong Kong until 2022.

DECEMBER

- NWS Holdings and Chow Tai Fook Enterprises Limited ("CTF Enterprises") formed a 50/50 joint venture, Healthcare Assets Management Limited, to develop healthcare services in Mainland China and Hong Kong. NWS Holdings also acquired a 20% interest in UMP Healthcare China Limited to develop corporate healthcare solutions business in Mainland China.

- The Group acquired the remaining 50% interest in NWS Transport Services Limited, which indirectly held the entire equity interest in New World First Bus Services Limited, Citybus Limited and New World First Ferry Services Limited ("NWFF"), from CTF Enterprises at a total consideration of approximately HK$1.47 billion.

- NWS Holdings and its member companies in Hong Kong received 10 awards at the seventh Hong Kong Corporate Citizenship Programme.

- Hong Kong Convention and Exhibition Centre was awarded Best Convention and Exhibition Centre in Greater China in the CEI Editors' Choice industry excellence report, produced by *CEI Asia* magazine.

- NWS Holdings and its French partner SUEZ restructured their joint venture SUEZ NWS Limited ("SUEZ NWS"). The enlarged platform, in which NWS Holdings owns 42% interest, provides a one-stop service for water, wastewater and waste treatment.

2017

FEBRUARY

- The concession right of Tangjin Expressway (Tianjin North Section) was approved to extend for a further 11 years to 2039.
- The Shenyang New World EXPO, managed by NWS Holdings' subsidiary, Shenyang New World Expo (Management) Limited, commenced operations, offering a total of around 28,000 sq m of space for exhibitions, conventions and meetings.

MARCH

- Gleneagles Hong Kong Hospital opened after three years of construction. The 500-bed, multi-specialty private hospital is a joint venture between Parkway Pantai Limited and NWS Holdings, with The University of Hong Kong being responsible for its clinical governance.

- The third line of SUEZ NWS' hazardous waste incineration plant in the Shanghai Chemical Industrial Park commenced operation, making it one of the world's largest hazardous waste-to-energy plants with an annual capacity of 120,000 tonnes.
- NWS Holdings and its 11 member companies were awarded the Caring Company Logo by The Hong Kong Council of Social Service.
- NWFF received an extension of licences to operate five ferry routes in Hong Kong until 2020.

Financial Highlights

	2017 **HK$'m**	2016 HK$'m
Revenue	**31,385.0**	29,497.8
Profit attributable to shareholders of the Company	**5,628.9**	4,912.8
Net Debt	**3,229.3**	6,141.2
Total assets	**75,725.9**	75,685.0
Net Assets	**49,275.0**	45,858.4
Shareholders' funds	**49,057.1**	45,618.9

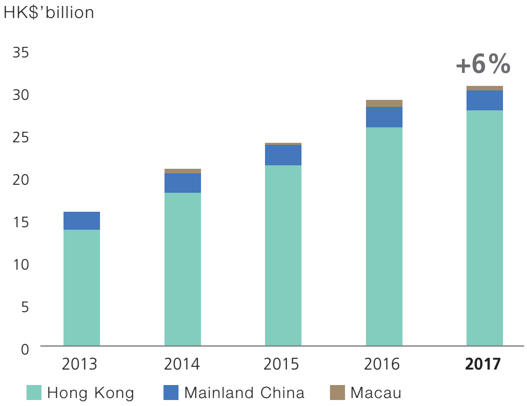
	2017 **HK$**	2016 HK$
Basic Earnings per Share	**1.46**	1.30
Dividend per share		
– interim and final	**0.73**	0.65
– special final	**0.72**	–
Net Assets per Share	**12.67**	11.97

	2017	2016
Net Gearing Ratio	**7%**	13%
Return on Equity	**11%**	11%
Return on Capital Employed	**9%**	9%
Dividend Payout Ratio	**100%**	51%

Revenue by Region

for the year ended 30 June

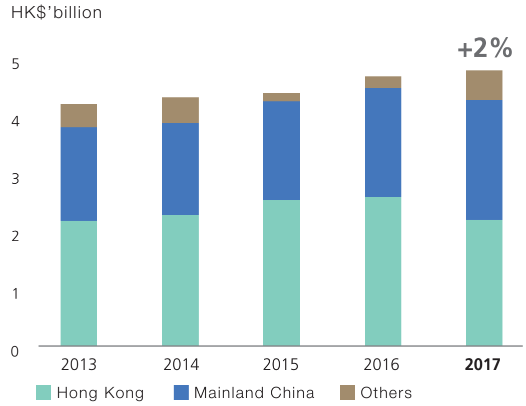
31.4 billion



AOP by Region

for the year ended 30 June

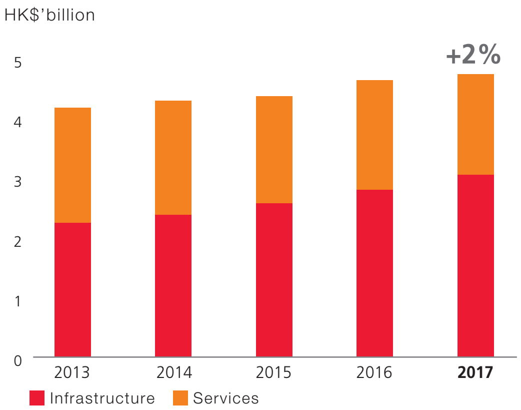
4.8 billion



AOP by Division

for the year ended 30 June

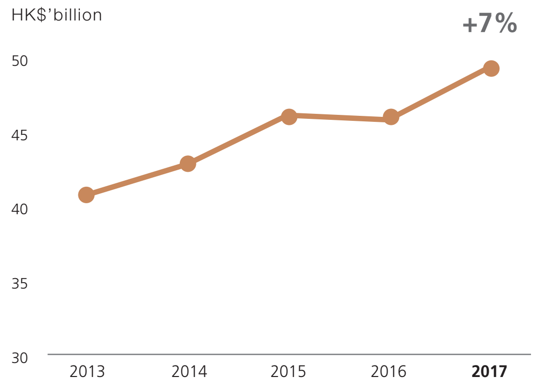
4.8 billion



Total Equity

as at 30 June

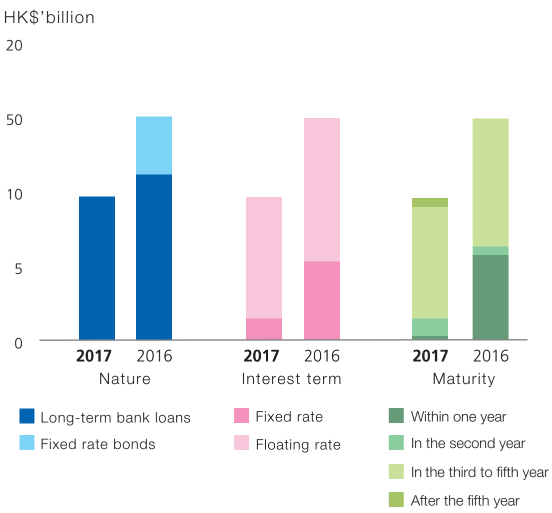
49.3 billion



Debt Profile

as at 30 June

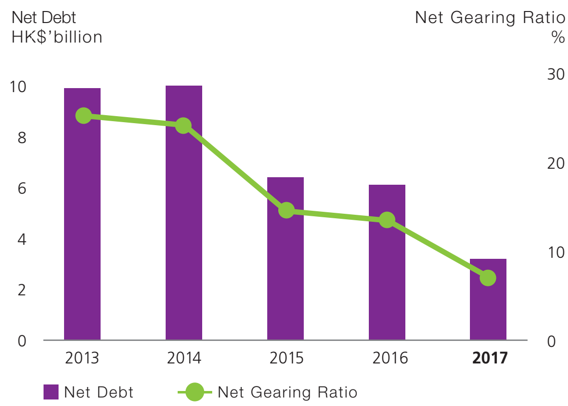
9.7 billion



Net Debt and Net Gearing Ratio

as at 30 June

3.2 billion and 7%



Chairman's Statement

Dear Shareholders,

I have pleasure in reporting that the Group delivered another year of solid financial results with remarkable revenue and earnings growth. Our proactive and pragmatic investment philosophy and approach saw a 15% increase in profit attributable to shareholders in FY2017, reaching a record high of HK$5.629 billion. This is a reflection of the success of the Group's business strategy in staying diversified and disciplined, which enables the Group to achieve sustainable growth in the face of economic volatilities and geopolitical uncertainties.

Sustainable Growth Intact

Following the slowdown in 2016, the global economy has steadily regained traction as both advanced and developing economies have enjoyed increased market activities. Notwithstanding the long awaited slight increase in interest rate by the United States Federal Reserve Bank, the monetary policies of Central Banks around the world have remained largely calm. The overall global economy appears to have entered 2017 on a firmer footing despite lingering concerns for the United States' growing protectionism stance and heightened geopolitical confrontations across the world.

China is on track to attaining, and so far has succeeded, the 2017 growth target of 6.5% by a basket of economic and financial measures, including tighter control on leverage for financial activities and property markets and rebalancing the supply side of economic activities. There continues to be an emphasis on the shift of economy from being investment/export oriented to consumption-driven. The Central Government remains committed to measures to contain financial vulnerabilities without sacrificing growth. This transition calls for on-going structural reforms and foreign investments to participate in value-added developments in various key sectors, including transportation, healthcare, logistics and environmental services. As a long-term investor and operator in infrastructure projects in Mainland China, the Group looks forward to leveraging its expertise and multi-faceted investment capabilities to capitalize on business opportunities arising from China's continuing economic growth.

Under various national initiatives in promoting sustainable development in China, the Group's China-based infrastructure projects continue to benefit from a higher level of economic activities in the country. Riding on the directives to improve transportation connectivity and expand the highway system, the Roads segment benefits from rising urbanization and commercial activities. The recent opening of the Tianjin and Urumqi terminals will add further strength to the network of terminals now operated by China United International Rail Containers Co., Limited ("CUIRC"), a nationwide rail container terminal project under the Logistics segment. The national policy to integrate Beijing-Tianjin-Hebei region, including designated free trade zones, will help strengthen Tianjin's position as the international logistics hub serving the region. Urumqi, as a convenient gateway city into Europe, will serve as a key passage of international trade under the much discussed Belt and Road Initiative. The renewed priority in the development of Yangtze River Economic Belt will also provide both SUEZ NWS and Chongqing Derun Environment Co., Ltd. ("Derun Environment") with ample growth opportunities under the Environment segment. Both platforms possess the technical experience and local presence needed to undertake water resources and environmental remediation projects arising from the further development of this vast region.

As anticipated, the Aviation segment continues to be the fastest growing business within the Group's business portfolio. Underpinned by the rising global demand for leased aircraft, the combined fleet size of Goshawk Aviation Limited ("Goshawk") and Bauhinia Aviation Capital Limited increased from

"The Group has made solid progress in forging a sustainable growth path with high-quality investments to embrace new challenges and scale new heights."

68 to 90 during FY2017. The Group also welcomes the recent passage of a new tax regime at the Hong Kong Legislative Council, which provides the necessary conditions for the development of aircraft leasing business in Hong Kong. Hitherto it has not been possible to attract aircraft leasing companies to domicile in Hong Kong due to uncompetitive cost base compared to a number of other jurisdictions.

In March 2017, the Group reached a new milestone having marked its entry into the healthcare industry with the opening of Gleneagles Hong Kong Hospital ("GHK") under the Services division. With its state-of-the-art medical equipment and facilities and a dedicated team of highly trained medical professionals, GHK is equipped to provide high quality and comprehensive medical services. The Group is confident that GHK will establish itself as a world-class private hospital contributing stable and recurring earnings in the not too distant future.

It was a very challenging year for the Services division, as expected. The Facilities Management segment contracted further mainly due to the initial operating loss of GHK during its start-up phase and the downturn of Free Duty's retail business. On the other hand, the Construction & Transport segment continued to deliver sturdy growth on the back of a strong order book of construction jobs. Furthermore, the full consolidation of NWS Transport Services Limited ("NWS Transport", together with its subsidiaries, "NWS Transport Group") in the second half of FY2017 contributed to the top and bottom line growth. Looking ahead, the strong underlying business fundamentals of the Construction & Transport segment will be able to provide cushioning effect against the headwinds that are impacting the short-term performance of the Facilities Management segment.

Performance Review

Attributable Operating Profit ("AOP") grew by 2% to HK$4.840 billion while profit attributable to shareholders increased by 15% to HK$5.629 billion in FY2017. AOP growth of 9% delivered by the Infrastructure division was driven by the Roads and Aviation segments. As already explained, the AOP decline of 9% for the Services division reflected the Group's share of initial operating loss of GHK and the challenging environment for Free Duty's business.

Apart from AOP growth, the 15% increase in profit attributable to shareholders also reflected the net positive contribution from exceptional items. As detailed in the interim results announcement, the Group booked a gain of approximately HK$454 million upon the restructuring of SUEZ NWS while the full acquisition of NWS Transport resulted in a gain of approximately HK$113 million. In March 2017, the Group completed the disposal of Tricor Holdings Limited ("Tricor") and recognized a disposal gain of approximately HK$933 million. These positive contributions were partly offset by losses associated with Newton Resources Ltd ("Newton Resources") which amounted to approximately HK$291 million during FY2017.

In view of the strong financial position, the Board is pleased to propose a final dividend of HK$0.39 per share and a special final dividend of HK$0.72 per share, representing a special payout ratio of 100%. Together with the interim dividend of HK$0.34 per share, total dividend for FY2017 will be HK$1.45 per share, a 123% increase compared with HK$0.65 per share in FY2016.

Corporate Sustainability

The Group believes that corporate success also means creating social values for the communities that we serve. We engage the communities through dedication of corporate resources and volunteer supports. In FY2017, our corporate volunteering team, the NWS Volunteer Alliance, celebrated its 15 years of community work involving more than 165,000 hours of social services. Our 10-year old NWS Holdings Charities Foundation has also played an important role in our endeavours to accelerate positive impacts, with donations worth more than HK$26 million to date. In line with our social commitment, we have launched the "NWS Career Navigator For Youth" programme, a new chapter in our journey of cultivating young minds as they pave the ways for career development.

Conclusion

The Group has made solid progress in forging a sustainable growth path with high-quality investments in FY2017, having restructured SUEZ NWS, taken full control of NWS Transport and commenced GHK operations. We have strengthened our environmental asset portfolio with a much wider platform, taken a stronghold in the local transportation sector and successfully launched our healthcare services. The Group will continue to dedicate our efforts to seeking business opportunities to maximize shareholders' value.

In closing, I would like to express my gratitude to our shareholders and business partners for their unwavering supports and congratulate my fellow directors and staff members for the remarkable achievements throughout the year.

Henry Cheng.

Dr Cheng Kar Shun, Henry
Chairman
Hong Kong, 20 September 2017

Q&A with CEO

Mr Tsang Yam Pui
Executive Director and Chief Executive Officer

Q: How do you view Mainland China's market outlook? Will you adjust your investment strategy in light of the slowdown in growth in China?

A: China is on track to meet its growth target of 6.5% through the fiscal and monetary measures and structural reforms it is undertaking. Infrastructure investment is picking up on the back of national and regional development initiatives, including the Belt and Road Initiative, the Beijing-Tianjin-Hebei integration and the development of Guangdong-Hong Kong-Macau Greater Bay Area. As the Central Government continues to focus on quality rather than high-speed growth, with infrastructure and environmental protection being the top priorities under the 13th Five-year Plan, we will be able to capture business opportunities in the environment, transportation, logistics and healthcare sectors through the experienced management and expertise of the Group and our business partners.

Q: Do you have any plans to invest in overseas markets, rather than focusing on Mainland China and Hong Kong?

A: We have been actively seeking business opportunities in overseas markets in parallel with our focus on Mainland China and Hong Kong by leveraging on our strong financial position. We look for asset-strong projects or companies that would provide stable cash flow. Our decision to enter into the commercial aircraft leasing business in 2015, which we've now built into a network of 38 airline clients in 27 countries served by our fleet of 90 aircraft, exemplifies this investment approach.

Q: Will NWS Holdings maintain the current dividend policy? Will you consider paying additional special dividends in view of the Group's strong war chest?

A: The Group's dividend policy since 2005 has been at least 50% of profit attributable to shareholders, to ensure that our shareholders can enjoy regular and stable income. We have no plan to change this policy. The special dividend we've proposed to give out for FY2017 is an exceptional, one-off payout. We will continue to make use of our reserves to drive new initiatives for strong business growth and shareholder value.

Q: Is the Group's aircraft leasing business a deviation from its principle of running stable business and pursuing stable returns? How do you manage the risks in this sector?

A: We've always adhered to our principle of delivering stable returns and maximizing shareholder value, and that's the case for our investments in the aircraft leasing industry. Investment in this sector aligns with our asset-strong business strategy, bringing in recurrent cash flow to the Group. The outlook for this business remains positive, as evidenced by continued globalization, overall growth in air traffic, and the rising number of low-cost carriers. Boeing Capital Corporation predicts that aircraft operating under leasing arrangements will grow from 40% of the market in 2014 to 50% by 2020.

That said, we stay vigilant against potential risks and take an active approach to managing them.

That includes targeting young and in-demand commercial aircraft for our portfolio, establishing staggered and longer leasing periods, and broadening our selective customer base and geographical spread.

Q : Will the Group relocate its aircraft leasing business to Hong Kong, given the passing of the tax amendment bill in mid-2017?

A : The concessionary tax regime is an important move to create a favourable business environment for aircraft lessors, and to enable Hong Kong to become one of the premier locations for basing aircraft leasing activities in the long run. Currently, our aircraft leasing platforms are based in Ireland. We do not rule out the possibility of operating our aircraft leasing business in Hong Kong if the local operating environment and tax structure prove to be more advantageous.

Q : The Roads segment is the key contributor to the Group's earnings. In the face of strong governmental regulation, how do you envisage growth in this sector?

A : Mainland China's ongoing urbanization, expansion of road networks, and growth in car ownership will continue to drive the development of toll roads. Our 16 road and related projects are well located in strategic locations, and growth in traffic of 12% and 11% in FY2016 and FY2017 reflected the robust performance of our portfolio. At the same time, we will continue to seek expansion opportunities for our current projects. The concession right of Tangjin Expressway (Tianjin North Section) has been extended by 11 years to 2039, and the application to extend the concession of Shenzhen-Huizhou Expressway (Huizhou Section) is being processed. They are good examples of our efforts to expand revenue streams. Meanwhile, we continue to look for brownfield and public-private partnership projects. We're confident in landing fresh opportunities.

Q : NWS Holdings has reduced its stake from 50% to 42% in the restructured SUEZ NWS Limited. Why are you giving up your joint control interest in this environmental investment platform?

A : While we have a smaller equity stake, the restructured company is actually an expanded partnership between NWS Holdings and our long-term French partner SUEZ, covering a much bigger scope of services and an enlarged footprint, with over 60 projects in various cities in Greater China. Combining the advanced technology and experienced management of both partners, we're now better placed to deliver innovative, one-stop environmental services to meet the region's pressing resource-management challenges.

Q : The Group's construction business has been running strong over the past few years. Is this sustainable?

A : Hong Kong's construction sector has remained vibrant on the back of strong demand for housing and public-sector infrastructure projects. Our construction business continues to focus on high-end development, particularly design and build projects which we have a proven competitive edge. This will enable the Group to maintain healthy margins despite rising labour and other costs.

Q : What are the business prospects for your rail container terminal project, in light of China's Belt and Road Initiative?

A : Our network of 10 rail container terminals has recorded strong throughput growth, reflecting the demand and policy support for rail containerized cargo and international block train services. Terminals in Chongqing, Chengdu, Zhengzhou, Wuhan and the recently opened Urumqi terminal are important gateways for international block train services under the Belt and Road Initiative, and they are expected to grow progressively in the medium term. In parallel to expanding the handling capacities and warehouse facilities of our existing operating terminals, we are taking steps to build up a wider terminal network across Mainland China.

Board of Directors

Dr Cheng Kar Shun, Henry GBM, GBS

Chairman

Dr Cheng, aged 70, was appointed as Executive Director in March 2000 and became the Chairman from March 2001. He is also the Chairman of the Executive Committee and the Nomination Committee of the Company and a director of certain subsidiaries of the Group. Dr Cheng is the Chairman and Executive Director of New World Development Company Limited, a substantial shareholder of the Company, the Chairman and Executive Director of Chow Tai Fook Jewellery Group Limited, the Chairman and Non-executive Director of New World Department Store China Limited, Newton Resources Ltd and FSE Engineering Holdings Limited, the Vice Chairman and Non-executive Director of i-CABLE Communications Limited (appointed on 15 September 2017), an independent non-executive director of HKR International Limited and Hang Seng Bank Limited and a non-executive director of SJM Holdings Limited, all being listed public companies in Hong Kong. He is the Chairman and Managing Director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He was a non-executive director of Lifestyle International Holdings Limited (retired on 4 May 2015) and the Chairman and Executive Director of International Entertainment Corporation (resigned on 10 June 2017), both being listed public companies in Hong Kong. Dr Cheng is also the Chairman of New World Hotels (Holdings) Limited and a director of several substantial shareholders of the Company, namely Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited and Mombasa Limited. Dr Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China. Dr Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the HKSAR. Dr Cheng is the father of Mr Cheng Chi Ming, Brian and the uncle of Mr William Junior Guilherme Doo.

Mr Tsang Yam Pui GBS, OBE, QPM, CPM

Executive Director and Chief Executive Officer

Mr Tsang, aged 71, was appointed as Executive Director in June 2004 and became the Chief Executive Officer from July 2015. He is also the Chairman of the Sustainability Committee and a member of the Executive Committee, the Remuneration Committee and the Nomination Committee of the Company and a director of certain subsidiaries of the Group. Mr Tsang is the Vice Chairman of New World First Bus Services Limited, Citybus Limited, New World First Bus Services (China) Limited and New World First Ferry Services Limited. He is also a director of GHK Hospital Limited which owns and operates Gleneagles Hong Kong Hospital. Mr Tsang is a non-executive director of Wai Kee Holdings Limited, a listed public company in Hong Kong. He is also a director of Mapletree Investments Pte Ltd in Singapore and the Chairman and a non-executive director of Mapletree Commercial Trust Management Ltd. (as manager of Mapletree Commercial Trust which is listed on the Singapore Stock Exchange). Prior to joining the Company, Mr Tsang had served with the Hong Kong Police Force for 38 years and retired from the Force as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. Mr Tsang was awarded the Gold Bauhinia Star, the OBE, the Queen's Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner's Commendation, and the HKSAR Police Long Service Medal.

Mr Hui Hon Chung JP

Executive Director and Deputy Chief Executive Officer

Mr Hui, aged 66, was appointed as Executive Director and the Deputy Chief Executive Officer in September 2015. He is also a member of the Executive Committee and the Sustainability Committee of the Company and a director of certain subsidiaries of the Group. Mr Hui is an independent non-executive director of Air China Limited whose shares are listed in Hong Kong, London and Shanghai, and an independent director of 廣州白雲國際機場股份有限公司 (Guangzhou Baiyun International Airport Co., Ltd.) whose shares are listed in Shanghai. He was the Vice Chairman and a non-executive director of Newton Resources Ltd (resigned on 23 January 2017), a listed public company in Hong Kong. Mr Hui joined Cathay Pacific Airways Limited in 1975 and had held a range of management positions in Hong Kong and overseas. In 1997, he joined Hong Kong Dragon Airlines Limited as its Chief Executive Officer. During the period from February 2007 to July 2014, he served as the Chief Executive Officer of Hong Kong Airport Authority. Mr Hui has also served in a number of advisory committees both in Hong Kong and Mainland China, which included membership on the Greater Pearl River Delta Business Council, the Commission on Strategic Development of the HKSAR Government, Aviation Advisory Board, Aviation Development Advisory Committee, Vocational Training Council, the Hong Kong Logistics Development Council and the Hong Kong Tourism Board. Mr Hui was a member of the 4th and 5th Shenzhen Committee of the Chinese People's Political Consultative Conference. He is currently a member of the National Committee of the Twelfth Chinese People's Political Consultative Conference. Mr Hui is also a member of the General Committee of the Hong Kong General Chamber of Commerce. In July 2006, Mr Hui was appointed as a Justice of the Peace by the Chief Executive of the HKSAR. Mr Hui holds a Bachelor Degree of Science from The Chinese University of Hong Kong.

Mr Cheung Chin Cheung

Executive Director

Mr Cheung, aged 61, was appointed as Executive Director in October 2003 and is also a member of the Executive Committee and the Sustainability Committee of the Company. He had been an executive director of the Company during the period from May 1998 to January 2003. Mr Cheung is currently the Chairman of Tianjin Xinzhan Expressway Co., Ltd. and Guangzhou Northring Freeway Company Limited, the Vice Chairman of Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited, and a director of Chongqing Water Group Company Limited, a company listed in Shanghai, the PRC, and Chongqing Derun Environment Co., Ltd. He is also a director of a number of companies in Mainland China and certain subsidiaries of the Group, and is mainly responsible for managing the Group's infrastructure business. Mr Cheung was a director of Sino-French Holdings (Hong Kong) Limited (now known as SUEZ NWS Limited) and Far East Landfill Technologies Limited, the Vice Chairman of Companhia de Electricidade de Macau – CEM, S.A. and the Managing Director of The Macao Water Supply Company Limited. He had been a member of the Infrastructure Development Advisory Committee and the China Trade Advisory Committee of the Hong Kong Trade Development Council. He has over 26 years of experience in business development, investment and management in the infrastructure business in Mainland China. Mr Cheung is a member of the Hebei Province Committee of the Eleventh Chinese People's Political Consultative Conference of The People's Republic of China. He is a Chartered Professional Accountant of Canada.

Mr Cheng Chi Ming, Brian

Executive Director

Mr Cheng, aged 34, was appointed as Executive Director in July 2009 and is also a member of the Executive Committee and the Sustainability Committee of the Company. He is also a director of certain subsidiaries of the Group. He has been with the Company since January 2008 and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of the Group. Mr Cheng is the Chairman and non-executive director of Integrated Waste Solutions Group Holdings Limited and a non-executive director of Haitong International Securities Group Limited, Wai Kee Holdings Limited, Beijing Capital International Airport Co., Ltd. and Leyou Technologies Holdings Limited (appointed on 5 September 2017), all being listed public companies in Hong Kong. He is also a director of SUEZ NWS Limited and a number of companies in Mainland China. Mr Cheng was a non-executive director of Newton Resources Ltd (resigned on 23 January 2017), a listed public company in Hong Kong, and a non-executive director of Tharisa plc (retired on 1 February 2017), whose shares are listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc. He is currently a member of the 11th Hangzhou Municipal Committee of the Chinese People's Political Consultative Conference. Before joining the Company, Mr Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. Mr Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, USA. Mr Cheng is the son of Dr Cheng Kar Shun, Henry and the cousin of Mr William Junior Guilherme Doo.

Mr Mak Bing Leung, Rufin

Executive Director

Mr Mak, aged 63, was appointed as Executive Director on 1 January 2017 and is also a member of the Executive Committee of the Company. He joined the Group in September 2016 and is responsible for overseeing the environmental, healthcare and construction businesses of the Group. He is also a director of certain subsidiaries and joint venture companies of the Group, including GHK Hospital Limited, ATL Logistics Centre Hong Kong Limited, SUEZ NWS Limited and Hip Hing Construction Company Limited. Prior to joining the Group, Mr Mak was the Managing Director, Hong Kong of Goodman DP World Hong Kong Limited, overseeing its container terminal and logistics business in Hong Kong. He also undertook a regional responsibility in leading the development, restructuring, merger and acquisition, financing and start-up of its parent's key investments in Greater China and Asia-Pacific, and was involved as a director in its land based logistics business in Australia. Prior to joining the parent group in 1989, he had 13 years of experience in various infrastructure, construction and property development in Hong Kong and Australia. Mr Mak had also served as a member of certain advisory or statutory bodies in Hong Kong including Hong Kong Port Development Council, Hong Kong Logistics Development Council, Railway Objections Hearing Panel and Municipal Services Appeals Board. He is a Registered Professional Engineer in Hong Kong, Chartered Engineer in the United Kingdom and Chartered Professional Engineer in Australia. He is also registered as an Authorized Person and Registered Structural Engineer under the Hong Kong Buildings Ordinance. He holds a Bachelor of Science degree in Engineering from The University of Hong Kong and a Master of Business Administration degree from The Chinese University of Hong Kong.

Mr To Hin Tsun, Gerald

Non-executive Director

Mr To, aged 68, was appointed as Independent Non-executive Director in May 1998 and was re-designated as Non-executive Director in August 2002. Mr To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr To is also a non-executive director of Mongolia Energy Corporation Limited whose shares are listed on the Main Board of the Hong Kong Stock Exchange. He was an executive director of International Entertainment Corporation (resigned on 10 June 2017) whose shares are listed on the Main Board of the Hong Kong Stock Exchange.

Mr Dominic Lai

Non-executive Director

Mr Lai, aged 70, was appointed as Independent Non-executive Director in August 2002 and was re-designated as Non-executive Director in September 2004. He is also a member of the Audit Committee and the Sustainability Committee of the Company. He is a director of NWS Holdings Charities Foundation Limited. Mr Lai is a practising solicitor in Hong Kong and is also admitted in England and Wales, the Republic of Singapore and the States of New South Wales and Victoria, Australia. Mr Lai is a senior partner of the Hong Kong law firm, Iu, Lai & Li. He is also a non-executive director of Midas International Holdings Limited and Oriental Press Group Limited, both being listed public companies in Hong Kong.

Mr Lam Wai Hon, Patrick

Non-executive Director

Mr Lam, aged 55, was appointed as Executive Director in January 2003 and was re-designated as Non-executive Director on 1 January 2016. He is also a member of the Sustainability Committee of the Company and a director of certain subsidiaries of the Group. Mr Lam is currently an executive director and the Chief Executive Officer of FSE Holdings Limited. He is also an executive director and the Vice Chairman of the board of directors of FSE Engineering Holdings Limited, a listed public company in Hong Kong. He was a non-executive director of Wai Kee Holdings Limited (resigned on 30 December 2015), the Vice Chairman and a non-executive director of Newton Resources Ltd (resigned on 2 January 2016) and a non-executive director of Road King Infrastructure Limited (retired on 18 May 2017), all being listed public companies in Hong Kong. Mr Lam is a Chartered Accountant by training and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Chartered Professional Accountants of Ontario, Canada. He is a member of the Asia advisory board of Ivey Business School of Western University, Canada.

Mr William Junior Guilherme Doo

Non-executive Director

Mr Doo, aged 43, was appointed as Director in December 2005 and was re-designated from Executive Director to Non-executive Director in July 2014. He is also a member of the Sustainability Committee of the Company and a director of certain subsidiaries of the Group. Mr Doo is an executive director of FSE Engineering Holdings Limited, a listed public company in Hong Kong, and an executive director and the Deputy Chief Executive Officer of FSE Holdings Limited. He is a solicitor admitted in the HKSAR and is currently a non-practising solicitor in England and Wales. Mr Doo had legal practice experience in one of the largest global law firms specializing in finance and corporate transactions. He is a member of the Standing Committee of the Twelfth Chinese People's Political Consultative Conference in Beijing of The People's Republic of China. Mr Doo is the nephew of Dr Cheng Kar Shun, Henry and the cousin of Mr Cheng Chi Ming, Brian.

Mr Kwong Che Keung, Gordon

Independent Non-executive Director

Mr Kwong, aged 68, was appointed as Independent Non-executive Director in October 2002 and is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He is an independent non-executive director of a number of Hong Kong listed public companies including Agile Group Holdings Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, FSE Engineering Holdings Limited, Global Digital Creations Holdings Limited, Henderson Investment Limited, Henderson Land Development Company Limited and OP Financial Investments Limited. He is also an independent non-executive director of Piraeus Port Authority S.A., a listed company in Athens, Greece. He was an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd. (formerly known as China COSCO Holdings Company Limited) (retired on 25 May 2017), and an independent non-executive director of CITIC Telecom International Holdings Limited (retired on 1 June 2017), both being listed public companies in Hong Kong. Mr Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He was a Partner of Price Waterhouse from 1984 to 1998 and an independent member of the Council of the Hong Kong Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee.

Dr Cheng Wai Chee, Christopher GBS, OBE, JP

Independent Non-executive Director

Dr Cheng, aged 69, was appointed as Independent Non-Executive Director in January 2003 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Dr Cheng is the Chairman and an executive director of Wing Tai Properties Limited, a listed public company in Hong Kong. He is an independent non-executive director of Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust which is listed on the Hong Kong Stock Exchange). Dr Cheng is also an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited. He was an independent non-executive director of New World China Land Limited (resigned on 1 September 2016), a listed public company in Hong Kong until its delisting on 4 August 2016, and an independent non-executive director of Kingboard Chemical Holdings Limited (retired on 29 May 2017), a listed public company in Hong Kong. Dr Cheng has a keen interest in the public services. He is currently a member of the Judicial Officers Recommendation Commission and a steward of the Hong Kong Jockey Club. He also serves as a member of the Board of Overseers at Columbia Business School and a member on the President's Council on International Activities of the Yale University. He retired as a member of the board of Temasek Foundation CLG Limited on 7 September 2016. Dr Cheng holds a Doctorate in Social Sciences honoris causa from The University of Hong Kong and a Doctorate in Business Administration honoris causa from The Hong Kong Polytechnic University. He graduated from the University of Notre Dame, Indiana with a BBA degree and from Columbia University, New York with an MBA degree.

The Honourable Shek Lai Him, Abraham GBS, JP

Independent Non-executive Director

Mr Shek, aged 72, was appointed as Independent Non-executive Director in September 2004 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr Shek is an independent non-executive director of MTR Corporation Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, Chuang's China Investments Limited (also acts as Chairman), ITC Properties Group Limited (also acts as Vice Chairman), Country Garden Holdings Company Limited, Hop Hing Group Holdings Limited, SJM Holdings Limited, China Resources Cement Holdings Limited, Lai Fung Holdings Limited, Cosmopolitan International Holdings Limited and Goldin Financial Holdings Limited, all being listed public companies in Hong Kong. He is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both of the trusts are listed on the Hong Kong Stock Exchange. Mr Shek was an independent non-executive director of TUS International Limited (resigned on 6 January 2017) and ITC Corporation Limited (now known as PT International Development Corporation Limited) (resigned on 28 March 2017), both being listed public companies in Hong Kong. He also ceased to act as an independent non-executive director of Dorsett Hospitality International Limited (the shares of which were withdrawn from listing with effect from 17 October 2015) on 11 March 2016. Mr Shek is a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. He was appointed as Justice of the Peace in 1995 and was awarded the Gold Bauhinia Star in 2013. Mr Shek graduated from the University of Sydney with Bachelor of Arts.

Mr Lee Yiu Kwong, Alan

Independent Non-executive Director

Mr Lee, aged 73, was appointed as Independent Non-executive Director in October 2012 and he is also a member of the Audit Committee and the Sustainability Committee of the Company. He is the former Chief Executive Officer of CSX World Terminals Hong Kong Limited and ATL Logistics Centre Hong Kong Limited. Mr Lee has over 40 years of shipping and logistics experience, including over 15 years of international experience working in the United States, the Netherlands, Malaysia, Singapore and Thailand. Mr Lee is the former Chairman of Hong Kong Container Terminal Operators Association. He was also a committee member of Hong Kong Business Advisory Committee, Logistics Advisory Committee of Hong Kong Trade Development Council, Hong Kong Port Development Council, Hong Kong Logistics Development Council and the Sailors Home and Missions to Seamen Hong Kong. Mr Lee is an accountant by training and has over six years of experience at KPMG.

Mrs Oei Fung Wai Chi, Grace

Independent Non-executive Director

Ms Fung, aged 64, was appointed as Independent Non-executive Director in January 2016 and is also a member of the Sustainability Committee of the Company. She is currently the Chairperson of Ronald McDonald House Charities in Hong Kong since September 2008 and she has been elected to the global board of trustees of Ronald McDonald House Charities in Chicago since 1 January 2015. Ms Fung had worked in investment banking and wholesale banking for 36 years. She was the Vice Chairman, Corporate & Institutional Clients, at Standard Chartered Bank, Hong Kong when she retired from the bank in November 2014. Before joining Standard Chartered Bank in 2002, she had worked with UBS for nine years including service as Managing Director responsible for corporate finance and fixed income. During her service with UBS, Ms Fung had regional responsibilities for institutional sales, fixed income, supervising a team in Hong Kong and Singapore which covered 13 countries in Asia (excluding Japan). Her team advised central banks and other institutional investors in Asia on fixed income investments and hedging strategies for interest rates and currencies. Ms Fung had taken on a number of public service responsibilities over the years, including as a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission and a member of the Finance Committee of the Hong Kong Housing Authority. Ms Fung graduated from the London School of Economics and Political Science, London University, with a BSc (Econ) degree, majoring in Accounting and Finance.

Senior Management

Mr Chow Tak Wing

Finance Director and Company Secretary
NWS Holdings Limited

Mr Chow, aged 50, joined the Company in 2002 and is the Finance Director and Company Secretary of the Company. He is responsible for the financial management, treasury and corporate governance functions of the Group. Mr Chow is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants (UK), The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He holds an Executive MBA degree from Western University, Canada. Mr Chow has over 25 years' experience in accounting and financial management and corporate governance. Prior to joining the Group, he was a manager of an international accounting firm and senior executive of several Hong Kong listed public companies.

Mr Mak Kai Lert, Russell

Head – Audit & Risk Assurance
NWS Holdings Limited

Mr Mak, aged 62, joined the Company in 2006 and is the Head of Audit & Risk Assurance of the Company. He is responsible for internal audit and risk management of the Group. Mr Mak is a fellow of the Institute of Chartered Accountants in England & Wales and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Information Security Manager of the Information Systems Audit and Control Association (USA). He holds a BA(Hons) in Accountancy. Mr Mak has profound professional knowledge in auditing and corporate governance issues with over 30 years' auditing experience in various listed companies, financial institutions and investment banks. Prior to joining the Company, he had worked as the Head of Audit Departments in several Hong Kong listed public companies.

Mr Ng Tik Hong

Director – Merger & Acquisition
NWS Holdings Limited

Mr Ng, aged 47, joined New World Group in 1997 and is the Director of Merger & Acquisition of the Company. He is responsible for the merger and acquisition affairs of the Group. Mr Ng is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants (UK). He holds a Bachelor Degree in Accountancy, and a Master Degree of Business Administration from The Chinese University of Hong Kong. Mr Ng has over 20 years' experience in accounting, finance and project management. Prior to joining the Group, he worked in an international accounting firm.

Ms Lam Yuet Wan, Elina

Director – Human Resources
NWS Holdings Limited

Ms Lam, aged 54, joined the Company in 1997 and is the Director of Human Resources of the Company. She is responsible for managing the human resources and administration affairs of the Group. Ms Lam is a professional member of the Hong Kong Institute of Human Resources Management. She holds an Executive MBA degree from Western University, Canada and a Master of Business Administration degree from University of Strathclyde, United Kingdom. Ms Lam has over 30 years' experience in human resources and training and development. Prior to joining the Group, she was a senior executive of human resources in several companies in Hong Kong.

Ms Tang Cheung Yi

Director – Corporate Communications and Sustainability
NWS Holdings Limited

Ms Tang, aged 53, joined the Company in 2012 and is the Director of Corporate Communications and Sustainability of the Company. She is responsible for the Group's corporate communications, public affairs and corporate sustainability functions. Ms Tang possesses more than 25 years of management experience in corporate communications, government relations and journalism in Hong Kong and the United States. Prior to joining the Group, she was the corporate affairs director with a multinational company in information technology. Ms Tang holds a Bachelor of Social Science degree and a Master of Arts degree in Telecommunications.

Mr Cheng Chi Kwok

Director – Roads
NWS Infrastructure Management Limited

Mr Cheng, aged 53, joined New World Group in 1993 and is the Director (Roads) of NWS Infrastructure Management Limited, a wholly owned subsidiary of the Company. He is also a director of several major PRC joint ventures in the Roads segment of the Group. Mr Cheng holds a Bachelor of Business Administration degree and he has over 25 years of experience in project development, investment and management in the infrastructure and roads business in Mainland China.

Ms Cheng Ka Ki, Joanna

Director – Environment
NWS Infrastructure Management Limited

Ms Cheng, aged 50, joined New World Group in 1996 and is the Director (Environment) of NWS Infrastructure Management Limited, a wholly owned subsidiary of the Company. She is a non-executive director of Tharisa plc, whose shares are listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc. She is also a director of The Macao Water Supply Company Limited, Far East Landfill Technologies Limited and certain PRC joint venture companies in the Environment segment of the Group. Ms Cheng is a member of the Chartered Professional Accountants of Ontario, Canada. She has more than 20 years of experience in business development, investment and management in power industry in Mainland China. Prior to joining the Group, she had worked for audit firms in Canada and Hong Kong.

Mr Lee Wai Bong, Stephen

Director – Logistics & Ports
NWS Ports Management Limited

Mr Lee, aged 52, joined the Group in 2002 and is the Director (Logistics & Ports) of NWS Ports Management Limited, a wholly owned subsidiary of the Company. Mr Lee holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong and a Master of Business Administration degree from the University of Toronto, Canada. Mr Lee has extensive experience in project management and merger and acquisition activities. Prior to joining the Group, he had worked in several major multinational corporations.

Mr To Tsan Wai

Director – Logistics & Aviation
NWS Holdings Limited

Mr To, aged 55, joined New World Group in 1998, mainly responsible for infrastructures, ports and logistics projects. Mr To has over 20 years of experience in project investment and management. He is responsible for managing the Group's logistics and aviation projects including ATL Logistics Centre, a rail container terminal project in Mainland China, Beijing Capital International Airport and commercial aircraft leasing business. He also participated in managing the container terminal projects in Hong Kong, Xiamen, Tianjin, etc. Before joining the Group, Mr To had worked for international shipping and airline companies. Mr To is a member of the Hong Kong Institute of Certified Public Accountants.

Mr Chu Tat Chi

Managing Director
Hip Hing Construction Company Limited

Mr Chu, aged 60, joined Hip Hing Construction Company Limited ("Hip Hing", a wholly owned subsidiary of the Company) in 1979 and is the Managing Director of Hip Hing. Mr Chu graduated from the Hong Kong Polytechnic in 1978 with a Diploma in Building Studies. He has over 35 years of experience in the civil engineering and construction industries. Mr Chu is a director of Quon Hing Concrete Company Limited and Ngo Kee (Macau) Limited. Prior to joining Hip Hing, he had worked in the Public Works Department of Hong Kong Government.

Mr Choy Hon Ping

Managing Director
New World Construction Company Limited

Mr Choy, aged 60, joined the Group in 2012 and is the Managing Director of New World Construction Company Limited, a wholly owned subsidiary of the Company. Mr Choy is a fellow of The Hong Kong Institution of Engineers and a member of The Chartered Institute of Building (UK). He has been appointed by The Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) as the "Construction Specialist" (2006-2012). He has over 41 years of experience in building construction in Hong Kong.

Mr Abu Baker Salleh

Chief Executive Officer
Anway Limited and Sky Connection Limited

Mr Salleh, aged 70, joined DFS after his graduation from The University of Hong Kong, and worked in various senior management positions in Hong Kong, Honolulu, Singapore, Taipei, Los Angeles and San Francisco. Prior to joining Sky Connection Limited ("Sky Connection", a wholly owned subsidiary of the Company), Mr Salleh was the President of DFS West with retail operations in several major cities, including Los Angeles, San Francisco, Dallas and Houston.

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

Ms Lee Yuk Har, Monica

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

Ms Lee, aged 52, joined Hong Kong Convention and Exhibition Centre (Management) Limited, a wholly owned subsidiary of the Company, in 1994 and is currently its Managing Director. Ms Lee is a proven veteran in the hospitality industry for over 30 years. She is an executive committee member of the Hong Kong Exhibition & Convention Industry Association, as well as a board member of UFI, The Global Association of the Exhibition Industry. Since January 2013, Ms Lee was appointed a member of the Working Group on Convention and Exhibition Industries and Tourism under the Economic Development Commission of the HKSAR Government. She was conferred the Honorary Fellowship by the Vocational Training Council in 2016. Ms Lee holds a Master degree in Management from Macquarie University, a Professional Certificate in Event Management & Marketing from the School of Business and Public Management of George Washington University, USA and a Certificate of Legal Studies from The University of Hong Kong.

Mr Cheng Wai Po, Samuel

Managing Director
New World First Bus Services Limited and Citybus Limited

Mr Cheng, aged 58, joined Citybus Limited in 1992 and is the Managing Director of New World First Bus Services Limited and Citybus Limited, both being wholly owned subsidiaries of the Company. Mr Cheng is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Social Sciences Degree from The University of Hong Kong. Mr Cheng has over 25 years' experience in the public transport industry. Prior to joining Citybus Limited, he had worked in an international accounting firm.

Mr Clifford Noble Wallace III

Chairman
Shenyang New World Expo (Management) Limited

Mr Wallace, aged 70, is the Chairman of Shenyang New World Expo (Management) Limited and the Managing Director of NWS Venue Management Limited, both wholly owned subsidiaries of the Company. He was the Managing Director of Hong Kong Convention and Exhibition Centre (Management) Limited, a wholly owned subsidiary of the Company, through 30 June 2012 having served in this position since May 1995. He remains a member of the board of Hong Kong Convention and Exhibition Centre (Management) Limited.

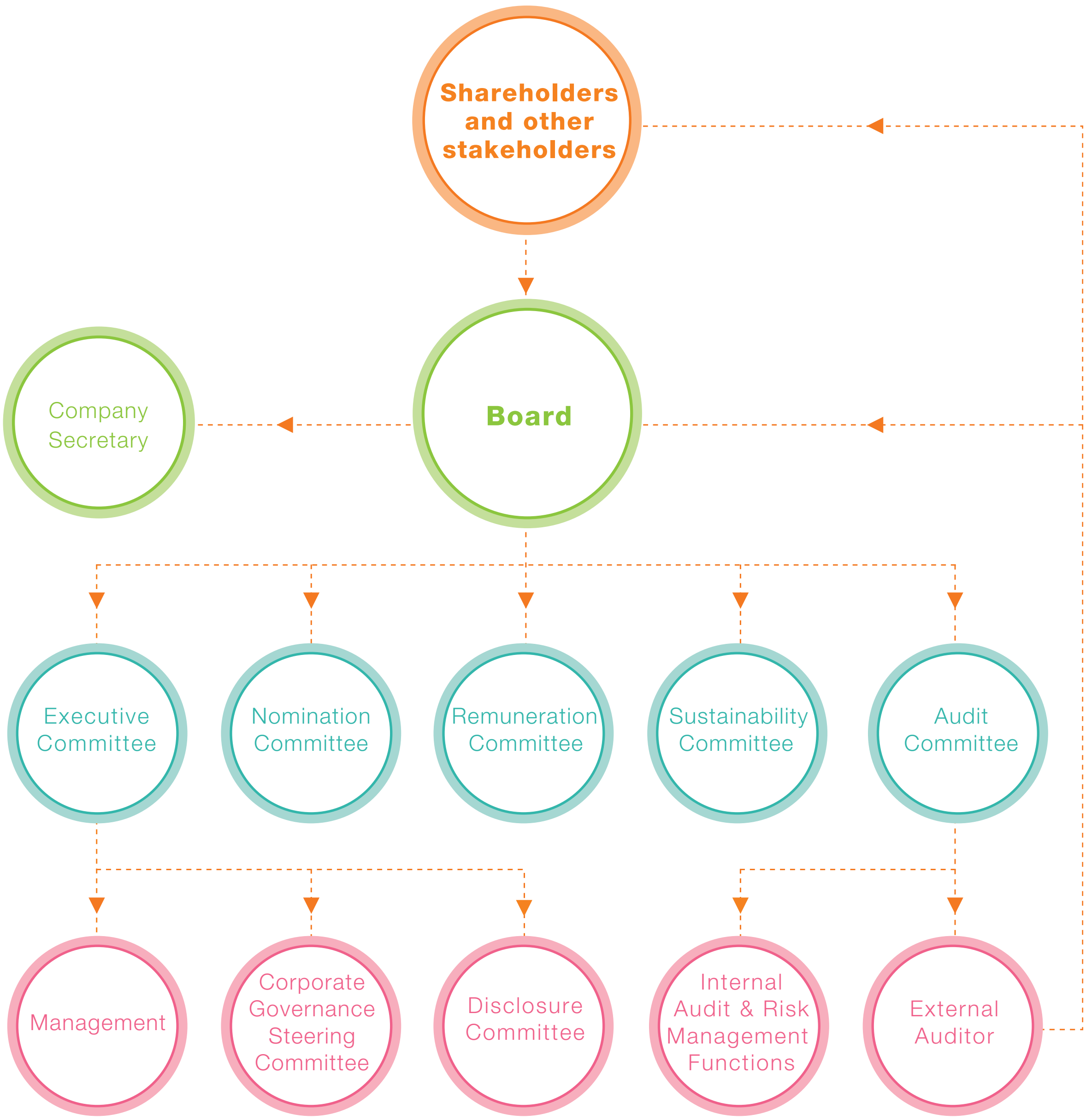
Mr Wallace is an established and proven veteran with over 50 years in the public assembly facility industry. He has been a Certified Facility Executive since 1978 and is known internationally for his management, administrative, operations, public-relations, planning and consulting expertise. He has consulted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

Corporate Governance Report

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

The Company has complied with all the applicable code provisions in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout FY2017.

Corporate Governance Framework



- In support of the Group's corporate governance framework, comprehensive guidelines, policies and procedures have been formulated by the Board and are reviewed regularly by the Board and the relevant board committees. Such guidelines and policies include:

  - Director's Manual
  - Guidelines on Internal Control System
  - Corporate Policy on Staff Responsibility
  - Disclosure Policy for Inside Information
  - Terms of reference for various board committees
  - Corporate Governance Manual
  - Guidelines on Risk Management
  - Whistleblowing Policy
  - Board Diversity Policy

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

Highlights in 2016/17

- A new executive director was appointed to strengthen our top management team.
- Board evaluation process has been strengthened through the launching of our first board evaluation questionnaire.
- The name of the Corporate Social Responsibility Committee was changed to Sustainability Committee to reflect the updated responsibilities of the committee.
- Revised terms of reference of the Sustainability Committee were adopted to update the duties of this committee.
- A new checklist on risk management and internal control compliance was implemented to ensure compliance with certain new code provisions under the CG Code which became applicable to the Company in FY2017.
- Members of the Group were reminded of the importance and mechanism of the Whistleblowing Policy.

- The Board is responsible for performing the corporate governance duties. Specific terms of reference are set out in the Corporate Governance Manual of the Company and the relevant duties include the following:

  (a) to develop and review the Company's policies and practices on corporate governance;

  (b) to review and monitor the training and continuous professional development of directors and senior management;

  (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

  (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

  (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Governance

The Board

Major Roles and Responsibilities and Delegation

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

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

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

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

Chairman and Chief Executive Officer

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

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

Board meeting

Board Composition, Independence and Diversity

- The Board is a diversified board comprising 15 members, with expertise and experience covering a wide range of professions. Their biographical details (including their relationships (if any)) are set out in the "Board of Directors and Senior Management" section of this annual report and available on the Company's website.

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

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

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

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

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

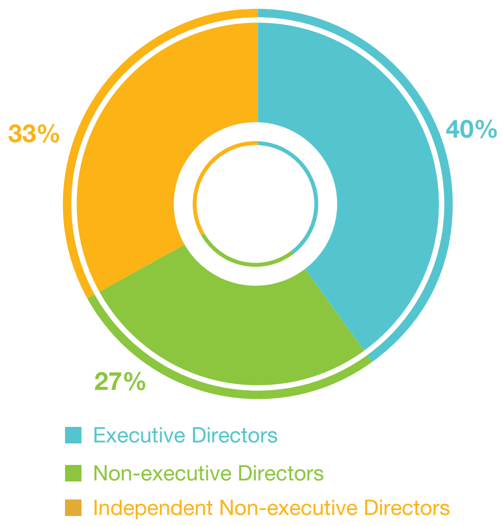
- The Board adopted the "*Board Diversity Policy*" in June 2013 setting out the approach to diversity on the Board, and strives for a broad spectrum of directors' background to bring along comprehensive considerations in forming board decisions.

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

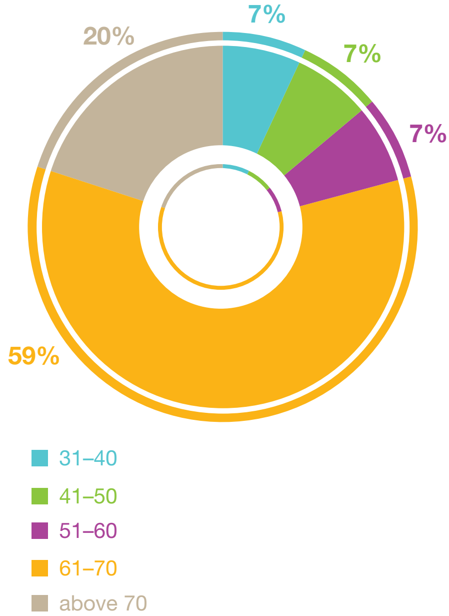
- For further enhancement of the diversity of Board members, Mr Mak Bing Leung, Rufin, who has extensive experience in ports and logistics business, was appointed as an executive director of the Company during FY2017.

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

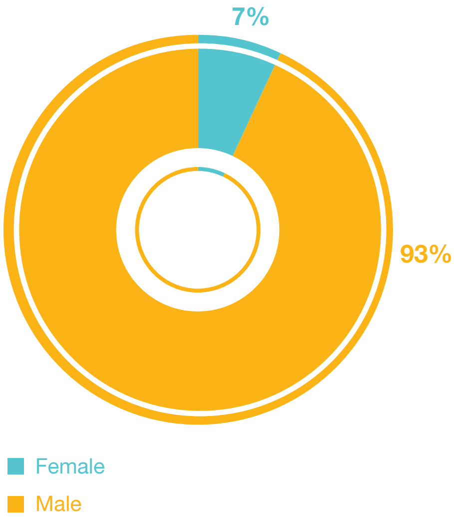
Board Composition



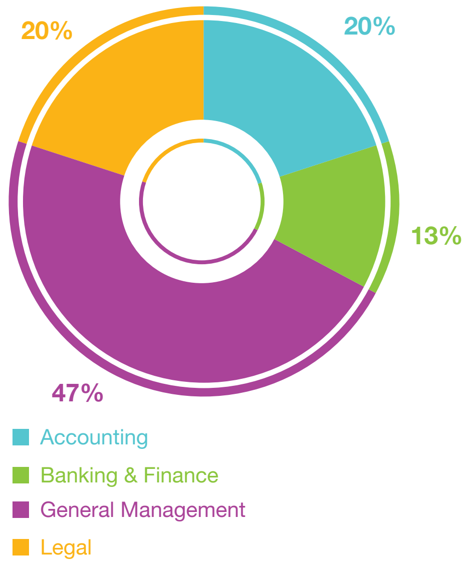
Age



Gender



Professional Experience



- The "*Board Diversity Policy*" also states that the Nomination Committee is responsible for setting annually measurable objectives to implement diversity on the Board and recommends them to the Board for adoption. The "*Board Diversity Policy*" has been reviewed by the Nomination Committee during FY2017 to ensure its effectiveness.

- To evaluate the performance of the Board, the first board evaluation questionnaire was launched in August 2017. The results of this evaluation have been reviewed by the Nomination Committee.

Board Meeting

- The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate. Seven Board meetings were held during FY2017.

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

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

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

- Throughout FY2017, directors of the Company also participated in the consideration and approval of matters of the Company by way of written resolutions circulated to them. Supporting written materials were provided in the circulation and verbal briefings were given by the subject executive directors or the Company Secretary when required.

- Pursuant to the bye-laws of the Company, a director, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his/her interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered. Furthermore, a director shall not vote (nor be counted in the quorum) on any resolution of the directors in respect of any contract or arrangement or proposal in which he/she or any of his/her associate(s) is to his/her knowledge materially interested. Matters to be decided at Board meetings are decided by a majority of votes from directors entitled to vote. These bye-laws were strictly observed throughout FY2017.

Board Committees

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

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

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

- Regular board committee meetings were held during the year and the number of meetings and attendance of individual committee members are set out on page 33 of this annual report.

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

Board

Executive Committee	*Audit Committee*	*Nomination Committee*	*Remuneration Committee*	*Sustainability Committee*
Members	**Members**	**Members**	**Members**	**Members**
• Dr Cheng Kar Shun, Henry (Chairman) • Mr Tsang Yam Pui • Mr Hui Hon Chung • Mr Cheung Chin Cheung • Mr Cheng Chi Ming, Brian • Mr Mak Bing Leung, Rufin	• Mr Kwong Che Keung, Gordon (Chairman) • Mr Dominic Lai • Dr Cheng Wai Chee, Christopher • Mr Shek Lai Him, Abraham • Mr Lee Yiu Kwong, Alan	• Dr Cheng Kar Shun, Henry (Chairman) • Mr Tsang Yam Pui • Mr Kwong Che Keung, Gordon • Dr Cheng Wai Chee, Christopher • Mr Shek Lai Him, Abraham	• Mr Shek Lai Him, Abraham (Chairman) • Mr Tsang Yam Pui • Mr Kwong Che Keung, Gordon • Dr Cheng Wai Chee, Christopher	• Mr Tsang Yam Pui (Chairman) • Mr Hui Hon Chung • Mr Cheung Chin Cheung • Mr Cheng Chi Ming, Brian • Mr Dominic Lai • Mr Lam Wai Hon, Patrick • Mr William Junior Guilherme Doo • Mr Lee Yiu Kwong, Alan • Mrs Oei Fung Wai Chi, Grace • Ms Lam Yuet Wan, Elina • Ms Tang Cheung Yi
Meeting schedule	**Meeting schedule**	**Meeting schedule**	**Meeting schedule**	**Meeting schedule**
• meets from time to time when necessary	• two regular meetings were held during FY2017 • a private meeting with the Company's external auditor was held during FY2017 in the absence of the management	• two meetings were held during FY2017	• one regular meeting was held during FY2017	• two meetings were held during FY2017

Executive Committee	***Audit Committee***	***Nomination Committee***	***Remuneration Committee***	***Sustainability Committee***
Major responsibilities	**Major responsibilities**	**Major responsibilities**	**Major responsibilities**	**Major responsibilities**
• to review the Group's performance and manage its assets and liabilities in accordance with the policies and directives of the Board • to make recommendations to the Board in respect of the overall strategy for the Group from time to time	• to monitor the financial reporting process of the Company • to review the Company's financial control, risk management and internal control systems and arrangements under the Company's *"Whistleblowing Policy"* • to govern the engagement of external auditor and its performance	• to review the structure, size and composition (including the skills, knowledge and experience) of the Board • to make recommendations to the Board on the appointment or re-appointment of directors	• to review and make recommendations to the Board on the Company's policy and structure for remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration • to make recommendations to the Board on the remuneration packages, including benefits in kind, pension rights and compensation payments, of individual executive directors • to determine the remuneration packages of senior management	• to formulate and oversee the Group's corporate sustainability strategy, framework and policies • to track progress on human resources management, community investment, corporate volunteering and environmental protection • to oversee strategic direction and funding commitments of NWS Holdings Charities Foundation

<table>
<tr><th>Executive Committee</th><th>Audit Committee</th><th>Nomination Committee</th><th>Remuneration Committee</th><th>Sustainability Committee</th></tr>
<tr><td></td><td>Work performed during FY2017</td><td>Work performed during FY2017</td><td>Work performed during FY2017</td><td>Work performed during FY2017</td></tr>
<tr><td></td><td>• reviewing the audited consolidated financial statements of the Group for FY2016 and the interim results of the Group for FY2017
• reviewing the continuing connected transactions of the Company during FY2016
• reviewing the risk management and internal control systems of the Company
• reviewing the internal audit plan of the Group for FY2018 and the internal audit reports prepared by the Group Audit & Risk Assurance Department of the Company (“GARA”)
• reviewing the audit plans from external auditor and its remuneration
• making recommendation on the re-appointment of the external auditor
• reviewing the resources of GARA and the Group’s finance team
• reviewing the performance, constitution and terms of reference of the Audit Committee</td><td>• reviewing the structure, size and composition of the Board
• reviewing the “Board Diversity Policy” of the Company
• reviewing the independence of independent non-executive directors
• making recommendations in relation to the re-appointment of the retiring directors
• making recommendation in relation to the appointment of an executive director
• reviewing the terms of reference of the Nomination Committee</td><td>• reviewing the remuneration policy, structure and packages for directors and senior management
• making recommendations to the Board regarding the directors’ fee and other allowances for FY2017 and the remuneration packages of executive directors
• determining the remuneration packages of senior management
• making recommendations on the remuneration package for the new director appointed during FY2017</td><td>• reviewing the progress of the Group’s overall corporate sustainability development, benchmarking and reporting
• reviewing the development and implementation of human resources management, community investment, corporate volunteering and environmental protection
• reviewing the funding commitments and statement of financial position of NWS Holdings Charities Foundation
• making recommendations in relation to the change of name of this committee and its revised terms of reference</td></tr>
</table>

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

Directors' Attendance

- Directors of the Company play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance record of each of the directors for the Board meetings, the board committees meetings and the general meetings held during FY2017 is listed as follows:

	Meetings attended/held					
Name of director	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Sustainability Committee meeting	General meeting
Executive directors:						
Dr Cheng Kar Shun, Henry (Chairman of the Board)	1/7	–	2/2	–	–	2/3
Mr Tsang Yam Pui	7/7	1/2[1]	2/2	1/1	2/2	3/3
Mr Hui Hon Chung	7/7	1/2[1]	–	–	1/2	3/3
Mr Cheung Chin Cheung	7/7	–	–	–	2/2	3/3[3]
Mr Cheng Chi Ming, Brian	7/7	–	–	–	1/2	3/3
Mr Mak Bing Leung, Rufin[2]	2/7	–	–	–	–	1/3
Non-executive directors:						
Mr To Hin Tsun, Gerald	7/7	–	–	–	–	3/3
Mr Dominic Lai	7/7	2/2	–	–	2/2	3/3[3]
Mr Lam Wai Hon, Patrick	7/7	–	–	–	2/2	2/3
Mr William Junior Guilherme Doo	7/7	–	–	–	2/2	2/3
Independent non-executive directors:						
Mr Kwong Che Keung, Gordon	6/7	2/2	2/2	1/1	–	3/3[3],[4]
Dr Cheng Wai Chee, Christopher	7/7	2/2	1/2	0/1	–	3/3[5]
Mr Shek Lai Him, Abraham	7/7	2/2	2/2	1/1	–	3/3
Mr Lee Yiu Kwong, Alan	7/7	2/2	–	–	2/2	3/3
Mrs Oei Fung Wai Chi, Grace	7/7	–	–	–	2/2	2/3[4]

Notes:
1. The directors attended the Audit Committee meetings as an invitee.
2. Mr Mak Bing Leung, Rufin was appointed as a director of the Company on 1 January 2017.
3. Joining the special general meeting held on 29 December 2016 by way of telephone conference.
4. Joining the special general meeting held on 25 May 2017 by way of telephone conference.
5. Joining all the general meetings by way of telephone conference.

Continuous Professional Development to Directors

Seminars

- Part of the training programme to develop and refresh knowledge and skills.
- During FY2017, seminars on corporate governance related topics including updates on corporate sustainability and the Listing Rules were organized.

Site Visits

- Visits to the operational facilities of the entities under the Group's management.
- To meet with the management and gain better understanding of the Group's business operations.
- During FY2017, visits to Gleneagles Hong Kong Hospital and organic waste treatment plant were made.

NWS Sustainability Seminar 2017

Site visit to Gleneagles Hong Kong Hospital

Director Induction

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

Legal and Regulatory Updates

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

- According to the training records maintained by the Company, the training received by each of the directors during FY2017 is summarized as follows:

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

- In accordance with the training records provided by the Company's directors, an average of approximately 18 training hours were undertaken by each director (not including time spent for reviewing information relevant to the Company or its businesses or attending corporate events of the Group) during FY2017.

Nomination, Appointment and Re-election of Directors

Nomination

- Nomination Committee will review and discuss the nomination of any director for his/her suitability on the basis of qualifications, experience and background.
- Suitable candidate will be recommended by the Nomination Committee to the Board for consideration.
  - *During FY2017, the Nomination Committee considered the appointment of Mr Mak Bing Leung, Rufin as an executive director and made recommendation to the Board for consideration.*

Appointment

- The Board, having considered the recommendation from the Nomination Committee, will decide whether to make the appointment.
  - *The appointment of Mr Mak Bing Leung, Rufin was approved by the Board and took effect on 1 January 2017.*
- None of the directors of the Company has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).
- All non-executive directors are appointed under a fixed term of three years and are also subject to retirement on a rotational basis in accordance with the bye-laws of the Company.

Re-election

- Nomination Committee will make recommendations to the Board on the re-appointment of directors.
- The Board will consider whether to put forward the proposal for re-election of directors for shareholders' consideration.
  - **Newly appointed directors**
    All directors appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.
    - *Mr Mak Bing Leung, Rufin retired at the special general meeting held on 25 May 2017 and was re-elected as director at the meeting.*
  - **Existing directors**
    One-third of the directors that have been longest in office since their last re-election or appointment shall retire and be eligible for re-election at each annual general meeting. Each director is subject to retirement by rotation at least once every three years.
    Any further re-appointment of an independent non-executive director, who has served the Board for more than nine years, will be subject to a separate resolution to be approved by the shareholders.
    - *Dr Cheng Kar Shun, Henry, Mr Cheng Chi Ming, Brian, Mr Lam Wai Hon, Patrick and Dr Cheng Wai Chee, Christopher will retire by rotation at the forthcoming annual general meeting, and being eligible, will offer themselves for re-election at the meeting.*

Remuneration of Directors

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

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

- The emoluments paid to each director for FY2017 are shown in note 14(a) to the financial statements on pages 164 to 166 of this annual report.

Directors' Responsibilities for Financial Reporting and Disclosures

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

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

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

Securities Transactions of Directors and Relevant Employees

- The Company has adopted the Model Code as its own code of conduct for securities transactions by directors. Specific enquiry was made with all directors of the Company and it was established that they had all complied with the required standard of the Model Code during FY2017.

- 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 FY2017.

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

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

Risk Management and Internal Control

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

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

- The Group has in place an integrated framework of risk management and internal control which is consistent with the principles outlined in the "*Internal Control and Risk Management – A Basic Framework*" issued by the Hong Kong Institute of Certified Public Accountants as illustrated below:

Monitoring

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

Information and Communication

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

Control Activities

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

Risk Assessment

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

Control Environment

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

Effectiveness and efficiency of operations

Reliability of financial reporting

Compliance with applicable laws and regulations

Policies, procedures and practices

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

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

- GARA also assesses the Group's risks in actual and potential legal cases by reviewing the legal case registers of the business units. These reports are submitted to the Executive Committee on a regular basis.

- Effective risk management facilitates the Group's business development and operation by setting the appropriate risk appetite, maintaining an optimal risk level and most importantly, managing the risks proactively. The Board, through the Audit Committee, oversees the risk management function of the Group. The Group's risk management system and key risks can be found in the "Risk Management" section on pages 51 to 57 of this annual report.

Guidelines on Risk Management and Guidelines on Internal Control System

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

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

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

- In FY2017, the Board, through the Audit Committee, had conducted a review on the effectiveness of the risk management and internal control systems of the Group. Along with the Group's framework of risk management and internal control, the review covered all material controls, including operational, financial and compliance controls. The Board considered these systems effective and adequate.

Whistleblowing Policy

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

Disclosure Policy for Inside Information

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

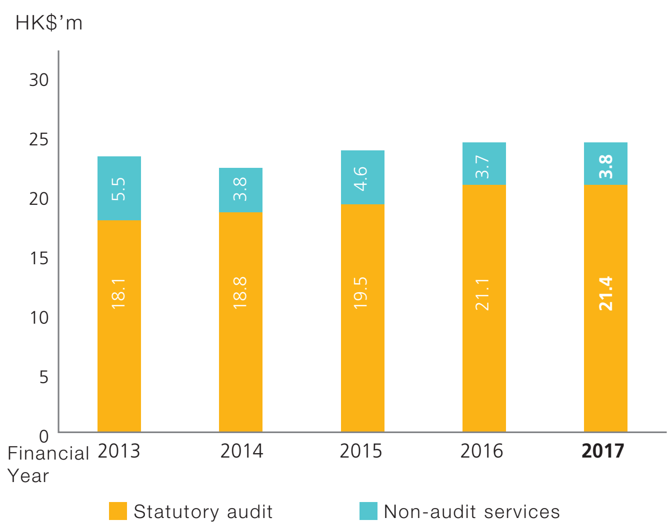
External Auditor

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

- PricewaterhouseCoopers, who was first appointed in 2000 and is also the Group's principal auditor, is the existing auditor of the Company. The reporting responsibilities of PricewaterhouseCoopers are stated in the Independent Auditor's Report on pages 111 to 115 of this annual report.

- Total auditors' remuneration for FY2017 in relation to statutory audit work of the Group amounted to HK$22.8 million (2016: HK$22.3 million), of which a sum of HK$21.4 million (2016: HK$21.1 million) was paid to PricewaterhouseCoopers. A sum of HK$3.8 million (2016: HK$3.7 million) was paid to PricewaterhouseCoopers for its non-audit service provided to the Group for FY2017. The remuneration paid to PricewaterhouseCoopers and its affiliated firms for services rendered is illustrated as follows:

Auditor's Remuneration



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

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

Review of Audited Results

- The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for FY2017.

Company Secretary

- The Company Secretary of the Company reports to the Chairman and the Board and is responsible for providing advice on governance matters. His biography is set out in the "Board of Directors and Senior Management" section of this annual report. During FY2017, the Company Secretary undertook over 32 hours of professional training to update his skills and knowledge.

Communication with Shareholders

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

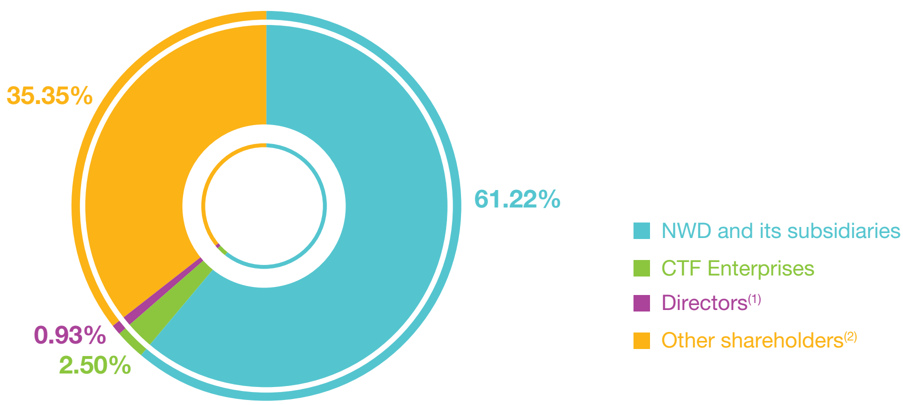
Press conference for FY2016 annual results

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

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

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

Shareholding Structure as at 30 June 2017



Notes:
(1) Including their deemed interests under the Securities and Futures Ordinance.
(2) Including individuals, institutions, corporates and nominees.

Stock Code

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

Board Lot

- 1,000 shares

Shareholder Services

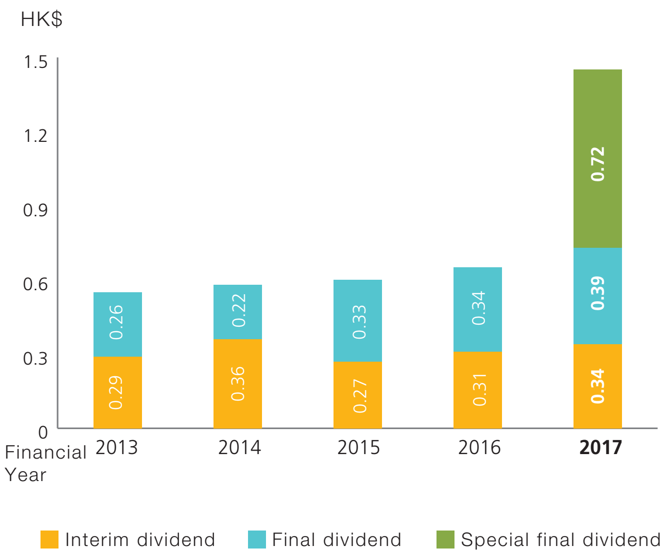
- Any matter in relation to the transfer of shares, change of name or address, or loss of share certificates or dividend cheques, registrations and requests for annual/interim report copies should be addressed to the Company's branch share registrar as follows:

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

Dividend Policy

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

Dividend per share



Financial Calendar

Announcement of FY2017 final results	20 September 2017
For determining eligibility to attend and vote at the 2017 annual general meeting of the Company ("2017 AGM"):	
Latest time to lodge transfer documents for registration	4:30 pm on 13 November 2017
Closure of register of members	14 to 17 November 2017 (both days inclusive)
Record date	17 November 2017
2017 AGM date	17 November 2017
For determining entitlement to the proposed final dividend and the proposed special final dividend:	
Latest time to lodge transfer documents for registration	4:30 pm on 22 November 2017
Closure of register of members	23 November 2017
Record date	23 November 2017
Final dividend and special final dividend payment date	on or about 11 December 2017

Company Website and Annual Report

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

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

Shareholders' Rights

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

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

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

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

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

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

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

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

General Meeting

Meetings held during FY2017

(a) Matters resolved

2016 NOV 21

Annual General Meeting ("2016 AGM")

(i) Receipt of the FY2016 audited financial statements and Reports of the Directors and Auditor
(ii) Declaration of FY2016 final dividend of HK$0.34 per share
(iii) Re-election of Mrs Oei Fung Wai Chi, Grace, Mr Tsang Yam Pui, Mr To Hin Tsun, Gerald, Mr Dominic Lai, Mr Kwong Che Keung, Gordon and Mr Shek Lai Him, Abraham as directors and authorization of the Board to fix directors' remuneration
(iv) Re-appointment of PricewaterhouseCoopers as the Company's auditor and authorization of the Board to fix the auditor's remuneration
(v) Granting a general mandate to directors to issue shares not exceeding 20% of the then existing issued share capital of the Company
(vi) Granting a general mandate to directors to repurchase shares not exceeding 10% of the then existing issued share capital of the Company
(vii) Extending the general mandate granted to directors pursuant to resolution (v) above

2016 DEC 29

Special General Meeting ("2016 Dec SGM")

Approving the sale and purchase agreement dated 15 November 2016 entered into between Enrich Group Limited and NWS Service Management Limited in relation to the acquisition by NWS Service Management Limited from Enrich Group Limited of 50% of the entire issued share capital of NWS Transport

2017 MAY 25

Special General Meeting ("2017 May SGM")

(i) Re-election of Mr Mak Bing Leung, Rufin as director
(ii) Approving the master services agreement dated 10 April 2017 entered into between NWD and the Company, the transactions contemplated thereunder and the related annual caps
(iii) Approving the master services agreement dated 10 April 2017 entered into between Mr Doo Wai Hoi, William and the Company, the transactions contemplated thereunder and the related annual caps

All resolutions proposed at the above meetings were passed by the Company's shareholders.

(b) Notices

2016 AGM — more than 20 clear business days' notice was sent
2016 Dec SGM and 2017 May SGM — more than 10 clear business days' notice was sent

(c) Proceedings and attendance

- Voting on each resolution was conducted by way of a poll.
- Poll voting procedure was explained fully to shareholders.
- A separate resolution was proposed by the chairman of these meetings in respect of each separate issue.
- Tricor Standard Limited, the branch share registrar of the Company in Hong Kong, was appointed as scrutineer to monitor and count the poll votes cast at these meetings.
- Chairman of the Board, Chairman or members of the board committees, as well as representative from the Company's external auditor, were available at the 2016 AGM to answer questions from shareholders.
- Chairman or members of the board committees, as well as representatives from legal adviser and independent financial advisers were available at the 2016 Dec SGM and the 2017 May SGM to answer questions from shareholders.

2016 AGM

2016 Dec SGM

2017 AGM

The 2017 AGM will be held on 17 November 2017. Details of the meeting are set out in the notice of the 2017 AGM which constitutes part of the circular to shareholders sent together with this annual report. Notice of the 2017 AGM and the proxy form are also available on the Company's website.

Investor Relations

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

- The investor relations team of the Company comprises executive directors and senior management.

- The investor relations team of the Company meets existing and potential shareholders, research analysts and investment managers on a regular basis. During FY2017, the team participated in 100 investor meetings in Hong Kong and overseas cities including London, San Francisco, New York, Singapore, Sydney, Melbourne and Beijing.

- An analyst briefing session is held as soon as practicable following results announcement to promote direct interaction between analysts and the management team. The positive recommendations from reputable financial research institutions including Citigroup, Daiwa and Nomura International during FY2017 bear testimony to the Company's devotion in fostering transparency and accountability.

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

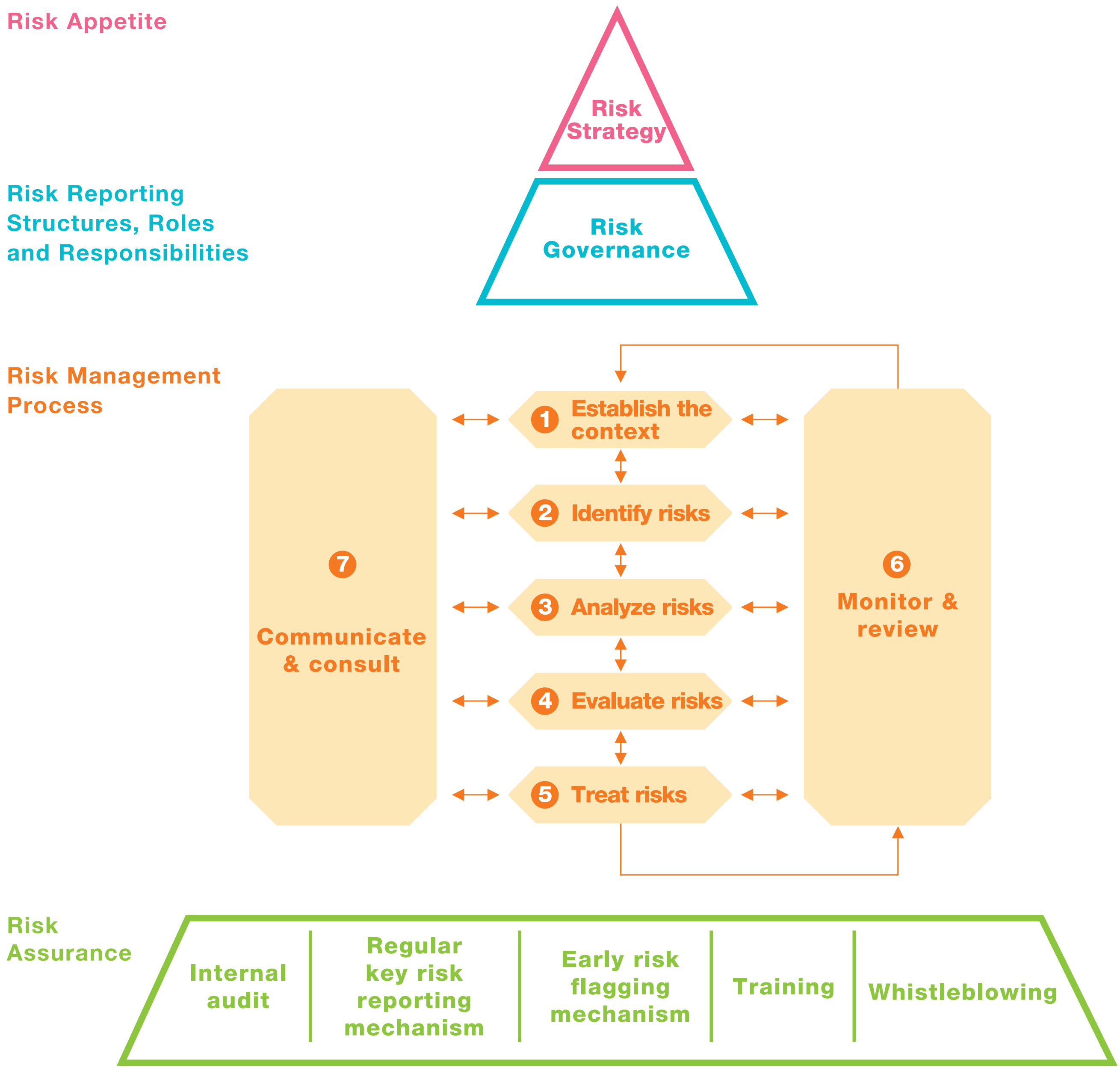
Constitutional Documents

- The Company has not made any change to its constitutional documents during FY2017.

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

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

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



Risk Management Approach

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

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

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

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

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

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

Risk Factors

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

Global economy

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

Currency fluctuations

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

Interest rate fluctuations

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

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

The Group operates and manages certain concession and franchise businesses such as roads, environmental projects, logistics centres, public transport and facilities management. There can be no assurance that the concession, franchise and license agreements can be renewed or if renewed, that the terms of such concession, franchise and license agreements will not be less favourable than those currently obtained by the Group. Also, any changes in the government policies and legislations such as tax regulations and concession requirements may affect the Group's financial condition and results of operations. The Group closely monitors any changes of government policies and legislation, concession, franchise and license terms and adopts various measures such as continually seeking opportunities in new concession, franchise and license agreements.

Social and political unrest, terrorist attack and cyber security

Social and political unrest, terrorist attacks occurred in many places around the world in recent years. There is no assurance that there will not be social and political unrest, or terrorist attack in places where the Group operates, and if these events take place, they may have a negative impact on the Group's financial condition and results of operations.

With the advent of information technology and its increased application, the frequency and intensity of cyber attacks are on the rise. The Group's critical information assets are exposed to threats, damage or unauthorized access in the digital world. Any system breakdown or breach in security may have adverse impact on the integrity, accuracy and confidentiality of the Group's data and information. Although the Group has established comprehensive information technology policy and procedures to mitigate the cyber security risks, there can be no assurance that future cyber attacks will not occur and adversely affect the Group's financial condition and results of operations. The management continually monitors the cyber security risks and regularly reviews the policy and procedures to cope with the fast changing environment.

Tariff and service fee determination

Tariffs and fees charged by the Group's projects with respect to its toll roads, environmental projects and aeronautical service provided by its airport are set by various government authorities. Factors that these government authorities take into account when considering rate changes may include construction costs, prospective recovery period of investment, loan repayment terms, inflation rate, operating and maintenance costs, affordability and usage. Reductions in or cessation of tariffs and fees charged by the Group's projects may adversely affect the Group's operating results. To mitigate this risk, the Group maintains close communication with the government authorities and monitors any changes in the relevant policies.

Major Risk Factors on Different Business Segments

Infrastructure Division

Roads

The Group invests in and operates a wide range of roads and related projects in Mainland China and Hong Kong. The operational risk of toll roads is generally low as long as an effective internal control system in toll collection is properly established and periodic maintenance is carried out appropriately. However, revenue from the Group's toll roads is principally dependent upon the number and types of vehicles using such roads and their applicable toll regimes. The review on toll rates of all toll roads in Mainland China and the implementation of new policies by the Mainland China government may cast uncertainty on the Group's roads business and operating results. Traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads, existence of new competing roads, other means of transport, fuel prices, taxation, environmental regulations and suspension of operation due to material accidents. The Group's operating results may also be affected by capital expenditure requirements for the ongoing repair, maintenance, renewal and expansion of the toll roads.

Environment

The Group engages in environmental business in the Greater China region by providing water and wastewater treatment, waste treatment, renewable resources recycling and utilization, soil remediation as well as design, engineering and procurement services. These projects are subject to extensive and stringent environmental protection laws and regulations and violations of which may result in fines and penalties. Although the Group has adopted high environmental protection standards, the Group cannot assure that more stringent environmental protection regulations will not be imposed in future. If the Group fails to comply with the relevant laws or regulations, the Group may be fined while the operation of its environmental projects may have to be suspended. The Group's reputation may be damaged if it fails to meet the public expectations in relation to the compliance of environmental legislations. Other factors such as pollution of water sources and natural disasters may also adversely affect the results of operations.

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

Logistics

The operation of the Group's logistics facilities in Mainland China and Hong Kong may be adversely affected by many factors, such as the breakdown of shore cranes, forklifts and other equipment, labour disputes, inclement weather, natural disasters, stricter government regulations, the lack of adjoining land for expansion, the shortage of qualified equipment operators and the general downturn of the logistics and transport sectors.

In addition, the terminals outsource various internal operations and trucking services to contractors. The failure or inefficient operations of such contractors could disrupt the terminals operation. Cargo handling charges, logistics services fees and rental rates may be adversely affected by many factors, such as increase in warehouse supply, availability of alternative terminals and slowdown in domestic and international trade. Detailed policies and extensive measures are implemented to mitigate the operational risks of the logistics business.

Aviation

The Group's commercial aircraft leasing business depends heavily on the willingness and/or ability of our airline customers to enter into new aircraft operating leases and to honour their payments and other obligations under their existing or future leases. The business may be adversely affected by factors such as disruptions in the aviation industry, global economic downturn, fluctuation of financial market and geopolitical uncertainties. The aircraft asset value may be affected by various factors such as changes in technology and market demand fluctuations. The Group maintains a globally diversified aircraft leasing portfolio and reduces the counterparty risks by carefully identifying and engaging customers with good track records. The Group also mitigates the interest rate exposure by entering into interest rate swap agreements and raising fixed rate debts.

Aircraft movements and passenger volume handled by the Group's airport project may be adversely affected by many factors, such as downturn in the domestic and global economies, airspace constraints for civil aviation, inclement weather, increase in airfares, competition from other airports and alternative modes of transport, as well as changes in regulations. Income from concessions and other non-aeronautical business received by the Group's airport project may be adversely affected by many factors, such as changes in passenger volume and their consumption patterns, failure to renew concession contracts and competition from other new airports. The Group closely monitors the market consumption trend and maintains an attractive portfolio of brands and products for its customers.

Services Division

Facilities Management

The Group's facilities management of HKCEC may be adversely affected by factors such as limited expansion capacity, fierce competition from other exhibition venues across Hong Kong, Mainland China, Macau and Southeast Asian countries, continuous increase in operating costs and capital expenses, inadequate supply of skilled service staff and economic downturn. The Group continues to explore new exhibition themes and attract international exhibitions and conferences to Hong Kong. A wide range of effective cost control initiatives are established to reduce the risk of rising cost of operation.

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

The Group's healthcare business is subject to extensive government regulations and media and public scrutiny. Any failure to comply with the government laws and regulations could adversely affect the Group's business and results of operations and hamper the Group's corporate image. The healthcare business is also subject to competition from other healthcare services providers as well as the recruitment of qualified and skilled medical professionals. Doctors and other medical professionals, together with the Group, could become the subject of claims, complaints and regulatory investigations arising from medical disputes brought by patients or customers, which may harm the Group's business, results of operations, financial condition and reputation.

To ensure proper competency and experience of its doctors, GHK, the Group's healthcare business investment, has applied a strict accreditation system through its medical board. The medical board is chaired by and mainly composed of appointees from the Li Ka Shing Faculty of Medicine of The University of Hong Kong, GHK's clinical partner. There are regular competency assessments and ongoing training for nursing staff. A clinical governance committee is set up to regularly review clinical quality risks, mitigations and outcomes together with regular audits on clinical and patient care matters.

Construction & Transport

Factors such as general economic conditions, government investment plans and its ability to secure funding approvals from the legislature, mortgage and interest rates, inflation, demographic trends, consumer confidence, competition among competitors and subcontractors, supply of suitably skilled labour, and material safety incidents may influence the performance and growth of the Group's construction business. General economic downturn and slowdown in any of the industries served by the Group's construction business will generally lead to a decrease in potential construction projects as well as delays in or cancellation of the Group's ongoing projects, which will in turn adversely affect the Group's financial condition and operating results. Measures such as close monitoring on the construction market trend, careful selection of projects, diversification of product types and employers, and regular training on health and safety are adopted by the management to mitigate the risks.

The Group's transport business could be affected by fluctuations in fuel costs, elasticity of fares, competition from other means of transport, labour shortage, strikes and collective action of labour unions, serious traffic accidents and bad weather. Given the Hong Kong population's heavy reliance on public transport, any fare increase proposals to offset rising overheads and costs would likely meet with strong public objection and negative publicity. Besides maintaining good communication with stakeholders, the Group also adopts prudent strategy on fuel cost hedging and continues to develop new transport routes to offset the impact of railway expansion.

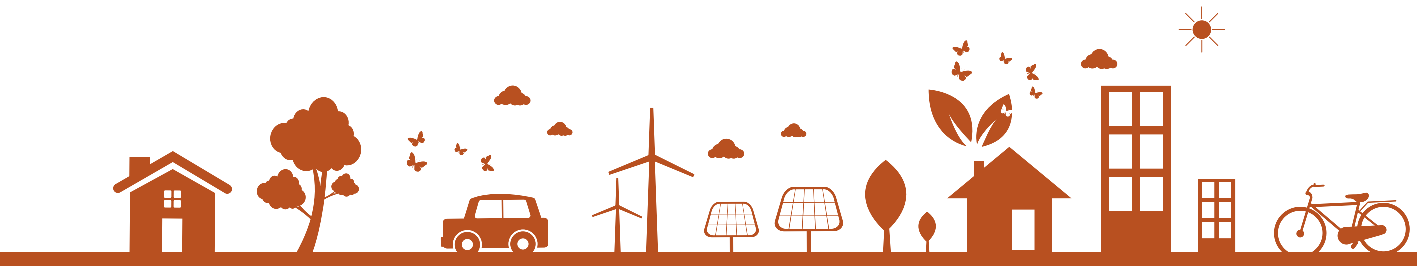
Strategic Investments

The Group invests in the stock and capital markets through investments in shares, private equity and pre-IPO financing of companies in a variety of businesses and industries. Although the Group adopts prudent and pragmatic investment strategies, such investments are affected by factors particular to specific industries as well as external and global factors, including but not limited to the performance of global financial markets which are generally sensitive to economic conditions, investment sentiment and fluctuations in interest rates, which are beyond the Group's control.


SUSTAIN


Contributed
over HK$ 26 million
to social causes through
NWS Holdings Charities Foundation
since 2006
Over 165,000 hours of
community services accumulated by members of
NWS Volunteer Alliance
Over 1,300
environmentally-friendly Euro 5
or above buses
ABILITY

Corporate Sustainability



Corporate sustainability is a cornerstone of our success at NWS Holdings. Our vision for a sustainable future guides both our long-term business strategy and our daily operations. This vision helps us identify opportunities and assess risks in a fast-changing world, and guides our focus on delivering long-term value to the communities in which we operate.

We have established effective mechanisms and practices across the Group to ensure that corporate sustainability is an integral part of our business. A clear and integrated management structure is supported by Group-wide policies, dedicated committees, staff training, stakeholder engagement and communications with the broader community. To ensure we make headway on sustainability, we conduct regular reviews so that best practices from across the Group and beyond can be built into the way we do business.

Integrated Management Approach

Management committees and our policies underpin our approach to managing sustainability. In FY2017, the board-level Corporate Social Responsibility ("CSR") Committee was renamed as Sustainability Committee, to better reflect its broader remit to steer full-spectrum sustainable development at the Group level. The Sustainability Committee, chaired by Chief Executive Officer, meets twice a year to review our progress, direct new strategies, and oversees the implementation of a newly adopted "Sustainability Policy".

Effective from January 2017, the new, all-encompassing "Sustainability Policy" replaces our "Corporate Policy on CSR" and our "Environmental Policy", as the highest governing policy on sustainable development, stipulating our commitments and the principles we uphold in four key areas: Business Operations, Human Capital, Community Contribution, and Environmental Responsibility.

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

The Environmental Management Committee, chaired by an executive director from the Company and including senior management from our key subsidiaries, is the body in charge of spearheading environmental progress at the operation level. Members meet twice a year to review performance, develop new targets and programmes, and share experience from across the Group. From our Corporate Office to our subsidiaries, each operation either has an environmental committee or Green Managers to optimize environmental performance, boost staff awareness and share knowledge and best practice.

In addition to our policies on corporate governance, risk management, and sustainability, we have a "Corporate Policy on Staff Responsibilities", which guides staff on ethical issues and conduct, and informs their dealings with business partners. Our "Human Rights Policy", drawn up from the United Nations Global Compact, complements this policy to further highlight our respect for the fundamental rights of our employees.

Fostering New Knowledge

Our staff are at the forefront of our pursuit of a more sustainable business, and we have a range of on-going training schemes to equip them with the latest knowledge on emerging trends and topical issues. These include the annual NWS Sustainability Seminar, which in FY2017 brought together about 300 managers from across the Group for a close

Corporate Sustainability

The Group's management and Green Managers visit environmental projects to build new knowledge.

examination and was webcast live to reach a broader audience of staff. The seminar covered the business outlook for Hong Kong and Mainland China and the impact of global economic policies; opportunities and risks presented by an aging market; and waste and resources management in building a smart city.

We also organize talks, workshops and site visits to keep Green Managers abreast of environmental trends and innovations. In early 2017, about 30 Green Managers and managerial staff visited T•PARK, Hong Kong's newest environmental landmark. This was an opportunity to learn more about the city's waste issues and the latest waste-to-energy technologies.

In Pursuit of Excellence

Delivering on our sustainability goals requires constant engagement with our stakeholders. We work closely with government officials, business partners, investors, customers, suppliers, subcontractors and non-profit organizations. We also seek their views on material issues, risks, and impacts on our operation through focus groups, surveys, regular face-to-face meetings and other means.

To make progress, we must measure what we do and identify areas of potential improvement. Benchmarking our performance against best practices and industry leaders is how we do this, and we take part in local and international sustainability benchmarking schemes. The Group has been selected as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index in Hong Kong ever since its inception in 2011. In this Index's review results announced in August 2017, the Group not only maintained its AA rating for our overall performance, we were, for the second consecutive year, named the highest-scoring constituent company in Fair Operating Practices, one of the seven core assessment subjects.

Our commitment to continuously enhance transparency of sustainability performance brings about an expansion of the reporting scope of this summary and the upcoming standalone sustainability report to be published this December, to include all the major subsidiaries where the Group takes 100% ownership and exercises full operational control in both Hong Kong and Mainland China. These reporting entities are NWS Corporate Office, Hong Kong Convention and Exhibition Centre (Management) Limited ("HML"), Free Duty, Hip Hing Construction Group ("Hip Hing", mainly comprising Hip Hing Construction Company Limited and Vibro (H.K.) Limited), New World Construction Company Limited ("NWCON"), New World First Bus Services Limited ("NWFB") and Citybus Limited ("Citybus"), New World First Ferry Services Limited ("NWFF"), and Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.

Further details of our reporting scope, material issues, progress and performance can be found in our standalone sustainability reports, available at our corporate website http://www.nws.com.hk.

Human Capital

Talent is the Group's most important asset. Our people are the driving force behind our success, delivering business results and enhancing operational efficiency. We strive to recruit and retain high-calibre talent, to strengthen our workforce. Our approach to people management comprises broadening of the talent-recruitment platform, providing competitive remuneration and benefits, fostering professional training and development, and promoting a healthy work-life balance. Across our operations, we are consistently building a safe, inclusive and caring workplace.

Employees' children take part in games during the NWS Family Visit Day.

Strengthening Capabilities

The Group respects every member of staff and believes in the value of diversity and equality. In practice, we offer equal opportunity in employment, remuneration, training, and career development to our staff, regardless of age, gender, ethnicity or other aspects of diversity. We do not condone any form of workplace discrimination, and we have policies and guidelines to help our staff understand our position on equal opportunity.

Giving our employees the opportunity to develop their professional knowledge and skills is essential to our business continuity and success in today's increasingly competitive market. We provide our staff with a comprehensive career development plan and training programme designed to foster their professional growth. Our initiatives to promote life-long learning include education subsidies, examination leave, and career progression study opportunities. Employees from our major subsidiaries clocked about 150,000 hours of training over the last year.

In industries where recruitment remains a challenge, we develop new measures to expand the talent pool. For example, the well-structured Marine Officer Trainee Programme developed by NWFF ensures we have a steady stream of trained coxswains and operational staff rising through the ranks.

Human Capital

Health and Safety

Workplace safety is a top priority of our people management approach. Most of our subsidiaries in Hong Kong have established management committees to review and reinforce health and safety. In our construction businesses, where the risks are relatively higher, we use an OHSAS 18001-compliant management system to ensure high standards of occupational health and safety are factored into the work processes. Regular education and training is provided to improve staff well-being, enhance preparedness for emergencies, and prevent injuries.

Work-Life Balance

We believe that for our staff to perform at their best at work, they need to be happy, healthy, and have the right work-life balance. Our approach in this area includes organizing social and sports activities for employees, and developing new family-friendly measures.

We extend our care to employees' families through popular activities, such as workplace visits, movie days, sponsored hotel stays, and a large-scale theme park party. In FY2017, the NWS Corporate Office introduced medical and dental subsidies for dependents on top of existing scholarships for the children of our staff. Our subsidiaries, including HML, Hip Hing and NWFF, have also introduced flexible working hour schemes to enable employees to take care of their family without compromising their work.

In FY2017, our holistic approach to people management delivered the Group "Best Employer Brand Award" and "Dream Employer of The Year" awards at the Asia's Best Employer Brand Awards 2017, organized by the World HRD Congress. These awards recognize our work in enhancing employee wellness, retaining and nurturing talent, and advancing workplace well-being.

Celebrating Diversity

Our commitment to workplace diversity and equal employment opportunity is reflected in our efforts to recruit and help people whose talents may have been overlooked.

HML has been working closely with St. James' Settlement to recruit people with intellectual disabilities. Lau Yee-wai, nicknamed "Wai Wai", was one of the people hired in 2014 to join the Stewarding Team of the Housekeeping Department. Wai Wai is responsible for cleaning the staff canteen. Tailored training courses were provided for her when she started, and she can now handle a range of duties with minimal supervision. The job has not only enabled Wai Wai to master new skills and develop her confidence, but has also boosted her ability to look after herself.

In FY2017, our Corporate Office also initiated a job-shadowing scheme to support young people with disability. In collaboration with community partners, five young people were recruited to shadow staff in various departments. Each was assigned a manager-grade mentor who guided them and shared useful tips on navigating the business world.

"I am lucky to be part of the HML family. My colleagues give me all the guidance and support I need to do my job. I become more confident at work and my self-esteem is strengthened."

Lau Yee Wai
Stewarding Team,
Housekeeping Department
HML

Value Chain

As we manage the environmental and social risks throughout our value chain, it is essential that we communicate our principles to our partners, provide clear guidance on our expectations, and establish mechanisms to ensure legal and regulatory compliance. We also create new initiatives for our suppliers, customers and other stakeholders to contribute to sustainability endeavours. We actively engage customers and clients as part of the process to enhance the scope and quality of our services.

Together with our partners and suppliers, we build many of Hong Kong's iconic landmarks, including Xiqu Centre in West Kowloon.

Managing Supplier Practices

Our suppliers and contractors are required to firmly adhere to the ethical, social and environmental requirements set out in the "Supplier Code of Conduct" of our parent company, NWD. These business partners are also expected to fulfil the requirements stated in our individual subsidiaries' policies, which are updated regularly as new risks emerge, and new requirements are added. For example, immediately after an incident in 2016, Hip Hing enhanced its existing waste disposal policy, enhancing subcontractors' responsibility for the proper and legal disposal of waste. Subcontractors will be closely monitored, and failure to comply with the new protocol will result in a penalty.

When selecting suppliers and subcontractors, our construction companies, for instance, require all potential partners to disclose their policies and performances related to compliance, health and safety, environmental practices, community engagement and others. This forms a key part of the tender process and ensures that our partners align with our demands for sustainable project management and operations.

Responsible supply chain practices are duly recognized, especially within our construction businesses, in which subcontractors play a vital role. In FY2017, Hip Hing introduced a new awards scheme to acknowledge exemplary contributions by subcontractors on three critical aspects of construction work: safety, environmental protection, and quality. NWCON, another of the Group's construction companies, put in place an incentive scheme to reward subcontractors that use only the agreed amounts of steel materials.

Value Chain

Striving for Excellent Service

Our drive to satisfy or exceed customers' expectations of our services is unwavering. To ensure we understand the changing needs of customers, we regularly collect their comments and recommendations through a range of channels and activities, and incorporate their feedback into our ongoing plans for improvement of our products and services.

Since July 2016, HML has been offering a new LoveGreen Meeting Package for customers aspiring to stage an event at Hong Kong Convention and Exhibition Centre ("HKCEC") in a more sustainable way. "Green" options such as low-carbon food menus, recycling facilities, and food donation are available in this new package. In a related move, HML has improved its customer database to incorporate customers' prior requests and order history regarding environmental measures. Our event managers can now use that information to customize future events that meet the clients' sustainability needs.

We strive to enrich our services to meet customer needs and social expectations. In response to the growing popularity of breastfeeding in Hong Kong, NWFF launched the first breastfeeding room on Hong Kong public transport in June 2016. Similar facilities are now available on three other three-storey ferries. Priority seats for nursing mothers on fast ferries have already launched in September 2017.

A construction subcontractor is recognized for their outstanding performance in environmental protection.

Thumbs Up To Bus Captains

Public bus services are a key means of transport in Hong Kong, and bus captains are vital in keeping these services going. In a push to deliver service excellence and encourage drivers to better engage with passengers, NWFB and Citybus launched the Thumbs Up to Bus Captains programme in November 2016. Under the scheme, passengers were invited to nominate bus drivers they felt had delivered outstanding service and had performed a good deed.

Citybus driver Pang Chung Kin was among the six recipients of an award for distinguished services. Pang was nominated for his compassionate care for an unwell passenger, who was carefully attended to and settled on a priority seat during the ride. Pang took a further step by stopping at a hospital en route and showing the passenger the way to the emergency room.

"The passenger's commendation reminds me of my ultimate duty to give a safe and enjoyable ride to everyone on board, and to attend to individuals when they are in need."

Pang Chung Kin
Bus Captain
Citybus

Community Care

Across NWS Holdings, we work to create a positive impact on the communities in which we operate. We make use of internal resources and business networks, and leverage the support of our employees for community benefit. To bring this about, we work in three ways: we make charitable donations through the NWS Holdings Charities Foundation ("Charities Foundation"), encourage corporate volunteering, and establish long-term, impactful community projects with our strategic partners.

Fostering Community Growth

In the reporting period, the Charities Foundation and our corporate volunteer team, the NWS Volunteer Alliance, celebrated their 10-year and 15-year anniversaries respectively. Over time we have contributed more than HK$26 million to support meaningful causes in community welfare, education, health care and environmental protection. Our volunteer team, meanwhile, has marked its new milestone with a new brand identity, uniform and other service tools. Volunteers continue to serve needy groups with their established skills in haircutting, dancing, clown performance and handicraft, while seeking new ones, such as wheelchair and home maintenance.

Healthcare for Elderly

In Hong Kong, the ageing population is presenting challenges and heightened demand for social care, both now and for generations to come. The YWCA NWS Y-Care Centre (North District) ("NWS Y-Care Centre") project is a joint effort between the Group and the Hong Kong Young Women's Christian Association ("YWCA") to provide much-needed elderly care services.

On the back of a HK$3 million donation from the Charities Foundation and now in its fourth year of operation, the NWS Y-Care Centre has provided a full range of day care and rehabilitation services to over 30,000 elderly users so far. This accredited social enterprise has also been recognized as a service provider for the governmental Community Care Service Voucher for the Elderly Pilot Scheme.

The Group and YWCA kept the momentum of volunteering going in March 2017 by launching a new, two-year initiative named the "We Care-Elderly Friendly Community Programme". Home visits, community events and educational videos will be used to foster a better public understanding of common health conditions affecting the elderly.

Our corporate volunteers take senior citizens on an outing to the Hong Kong Railway Museum in Tai Po.

Community Care

Environmental Protection

Hong Kong is home to precious geological heritage, and the Group has for almost a decade promoted geoconservation through the NWS Hong Kong Geo Wonders Hike programme, co-organized with the Association for Geoconservation, Hong Kong.

Through the Young Ambassadors for Geoconservation Training Programme, we have trained over 1,100 students from 200 secondary schools. In FY2017, the sixth cohort of students learnt about geoconservation and a connected subject, geotourism, through an array of activities including field trips. Outstanding students were provided with additional training on leadership and multilateral thinking, as well as opportunities to study landforms in East Taiwan.

The wider NWS Hong Kong Geo Wonders Hike campaign also included the popular NWS Geo Hero Run, with runners racing in Hong Kong Global Geopark, along with guided tours and rock cleaning activities in Hong Kong's outer islands. Around 2,500 members of the public were engaged in these activities to raise awareness of geoconservation.

Young Ambassadors for Geoconservation closely examine ecological features in East Taiwan.

NWS Career Navigator for Youth

In late 2016, the Group launched a long-term programme, NWS Career Navigator for Youth, to help the younger generation unlock their potential.

Underpinned by a strong community partnership, this programme offers a broad range of life-planning support, including corporate visits, mentoring, career talks, mock interviews, meetings with CEOs, and job shadowing. In its first four years, this career project will benefit 400 students and 100 teachers of secondary schools in Tsuen Wan, Kwai Chung and Tsing Yi District, while helping schools improve students' future employability.

In February 2017, this project was officially kicked off on NWS Caring Day, an event we hold every year to mark the anniversary of the Group's listing on the Hong Kong Stock Exchange. The full-day event involved more than 300 students and corporate volunteers in fun-packed job trials at the workplaces of the Group and our NGO partners.

"NWS Holdings has the broad industry base, partnership network and corporate commitment we have been looking for to give our students meaningful exposure and pivotal skills in life and career planning."

Principal Cheung Yam Lung
Chairperson
Association of Heads of Secondary Schools of Tsuen Wan, Kwai Chung and Tsing Yi District

Environmental Performance

In our pursuit of environmental sustainability, we go beyond mere compliance with regulatory requirements and instead adopt international management standards and best practices. We also strive to reduce our impact on the environment, and achieve cost savings through innovations and technology applications. Our member companies constantly seek and apply environmental measures best suited to the nature of their business. As a group, we make continuous efforts to raise employee awareness of environmental trends and issues.

Management System

We adopt international standards in our day-to-day operations, to benchmark and attest our performance. For example, HKCEC, managed by HML, is the first venue in Hong Kong to have attained ISO 20121 Event Sustainability Management System certificate. A total of 51 active sites managed by Hip Hing and NWCON were certified with ISO 14001 Environmental Management System in the reporting period. The ISO 50001 Energy Management System is also adopted in our construction businesses.

Reducing Emissions

Given that our day-to-day operations in construction and transport involve considerable fuel consumption, we have devised a range of initiatives to minimize energy consumption and the levels of emissions from these businesses.

Hip Hing, for example, aims to steadily reduce energy consumption by its heavy construction machinery such as tower cranes and power generators. Through a combination of usage training and administrative controls, the average energy consumption of these heavy machineries has dropped by 33.5% when compared to the baseline year, 2013. Where suitable, Hip Hing also uses cleaner biodiesel for this equipment.

Our transport businesses are working to reduce emissions by introducing greener vehicle models, retrofitting existing buses, and using low-emission energy wherever practicable. At the end of FY2017, around 80% of our 1,600-strong bus fleet met Euro 5 or higher emission standards. Ten electric buses and three Euro 6 hybrid buses are already in service as part of our efforts to introduce even greener transport. The vast majority of Euro 2 and 3 buses have been retrofitted with selective catalytic reduction device to reduce nitrogen oxides emission. NWFF has built a power supply equipment at its Cheung Sha Wan dockyard that enables docked ferries to switch from diesel to onshore electricity supply.

Materials and Waste Management

Throughout the value chain, we work to reduce our environmental impact, and this involves using sustainably sourced materials and minimizing waste. We procure sustainable products such as FSC-certified printing paper and timber for use in office and construction projects. We have long-standing recycling practices in our workplaces and managed premises. Reusable resources including inert construction materials and unconsumed food from HKCEC are transferred to third parties or donated to the needy for reuse and consumption.

The new rooftop organic farm at the Citybus depot is a new example of our creative use of waste. Set up in FY2017, the staff farm is topped with soil excavated from Hip Hing's construction sites, with planters and facilities built from old bus components and used containers. Small windmills and solar panels are deployed to power a rainwater collection and sprinkler system. Fertilizers composted from food waste help plants grow.

The Group's CEO, Tsang Yam Pui, takes a tour of Citybus' new rooftop organic farm, which is built out of unwanted equipment and bus parts.

Environmental Performance

Employee Engagement

Raising staff awareness is part of the Group's commitment to contributing to environmental protection. To this end, we run internal promotional campaign every year to inform employees on topical environmental issues and call for action towards the betterment of our environment.

The FY2017 employee green campaign focused on "Sustainable Procurement and Consumption", encouraging employees to source and consume sustainably, both at work and at home. Apart from organizing a site visit to town gas production plant for Green Managers, we held a series of light-hearted activities to promote sustainable consumption as part of everyday life.

The Eco Bazaar in NWS Corporate Office promotes sustainable fashion to staff members.

Turning a New Page in Sustainable Building

As demand for sustainable buildings grows, Hip Hing has partnered with Nano and Advanced Materials Institute Limited to develop an innovative capsule technology for producing strong lightweight concrete, a more environmentally-friendly construction material that is set to benefit developers, users and the environment. This innovation has earned its development team a gold medal at the 45th International Exhibition of Inventions of Geneva 2017, which is considered one of the most prestigious shows worldwide in innovations.

The concrete produced with this new technology features high fire resistance, lower thermal conductivity and higher acoustic absorption efficiency than regular concrete. With thermal conductivity at only about 0.5W/m.K, 70% lower than standard concrete in the market, less air conditioning is required to achieve acceptable comfort for occupants, thereby reducing carbon emissions and saving costs and energy.

Hip Hing's broader commitment to sustainable building is also reflected in the expanding number of professionals it employs and trains to support clients in developing BEAM Plus or LEED-certified green buildings. Its project team also proactively implements green measures across construction sites to reduce the environmental impact of the building process.

"We have been taking an active role in developing new construction materials to answer the needs of sustainable building. This innovative capsule technology effectively opens up a new chapter for green buildings."

Derek So
Executive Director
Hip Hing

Revenue

HK$ 31.385 billion

▲ 6%

Attributable Operating Profit

HK$ 4.840 billion

▲ 2%

Profit Attributable to Shareholders

HK$ 5.629 billion

▲ 15%

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

Riding on the robust performance of the Construction, Roads and Aviation segments and timely execution of investment and divestment opportunities, the Group's financial results have once again reached new heights. AOP for FY2017 grew to HK$4.840 billion by HK$100.7 million or 2% compared with the previous financial year, reflecting an increase of 9% to HK$3.123 billion for the Infrastructure division and a reduction of 9% to HK$1.717 billion for the Services division. At the same time, profit attributable to shareholders grew by 15% to reach a record high of HK$5.629 billion.

Contribution by Division

For the year ended 30 June

	2017 HK$'m	2016 HK$'m
Infrastructure	**3,122.9**	2,856.2
Services	**1,717.4**	1,883.4
Attributable operating profit	**4,840.3**	4,739.6
Corporate office and non-operating items		
Net gain on disposal of a project under an associated company	**932.8**	–
Gain on restructuring of a joint venture	**454.3**	–
Net gain on disposal of projects, net of tax	**179.8**	199.4
Gain on fair value of investment properties	**117.1**	1,420.0
Gain on remeasurement of previously held equity interest in a joint venture	**113.1**	–
Gain on disposal of an available-for-sale financial asset	**–**	534.1
Net gain on deemed disposal of a project under a joint venture	**–**	179.3
Losses on partial disposal, impairment and remeasurement related to an associated company	**(290.6)**	–
Impairment loss of an available-for-sale financial asset	**–**	(670.4)
Impairment loss related to an associated company	**–**	(200.0)
Impairment loss related to a joint venture	**–**	(177.6)
Net exchange gain/(loss)	**12.1**	(368.8)
Interest income	**54.4**	198.1
Finance costs	**(399.8)**	(546.3)
Expenses and others	**(384.6)**	(394.6)
	788.6	173.2
Profit attributable to shareholders	**5,628.9**	4,912.8

Having disposed of the entire interest in Tricor in March 2017, the Group shared a net disposal gain of HK$932.8 million. In line with the Group's capital recycling strategy, the proceeds will be utilized to fund its general working capital requirements and new investment opportunities.

As previously reported in the announcement of the interim results for the six months ended 31 December 2016 (the "Interim Results Announcement"), the Group recognized a gain of HK$454.3 million upon the restructuring of SUEZ NWS by way of asset injections by both of its shareholders. The Group's interest in SUEZ NWS post-restructuring decreased from 50% to 42% but the Group bolstered its environmental businesses by expanding its predominantly water and wastewater treatment focus to cover also waste treatment services and related engineering. This enlarged portfolio well positions the Group to capitalize on the strong demand for integrated environmental solutions in Mainland China, Hong Kong, Macau & Taiwan ("Greater China").

On 30 December 2016, the Group, through its acquisition of the remaining 50% interest in NWS Transport, assumed full control of Citybus, New World First Bus and New World First Ferry Services Limited. As set out in the Interim Results Announcement, the step-up of NWS Transport from a joint venture to a wholly owned subsidiary resulted in a remeasurement gain of HK$113.1 million in relation to previously held equity interest.

In FY2017, the Group recognized a total fair value gain of HK$117.1 million for its investment properties. A similar gain of HK$1.4 billion was recorded in FY2016

Group Overview

mainly due to the revaluation of NWS Kwai Chung Logistics Centre prior to its disposal.

During FY2017, the Group recognized partial disposal, impairment and remeasurement losses totalling HK$290.6 million in relation to Newton Resources. The Group reclassified its investment in Newton Resources as an available-for-sale financial asset after having reduced its stake to 15.5% in January 2017.

A number of one-off items were recognized in FY2016. On the positive side, the divestment of the interest in New World China Land Limited produced a gain of HK$534.1 million while the deemed disposal of the Group's indirect interest in Chongqing Water Group Co., Ltd. resulted in a gain of HK$179.3 million. However, these contributions were offset by certain impairment losses including HK$670.4 million on Haitong International Securities Group Limited ("Haitong International"), HK$200.0 million on Tharisa plc ("Tharisa") and HK$177.6 million on Hyva Holding B.V. ("Hyva"). In addition, a net exchange loss of HK$368.8 million arising from the depreciation of Renminbi was also recognized.

Contributions from the operations in Hong Kong accounted for 46% of AOP in FY2017 compared with 55% in FY2016. Mainland China and Others contributed 44% and 10% respectively in FY2017, compared with 41% and 4% respectively in FY2016.

Dividends

The Board is conscientious in delivering strong and steady returns to the shareholders and has adhered to the policy of maintaining a dividend payout ratio at not less than 50% over the past years.

Having successfully realized the value of certain investments which generated significant positive cash flow during FY2017, the Board considered that it is appropriate for the Company to extend its gratitude towards the shareholders for their loyal support by recommending the Final Dividend of HK$0.39 per share and the Special Final Dividend of HK$0.72 per share (both in cash). Together with the interim dividend of HK$0.34 per share paid in May 2017, total distribution of dividend by the Company for FY2017 will be HK$1.45 per share, representing a special payout ratio of 100%. The Company will still maintain a strong financial position required to drive healthy and sustainable business growth and development after the payment of the Final Dividend and the Special Final Dividend.

Earnings per share

The basic earnings per share was HK$1.46 in FY2017, representing an increase of 12% from HK$1.30 in FY2016.

Treasury management and cash funding

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financial structure. The Group continues to monitor its cash flow position and debt profile, and to enhance the cost-efficiency of funding initiatives by its centralized treasury function. In order to maintain financial flexibility and adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources and will keep exploring cost-efficient ways of financing. Currently, the Group has unutilized committed banking facilities of approximately HK$8.5 billion and total cash and bank balances over HK$8.0 billion.

Liquidity and capital resources

As at 30 June 2017, the Group's total cash and bank balances which were mainly denominated in Hong Kong Dollar and Renminbi amounted to HK$6.453 billion, compared with HK$8.924 billion a year ago. The Group's net debt as at 30 June 2017 was HK$3.229 billion, compared with HK$6.141 billion as at 30 June 2016. The decrease in net debt was mainly due to net cash inflows from operations and disposals of investments. The capital structure of the Group was 16% debt and 84% equity as at 30 June 2017, compared with 25% debt and 75% equity as at 30 June 2016. The Group's Net Gearing Ratio, being Net Debt to total equity, decreased from 13% as at 30 June 2016 to 7% as at 30 June 2017.

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

Debt profile and maturity

As at 30 June 2017, the Group's Total Debt decreased to HK$9.683 billion from HK$15.065 billion as at 30 June 2016, mainly due to the full redemption of the US$500.0 million fixed rate bonds upon maturity on 9 February 2017. The Group has spaced out its debt maturity profile to reduce refinancing risks. Among the non-current portion of the long-term loans and borrowings of HK$9.377 billion as at 30 June 2017, 13% will mature in the second year, 81% will mature in the third to fifth year and 6% will mature after the fifth year. Bank loans were denominated in Hong Kong Dollar or Renminbi and mainly bearing interest at floating rates. Interest rate swaps are used to hedge against part of the Group's underlying interest rate exposure. The Group did not have any material exposure to exchange risk other than Renminbi during FY2017. As at 30 June 2017, intangible concession rights of Hangzhou Ring Road were pledged as securities for a banking facility of the Group.

Commitments

The Group's total commitments for capital expenditure were HK$1.952 billion as at 30 June 2017, compared with HK$3.065 billion as at 30 June 2016. These comprised commitments for capital contributions to an associated company and certain joint ventures, 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$3.589 billion as at 30 June 2017, compared with HK$2.369 billion as at 30 June 2016. These comprised guarantees for banking facilities of associated companies and joint ventures.

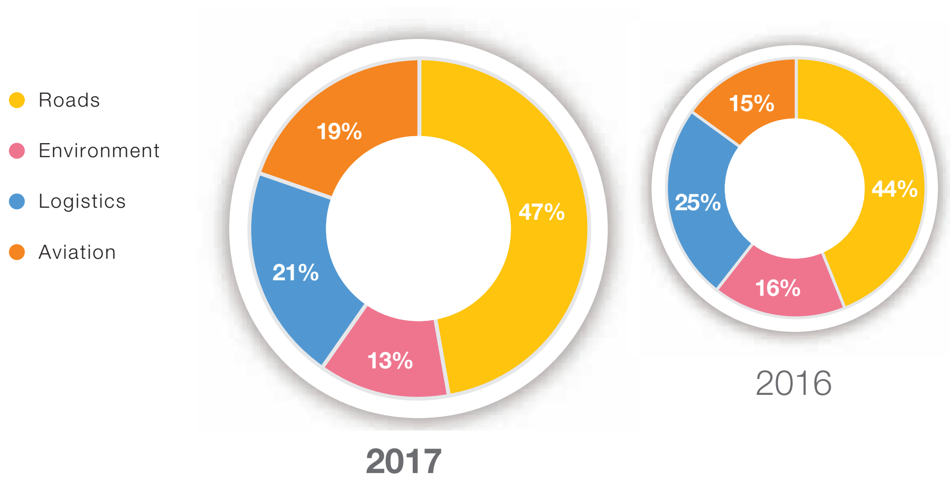
Operational Review – Infrastructure

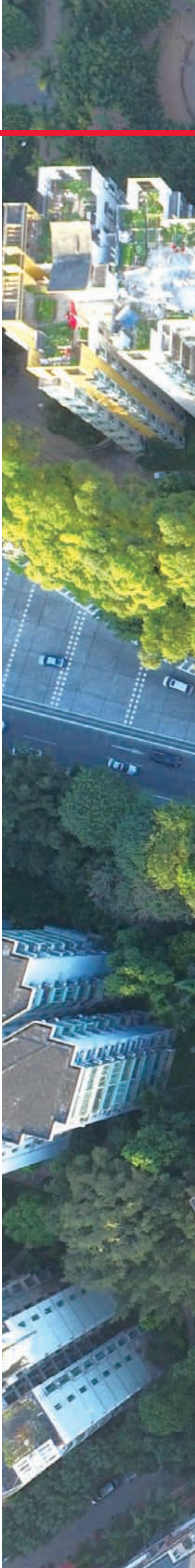
Infrastructure division maintained its growth momentum in FY2017. Its AOP grew by HK$266.7 million or 9% to HK$3,122.9 million, bolstered by the robust performance of the Roads and Aviation segments.

AOP Contribution by Segment

For the year ended 30 June

	2017 HK$'m	2016 HK$'m	Change % Fav./(Unfav.)
Roads	**1,479.1**	1,259.8	17
Environment	**392.1**	469.8	(17)
Logistics	**641.2**	702.6	(9)
Aviation	**610.5**	424.0	44
Total	**3,122.9**	2,856.2	9





Infrastructure

Operational Review – Infrastructure

Guangzhou City Northern Ring Road

Roads

AOP from the Roads segment increased by 17% to HK$1,479.1 million. Traffic volume of the Group's road portfolio grew by 11% in FY2017 reflecting the trend of increasing vehicle ownership resulting from ongoing urbanization in Mainland China.

The increase in long haul trucks traffic during FY2017 contributed to the 4% increase in toll revenue of Hangzhou Ring Road. This was despite a 7% traffic drop caused by local traffic control measures imposed during the G20 Summit and the diversion of passenger cars to a competing viaduct which opened in August 2016. The full-year effect of the full acquisition of Hangzhou Ring Road in January 2016 also boosted its AOP contribution.

Average daily traffic flow of Tangjin Expressway (Tianjin North Section) grew by 12% in FY2017 notwithstanding its one-off traffic increase in FY2016 caused by temporary traffic diversion after the Tianjin explosion incident. Its reduction in AOP for FY2017 was due to a one time exchange loss arising from the shareholder's loan. Following its road expansion works, approval has been granted to extend the concession right for a further 11 years to 2039.

All of the Group's expressways in the Pearl River Delta Region registered traffic flow increases during FY2017. Average daily traffic flow of Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) grew by 12% and 16% respectively. After completion of its expansion works in December 2015, traffic flow of Shenzhen-Huizhou Expressway (Huizhou Section) rose by 14% while its toll revenue increased swiftly by 42% under the new standard toll rate approved in March 2016. Both Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway continued to show positive progress as their traffic flows grew by 21% and 11% respectively in FY2017.

In Hong Kong, average daily traffic flow of Tate's Cairn Tunnel grew by 2% during FY2017.

During FY2017, the Group disposed of its concession rights in Shenzhen-Huizhou Roadway (Huizhou Section) in Guangdong and Yulin Shinan-Dajiangkou Roadway in Guangxi for a net disposal gain.

Operational Review – Infrastructure

Environment

AOP of the Environment segment fell by 17% as the profitability of the coal-fired power plants suffered from rising coal prices during FY2017 and an average 7% reduction in coal-fired benchmark on-grid tariff since January 2016.

The restructuring of SUEZ NWS during FY2017 allowed the Group to expand its environmental businesses from primarily water and wastewater projects to a broadened portfolio comprising also waste treatment and design, engineering and procurement. Henceforth, SUEZ NWS can capture growth opportunities from a full spectrum of environmental services in Greater China. Despite the dilution of the Group's effective interest in SUEZ NWS to 42% after the restructuring, SUEZ NWS reported an AOP growth in FY2017.

The third production line for hazardous waste incineration plant in Shanghai Chemical Industrial Park commenced operation in March 2017. It provides an annual treatment capacity of 120,000 tonnes and is one of the world's largest hazardous waste-to-energy plants. To meet the growing water demand in Macau, SUEZ NWS has recently embarked upon the construction of a new water plant in Seac Pai Van. Upon completion in 2019, SUEZ NWS' total daily treatment capacity in Macau will increase by 130,000 m^3 to 520,000 m^3. In the meantime, a water tariff increase in Macau was approved in June 2017.

Derun Environment continued to provide positive AOP to the segment in FY2017, although its results were impacted by retrospective value added tax on wastewater treatment business dating back to July 2015. During FY2017, Derun Environment secured several land remediation contracts in Shanghai, laying a solid foundation for growth in this niche market.

A hazardous waste incineration plant in Nantong, Jiangsu, operated by SUEZ NWS

Operational Review – Infrastructure

Electricity sales volume of Zhujiang Power Station – Phase II grew by 17% in FY2017 while sales at Chengdu Jintang Power Plant remained stable. During FY2017, the Group divested its interest in Zhujiang Power Station – Phase I and recognized a disposal gain. Performance of Guangzhou Fuel Company was robust in FY2017 amid active coal trading activities.

Logistics

AOP from the Logistics segment dropped 9% to HK$641.2 million in FY2017, which reflected the disposal of NWS Kwai Chung Logistics Centre in 2016.

Contribution from ATL Logistics Centre dropped in FY2017 in the absence of the one-off rental adjustment for a major tenant renewal in FY2016. Excluding this one-off rental adjustment, its average rental grew modestly by 5% while occupancy rate remained steady at 97.1%.

CUIRC delivered satisfactory AOP growth in FY2017. Benefitting from the increasing trend of containerized break-bulk cargoes service that commenced in January 2015, its throughput increased steadfastly by 23% to 2,529,000 TEUs in FY2017. To meet the growing demand, new terminals in Tianjin and Urumqi, each with annual handling capacity of 300,000 TEUs, commenced operation in January and June 2017 respectively.

AOP from the Group's seaport projects saw moderate growth in FY2017. Throughput handled by Xiamen Container Terminal Group Co., Ltd. rose by 4% to 8,182,000 TEUs. In Tianjin, throughput of Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd., grew by 3% to 2,555,000 TEUs and 7% to 961,000 TEUs respectively.

Xiamen Container Terminal

Operational Review – Infrastructure

Beijing Capital International Airport

Aviation

This segment includes the Group's investments in Beijing Capital International Airport Co., Ltd. ("BCIA") and its commercial aircraft leasing business. AOP surged by 44% in FY2017 primarily due to the expansion of aircraft fleet size of Goshawk and the increase of the Group's shareholding in Goshawk from 40% to 50% since October 2016.

BCIA held its position as the world's second busiest airport in terms of passenger throughput in 2016. During FY2017, BCIA served 95.4 million passengers, representing a steady growth of 4% compared with FY2016. The growth in passenger throughput and aircraft movements, especially from international routes, continued to drive aeronautical revenue. Non-aeronautical revenue also achieved stable growth due to rising concession fees from retail and food and beverage outlets which benefitted from the increase in high-spending international passengers.

Goshawk continues its fleet expansion plan by focusing on commercial aircraft that are young, in demand, fuel efficient and equipped with modern technology and by maintaining a diversified customer base. As at 30 June 2017, Goshawk's fleet which comprised 84 aircraft in operation (having grown from 68 aircraft as at 30 June 2016) were leased out to 35 airlines in 27 countries. Its total assets on book have reached US$3.5 billion. Together with the planned delivery of another 27 aircraft, the overall portfolio size of Goshawk has increased to 111 aircraft at present. Goshawk is therefore in a prime position to generate stable income and recurring cash flows for the Group.

The second commercial aircraft leasing platform, Bauhinia Aviation Capital Limited, a joint venture with CTF Enterprises and Aviation Capital Group LLC, owns and manages a fleet size of six aircraft as at 30 June 2017.

Business Outlook – Infrastructure

Mainland China's economy has maintained steady growth in the first half of 2017 and the annual growth target of 6.5% looks achievable based on the latest economic indicators. Backed by a strong financial position and proven management expertise, the Group is well equipped to capitalize on and support China's economic and infrastructural growth.

Roads

Mainland China's urbanization policy will remain an integral part of its structural reform for decades to come. Its pace and scale have led to the increases in vehicle population especially passenger cars, and hence traffic flow. In close proximity to our home base, the Central Government has put a lot of effort into the Guangdong-Hong Kong-Macao greater bay area development ("Greater Bay Area Project"). As the Greater Bay Area Project promotes integration and ignites collaboration economically and socially among the cities in the region, it will undoubtedly benefit the Group's expressways in the Pearl River Delta Region. Public-private-partnership models have been adopted effectively as a means for funding and operating infrastructure projects in Mainland China. With our proven track record and expertise in the toll road industry, the Group is well equipped to capture these future business opportunities.

Environment

Sustainable urbanization and industrialization will continue to foster a strong demand for environmental services and related capital expenditures in Mainland China. The Group's two strategic environmental platforms, SUEZ NWS and Derun Environment, are well positioned to provide a comprehensive range of services, including the supply of potable water, wastewater treatment, waste management, environmental remediation and related engineering and technical support, for both household and industrial customers. During FY2017, SUEZ NWS has successfully contracted for the construction of three hazardous waste treatment plants in Jiangsu, which will have a total annual treatment capacity of 88,300 tonnes upon their completion in 2018. Derun Environment is also making headway to expand its municipal waste incineration handling capacity. New waste-to-energy projects located in Chongqing, Zhejiang and Guangdong with a total daily treatment capacity of 8,750 tonnes are scheduled to commence operations in 2018. SUEZ NWS and Derun Environment will leverage their expertise and competitive edges to grow their environmental businesses both organically and via new business opportunities in Greater China.

Waste reduction and recycling is a top government focus in Hong Kong. This calls for the development and implementation of large scale integrated waste management systems. Building on its strong local presence in the waste treatment market, SUEZ NWS is optimistic in expanding its market leadership in Hong Kong.

National electricity consumption of China is expected to see mild growth in 2017. However, the profitability of coal-fired power plants in Mainland China has been severely eroded by the rising coal prices. To alleviate the difficulties that the industry is facing, the Chinese authority has reduced certain tariff surcharges payable to the authority with effect from July 2017, thereby paving the way for a hike in coal-fired benchmark on-grid tariff and other forms of supportive measures with benefits accruing to power producers.

To address various environmental concerns, renewable energy investment will continually be promoted by means of various government supportive policies. Building on the successful experience of SUEZ NWS and Derun Environment in operating waste-to-energy projects, the Group looks forward to extending its presence in this sector.

Logistics

Although the retail market in Hong Kong is showing signs of bottoming out, however, with the new supply of warehouse space on the market, the rental yield and occupancy rate of warehouse facilities will continue to come under pressure. The building renovation programme commissioned by ATL Logistics Centre to enhance its competiveness is due to be completed as planned in 2018.

With most of the CUIRC terminals located along the "Silk Road Economic Belt", its handling volume will continue to grow under the Belt and Road Initiative. Likewise, supportive policies from China Railway Corporation will continue to spur the growth of rail containerized cargoes and international block trains

Business Outlook – Infrastructure

Chongqing Rail Container Terminal

services. Under its business expansion strategy, apart from the opening of Tianjin and Urumqi terminals in FY2017, CUIRC has proactively made plans to expand the handling capacity of several terminals. Furthermore, warehouses are currently under construction at Chongqing and Wuhan terminals to further enhance their intermodal capabilities and services upon their completion in FY2018.

To enhance collaboration and improve logistics efficiency within their respective regions, Fujian, Hebei and Tianjin have announced their plans to integrate the seaport operations within their respective jurisdictions. This will benefit the Group's investments in Xiamen and Tianjin ports.

Aviation

Global air traffic growth has maintained strong momentum in recent years and the International Air Transport Association is projecting air passenger traffic growth at a rate of 7.4% in 2017. Based on the uptrends for both global air passenger traffic and commercial aircraft demand, the outlook of the aircraft leasing market remains highly favourable.

BCIA will continue to advance the implementation of the hub strategy in the coming years. While aircraft movements of BCIA are expected to experience mild growth, the shift in air passenger traffic mix towards international passengers will continue through air route planning and development. On the other hand, BCIA will endeavour to strengthen safety management and security, enhance service quality and improve passengers' experience. It also plans to promote itself as a smart airport backed by innovative technologies. Looking ahead, the prospects of BCIA will be influenced by the outcome of various factors including tariff reform, renewal of duty free concession contracts and the opening of Beijing's new airport.

Aircraft manufacturers have forecast that the aircraft fleet in the world will double over the next 20 years. In addition, the demand for leased aircraft will be driven by passenger traffic growth especially from the populous nations such as China and India and expansion of low cost carriers. The introduction of the concessionary tax regime in Hong Kong also signals a promising future for Hong Kong to serve as an aircraft leasing hub in this region. Notwithstanding competition among aircraft lessors in acquiring and funding aircraft assets, the Group is confident that this business will continue to act as an important growth driver in the coming years. The successful issuance by Goshawk of US$566.5 million unsecured notes through a private placement in the United States in July 2017, the largest ever US private placement issuance by an aircraft lessor, confirmed the market's recognition of its strength and competitiveness.

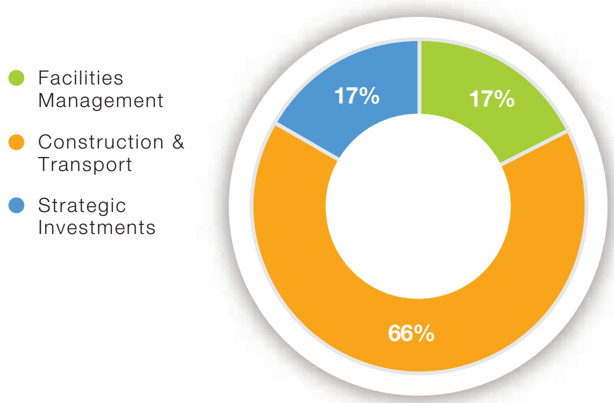
Operational Review – Services

The Services division recorded an AOP of HK$1,717.4 million in FY2017, representing a 9% decrease from FY2016. The Construction business maintained its healthy growth momentum on the back of a strong order book and growing pipeline of construction projects. Owing to the full consolidation of NWS Transport in the second half of FY2017, the Transport business managed to deliver a positive contribution against the competition from MTR's network expansion. However, these positive effects were offset by the AOP decline from the Facilities Management segment as its performance was negatively impacted by Free Duty's subdued business and the initial operating loss of the newly opened Gleneagles Hong Kong Hospital ("GHK").

AOP Contribution by Segment

For the year ended 30 June

	2017 HK$'m	2016 HK$'m	Change % Fav./(Unfav.)
Facilities Management	**301.1**	645.0	(53)
Construction & Transport	**1,131.8**	911.6	24
Strategic Investments	**284.5**	326.8	(13)
Total	**1,717.4**	1,883.4	(9)



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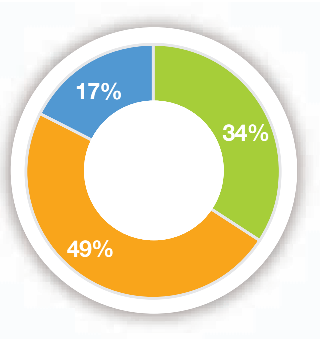


2016

Services

Operational Review – Services

An exhibition at the Hong Kong Convention and Exhibition Centre

Facilities Management

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

During FY2017, 1,102 events were held at HKCEC with a total patronage of approximately 5.7 million. Even though the size of some recurring exhibitions were scaled back, HKCEC was able to deliver stable and solid results by successfully securing 44 new exhibitions and conferences under various themes including cloud technology, medical science, yoga and waste-recycling.

The performance of Free Duty in FY2017 remained suppressed as tourist spending remained weak with no notable improvement in land border visitor arrivals. Profit margins were under pressure posed by rising operating costs. The Group will continue to develop marketing strategies to boost sales.

GHK, in which the Group has 40% interest, commenced operations on 21 March 2017. The hospital is fully equipped and staffed to provide a wide range of clinical services covering more than 35 specialties and subspecialties. In FY2017, GHK recorded as anticipated an initial operating loss during the start-up phase.

To further capture the growing demand for healthcare services in Mainland China, the Group subscribed for 20% of the enlarged issued share capital of UMP Healthcare China Limited and established Healthcare Assets Management Limited ("Healthcare Assets", a 50/50 joint venture with CTF Enterprises) to serve as an investment platform for investing in healthcare facilities in Mainland China, with primary focus on clinics and medical centres offering primary healthcare. Healthcare Assets completed the acquisition of four clinics located in Beijing and Shanghai in March 2017.

Construction & Transport

AOP contribution from the Construction business grew strongly by 27% to reach a new record of HK$909.5 million in FY2017, reflecting the continuous improvement in gross profit through effective project management. Major projects during FY2017 included New World Centre re-modelling, a property development project at the MTR Tsuen Wan West Station, construction of Home Ownership Scheme Developments at Kiu Cheong Road, Tin Shui Wai, Phase Two Expansion of Cathay Pacific's catering services facility and a composite development at Tseung Kwan O. In addition, new tenders awarded during FY2017 included a property development project at the MTR Tai Wai Station, main contract

Operational Review – Services

New World First Bus and Citybus

works for Lohas Park Package 5 and Package 6, a retail and hotel development at Tung Chung and Hong Kong Science Park Expansion Stage 1. As at 30 June 2017, the gross value of contracts on hand for the Construction business was approximately HK$87.6 billion and the remaining works to be completed amounted to approximately HK$54.7 billion.

Suffering from the significant loss of ridership and revenue following the opening of MTR Kwun Tong Line Extension and South Island Line and the increasing operating costs, the overall results of NWS Transport Group in FY2017 decreased notwithstanding the drop in average fuel costs under the hedging programme. However, the negative impact was mitigated by the additional contribution from NWS Transport Group as wholly owned subsidiaries of the Group for six months and therefore the AOP contribution from the Group's Transport business grew by 13% to HK$222.3 million.

Strategic Investments

This segment includes contributions from Hyva, Tharisa, Haitong International, Tricor, Newton Resources and other investments held by the Group during FY2017 for strategic investment purposes. As mentioned earlier, the Group disposed its entire stake in Tricor in March 2017.

Hyva's sales in Mainland China, Europe and America continued to improve while its performance in India was hindered by changing policy directions. Its management continues to exercise cost savings measures to enhance profitability.

Tharisa remained on track to achieve its targeted mining recovery rates. Market price of chrome concentrate rebounded satisfactorily in FY2017, providing a more favourable operating environment for Tharisa. The sound fundamentals and growth forecast of the global stainless steel market will drive the demand for chrome.

The Group's remaining interests in Haitong International and Newton Resources have both been reclassified as available-for-sale financial assets. As such, contributions after their respective reclassification will only comprise dividend incomes from each of these investments.

Business Outlook – Services

In Hong Kong, the generally positive global economic environment looks set to support external demand while domestic demand will benefit from favourable labour market and improved economic sentiments. However, as the retail headwinds prevail, the operating environment for Services division will remain challenging.

Facilities Management

HKCEC continued to foster its leading position in the industry and was awarded “Best Convention and Exhibition Centre in Greater China” in 2017 by CEI Asia magazine, one of the most influential trade publications in the region. Looking ahead, the management company of HKCEC, Hong Kong Convention and Exhibition Centre (Management) Limited, will focus its business development efforts on targeting high profile arts and auction events and new technology-based exhibitions.

In view of the slowdown in inbound Mainland tourists and the corresponding decline in visitor spending, Free Duty will actively seek opportunities to extend and develop its e-commerce platform and duty paid business. The Group is pleased to have won a competitive bid to continue its duty free concessions for five years at the MTR Hung Hom, Lo Wu and Lok Ma Chau Stations until 2022.

With the opening of GHK, acquisition of interests in UMP Healthcare China Limited and the setup of Healthcare Assets, the Group is primed to capture the ever increasing demand for healthcare services in Hong Kong and Mainland China. Being fully equipped with the most modern and advanced medical equipment and facilities and staffed by highly qualified medical personnel, GHK is committed to offering best-in-class healthcare services and patient care. Apart from augmenting the Group’s services portfolio in Hong Kong, this new healthcare business has all the credentials to be a long-term growth driver for the Services division.

Free Duty

Construction & Transport

The construction industry in Hong Kong will remain vibrant over the short to medium term, supported by the improved economic outlook and the active first-hand residential property market. In light of the existing contracts on hand and the opportunities to participate in other sizeable projects, the Group is confident to maintain a healthy order book and a good pipeline of projects in the coming years. However, profit margins are under pressure due to labour shortage, escalating labour and material costs and increasing focus on industrial safety and environmental protection. Retention of skilled project management staff and labour will remain a key challenge in order to ensure high quality, cost efficient and timely project delivery.

After taking public affordability into due consideration, New World First Bus and Citybus have recently applied to the Transport Department for a fare increase of 12% with effect from January 2018 in order to alleviate the pressure from increasing operating costs and loss of ridership. Bearing in mind that bus fares were last increased nine years ago in 2008, fare adjustment is long overdue to ensure sustainable operations and maintain service levels. Besides, the bus route rationalization programme put in place in the first half of 2017 will help reduce operating costs and mitigate the adverse effect of the loss of ridership. Notwithstanding the competition from MTR’s 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. With an average daily patronage of over one million, franchised buses will continue to be an important mode of transportation in Hong Kong. Hence the Group has every confidence in the prospects of NWS Transport Group despite the challenges in its operating environment.

Conclusions

The encouraging results of FY2017 bear testimony to the tireless and diligent efforts of the Group in the pursuit of profitable and sustainable growth. In addition to delivering record profitability, the Group successfully reinforced its business foundation through restructuring and consolidation to enhance its capability to seize growth opportunities and maintain competitiveness.

As evidenced by its strong operating performances, the Roads segment is poised to take full advantage of the increasing traffic volume associated with urbanization and economic growth in Mainland China, while the Aviation segment is expected to thrive in conjunction with the increasing demand for air travel. SUEZ NWS and Derun Environment will facilitate the Group's quest to be part of a leading environmental solution provider in Greater China. With the recent policy to relieve the operating pressure on coal-fired power producers and the electricity demand growth in Mainland China, the downturn of the energy business appears to have been alleviated. The Environment segment is on track in its growth mode. The national policies supporting rail intermodal transport solutions together with the opening of Tianjin and Urumqi terminals will continue to boost the throughput of CUIRC under the Logistics segment. The overall outlook of the Infrastructure division remains promising.

The overall performance of the Services division further reflected the mixed operating environment across different business units here in Hong Kong. Backed by the buoyant construction market and effective project management, the Construction business continues to grow from strength to strength. Coupled with NWS Transport Group making full-year contribution as wholly owned subsidiaries starting from FY2018, the Construction & Transport segment is well positioned to maintain its growth momentum. On the other hand, the performance of the Facilities Management segment will remain low in the meantime as GHK continues its business ramp-up while weak consumer spending weighs down on Free Duty's retail sales.

The overall strong financial position of the Group ultimately translates into a high degree of flexibility and agility in funding new investments. With some HK$4 billion being earmarked for capital expenditures in FY2018, the Group will continue to uphold its proactive and prudent investment approach in operating and maintaining a diversified asset portfolio with strong growth prospects.

Remodeling of New World Centre, a construction project undertaken by New World Construction Company Limited

REPORTS AND FINANCIAL STATEMENTS

The directors of NWS Holdings Limited (the "Company", together with its subsidiaries, the "Group") submit their report together with the audited financial statements of the Group for the year ended 30 June 2017.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

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

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

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

Business Review

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, as well as the outlook for the Group's business, are provided in the "Chairman's Statement" (pages 8 and 9) and the "Management Discussion and Analysis" (pages 70 to 87) sections. Particulars of significant events affecting the Group that have occurred since the end of the year ended 30 June 2017, if applicable, can also be found in the aforesaid sections and the notes to the financial statements (pages 124 to 215). Description of the principal risks and uncertainties faced by the Group can be found throughout this annual report, particularly in the "Risk Management" section (pages 51 to 57). Description of the Group's relationships with its key stakeholders is included in the "Corporate Governance Report" (pages 24 to 50) and the "Sustainability" (pages 58 to 69) sections. Furthermore, the Group's environmental policies and performance are set out in the "Sustainability" section (pages 58 to 69) and details regarding the Group's compliance with relevant laws and regulations which have a significant impact on the Group are provided in the "Corporate Governance Report" section (pages 24 to 50).

This discussion forms part of this report of the directors.

Results and Appropriations

The results of the Group for the year and the state of affairs of the Company and of the Group as at 30 June 2017 are set out in the financial statements on pages 116 to 215.

The board of directors of the Company (the "Board") has resolved to recommend a final dividend (the "Final Dividend") of HK$0.39 per share (2016: HK$0.34 per share) and a special final dividend (the "Special Final Dividend") of HK$0.72 per share (2016: nil) (both in cash) for the year ended 30 June 2017 to the shareholders whose names appear on the register of members of the Company on 23 November 2017. Together with the interim dividend of HK$0.34 per share (2016: HK$0.31 per share) paid in May 2017, total distribution of dividend by the Company for the year ended 30 June 2017 will therefore be HK$1.45 per share (2016: HK$0.65 per share).

Subject to the passing of the relevant resolutions at the annual general meeting of the Company to be held on 17 November 2017 (the "2017 AGM"), it is expected that the Final Dividend and the Special Final Dividend will be paid on or about 11 December 2017.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 43 to the financial statements.

Associated Companies and Joint Ventures

Particulars of the Group's principal associated companies and joint ventures are set out in notes 44 and 45 to the financial statements respectively.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 42 and 29 to the financial statements respectively.

Distributable Reserves

At 30 June 2017, the Company's reserves available for distribution amounted to HK$16,868.4 million (2016: HK$10,047.3 million).

Donations

During the year, the Group made charitable donations amounted to HK$5.0 million (2016: HK$3.4 million).

Investment Properties

Details of movements in the investment properties of the Group during the year are set out in note 15 to the financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

Shares Issued

During the year, the Company issued shares as follows:

(a) the Company declared final dividend for the year ended 30 June 2016 and interim dividend for the six months ended 31 December 2016 in scrip form (with cash option). Accordingly, a total of 51,329,288 ordinary shares of the Company, fully paid, were issued for a total consideration of HK$667.1 million; and

(b) as a result of the exercise of share options under the share option scheme of the Company, a total of 4,995,960 ordinary shares of the Company, fully paid, were issued for a total consideration of HK$70.6 million.

Details of movements in the share capital of the Company during the year are set out in note 28 to the financial statements.

Debentures Issued

The Group has not issued any debentures during the year.

Bank Loans and Other Borrowings

Particulars of the bank loans and other borrowings of the Group are set out in note 30 to the financial statements.

Equity-Linked Agreements

Save for the share option scheme of the Company disclosed in the section headed "Share Option Scheme" below and note 28 to the financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

Pre-emptive Rights

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

Purchase, Sale or Redemption of the Company's Listed Securities

The US$500 million 6.5% guaranteed bonds due 2017 (the "Bonds", which were listed on the Singapore Exchange Securities Trading Limited) issued by Rosy Unicorn Limited, an indirect wholly owned subsidiary of the Company, and guaranteed by the Company matured on 9 February 2017. The Bonds were fully redeemed at their principal amount on the said maturity date.

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

Major Customers and Suppliers

The amount of turnover attributable to the Group's five largest customers in aggregate and the Group's largest customer accounted for 31% and 15% respectively of the Group's total turnover for the year ended 30 June 2017. The largest, the fourth and the fifth largest customers are subsidiaries of the Company's ultimate holding company and Dr Cheng Kar Shun, Henry is a director of the largest and the fourth largest customers. The turnover from these three customers is in respect of the Group's construction business.

Save as the interests disclosed above and in the section headed "Directors' Interests in Securities" below, none of the directors, their close associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued shares) had an interest in these major customers.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year ended 30 June 2017.

Management Contracts

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

Permitted Indemnity Provisions

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

In addition, a directors and officers liability insurance policy insuring claims made against, among others, the directors and the senior management of the Group members and the persons representing the Group in associates as directors or senior management was in effect throughout the year ended 30 June 2017 and remained in effect up to the date of this report.

Directors

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

Executive directors

Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Tsang Yam Pui *(Chief Executive Officer)*
Mr Hui Hon Chung *(Deputy Chief Executive Officer)* (resigned and will vacate office on 1 November 2017)
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Mak Bing Leung, Rufin (appointed on 1 January 2017)

Non-executive directors

Mr To Hin Tsun, Gerald
Mr Dominic Lai
Mr Lam Wai Hon, Patrick
Mr William Junior Guilherme Doo

Independent non-executive directors

Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan
Mrs Oei Fung Wai Chi, Grace

In accordance with bye-law 87 of the Company's bye-laws, Dr Cheng Kar Shun, Henry, Mr Cheng Chi Ming, Brian, Mr Lam Wai Hon, Patrick and Dr Cheng Wai Chee, Christopher will retire by rotation at the 2017 AGM and being eligible, will offer themselves for re-election.

Directors' Service Contracts

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

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in the section headed "Connected Transactions" below and note 14(b) to the financial statements, and the contracts amongst group companies, no other transactions, arrangements or contracts of significance in relation to the Group's businesses to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party, and in which any director of the Company or the director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

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

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Dr Cheng Kar Shun, Henry	Chow Tai Fook Enterprises Limited ("CTF Enterprises") group of companies	Investment in healthcare and commercial aircraft leasing businesses	Director
		Investment in transport services business (up to and including 29 December 2016)	Director
	FSE Holdings Limited group of companies	Carpark management	Director and shareholder
	Silver City International Limited group of companies	Food and beverage operations	Director
Mr Cheng Chi Ming, Brian	Integrated Waste Solutions Group Holdings Limited	Investment in waste management business	Director
Mr To Hin Tsun, Gerald	Mongolia Energy Corporation Limited	Investment in coal mining	Director
Mr Lam Wai Hon, Patrick	FSE Holdings Limited group of companies	Carpark management	Director
	Road King Infrastructure Limited	Development, operation and management of toll roads	Director (retired on 18 May 2017)
Mr William Junior Guilherme Doo	FSE Holdings Limited group of companies	Carpark management	Director
	Silver City International Limited group of companies	Food and beverage operations	Director

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

Directors' Rights to Acquire Shares or Debentures

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

Directors' Interests in Securities

As at 30 June 2017, the directors of the Company had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO:

(a) Long position in shares

	Number of shares				Approximate percentage of shareholding
	Personal interests	Family interests	Corporate interests	Total	as at 30.06.2017
The Company					
(Ordinary shares of HK$1.00 each)					
Dr Cheng Kar Shun, Henry	18,349,571	–	12,000,000[(1)]	30,349,571	0.781%
Mr Tsang Yam Pui	180,000	–	–	180,000	0.005%
Mr Lam Wai Hon, Patrick	1,316,207	–	7,608[(2)]	1,323,815	0.034%
Mr William Junior Guilherme Doo	–	–	128,869[(3)]	128,869	0.003%
Mr Kwong Che Keung, Gordon	1,207,077	–	–	1,207,077	0.031%
Dr Cheng Wai Chee, Christopher	2,875,786	–	–	2,875,786	0.074%
New World Development Company Limited ("NWD")					
(Ordinary shares)					
Mr Cheung Chin Cheung	124,400	–	–	124,400	0.001%
Mr William Junior Guilherme Doo	–	40,000[(4)]	–	40,000	0.000%
Mr Kwong Che Keung, Gordon	40,000	–	–	40,000	0.000%

Notes:

(1) The shares were held by a company wholly owned by Dr Cheng Kar Shun, Henry.

(2) The shares were held by a company wholly owned by Mr Lam Wai Hon, Patrick.

(3) The shares were held by a company wholly owned by Mr William Junior Guilherme Doo.

(4) The shares were held by the spouse of Mr William Junior Guilherme Doo.

Directors' Interests in Securities (continued)

(b) Long position in underlying shares – share options

(i) The Company

The following directors of the Company had personal interests in options to subscribe for shares of the Company:

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.07.2016	Granted during the year	Adjusted during the year[(2)]	Exercised during the year	Balance as at 30.06.2017	Exercise price per share[(2)] HK$
Dr Cheng Kar Shun, Henry	9 March 2015	(1)	7,412,058	–	8,681	–	7,420,739	14.120
Mr Tsang Yam Pui	9 March 2015	(1)	3,706,028	–	4,340	–	3,710,368	14.120
Mr Cheung Chin Cheung	9 March 2015	(1)	3,706,028	–	4,340	–	3,710,368	14.120
Mr Cheng Chi Ming, Brian	9 March 2015	(1)	3,706,028	–	4,340	–	3,710,368	14.120
Mr To Hin Tsun, Gerald	9 March 2015	(1)	701,140	–	820	–	701,960	14.120
Mr Dominic Lai	9 March 2015	(1)	701,140	–	820	–	701,960	14.120
Mr Lam Wai Hon, Patrick	9 March 2015	(1)	3,706,028	–	4,340	(429,000)[(3)]	3,281,368	14.120
Mr William Junior Guilherme Doo	9 March 2015	(1)	701,140	–	820	(701,960)[(4)]	–	–
Mr Kwong Che Keung, Gordon	9 March 2015	(1)	1,402,281	–	1,641	–	1,403,922	14.120
Dr Cheng Wai Chee, Christopher	9 March 2015	(1)	1,402,281	–	1,641	–	1,403,922	14.120
Mr Shek Lai Him, Abraham	9 March 2015	(1)	1,402,281	–	1,641	–	1,403,922	14.120
Mr Lee Yiu Kwong, Alan	9 March 2015	(1)	1,402,281	–	1,641	–	1,403,922	14.120

Notes:

(1) 60% of the share options granted are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options granted are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

(2) The Company declared final dividend for the year ended 30 June 2016 and interim dividend for the six months ended 31 December 2016 in scrip form (with cash option) during the year. Accordingly, adjustments were made to the number and exercise price of outstanding share options. The exercise price per share of the outstanding share options was adjusted from HK$14.137 to HK$14.126 on 29 December 2016, and further to HK$14.120 on 15 May 2017.

(3) The exercise price was HK$14.120 per share. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was approximately HK$15.255 per share.

(4) The exercise price was HK$14.120 per share. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was approximately HK$15.202 per share.

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

Directors' Interests in Securities (continued)

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

(ii) NWD

Under the share option scheme of NWD, the holding company of the Company, the following director of the Company had personal interest in options to subscribe for shares of NWD. Details of the share options of NWD granted to him are as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.07.2016	Granted during the year	Exercised during the year	Balance as at 30.06.2017	Exercise price per share HK$
Dr Cheng Kar Shun, Henry	10 June 2016	(1)	10,675,637	–	–	10,675,637	7.540

Notes:

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

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

(c) Long position in debentures

(i) New World China Land Limited ("NWCL")

The following director of the Company had interest in the debentures issued by NWCL, a fellow subsidiary of the Company, which included the RMB3,000,000,000 5.50% bonds due 2018, the US$900,000,000 5.375% notes due 2019 under its US$1,500,000,000 medium term note programme, and the US$600,000,000 4.75% guaranteed notes due 2027. Details of his interest in such debentures are as follows:

Name	Amount of debentures in RMB: Personal interests	Family interests	Corporate interests	Total	Approximate percentage to the total amount of debentures in issue as at 30.06.2017
Mr William Junior Guilherme Doo	–	–	33,756,000 (Note)	33,756,000	0.305%

Note: The debentures were held by a company wholly owned by Mr William Junior Guilherme Doo of which RMB12,256,000 debentures were issued in US$ and had been translated into RMB using the rate of US$1 = RMB6.128.

Directors' Interests in Securities (continued)

(c) Long position in debentures (continued)

(ii) Fita International Limited

The following director of the Company had interest in the US$750,000,000 7.00% guaranteed bonds due 2020 issued by Fita International Limited, a fellow subsidiary of the Company. Details of his interest in such debentures are as follows:

Name	Amount of debentures in US$ Personal interests	Family interests	Corporate interests	Total	Approximate percentage to the total amount of debentures in issue as at 30.06.2017
Mr William Junior Guilherme Doo	–	–	3,000,000 (Note)	3,000,000	0.400%

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

(iii) NWD (MTN) Limited

The following director of the Company had interest in debentures issued under the medium term notes programme of NWD (MTN) Limited, a fellow subsidiary of the Company. Details of his interest in such debentures are as follows:

Name	Amount of debentures in US$ Personal interests	Family interests	Corporate interests	Total	Approximate percentage to the total amount of debentures in issue as at 30.06.2017
Mr William Junior Guilherme Doo	–	–	2,000,000 (Note)	2,000,000	0.071%

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

Directors' Interests in Securities (continued)

(c) Long position in debentures (continued)

(iv) NWD Finance (BVI) Limited

The following director of the Company had interest in US$1,200,000,000 5.75% guaranteed senior perpetual capital securities issued by NWD Finance (BVI) Limited, a fellow subsidiary of the Company. Details of his interest in such debentures are as follows:

Name	Amount of debentures in US$				Approximate percentage to the total amount of debentures in issue as at 30.06.2017
	Personal interests	Family interests	Corporate interests	Total	
Mr William Junior Guilherme Doo	–	–	1,310,000 (Note)	1,310,000	0.109%

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

Save as disclosed above, as at 30 June 2017, none of the directors or chief executive of the Company had or deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Listing Rules.

Share Option Scheme

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

Purpose of the Scheme	To reward directors and employees of the Group for their past service or performance; providing incentive, motivation or reward to eligible participants for optimizing their performance or making contribution to the Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to the Group; and fostering a sense of corporate identity.
Participants of the Scheme	Eligible participant may be a person or an entity belonging to any of the following classes: (i) any eligible employee; (ii) any non-executive director (including independent non-executive director) of the Group or any invested entity of the Group ("Invested Entity"); (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.
Total number of shares available for issue under the Scheme and percentage of the issued shares as at the date of this report	The Company had granted share options to certain eligible participants to subscribe for a total of 55,623,705 shares of the Company under the Scheme, which include certain adjustments made pursuant to the rules of the Scheme, up to the date of this report. The total number of shares available for issue under the Scheme is 284,347,597 shares, representing approximately 7.31% of the Company's total number of issued shares as at the date of this report.

Share Option Scheme (continued)

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

During the year ended 30 June 2017, movement of share options granted by the Company under the Scheme is as follows:

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

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

		Number of share options						
Date of grant	Exercisable period (Note)	Balance as at 01.07.2016	Granted during the year	Adjusted during the year[2]	Exercised during the year[3]	Lapsed during the year	Balance as at 30.06.2017	Exercise price per share[2] HK$
9 March 2015	(1)	25,327,109	–	28,569	(3,865,000)	(887,667)	20,603,011	14.120

Notes:

(1) 60% of the share options granted are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options granted are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

Share Option Scheme (continued)

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

Notes: (continued)

(2) The Company declared final dividend for the year ended 30 June 2016 and interim dividend for the six months ended 31 December 2016 in scrip form (with cash option) during the year. Accordingly, adjustments were made to the number and exercise price of outstanding share options. The exercise price per share of the outstanding share options was adjusted from HK$14.137 to HK$14.126 on 29 December 2016, and further to HK$14.120 on 15 May 2017.

(3) Of the 3,865,000 share options exercised during the year, (i) 551,000 share options were exercised at the exercise price of HK$14.126 per share. The weighted average closing price of the shares of the Company immediately before the dates on which such share options were exercised was approximately HK$14.434 per share; and (ii) 3,314,000 share options were exercised at the exercise price of HK$14.120 per share. The weighted average closing price of the shares of the Company immediately before the dates on which such share options were exercised was approximately HK$15.234 per share.

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

Substantial Shareholders' Interest in Securities

As at 30 June 2017, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

	Number of shares			Approximate percentage to the issued share capital of the Company as at 30.06.2017
Name	**Beneficial interests**	**Corporate interests**	**Total**	
Cheng Yu Tung Family (Holdings) Limited	–	2,477,530,362[(1)]	2,477,530,362	63.72%
Cheng Yu Tung Family (Holdings II) Limited	–	2,477,530,362[(2)]	2,477,530,362	63.72%
Chow Tai Fook Capital Limited	–	2,477,530,362[(3)]	2,477,530,362	63.72%
Chow Tai Fook (Holding) Limited	–	2,477,530,362[(4)]	2,477,530,362	63.72%
CTF Enterprises	97,034,424	2,380,495,938[(5)]	2,477,530,362	63.72%
NWD	1,588,468,276	792,027,662[(6)]	2,380,495,938	61.22%
Mombasa Limited	718,384,979	–	718,384,979	18.48%

Notes:

(1) Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in Chow Tai Fook Capital Limited ("CTFC") and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(2) Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(3) CTFC held approximately 81.03% direct interest in Chow Tai Fook (Holding) Limited ("CTFH") and was accordingly deemed to have an interest in the shares deemed to be interested by CTFH.

(4) CTFH held 100% direct interest in CTF Enterprises and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Enterprises.

(5) CTF Enterprises, together with its subsidiaries, held more than one-third of the issued shares of NWD and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.

(6) NWD held 100% indirect interest in Mombasa Limited and was accordingly deemed to have an interest in the shares held by Mombasa Limited in the Company. NWD was also deemed to be interested in 2,979,975 shares held by Financial Concepts Investment Limited, 35,331,354 shares each held by Hing Loong Limited and Fine Reputation Incorporated respectively, all of them being subsidiaries of NWD.

(7) All the interests stated above represented long positions.

Save as disclosed above, there was no other interest recorded in the register that was required to be kept under Section 336 of the SFO as at 30 June 2017.

Sufficiency of Public Float

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

Connected Transactions

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

(1) On 11 April 2014, a master services agreement was entered into between the Company and CTF Enterprises (the "CTF Enterprises Master Services Agreement") whereby each of the Company and CTF Enterprises agreed to, and agreed to procure that members of the Group or the CTF Enterprises Group (being (a) CTF Enterprises; (b) any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company; (c) any other company in the equity capital of which CTF Enterprises and/or such other companies referred to in (b) above taken together are or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers (the "Takeovers Code") as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors; and (d) the subsidiaries of such other companies referred to in (b) and (c) above, but excluding members of the NWD Group (as defined in (2) below) and the Group) (to the extent practicable), engage relevant members of the CTF Enterprises Group or the Group to provide certain operational services to relevant members of the Group or the CTF Enterprises Group during the term of the CTF Enterprises Master Services Agreement.

As at the date of signing of the CTF Enterprises Master Services Agreement, CTF Enterprises held approximately 42.89% of the total issued share capital of NWD and approximately 2.61% of the total issued share capital of the Company. NWD held approximately 61.30% of the total issued share capital of the Company. Accordingly, CTF Enterprises was regarded as a connected person of the Company under the Listing Rules. Thus, the CTF Enterprises Master Services Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

The CTF Enterprises Master Services Agreement, the transactions contemplated thereunder and the related annual caps were approved by the independent shareholders at the special general meeting of the Company held on 22 May 2014 (the "SGM"). The CTF Enterprises Master Services Agreement has an initial term of three years commencing from 1 July 2014. Subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules at the relevant time, the CTF Enterprises Master Services Agreement may be renewed for a further term of three years.

During the year ended 30 June 2017, the contract amounts for the operational services under the CTF Enterprises Master Services Agreement are summarized as follows:

Categories	Approximate total contract sum HK$'m	Annual cap HK$'m
Operational services by members of the Group to members of the CTF Enterprises Group	81.6	1,201.0
Operational services by members of the CTF Enterprises Group to members of the Group	1.7	2.0

Connected Transactions (continued)

(2) On 11 April 2014, a master services agreement was entered into between the Company and NWD (the "NWD Master Services Agreement") whereby each of the Company and NWD agreed to, and agreed to procure that members of the Group or the NWD Group (being NWD, its subsidiaries, any other company in the equity capital of which NWD and/or any of its subsidiaries taken together are or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors, and the subsidiaries of such other companies, but excluding members of the Group) (to the extent practicable), engage relevant members of the NWD Group or the Group to provide certain operational services to relevant members of the Group or the NWD Group during the term of the NWD Master Services Agreement.

As at the date of signing of the NWD Master Services Agreement, NWD held approximately 61.30% of the total issued share capital of the Company and was a substantial shareholder of the Company. Accordingly, NWD was regarded as a connected person of the Company under the Listing Rules. Thus, the NWD Master Services Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

The NWD Master Services Agreement, the transactions contemplated thereunder and the related annual caps were approved by the independent shareholders at the SGM. The NWD Master Services Agreement has an initial term of three years commencing from 1 July 2014. Subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules at the relevant time, the NWD Master Services Agreement may be renewed for a further term of three years.

During the year ended 30 June 2017, the contract amounts for the operational services under the NWD Master Services Agreement are summarized as follows:

Categories	**Approximate total contract sum HK$'m**	**Annual cap HK$'m**
Operational services by members of the Group to members of the NWD Group	9,513.7	16,287.9
Operational services by members of the NWD Group to members of the Group	46.0	157.2

Connected Transactions (continued)

(3) On 11 April 2014, a master services agreement (the "DOO Master Services Agreement") was entered into between the Company and Mr Doo Wai Hoi, William ("Mr Doo") whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (being Mr Doo and any company in the equity capital of which Mr Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors, and the subsidiaries of such other companies) (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group during the term of the DOO Master Services Agreement.

Mr Doo was the Deputy Chairman and a non-executive director of the Company within the preceding 12 months of the date of the DOO Master Services Agreement. Accordingly, Mr Doo was regarded as a connected person of the Company under the Listing Rules. Each of the members of the Services Group was an associate of Mr Doo and hence a connected person of the Company. Thus, the DOO Master Services Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

The DOO Master Services Agreement, the transactions contemplated thereunder and the related annual caps were approved by the independent shareholders at the SGM. The DOO Master Services Agreement has an initial term of three years commencing from 1 July 2014. Subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules at the relevant time, the DOO Master Services Agreement may be renewed for a further term of three years.

On 20 November 2015, Mr Doo and the Company entered into a supplemental agreement to the DOO Master Services Agreement, with FSE Engineering Holdings Limited ("FSE Engineering") and FSE Management Company Limited ("FSE Management") joining in as parties, as an operational agreement to better reflect the provision and receipt of the abovementioned operational services by FSE Engineering and FSE Management, both of which are members of the Services Group.

During the year ended 30 June 2017, the contract amounts for the operational services under the DOO Master Services Agreement are summarized as follows:

Categories	**Approximate total contract sum HK$'m**	**Annual cap HK$'m**
Operational services by members of the Group to members of the Services Group	2.0	5.0
Operational services by members of the Services Group to members of the Group	964.7	3,173.8

Connected Transactions (continued)

(4) On 19 October 2016, (a) Natal Global Limited ("Natal Global", an indirect wholly owned subsidiary of the Company), Zion Sky Holdings Limited ("Zion Sky", a direct wholly owned subsidiary of CTF Enterprises), Investec Bank plc ("Investec") and GAL Partnership L.P. ("GAL") entered into a share purchase agreement (the "Goshawk SPA") pursuant to which, each of Natal Global and Zion Sky agreed to purchase (i) 50% of all the preference shares of par value of US$0.001 each in the capital of Goshawk Aviation Limited ("Goshawk") held by Investec, representing approximately 4.85% of its total issued share capital, and 50% of the shareholder loans advanced to Goshawk by Investec; and (ii) 50% of all the preference shares of par value of US$0.001 each in the capital of Goshawk held by GAL, representing approximately 5.15% of its total issued share capital, and 50% of the shareholder loans advanced to Goshawk by GAL, for an aggregate consideration of approximately US$88.4 million (equivalent to approximately HK$687.0 million) respectively; and (b) Pure Cosmos Limited ("Pure Cosmos", an indirect wholly owned subsidiary of the Company), Zion Sky and Investec entered into a share purchase agreement (the "Manco SPA", together with the Goshawk SPA, the "Agreements") pursuant to which, each of Pure Cosmos and Zion Sky agreed to purchase 50% of all the ordinary shares of par value of US$1 each in the capital of Goshawk Management Holdings (Cayman) Limited ("Manco") held by Investec, representing 10% of its total issued share capital, for a consideration of US$13.0 million (equivalent to approximately HK$101.0 million) respectively.

As at the date of signing of the Agreements, Goshawk was held by Natal Global, Zion Sky, Investec and GAL in the proportion of approximately 40%, 40%, 9.71% and 10.29% respectively and Manco was held by Pure Cosmos, Zion Sky and Investec in the proportion of 40%, 40% and 20% respectively. Zion Sky was wholly owned by CTF Enterprises and CTF Enterprises together with its subsidiaries held approximately 43.92% of the total issued share capital of NWD and CTF Enterprises held approximately 2.53% of the total issued share capital of the Company. NWD in turn held approximately 61.32% of the total issued share capital of the Company. The acquisitions by Natal Global and Pure Cosmos pursuant to the Agreements constituted connected transactions of the Company under the Listing Rules.

Completion of the acquisitions under the Agreements took place on 24 October 2016.

(5) On 15 November 2016, NWS Service Management Limited ("NWS Service (BVI)", a company incorporated in the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Company) and Enrich Group Limited ("Enrich", a direct wholly owned subsidiary of CTF Enterprises) entered into a sale and purchase agreement (the "NWS Transport SPA") pursuant to which Enrich conditionally agreed to dispose of and NWS Service (BVI) conditionally agreed to purchase 250,000,008 shares ("Sale Shares") of par value of HK$1 each in the capital of NWS Transport Services Limited ("NWS Transport"), representing 50% of its entire issued share capital, at a total consideration of HK$1.38 billion (subject to adjustment). Subsequently, the total consideration was adjusted to approximately HK$1.47 billion in accordance with the NWS Transport SPA.

As at the date of signing of the NWS Transport SPA, CTF Enterprises together with its subsidiaries held approximately 43.92% of the total issued share capital of NWD and CTF Enterprises held approximately 2.53% of the total issued share capital of the Company. NWD together with its subsidiaries held approximately 61.32% of the total issued share capital of the Company. As Enrich was a wholly owned subsidiary of CTF Enterprises, Enrich was therefore a connected person of the Company and the acquisition of the Sale Shares by NWS Service (BVI) from Enrich as contemplated under the NWS Transport SPA constituted a discloseable and connected transaction of the Company under the Listing Rules.

Completion of the acquisition of the Sale Shares by NWS Service (BVI) from Enrich under the NWS Transport SPA took place on 30 December 2016.

Connected Transactions (continued)

(6) On 15 December 2016, CTF Enterprises, Healthcare Ventures Holdings Limited ("Healthcare Ventures", a direct wholly owned subsidiary of CTF Enterprises), NWS Service Management Limited (a company incorporated in the Cayman Islands with limited liability and a direct wholly owned subsidiary of the Company), Dynamic Ally Limited ("Dynamic Ally", an indirect wholly owned subsidiary of NWS Service Management Limited) and Healthcare Assets Management Limited ("Healthcare Assets") entered into a joint venture agreement (the "Joint Venture Agreement") to regulate the respective rights and obligations of Healthcare Ventures and Dynamic Ally towards the management of Healthcare Assets. The entire issued share capital of Healthcare Assets is owned as to 50% by each of Healthcare Ventures and Dynamic Ally. Pursuant to the Joint Venture Agreement, the initial total capital commitment of each of Healthcare Ventures and Dynamic Ally towards Healthcare Assets shall be HK$70 million.

As at the date of signing of the Joint Venture Agreement, Healthcare Ventures was wholly owned by CTF Enterprises. CTF Enterprises together with its subsidiaries held approximately 43.92% of the total issued share capital of NWD and CTF Enterprises held approximately 2.53% of the total issued share capital of the Company. NWD together with its subsidiaries held approximately 61.32% of the total issued share capital of the Company. Accordingly, the formation of the joint venture between Healthcare Ventures and Dynamic Ally through Healthcare Assets and the initial total capital commitment in Healthcare Assets by Dynamic Ally pursuant to the Joint Venture Agreement and the performance of the transactions contemplated thereunder constituted a connected transaction of the Company under the Listing Rules.

(7) On 22 February 2017, Hip Hing Construction Holdings Limited ("Hip Hing Holdings", an indirect wholly owned subsidiary of the Company) and Coral Business Inc. ("Coral", a direct wholly owned subsidiary of NWD) entered into an agreement (the "Target Companies SPA") pursuant to which Hip Hing Holdings conditionally agreed to sell and Coral conditionally agreed to purchase one share of par value of US$1 in the share capital of each of Ultimate Cosmo Investments Limited, Central Key Investments Limited, Assets Castle Global Limited, Cyber Track Holdings Limited, Star Icon Investments Limited and Crystal City Investments Limited (collectively, the "Target Companies"), representing the entire issued share capital of each of the Target Companies, and the shareholder's loans owing from the Target Companies to Hip Hing Holdings immediately prior to completion of the Target Companies SPA, at a total cash consideration of approximately HK$177.4 million (subject to adjustment). The Target Companies indirectly held the entire interest in (i) all that factory on the ground floor, all that portion of car park loading and unloading area on the ground floor, all those three staircases and landings on the north and north east side, all those lifts and lift shaft areas and lift machine room on the north east side, all those storerooms on the ground floor, and all that underground fuel tank; (ii) all that portion A of the factory, all those portion B of the factory and the storerooms on the first floor; (iii) all that factory 1 (including the compressor room) and all those storerooms on the second floor; (iv) all that factory 1 and all those flat roof A with dangerous goods stores on the third floor; (v) all those lorry car parking spaces nos. 18 and 19 on the ground floor; and (vi) all that portion A of the external wall of Luen Cheong Can Centre situated at No. 8 Yip Wong Road, Tuen Mun, New Territories, Hong Kong.

As at the date of signing of the Target Companies SPA, NWD together with its subsidiaries held approximately 61.32% of the total issued share capital of the Company and Coral was a direct wholly owned subsidiary of NWD. Coral was therefore a connected person of the Company and the disposal of shares and assignment of shareholder's loans contemplated under the Target Companies SPA constituted connected transactions of the Company under the Listing Rules.

Completion of the disposal of shares and assignment of shareholder's loans under the Target Companies SPA took place on 31 March 2017.

Connected Transactions (continued)

(8) In view of the expiry of the CTF Enterprises Master Services Agreement, the NWD Master Services Agreement and the DOO Master Services Agreement on 30 June 2017, three new master services agreements were entered into by the Company on 10 April 2017 with details as follows:

(a) a new master services agreement was entered into between the Company and CTF Enterprises (the "New CTF Enterprises Master Services Agreement") whereby each of the Company and CTF Enterprises agreed to, and agreed to procure that members of the Group or the CTF Enterprises Group (to the extent practicable), engage relevant members of the CTF Enterprises Group or the Group to provide certain operational services to relevant members of the Group or the CTF Enterprises Group during the term of the New CTF Enterprises Master Services Agreement;

(b) a new master services agreement was entered into between the Company and NWD (the "New NWD Master Services Agreement") whereby each of the Company and NWD agreed to, and agreed to procure that members of the Group or the NWD Group (to the extent practicable), engage relevant members of the NWD Group or the Group to provide certain operational services to relevant members of the Group or the NWD Group during the term of the New NWD Master Services Agreement; and

(c) a new master services agreement was entered into between the Company and Mr Doo (the "New DOO Master Services Agreement") whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group during the term of the New DOO Master Services Agreement

(the New CTF Enterprises Master Services Agreement, the New NWD Master Services Agreement and the New DOO Master Services Agreement collectively, the "New Master Services Agreements").

As at the date of signing of the New Master Services Agreements,

(a) CTF Enterprises together with its subsidiaries held approximately 44.20% of the total issued share capital of NWD and CTF Enterprises held approximately 2.52% of the total issued share capital of the Company. NWD together with its subsidiaries held approximately 61.32% of the total issued share capital of the Company. Both CTF Enterprises and NWD were therefore connected persons of the Company under the Listing Rules;

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

Accordingly, each of the New Master Services Agreements constituted continuing connected transactions of the Company under the Listing Rules. The New NWD Master Services Agreement and the New DOO Master Services Agreement were subject to the independent shareholders' approval requirements under the Listing Rules. Approval from independent shareholders for such agreements, the transactions contemplated thereunder and the related annual caps was obtained at the special general meeting of the Company held on 25 May 2017. Each of the New Master Services Agreements has an initial term of three years commencing from 1 July 2017. Subject to re-compliance with the applicable Listing Rules at the relevant time, the New Master Services Agreements may be renewed at the end of the initial term for a further term of three years (or such other period permitted under the Listing Rules).

Connected Transactions (continued)

The price and terms of the continuing connected transactions mentioned in (1) to (3) above have been determined in accordance with the pricing policies and guidelines as set out in the circular of the Company dated 5 May 2014. These continuing connected transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into:

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

(b) on normal commercial terms or better;

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

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

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

Save as disclosed above, a summary of significant related party transactions made during the year, which included the abovesaid connected transactions of the Company, is disclosed in note 39 to the financial statements.

Disclosure pursuant to Rule 13.22 of the Listing Rules

As at 30 June 2017, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK$7,980.2 million to its affiliated companies (included in amounts disclosed in notes 19, 20 and 24 to the financial statements), guaranteed bank loans and other credit facilities for the benefit of the affiliated companies in the amount of HK$3,589.3 million (included in the amounts disclosed in note 36 to the financial statements) and contracted to provide an aggregate amount of HK$1,656.6 million in capital and/or loans to affiliated companies (included in the amounts disclosed in note 35 to the financial statements). The said amounts, in aggregate, represent approximately 18.5% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. Affiliated companies include associated companies and joint ventures of the Group.

The advances are unsecured, interest free and have no definite repayment terms except for (i) an aggregate amount of HK$104.7 million which carries interest at 8% per annum; (ii) an amount of HK$12.1 million which carries interest at Hong Kong prime rate; (iii) an amount of HK$1,600.0 million which carries interest at 6-month HIBOR plus a margin of 1.3% per annum and is not repayable within the next 12 months from the end of the reporting period; (iv) an amount of HK$279.7 million which carries interest at 12-month LIBOR plus a margin of 12.15% per annum and is repayable on demand; (v) an aggregate amount of HK$2,611.5 million which is interest free and is repayable within the next 12 months from the end of the reporting period; and (vi) an amount of HK$166.7 million which is interest free and is not repayable within the next 12 months from the end of the reporting period. The advances also include an aggregate amount of HK$197.5 million which has been subordinated to certain indebtedness of an affiliated company. Contracted capital and loan contributions to affiliated companies would be funded by internally generated resources and banking facilities of the Group.

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2017 are presented as follows:

	Proforma combined statement of financial position HK$'m	**The Group's attributable interest HK$'m**
Non-current assets	100,458.4	35,363.8
Current assets	12,847.6	4,037.4
Current liabilities	(24,658.7)	(10,231.2)
Non-current liabilities	(41,836.1)	(16,887.1)
	46,811.2	12,282.9

The proforma combined statement of financial position of the affiliated companies is prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 30 June 2017.

Employees and Remuneration Policies

As at 30 June 2017, approximately 28,100 staff were employed by entities under the Group's management of which approximately 11,300 staff were employed in Hong Kong. Total staff related costs, including provident funds, staff bonus and deemed share option benefit but excluding directors' remunerations, were HK$3.906 billion (2016: HK$3.033 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 216 and 217.

Auditor

The financial statements for the year ended 30 June 2017 have been audited by PricewaterhouseCoopers, who will retire at the 2017 AGM and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 20 September 2017

Independent Auditor's Report

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of NWS Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 116 to 215, which comprise:

- the consolidated statement of financial position as at 30 June 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

The key audit matter identified in our audit relates to the impairment of the Group's strategic investments.

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment of the Group's strategic investments	
(i) Investment in Tharisa plc ("Tharisa") (Refer to notes 5(a), 19 to the consolidated financial statements) The Group holds approximately 16% equity interest in Tharisa, a listed associated company, with carrying value of HK$874.9 million as at 30 June 2017. Tharisa is principally engaged in platinum group metals and chrome mining and processing and trading in South Africa. The shares of Tharisa are trading below the Group's carrying value per share, accordingly, the Group's management has involved an independent external valuer to carry out an impairment assessment using the discounted cash flow method. The key assumptions used in the "value-in-use" assessment include revenue growth rate, metal price and discount rate. As the impairment assessment involves significant judgement and estimates, we regard this as a key audit matter.	Our procedures on assessing the management's judgement for the impairment assessment of the Group's investment in Tharisa included: • We evaluated the competence, capabilities and objectivity of the independent external valuer; • With the support of our in-house valuation experts, we assessed the appropriateness of the valuation methodology and the reasonableness of the key assumptions adopted in the cash flow forecast; • We compared the actual operating results and the operating budget of Tharisa with the cash flow forecast and agreed the key assumptions to external market data or other supporting evidence where available; • We assessed the reasonableness of the discount rate applied by the management in the discounted cash flow model with reference to weighted average cost of capital of comparable companies based on comparison with external market data and publicly available information; and • We performed a sensitivity analysis on the key assumptions used in the impairment assessment to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts. Based on the procedures performed, we found the assumptions made by management were supported by available evidence.

Key Audit Matters (continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
(ii) Investments in strategic investment funds (Refer to notes 5(a), 19 to the consolidated financial statements) As at 30 June 2017, the Group had investments in strategic investment funds, with an aggregated carrying value of HK$2,740.8 million that were held by the Group's associated companies. The strategic investment funds principally included available-for-sale financial assets and loans and receivables. The assessment on impairment of available-for-sale financial assets and loans and receivables included in these strategic investment funds involve significant judgements exercised by the investment manager of the associated companies on which the Group's management relied. Based on the impairment assessments performed by the investment manager of the associated companies, the Group's management concluded that no impairment provision is needed in relation to the strategic investment funds as at 30 June 2017. We focused on this area due to the fact that there is significant judgement involved in assessing the impairment of the strategic investment funds.	Our procedures on assessing management's judgements in respect of the impairment assessment of the Group's investments in strategic investment funds included: • We evaluated and tested management's control procedures for monitoring the investments in the associated companies, which included their assessments of the effectiveness of the impairment indicators identification and credit control procedures carried out by the investment manager of the associated companies in relation to its investments; and • We evaluated management's assessments on impairment of available-for-sale financial assets and the recoverability assessment of the loans and receivables included in these strategic investment funds. We also assessed the reasonableness of fair value assessment of available-for-sale financial assets and considered the repayment history of the borrowers, credit worthiness and financial performance of the borrowers and their guarantors, value of the pledged assets and subsequent settlement of loans and receivables, if applicable. Based on the procedures performed above, we found management's impairment assessments relating to the investments in strategic investment funds were supported by available evidence.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Ho Chiu Ping, Dennis.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 September 2017

Consolidated Income Statement

For the year ended 30 June

	Note	2017 HK$'m	2016 HK$'m
Revenue	6	**31,385.0**	29,497.8
Cost of sales		**(27,763.2)**	(26,145.3)
Gross profit		**3,621.8**	3,352.5
Other income/gains	7	**1,105.2**	1,701.0
General and administrative expenses		**(1,293.7)**	(1,103.7)
Operating profit	8	**3,433.3**	3,949.8
Finance costs	10	**(468.3)**	(621.4)
Share of results of			
Associated companies	6(b)	**1,590.9**	724.3
Joint ventures	6(b)	**1,774.5**	1,541.7
Profit before income tax		**6,330.4**	5,594.4
Income tax expenses	11	**(685.2)**	(632.9)
Profit for the year		**5,645.2**	4,961.5
Attributable to			
Shareholders of the Company		**5,628.9**	4,912.8
Non-controlling interests		**16.3**	48.7
		5,645.2	4,961.5
Basic earnings per share attributable to the shareholders of the Company	13	**HK$1.46**	HK$1.30

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	2017 HK$'m	2016 HK$'m
Profit for the year	**5,645.2**	4,961.5
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment benefit obligation	**24.7**	(13.0)
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Fair value changes of available-for-sale financial assets	**196.2**	(317.2)
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 investment revaluation deficit to the consolidated income statement upon impairment of an available-for-sale financial asset	**–**	670.4
Release of reserve upon disposal of interest in a joint venture	**(129.8)**	–
Release of reserve upon deregistration of a subsidiary	**(15.3)**	–
Release of reserves upon partial disposal of interest in an associated company	**(5.6)**	–
Release of reserve upon disposal of available-for-sale financial assets	**(15.1)**	(623.0)
Share of other comprehensive (loss)/income of associated companies and joint ventures	**(7.0)**	13.6
Cash flow hedges	**253.8**	(147.0)
Currency translation differences	**(673.4)**	(2,438.1)
Other comprehensive loss for the year, net of tax	**(330.2)**	(2,854.3)
Total comprehensive income for the year	**5,315.0**	2,107.2
Total comprehensive income attributable to		
Shareholders of the Company	**5,306.4**	2,088.5
Non-controlling interests	**8.6**	18.7
	5,315.0	2,107.2

Consolidated Statement of Financial Position

As at 30 June

	Note	2017 HK$'m	2016 HK$'m
ASSETS			
Non-current assets			
Investment properties	15	**1,568.9**	1,612.6
Property, plant and equipment	16	**5,487.8**	1,034.7
Intangible concession rights	17	**11,936.2**	13,006.7
Intangible assets	18	**786.6**	386.9
Associated companies	19	**16,180.5**	14,947.7
Joint ventures	20	**15,128.8**	18,122.5
Available-for-sale financial assets	21	**3,025.5**	1,512.5
Other non-current assets	22	**887.0**	1,036.8
		55,001.3	51,660.4
Current assets			
Inventories	23	**484.0**	395.7
Trade and other receivables	24	**13,787.2**	10,909.2
Available-for-sale financial asset	21	**–**	30.0
Cash and bank balances	25	**6,453.4**	8,923.6
		20,724.6	20,258.5
Assets held-for-sale	26	**–**	3,766.1
Total assets		**75,725.9**	75,685.0
EQUITY			
Share capital	28	**3,888.3**	3,832.0
Reserves	29	**45,168.8**	41,786.9
Shareholders' funds		**49,057.1**	45,618.9
Non-controlling interests		**217.9**	239.5
Total equity		**49,275.0**	45,858.4

As at 30 June

	Note	2017 HK$'m	2016 HK$'m
LIABILITIES			
Non-current liabilities			
Borrowings	30	**9,376.9**	9,251.7
Deferred tax liabilities	31	**2,519.0**	2,109.3
Other non-current liabilities	32	**226.2**	215.0
		12,122.1	11,576.0
Current liabilities			
Borrowings	30	**305.8**	5,813.1
Trade and other payables	33	**13,642.9**	12,035.9
Taxation		**380.1**	318.3
		14,328.8	18,167.3
Liabilities directly associated with assets held-for-sale	26	**–**	83.3
Total liabilities		**26,450.9**	29,826.6
Total equity and liabilities		**75,725.9**	75,685.0

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

HK$'m	Shareholders' funds: Share capital	Shareholders' funds: Share premium	Shareholders' funds: Revenue reserve	Shareholders' funds: Other reserves	Shareholders' funds: Total	Non-controlling interests	Total
At 1 July 2016	**3,832.0**	**16,840.4**	**23,824.7**	**1,121.8**	**45,618.9**	**239.5**	**45,858.4**
Total comprehensive income for the year	**–**	**–**	**5,765.7**	**(459.3)**	**5,306.4**	**8.6**	**5,315.0**
Contributions by/(distribution to) owners							
Dividends paid to							
Shareholders of the Company	**–**	**–**	**(2,614.4)**	**–**	**(2,614.4)**	**–**	**(2,614.4)**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(10.9)**	**(10.9)**
Scrip dividends							
Nominal value of new shares issued	**51.3**	**–**	**–**	**–**	**51.3**	**–**	**51.3**
Share premium on new shares issued	**–**	**615.8**	**–**	**–**	**615.8**	**–**	**615.8**
Share options							
Value of services provided	**–**	**–**	**–**	**8.5**	**8.5**	**–**	**8.5**
Nominal value of new shares issued	**5.0**	**–**	**–**	**–**	**5.0**	**–**	**5.0**
Share premium on new shares issued	**–**	**65.6**	**–**	**–**	**65.6**	**–**	**65.6**
Repayment of capital to a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**(19.3)**	**(19.3)**
Transfer	**–**	**–**	**26.4**	**(26.4)**	**–**	**–**	**–**
Total transactions with owners	**56.3**	**681.4**	**(2,588.0)**	**(17.9)**	**(1,868.2)**	**(30.2)**	**(1,898.4)**
At 30 June 2017	**3,888.3**	**17,521.8**	**27,002.4**	**644.6**	**49,057.1**	**217.9**	**49,275.0**

For the year ended 30 June 2016

HK$'m	Shareholders' funds Share capital	Share premium	Revenue reserve	Other reserves	Total	Non-controlling interests	Total
At 1 July 2015	3,775.4	16,288.7	21,497.3	3,852.0	45,413.4	774.3	46,187.7
Total comprehensive income for the year	–	–	4,885.3	(2,796.8)	2,088.5	18.7	2,107.2
Contributions by/(distribution to) owners							
Dividends paid to							
Shareholders of the Company	–	–	(2,425.5)	–	(2,425.5)	–	(2,425.5)
Non-controlling interests	–	–	–	–	–	(113.2)	(113.2)
Scrip dividends							
Nominal value of new shares issued	56.6	–	–	–	56.6	–	56.6
Share premium on new shares issued	–	551.7	–	–	551.7	–	551.7
Share options							
Value of services provided	–	–	–	30.0	30.0	–	30.0
Transfer	–	–	(3.5)	3.5	–	–	–
	56.6	551.7	(2,429.0)	33.5	(1,787.2)	(113.2)	(1,900.4)
Changes in ownership interests in a subsidiary							
Further acquisition of interest in a subsidiary	–	–	(128.9)	33.1	(95.8)	(440.3)	(536.1)
	–	–	(128.9)	33.1	(95.8)	(440.3)	(536.1)
Total transactions with owners	56.6	551.7	(2,557.9)	66.6	(1,883.0)	(553.5)	(2,436.5)
At 30 June 2016	3,832.0	16,840.4	23,824.7	1,121.8	45,618.9	239.5	45,858.4

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2017 HK$'m	2016 HK$'m
Cash flows from operating activities			
Net cash generated from operations	37(a)	**3,898.0**	4,598.0
Finance costs paid		**(439.9)**	(542.6)
Interest received		**200.9**	287.5
Hong Kong profits tax paid		**(168.1)**	(296.0)
Mainland China and overseas taxation paid		**(532.6)**	(453.4)
Net cash generated from operating activities		**2,958.3**	3,593.5
Cash flows from investing activities			
Dividends received from associated companies		**1,879.7**	609.2
Dividends received from joint ventures		**1,587.1**	1,289.4
Increase in investments in and advances to associated companies		**(1,128.2)**	(1,902.9)
Increase in investments in and advances to joint ventures		**(1,425.4)**	(1,073.2)
Acquisition of subsidiaries	38(b)	**(1,017.6)**	–
Disposal of subsidiaries	37(b)	**189.0**	95.0
Partial disposal of an associated company		**352.0**	–
Disposal of a joint venture		**197.1**	189.5
Additions of property, plant and equipment		**(688.4)**	(548.9)
Additions of intangible concession rights		**–**	(122.1)
Additions of available-for-sale financial assets		**(1,360.4)**	(54.3)
Disposal of property, plant and equipment		**3.0**	1.2
Disposal of available-for-sale financial assets and a financial asset at fair value through profit or loss		**367.5**	836.3
Disposal of intangible concession rights and their related assets and liabilities		**12.7**	156.5
Disposal of assets held-for-sale		**3,373.1**	22.8
Dividends received from available-for-sale financial assets		**30.4**	65.8
Decrease in other non-current assets		**5.6**	4.1
Decrease/(increase) in short-term bank deposits maturing after more than three months		**26.4**	(26.6)
Net cash from/(used in) investing activities		**2,403.6**	(458.2)

For the year ended 30 June

	Note	2017 HK$'m	2016 HK$'m
Cash flows from financing activities			
Issuance of new shares from share options exercised		**70.6**	–
New bank loans and other borrowings		**2,802.4**	2,108.8
Repayment of bank loans and other borrowings		**(4,643.0)**	(3,862.8)
Redemption of fixed rate bonds		**(3,885.0)**	–
Acquisition of additional interests in a subsidiary		**–**	(454.2)
Balance payment of acquisition of additional interests in a subsidiary		**(81.9)**	–
Capital repayment to a non-controlling shareholder		**(23.6)**	–
Decrease in loan from non-controlling interests		**(23.8)**	(19.4)
Dividends paid to shareholders of the Company		**(1,947.3)**	(1,817.2)
Dividends paid to non-controlling interests		**(10.9)**	(113.2)
Net cash used in financing activities		**(7,742.5)**	(4,158.0)
Net decrease in cash and cash equivalents		**(2,380.6)**	(1,022.7)
Cash and cash equivalents at the beginning of year		**8,892.9**	10,405.7
Currency translation differences		**(75.5)**	(490.1)
Cash and cash equivalents at the end of year		**6,436.8**	8,892.9
Analysis of cash and cash equivalents			
Cash and bank balances	25	**6,453.4**	8,923.6
Short-term bank deposits maturing after more than three months	25	**(16.6)**	(43.2)
Cash and bank balances of a subsidiary reclassified as assets held-for-sale	26	**–**	12.5
		6,436.8	8,892.9

Notes to the Financial Statements

1 General Information

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

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

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

(b) the investment in and/or operation of facilities, construction, transport and strategic investments.

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

The consolidated financial statements were approved for issuance by the Board on 20 September 2017.

2 Basis of Preparation

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

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 below.

(a) Adoption of new standard and amendments to standards

During the year, the Group adopted the following new standard and amendments to standards which are relevant to the Group's operations and are mandatory for FY2017:

HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortization
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRSs Amendments	Annual Improvements to HKFRSs 2012-2014 Cycle

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

2 Basis of Preparation (continued)

(b) 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 2017 or later periods but which the Group has not early adopted:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses
HKAS 40 (Amendments)	Transfers of Investment Property
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)	Clarifications to HKFRS 15
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRSs Amendments	Annual Improvements to HKFRSs 2014-2016 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 assessment of HKFRS 15 and HKFRS 16 is detailed below. The Group will continue to assess the impact in more details.

(i) HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations. 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 a 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. Under HKFRS 15, an entity normally recognizes revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligations are identified.

Based on the preliminary assessment conducted, the Group does not expect the adoption of HKFRS 15 would have a material impact on the results and financial position of the Group other than additional disclosures.

2 Basis of Preparation (continued)

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

(ii) HKFRS 16 "Leases"

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 expense on the right-of-use asset and the interest expenses on the financial liability are recognized and no rental expenses will be recognized. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the financial liability will result in a higher total charge to income statements in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

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

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

3 Principal Accounting Policies

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

(a) Consolidation

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

(i) Subsidiaries

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

3 Principal Accounting Policies (continued)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

3 Principal Accounting Policies (continued)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

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

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

(ii) Associated companies

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

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

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

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

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

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

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

3 Principal Accounting Policies (continued)

(a) Consolidation (continued)

(ii) Associated companies (continued)

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

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

(iii) Joint arrangements

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

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

(1) Joint operations

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

(2) Joint ventures

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

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

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

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

3 Principal Accounting Policies (continued)

(a) Consolidation (continued)

(iii) Joint arrangements (continued)

(2) *Joint ventures (continued)*

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

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

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

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

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

(b) Non-controlling interests

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

(c) Intangible assets

(i) Goodwill

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

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

3 Principal Accounting Policies (continued)

(c) Intangible assets (continued)

(ii) Operating right

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

(iii) Intangible concession rights

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

The Group applies the intangible asset model to account for the Infrastructures where they are paid by the users of the Infrastructures and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable.

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

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

(d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors after eliminating sales within the Group.

Revenue is recognized when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activities have been resolved. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Port revenue

Port revenue from cargo, container handling and storage is recognized when services are rendered.

3 Principal Accounting Policies (continued)

(d) Revenue recognition (continued)

(ii) Toll revenue

Toll revenue from road and bridge operations is recognized when services are rendered.

(iii) Service fee income

Property and facilities management service fees and property letting agency fee are recognized when services are rendered.

(iv) Rental income

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

(v) Construction revenue

Revenue from a fixed price construction service contract is recognized using the percentage of completion method when the contracts have progressed to a stage where an outcome can be estimated reliably. The revenue is measured by reference to the proportion of costs incurred for work performed to the end of the reporting period as compared to the estimated total costs to completion. Anticipated losses on contracts are fully provided when it is probable that total contract costs will exceed total contract revenue.

Revenue from a cost-plus construction service contract is recognized when the outcome can be estimated reliably. The revenue is recognized by reference to the recoverable costs incurred during the year plus the fee earned.

When the outcome of construction service contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

(vi) Sales of goods

Income from sales of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(vii) Fare revenue

Fare revenue from bus and ferry services when the services are rendered.

(viii) Advertising income

Advertising income is recognized on a time proportion basis when the advertisement or commercial appears before the public.

(ix) Interest income

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

(x) Dividend income

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

3 Principal Accounting Policies (continued)

(e) Leases

(i) Finance leases

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

(ii) Operating leases

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

(f) Land use rights

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

(g) Investment properties

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

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

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

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

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

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

3 Principal Accounting Policies (continued)

(g) Investment properties (continued)

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

(h) Property, plant and equipment

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

(i) Assets under construction

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

(ii) Depreciation

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

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

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

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

(iii) Gain or loss on disposal

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

3 Principal Accounting Policies (continued)

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

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

(j) Financial assets

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods and services directly to a debtor with no intention of trading the receivable and are included in current assets, except for those with maturities more than 12 months after the end of the reporting period, which are classified as non-current assets. These are accounted for in accordance with the policy set out in note 3(m).

(iii) Available-for-sale financial assets

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

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

3 Principal Accounting Policies (continued)

(j) Financial assets (continued)

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

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

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

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

(k) Deferred income

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

(l) Derivative financial instruments and hedging activities

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

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

3 Principal Accounting Policies (continued)

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in notes 22, 24, 32 and 33. Movements in the hedging reserve in shareholders' equity are shown in note 29. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

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

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

(m) Trade and other receivables

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

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

3 Principal Accounting Policies (continued)

(n) Inventories

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

(o) Contracts in progress

Contracts in progress comprise contract cost incurred, plus recognized profits (less recognized losses) less progress billing. Cost comprises materials, direct labour and overheads attributable to bringing the work in progress to its present condition.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

For fixed price construction service contract, the Group uses the "percentage-of-completion method" to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The Group presents the net contract position for each contract as an asset, the gross amount due from customers for contract work, for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included under current assets.

The Group presents the net contract position for each contract as a liability, the gross amount due to customers for contract work, for all contracts in progress for progress billings exceed costs incurred plus recognized profits (less recognized losses).

(p) Assets held-for-sale

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

(q) Cash and cash equivalents

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

(r) Trade payables

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

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

3 Principal Accounting Policies (continued)

(s) Provisions

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

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

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

(t) Share capital

Ordinary shares are classified as equity.

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

(u) Contingent liabilities and contingent assets

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

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

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

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

(v) Current and deferred income tax

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

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

3 Principal Accounting Policies (continued)

(v) Current and deferred income tax (continued)

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

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

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

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

(w) Borrowing costs

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

(x) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

3 Principal Accounting Policies (continued)

(x) Foreign currencies (continued)

(iii) Group companies

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

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

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

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

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

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

(iv) Disposal of foreign operation and partial disposal

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

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

(y) Employee benefits

(i) Employee leave entitlements

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

(ii) Bonus plans

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

3 Principal Accounting Policies (continued)

(y) Employee benefits (continued)

(iii) Defined contribution plans

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

(iv) Defined benefit plans

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

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

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

(v) Share-based compensation

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

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

(z) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement or capitalized as stated in note 3(w) over the period of the borrowings using the effective interest method.

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

3 Principal Accounting Policies (continued)

(aa) Segment reporting

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

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

(ab) Dividend distribution

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

(ac) Insurance contracts

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

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

4 Financial risk management and fair value estimation

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk.

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

(a) Market risk

(i) Interest rate risk

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

Other than the fixed rate bonds issued by the Group as detailed in note 30(d) and debt securities classified as available-for-sale financial assets which expose the Group to fair value interest rate risk, the Group's borrowings are mainly on a floating rate basis, which will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk.

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

4 Financial Risk Management and Fair Value Estimation (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been HK$31.9 million (2016: HK$54.6 million) lower/higher respectively.

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

(ii) Foreign exchange risk

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

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

At 30 June 2017, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in United States dollar of HK$3,553.3 million (2016: net monetary liabilities HK$1,440.8 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

At 30 June 2017, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Renminbi of HK$281.8 million (2016: HK$4,190.8 million) which the related foreign exchange risk has not been hedged. If Hong Kong dollar had strengthened/weakened by 5% against Renminbi with all other variables held constant, the Group's profit for the year would have been HK$12.0 million (2016: HK$206.3 million) lower/higher respectively.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents reasonably next possible changes in foreign exchange rates over the period until the end of the next reporting period. There are no other significant monetary balances held by Group companies at both 30 June 2017 and 30 June 2016 that are denominated in a non-functional currency. Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

4 Financial Risk Management and Fair Value Estimation (continued)

(a) Market risk (continued)

(iii) Price risk

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

At 30 June 2017, if the price of listed and unlisted equity investments, classified as available-for-sale financial assets (note 21) and financial assets at fair value through profit or loss had been 25% higher with all other variables held constant, the Group's investment revaluation reserve would have been HK$756.4 million higher (2016: HK$385.6 million). If the price of the above-mentioned listed and unlisted equity investments had been 25% lower with all other variables held constant, the Group's profit for the year would have been HK$231.0 million (2016: HK$302.1 million) lower and investment revaluation reserve would have been HK$525.4 million (2016: HK$83.6 million) lower and resulted in a negative investment revaluation reserve of HK$317.8 million (2016: HK$57.1 million). The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

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

(b) Credit risk

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

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

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

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

4 Financial Risk Management and Fair Value Estimation (continued)

(c) Liquidity risk

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

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

At 30 June 2017

Non-derivative financial liabilities

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Trade payables	33	888.8	888.8	888.6	0.2	–
Retention money payables and other payables		8,460.9	8,460.9	6,873.2	1,587.7	–
Amounts due to non-controlling interests	33	171.4	171.4	171.4	–	–
Amounts due to associated companies	33	18.8	18.8	18.8	–	–
Borrowings and contracted interest payment	30	9,682.7	10,105.8	422.0	9,073.5	610.3
Loans from non-controlling interests	32	46.4	46.4	–	46.4	–

Derivative financial liabilities

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

4 Financial Risk Management and Fair Value Estimation (continued)

(c) Liquidity risk (continued)

At 30 June 2016

Non-derivative financial liabilities

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years
Trade payables	33	630.9	630.9	630.7	0.2
Retention money payables and other payables		7,424.0	7,424.0	5,541.4	1,882.6
Amounts due to non-controlling interests	33	148.0	148.0	148.0	–
Amounts due to associated companies	33	14.1	14.1	14.1	–
Amounts due to joint ventures	33	1.2	1.2	1.2	–
Borrowings and contracted interest payment	30	15,064.8	15,708.8	6,145.7	9,563.1
Loans from non-controlling interests	32	71.7	71.7	–	71.7

Derivative financial liabilities

HK$'m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years
Derivative financial instruments (net settled)	107.4	26.7	80.7

(d) Capital management

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

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

4 Financial Risk Management and Fair Value Estimation (continued)

(d) Capital management (continued)

The net gearing ratios at 30 June were as follows:

	Note	2017 HK$'m	2016 HK$'m
Total borrowings	30	**(9,682.7)**	(15,064.8)
Add: Cash and bank balances	25	**6,453.4**	8,923.6
Net debt		**(3,229.3)**	(6,141.2)
Total equity		**49,275.0**	45,858.4
Net gearing ratio		**7%**	13%

The decrease of net debt as at 30 June 2017 was primarily resulted from the proceeds of disposal of assets held-for-sale and dividends received from associated companies and joint ventures.

(e) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

(i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.

(ii) The fair value of long-term financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iii) The carrying values of bank balances, receivables, payables and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4 Financial Risk Management and Fair Value Estimation (continued)

(e) Fair value estimation (continued)

(iv) (continued)

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2017:

HK$'m	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Trading securities	**0.1**	**–**	**–**	**0.1**
Available-for-sale financial assets				
Equity securities	**1,358.0**	**545.9**	**13.1**	**1,917.0**
Debt securities	**239.8**	**868.7**	**–**	**1,108.5**
Derivative financial instruments	**–**	**–**	**58.8**	**58.8**
	1,597.9	**1,414.6**	**71.9**	**3,084.4**
Liabilities				
Derivative financial instruments	**–**	**(70.9)**	**(18.9)**	**(89.8)**

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2016:

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Trading securities	0.1	–	–	0.1
Available-for-sale financial assets				
Equity securities	1,208.2	–	60.0	1,268.2
Debt securities	244.3	–	30.0	274.3
Derivative financial instruments	–	–	58.8	58.8
	1,452.6	–	148.8	1,601.4
Liabilities				
Derivative financial instruments	–	(65.1)	(24.6)	(89.7)

There were no transfers of financial assets between Level 1 and Level 2 fair value hierarchy classifications.

4 Financial Risk Management and Fair Value Estimation (continued)

(e) Fair value estimation (continued)

(iv) (continued)

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

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

The following table presents the changes in Level 3 instruments for the year ended 30 June 2016:

HK$'m	Available-for-sale financial assets	Derivative financial assets	Derivative financial liabilities
At 1 July 2015	35.8	58.8	(30.1)
Additions	54.2	–	–
Total gain recognized in the consolidated income statement	–	–	5.5
At 30 June 2016	90.0	58.8	(24.6)

5 Critical Accounting Estimates and Judgements

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

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

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

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

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

As at 30 June 2017, the Group's share of market value of Tharisa amounting to HK$360.4 million, is lower than its carrying value of HK$874.9 million. Management has carried out an impairment assessment on the carrying value of such investment using the discounted cash flow method. The estimated cash flows used in the assessment are based on assumptions, such as revenue growth rate, metal price and discount rate, with reference to the business plan and prevailing market conditions. The assessment indicated no further impairment on the carrying value of Tharisa as at 30 June 2017.

The assumptions used in the carrying value assessment are highly judgemental, and heavily dependent on the discount rate used and metal price projection. For example, if the risk premium increases by 7%, or metal price for the first five projection years decreases by 47% with other variables remain constant, any of such changes, if adopted, would reduce the recoverable amount as determined by the value in use calculation to approximate the carrying value of the Group.

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

(ii) As detailed in note 19(e), the Group has participating interests and holds for investment purpose in certain investment companies amounted to HK$2,740.8 million (2016: HK$2,106.5 million), whose assets mainly comprise available-for-sale financial assets, loans and receivables. Management has carried out an impairment assessment on the underlying investments and loans and receivables based on various valuation techniques and credit risk assessment. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of reporting period and considered the repayment history of the borrowers, credit worthiness and financial performance of the borrowers and their guarantors, value of the pledged assets and subsequent settlement of loans and receivables, if applicable.

5 Critical Accounting Estimates and Judgements (continued)

(b) Estimated volume of Infrastructures of public services

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

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

(c) Estimate of revenue, costs and foreseeable loss of construction works

The Group recognizes its contract revenue according to the percentage of completion of the individual contract of construction works. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by major contractors, suppliers or vendors involved and the experience of the management. Foreseeable loss will be provided when budgeted construction costs exceed budgeted construction income. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

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

The Group tests annually whether goodwill has suffered any impairment according to its recoverable amount determined by the CGU based on value in use calculations and detailed in note 18(a). These calculations require the use of estimates which are subject to changes of economic environment in future.

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

The Group assesses whether there is objective evidence as stated in note 3(m) that deposits, loans and receivables are impaired. It recognizes impairment based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

5 Critical Accounting Estimates and Judgements (continued)

(e) Valuation of investment properties

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

At 30 June 2017, if the market value of investment properties had been 5% (2016: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK$78.4 million (2016: HK$80.6 million) higher/lower respectively.

6 Revenue and Segment Information

The Group's revenue is analyzed as follows:

	2017 HK$'m	2016 HK$'m
Roads	**2,377.0**	2,399.8
Logistics	**–**	100.1
Facilities Management	**6,915.1**	6,917.9
Construction & Transport	**22,092.9**	20,080.0
	31,385.0	29,497.8

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers that businesses of the Group from product and service prespectives, 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.

6 Revenue and Segment Information (continued)

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

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport		Strategic Investments		Total	
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		-		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 (note 19(b))										454.3	
Gain on fair value of investment properties										117.1	
Gain on remeasurement of previously held equity interest in a joint venture (note 38(c))										113.1	
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)	(iv)
Net exchange gain										12.1	
Interest income										54.4	
Finance costs										(399.8)	
Expenses and others										(384.6)	
Profit attributable to shareholders										5,628.9	

(i) The amount includes attributable operating profit of HK$222.3 million from the Group's Transport business.

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

(iii) The amount represents the net gain on disposal of interests in Tricor, as detailed in note 19(c).

(iv) The amount represents losses in relation to the Group's interest in Newton Resources, including share of impairment loss of HK$204.0 million, loss on partial disposal of HK$52.3 million and loss on remeasurement loss of HK$34.3 million, as detailed in note 19(d).

6 Revenue and Segment Information (continued)

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

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

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

6 Revenue and Segment Information (continued)

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

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Total
2016								
Total revenue	2,399.8	–	100.1	–	6,933.0	20,198.9	–	29,631.8
Inter-segment	–	–	–	–	(15.1)	(118.9)	–	(134.0)
Revenue – external	2,399.8	–	100.1	–	6,917.9	20,080.0	–	29,497.8
Attributable operating profit								
Company and subsidiaries	728.3	14.2	68.2	4.1	658.0	556.6	207.0	2,236.4
Associated companies	73.6	8.7	109.0	419.9	(16.5)	158.9	172.4 (ii)	926.0 (b)
Joint ventures	457.9	446.9	525.4	–	3.5	196.1 (i)	(52.6)	1,577.2 (b)
	1,259.8	469.8	702.6	424.0	645.0	911.6	326.8	4,739.6
Reconciliation – corporate office and non-operating items								
Gain on fair value of investment properties								1,420.0
Gain on disposal of an available-for-sale financial asset								534.1
Net gain on disposal of projects, net of tax								199.4
Net gain on deemed disposal of a project under a joint venture								179.3 (b)
Impairment loss of an available-for-sale financial asset								(670.4) (iii)
Impairment loss related to an associated company								(200.0) (b)
Impairment loss related to a joint venture								(177.6) (b)
Net exchange loss								(368.8)
Interest income								198.1
Finance costs								(546.3)
Expenses and others								(394.6)
Profit attributable to shareholders								4,912.8

(i) The amount included the Group's share of attributable operating profit of HK$196.1 million from its Transport business.

(ii) The amount included the Group's share of attributable operating profit of HK$143.2 million from certain associated companies engaged in investment activities.

(iii) The amount represented the impairment loss arising from the drop in the share price of Haitong International (note 7). The Group's investment in Haitong International is classified as an available-for-sale financial asset.

6 Revenue and Segment Information (continued)

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

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport		Strategic Investments	Segment Total	Corporate	Eliminations	Consolidated
2016												
Depreciation	16.5	–	–	–	79.4	66.0		–	161.9	5.2	–	167.1
Amortization of intangible concession rights	825.6	–	–	–	–	–		–	825.6	–	–	825.6
Amortization of intangible assets	–	–	–	–	31.2	–		–	31.2	–	–	31.2
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	164.8	–	–	–	129.3	372.2		–	666.3	4.7	–	671.0
Interest income	42.9	19.3	2.0	7.6	24.7	6.6		30.7	133.8	198.6	(12.9)	319.5
Finance costs	39.3	–	6.9	–	0.8	40.5		0.5	88.0	546.3	(12.9)	621.4
Income tax expenses	367.4	21.1	21.4	8.2	130.3	84.0		–	632.4	0.5	–	632.9
As at 30 June 2016												
Company and subsidiaries	14,743.9	342.7	3,797.6	1,393.5	4,356.9	10,166.8		1,986.3	36,787.7	5,827.1	–	42,614.8
Associated companies	442.8	564.9	1,997.2	4,266.7	1,586.8	1,611.0		4,430.3	14,899.7	48.0	–	14,947.7
Joint ventures	5,607.2	6,333.0	2,865.4	–	3.9	2,073.5	(i)	1,213.1	18,096.1	26.4	–	18,122.5
Total assets	20,793.9	7,240.6	8,660.2	5,660.2	5,947.6	13,851.3		7,629.7	69,783.5	5,901.5	–	75,685.0
Total liabilities	3,246.4	35.5	84.4	38.6	1,143.5	10,084.5		9.7	14,642.6	15,184.0	–	29,826.6

(i) The balance included the Group's investment in its Transport business of HK$2,071.1 million.

6 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	**2017**	2016	**2017**	2016
Attributable operating profit	**820.7**	926.0	**1,750.7**	1,577.2
Corporate associated companies, joint ventures and non-operating items				
Gain on disposal of a project under an associated company (note 19(c))	**967.2**	–	**–**	–
Net gain on deemed disposal of a project under a joint venture	**–**	–	**–**	179.3
Impairment losses (note 19(d), 19(f) and 20(b))	**(204.0)**	(200.0)	**–**	(177.6)
Others	**7.0**	(1.7)	**23.8**	(37.2)
Share of results of associated companies and joint ventures	**1,590.9**	724.3	**1,774.5**	1,541.7

(c) Information by geographical areas

	Revenue		Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	
HK$'m	**2017**	2016	**2017**	2016
Hong Kong	**28,449.7**	26,243.3	**7,706.1**	2,899.5
Mainland China	**2,470.5**	2,480.2	**12,047.8**	13,109.2
Macau	**464.8**	774.3	**25.6**	32.2
	31,385.0	29,497.8	**19,779.5**	16,040.9

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.

6 Revenue and Segment Information (continued)

(c) Information by geographical areas (continued)

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

		Associated companies		Joint ventures	
HK$'m	Note	**2017**	2016	**2017**	2016
Hong Kong		**2,444.9**	2,065.9	**1,804.8**	2,719.4
Mainland China		**2,220.1**	2,029.2	**7,267.6**	8,317.1
Macau		**203.5**	57.5	**133.3**	259.5
Global and others		**633.3**	1,009.7	**2,974.3**	1,837.0
	19(k),20(g)	**5,501.8**	5,162.3	**12,180.0**	13,133.0

7 Other Income/Gains

	Note	**2017 HK$'m**	2016 HK$'m
Gain on restructuring of a joint venture	19(b)	**454.3**	–
Gain on fair value of investment properties	15	**117.1**	1,420.0
Gain on remeasurement of previously held equity interest in a joint venture	38(c)	**113.1**	–
Profit on disposal of assets held-for-sale		**77.8**	15.0
Profit on disposal of a joint venture		**72.5**	53.2
Profit on disposal of available-for-sale financial assets		**30.1**	645.1
Profit on disposal of subsidiaries	37(b)	**26.3**	95.0
Loss on partial disposal of an associated company	19(d)	**(52.3)**	–
(Loss)/profit on disposal of intangible concession rights and their related assets and liabilities		**(17.4)**	58.7
Interest income		**202.1**	319.5
Other income		**89.9**	38.6
Machinery hire income		**63.2**	96.1
Dividend income		**30.4**	65.8
Management fee income		**14.4**	23.0
Net exchange loss		**(47.9)**	(458.6)
Loss on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	19(d)	**(34.3)**	–
Goodwill written off	18	**(34.1)**	–
Impairment loss of an available-for-sale financial asset	6(a)	**–**	(670.4)
		1,105.2	1,701.0

8 Operating Profit

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

	Note	2017 HK$'m	2016 HK$'m
Crediting			
Gross rental income from investment properties		**63.3**	164.3
Less: outgoings		**(14.1)**	(26.3)
		49.2	138.0
Charging			
Auditor's remuneration		**22.8**	22.3
Cost of inventories sold		**2,376.1**	2,375.0
Cost of services rendered		**25,387.1**	23,770.3
Depreciation	16	**362.5**	167.1
Amortization of intangible concession rights	17	**808.2**	825.6
Amortization of intangible assets	18	**32.1**	31.2
Operating lease rental expenses – properties		**174.3**	84.3
Staff costs (including directors' emoluments (note 14))	9	**3,853.2**	3,034.1

9 Staff Costs

(a) Staff costs

	Note	2017 HK$'m	2016 HK$'m
Wages, salaries and other benefits		**3,793.8**	2,958.2
Share-based payments	29	**8.0**	27.8
Pension costs – defined contribution plans		**165.4**	123.8
Pension costs – defined benefits plans		**2.7**	2.3
		3,969.9	3,112.1
Less: capitalized under contracts in progress		**(116.7)**	(78.0)
	8	**3,853.2**	3,034.1

Directors' emoluments are included in staff costs.

9 Staff Costs (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2016: four) directors whose emoluments are reflected in note 14(a). The emoluments of the remaining one individual (2016: one) during the year are as follows:

	2017 HK$'m	2016 HK$'m
Fees	0.1	0.1
Basic salaries, allowances and other benefits	9.1	11.1
Employer's contribution to retirement benefits schemes	0.5	0.5
	9.7	11.7
Deemed share option benefits	0.1	0.5
	9.8	12.2

(c) Emoluments of senior management

Other than the emoluments of five highest paid individuals and directors disclosed in notes 9(b) and 14(a), the emoluments of the senior management whose profiles are included in the "Board of Directors and Senior Management" section of this report (including Mr Cheng Wai Po, Samuel, who is the senior management of a then joint venture of the Company which became an indirect wholly owned subsidiary of the Company since 30 December 2016) fell within the following bands:

	Number of individual(s)	
	2017	2016
Emolument band (HK$)		
2,000,001 – 3,000,000	6	5
3,000,001 – 4,000,000	3	4
4,000,001 – 5,000,000	1	1
5,000,001 – 6,000,000	2	1
6,000,001 – 7,000,000	–	1
7,000,001 – 8,000,000	2	1

10 Finance Costs

	2017 HK$'m	2016 HK$'m
Interest on borrowings	**240.3**	307.4
Interest on fixed rate bonds	**153.6**	262.8
Others	**74.4**	51.2
	468.3	621.4

11 Income Tax Expenses

Hong Kong profits tax is provided at the rate of 16.5% (2016: 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% (2016: 12% to 25%).

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

	Note	2017 HK$'m	2016 HK$'m
Current income tax			
Hong Kong profits tax		**212.8**	204.0
Mainland China and overseas taxation		**541.3**	474.9
Deferred income tax credit	31	**(68.9)**	(46.0)
		685.2	632.9

Share of taxation of associated companies and joint ventures of HK$212.7 million (2016: HK$196.0 million) and HK$429.1 million (2016: HK$385.5 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

11 Income Tax Expenses (continued)

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

	2017 HK$'m	2016 HK$'m
Profit before income tax	**6,330.4**	5,594.4
Excluding share of results of associated companies	**(1,590.9)**	(724.3)
Excluding share of results of joint ventures	**(1,774.5)**	(1,541.7)
	2,965.0	3,328.4
Calculated at a taxation rate of 16.5% (2016: 16.5%)	**489.2**	549.2
Effect of different taxation rates in other countries	**105.5**	103.1
Income not subject to taxation	**(171.6)**	(428.9)
Expenses not deductible for taxation purposes	**141.0**	341.5
Tax losses not recognized	**9.4**	7.6
Utilization of previously unrecognized tax losses	**(7.9)**	(34.5)
Withholding tax	**125.5**	91.0
Over-provisions in prior years	**(0.7)**	(2.3)
Others	**(5.2)**	6.2
Income tax expenses	**685.2**	632.9

12 Dividends

	2017 HK$'m	2016 HK$'m
Interim dividend paid of HK$0.34 (2016: HK$0.31) per share	**1,311.5**	1,179.6
Final dividend proposed of HK$0.39 (2016: paid of HK$0.34) per share	**1,517.3**	1,302.9
Special final dividend proposed of HK$0.72 (2016: Nil) per share	**2,801.2**	–
	5,630.0	2,482.5

At a meeting held on 20 September 2017, the Board recommended a final dividend of HK$0.39 per share and a special final dividend of HK$0.72 per share. These proposed dividends are not reflected as dividends payable in the consolidated financial statements but will be reflected as an appropriation of the retained profits for FY2018.

Subject to the passing of the relevant resolutions at the 2017 AGM, it is expected that the final dividend and the special final dividend will be paid on or about 11 December 2017.

13 Earnings Per Share

The calculation of basic earnings per share for the year is based on earnings of HK$5,628.9 million (2016: HK$4,912.8 million) and on the weighted average of 3,848,314,143 (2016: 3,793,701,910) ordinary shares outstanding during the year.

For both FY2017 and FY2016, the share options of the Company have an anti-dilutive effect on the basic earnings per share and are ignored in the calculation of diluted earnings per share.

14 Benefits and Interests of Directors

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

	Note	**2017 HK$'m**	2016 HK$'m
Remunerations	(i)	**59.3**	61.5
Deemed share option benefits	(ii)	**4.8**	17.2
		64.1	78.7

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

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

14 Benefits and Interests of Directors (continued)

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

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

Name of director	As director# Fees HK$'m	As director# Allowances and other benefits HK$'m	As management## HK$'m	**2017 Total HK$'m**	2016 Total HK$'m
Dr Cheng Kar Shun, Henry	0.72	0.06	14.15	**14.93**	14.23
Mr Tsang Yam Pui	0.52	0.12	11.99	**12.63**	11.53
Mr Hui Hon Chung	0.38	0.07	8.05	**8.50**	4.84
Mr Cheung Chin Cheung	0.35	0.08	7.74	**8.17**	7.78
Mr Cheng Chi Ming, Brian	0.38	0.07	7.72	**8.17**	7.15
Mr Mak Bing Leung, Rufin*	–	–	2.61	**2.61**	–
Mr To Hin Tsun, Gerald	0.28	0.06	–	**0.34**	0.29
Mr Dominic Lai	0.41	0.10	–	**0.51**	0.45
Mr Lam Wai Hon, Patrick**	0.34	0.07	–	**0.41**	12.70
Mr William Junior Guilherme Doo	0.33	0.08	–	**0.41**	0.34
Mr Kwong Che Keung, Gordon	0.53	0.10	–	**0.63**	0.58
Dr Cheng Wai Chee, Christopher	0.45	0.07	–	**0.52**	0.50
Mr Shek Lai Him, Abraham	0.50	0.10	–	**0.60**	0.54
Mr Lee Yiu Kwong, Alan	0.41	0.10	–	**0.51**	0.35
Mrs Oei Fung Wai Chi, Grace^	0.33	0.07	–	**0.40**	–
Mr Wilfried Ernst Kaffenberger^^	–	–	–	**–**	0.25
	5.93	1.15	52.26	**59.34**	61.53

* Appointed on 1 January 2017

** Re-designated from executive director to non-executive director on 1 January 2016

^ Appointed on 1 January 2016

^^ Retired on 17 November 2015

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

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

14 Benefits and Interests of Directors (continued)

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

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

Name of director	2017 HK$'m	2016 HK$'m
Dr Cheng Kar Shun, Henry	**1.18**	4.07
Mr Tsang Yam Pui	**0.59**	2.03
Mr Cheung Chin Cheung	**0.59**	2.03
Mr Cheng Chi Ming, Brian	**0.59**	2.03
Mr To Hin Tsun, Gerald	**0.11**	0.38
Mr Dominic Lai	**0.11**	0.38
Mr Lam Wai Hon, Patrick	**0.59**	2.03
Mr William Junior Guilherme Doo	**0.11**	0.38
Mr Kwong Che Keung, Gordon	**0.22**	0.77
Dr Cheng Wai Chee, Christopher	**0.22**	0.77
Mr Shek Lai Him, Abraham	**0.22**	0.77
Mr Lee Yiu Kwong, Alan	**0.22**	0.77
Mr Wilfried Ernst Kaffenberger	**–**	0.77
	4.75	17.18

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

14 Benefits and Interests of Directors (continued)

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

On 11 April 2014, a master services agreement (the "DOO Master Services Agreement") was entered into between the Company and Mr Doo Wai Hoi, William ("Mr Doo") whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (being Mr Doo and any company in the equity capital of which Mr Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors, and the subsidiaries of such other companies) (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group during the term of the DOO Master Services Agreement. Mr Doo is the father of Mr William Junior Guilherme Doo, the non-executive director of the Company.

The DOO Master Services Agreement has an initial term of three years commencing from 1 July 2014. For the year ended 30 June 2017, the approximate total contract sum was HK$966.7 million (2016: HK$1,399.3 million).

On 20 November 2015, Mr Doo and the Company entered into a supplemental agreement to the DOO Master Services Agreement, with FSE Engineering and FSE Management joining in as parties, as an operational agreement to better reflect the provision and receipt of the abovementioned operational services by FSE Engineering and FSE Management, both of which are members of the Services Group.

In view of the expiry of the DOO Master Services Agreement on 30 June 2017, a new master services agreement was entered into between the Company and Mr Doo on 10 April 2017 (the "New DOO Master Services Agreement") whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group during the term of the New DOO Master Services Agreement. The New DOO Master Services Agreement has an initial term of three years commencing from 1 July 2017.

Save as mentioned above, no other significant transaction, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

15 Investment Properties

HK$'m	Note	Commercial and industrial properties in Hong Kong	Residential properties in Mainland China	Total
At 1 July 2016		**1,590.3**	**22.3**	**1,612.6**
Fair value changes	7	**114.0**	**3.1**	**117.1**
Disposal of subsidiaries	37(b)	**(149.3)**	**(11.3)**	**(160.6)**
Translation differences		**–**	**(0.2)**	**(0.2)**
At 30 June 2017		**1,555.0**	**13.9**	**1,568.9**

HK$'m	Note	Commercial and industrial properties in Hong Kong	Residential properties in Mainland China	Total
At 1 July 2015		3,924.9	19.1	3,944.0
Fair value changes	7	1,415.4	4.6	1,420.0
Reclassified as assets held-for-sale	26	(3,750.0)	–	(3,750.0)
Translation differences		–	(1.4)	(1.4)
At 30 June 2016		1,590.3	22.3	1,612.6

The investment properties of the Group measured at fair value are categorized as Level 3 in the fair value hierarchy. The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer among Levels 1, 2, and 3 during the year.

(a) Valuation process of the Group

The investment properties were revalued on 30 June 2017 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited based on a market value assessment or income approach as detailed in note 5(e).

The Group's management reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

15 Investment Properties (continued)

(b) Valuation methods

Fair values of the residential properties in Mainland China and industrial properties in Hong Kong are generally derived using the sales comparison method. This valuation method is based on comparing the properties to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

Fair values of commercial properties in Hong Kong are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation techniques during the year.

(c) Significant unobservable inputs used to determine fair value

	Fair value at 30 June 2017 HK$'m	Fair value at 30 June 2016 HK$'m	Valuation methods	Unobservable inputs	**Range of unobservable inputs for 2017**	Range of unobservable inputs for 2016	Note
Commercial and industrial properties in Hong Kong	**1,555.0**	1,441.0	Income capitalization	Capitalization rate	**4.25% – 5.25%**	4.25% – 5.40%	(i)
				Average monthly rental	**HK$42 – HK$400/sq.ft HK$3,500 per carpark space**	HK$36 – HK$480/sq.ft HK$3,385 per carpark space	(ii)
	-	149.3	Sales comparison	Property – specific adjusting factor	**-**	0.8 – 1.3	(ii)
Residential properties in Mainland China	**13.9**	22.3	Sales comparison	Property – specific adjusting factor	**0.8 – 1.0**	0.9 – 1.1	(ii)
	1,568.9	1,612.6					

Notes: Descriptions of the sensitivity in unobservable inputs and inter-relationship:

(i) The fair value measurement is negatively correlated to the unobservable input that the lower the factor will result in a higher fair value.

(ii) The fair value measurement is positively correlated to the unobservable input that the higher the factor will result in a higher fair value.

16 Property, Plant and Equipment

HK$'m	Note	Land and properties	Other plant and equipment	Construction in progress	Buses, vessels and other motor vehicles	Total
Cost						
At 1 July 2016		316.3	1,942.7	–	45.9	2,304.9
Acquisition of subsidiaries	38(b)	1,050.1	126.5	192.5	2,764.0	4,133.1
Additions		0.2	247.1	92.7	348.4	688.4
Transfers		–	23.6	(138.0)	114.4	–
Disposals		–	(38.8)	–	(3.7)	(42.5)
Disposal of subsidiaries	37(b)	(2.1)	–	–	–	(2.1)
Translation differences		–	(2.0)	–	–	(2.0)
At 30 June 2017		1,364.5	2,299.1	147.2	3,269.0	7,079.8
Accumulated depreciation and impairment						
At 1 July 2016		16.9	1,219.8	–	33.5	1,270.2
Depreciation	8	35.7	185.7	–	141.1	362.5
Disposals		–	(37.5)	–	(1.9)	(39.4)
Disposal of subsidiaries	37(b)	(0.3)	–	–	–	(0.3)
Translation differences		–	(1.0)	–	–	(1.0)
At 30 June 2017		52.3	1,367.0	–	172.7	1,592.0
Net book value						
At 30 June 2017		1,312.2	932.1	147.2	3,096.3	5,487.8

16 Property, Plant and Equipment (continued)

HK$'m	Note	Land and properties	Other plant and equipment	Buses, vessels and other motor vehicles	Total
Cost					
At 1 July 2015		25.1	1,769.9	46.3	1,841.3
Additions		291.2	253.5	4.2	548.9
Disposals		–	(73.0)	(4.4)	(77.4)
Translation differences		–	(7.7)	(0.2)	(7.9)
At 30 June 2016		316.3	1,942.7	45.9	2,304.9
Accumulated depreciation and impairment					
At 1 July 2015		9.3	1,140.3	33.3	1,182.9
Depreciation	8	7.6	155.0	4.5	167.1
Disposals		–	(71.4)	(4.2)	(75.6)
Translation differences		–	(4.1)	(0.1)	(4.2)
At 30 June 2016		16.9	1,219.8	33.5	1,270.2
Net book value					
At 30 June 2016		299.4	722.9	12.4	1,034.7

The Group's interests in land use rights grouped under land and properties amounted to HK$200.6 million (2016: HK$207.5 million).

17 Intangible Concession Rights

	Note	2017 HK$'m	2016 HK$'m
Cost			
At beginning of year		**18,899.0**	20,729.0
Additions		**–**	122.1
Disposals		**(91.6)**	(643.7)
Translation differences		**(324.7)**	(1,308.4)
At end of year		**18,482.7**	18,899.0
Accumulated amortization and impairment			
At beginning of year		**5,892.3**	5,825.0
Amortization	8	**808.2**	825.6
Disposals		**(61.6)**	(376.0)
Translation differences		**(92.4)**	(382.3)
At end of year		**6,546.5**	5,892.3
Net book value			
At end of year		**11,936.2**	13,006.7

Intangible concession rights refer to the Group's investment in the Roads segment. Amortization of intangible concession rights is included in the cost of sales in the consolidated income statement.

Certain amount of bank loans of the Group is secured by intangible concession rights of Hangzhou Ring Road with net book value of HK$11,697.8 million (2016: HK$12,695.6 million) (note 30(b)).

18 Intangible Assets

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2016		**61.4**	**567.2**	**628.6**
Acquisition of subsidiaries	38(b)	**396.7**	**69.2**	**465.9**
Amount written off	7	**(34.1)**	**–**	**(34.1)**
At 30 June 2017		**424.0**	**636.4**	**1,060.4**
Accumulated amortization and impairment				
At 1 July 2016		**15.4**	**226.3**	**241.7**
Amortization	8	**–**	**32.1**	**32.1**
At 30 June 2017		**15.4**	**258.4**	**273.8**
Net book value				
At 30 June 2017		**408.6**	**378.0**	**786.6**

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2015		67.2	567.2	634.4
Amount written off		(5.8)	–	(5.8)
At 30 June 2016		61.4	567.2	628.6
Accumulated amortization and impairment				
At 1 July 2015		15.4	195.1	210.5
Amortization	8	–	31.2	31.2
At 30 June 2016		15.4	226.3	241.7
Net book value				
At 30 June 2016		46.0	340.9	386.9

18 Intangible Assets (continued)

(a) Goodwill

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

HK$'m	Hong Kong	Mainland China	Total
2017			
Roads	**–**	**11.9**	**11.9**
Construction & Transport (note 38(b))	**396.7**	**–**	**396.7**
	396.7	**11.9**	**408.6**

HK$'m	Hong Kong	Mainland China	Total
2016			
Roads	–	11.9	11.9
Strategic Investments	34.1	–	34.1
	34.1	11.9	46.0

Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified according to country of operation and business segment. For the purpose of impairment test, the recoverable amount of the business unit is determined based on either fair value less costs of disposal or value in use calculations whichever is higher. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management's best estimates and past experience. For construction and transport segment, annual growth rates being 0%-7% for the first five years and terminal growth rate of 2% are determined by considering both internal and external factors. Discount rate of 8.5% was used to reflect specific risk relating to such segment.

(b) Operating right

Operating right was primarily resulted from the acquisition of right to operate facilities management business. Other intangible asset represents the licenses to operate and provide services under the Group's transport business. Operating right and other intangible assets are tested for impairment when there is indication of impairment and amortized over the period of the operating right.

(c) Amortization

Amortization of intangible assets is included in the cost of sales in the consolidated income statement.

19 Associated Companies

	Note	2017 HK$'m	2016 HK$'m
Group's share of net assets			
Listed shares – Hong Kong	(a),(d)	**4,127.2**	4,905.7
Listed shares – Overseas	(a)	**874.9**	827.2
Unlisted shares	(b),(c),(e)	**8,702.2**	6,710.4
		13,704.3	12,443.3
Goodwill		**714.8**	727.3
Amounts receivable	(g)	**1,761.4**	1,777.1
	(f)	**16,180.5**	14,947.7

(a) As at 30 June 2017, the carrying amount represents the Group's investments in Beijing Capital International Airport Co., Ltd., Wai Kee Holdings Limited and Tharisa. The share of market value of the Group's listed associated companies amounts to HK$6,025.7 million (2016: HK$5,624.7 million).

(b) On 1 November 2016, the shareholders of Sino-French Holdings (Hong Kong) Limited, a then 50% joint venture of the Group and now renamed SUEZ NWS, entered into an agreement to restructure and expand the scope of operations of SUEZ NWS by injecting cash and their respective waste and wastewater treatment businesses in Greater China into SUEZ NWS. Consequently, the transaction resulted in a restructuring gain of HK$454.3 million for the Group in FY2017. The Group ceased its joint control and owns 42% equity interest in SUEZ NWS upon completion of the restructuring. Accordingly, the investment in SUEZ NWS was thereafter accounted for as an associated company.

(c) On 5 October 2016, the Company, The Bank of East Asia, Limited ("BEA"), East Asia Secretaries (BVI) Limited ("East Asia Secretaries") and Trivium Investment Limited ("Trivium") entered into a share purchase agreement for the sale of all the issued shares of Tricor held by East Asia Secretaries to Trivium at a consideration of approximately HK$6.5 billion (the "Disposal"). Tricor was 24.39% owned by the Company and 75.61% owned by BEA, in each case through East Asia Secretaries immediately before completion of the Disposal. Completion of the Disposal took place on 31 March 2017 and the Group ceased to own any equity interest in Tricor. Share of net gain arising from the Disposal of HK$932.8 million was recognized by the Group in FY2017.

19 Associated Companies (continued)

(d) As at 30 June 2016, the Group held 35.5% equity interest in Newton Resources, a listed associated company of the Group. Its carrying value was approximately HK$1.0 billion.

In FY2017, the iron concentrate business of Newton Resources had not yet resumed due to local issues and disturbances. The management of Newton Resources had carried out an impairment assessment on the carrying value of the investment using the discounted cash flow method. In preparing the assessment, the management of Newton Resources had taken into consideration the potential unfavourable impact on cash flows arising from (i) reduction in profitability of iron concentrate business as a result from award to local villagers, (ii) postponement in the resumption of iron concentrate trial production and (iii) market outlook of iron concentrates' price and other assumptions such as production cost, proved and probable ore reserve, production capacity and discount rate, with reference to the business plan and prevailing market conditions. Based on the assessment, Newton Resources had recognized an impairment loss of approximately RMB500.0 million (equivalent to approximately HK$574.7 million). Accordingly, the Group has shared an impairment loss of approximately RMB177.5 million (equivalent to approximately HK$204.0 million) in the consolidated income statement for FY2017.

In January 2017, management of the Group revisited its investment strategy in Newton Resources and subsequently disposed 20% of the equity interest in Newton Resources. The remaining 15.5% equity interest has since been reclassified from investment in an associated company to available-for-sale financial assets with its carrying value marked to its market value. As a result, losses on partial disposal and remeasurement upon reclassification of HK$52.3 million and HK$34.3 million respectively were recognized in FY2017 (notes 6(a)(iv) and 7).

(e) As at 30 June 2017, the carrying amount mainly represents the Group's investments in various infrastructure, ports, healthcare, strategic investments and other projects. Among which the Group has participating interests and holds for investment purpose in certain investment companies amounted to HK$2,740.8 million (2016: HK$2,106.5 million), whose assets mainly comprise available-for-sale financial assets, loans and receivables. The Group's share of attributable operating profit of these investment companies for the year amounted to HK$133.1 million (2016: HK$143.2 million) as detailed in note 6(a)(ii).

The carrying amount as at 30 June 2016 also included the Group's investment in Goshawk Aviation Limited ("Goshawk") and Goshawk Management Holdings (Cayman) Limited ("Manco") (collectively, the "Goshawk Companies") which became joint ventures of the Group are reclassified accordingly as detailed in note 20(a).

(f) Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies as detailed in note 5(a). Management is of the view that there is no impairment of the Group's investments in associated companies as at 30 June 2017 (2016: An impairment loss of HK$200.0 million for Tharisa was recognized by the Group in consolidated income statement).

19 Associated Companies (continued)

(g) Amounts receivable are analyzed as follows:

	Note	2017 HK$'m	2016 HK$'m
Interest bearing	(i)	**1,704.7**	1,667.0
Non-interest bearing		**56.7**	110.1
		1,761.4	1,777.1

(i) The balance includes an amount of HK$104.7 million (2016: HK$104.7 million) which carries interest at 8% per annum and an aggregate amount of HK$1,600.0 million (2016: HK$1,562.3 million) which carries interest at 6-month HIBOR plus a margin of 1.3% per annum.

The amounts are not repayable within the next 12 months from the end of the reporting period. As at 30 June 2017, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

(h) Dividend income from associated companies for the year is HK$1,858.4 million (2016: HK$619.4 million).

(i) Details of principal associated companies are given in note 44. The directors of the Company were of the view that as at 30 June 2017, there was no individual associated company that was material to the Group.

(j) Financial guarantee contracts relating to associated companies are disclosed in note 36.

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

	Note	2017 HK$'m	2016 HK$'m
Revenue	6(c)	**5,501.8**	5,162.3
Profit for the year		**1,590.9**	724.3
Other comprehensive loss for the year		**(110.4)**	(665.2)
Total comprehensive income for the year		**1,480.5**	59.1
Non-current assets		**17,913.9**	20,613.8
Current assets		**5,469.4**	5,532.5
Current liabilities		**(4,055.6)**	(6,461.0)
Non-current liabilities		**(5,623.4)**	(7,242.0)
Net assets		**13,704.3**	12,443.3

20 Joint Ventures

	Note	2017 HK$'m	2016 HK$'m
Co-operative joint ventures			
Cost of investment less provision		**1,579.5**	1,663.9
Goodwill		**86.2**	90.0
Share of undistributed post-acquisition results		**2,087.4**	1,703.0
Amounts receivable	(c)	**12.1**	71.8
		3,765.2	3,528.7
Equity joint ventures			
Group's share of net assets	(a)	**4,533.1**	3,084.4
Goodwill		**87.2**	87.2
		4,620.3	3,171.6
Companies limited by shares			
Group's share of net assets		**3,737.7**	8,035.4
Goodwill		**163.5**	488.4
Amounts receivable	(c)	**3,034.8**	3,106.1
Amounts payable		**(192.7)**	(207.7)
		6,743.3	11,422.2
	(b)	**15,128.8**	18,122.5

(a) On 19 October 2016, the Group entered into agreements with the then other shareholders of Goshawk Companies. Pursuant to such agreements, the Group acquired an additional 10% equity interest in the Goshawk Companies and related shareholder loans at an aggregate consideration of approximately HK$788.0 million. Upon completion of the transactions on 24 October 2016, the Group's equity interest in the Goshawk Companies was increased from 40% to 50% and joint control over the companies was obtained. As such, the Group's investments in the Goshawk Companies were henceforth accounted for as joint ventures.

(b) As at 30 June 2017, the carrying amount mainly represents the Group's investments in various infrastructure, ports, logistics, commercial aircraft leasing, healthcare and other projects. The carrying amount as at 30 June 2016 also included the Group's investment in Transport business (which became subsidiaries of the Group as detailed in note 38) and Sino-French Holdings (Hong Kong) Limited (which became an associated company of the Group as detailed in note 19(b)). Management is of the view that there is no impairment of the Group's investment in joint ventures as at 30 June 2017 (2016: An impairment loss of HK$177.6 million for Hyva was shared by the Group in the consolidated income statement).

20 Joint Ventures (continued)

(c) Amounts receivable are analyzed as follows:

	Note	2017 HK$'m	2016 HK$'m
Interest bearing	(i)	**12.1**	70.7
Non-interest bearing	(ii)	**3,034.8**	3,107.2
		3,046.9	3,177.9

(i) The balance includes an amount of HK$12.1 million (2016: HK$12.2 million) which carries interest at Hong Kong prime rate. The balance as at 30 June 2016 included an amount of HK$58.5 million which carried interest at 12-month People's Bank of China Rate per annum.

(ii) The balance includes an amount of HK$197.5 million (2016: HK$197.5 million) which has been subordinated to certain indebtedness of a joint venture.

As at 30 June 2017, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

(d) Dividend income from joint ventures for the year is HK$1,508.2 million (2016: HK$1,250.8 million).

(e) Details of principal joint ventures are given in note 45. The directors of the Company were of the view that as at 30 June 2017, there was no individual joint venture that was material to the Group.

(f) Financial guarantee contracts relating to joint ventures are disclosed in note 36.

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

	Note	2017 HK$'m	2016 HK$'m
Revenue	6(c)	**12,180.0**	13,133.0
Profit for the year		**1,774.5**	1,541.7
Other comprehensive loss for the year		**(247.6)**	(1,008.9)
Total comprehensive income for the year		**1,526.9**	532.8
Non-current assets		**31,388.8**	23,253.6
Current assets		**4,409.0**	4,910.3
Current liabilities		**(9,411.8)**	(6,627.0)
Non-current liabilities		**(14,448.3)**	(7,050.2)
Net assets		**11,937.7**	14,486.7

21 Available-for-sale Financial Assets

	2017 HK$'m	2016 HK$'m
Non-current assets		
Equity securities listed in Hong Kong	**1,358.0**	1,208.2
Debt securities listed in Hong Kong	**239.8**	244.3
Unlisted equity securities	**559.0**	60.0
Unlisted debt securities	**868.7**	–
	3,025.5	1,512.5
Current asset		
Unlisted debt securities	**–**	30.0
	3,025.5	1,542.5
Market value of listed securities	**1,597.8**	1,452.5

Unlisted investments are stated at fair values which are either estimated using back-solve method and calibration technique, or assessed the reasonableness with reference to market comparables, with the assistance of external valuer.

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

	2017 HK$'m	2016 HK$'m
Hong Kong dollar	**1,413.8**	1,238.2
United States dollar	**1,031.2**	298.5
Renminbi	**580.5**	5.8
	3,025.5	1,542.5

22 Other Non-Current Assets

	Note	2017 HK$'m	2016 HK$'m
Security deposits		**868.1**	971.9
Derivative financial instruments		**–**	39.5
Deferred tax assets	31	**6.0**	2.6
Others		**12.9**	22.8
		887.0	1,036.8

23 Inventories

	2017 HK$'m	2016 HK$'m
Raw materials and consumables	**119.2**	13.1
Finished goods	**364.8**	382.6
	484.0	395.7

24 Trade and Other Receivables

	Note	2017 HK$'m	2016 HK$'m
Trade receivables	(a)	**2,543.3**	2,582.2
Retention money receivables		**1,822.3**	1,444.0
Amounts due from customers for contract works	27	**134.7**	244.5
Other receivables, deposits and prepayments		**6,056.2**	4,703.2
Derivative financial instruments		**58.8**	19.3
Amounts due from associated companies	(b)	**88.1**	1,433.1
Amounts due from joint ventures	(b)	**3,083.8**	482.9
		13,787.2	10,909.2

24 Trade and Other Receivables (continued)

(a) Trade receivables can be further analyzed as follows:

The ageing analysis of trade receivables based on invoice date is as follows:

	2017 HK$'m	2016 HK$'m
Under 3 months	**2,398.1**	2,511.7
4 to 6 months	**107.7**	30.3
Over 6 months	**37.5**	40.2
	2,543.3	2,582.2

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

An allowance for impairment of trade receivables is made based on the estimated irrecoverable amount determined by reference to past default experience and where there are indicators that the debt is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payment are considered indicators that the debt is impaired.

At 30 June 2017, trade receivables of HK$422.0 million (2016: HK$272.7 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017 HK$'m	2016 HK$'m
Under 3 months	**276.8**	202.2
4 to 6 months	**107.7**	30.3
Over 6 months	**37.5**	40.2
	422.0	272.7

24 Trade and Other Receivables (continued)

(a) Trade receivables can be further analyzed as follows (continued):

At 30 June 2017, trade receivables of HK$0.8 million (2016: HK$1.1 million) were impaired, which were related to customers that were in financial difficulties. The ageing analysis of these trade receivables is as follows:

	2017 HK$'m	2016 HK$'m
Over 6 months	**0.8**	1.1

Movement of provision for impairment of trade receivables are so follows:

	2017 HK$'m	2016 HK$'m
At beginning of year	**1.1**	1.1
Amounts written off during the year	**(0.3)**	–
At end of year	**0.8**	1.1

(b) As at 30 June 2017, the amounts due from associated companies and joint ventures of the Group are interest free, unsecured and repayable on demand or within the next 12 months from the end of the reporting period except for an amount of HK$279.7 million (2016: HK$279.7 million) due from a joint venture which carries interest at 12-month LIBOR plus a margin of 12.15% per annum.

(c) Included in the Group's trade and other receivables are HK$182.7 million (2016: HK$283.0 million) denominated in Renminbi, HK$26.6 million (2016: HK$101.0 million) denominated in Macau Pataca and HK$3,400.7 million (2016: HK$1,723.4 million) denominated in United States dollar. The remaining balances are mainly denominated in Hong Kong dollar.

25 Cash and Bank Balances

	2017 HK$'m	2016 HK$'m
Time deposits – maturing within three months	**2,891.4**	5,734.2
Time deposits – maturing after more than three months	**16.6**	43.2
Other cash at bank and on hand	**3,545.4**	3,146.2
Cash and bank balances	**6,453.4**	8,923.6

The effective interest rate on time deposits is 1.2% (2016: 1.9%) per annum; these deposits have an average maturity of 33 days (2016: 32 days).

The balances include HK$1,607.1 million (2016: HK$2,450.9 million) which are kept in the bank accounts opened with banks in Mainland China where the remittance of funds is subject to foreign exchange control.

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

	2017 HK$'m	2016 HK$'m
Hong Kong dollar	**4,504.4**	1,959.4
Renminbi	**1,625.4**	6,251.9
United States dollar	**279.0**	620.0
Macau Pataca	**43.4**	92.0
Others	**1.2**	0.3
	6,453.4	8,923.6

26 Assets held-for-sale/Liabilities Directly Associated With Assets held-for-sale

On 20 June 2016, the Group entered into an agreement in respect of the disposal of Shine Fame Holdings Limited ("Shine Fame", an investment holding company which holds the entire interest in NWS Kwai Chung Logistics Centre, an investment property of the Group) and the assignment of debt at an aggregate cash consideration of HK$3.75 billion (subject to adjustments). Assets and liabilities of Shine Fame were reclassified as held-for-sale as at 30 June 2016. The gain on disposal was substantially recognized by means of fair value gain during the year ended 30 June 2016. Completion of the aforesaid disposal transaction took place on 31 August 2016.

	Note	2016 HK$'m
Assets		
Investment property	15	3,750.0
Other current assets		2.4
Trade and other receivables		1.2
Cash and bank balances		12.5
Assets of a subsidiary classified as held-for-sale		3,766.1
Liabilities		
Trade and other payables		(26.5)
Deferred tax liabilities	31	(56.8)
Liabilities of a subsidiary classified as held-for-sale		(83.3)

27 Contracts in Progress

	Note	**2017 HK$'m**	2016 HK$'m
Contract costs incurred plus attributable profits less foreseeable losses		**51,086.2**	40,337.9
Progress payments received and receivable		**(53,154.1)**	(41,647.8)
		(2,067.9)	(1,309.9)
Representing			
Gross amount due from customers for contract works	24	**134.7**	244.5
Gross amount due to customers for contract works	33	**(2,202.6)**	(1,554.4)
		(2,067.9)	(1,309.9)

28 Share Capital

	Ordinary Shares	
	No. of shares	**HK$'m**
Authorized		
At 1 July 2016 and 30 June 2017	**6,000,000,000**	**6,000.0**
Issued and fully paid		
At 1 July 2015	3,775,365,900	3,775.4
Issued as scrip dividends	56,600,940	56.6
At 30 June 2016	**3,831,966,840**	**3,832.0**
Issued as scrip dividends	**51,329,288**	**51.3**
Exercise of share options	**4,995,960**	**5.0**
At 30 June 2017	**3,888,292,088**	**3,888.3**

Share Option Scheme

(a) The share option scheme of the Company (the "Share Option Scheme"), which was adopted on 21 November 2011, is valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the Share Option Scheme to subscribe for the shares of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the share capital of the Company in issue as at 21 November 2011, i.e. 3,388,900,598 shares.

Movements in the number of share options outstanding and their weighted average exercise prices during the year are as follows:

		Number of options		Weighted average exercise price of each category (HK$)	
	Note	**2017**	2016	**2017**	2016
At beginning of year		**55,275,823**	55,478,053	**14.137**	14.158
Adjusted	(ii)	**63,634**	82,018	**14.124**	14.142
Lapsed		**(887,667)**	(284,248)	**14.133**	14.148
Exercised		**(4,995,960)**	–	**14.121**	–
At end of year		**49,455,830**	55,275,823	**14.120**	14.137

28 Share Capital (continued)

Share Option Scheme (continued)

(a) (continued)

(i) On 9 March 2015, 55,470,000 share options were granted to directors and certain eligible participants at the exercise price of HK$14.160 per share, which represents the average closing price of the Company's shares in the daily quotations sheets of the Hong Kong Stock Exchange for the five trading days immediately preceding 9 March 2015. Such share options will expire on 8 March 2020.

(ii) Pursuant to the Share Option Scheme, the number of unexercised share options and the exercise price may be subject to adjustment in case of alteration in the capital structure of the Company. The Company declared the final dividend for the year ended 30 June 2016 and interim dividend for the six months ended 31 December 2016 in scrip form (with cash option) during the year which gave rise to adjustments to the number and the exercise price of outstanding share options in accordance with the Share Option Scheme. With effect from 15 May 2017, the exercise price per share for the share options granted was adjusted to HK$14.120.

Share options outstanding at the end of year have the following terms:

		Number of options		Vested percentage	
	Expiry Date	**2017**	2016	**2017**	2016
Exercise price		**HK$14.120**	HK$14.137		
Directors	8 March 2020	**28,852,819**	29,948,714	**100%**	80%
Other eligible participants	8 March 2020	**20,603,011**	25,327,109	**100%**	80%
		49,455,830	55,275,823		

(b) The share options will be vested according to the Share Option Scheme and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date.

29 Reserves

HK$'m	Note	Share premium	Special reserves	Investment revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2016		16,840.4	548.8	26.5	546.5	23,824.7	41,786.9
Profit for the year		–	–	–	–	5,628.9	5,628.9
Dividends paid to shareholders of the Company		–	–	–	–	(2,614.4)	(2,614.4)
Fair value changes on available-for-sale financial assets							
Group		–	–	188.8	–	–	188.8
Joint ventures		–	–	7.4	–	–	7.4
Release of reserve upon disposal of an available-for-sale financial asset		–	–	(15.1)	–	–	(15.1)
Release of reserve upon deregistration of a subsidiary		–	–	–	(15.3)	–	(15.3)
Transfer of reserve upon disposal of subsidiaries		–	(119.4)	–	–	119.4	–
Release of reserves upon partial disposal of interest in an associated company		–	(21.5)	–	15.9	–	(5.6)
Release of reserve upon restructuring of a joint venture		–	–	–	5.7	–	5.7
Release of reserves upon remeasurement of previously held equity interest in a joint venture		–	48.3	–	(12.7)	–	35.6
Release of reserve upon disposal of interest in a joint venture		–	–	–	(129.8)	–	(129.8)
Currency translation differences							
Group		–	–	–	(243.0)	–	(243.0)
Associated companies		–	–	–	(130.2)	–	(130.2)
Joint ventures		–	–	–	(292.5)	–	(292.5)
Scrip dividends							
Share premium on new shares issued		615.8	–	–	–	–	615.8
Share options							
Value of services provided							
Group	9	–	8.0	–	–	–	8.0
Associated company		–	0.1	–	–	–	0.1
Joint ventures		–	0.4	–	–	–	0.4
Share premium on new shares issued		65.6	–	–	–	–	65.6
Share of other comprehensive income/(loss) of associated companies and joint ventures		–	0.3	–	–	(7.3)	(7.0)
Cash flow hedges							
Group		–	95.3	–	–	–	95.3
Associated company		–	25.2	–	–	–	25.2
Joint ventures		–	133.3	–	–	–	133.3
Remeasurement of post-employment benefit obligation		–	–	–	–	24.7	24.7
Transfer		–	(26.4)	–	–	26.4	–
At 30 June 2017		17,521.8	692.4	207.6	(255.4)	27,002.4	45,168.8

29 Reserves (continued)

HK$'m	Note	Share premium	Special reserves	Investment revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2015		16,288.7	634.2	296.3	2,921.5	21,497.3	41,638.0
Profit for the year		–	–	–	–	4,912.8	4,912.8
Dividends paid to shareholders of the Company		–	–	–	–	(2,425.5)	(2,425.5)
Fair value changes on available-for-sale financial assets							
Group		–	–	(300.1)	–	–	(300.1)
Joint ventures		–	–	(17.1)	–	–	(17.1)
Release of investment revaluation deficit to the consolidated income statement upon impairment of an available-for-sale financial asset		–	–	670.4	–	–	670.4
Release of reserve upon disposal of available-for-sale financial assets		–	–	(623.0)	–	–	(623.0)
Currency translation differences							
Group		–	–	–	(872.5)	–	(872.5)
Associated companies		–	–	–	(545.4)	–	(545.4)
Joint ventures		–	–	–	(990.2)	–	(990.2)
Scrip dividends							
Share premium on new shares issued		551.7	–	–	–	–	551.7
Share options							
Value of services provided							
Group	9	–	27.8	–	–	–	27.8
Associated company		–	0.2	–	–	–	0.2
Joint ventures		–	2.0	–	–	–	2.0
Further acquisition of interest in a subsidiary		–	–	–	33.1	(128.9)	(95.8)
Share of other comprehensive income/(loss) of associated companies and joint ventures		–	28.1	–	–	(14.5)	13.6
Cash flow hedges							
Group		–	(12.1)	–	–	–	(12.1)
Associated company		–	(124.4)	–	–	–	(124.4)
Joint venture		–	(10.5)	–	–	–	(10.5)
Remeasurement of post-employment benefit obligation		–	–	–	–	(13.0)	(13.0)
Transfer		–	3.5	–	–	(3.5)	–
At 30 June 2016		16,840.4	548.8	26.5	546.5	23,824.7	41,786.9

29 Reserves (continued)

Special reserves include statutory reserves which are created in accordance with the relevant PRC laws and/or terms of the joint venture agreements of subsidiaries and joint ventures established in Mainland China and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve, share option reserve, property revaluation reserve and cash flow hedges reserve arising from foreign exchange forward, interest rate and fuel price swaps.

30 Borrowings

	Note	2017 HK$'m	2016 HK$'m
Non-current			
Long-term bank loans			
Secured	(a),(b),(c)	**–**	181.3
Unsecured	(a),(c)	**9,376.9**	9,070.4
		9,376.9	9,251.7
Current			
Current portion of long-term bank loans			
Secured	(a),(b),(c)	**69.0**	386.0
Unsecured	(a),(c)	**236.8**	1,548.2
Fixed rate bonds			
Unsecured	(d)	**–**	3,878.7
Other borrowings			
Unsecured		**–**	0.2
		305.8	5,813.1
		9,682.7	15,064.8

30 Borrowings (continued)

(a) Long-term bank loans

	2017 HK$'m	2016 HK$'m
Bank loans, secured	**69.0**	567.3
Bank loans, unsecured	**9,613.7**	10,618.6
Total long-term bank loans	**9,682.7**	11,185.9
Amounts repayable within one year included in current liabilities	**(305.8)**	(1,934.2)
	9,376.9	9,251.7

	2017 HK$'m	2016 HK$'m
The maturity of long-term bank loans is as follows:		
Within one year	**305.8**	1,934.2
In the second year	**1,188.6**	593.1
In the third to fifth year	**7,590.8**	8,658.6
After the fifth year	**597.5**	–
	9,682.7	11,185.9

As at 30 June 2017, the Group's long-term bank loans of HK$9.683 billion (2016: HK$11.186 billion) are exposed to interest rate risk of contractual repricing dates falling within one year except for an amount of HK$0.4 billion (2016: HK$0.4 billion) which is fixed rate interest-bearing.

(b) Bank loans are secured by the intangible concession rights of Hangzhou Ring Road (note 17).

(c) The effective interest rates of bank loans at the end of the reporting period were as follows:

	2017	2016
Hong Kong dollar	**1.65%**	1.63%
Renminbi	**4.41%**	4.41%

(d) Fixed rate bonds

The US$500.0 million bonds were fully redeemed at principal upon maturity on 9 February 2017.

As at 30 June 2016, the fair value of US$500.0 million bonds amounted to US$500.0 million (equivalent to approximately HK$3,884.6 million) which is based on the quoted market prices.

30 Borrowings (continued)

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

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

	2017 HK$'m	2016 HK$'m
Hong Kong dollar	**9,613.7**	10,618.8
United States dollar	**–**	3,878.7
Renminbi	**69.0**	567.3
	9,682.7	15,064.8

31 Deferred Income Tax

	Note	2017 HK$'m	2016 HK$'m
At beginning of year		**2,106.7**	2,376.0
Translation differences		**(34.4)**	(132.7)
Written back upon disposal of intangible concession rights		**–**	(33.8)
Acquisition of subsidiaries	38(b)	**508.5**	–
Disposal of subsidiaries	37(b)	**1.1**	–
Reclassified as liabilities directly associated with assets held-for-sale	26	**–**	(56.8)
Net amount credited to the consolidated income statement	11	**(68.9)**	(46.0)
At end of year		**2,513.0**	2,106.7

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2016: 16.5%).

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK$964.4 million (2016: HK$941.1 million) to be carried forward against future taxable income. These tax losses have no expiry dates.

As at 30 June 2017, the aggregate amount of unrecognized deferred tax liabilities associated with investments in subsidiaries totalled approximately HK$169.6 million (2016: HK$225.9 million). For this unrecognized amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

31 Deferred Income Tax (continued)

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets

HK$'m	Note	Tax losses 2017	Tax losses 2016	Other deductible temporary differences 2017	Other deductible temporary differences 2016	Total 2017	Total 2016
At beginning of year		**1.1**	13.8	**70.8**	75.6	**71.9**	89.4
Translation differences		**–**	–	**(0.9)**	(4.2)	**(0.9)**	(4.2)
Acquisition of subsidiaries	38(b)	**0.5**	–	**–**	–	**0.5**	–
Disposal of subsidiaries	37(b)	**–**	–	**(1.1)**	–	**(1.1)**	–
Reclassified as liabilities directly associated with assets held-for-sale	26	**–**	(4.0)	**–**	–	**–**	(4.0)
Credited/(charged) to the consolidated income statement		**2.2**	(8.7)	**13.1**	(0.6)	**15.3**	(9.3)
At end of year		**3.8**	1.1	**81.9**	70.8	**85.7**	71.9

Deferred tax liabilities

HK$'m	Note	Accelerated tax depreciation 2017	Accelerated tax depreciation 2016	Amortization of concession rights 2017	Amortization of concession rights 2016	Undistributed profits of subsidiaries, associated companies and joint ventures 2017	Undistributed profits of subsidiaries, associated companies and joint ventures 2016	Others 2017	Others 2016	Total 2017	Total 2016
At beginning of year		**61.9**	108.9	**1,883.8**	2,143.4	**202.9**	183.1	**30.0**	30.0	**2,178.6**	2,465.4
Translation differences		**–**	3.0	**(35.1)**	(139.9)	**(0.2)**	–	**–**	–	**(35.3)**	(136.9)
Acquisition of subsidiaries	38(b)	**509.0**	–	**–**	–	**–**	–	**–**	–	**509.0**	–
Written back upon disposal of intangible concession rights		**–**	–	**–**	(33.8)	**–**	–	**–**	–	**–**	(33.8)
Reclassified as liabilities directly associated with assets held-for-sale	26	**–**	(60.8)	**–**	–	**–**	–	**–**	–	**–**	(60.8)
Charged/(credited) to the consolidated income statement		**45.9**	10.8	**(104.4)**	(85.9)	**4.9**	19.8	**–**	–	**(53.6)**	(55.3)
At end of year		**616.8**	61.9	**1,744.3**	1,883.8	**207.6**	202.9	**30.0**	30.0	**2,598.7**	2,178.6

31 Deferred Income Tax (continued)

Deferred income tax assets and liabilities are offset when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	Note	2017 HK$'m	2016 HK$'m
Deferred tax assets	22	**(6.0)**	(2.6)
Deferred tax liabilities		**2,519.0**	2,109.3
		2,513.0	2,106.7

32 Other Non-Current Liabilities

	Note	2017 HK$'m	2016 HK$'m
Long service payment obligations		**48.3**	20.1
Deferred income		**63.3**	14.8
Loans from non-controlling interests	(a)	**46.4**	71.7
Derivative financial instruments		**56.0**	89.7
Retirement benefit obligations		**12.2**	18.7
		226.2	215.0

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

33 Trade and Other Payables

	Note	2017 HK$'m	2016 HK$'m
Trade payables	(a)	**888.8**	630.9
Retention money payables		**1,453.6**	1,216.1
Advances received from customers for contract works		**1,669.9**	1,719.9
Amounts due to customers for contract works	27	**2,202.6**	1,554.4
Amounts due to non-controlling interests	(b)	**171.4**	148.0
Other payables and accruals		**7,204.0**	6,751.3
Derivative financial instruments		**33.8**	–
Amounts due to associated companies	(b)	**18.8**	14.1
Amounts due to joint ventures	(b)	**–**	1.2
		13,642.9	12,035.9

33 Trade and Other Payables (continued)

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

	2017 HK$'m	2016 HK$'m
Under 3 months	**829.0**	611.2
4 to 6 months	**25.7**	7.4
Over 6 months	**34.1**	12.3
	888.8	630.9

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

(c) Included in the Group's trade and other payables are HK$454.2 million (2016: HK$513.5 million) denominated in Renminbi, HK$199.6 million (2016: HK$273.7 million) denominated in Macau Pataca and HK$147.7 million (2016: HK$185.3 million) denominated in United States dollar. The remaining balances are mainly denominated in Hong Kong dollar.

34 Financial Instruments by Category

Financial assets in the consolidated statement of financial position include available-for-sale financial assets, financial assets at fair value through profit or loss, derivative financial instruments, trade receivables, loan and other receivables and cash and bank balances. All these financial assets are carried at amortized cost using the effective interest method as "loans and receivables" except for the "available-for-sale financial assets", "financial assets at fair value through profit or loss" and "derivative financial instruments" which are carried at fair value.

Financial liabilities in the consolidated statement of financial position include borrowings, trade payables, derivative financial instruments, loan and other payables. All these financial liabilities are carried at amortized cost using the effective interest method except for the "derivative financial instruments" which are carried at fair value.

35 Commitments

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

	Note	2017 HK$'m	2016 HK$'m
Contracted but not provided for			
Property, plant and equipment		**295.2**	23.4
Capital contributions to/acquisitions of an associated company and joint ventures	(i)	**1,656.6**	2,339.7
Other investment		**–**	701.7
		1,951.8	3,064.8

35 Commitments (continued)

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

(i) The Group has committed to provide sufficient funds in the form of advances, capital and loan contributions to an associated company and certain joint ventures to finance relevant projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK$1,656.6 million (2016: HK$2,339.7 million) which represents the attributable portion of the capital and loan contributions to be made to an associated company and joint ventures.

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

	2017 HK$'m	2016 HK$'m
Contracted but not provided for		
Property, plant and equipment	**3,737.2**	574.3
Capital contributions to joint ventures	**–**	76.4
	3,737.2	650.7

(c) **Commitments under operating leases**

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

	2017 HK$'m	2016 HK$'m
Buildings		
In the first year	**128.7**	78.0
In the second to fifth year inclusive	**85.5**	88.1
After the fifth year	**3.8**	4.4
	218.0	170.5

The lease terms range from 1 to 19 years.

35 Commitments (continued)

(d) Future minimum rental payments receivable

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

	2017 HK$'m	2016 HK$'m
In the first year	**32.2**	34.0
In the second to fifth year inclusive	**20.7**	60.1
After the fifth year	**–**	11.2
	52.9	105.3

The Group's operating leases terms range from 1 to 3 years.

36 Financial Guarantee Contracts

The Group's financial guarantee contracts are as follows:

	2017 HK$'m	2016 HK$'m
Guarantees for credit facilities granted to		
Associated companies	**1,938.2**	1,340.9
Joint ventures	**1,651.1**	1,028.6
	3,589.3	2,369.5

37 Notes to Consolidated Statement of Cash Flows

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

	2017 HK$'m	2016 HK$'m
Operating profit	**3,433.3**	3,949.8
Depreciation and amortization	**1,202.8**	1,023.9
Share-based payments	**8.0**	27.8
Gain on restructuring of a joint venture	**(454.3)**	–
Gain on remeasurement of previously held equity interest in a joint venture	**(113.1)**	–
Gain on fair value of investment properties	**(117.1)**	(1,420.0)
Profit on disposal of subsidiaries	**(26.3)**	(95.0)
Profit on disposal of a joint venture	**(72.5)**	(53.2)
Loss/(profit) on disposal of intangible concession rights and their related assets and liabilities	**17.4**	(58.7)
Profit on disposal of available-for-sale financial assets	**(30.1)**	(645.1)
Profit on disposal of assets held-for-sale	**(77.8)**	(15.0)
Interest income	**(202.1)**	(319.5)
Dividend income	**(30.4)**	(65.8)
Net exchange loss	**13.8**	396.4
Impairment loss of an available-for-sale financial asset	**–**	670.4
Loss on partial disposal of an associated company	**52.3**	–
Goodwill written off	**34.1**	–
Loss on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	**34.3**	–
Other non-cash items	**(38.8)**	(3.5)
Operating profit before working capital changes	**3,633.5**	3,392.5
(Increase)/decrease in inventories	**(2.5)**	41.2
(Increase)/decrease in security deposits	**(848.3)**	10.3
Increase in trade and other receivables	**(331.6)**	(1,816.9)
Increase in trade and other payables	**1,470.6**	2,885.3
Increase in deferred income	**19.4**	24.8
(Increase)/decrease in balances with associated companies and joint ventures	**(63.4)**	1.8
(Decrease)/increase in long service payment obligations	**(4.4)**	0.4
Increase in amounts due to non-controlling interests	**24.7**	58.6
Net cash generated from operations	**3,898.0**	4,598.0

37 Notes to Consolidated Statement of Cash Flows (continued)

(b) Disposal of subsidiaries

	Note	2017 HK$'m	2016 HK$'m
Net assets disposed			
Investment properties	15	**160.6**	–
Property, plant and equipment	16	**1.8**	–
Deferred tax assets	31	**1.1**	–
Trade and other receivables		**0.7**	–
Trade and other payables		**(0.7)**	–
Tax payable		**(0.8)**	–
		162.7	–
Net profit on disposal	7	**26.3**	95.0
		189.0	95.0
Represented by			
Cash consideration received		**189.0**	95.0

(c) Major non-cash transaction

In relation to the restructuring of SUEZ NWS as detailed in note 19(b), the Group injected its investments in landfill and waste treatment business in Hong Kong and Mainland China into SUEZ NWS.

38 Business Combination

(a) Acquisition of subsidiaries

On 15 November 2016, NWS Service Management Limited ("NWS Service (BVI)", a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company) and Enrich Group Limited ("Enrich", a direct wholly owned subsidiary of CTF Enterprises) entered into a sale and purchase agreement and pursuant to which, NWS Service (BVI) agreed to acquire the remaining 50% equity interest in NWS Transport (a then joint venture owned as to 50% by each of NWS Service (BVI) and Enrich) from Enrich at a total consideration of approximately HK$1,467.5 million (including adjustment to the consideration upon completion). NWS Transport Group is principally engaged in the provision of public bus, ferry and travel related services in Hong Kong. Completion of the acquisition took place on 30 December 2016. Thereafter, NWS Transport Group became indirect wholly owned subsidiaries of the Company.

38 Business Combination (continued)

(b) The fair value of assets acquired and liabilities assumed as at the date of acquisition are as follows:

	Note	HK$'m
Consideration		
Cash		1,467.5
Fair value of equity interest held by the Group as a joint venture before the business combination		2,361.0
		3,828.5
Recognized amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment	16	4,133.1
Intangible assets	18	69.2
Available-for-sale financial asset		7.3
Deferred tax assets	31	0.5
Inventories		85.8
Trade and other receivables		317.1
Cash and bank balances		449.9
Trade and other payables		(731.3)
Taxation		(33.2)
Borrowings		(300.0)
Deferred tax liabilities	31	(509.0)
Other non-current liabilities		(57.6)
		3,431.8
Goodwill on acquisition	18	396.7
		3,828.5

	HK$'m
Consideration settled in cash	(1,467.5)
Cash and cash equivalents in subsidiaries acquired	449.9
Cash outflow on acquisition	(1,017.6)

(c) The Group recognized a gain of HK$113.1 million as a result of remeasuring its 50% equity interest in NWS Transport held before the business combination. The gain is included in other income/gains in the consolidated income statement for the year ended 30 June 2017.

(d) If the acquisition had occurred on 1 July 2016, consolidated revenue and consolidated profit for the year ended 30 June 2017 would have been increased by HK$1,840.7 million and HK$112.6 million respectively.

39 Related Party Transactions

(a) The following is a summary of significant related party transactions during the year carried out in the normal course of the Group's business:

	Note	2017 HK$'m	2016 HK$'m
Transactions with affiliated companies	(i)		
Provision of construction work services	(ii)	**417.8**	962.0
Provision of other services	(iii)	**4.7**	7.6
Interest income	(iv)	**100.0**	70.0
Management fee income	(v)	**14.4**	23.6
Rental and other related expenses	(vi)	**(9.4)**	(11.3)
Other expenses	(viii)	**(479.7)**	(411.8)
Transactions with other related parties	(i)		
Provision of construction work services	(ii)	**9,720.4**	8,447.1
Provision of other services	(iii)	**43.6**	72.2
Rental and other related expenses	(vi)	**(49.8)**	(49.5)
Mechanical and electrical engineering services	(vii)	**(944.8)**	(1,507.6)
Other expenses	(viii)	**(156.3)**	(174.0)

(i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD, CTF Enterprises as well as Mr Doo Wai Hoi, William ("Mr. Doo") and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is a substantial shareholder of NWD. Mr Doo is the Vice-chairman and a non-executive director of NWD and is also the father of Mr William Junior Guilherme Doo, the non-executive director of the Company.

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

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

(iv) Interest income was charged at interest rates as specified in notes 19, 20 and 24 on the outstanding balances due from the affiliated companies.

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

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

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

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

39 Related Party Transactions (continued)

(b) Key management compensation

No significant compensation arrangement has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 14.

(c) On 19 October 2016, Natal Global Limited ("Natal Global", an indirect wholly owned subsidiary of the Company), Zion Sky Holdings Limited ("Zion Sky", a directly wholly owned subsidiary of CTF Enterprises), Investec Bank plc ("Investec") and GAL Partnership L.P. ("GAL") entered into a share purchase agreement, and pursuant to which, each of Natal Global and Zion Sky agreed to purchase (i) 50% of all the preference shares held by Investec, representing approximately 4.85% of total issued share capital of Goshawk (a then associated company of the Group), and 50% of the shareholder loans advanced to Goshawk by Investec; and (ii) 50% of all the preference shares of Goshawk held by GAL, representing approximately 5.15% of total issued share capital of Goshawk, and 50% of the shareholder loans advanced to Goshawk by GAL, for an aggregate consideration of HK$687.0 million respectively.

On 19 October 2016, Pure Cosmos Limited ("Pure Cosmos", an indirect wholly owned subsidiary of the Company), Zion Sky and Investec entered into a share purchase agreement, and pursuant to which, each of Pure Cosmos and Zion Sky agreed to purchase 50% of all ordinary shares of Manco held by Investec, representing 10% of Manco's total issued share capital for a consideration of HK$101.0 million respectively.

Completion of the above acquisitions took place on 24 October 2016 and upon completion, Natal Global owned 50% equity interest in Goshawk and Manco which were accounted for as joint ventures of the Group.

(d) On 15 November 2016, NWS Service (BVI) (an indirect wholly owned subsidiary of the Company) and Enrich (a direct wholly owned subsidiary of CTF Enterprises) entered into a sale and purchase agreement and pursuant to which, NWS Service (BVI) agreed to acquire the remaining 50% equity interest in NWS Transport (a then joint venture owned as to 50% by each of NWS Service (BVI) and Enrich) from Enrich at a total consideration of approximately HK$1,467.5 million (including adjustment to the consideration upon completion). NWS Transport Group is principally engaged in the provision of public bus, ferry and travel related services in Hong Kong. Completion of the acquisition took place on 30 December 2016. Thereafter, NWS Transport Group become indirect wholly owned subsidiaries of the Company.

(e) On 15 December 2016, CTF Enterprises, Healthcare Ventures Holdings Limited ("Healthcare Ventures", a direct wholly owned subsidiary of CTF Enterprises), NWS Service Management Limited (a company incorporated in the Cayman Islands with limited liability and direct wholly owned subsidiary of the Company), Dynamic Ally Limited ("Dynamic Ally", an indirect wholly owned subsidiary of the Company) and Healthcare Assets Management Limited ("Healthcare Assets") entered into a joint venture agreement to regulate the respective rights and obligations of Healthcare Ventures and Dynamic Ally towards the management of Healthcare Assets. The entire issued share capital of Healthcare Assets is owned as to 50% by Healthcare Ventures and 50% by Dynamic Ally. Pursuant to the Joint Venture Agreement, the initial total capital commitment of each of Healthcare Ventures and Dynamic Ally towards Healthcare Assets are HK$70 million. The Group's investment in Healthcare Assets is accounted for as its joint venture.

39 Related Party Transactions (continued)

(f) On 22 February 2017, Hip Hing Construction Holdings Limited ("Hip Hing Holdings", an indirect wholly owned subsidiary of the Company) and Coral Business Inc. ("Coral", a direct wholly owned subsidiary of NWD) entered into an agreement (the "Target Companies SPA") pursuant to which Hip Hing Holdings conditionally agreed to sell and Coral conditionally agreed to purchase one share of par value of US$1 in the share capital of each of Ultimate Cosmo Investments Limited, Central Key Investments Limited, Assets Castle Global Limited, Cyber Track Holdings Limited, Star Icon Investments Limited and Crystal City Investments Limited (collectively, the "Target Companies"), representing the entire issued share capital of each of the Target Companies, and the shareholder's loans owing from the Target Companies to Hip Hing Holdings immediately prior to completion of the Target Companies SPA, at a total cash consideration of approximately HK$177.4 million (subject to adjustment). The Target Companies indirectly held the entire interest in (i) all that factory on the ground floor, all that portion of car park loading and unloading area on the ground floor, all those three staircases and landings on the north and north east side, all those lifts and lift shaft areas and lift machine room on the north east side, all those storerooms on the ground floor, and all that underground fuel tank; (ii) all that portion A of the factory, all those portion B of the factory and the storerooms on the first floor; (iii) all that factory 1 (including the compressor room) and all those storerooms on the second floor; (iv) all that factory 1 and all those flat roof A with dangerous goods stores on the third floor; (v) all those lorry car parking spaces nos. 18 and 19 on the ground floor; and (vi) all that portion A of the external wall of Luen Cheong Can Centre situated at No. 8 Yip Wong Road, Tuen Mun, New Territories, Hong Kong.

Completion of the disposal of shares and assignment of shareholder's loans under the Target Companies SPA took place on 31 March 2017.

(g) The amounts of outstanding balances with associated companies, joint ventures and non-controlling interests are disclosed in notes 19, 20, 24, 32 and 33.

40 Comparative Figures

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

41 Ultimate Holding Company

The directors regard NWD, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as being the ultimate holding company. The Company is held by NWD and certain of its subsidiaries.

42 Company Statement of Financial Position

	2017 HK$'m	2016 HK$'m
ASSETS		
Non-current assets		
Property, plant and equipment	**10.4**	10.4
Subsidiaries	**7,893.4**	7,893.3
Other non-current asset	**3.3**	–
	7,907.1	7,903.7
Current assets		
Trade and other receivables	**36,250.6**	32,542.8
Cash and bank balances	**1,169.1**	812.0
	37,419.7	33,354.8
Total assets	**45,326.8**	41,258.5
EQUITY		
Share capital	**3,888.3**	3,832.0
Reserves	**34,390.2**	26,887.7
Total equity	**38,278.5**	30,719.7
LIABILITIES		
Current liabilities		
Trade and other payables	**7,048.3**	10,538.8
Total liabilities	**7,048.3**	10,538.8
Total equity and liabilities	**45,326.8**	41,258.5

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

42 Company Statement of Financial Position (continued)

Reserves

HK$'m	Share premium	Contributed surplus	Special reserves	Revenue reserve	Total
At 1 July 2016	**16,840.4**	**237.3**	**199.8**	**9,610.2**	**26,887.7**
Issue of new shares as scrip dividends	**615.8**	**–**	**–**	**–**	**615.8**
Profit for the year	**–**	**–**	**–**	**9,427.0**	**9,427.0**
Dividends	**–**	**–**	**–**	**(2,614.4)**	**(2,614.4)**
Share options					
Share premium on new shares issued	**65.6**	**–**	**–**	**–**	**65.6**
Value of services provided					
Company	**–**	**–**	**5.6**	**–**	**5.6**
Subsidiaries	**–**	**–**	**2.4**	**–**	**2.4**
Associated company	**–**	**–**	**0.1**	**–**	**0.1**
Joint ventures	**–**	**–**	**0.4**	**–**	**0.4**
At 30 June 2017	**17,521.8**	**237.3**	**208.3**	**16,422.8**	**34,390.2**
At 1 July 2015	16,288.7	237.3	169.8	6,341.7	23,037.5
Issue of new shares as scrip dividends	551.7	–	–	–	551.7
Profit for the year	–	–	–	5,694.0	5,694.0
Dividends	–	–	–	(2,425.5)	(2,425.5)
Share options					
Value of services provided					
Company	–	–	19.3	–	19.3
Subsidiaries	–	–	8.5	–	8.5
Associated company	–	–	0.2	–	0.2
Joint ventures	–	–	2.0	–	2.0
At 30 June 2016	16,840.4	237.3	199.8	9,610.2	26,887.7

The contributed surplus of the Company represents the difference between the nominal value of the ordinary share capital issued by the Company and the consolidated net asset value of the subsidiaries acquired at the date of acquisition pursuant to the group reorganization implemented in 1997. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

Special reserves mainly include capital redemption reserve and share option reserve.

43 Principal Subsidiaries

The directors of the Company were of the view that as at 30 June 2017, there was no individual subsidiary that had non-controlling interests that were material to the Group.

As at 30 June 2017

	Issued and fully paid share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
Anway Limited	1	1	100.0	Duty free operation and general trading
Billionoble Investment Limited	4,998	4,998	100.0	Investment holding
	2*	2	100.0	
Bounty Gain Limited	1	1	100.0	Investment holding
Cheering Step Investments Limited	1	1	100.0	Investment holding
Chinese Future Limited	1,300,000,000	1,300,000,000	100.0	Investment holding
CiF Solutions Limited	10	1,000	100.0	Provision of information
	160,000*	16,000,000	100.0	technology solutions
Citybus Limited	37,500,000	376,295,750	100.0	Investment holding
Dynamic Ally Limited	1	1	100.0	Investment holding
Grace Crystal Limited	1	1	100.0	Investment holding
Grand Express International Limited	1	1	100.0	Investment holding
Hip Hing Builders Company Limited	40,000	40,000,000	100.0	Construction
	10,000*	10,000,000	100.0	
Hip Hing Construction Company Limited	400,000	40,000,000	100.0	Construction and civil engineering
	600,000*	60,000,000	100.0	
Hip Hing Engineering Company Limited	2,000,000	200,000,000	100.0	Building construction
Hip Seng Builders Limited	20,000	20,000,000	100.0	Construction
Hip Seng Construction Company Limited	1	1	100.0	Construction
Hong Kong Convention and Exhibition Centre	3	3	100.0	Management of HKCEC
(Management) Limited	1*	1	100.0	
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	100.0	Investment holding
Kiu Lok Property Services (China) Limited	2	2	100.0	Property agency management
	2*	2	100.0	and consultancy
New Advent Limited	1	1	100.0	Property investment
New World Construction Company Limited	1	1	100.0	Construction
New World Construction Management Company Limited	1	1	100.0	Construction
New World-Guangdong	999,900	99,990,000	100.0	Investment holding
Highway Investments Co. Limited	100*	10,000	50.0	
New World Port Investments Limited	2	2	100.0	Investment holding
New World (Xiamen) Port Investments Limited	2	2	100.0	Investment holding

43 Principal Subsidiaries (continued)

As at 30 June 2017

	Issued and fully paid share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong (continued)				
NWS (Finance) Limited	2	2	100.0	Financial services
NWS Holdings (Finance) Limited	1	1	100.0	Financing
NWS Hong Kong Investment Limited	1	1	100.0	Investment holding
NWS Ports Management (Tianjin) Limited	1	1	100.0	Investment holding
Polytown Company Limited	2	20	100.0	Property investment, operation, marketing, promotion and management of HKCEC
	100,000*	1,000,000	100.0	
Profit Now Limited	1	1	100.0	Investment holding
Sky Connection Limited	100	100	100.0	Duty free operation and general trading
True Hope Investment Limited	299,999,998	299,999,998	100.0	Investment holding
	2*	2	100.0	
Twinic International Limited	1	1	100.0	Investment holding
Urban Parking Limited	15,000,000	15,000,000	100.0	Carpark management
Vibro Construction Company Limited	1,630,000	163,000,000	100.0	Civil engineering
	20,000*	2,000,000	100.0	
Vibro (H.K.) Limited	20,000,004	60,328,449	99.8(a)	Piling, ground investigation and civil engineering
Wisemec Enterprises Limited	2	2	100.0	Investment holding

43 Principal Subsidiaries (continued)

As at 30 June 2017

	Issued share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operates in Hong Kong				
NWS Service Management Limited	1,323,943,165	HK$0.10	100.0	Investment holding
Incorporated in the Cayman Islands				
Chinese Future Corporation	1,000,000	US$0.01	100.0	Investment holding
Incorporated in the British Virgin Islands and operate in Hong Kong				
Bellwood Group Limited	100	US$1	100.0	Investment holding
Best Star (BVI) Investments Limited	1	US$1	100.0	Investment holding
Creative Profit Group Limited	1	US$1	100.0	Investment holding
Economic Velocity Limited	1	US$1	100.0	Investment holding
Great Start Group Corporation	1	US$1	100.0	Investment holding
Hetro Limited	101	US$1	100.0	Investment holding
Lucky Strong Limited	1	US$1	100.0	Investment holding
Noonday Limited	100	US$1	100.0	Investment holding
New World First Bus Services Limited	200,000,000	HK$1	100.0	Investment holding
New World First Ferry Services Limited	1	US$1	100.0	Investment holding
NWS Financial Management Services Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Management Limited	2	US$1	100.0	Investment holding
NWS Infrastructure Roads Limited	1	US$1	100.0	Investment holding
NWS Ports Management Limited	2	US$1	100.0	Investment holding
NWS Transport Services Limited	500,000,016	HK$1	100.0	Investment holding
Sunny Start Group Limited	1	US$1	100.0	Investment holding
Tin Fook Development Limited	1	US$1	100.0	Investment holding

43 Principal Subsidiaries (continued)

As at 30 June 2017

	Issued share capital # Number	Issued share capital # Par value per share	Approximate percentage of shares held by the Group	Principal activities
Incorporated in the British Virgin Islands				
Beauty Ocean Limited	1	US$1	100.0	Investment holding
Flying Gravity Limited	1	US$1	100.0	Investment holding
Fortland Ventures Limited	1	US$1	100.0	Investment holding
Gravy Train Investments Limited	1	US$1	100.0	Investment holding
Ideal Global International Limited	1	US$1	100.0	Investment holding
Moscan Developments Limited	1	US$1	100.0	Investment holding
Natal Global Limited	1	US$1	100.0	Investment holding
NWS CON Limited	1	HK$1	100.0	Investment holding
NWS Construction Limited	190,000	US$0.1	100.0	Investment holding
	8,325**	US$0.1	–	
	6,797***	US$0.1	–	
NWS Infrastructure Bridges Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Power Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Water Limited	1	US$1	100.0	Investment holding
Pure Cosmos Limited	1	US$1	100.0	Investment holding
Right Heart Associates Limited	4	US$1	100.0	Investment holding
Righteous Corporation	1	US$1	100.0	Investment holding
Stockfield Limited	1	US$1	100.0	Investment holding

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
^ Chaoming (Chongqing) Investment Company Limited	US$78,000,000	100.0	Investment holding
^ Guangdong Xin Chuan Co., Ltd.	RMB714,853,600	100.0	Investment holding
@ Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.	US$320,590,000	100.0	Operation of toll road
† Shanxi Xinda Highways Ltd.	RMB49,000,000	60.0(b)	Operation of toll road
† Shanxi Xinhuang Highways Ltd.	RMB56,000,000	60.0(b)	Operation of toll road
† Wuzhou Xinwu Highways Limited	RMB72,000,000	52.0(c)	Operation of toll road
^ Xiamen NWS Management Consultancy Limited	US$500,000	100.0	Management consultation

43 Principal Subsidiaries (continued)

As at 30 June 2017

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Macau			
Hip Hing Engineering (Macau) Company Limited	MOP100,000	100.0	Construction
Vibro (Macau) Limited	MOP1,000,000	99.8(a)	Foundation works

\# Ordinary shares, unless otherwise stated
* Non-voting deferred shares
** Redeemable, non-convertible and non-voting A preference shares
*** Redeemable, non-convertible and non-voting B preference shares
^ Registered as wholly foreign owned enterprise under PRC law
@ Registered as sino-foreign equity joint venture under PRC law
† Registered as sino-foreign cooperative joint venture under PRC law

(a) The approximate percentage of shares held by non-controlling interests is 0.2%

(b) Cash sharing ratio of 90% (percentage for non-controlling interest is 10%) for the first 12 years from the operation date and thereafter 60% (percentage for non-controlling interest is 40%)

(c) Profit sharing percentage (percentage for non-controlling interest is 48%)

44 Principal Associated Companies

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2017 is as follows:

	Issued and fully paid share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
GHK Hospital Limited	10	10	40.0	Healthcare
Joy Fortune Investments Limited	10,000	10,000	50.0	Investment holding
Quon Hing Concrete Company Limited	200,000	20,000,000	50.0	Production and sales of ready-mixed concrete
Yargoon Company Limited	150,000	15,000,000	42.0	Stone quarrying
Incorporated in Hong Kong and operates in Greater China				
SUEZ NWS Limited (formerly known as Sino-French Holdings (Hong Kong) Limited)	20,256,429	5,134,005,207	42.0	Investment holding and operation of water, wastewater and waste management businesses

44 Principal Associated Companies (continued)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2017 is as follows (continued):

	Issued share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Islands and operates in Hong Kong				
VMS Private Investment Partners III Limited	1,500* 2,070**	US$0.01 US$0.01	– 100.0(a)	Securities investment
Incorporated in the British Virgin Islands				
VMS Private Investment Partners II Limited	2,500* 2,466**	US$0.01 US$0.01	– 100.0(a)	Securities investment
Incorporated in Bermuda and operates in Hong Kong				
Wai Kee Holdings Limited	793,124,034	HK$0.10	27.0	Construction
Incorporated in the Cayman Islands and operates in Hong Kong and Mainland China				
UMP Healthcare China Limited	100	US$0.01	20.0	Healthcare
Incorporated in Cyprus and operates in South Africa				
Tharisa plc	256,981,571	US$0.001	15.78(b)	Platinum group metals and chrome mining, processing and trading

44 Principal Associated Companies (continued)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2017 is as follows (continued):

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Chongqing Silian Optoelectronics Science And Technology Co., Ltd.	RMB500,000,000	20.0(c)	Manufacturing and sale of sapphire substrate and wafer, LED packaging and application
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	39.0(d)	Operation of gasoline station
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	18.0(b),(c)	Operation of container terminal
Xiamen Container Terminal Group Co., Ltd.	RMB2,436,604,228	20.0(c)	Operation of container terminals
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	25.0(d)	Operation of toll road

	Issued share capital		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated and operates in Mainland China				
Beijing Capital International Airport Co., Ltd.	2,451,526,000 domestic shares	RMB1	–	Operation of an international airport
	1,879,364,000 H shares	RMB1	23.9(b)	

\# Ordinary shares, unless otherwise stated
* Voting, non-participating, non-redeemable management shares
** Non-voting, redeemable participating shares

(a) The directors of the Company considered the Group has significant influence over these companies through its representative on the investment committee which governs the daily financial, operational and investment decisions

(b) The directors of the Company considered the Group has significant influence over these companies through its representatives on the board of directors of these companies

(c) Percentage of equity interest

(d) Percentage of interest in ownership and profit sharing

45 Principal Joint Ventures

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2017 is as follows:

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	RMB580,000,000	25.0(a)	Operation of toll road
China United International Rail Containers Co., Limited	RMB4,200,000,000	30.0(b)	Operation of rail container terminals and related business
Chongqing Suyu Business Development Company Limited	RMB650,000,000	50.0(a)	Investment holding
Guangzhou Northring Freeway Company Limited	US$19,255,000	65.3(a),(d)	Operation of toll road
Guangzhou Oriental Power Co., Ltd	RMB990,000,000	25.0(b)	Generation and supply of electricity
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB613,361,800	35.0(b)	Wholesale, assembling and storage of fuel
Guodian Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	35.0(a)	Generation and supply of electricity
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	50.0(a)	Investment holding
Tianjin Xinzhan Expressway Co., Ltd.	RMB2,539,100,000	60.0(c),(d)	Operation of toll road

45 Principal Joint Ventures (continued)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2017 is as follows (continued):

	Issued and fully paid share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
ATL Logistics Centre Hong Kong Limited	100,000'A'	100,000	56.0(d)	Operation of cargo handling and storage facilities
	20,000'B'**	20,000	79.6	
	54,918*	54,918	–	
First Star Development Limited	100	100	50.0	Property development
Healthcare Assets Management Limited	2	2	50.0	Healthcare
Supertime Holdings Limited	100	100	50.0	Property development
Tate's Cairn Tunnel Investment Holdings Company Limited	1,100,000	1,100,000	29.5	Investment holding
Wincon International Limited	300,000,000	300,000,000	50.0	Investment holding

	Issued share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Islands				
DP World New World Limited	2,000	US$1	50.0	Investment holding
Silverway Global Limited	2	US$1	50.0	Investment holding
Success Concept Investments Limited	1,000	US$1	90.0(d)	Investment holding
Incorporated and operates in the Netherlands				
Hyva I B.V.	19,000	EUR1	50.0	Manufacturing and supply of components used in hydraulic loading and unloading systems

45 Principal Joint Ventures (continued)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2017 is as follows (continued):

	Issued share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operate globally				
Goshawk Aviation Limited	362,026,264 preference shares	US$0.001	50.0	Commercial aircraft leasing
Goshawk Management Holdings (Cayman) Limited	100	US$1	50.0	Commercial aircraft leasing management

\# Ordinary shares, unless otherwise stated
* Non-voting deferred shares
** Non-voting preference shares

(a) Percentage of interest in ownership and profit sharing

(b) Percentage of equity interest

(c) Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%

(d) The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these joint ventures

Five-Year Financial Summary

	2017	2016	2015	2014	2013
Earnings per share – Basic (HK$)	**1.46**	1.30	1.19	1.17	1.11
Earnings per share – Diluted (HK$)	**N/A**	N/A	N/A	N/A	1.11
Key ratios					
Net Gearing Ratio	**7%**	13%	14%	23%	24%
Return on Equity	**11%**	11%	10%	10%	10%
Return on Capital Employed	**9%**	9%	7%	8%	7%
Consolidated income statement data (HK$'m)					
Revenue	**31,385.0**	29,497.8	24,491.8	21,443.0	16,247.9
Revenue by segments					
Roads	**2,377.0**	2,399.8	2,416.2	2,306.8	2,200.3
Logistics	**–**	100.1	100.1	99.7	102.1
Facilities Management	**6,915.1**	6,917.9	6,768.6	6,174.2	6,471.7
Construction & Transport	**22,092.9**	20,080.0	15,206.9	12,862.3	7,473.8
Revenue by region					
Hong Kong	**28,449.7**	26,243.3	21,818.3	18,504.2	13,973.6
Mainland China	**2,470.5**	2,480.2	2,490.0	2,381.2	2,265.9
Macau	**464.8**	774.3	183.5	557.6	8.4
Profit attributable to shareholders of the Company	**5,628.9**	4,912.8	4,477.6	4,324.9	4,008.0
Attributable operating profit	**4,840.3**	4,739.6	4,456.6	4,379.0	4,267.3
Attributable operating profit by segments					
Roads	**1,479.1**	1,259.8	1,201.0	1,126.7	1,238.2
Environment	**392.1**	469.8	631.4	739.7	719.5
Logistics	**641.2**	702.6	548.9	477.7	330.4
Aviation	**610.5**	424.0	243.6	83.9	–
Facilities Management	**301.1**	645.0	861.5	910.7	1,123.6
Construction & Transport	**1,131.8**	911.6	691.1	605.3	394.3
Strategic Investments	**284.5**	326.8	279.1	435.0	461.3

	2017	2016	2015	2014	2013
Consolidated income statement data (continued) (HK$'m)					
Attributable operating profit by region					
Hong Kong	**2,213.8**	2,615.9	2,556.1	2,292.4	2,204.7
Mainland China	**2,117.9**	1,937.9	1,748.0	1,642.8	1,647.5
Others	**508.6**	185.8	152.5	443.8	415.1
Corporate office and non-operating items					
Net gain on disposal of a project under an associated company	**932.8**	–	–	–	–
Gain on restructuring of a joint venture	**454.3**	–	–	–	–
Net gain on deemed disposals of interests in joint ventures	**–**	–	–	594.3	–
Net gain on disposal of projects, net of tax	**179.8**	199.4	51.4	79.0	–
Gain on fair value of investment properties	**117.1**	1,420.0	306.6	111.4	333.6
Gain on remeasurement of previously held equity interest in a joint venture	**113.1**	–	–	–	–
Net gain on disposal of a project under a joint venture	**–**	–	1,549.9	–	–
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	**–**	–	914.0	–	–
Gain on disposal of an available-for-sale financial asset	**–**	534.1	–	–	–
Net gain on deemed disposal of a project under a joint venture	**–**	179.3	–	–	–
Losses on partial disposal, impairment and remeasurement related to an associated company	**(290.6)**	–	(1,910.9)	–	–
Impairment loss of an available-for-sale financial asset	**–**	(670.4)	–	–	–
Impairment loss related to an associated company	**–**	(200.0)	–	–	–
Impairment loss related to a joint venture	**–**	(177.6)	(300.0)	–	–
Provision for impairment on a joint venture	**–**	–	–	(72.1)	–
Net exchange gain/(loss)	**12.1**	(368.8)	2.1	(28.0)	104.9
Interest income	**54.4**	198.1	210.5	113.2	109.7
Finance costs	**(399.8)**	(546.3)	(522.0)	(561.9)	(555.3)
Expenses and others	**(384.6)**	(394.6)	(280.6)	(290.0)	(252.2)
Consolidated statement of financial position data (HK$'m)					
Total assets	**75,725.9**	75,685.0	75,153.6	71,554.1	67,022.8
Total liabilities and non-controlling interests	**26,668.8**	30,066.1	29,740.2	29,337.7	26,839.7
Total borrowings	**9,682.7**	15,064.8	16,811.4	17,667.5	17,679.5
Shareholders' funds	**49,057.1**	45,618.9	45,413.4	42,216.4	40,183.1

Project Key Facts and Figures

As at 30 June 2017

INFRASTRUCTURE

ROADS

The road portfolio comprises 16 roads and related projects in strategic locations in Hong Kong and Mainland China, such as Guangdong, Zhejiang, Guangxi, Shanxi and Tianjin, covering approximately 599 km in length.

Guangdong Province

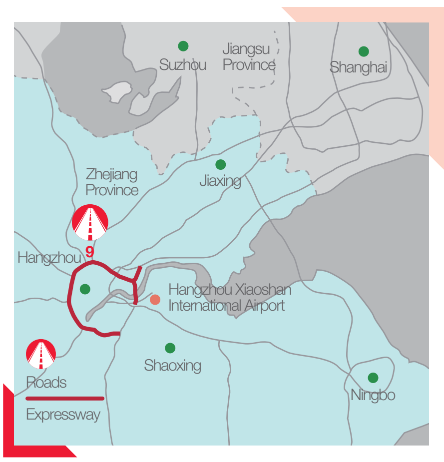
	1. Guangzhou City Northern Ring Road		
Attributable Interest	65.29%		
Form of Investment	CJV		
Length	22 km		
Lanes	Dual 3-Lane		
Location	Guangzhou City		
Operation Date	January 1994		
Expiry Date	2023		
Current Toll Rates	RMB1 – RMB28 (Normal) RMB0.12 / tonne / km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2017**	**2016**	**2015**
	319,406	286,088	258,580

	2. Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)			3. Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)			4. Guangzhou-Zhaoqing Expressway		
Attributable Interest	25%			15%			25%		
Form of Investment	CJV			CJV			CJV		
Length	Section 1: 8.6 km Section 2: 53.8 km			27 km			Phase 1: 48 km Phase 2: 5.39 km		
Lanes	Section 1: Dual 3-Lane Section 2: Dual 2 to 3-Lane			Dual 3-Lane			Phase 1: Dual 2-Lane Phase 2: Dual 3-Lane		
Location	Zhongshan City & Zhuhai City			Guangzhou City			Zhaoqing City & Foshan City		
Operation Date	December 1999			December 2005			Phase 1: September 2002 Phase 2: September 2010		
Expiry Date	2030			2032			2031		
Current Toll Rates	Section 1: RMB6 – RMB19 (Normal) Section 2: RMB2 – RMB109 (Normal) Section 1 & 2: RMB0.09 – RMB0.12 / tonne / km (Toll-by-weight vehicle)			RMB1 – RMB55 (Normal) RMB0.12 / tonne / km (Toll-by-weight vehicle)			RMB1 – RMB84 (Normal) RMB0.09 – RMB0.12 / tonne / km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
	181,618	156,152	145,523	58,730	50,970	42,075	79,990	77,091	68,429

	5. Shenzhen-Huizhou Expressway (Huizhou Section)			6. Guangzhou Dongxin Expressway		
Attributable Interest	33.33%			45.9%		
Form of Investment	CJV			Equity		
Length	34.7 km			46.22 km		
Lanes	Dual 3 to 4-Lane			Dual 3 to 4-Lane		
Location	Huizhou City			Guangzhou City		
Operation Date	June 1993			December 2010		
Expiry Date	2023			2035		
Current Toll Rates	RMB1 – RMB67 (Normal) RMB0.12 / tonne / km (Toll-by-weight vehicle)			RMB2 – RMB98 (Normal) RMB0.12 / tonne / km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
	91,848	80,852	70,942	100,344	82,769	59,497

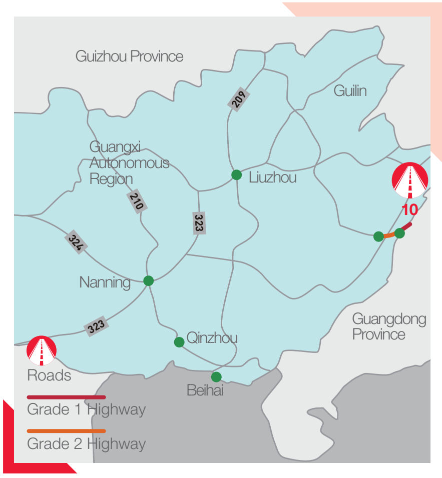
	7. Guangzhou City Nansha Port Expressway			8. Guangdong E-serve United Co., Ltd.		
Attributable Interest	22.5%			1.4%		
Form of Investment	Equity			Equity		
Length	72.4 km			N/A		
Lanes	Dual 3 to 4-Lane			N/A		
Location	Guangzhou City			Guangzhou City		
Operation Date	December 2004			January 2013		
Expiry Date	2030			N/A		
Current Toll Rates	RMB2 – RMB78 (Normal) RMB0.12 / tonne / km (Toll-by-weight vehicle)			N/A		
Average Daily Traffic Flow	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
	105,092	94,853	83,155	N/A	N/A	N/A

Zhejiang Province



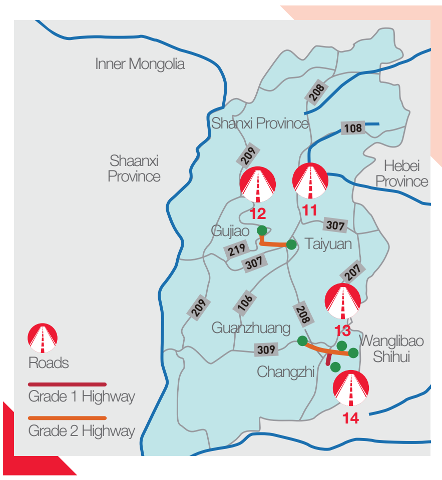
	9. Hangzhou Ring Road		
Attributable Interest	100%		
Form of Investment	Equity		
Length	103.4 km		
Lanes	Dual 2 to 3-Lane		
Location	Hangzhou City		
Operation Date	January 2005		
Expiry Date	2029		
Current Toll Rates	RMB5 – RMB170 (Normal) RMB0.09 / tonne / km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2017**	**2016**	**2015**
	78,844	84,485	82,825

Guangxi Province



	10. Roadway No. 321 (Wuzhou Section)		
Attributable Interest	52%		
Form of Investment	CJV		
Length	Phase 1: 8.7 km Phase 2: 4.3 km		
Lanes	Dual 2-Lane		
Location	Wuzhou City		
Operation Date	Phase 1: March 1997 Phase 2: December 1998		
Expiry Date	2022		
Current Toll Rates	RMB1 – RMB35 (Normal) RMB1.8 / tonne (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2017**	**2016**	**2015**
	5,093	4,083	3,799

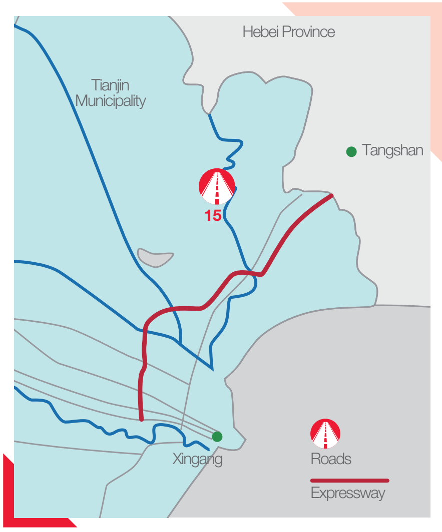
Shanxi Province



	11. Shanxi Taiyuan - Gujiao Roadway (Taiyuan Section)		
Attributable Interest	60%†		
Form of Investment	CJV		
Length	23.18 km		
Lanes	Dual 1-Lane		
Location	Taiyuan City		
Operation Date	July 2000		
Expiry Date	2025		
Current Toll Rates	RMB10 – RMB60		
Average Daily Traffic Flow	**2017**	**2016**	**2015**
	180	527	94

	12. Shanxi Taiyuan - Gujiao Roadway (Gujiao Section)			13. Roadway No.309 (Changzhi Section)			14. Taiyuan - Changzhi Roadway (Changzhi Section)		
Attributable Interest	60%†			60%†			60%†		
Form of Investment	CJV			CJV			CJV		
Length	36.02 km			22.2 km			18.3 km		
Lanes	Dual 1-Lane			Dual 1 to 2-Lane			Dual 1 to 2-Lane		
Location	Gujiao City			Changzhi City			Changzhi City		
Operation Date	April 1999			July 2000			August 2000		
Expiry Date	2025			2023			2023		
Current Toll Rates	RMB10 – RMB60			RMB10 – RMB60			RMB10 – RMB70		
Average Daily Traffic Flow	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
	706	1,296	777	5,625	5,367	5,017	1,483	1,128	1,339

Tianjin Municipality



	15. Tangjin Expressway (Tianjin North Section)		
Attributable Interest	60%††		
Form of Investment	CJV		
Length	Section 1: 43.45 km Section 2: 17.22 km		
Lanes	Dual 3-Lane		
Location	Tianjin Municipality		
Operation Date	Section 1: December 1998 Section 2: December 2000		
Expiry Date	2039		
Current Toll Rates	RMB5 – RMB105 (Normal) RMB0.1 / tonne / km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2017**	**2016**	**2015**
	52,451	46,999	35,568

Hong Kong

	16. Tate's Cairn Tunnel		
Attributable Interest	29.5%		
Form of Investment	Equity		
Length	4 km		
Lanes	Dual 2-Lane		
Location	Hong Kong		
Operation Date	June 1991		
Expiry Date	2018		
Current Toll Rates	HK$15 – HK$35		
Average Daily Traffic Flow	**2017**	**2016**	**2015**
	60,114	59,178	58,670

† Cash sharing ratio of 90% for the first 12 years from the operation date and thereafter 60%
†† Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%

ENVIRONMENT

The Group engages in environmental business in 38 cities across the Greater China region through two strategic platforms, SUEZ NWS Limited ("SUEZ NWS") and Chongqing Derun Environment Co., Ltd. These two platforms provide one-stop environmental services, including water and wastewater treatment, waste management, renewable resource recycling and utilization, environmental remediation, as well as design, engineering and procurement services. In addition, the Group operates two power plants in Guangdong and Sichuan with a total installed capacity of approximately 1,820 MW.

	1. SUEZ NWS Limited			
Attributable Interest	42%*			
Form of Investment	Equity			
No. of Projects and Capacity		No. of Projects	Total Capacity	
	Water and wastewater (including industrial) treatment:	34	9.02 million m^3 / day	
	Sludge treatment:	4	2,140 tonnes / day	
	Waste collection and treatment:	11	9,250 tonnes / day	
	Industrial and municipal waste incineration:	7	721,600 tonnes / year	
	Landfill and landfill restoration:	9	96 million m^3 (excluding landfill restoration)	
	Total	65		
Location	Liaoning, Beijing, Tianjin, Hebei, Shandong, Shanghai, Jiangsu, Zhejiang, Guangdong, Shaanxi, Henan, Hubei, Jiangxi, Chongqing, Sichuan, Hainan, Hong Kong, Macau, Taiwan			
Operation Date	May 1985#			
Average Daily Volume Treated/ Sold		**2017**	**2016**	**2015**
	Water and wastewater treatment (million m^3)	6.02	5.78	5.57
	Waste treatment (tonnes)	22,406^	3,896†	3,405†

	2. Chongqing Derun Environment Co., Ltd.	3. Chongqing Silian Optoelectronics Science & Technology Co., Ltd.
Attributable Interest	12.55%	20%
Form of Investment	Equity	EJV
Location	Chongqing Municipality	Chongqing Municipality
Operation Date	October 2014#	July 2008

	4. Zhujiang Power Station – Phase II			5. Chengdu Jintang Power Plant		
Attributable Interest	25%			35%		
Form of Investment	EJV			Equity		
Installed Capacity	620 MW			1,200 MW		
Location	Guangzhou City, Guangdong Province			Chengdu Clty, Sichuan Province		
Type of Power	Coal-Fired Thermal			Coal-Fired Thermal		
Operation Date	April 1996			June 2007		
Expiry Date	2020			2040		
Electricity Sales (GWh)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
	2,450	2,089	2,777	3,118	3,128	4,557

	6. Guangzhou Fuel Company
Attributable Interest	35%
Form of Investment	EJV
Coal Pier Handling Capacity	7 million tonnes / year
Location	Guangzhou City, Guangdong Province
Nature of Business	Wholesale, assembling and storage of coal
Operation Date	January 2008
Expiry Date	2033

Date of incorporation

* After the completion of restructuring of SUEZ NWS in FY2017, its interest held by the Group was reduced from 50% to 42%

^ Pursuant to the restructuring of SUEZ NWS, the Group's interests in Far East Landfill Technologies Limited and Shanghai SCIP Waste Incineration Plant have been injected into SUEZ NWS during FY2017. For reference purposes, the figure includes the average daily volume treated by the two projects for the period from 1 July 2016 to the date of completion of the restructuring

† For reference purposes, the figures represent the aggregate average daily volume treated by Far East Landfill Technologies Limited and Shanghai SCIP Waste Incineration Plant for the years ended 30 June 2016 and 2015 respectively

LOGISTICS

Through its joint venture, China United International Rail Containers Co., Limited, the Group develops and operates a large-scale pivotal rail container terminal network across Mainland China. The Group also invests in a logistics centre in Hong Kong that offers a total leasable area of approximately 5.9 million sq ft, and three port projects in Mainland China with an aggregate container handling capacity of 12 million TEUs per year.

	1. China United International Rail Containers Co., Limited		
Attributable Interest	30%		
Form of Investment	EJV		
Investment Scope	Pivotal rail container terminal network		
Location	Kunming, Chongqing, Chengdu, Zhengzhou, Dalian, Qingdao, Wuhan, Xian, Tianjin, Urumqi		
Operation Date	Kunming: January 2008 Chongqing: December 2009 Chengdu: March 2010 Zhengzhou: April 2010 Dalian: July 2010 Qingdao: August 2010 Wuhan: August 2010 Xian: December 2010 Tianjin: January 2017 Urumqi: June 2017		
Expiry Date	2057		
Throughput Achieved (TEUs)	**2017** 2,529,000	**2016** 2,062,000	**2015** 1,817,000

	2. ATL Logistics Centre		
Attributable Interest	56%		
Form of Investment	Equity		
Leasable Area	5.9 million sq ft		
Location	Hong Kong		
Operation Date	Phase 1: February 1987 Phase 2: March 1988 Phase 3: February 1992 Phase 4: January 1994 Phase 5: November 1994		
Expiry Date	2047		
Average Occupancy Rate	**2017** 97.1%	**2016** 97.4%	**2015** 99.5%

	3. Xiamen Container Terminal Group Co., Ltd.			4. Tianjin Orient Container Terminals Co., Ltd.			5. Tianjin Five Continents International Container Terminal Co., Ltd.		
Attributable Interest	20%			24.5%			18%		
Form of Investment	EJV			Equity			EJV		
Handling Capacity	9.1 million TEUs / year			1.4 million TEUs / year			1.5 million TEUs / year		
Total Area	3,420,000 sq m			469,000 sq m			447,000 sq m		
Location	Xiamen City, Fujian Province			Tianjin Municipality			Tianjin Municipality		
Operation Date	December 2013			January 1999			November 2005		
Expiry Date	2063			2027			2035		
Length of Berths	6,838 m			1,136 m			1,202 m		
No. of Cranes	61			10			12		
Throughput Achieved (TEUs)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
	8,182,000*	7,872,000*	7,087,000*	961,000	897,000	935,000	2,555,000	2,486,000	2,600,000

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

AVIATION

The Group has invested in Beijing Capital International Airport, the second busiest airport in the world in terms of passenger throughput. The Group's Goshawk Aviation Limited and Bauhinia Aviation Capital Limited invest in commercial aircraft for leasing to worldwide airline operators.

	1. Beijing Capital International Airport Co., Ltd.		
Attributable Interest	10.35%		
Form of Investment	Equity		
Facility	3 runways & 3 terminals (total floor area: 1.41 million sq m)		
Location	Beijing Municipality		
Operation Date	October 1999#		
	2017	**2016**	**2015**
Passenger Throughput	95,423,000	91,462,000	88,620,000
Aircraft Movements	600,000	597,000	589,000

	2. Goshawk Aviation Limited			3. Bauhinia Aviation Capital Limited		
Attributable Interest	50%			40%		
Form of Investment	Equity			Equity		
Operation Date	October 2013#			March 2016		
No. of Aircraft	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
	84	68	40	6	–	N/A

Date of incorporation

SERVICES

FACILITIES MANAGEMENT

The segment mainly comprises the management and operation of Hong Kong Convention and Exhibition Centre ("HKCEC"), Free Duty business and Gleneagles Hong Kong Hospital. The latter is a joint venture between Parkway Pantai Limited and the Group, with The University of Hong Kong being responsible for its clinical governance. HKCEC, managed and operated by the Group, is an award-winning venue for international exhibitions and conventions. Free Duty/Sky Shilla Duty Free Limited retail duty free tobacco, liquor, perfume, cosmetics, package food and general merchandise at Hong Kong's cross-border transport terminals and Macau International Airport.

	Hong Kong Convention and Exhibition Centre (Management) Limited	Shenyang New World Expo (Management) Limited	Hong Kong – Shanghai Venue Management (Zhengzhou) Limited
Attributable Interest	100%	100%	30%
Services Offered	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc
Gross Rentable Space	91,500 sq m	28,000 sq m	93,000 sq m
No. of Events Held this Year	1,102	8	273
No. of Attendants this Year	Approximately 5.7 million	Approximately 0.18 million	Approximately 2 million

	Free Duty	Sky Shilla Duty Free Limited
Attributable Interest	100%	60%
Services Offered	Retail of duty free tobacco, liquor, perfume, cosmetics, package food and general merchandise	Retail of duty free tobacco, liquor, perfume, cosmetics, package food and general merchandise
Locations of Shops	MTR Lo Wu, Hung Hom and Lok Ma Chau Stations; Hong Kong-Macau Ferry Terminal and China Ferry Terminal; Hong Kong International Airport	Macau International Airport

	Gleneagles Hong Kong Hospital
Attributable Interest	40%
Services Offered	500-bed private hospital with more than 35 specialties and subspecialties. It offers a comprehensive range of healthcare facilities and services, including Accident and Emergency, cardiovascular laboratory, clinical laboratory, critical care unit, radiotherapy and oncology, radiology, health screening, rehabilitation, renal dialysis, specialist outpatient clinics, dietetic services, etc.

	Healthcare Assets Management Limited	UMP Healthcare China Limited
Attributable Interest	50%	20%
Services Offered	Medical and clinical services	Corporate healthcare solutions business and health check-up services
No. of Clinics	4	–
No. of Health Check-up Centres	–	3
Location of Services Provided	Beijing and Shanghai	Beijing and Shanghai

CONSTRUCTION & TRANSPORT

With abundant experience in constructing large-scale projects, the Group provides professional construction services in Hong Kong. The Group is also dedicated to providing reliable public transport services, including bus and ferry services in Hong Kong.

	Hip Hing Construction Company Limited	New World Construction Company Limited
Attributable Interest	100%	100%
Services Offered	General contracting, construction management, civil engineering works and foundation works	General contracting and construction management
Total Value of Contracts Awarded this Year	HK$22.9 billion	HK$13.5 billion
Value of Contracts on Hand	HK$42.4 billion (remaining value of works to be completed: HK$28.4 billion)	HK$44.4 billion (remaining value of works to be completed: HK$25.5 billion)
Major Projects	West Kowloon Government Offices; Xiqu Centre at West Kowloon Cultural District; Gleneagles Hong Kong Hospital at Wong Chuk Hang; Kerry Hotel Hong Kong at Hung Hom; Residential Development "Pavilia Bay" at Tsuen Wan; Residential Development "Double Cove" at Ma On Shan; Residential and Commercial Development "SAVANNAH" at Tseung Kwan O; Residential and Commercial Development at Kai Tak NKIL 6541 Area 1H Site 3; Property Redevelopment at 123 Hoi Bun Road in Kwun Tong; Residential Development "LOHAS Park" Package 5 and 6 at Tseung Kwan O; "Alto Residences" at Tseung Kwan O; Office Development at No. 8-10 Wong Chuk Hang Road; Commercial and Hotel Development at Tung Chung Town Lot No. 2 and 11; Hong Kong Airlines Aviation Training Centre at Chek Lap Kok; Hong Kong Jockey Club Happy Valley Clubhouse Extension; Hong Kong Science Park Expansion Stage 1	Clear Water Bay Residential Development at Sai Kung; New World Centre Remodeling at Tsim Sha Tsui; Palace Mall Remodeling at Tsim Sha Tsui; Residential Development at Des Voeux Road West; Residential Development at Sai Yuen Lane; Office Development at King's Road; Avenue of Stars Revitalization at Tsim Sha Tsui; Tai Wai Station Development; Residential Development at Tuen Mun Heung Sze Wui Road; Residential Development at No. 420-422 Prince Edward Road West; Residential Development at No. 5 Kai Yuen Street; Residential Development at Tong Yan San Tsuen Lot 2131, Yuen Long; Industrial Development at No. 43 and 45 Tsun Yip Street

	New World First Ferry Services Limited	Citybus Limited	New World First Bus Services Limited
Attributable Interest	100%	100%	100%
Services Offered	Ferry services of outlying islands and inner harbour routes	Franchised bus services in Hong Kong	Franchised bus services in Hong Kong
Fleet Size	17 owned vessels and 3 chartered vessels	951 buses	687 buses
No. of Routes	5	108	87
Average Daily Patronage	39,000	606,000	454,000

Glossary of Terms

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

General terms

"Board"	the board of directors of NWS Holdings
"EUR"	Euro, the official currency of the Eurozone
"FY2016"	the financial year ended 30 June 2016
"FY2017"	the financial year ended 30 June 2017
"FY2018"	the financial year ending 30 June 2018
"Group"	NWS Holdings and its subsidiaries
"HIBOR"	Hong Kong Interbank Offered Rate
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HK$'m"	million of Hong Kong dollar
"Hong Kong" or "HKSAR"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"LIBOR"	London Interbank Offered Rate
"Listing Rules"	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Macau"	The Macau Special Administrative Region of the PRC
"Mainland China"	the PRC excluding Hong Kong, Macau and Taiwan
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
"MOP"	Macau Pataca, the lawful currency of Macau
"NWD"	New World Development Company Limited
"New World Group"	NWD and its subsidiaries
"NWS Holdings" or "Company"	NWS Holdings Limited
"PRC"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Takeovers Code"	the Code on Takeovers and Mergers
"USA"	the United States of America
"US$"	United States dollar, the lawful currency of USA

Technical terms

“cbm(s)” or “m³”	cubic metre(s)
“CJV”	co-operative joint venture company
“EJV”	equity joint venture company
“ft”	foot (feet)
“GWh”	gigawatt-hour, equals to 1,000,000 kilowatt-hours
“km”	kilometre(s)
“MW”	megawatt(s), equals to 1,000 kilowatts
“sq ft”	square foot (feet)
“sq km”	square kilometre(s)
“sq m”	square metre(s)
“TEU(s)”	twenty-foot equivalent unit(s), a standard measurement unit of a container. It is based on the dimensions of a container 20 feet long by 8 feet wide by 8.5 feet high with an average load of approximately nine tonnes
“tonne(s)”	equal to 1,000 kilograms

Financial terms

“Attributable operating profit” or “AOP”	profit available for appropriation before corporate office and non-operating items
“Dividend Payout Ratio”	$\frac{\text{dividends}}{\text{profit attributable to shareholders of the Company}}$
“Basic Earnings per Share”	$\frac{\text{profit attributable to shareholders of the Company}}{\text{weighted average number of shares in issue during the year}}$
“EBIT”	earnings before interests and tax expenses
“Net Gearing Ratio”	$\frac{\text{Net Debt}}{\text{total equity}}$
“Net Assets”	total assets less total liabilities
“Net Assets per Share”	$\frac{\text{Net Assets}}{\text{number of issued shares at the end of the year}}$
“Net Debt”	Total Debt less cash and bank balances and short-term deposits
“Return on Capital Employed”	$\frac{\text{profit for the year}}{\text{total equity + non-current liabilities}}$
“Return on Equity”	$\frac{\text{profit for the year}}{\text{total equity}}$
“Total Debt”	the aggregate of bank loans, other loans, overdrafts and finance leases

Corporate Information

Board of Directors

Executive Directors
Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Tsang Yam Pui *(Chief Executive Officer)*
Mr Hui Hon Chung *(Deputy Chief Executive Officer)*
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Mak Bing Leung, Rufin

Non-executive Directors
Mr To Hin Tsun, Gerald
Mr Dominic Lai
Mr Lam Wai Hon, Patrick
Mr William Junior Guilherme Doo

Independent Non-executive Directors
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan
Mrs Oei Fung Wai Chi, Grace

Board Committees

Executive Committee
Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Tsang Yam Pui
Mr Hui Hon Chung
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Mak Bing Leung, Rufin

Audit Committee
Mr Kwong Che Keung, Gordon *(Chairman)*
Mr Dominic Lai
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan

Remuneration Committee
The Honourable Shek Lai Him, Abraham *(Chairman)*
Mr Tsang Yam Pui
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher

Nomination Committee
Dr Cheng Kar Shun, Henry *(Chairman)*
Mr Tsang Yam Pui
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Sustainability Committee
Mr Tsang Yam Pui *(Chairman)*
Mr Hui Hon Chung
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Dominic Lai
Mr Lam Wai Hon, Patrick
Mr William Junior Guilherme Doo
Mr Lee Yiu Kwong, Alan
Mrs Oei Fung Wai Chi, Grace
Ms Lam Yuet Wan, Elina
Ms Tang Cheung Yi

Company Secretary
Mr Chow Tak Wing

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business
28/F, New World Tower
18 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong
Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor
PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building, Central
Hong Kong

Principal Bankers
Bank of America, N.A.
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
BNP Paribas Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Crédit Agricole Corporate & Investment Bank
DBS Bank Ltd. Hong Kong Branch
Mizuho Bank, Ltd. Hong Kong Branch
Oversea-Chinese Banking Corporation Limited
Scotiabank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of Tokyo – Mitsubishi UFJ, Ltd. Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited

Website
www.nws.com.hk

Concept, design and printing: EQUITY FINANCIAL PRESS LIMITED. Website: www.equitygroup.com.hk

Where the English and the Chinese texts conflict, the English text prevails.

This annual report is also available at www.nws.com.hk.

新創建 NWS

NWS Holdings Limited
(incorporated in Bermuda with limited liability)

28/F New World Tower
18 Queen's Road Central
Central, Hong Kong

Tel : (852) 2131 0600
Fax : (852) 2131 0611
E-mail : nwsnews@nws.com.hk

www.nws.com.hk

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