The Artisanal Movement

WE CREATE, WE ARE ARTISANS!

ANNUAL REPORT 2016

New World Development Company Limited

(Stock Code: 0017)

New World Development,
a premium brand infused with unique personality.
This personality is best defined by
"The Artisanal Movement"

At New World, We Are All Artisans!

We are devoted to expand one's imagination
through our persistence on delivering bespoke
craftsmanship manifested by originality.

Contents

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All parties engaged in the production of this annual report have made their best efforts to ensure the highest accuracy of all information, photographs, images, drawings or sketches herein contained as to the printing of this annual report and to minimise the existence of clerical errors. Readers are invited to make enquires to sales personnel or consult relevant professionals for verification of doubts or particulars of specific items.


IMAGINATION
Aspiration. Boundless. Cultivation.

BESPOKE

Encounter. Indulgence. Peculiar.


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BESPOKE

Encounter. Indulgence. Peculiar.


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CRAFTS MANSHIP

Artistry · Creation · Humanised

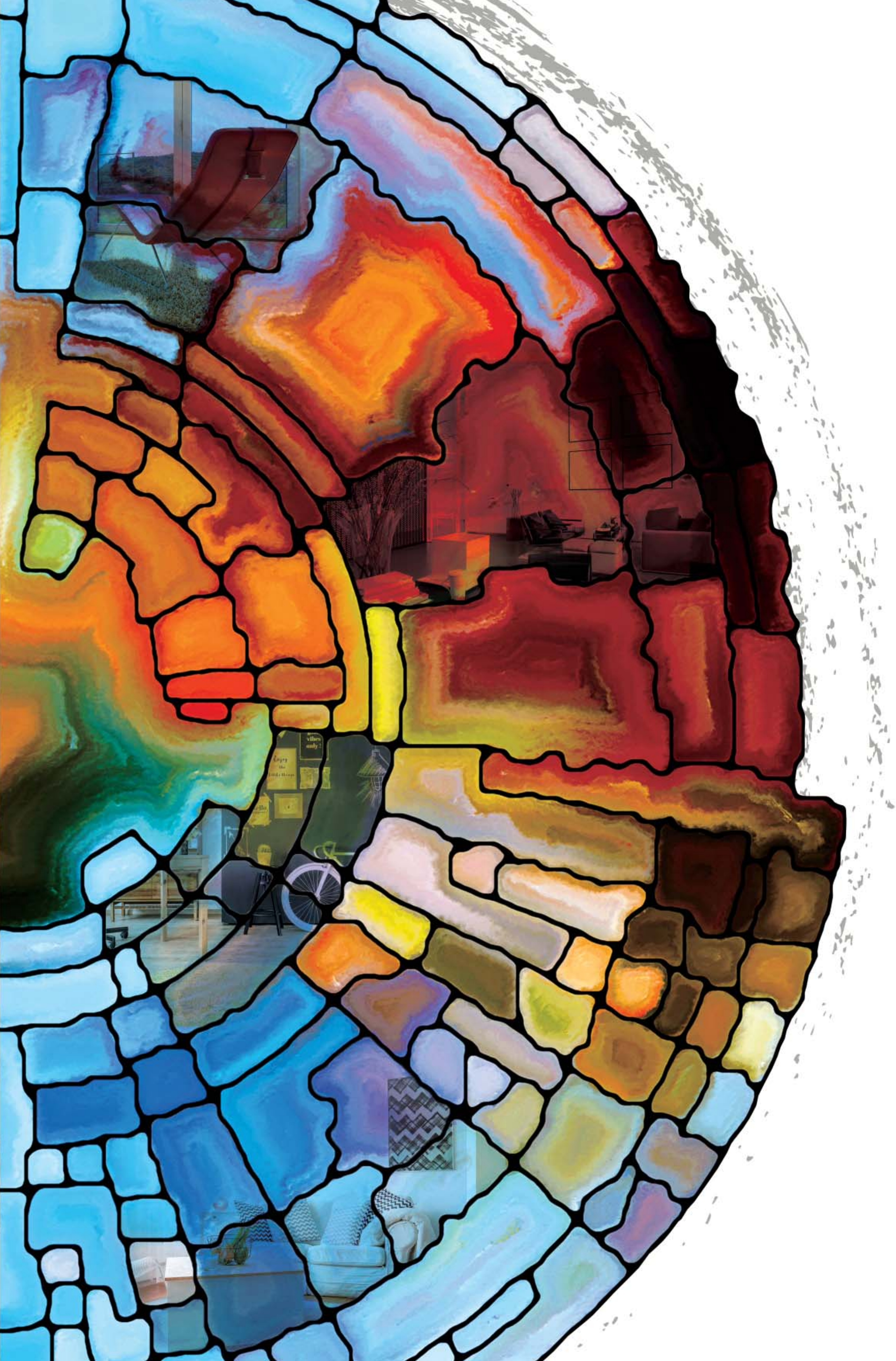
Artistry

Creation

Humanised

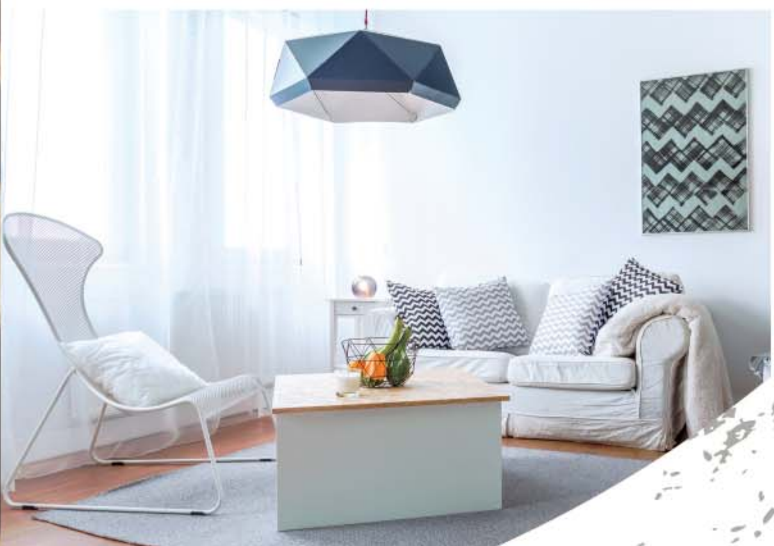
Contemporary

Innovation. Provocative. Visionary.



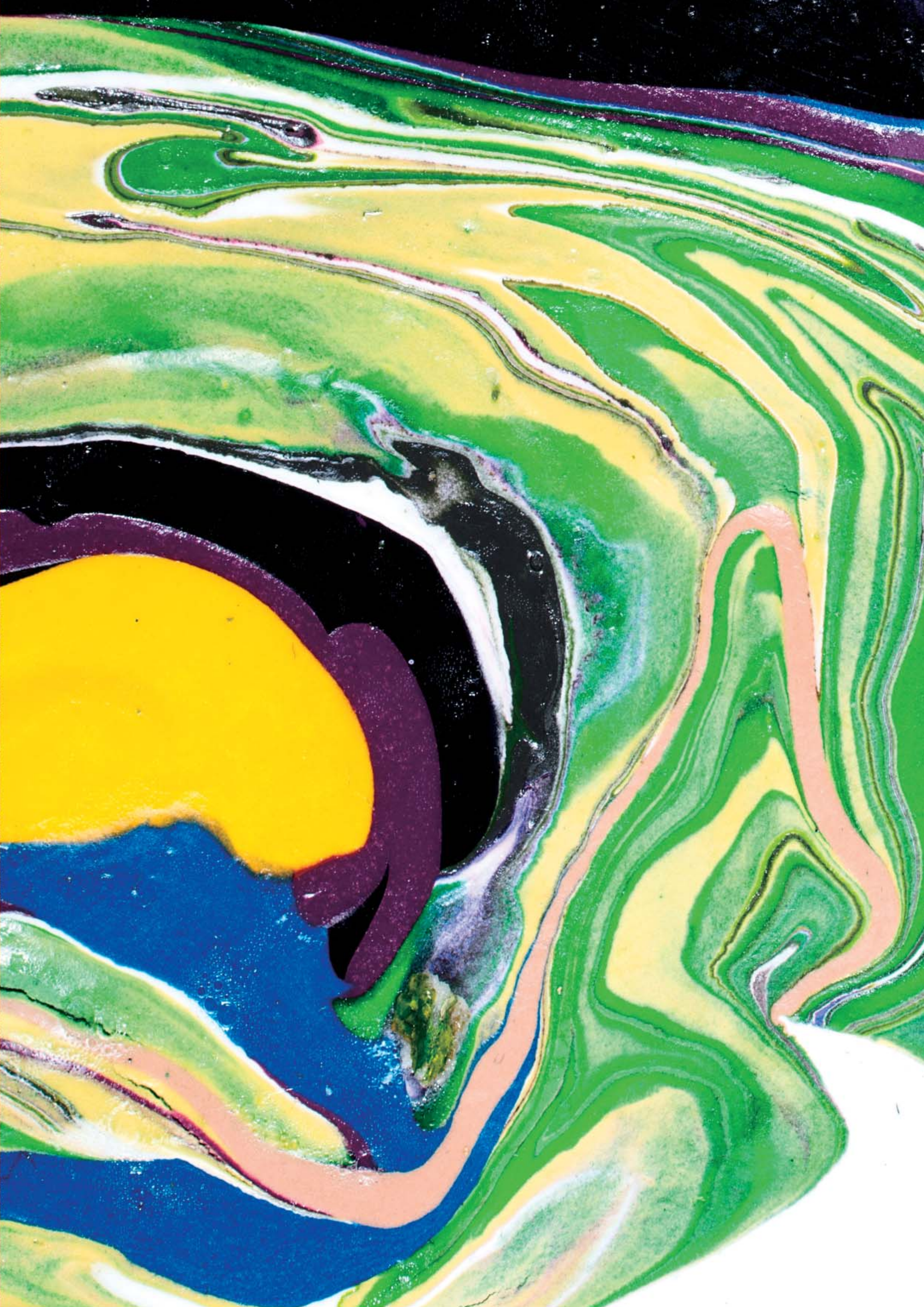

Innovat


you must do what you love
good vibes only !
Hello,
This



HERITAGE

Aesthetics. Culture. Legacy.



Corporate Structure

New World Development Company Limited

(HK stock code: 0017)

- Property development & investment in Hong Kong

New World China Land Limited

(Wholly owned subsidiary**)

- Property development & investment in Mainland China

NWS Holdings Limited (61%)*

(HK stock code: 0659)

- Infrastructure & service in Hong Kong and Mainland China

New World Department Store China Limited (72%)*

(HK stock code: 0825)

- Department store in Mainland China

* The percentage of interest held by the Group as at 30 June 2016

** NWCL has become the Group's indirect wholly owned subsidiary after the completion of privatisation on 3 August 2016. As at 30 June 2016, the percentage of interest held by the Group was 99.58%

	FY2016 HK$m	FY2015 HK$m
Revenues	59,570.0	55,245.0
Segment results (include share of results of joint ventures and associated companies (excluding changes in fair value of investment properties))	13,997.5	14,552.5
Changes in fair value of investment properties	307.3	3,165.5
Profit attributable to shareholders of the Company*	8,666.3	19,112.0
Underlying profit	9,662.2	6,770.0
Dividend per share (HK$)		
Interim	0.13	0.12
Final	0.31	0.30
Full-year	0.44	0.42

* The decrease was mainly due to 1) one time gain on the disposal of 50% interest of three hotels in Hong Kong recorded in FY2015; 2) RMB depreciation led to the net exchange loss recorded in FY2016

For the year ended 30 June 2016, the Group's EBITDA amounted to HK$9,857.1 million, of which HK$5,055.0 million (representing 51.3%) was attributable to operations in Hong Kong and HK$4,802.1 million (representing 48.7%) was attributable to operations in Mainland China and other regions.

	As at 30 June 2016 HK$m	As at 30 June 2015 HK$m
Total assets	392,108.6	397,930.7
Net debt[(1)]	77,048.8	53,539.1
Gearing ratio[(2)] (%)	38.4	24.1

Remarks:

(1) Net debt: The aggregate of bank loans, other loans and fixed rate bonds and notes payable less cash and bank balances

(2) Gearing ratio: Net debt divided by total equity

Carrying on with its creativity and working strenuously on the New World brand, the Group will strive to enhance its property business in Hong Kong and Mainland China.

To Our Shareholders,

"Change" and "no change" represent two extremes, between which it is the greatest challenge in one's deed and conduct to strike a proper balance.

In the course of business operations, an entrepreneur flexibly adjusts strategic ideas and business models in response to external trend of development. Whilst following a pattern of development, it is also necessary to hold fast to one's faith and trust that originality and distinct uniqueness will chart a successful path of innovation. The growth of a brand is therefore an art of determining the propriety of "change" and "no change" between reality and belief.

Phil Knight, the entrepreneur who brought Nike all the way to becoming a world-renowned brand, made his resolute move in setting off on his very own journey of originality in his early years, under his persistent belief for sports, and created a business of ample vitality and distinct uniqueness. Despite all risks, defeats and frustrations during the process, his firm belief in "sports' power to heal and change" and the strategies of flexibly adopting technology, design innovation and brand endorsement, have successfully created a world-changing new brand and new culture in a decade's time. The brand philosophy of "Just do it" underscored Phil Knight's adherence to the ideals: "Don't let the skeptics bring you down; just do it".

In the arena of business development, New World Development has spared no effort and remained its unswerving determination ever since its establishment in the 1970's. On the belief and enthusiasm for the provision of premium products and services to the market, and in line with the trend of market development, New World Development has always flexibly incorporated innovative ideas and new technology and made appropriate adjustments to its business strategies in implementing its goals, delivering superior and caring services that lived up to the value of consumers from the very bottom of their heart, uplifting the brand equity of its core property development business, and successfully delivering to the general public the experience of life and living which is uniquely available from the New World brand.

The Artisanal Movement best defines the character of the New World brand. It is a journey of surpassing design and aestheticism and exploring unlimited imagination. Original craftsmanship, blended with the spirit of ongoing innovation and pursuit of excellence, attend to every detail of customers' needs and accomplish dreams with passion. The Group strives to deliver to the customers unique artisanal experience, which is consistent with the cultural and artistic essence as well as living attitude embodied in the Group's products and services.

Despite the numerous uncertainties and sharp contradictions underlying the macro environment and the global economy, the highly cohesive team of the Group will be at the helm to lead the way through hardship and adversity towards sustainable development and spiritual continuance. Sharing the same beliefs and recognising its missions, the team will make every endeavour to hold firm to the core values of the Group in everything it does, and make flexible moves in incorporating innovative ideas to create endless power that fuels the Group's success as it moves forward.

Carrying on with its creativity and working strenuously on the New World brand, the Group will strive to enhance its property business in Hong Kong and Mainland China, pursue development opportunities and room for structural improvement and resources optimisation, and create better synergy among its business segments. It is by such efforts that the Group's brand equity will be further unleashed and the interests of our stakeholders will be maximised.

Dr. Cheng Kar-Shun, Henry
Chairman
Hong Kong, 21 September 2016

"We Create, We are Artisans". The Group believes that every member of the New World team is a craftsman, ideally giving rise to a type of unique culture and quality of modern life which is consistent with the cultural and artistic essence.

Hong Kong Property Development

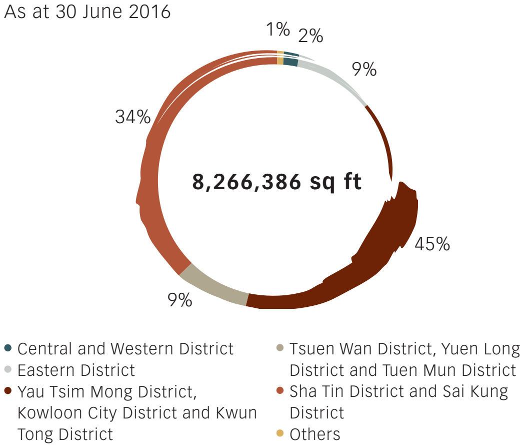
In early 2016, the volatility of the global capital market and the speculation about interest rate hike in the United States fostered the wait-and-see attitude of home buyers, which in turn prompted developers' moves in adjusting their strategies in project launches in the first quarter of the year. According to the Hong Kong Rating and Valuation Department, the total transaction volume of first-hand sales and purchases of private residential units in the first half of 2016 was 5,633, representing a year-on-year decrease of 35%. In view of such challenging operating environment, some developers adopted aggressive sales strategies to boost market sentiment by providing various privilege offers and different choices of mortgage plans.

Stepped into the second quarter of 2016, a positive switch of market sentiment for home purchases was enabled, partially by the continuing prevalence of ultra-low interest rate of mortgage for home purchases in Hong Kong under subdued market expectation for interest rate hike in the United States, which trended down in terms of both pace and magnitude, and partially by the

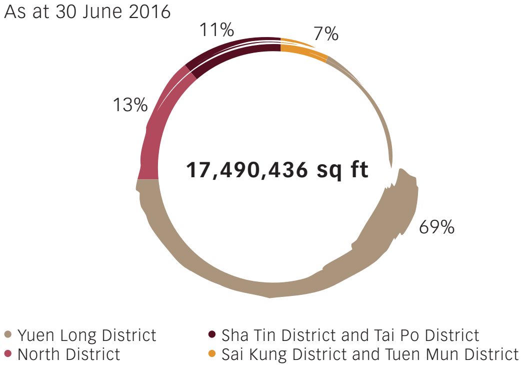
gradual recovery of Hong Kong's and China's stock markets from the doldrums in the first quarter of 2016. Premium brands and products with superior quality at prime locations had therefore become the first choices for those financially more capable home buyers, in light of the inadequacy of supply on the market.

The Group's revenue and segment contributions from property development in Hong Kong during the year under review, including the revenue from the joint-development projects, amounted to HK$12,941.9 million and HK$2,978.6 million respectively. The contribution from property sales was mainly attributable to the sales of residential units completed and recognised within this financial year, including "THE PAVILIA HILL" in

Hong Kong landbank
Attributable GFA
As at 30 June 2016



Hong Kong agricultural landbank
Attributable land area
As at 30 June 2016



North Point, "THE PARKHILL" in Yuen Long, and "Double Cove Starview Prime" and "Double Cove Grandview" both located in Ma On Shan, together with the sales of residential units for projects completed in previous financial years.

During the year under review, the Group's attributable contracted sales in Hong Kong amounted to HK$6.6 billion. The six residential projects launched by the Group during the year under review are as follows:

Initial launch	Name of project	Attributable to the Group	Location	Total number of residential units
July 2015	SKYPARK	100%	Mong Kok	439
August 2015	Double Cove Grandview	32%	Ma On Shan	474
October 2015	THE PARKHILL	100%	Tong Yan San Tsuen	141
December 2015	55 Conduit Road	30%	Mid-levels West	35
March 2016	Double Cove Summit	32%	Ma On Shan	176
May 2016	BOHEMIAN HOUSE	80%	Sai Ying Pun and Sheung Wan	191

The Group has committed to using artisanal elements to exemplify the unique tastes and atmosphere carried by the New World brand, to provide the best choice to home buyers. For example, the BOHEMIAN HOUSE, a boutique project on Hong Kong Island launched by the Group in May 2016, the design concept was to elegantly integrate the beauty of simplicity into the living space and create a cultural taste of living, contrasting with the generally-held concept of luxury. Market response to the project was overwhelming with only one unit being unsold as at the end of August 2016.

The Group has actively reviewed the momentum of launching new residential projects by assessing market conditions and the needs of home buyers, with flexible product lines to address customer requirements on the market. THE MOUNT PAVILIA, a luxury residence at Clear Water Bay, will provide 680 residential units offering a blended mix of layouts. Apart from the aforesaid, the Group also plans to launch new residential projects including Tsuen Wan West Station Project named as "THE PAVILIA BAY", Sai Yuen Lane Project in Sai Ying Pun and Heung Sze Wui Road Project in Tuen Mun, to bring strong momentum to the Group's Hong Kong property development business.

Hong Kong Landbank

It is the Group's policy to use various channels to replenish its Hong Kong landbank. Apart from public auction and tender, the Group has also pursued diversified means, including old building acquisition and agricultural land usage conversion, to secure a stable supply of land resources for development. As at 30 June 2016, the Group possessed a landbank with attributable GFA of around 8.3 million sq ft for immediate development. Of which, attributable residential GFA amounted to approximately 4.6 million sq ft. Meanwhile, the Group had a total of approximately 17.5 million sq ft of attributable agricultural land area in the New Territories pending for usage conversion.

The Group has been actively carrying out old building acquisitions for sizeable redevelopment projects. Acquisition of ownership of 4A-4P Seymour Road in Mid-levels has been fully consolidated under a joint-development old building redevelopment project that the Group has 35% stake. The site area is 52,466 sq ft. With reference to the government's latest town planning, the permitted GFA of this project upon redevelopment is approximately 472,000 sq ft of which 165,300 sq ft is attributable to the Group.

Furthermore, acquisition of over 80% ownership of 74–74C Waterloo Road and 15–25 Yau Moon Street in Ho Man Tin has been completed under a joint-development old building redevelopment project that the Group has 51% stake. This project has a site area of 10,682 sq ft. With reference to the government's latest town planning, the expected attributable residential GFA of this project upon redevelopment is approximately 43,600 sq ft. This project has proceeded to the court for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance".

In January 2016, the Group won the development tender of Urban Renewal Authority's Kowloon City Road/Sheung Heung Road project in Ma Tau Kok. Located nearby the Ma Tau Wai Station of the Sha Tin to Central Link of the MTR under construction, the project has a site area of approximately 15,000 sq ft. Upon completion, the project is expected to provide residential GFA of approximately 110,000 sq ft.

In 2016, the Group had completed the agricultural land usage conversions for two property development projects located in Yuen Long town centre. The projects are YLTL524 and YLTL527 and the total site area of 55,064 sq ft with total GFA of approximately 192,718 sq ft.

Landbank by location	**Attributable GFA (sq ft)**
Central and Western District	182,113
Eastern District	716,820
Yau Tsim Mong District, Kowloon City District and Kwun Tong District	3,716,158
Tsuen Wan District, Yuen Long District and Tuen Mun District	707,064
Sha Tin District and Sai Kung District	2,836,311
Others	107,920
Total	**8,266,386**

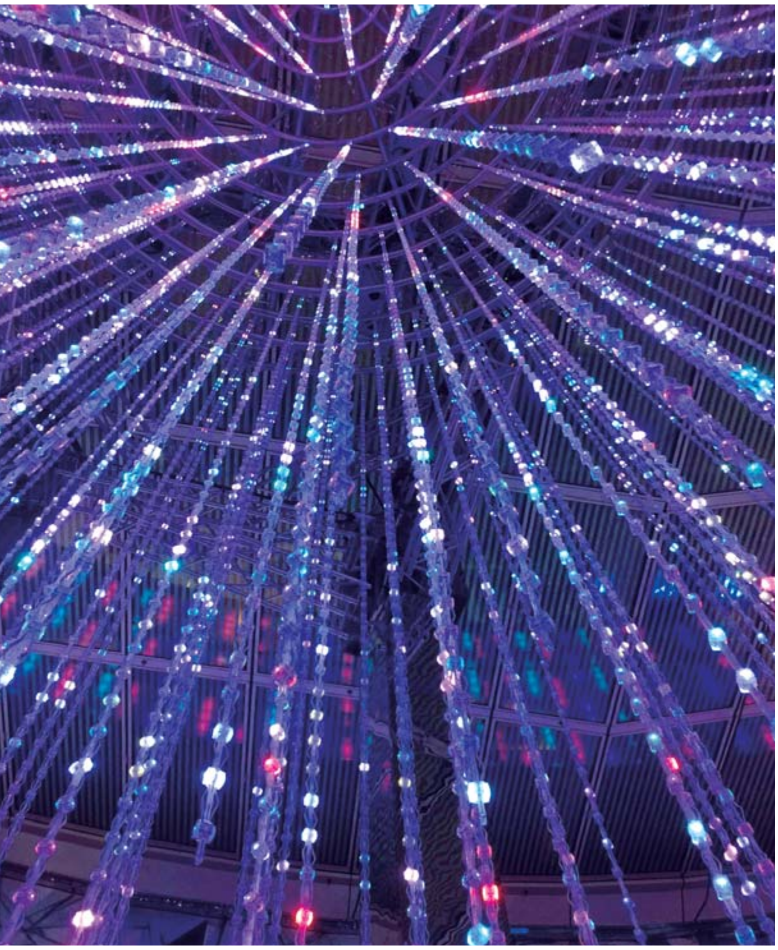
Agricultural landbank by location	**Total land area (sq ft)**	**Attributable land area (sq ft)**
Yuen Long District	13,046,947	12,044,389
North District	2,615,672	2,273,672
Sha Tin District and Tai Po District	1,983,586	1,983,586
Sai Kung District	1,357,540	1,160,529
Tuen Mun District	28,260	28,260
Total	**19,032,005**	**17,490,436**

Hong Kong Property Investment

For offices, companies from Mainland China, especially financial service institutions involving asset management and securities businesses, favored the offices in core commercial districts for which supply had already been in shortage. According to the record of new leasing in Central in the first half of 2016, companies from Mainland China accounted for approximately 37%. While some multinational enterprises had deferred their business expansion plans in view of realigned strategies for business development, some seeking to enlarge their market share in the Asia Pacific region were seeking larger and more suitable office spaces in core districts in Hong Kong for their business integration to consolidate strengths for future business expansion. According to statistics, with a mere 1.4% vacancy rate for office buildings in core Central in the second quarter of 2016, rental performance was well supported in that locality.

For retail shops, the retail market of Hong Kong has reached a critical point of structural adjustment, following the change of consumption pattern worldwide and the change of mix of inbound travellers from Mainland China, and in the aftermath of the spanking expansion of selected major international luxury brands in Hong Kong over the past years. The overall retail sales performance of Hong Kong was suppressed by the weak performance of luxury goods such as jewellery and watches. Increasing operating costs had led to the removal of some high-end luxury brands from those street shops at prime retail locations, which were in turn taken up by mid-range brands and mass market products which addressed the daily needs of the general public. Meanwhile, the rental performance of shopping malls were well endorsed, as brands and tenants are more inclined to rent properties at major malls for well-secured visitor flow when they re-arranged their mix of outlets, geographical coverage and product mix.

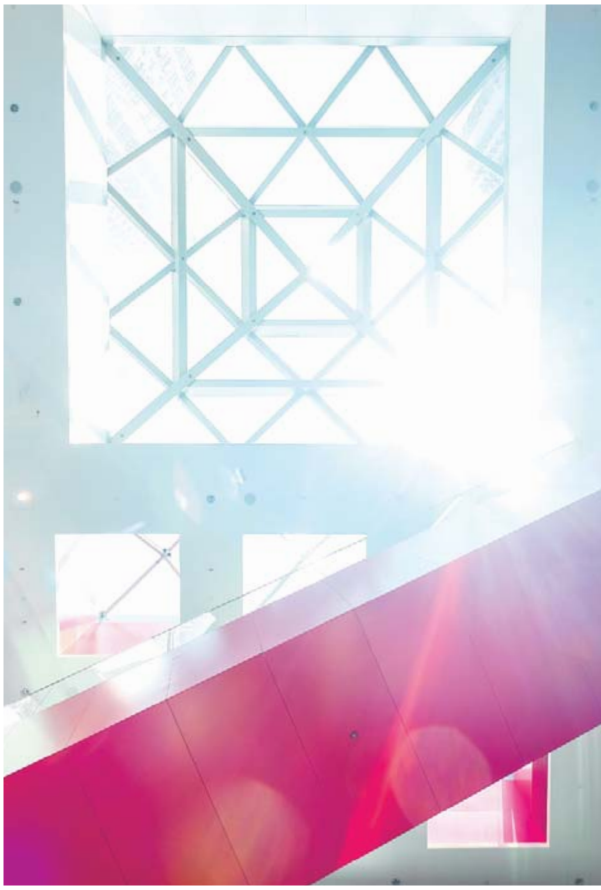
During the year under review, despite the soft retail market, the Group's gross rental income in Hong Kong increased by 5.9% to HK$1,573.2 million. The leasing properties attained satisfactory occupancies. Hong Kong K11, which is located in the traditional core retail and tourism district in Tsim Sha Tsui, recorded an occupancy of almost 100% during the year under review, with an average monthly pedestrian flow of approximately 1.4 million, representing an increase of 5.1% year-on-year. As an international high-end artisanal brand, a revolutionary museum with retail experience, Hong Kong K11 has been a popular spot for local consumers and it is planned to introduce more new food and beverage concepts together with some first-to-Hong Kong brands in the near future.

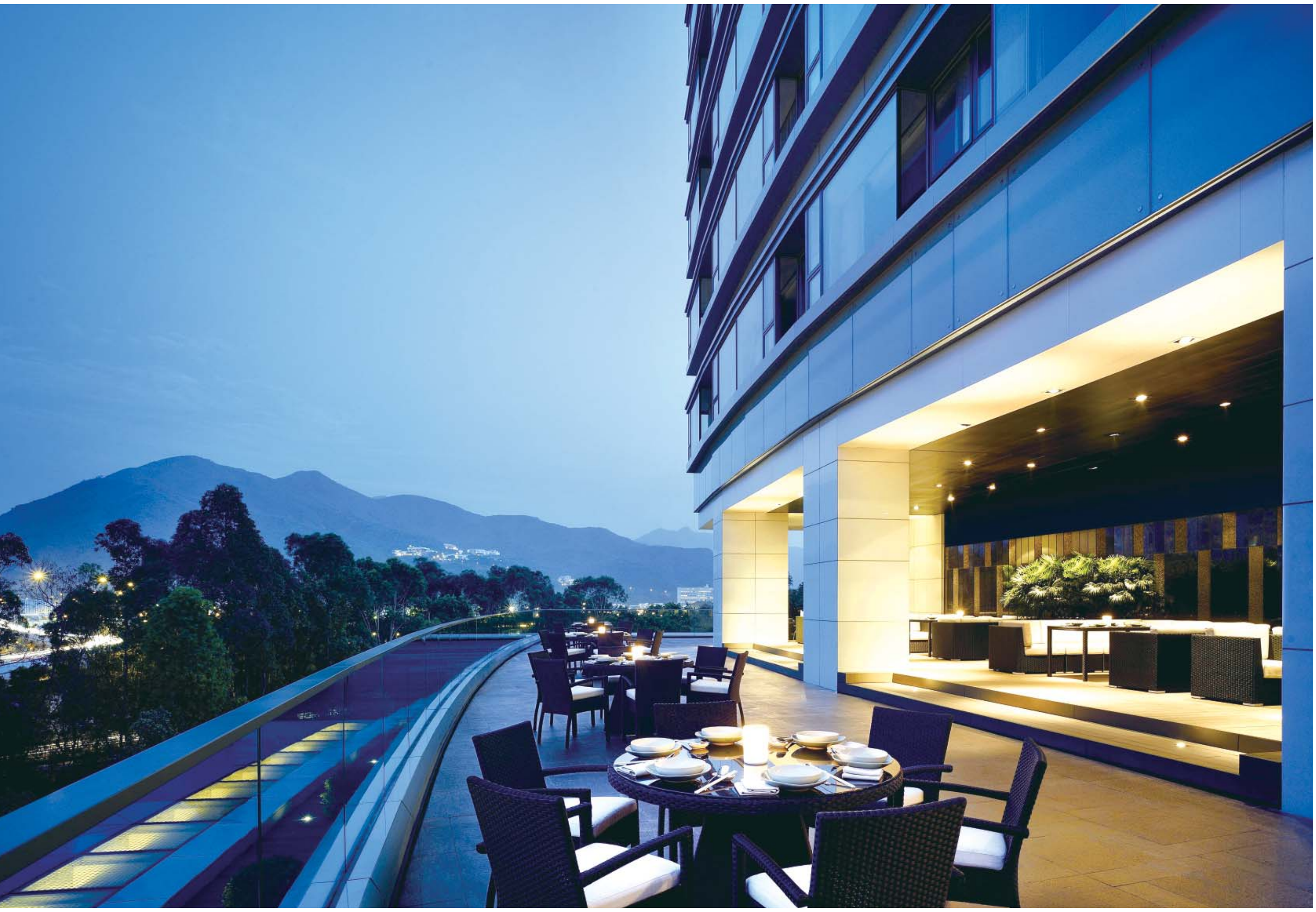


For office buildings, New World Tower and Manning House, both being Grade A office buildings located in the traditional prime commercial area in Central, achieved satisfactory performance in terms of occupancy and rental rates. New World Tower is undergoing an asset enhancement programme to meet the new market leasing demand. The enhancement works of the lobby on ground floor was completed. Its office lobbies and other major facilities are gradually being upgraded.

New World Centre redevelopment project located at the core area of Tsim Sha Tsui promenade is currently progressing as scheduled. The underground retail space at 12 Salisbury Road Tsim Sha Tsui will be altered in parallel with the redevelopment project of the adjacent New World Centre.

Located in the centre of Tsuen Wan, D•PARK, being "The World's First Multiple Intelligence Kids Mall", was grandly opened in April 2016. D•PARK is backed by 100 top-tier education institutions and continuously collaborating with multiple internationally renowned education institutions to offer an array of 1,000 Multiple Intelligences courses; Among others, the "Multiple Intelligence Mall" of D•PARK is divided into four zones for parenting-oriented interactions, including the D-Central Park, the Amazon Academy, the Kiddy Place and the Whale Garden, to train up children's intelligence in multiple ways. Furthermore, the tenant mix in D•PARK was also finely selected to fully cater to the needs of children and families.





Hotel Operations

The change in external market environment and policies in the region have varied the previous pattern of development of the tourism and hospitality industry, with heavy reliance on the rapid growth in visitor arrivals at Hong Kong from Mainland China over the past few years. Adjustment in the overall occupancy and average room rate of hotels in Hong Kong was experienced. Hotels which target visitors from Mainland China were affected to a larger extent.

For those Tariff A hotels which target business travellers and high-end customers, the consolidation was relatively minor under the robust economic activities in the region and the drive from the customer loyalty programme, in addition to the limited availability of new supply of hotels of the same tier in recent years. According to the statistics of the Hong Kong Tourism Board, for the period from January to June in 2016, the number of overnight travellers from long-haul regions and short-haul regions other than Mainland China increased by 4.2% and 10.1% year-on-year respectively, providing solid support to the Tariff A hotels.

During the year under review, the segment results in hotel operations reported a decrease, mainly due to the disposal of 50% interest in three hotels in Hong Kong, namely Grand Hyatt Hong Kong, Renaissance Harbour View Hotel and Hyatt Regency Hong Kong, Tsim Sha Tsui, to Abu Dhabi Investment Authority on 15 June 2015. As a result of the said disposal, those hotels were no longer accounted for as subsidiaries of the Group. The share of 50% result contribution of the three hotels is included in share of results of joint ventures, with the change in accounting treatment, the related additional depreciation and amortisation, financing costs and taxation were also included.

The Group's premium hotels in Hong Kong targeted at business travellers have become major contributors to the result of the Group's hotel operations. The phase two renovation of approximately 160 guest rooms at Grand Hyatt Hong Kong had been completed and the function rooms together with other food and beverage outlets will start renovation in FY2017. Despite the impact on occupancy caused by the renovation during the year under review, the hotel's average room rate remained at a satisfactory level. Renaissance Harbour View Hotel, which is adjacent to Hong Kong Convention and Exhibition Centre, benefited from the continual growth of conventions and exhibitions. The renovation of the Lobby Lounge is under progress in the first half of FY2017. Furthermore, Hyatt Regency Hong Kong, Tsim Sha Tsui, centrally located in the core of Kowloon, achieved an average occupancy of 88% and an average room rate around HK$1,900 per night during the year under review.

On 20 November 2015, the Group entered into an agreement with Chow Tai Fook Enterprises Limited ("CTFE") to acquire 36% interests in Beames Holdings Limited ("Beames") at a consideration of approximately HK$3,592.8 million. Beames owns equity interests and operates various hotel properties

in Hong Kong and Southeast Asia, including Grand Hyatt Hong Kong, Renaissance Harbour View Hotel, Hyatt Regency Hong Kong, Tsim Sha Tsui, Rosewood Beijing, Renaissance Riverside Hotel Saigon, New World Hotel Saigon, New World Makati Hotel and properties in Shun Tak Centre in Hong Kong.

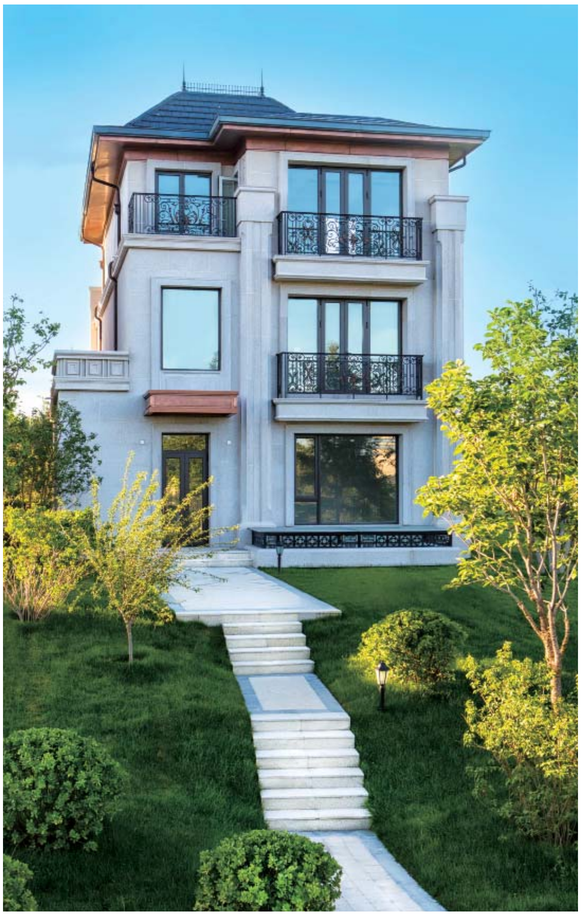
Following the abovementioned acquisition of further interests, Beames became a wholly owned subsidiary of the Group and will effectively consolidate the Group's interest in those hotel properties, which is consistent with the core business strategies of the Group. Besides streamlining the structure of Beames, the increase in stake in the hotel properties will provide flexibility and a wider platform for investments which will enhance recurrent income and facilitate future merger or joint venture opportunities.

As at 30 June 2016, the Group had a total of 17 hotel properties providing over 7,700 guest rooms in Hong Kong, Mainland China and Southeast Asia.

Mainland China Properties and Investment

Following Chinese President Xi Jinping's call for destocking property inventories and fostering the sustainable development of the property sector on the 11th meeting of the Central Leading Group for Financial and Economic Affairs in November 2015, a series of measures of easing policies on the property market have been successively launched, including the further relaxation of the ratio of down payment for home mortgages for first home purchases and upgraders' second home purchases, and the implementation of expansionary fiscal policies to facilitate the destocking of inventories and guide industrial transformation and upgrading.

Such measures effectively unleashed the demand for self-occupied dwellings and spurred the transaction of residential units, with relatively solid performance in traditional core areas of cities and regional hubs with vast development potential. According to the National Bureau of Statistics of China, on a nationwide basis during the period from January to June 2016, the GFA of commodity residential housing sold was 571 million sq m, an increase of 28.6% from the corresponding period of the previous year; sales amount of commodity residential housing was RMB4,180.2 billion, an increase of 44.4% from the corresponding period of the previous year.



During the year under review, NWD's proposal to privatise NWCL was supported by shareholders of both companies, enabling the proposal to proceed. In January 2016, NWD proposed to acquire, by way of a general offer, all the issued shares of NWCL and to cancel all the outstanding options of NWCL. As at 5 April 2016, NWD had received acceptances of the privatisation proposal in respect of more than 2,688 million shares or 98.65% and 100% of the share options holders also tendered their acceptance, thereupon the share offer had become unconditional and NWD exercised its rights to compulsorily acquire the remaining NWCL shares. On 3 August 2016, the compulsory acquisition was completed and NWCL has become an indirect wholly owned subsidiary of NWD. NWCL continues to manage all the Group's property projects in Mainland China. The listing of the NWCL shares was withdrawn from the Hong Kong Stock Exchange on 4 August 2016.

In FY2016, the revenue and segment results from property development in Mainland China, including the revenue from the joint-development projects, amounted to HK$15,586.0 million and HK$4,393.2 million respectively. The contribution from property development in Mainland China was mainly attributable to the sales of the projects located in Shenzhen, Guangzhou, Shenyang, Wuhan and Tianjin. Overall contracted property sales in Mainland China in FY2016 reached a total GFA of 1.3 million sq m and the gross sales proceeds amounted to RMB22.9 billion.

During the year under review, the completed property development projects for sale and investment property projects in Mainland China amounted to a total GFA of 668,183 sq m and 167,604 sq m respectively, of which residential GFA amounted to 480,037 sq m. In FY2017, it is anticipated to complete property development projects for sale in Mainland China amounted to a GFA of 1,694,380 sq m, of which residential GFA will amount to 1,379,531 sq m.

For property leasing in Mainland China, the opening of Shanghai K11 has enhanced rental performance of the Group's trophy asset Shanghai Hong Kong New World Tower. The outperformance of Wuhan New World International Trade Tower, the key super grade A office in Central China, provided satisfactory rental contributions and achieved positive rental reversion upon tenancy renewal. Furthermore, the high-end residential cluster of the luxurious serviced apartment Canton Residence in Pearl River New Town, Guangzhou has generated strong rental income.

In December 2015, NWCL successively disposed of interests in five property projects, namely Wuhan Changqing Garden, Haikou New World • Meilisha, Huiyang Palm Island Resort, Guiyang Jinyang Sunny Town and Chengdu New World Riverside, involving a total amount of RMB20.8 billion. The aforesaid transactions are in line with the Group's continuing strategy and have evidenced the Group's achievements in effective allocation of resources and asset enhancement. It will also drive further the Group's strategy of optimising its project development and investment portfolio by putting more resources in key cities and premium projects with good development potential.

Qianhai Chow Tai Fook Global Goods Shopping Center ("CTF HOKO"), which has been jointly developed by wholly owned subsidiaries of CTFE, Chow Tai Fook Jewellery Group Limited and NWD, opened its phase 1 in December 2015. Located in Qianhai, Shenzhen with a site area of approximately 11,000 sq m and a total GFA of approximately 19,000 sq m, the project will be completed in two phases, with phase 1 occupying a GFA of 7,000 sq m and phase 2 occupying a GFA of 12,000 sq m which has been soft launched in August 2016. An innovative shopping platform which gathers online and offline resources and integrates smartness, shopping and recreation, CTF HOKO is a marketplace where Hong Kong merchants establish their presence and primarily provide high-quality globally-sourced commodities and Hong Kong-style services. It offers a good variety of products to fully address the shopping, catering and entertainment needs of families. Apart from sales service available in a physical shop, online shopping service is also available from a number of merchants under "bonded display" and "cross-border e-commerce", providing consumers with the enjoyment and convenience under diversified shopping options.

The Group has been optimistic about the economic prospects of Mainland China and is confident on the development of the country. As our China property flagship in Mainland China, NWCL will strengthen the investment in key property projects with enormous development potential. In August 2016, the Group and CTFE were awarded the tender by Qianhai Authority to acquire the land use rights of the land parcel T201-0092 at Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen at a consideration of RMB4,207.2 million. The joint venture, owned as to 30% and 70% respectively by NWCL and a wholly owned subsidiary of CTFE, is responsible for the project development.

The project will be the second commercial project developed by the Group following its CTF HOKO in that region. The Group has also become the only Hong Kong brand which develops more than one commercial project in Shenzhen Qianhai Free Trade Zone.

T201-0092 is located in Guiwan area, being the core financial business district in Qianhai, Shenzhen, and designated for commercial use with a site area of approximately 18,218 sq m and permissible total GFA of 170,000 sq m, of which 148,360 sq m will be allocated for office use. It is the intention of the Group to develop a financial and commercial complex on the land. Pursuant to the terms of the tender, among other things, out of the office premises to be developed on the land, GFA of not less than 45,000 sq m but not more than 55,000 sq m and out of the commercial premises to be developed on the land, gross floor area of not more than 1,000 sq m shall be sold one-off to a foreign financial institution listed in Fortune 500 in 2015 as its regional headquarter or functional headquarter. The Group is in proactive negotiation with potential buyers.

As at 30 June 2016, the Group possessed a landbank (under development or held for development) in Mainland China with total GFA of around 11.0 million sq m, of which, residential GFA amounted to approximately 5.7 million sq m. Meanwhile, the Group had a total GFA of approximately 2.2 million sq m of completed investment properties in Mainland China.

FY2016 project completion in Mainland China — Development property for sale

Project name	Residential GFA (sq m)	Non-residential GFA (sq m)	Grand total GFA (sq m)
Guangzhou Covent Garden	86,503	35,830	122,333
Zhaoqing New World Garden	75,523	6,437	81,960
Langfang New World Garden	149,556	69,121	218,677
Wuhan Menghu Garden	42,871	7,345	50,216
Yiyang New World Scenic Heights	18,294	2,694	20,988
Anshan New World Garden	84,087	12,629	96,716
Tangshan New World Centre	23,203	54,090	77,293
Grand total	**480,037**	**188,146**	**668,183**

FY2016 project completion in Mainland China — Investment property

Project name	Office & commercial GFA (sq m)	Carpark GFA (sq m)	Grand total GFA (sq m)
Guangzhou Covent Garden	1,318	34,501	35,819
Anshan New World Garden		45,725	45,725
Tangshan New World Centre	86,060		86,060
Grand total	**87,378**	**80,226**	**167,604**

FY2017 estimated project completion in Mainland China — Development property for sale

Project name	Residential GFA (sq m)	Non-residential GFA (sq m)	Grand total GFA (sq m)
Guangzhou Dong Yi Garden	22,917		22,917
Canton First Estate	136,051		136,051
Guangzhou Covent Garden	222,441		222,441
Beijing Yuzhuang Project	101,679		101,679
Shenyang New World Garden	247,123	38,435	285,558
Shenyang New World Centre	307,036		307,036
Langfang New World Centre	83,975	103,387	187,362
Langfang New World Garden	155,240	62,092	217,332
Wuhan Guanggu New World		34,859	34,859
Yiyang New World Scenic Heights	15,539	3,393	18,932
Jinan New World Sunshine Garden		59,415	59,415
Anshan New World Garden	87,530	13,268	100,798
Grand total	**1,379,531**	**314,849**	**1,694,380**

Infrastructure and Service

NWS Holdings Limited ("NWSH") is the infrastructure and service flagship of the Group. Notwithstanding persistent headwinds in the external environment and volatility in global financial market, the stable organic growth underpinned by a well-balanced and diversified asset portfolio enabled NWSH to sustain growth momentum in FY2016. During the year under review, NWSH achieved a profit attributable to shareholders of HK$4,912.8 million, representing an increase of 9.7% year-on-year.

Infrastructure: Roads, Environment, Logistics and Aviation

Traffic flow of Hangzhou Ring Road ("HZRR") increased by 2% in FY2016 but its toll revenue grew by 5% as a result of the rise in average travelling distance. NWSH completed the acquisition of the remaining 5% interest from the minority shareholder of HZRR, which is now wholly owned by NWSH.

Riding on further economic development in the Pearl River Delta Region, all the expressways in Guangdong under NWSH reported healthy growth in both traffic volume and toll revenue. Traffic volume of Tangjin Expressway (Tianjin North Section) continued to grow satisfactorily since the completion of expansion works in December 2014.

Water sales volume of Jiangsu Water Company increased by 10% whereas waste water revenue of Shanghai SCIP Water Treatment Plants increased by 9%. Qingdao Dongjiakou Waste Water Plant and Yangzhou Sludge Treatment Plant became operational during FY2016.

In December 2015, NWSH injected its interests in Chongqing Water Group into Chongqing Derun Environment Co., Ltd. ("Derun Environment") to expand its presence in the environmental services industry in Mainland China. Derun Environment made

positive earnings contribution in FY2016 while its overall performance remains in line with management expectation.

Due to increasing competition from renewable energy and softening electricity demand, electricity sales volume of Zhujiang Power Plants and Chengdu Jintang Power Plant reduced by 23% and 31% respectively.

ATL Logistics Centre registered a robust average rental growth of 15% which was partly boosted by the rental adjustment of a major tenant. Its occupancy rate decreased slightly from 99.5% to 97.4% due to the tendency for tenants to consolidate or reduce their operations upon lease renewals.

To unlock and realise the full business value of the NWS Kwai Chung Logistics Centre, NWSH has disposed of its entire interest for an aggregate consideration of approximately HK$3.75 billion and the disposal was completed in August 2016.

With the introduction of containerised break-bulk cargo services in January 2015 and the increasing demand for international block train services, throughput handled by China United International Rail Containers Co., Limited grew 14% to 2,062,000 TEUs in FY2016. To meet the growing demand, the expansion works to double the handling capacity at Chongqing terminal were completed in December 2015.

To capture the growing demand for leased aircraft, NWSH entered the commercial aircraft leasing business by acquiring 40% equity interest in Goshawk Aviation Limited ("Goshawk") in February 2015 which focuses on commercial aircraft that are young, modern and in

demand. The fleet size grew from 40 aircraft as at 30 June 2015 to 68 aircraft as at 30 June 2016 and thereby reached US$2.7 billion in total assets under management. All aircraft are purchased with a lease that generates steady income to NWSH.

In FY2016, NWSH established the second commercial aircraft leasing platform through the formation of a joint venture with CTFE and Aviation Capital Group Corp., one of the world's leading aircraft leasing companies based in the USA. This new joint venture, namely Bauhinia Aviation Capital Limited, which is expected to bring recurring cash flows and stable income to NWSH in the coming years in the same way as Goshawk, will further strengthen the Group's market position in the fast growing commercial aircraft leasing industry.

Service: Facilities Management, Construction & Transport and Strategic Investments

During FY2016, 1,149 events were held at Hong Kong Convention and Exhibition Centre ("HKCEC") with a total patronage of approximately 5.5 million. HKCEC delivered stable and solid results even though certain trade fairs and luxury shows had reduced in scale in the face of sluggish economic conditions.

The performance of Free Duty in FY2016 was impacted by a slowdown in inbound Mainland tourists and the corresponding decline in visitor spending. At the same time, the change in sales mix alongside rising rental expenses exerted constant pressure on profit margins. Despite the retail headwinds, the operations at the Lok Ma Chau Station sustained steady growth.

Construction business recorded substantial growth in FY2016 due to the strong increase in business volume. As at 30 June 2016, the gross value of contracts on hand for the construction business was approximately HK$69.7 billion and the remaining works to be completed amounted to approximately HK$38.6 billion. On the other hand, NWSH transport business was able to take advantage of the rising patronage from airport bus services and steady fuel costs through a hedging programme to increase its contribution.

Corporate services businesses for Tricor Holdings Limited ("Tricor") performed steadily during FY2016 and captured about 51% of the total share of new listings in Hong Kong. NWSH, together with The Bank of East Asia, Limited, are currently undertaking a strategic review on their investments in Tricor whereby various options will be considered, including potential disposal, to realise shareholder value.

Department Stores

The intensified competition brought by e-commerce and shopping malls, coupled with consumers' diverse needs and rising operating expenses, continued to impact the operating environment of the department store sector in Mainland China. In particular, e-commerce has continued to increase its market dominance. In accordance to the figures released by National Bureau of Statistics, the online retail sales in China reached RMB2,236.7 billion in the first half of 2016, representing a growth of 28.2%, among which the online retail sales of physical goods were RMB1,814.3 billion, representing an increase of 26.6%.

In response to the structural changes in the market and the industry, the department store sector was actively pursuing fundamental transformation, such as more precise market positioning and optimised merchandise and service portfolio, especially the focus on developing online and offline shopping platform. As one of the key department store brands in Mainland China since 1990's, New World Department Store China Limited ("NWDS") will be pro-actively exploring new sources of income and managing expenses. In the meantime, NWDS will revamp its operations to streamline its structure and consolidate stores resources to enhance efficiency. NWDS will also actively fine tune the cross-industry collaborations with technology companies to strengthen technology applications in business aspects and further unlock the hidden values of millions of NWDS VIPs.

In FY2016, NWDS recorded a profit attributable to shareholders of HK$45.6 million. The commission income from concessionaire sales was the major income contributor to NWDS, accounting for 54.0% of the total revenue. Proceeds from direct sales and rental income accounted for 27.4% and 17.5% respectively of the total revenue. The remaining 1.1% was derived from management and consultancy fees. Region-wise, Northern China Region contributed the most to the revenue of NWDS, amounting to 51.1% of total revenue, followed by the South Eastern China Region and the Central Western China Region, which accounted for 31.1% and 17.8% of the total revenue respectively.

As at 30 June 2016, NWDS operated and managed a total of 39 stores and 2 shopping malls spreading across 21 cities in Mainland China with total GFA of over 1.6 million sq m.

Outlook

During the year under review, the international state of affairs experienced rapid changes and the world situation was undergoing a process of reshaping. Geopolitical conflicts, economic fluctuations and turmoil in political and economic alliances have brought uncertainties to the development prospects of the world as a whole.

In April 2016, the International Monetary Fund ("IMF") published its world economic outlook named "Too Slow for Too Long", indicating that economic recovery had been slow and increasingly fragile, despite the continuation of such recovery. The global asset market became more fluctuating; developed economies showed diminished growth momentum; and emerging economies and low-income countries continued to face suppressed growth.

Among developed economies, the United States had more stable economic performance, with signs of recovery being observed in economic indicators including consumer expenditure, new residential construction and property prices, new orders etc. Whilst the rebound of consumer expenditure in the United States represents, according to the Federal Reserve Chair Janet Yellen, positive forces supporting employment growth in the coming months, the uncertainty surrounding the outlook for the economy in general, the constrained economic growth under weak investments and the low growth of productivity in recent years are all hurdles to the pace of economic recovery. It is expected by the market that the Federal Reserve will remain very prudent in its decision of interest rate rise in future.

In Europe, the "Leave" camp clinched victory in the Brexit referendum held on 23 June 2016. The forthcoming withdrawal of the United Kingdom ("UK") from the European Union ("EU") has already rippled a series of market fluctuations and speculations for future developments, including a plunge in the pound sterling, renegotiation of trade deals, regulatory regime and migration issues between the UK and the EU causing delay in corporate investments, and also embroiling the sovereign credit rating of the UK. In fact, the IMF previously pointed out the risks of economic uncertainties to be faced by the UK, the fifth largest economy in the world, upon its withdrawal from the EU, and estimated a reduction in its economic output.

In Asia, the G7 Summit was held in Japan among leaders of industrial nations in May 2016. Despite the lack of consensus on market rescue issues, member states agreed to launch fiscal stimulus packages of larger scale in view of the increasing bluntness of monetary policies, according to the declaration made after the meeting. This was followed by the announcement made by Shinzo Abe, the prime minister of Japan, to delay sales tax hike and the proposal of expansionary fiscal stimulus plans to be implemented in autumn 2016. It is generally considered that Japan must make greater efforts in economic stimulation to escape from decades of on-and-off deflation.

In China, which is the second largest economy in the world, economic growth was in line with market expectation in general. It has been projected by the central government of China that the nation's economy will undergo structural reforms, transforming from a stage of high-pace growth in the past to a new norm with progress while maintaining stability. At present, China is in a stage of "rebalancing" of its economy, shifting from an export-driven growth model to one which is centered at household consumption. The moderate monetary and fiscal policies introduced in 2015 have set off some of the unfavourable factors hindering economic growth.

According to the latest "World Economic Outlook Update" published by the IMF in July 2016, China's economic growth in 2016 and 2017 is estimated at 6.6% and 6.2% respectively, up 0.3 and 0.2 percentage points respectively from previous estimation in January 2016. It is generally considered that China's economic transformation which supports more stable and sustainable growth will, in the long run, benefit its neighbours in Asia.

As an open economy, Hong Kong faced multiple challenges in the first half of 2016, including the adversity posed by the global economic conditions, continual economic transformation in Mainland China and change of pace of development in some local segments, which suppressed the economic performance of the territory. Hong Kong's economic growth slowed down to 0.8% year-on-year in the first quarter of 2016, or a drop of 0.4% on a quarter-to-quarter basis. The seasonally-adjusted unemployment rate rose by 0.1 percentage point to 3.4% in the first quarter of 2016, which stayed flat in the period from February to April.

Fortunately, benefited from the implementation of stimulus measures in different countries, the external economy steadied and signs of improvement of Hong Kong's economy were observed. In April 2016, both the rate of decline of exports value and the rate of decline of visitor arrivals narrowed, and the year-on-year drop in retail sales in the same period also improved marginally. HKSAR Financial Secretary John Tsang states that the Hong Kong economic growth forecast for 2016 remains at 1% to 2%.

The property market of Hong Kong is closely related to economic development. With negative factors including the uncertainties surrounding the global economy, sales and purchases of residential units had recorded a decline in average transaction prices since the third quarter of 2015. However, economic growth and inflation rate in the United States were yet to be in such level as to support a steady cycle of interest rate hike, which softened the speculation about the frequency and magnitude of interest rate hike. Home buyers' sentiment for purchases changed from conservative to positive, unleashing some of the demand for home purchases.

Product quality and geographic advantages of particular projects are the primary factors to consider for home upgraders who have adequate monetary resources, following the low-interest environment and appreciation of fixed assets over the years. At present, concrete demand still remains for first-hand residential dwellings, especially for competitive products. That shall add to the sustainably-rising household income and new buyer's demand as well as the reasonable level of mortgage-to-income ratios to support the healthy and stable development of the residential property market of Hong Kong.

The Artisanal Movement, which marks a new page for the development of the New World brand, is a journey of surpassing design and aestheticism and exploring unlimited imagination. Original craftsmanship, blended with the spirit of ongoing innovation and pursuit of excellence, attend to every detail of customers' needs and accomplish dreams with passion. "We Create, We are Artisans". The Group believes that every member in New World is a craftsman, ideally giving rise to a type of unique culture and quality of modern life which is consistent with the cultural and artistic essence as well as living attitude embodied in the Group's property projects.

For property development in Hong Kong, the Group launched a series of finely-designed bespoke projects which received overwhelming market responses. The Group is actively working on the preparations for new project launches including "THE PAVILIA BAY" in Tsuen Wan, Sai Yuen Lane project in Sai Ying Pun, "MOUNT PAVILIA" in Clear Water Bay and Heung Sze Wui Road project in Tuen Mun. It is expected that a total saleable resources of more than 2,500 new residential units will be available to the market.

For landbank in Hong Kong, the Group will carefully identify and select development opportunities with reference to future market supply and consumption preference of home buyers. Taking into account the flexibility provided for under the development conditions of the respective projects, the Group will strive to secure unique land resources of premium quality to support the Group's sustainable development.

For property leasing in Hong Kong, in response to the changing structure and consumption patterns of consumers, the revolutionary formation of the world's first museum retail concept by K11 represented a ground-breaking initiative for the retail market to depart from tradition and mingle art with business, creating new consumption experience and brand equity. Further, based on innovative mindset and the notion of ongoing improvement, reshaping and revitalization of local communities, the Group has built "D•PARK" into "the World's First Multiple Intelligence Kids Mall", integrating in its retail business the "Theory of Multiple Intelligence" developed by a professor and psychologist of Harvard University of the United States, thereby solidifying the tenant mix of the mall and extending the reach of its retail presence with a multitude of brands. For the redevelopment of New World Centre, located at the core area of Tsim Sha Tsui promenade, construction is being carried out as scheduled.

The Group has adhered to the key strategy of structure and resources optimisation and continued to uplift the value of the New World brand. The privatisation of New World China Land by the Group will further consolidate resources, create better synergy among businesses in Mainland China and Hong Kong, and focus on the two core businesses in Mainland China, namely the sale and leasing of developed property projects. New World China Land will continue to focus strategically on investing in key cities and developing key projects with vast potential.

With its forward-looking vision, innovation mindset, bespoke craftsmanship and spirit of excellence, the Group will continue to strive to create differentiated products and services of top quality, explore and generate bespoke and unique experience for customers, so as to consolidate the superior standing of the New World brand and maximize the interests of our stakeholders.

Dr. Cheng Chi-Kong, Adrian
Executive Vice-chairman & Joint General Manager
Hong Kong, 21 September 2016

In FY2016, NWD recorded consolidated revenue of HK$59,570.0 million, while profit attributable to shareholders of the Company amounted to HK$8,666.3 million, up 7.8% and down 54.7% respectively year-on-year. The decrease in profit attributable to shareholders of the Company was mainly due to 1) one time gain on the disposal of 50% interest of three HK hotels recorded in FY2015; 2) RMB depreciation led to the net exchange loss recorded in FY2016. The Group's underlying profit amounted to HK$9,662.2 million, up 42.7% year-on-year.

Total segment results (including share of results of joint ventures and associated companies but excluding changes in fair value in investment properties) amounted to HK$13,997.5 million, down 3.8%.

For the year ended 30 June 2016, the Group's EBITDA amounted to HK$9,857.1 million, of which HK$5,055.0 million (representing 51.3%) was attributable to operations in Hong Kong and HK$4,802.1 million (representing 48.7%) was attributable to operations in Mainland China and other regions (note 6 on page 141).

Revenue — analysed by business segment

	FY2016 HK$m	FY2015 HK$m	Year-on-year change
Property development	**28,527.9**	25,681.9	11.1%
Property investment	**2,492.3**	2,401.5	3.8%
Service	**19,903.5**	15,844.0	25.6%
Infrastructure	**2,444.0**	2,470.7	(1.1%)
Hotel operations	**1,762.3**	4,060.8	(56.6%)
Department stores	**3,550.2**	3,913.0	(9.3%)
Others	**889.8**	873.1	1.9%
Total	**59,570.0**	55,245.0	7.8%

The growth in the Group's revenue for FY2016 reflected primarily the increase in revenue contributions from the property development segment and the service segment, which were up 11.1% and 25.6%, respectively.

The property development segment reported a solid 11.1% growth in revenue. Major contributors included "THE PAVILIA HILL", North Point and "Double Cove Starview Prime" and "Double Cove Grandview", Ma On Shan in Hong Kong, as well as "Shenzhen New World Yi Shan Garden", "Shenzhen New World Signature Hill", "Guangzhou Covent Garden", "Guangzhou Park Paradise" and "Shenyang New World Garden" in Mainland China.

Revenue from the service segment also increased substantially by 25.6%, driven mainly by surging business volume for the construction operations.

The property investment segment also reported stable growth in revenue, which was up by 3.8%. Nevertheless, in the hotel operations segment, three hotels in Hong Kong (namely, Grand Hyatt Hong Kong, Renaissance Harbour View Hotel and Hyatt Regency Hong Kong, Tsim Sha Tsui) were no longer accounted for as subsidiaries of the Group following the disposal of 50% interests in each of the said hotels to Abu Dhabi Investment Authority. Henceforth, the revenue of these three hotels is excluded. If include revenue of these hotels, the revenue of hotel operations should be HK$3,890.3 million. A decrease of 4.2% year-on-year was mainly due to the disposal of the hotel management business during the year.

Analysis of Segment Results

	FY2016 HK$m	FY2015 HK$m	Year-on-year change
Property development	**7,371.8**	8,132.8	(9.4%)
Property investment	**1,829.2**	1,916.7	(4.6%)
Service	**1,519.1**	1,504.0	1.0%
Infrastructure	**3,042.5**	2,711.2	12.2%
Hotel operations	**(203.3)**	244.7	(183.1%)
Department stores	**205.0**	307.4	(33.3%)
Others	**233.2**	(264.3)	188.2%
Total	**13,997.5**	14,552.5	(3.8%)

Property development

Segment results of property development for FY2016 amounted to HK$7,371.8 million, down 9.4%.

Segment results derived from Hong Kong decreased by 9.6% year-on-year. This was mainly attributable to variations in the mix of recognised property sales, as well as the incurrence of preliminary marketing expenses for the pre-sale of property developments. Segment results comprised mainly contributions from several residential projects, namely, "THE PAVILIA HILL" in North Point, "THE PARKHILL" in Yuen Long, and "Double Cove Starview Prime" and "Double Cove Grandview" in Ma On Shan, together with the sales of residential units for projects completed in previous fiscal years.

During the year under review, contracted sales in Hong Kong attributable to the Group amounted to HK$6.6 billion. In addition, the Group launched six new residential projects during the year under review, namely, "SKYPARK" in Mongkok, "Double Cove Grandview" in Ma On Shan, "THE PARKHILL" in Tong Yan San Tsuen, "55 Conduit Road" in Mid-levels West, "Double Cove Summit" in Ma On Shan and "BOHEMIAN HOUSE" in Sai Ying Pun and Sheung Wan.

In particular, "BOHEMIAN HOUSE", a boutique residential development on Hong Kong Island launched by the Group in May 2016, was met with overwhelming market response. Out of the 191 units offered, only one unit was left unsold as at the end of August 2016.

Segment results derived from Mainland China decreased by 9.2% year-on-year, reflecting mainly the decline in the volume of completions and lower overall gross profit margin from property sales. Segment results comprised mainly contributions from property sales in Shenzhen, Guangzhou, Shenyang, Wuhan and Tianjin.

During the year under review, the Group's overall property contracted sales in Mainland China amounted to RMB22.9 billion.

Property investment

Segment contributions from property investment for FY2016 amounted to HK$1,829.2 million, down 4.6% year-on-year.

Segment results derived from Hong Kong were down 3.2% as compared to the previous year. Such decrease was mainly attributable to the expiry of the contract for the MacDonnell Road project in Mid-levels and the incurrence of pre-operating marketing expenses for certain projects.

As a matter of fact, the Group's gross rental income in Hong Kong increased by 5.8% to HK$1,573.2 million, while satisfactory occupancy rates were also reported for its leasing properties for the year under review, despite the overall soft retail market in Hong Kong. In particular, Hong Kong K11, which is located in the traditional core retail and tourism cluster of Tsim Sha Tsui, recorded an occupancy rate of close to 100% for the year under review. In addition, D•PARK, "the World's First Multiple Intelligence Kids Mall" located in the centre of Tsuen Wan, also made positive contributions to the leasing business in Hong Kong following its grand opening in April 2016.

The opening of Shanghai K11 has improved rental performance of the Group's trophy asset, the Shanghai Hong Kong New World Tower. Wuhan New World International Trade Tower, one of the leading super Grade A office towers in Central China, also delivered outstanding performance and provided satisfactory rental contributions, achieved positive rental reversion upon tenancy renewals. In addition, the high-end residential cluster of Canton Residence, a luxurious serviced apartment in Pearl River New Town, Guangzhou, has generated strong rental income.

Service

The service segment recorded contribution of HK$1,519.1 million for FY2016, increasing by 1.0% year-on-year.

The construction business recorded notable growth in FY2016 benefited from the surging business volume. Meanwhile, the transport business also reported growth in revenue contributions, taking advantage of higher patronage for its airport bus services and stable fuel costs through effective hedging arrangements. Nevertheless, growth of the service segment was partially offset by the FY2016 results of Free Duty, which had been affected by a slowdown in arrivals of inbound Mainland tourists and the corresponding decline in visitors' spending.

Infrastructure

In FY2016, the infrastructure segment reported contribution of HK$3,042.5 million, up 12.2% year-on-year. The growth was mainly attributable to the satisfactory performance of ATL Logistics Centre, the injection of the commercial aircraft leasing business and the healthy growth in traffic volume and toll revenue recorded by the expressway operations in Guangdong.

ATL Logistics Centre sustained a robust average rental growth of 15%, driven in part by the rental revision for a major tenant. However, its occupancy rate dropped slightly from 99.5% to 97.4% as a result of the tendency of tenants to consolidate or downsize their operations upon lease renewals.

To capture the growing demand for leased aircraft, NWSH entered the commercial aircraft leasing business by acquiring 40% equity interests in Goshawk in February 2015. As at 30 June 2016, the fleet size had grown to 68 aircraft as compared to 40 as at 30 June 2015. All aircraft have been purchased with a lease, thereby generating steady income for the infrastructure segment.

Hotel operations

In FY2016, the hotel operations segment recorded loss of HK$203.3 million, down 183.1% year-on-year.

The decrease in the segment results of the hotel operations was mainly attributable to the disposal of 50% interest in three hotels in Hong Kong, namely Grand Hyatt Hong Kong, Renaissance Harbour View Hotel and Hyatt Regency Hong Kong, Tsim Sha Tsui, to Abu Dhabi Investment Authority on 15 June 2015. As a result of the said disposal, those hotels were no longer accounted for as subsidiaries of the Group. The share of 50% result contribution of the three hotels is included in share of results of joint ventures, with the change in accounting treatment, the related additional depreciation and amortisation, financing costs and taxation were included.

Patrons of the Group's premium hotels in Hong Kong are mainly business travelers. At Grand Hyatt Hong Kong, the refurbishment of approximately 160 guest rooms under its phase-two renovation has been completed, while the refurbishment of multi-functional rooms and other restaurant facilities will commence in FY2017. The hotel registered a sound average room rate for the year under review, even though its occupancy rate had been affected by the renovation work. Meanwhile, the other major hotels in Hong Kong, namely, Renaissance Harbour View Hotel, Hyatt Regency Hong Kong, Tsim Sha Tsui and Hyatt Regency Hong Kong, Sha Tin also reported solid performances.

The performance of the Group's hotel operations in Mainland China was affected by rising operating costs and a decline in room together with food and beverage businesses affected by the Central Government's policy against extravagance and corruption.

Department stores

In FY2016, segment contributions from the department stores amounted to HK$205.0 million, down 33.3% year-on-year. This was primarily attributable to competition from e-commerce and shopping malls, increasingly diverse consumer demands and rising operating costs in the context of slower economic growth in China, which had continued to affect the business environment of the department store sector in Mainland China.

As at 30 June 2016, NWDS operated and managed a total of 39 stores and two shopping malls spreading across 21 cities in Mainland China with total GFA in excess of 1.6 million sq m.

Others

In FY2016, other businesses reported segment contributions of HK$233.2 million in a turnaround to profit, which was mainly attributable the increase in dividend income.

Other gains, net

Net other gains for FY2016 amounted to HK$6,255.8 million, down 57.6% year-on-year.

For FY2015, contributions represented mainly disposal gain on the partial disposal of hotel assets in Hong Kong. For the year under review, contributions represented mainly from the disposal gain of five property projects held by NWCL in Mainland China located in Haikou, Chengdu, Guiyang, Wuhan and Huiyang.

Changes in fair value of investment properties

The Group reported a fair-value change of HK$307.3 million for FY2016 in its investment properties despite numerous unfavourable factors denting the overall performance of Hong Kong’s retail market during the year under review, in addition to the stable performance of its investment properties in Hong Kong and Mainland China as a whole and the solid market prospects in both Hong Kong and Mainland China.

Taxation

Taxation charge for FY2016 amounted to HK$6,423.7 million, up 50.6% year-on-year, reflecting mainly a higher tax expenses and land appreciation tax incurred by NWCL following the disposal of five property projects in Mainland China located in Haikou, Chengdu, Guiyang, Wuhan and Huiyang during the year.

Liquidity and Capital Resources

The Group’s debts were primarily denominated in Hong Kong dollar and Renminbi. In respect of the Group’s operations in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging of Renminbi attributed to those projects. The Renminbi exposure of the Group is mainly derived from the translation of non-current assets and liabilities of the subsidiaries, associated companies and joint ventures in Mainland China with functional currency of Renminbi and the Renminbi deposits held for future development costs to be expended to Hong Kong Dollar. As at 30 June 2016, the translation of non-current assets and liabilities of subsidiaries, associated companies and joint ventures with functional currency other than Hong Kong Dollar to Hong Kong Dollar by using exchange rates at that day resulted a loss of HK$5,937.7 million was recognised in equity. Apart from this, the Group does not have any material foreign exchange exposure.

The Group’s borrowings were mainly arranged on a floating rate basis. The Group used interest rate swaps and foreign currency swaps to hedge part of the Group’s underlying interest rate and foreign exchange exposure. As at 30 June 2016, the Group had outstanding derivative instruments in the amounts of HK$5,800.0 million and US$600.0 million (equivalent to approximately HK$4,662.0 million). As at 30 June 2016, the Group had outstanding foreign currency swap contracts in the amounts of HK$387.5 million and US$347.6 million (equivalent to approximately HK$2,700.9 million).

During the year, a wholly owned subsidiary of the Group issued US$950.0 million notes (equivalent to approximately HK$7,381.5 million) and HK$1,322.0 million bonds at fixed rates ranging from 4.375% to 4.700% due ranged from 2022 to 2026.

During the year, the Group had utilised approximately HK$21.0 billion on the privatisation of NWCL.

During the year, the Group had subscribed 9% perpetual securities in the aggregate principal amount of US$900 million (equivalent to approximately HK$6,993.0 million).

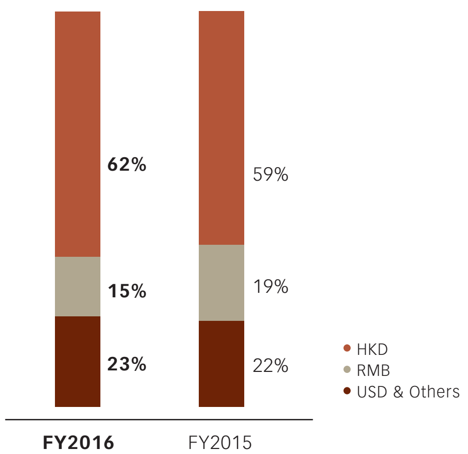
As at 30 June 2016, the Group's cash and bank balances (including restricted bank balances) stood at HK$55,170.8 million (2015: HK$59,465.2 million) and the consolidated net debt amounted to HK$77,048.8 million (2015: HK$53,539.1 million). The net debt to equity ratio was 38.4%, an increase of 14.3 percentage points as compared with FY2015.

As at 30 June 2016, the Group's long-term bank loans, other loans and fixed rate bonds amounted to HK$130,701.4 million. Short-term bank and other loans as at 30 June 2016 were HK$1,518.2 million. The maturity of bank loans, other loans, and fixed rate bonds as at 30 June 2016 was as follows:

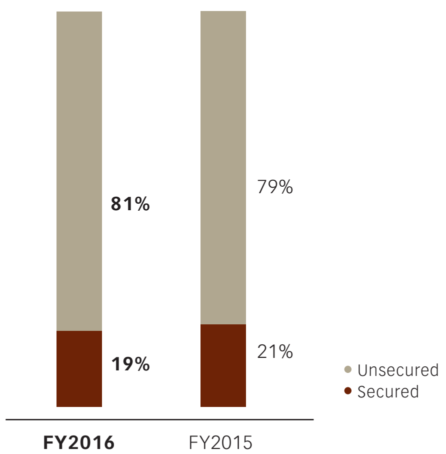
	HK$m
Within one year	18,346.3
In the second year	14,449.3
In the third to fifth year	81,625.4
After the fifth year	17,798.6
	132,219.6

As at 30 June 2016, the Group's assets of HK$71,775.7 million and certain shares of subsidiaries of the Group were pledged as securities for certain banking facilities of the Group. Non-controlling interests of the Group as at 30 June 2016 decreased by HK$22,117.5 million as compared to 30 June 2015 mainly due to further acquisition of additional interests in NWCL. As a result, the equity of the Group stood at HK$200,895.3 million as at 30 June 2016.

Currency Profile of Borrowings



Nature of Debts



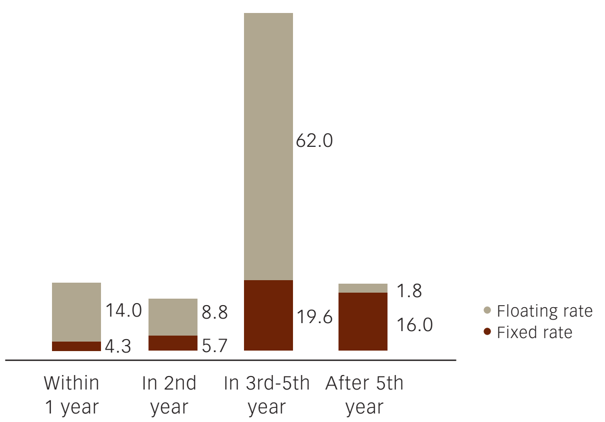
Gross Debt

	FY2016 HK$m	FY2015 HK$m
Consolidated gross debt	**132,219.6**	113,004.3
NWSH	**15,064.8**	16,811.4
NWDS	**995.7**	1,707.0
Gross debt (exclude listed subsidiaries)	**116,159.1**	94,485.9

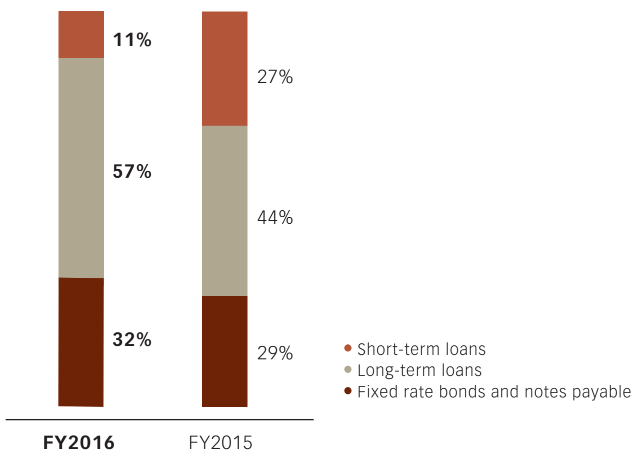
Net Debt

	FY2016 HK$m	FY2015 HK$m
Consolidated net debt	**77,048.8**	53,539.1
NWSH	**6,141.2**	6,389.1
NWDS — net cash and bank balances	**(207.0)**	(408.8)
Net debt (exclude listed subsidiaries)	**71,114.6**	47,558.8

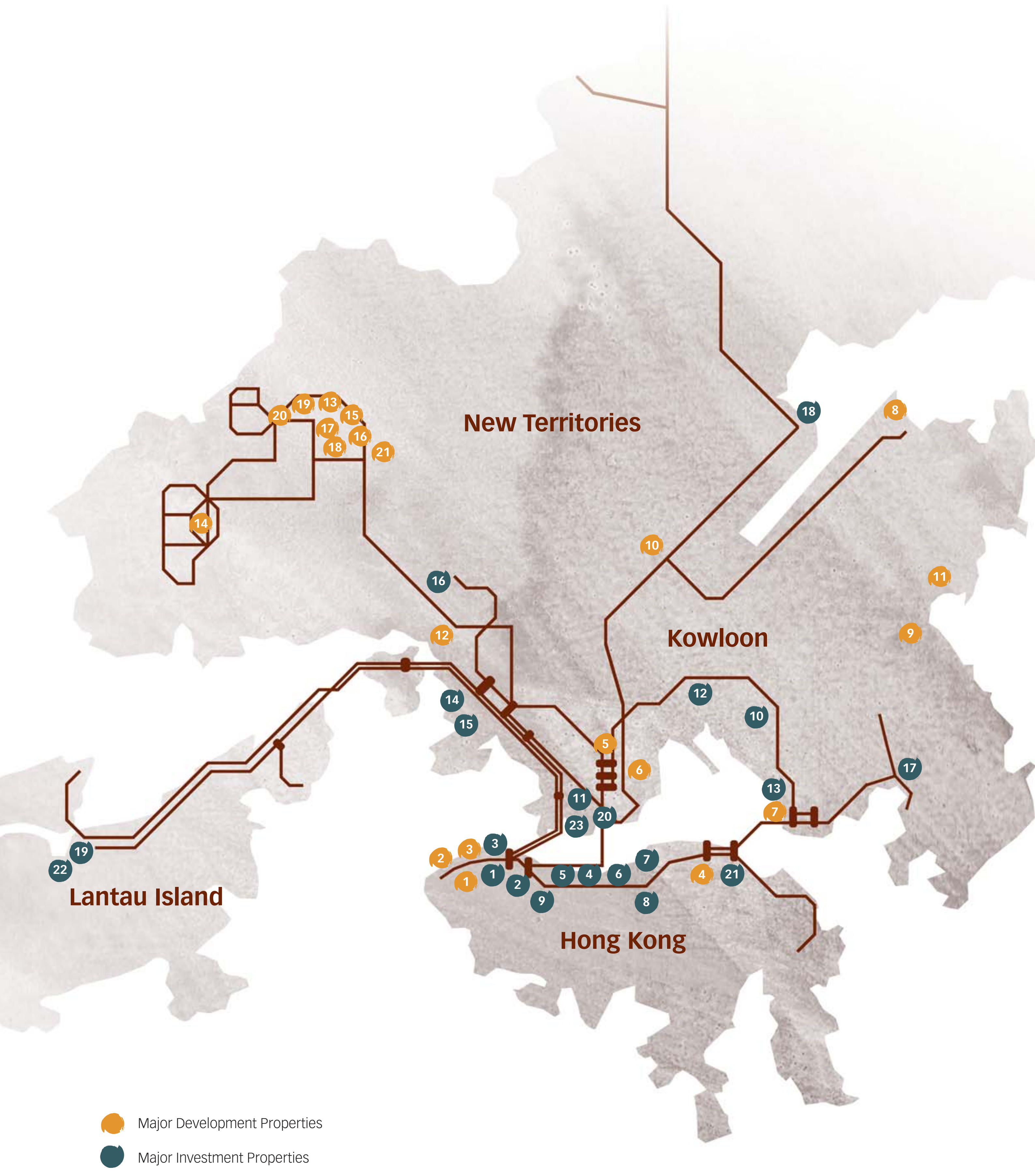
Floating/Fixed Rate and Maturity Profile of Borrowings as at 30 June 2016 (HK$ Billion)



Source of Borrowings



Major Property Projects in Hong Kong



No.	Major Development Properties in Hong Kong
1	23 Babington Path, Mid-levels
2	BOHEMIAN HOUSE, 321 Des Voeux Road West, Western District
3	1–17 Sai Yuen Lane, Western District
4	FLEUR PAVILIA, Upper & Lower Kai Yuen Lane and 5 Kai Yuen Street, North Point
5	SKYPARK, 17 Nelson Street, Mong Kok
6	Kowloon City Road/Sheung Heung Road Project, Ma Tau Kok
7	Yau Tong Redevelopment Project, Kowloon East
8	DOUBLE COVE SUMMIT, No. 8 Wu Kai Sha Road (Phase 5), Ma On Shan
9	MOUNT PAVILIA, 663 Clear Water Bay Road, Sai Kung
10	Tai Wai Station Development Project, STTL No. 520, Sha Tin
11	DD221, Sha Ha, Sai Kung
12	THE PAVILIA BAY — West Rail Tsuen Wan West Station (TW6), TWTL No. 402, Tsuen Wan
13	Lot No. 2131 in DD121, Tong Yan San Tsuen (Phase 1 — Site A), Yuen Long
14	No.76–92 Tuen Mun Heung Sze Wui Road, Tuen Mun
15	YLTL 527, Tai Tong Road, Yuen Long
16	YLTL 524, Tai Tong Road, Yuen Long
17	Lung Tin Tsuen (Phase 2), Yuen Long
18	Lung Tin Tsuen (Phase 3), Yuen Long
19	Tong Yan San Tsuen (Phase 3), Yuen Long
20	Tong Yan San Tsuen (Phase 4), Yuen Long
21	Sha Po North, Yuen Long

No.	Major Investment Properties in Hong Kong
1	Manning House, Central
2	New World Tower, Central
3	Shun Tak Centre, Shopping Arcade, Sheung Wan
4	Hong Kong Convention and Exhibition Centre, Shopping Arcade, Wan Chai
5	Grand Hyatt Hong Kong
6	Renaissance Harbour View Hotel
7	Pearl City, Causeway Bay — Ground Floor to 4th Floor
	Pearl City, Causeway Bay — Ground Floor to Basement
8	EIGHT KWAI FONG, Happy Valley
9	Methodist House, Wan Chai
10	Telford Plaza, Kowloon Bay
11	K11, Tsim Sha Tsui
	Hyatt Regency Hong Kong, Tsim Sha Tsui
12	pentahotel Hong Kong, Kowloon
13	KOHO, Kwun Tong
14	ATL Logistic Centre, Kwai Chung
15	NWS Kwai Chung Logistics Centre, Kwai Chung
16	D • PARK, Tsuen Wan
17	PopCorn II, Tseung Kwan O
18	Hyatt Regency Hong Kong, Sha Tin
19	Citygate, Tung Chung
	Novotel Citygate Hong Kong, Tung Chung
20	New World Centre, Tsim Sha Tsui (To be completed/Under development)
21	704–730 King's Road, North Point (To be completed/Under development)
22	TCTL 11, Tung Chung (To be completed/Under development)
23	12 Salisbury Road, Tsim Sha Tsui (Alteration and additional work)

Directors' Profile

Dr. Cheng Kar-Shun, Henry
GBS (Aged 69)

Appointed as Director in October 1972, Executive Director in 1973, became Managing Director from 1989 and Chairman from March 2012. Dr. Cheng is a member of the Remuneration Committee and the chairman of the Nomination Committee and Executive Committee of the Board of Directors of the Company. Dr. Cheng is the chairman and executive director of NWS Holdings Limited, Chow Tai Fook Jewellery Group Limited and International Entertainment Corporation, the chairman and non-executive director of New World Department Store China Limited, Newton Resources Ltd and FSE Engineering Holdings Limited, an independent non-executive director of HKR International Limited and Hang Seng Bank Limited, and a non-executive director of SJM Holdings Limited, all of them are 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, a listed public company in Hong Kong, up to his retirement on 4 May 2015. Dr. Cheng is also the chairman of New World Hotels (Holdings) Limited and a director of certain subsidiaries of the Group. He is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, all of them are substantial shareholders of the Company. 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. In 2001, Dr. Cheng was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the father of Dr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia, the brother-in-law of Mr. Doo Wai-Hoi, William, the brother of Mr. Cheng Kar-Shing, Peter and the uncle of Mr. Cheng Chi-Heng.

Mr. Doo Wai-Hoi, William
JP (Aged 72)

Appointed as the Vice-chairman and Non-executive Director in July 2013. Mr. Doo is also a non-executive director of Lifestyle International Holdings Limited upon re-designation from executive director on 11 June 2015 and an independent non-executive director of The Bank of East Asia, Limited and Shanghai Industrial Urban Development Group Limited, all being listed public companies in Hong Kong. Mr. Doo was the vice-chairman and non-executive director of New World China Land Limited (a listed public company in Hong Kong until its delisting on 4 August 2016) and the deputy chairman and non-executive director of NWS Holdings Limited, a listed public company in Hong Kong, up to his resignation on 1 July 2013 for both companies. Mr. Doo is also a director of certain subsidiaries of the Group. He is the chairman and director of Fung Seng Enterprises Holdings Limited. Mr. Doo is a Justice of the Peace appointed by the Government of the Hong Kong Special Administrative Region. He is also a National Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China, the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau, and a Governor of the Canadian Chamber of Commerce in Hong Kong. He was awarded the Chevalier de la Légion d'Honneur by the Republic of France in 2008. Mr. Doo is the brother-in-law of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter, and the uncle of Dr. Cheng Chi-Kong, Adrian, Ms. Cheng Chi-Man, Sonia and Mr. Cheng Chi-Heng.

Dr. Cheng Chi-Kong, Adrian
JP (Aged 36)

Appointed as an Executive Director in March 2007, became Executive Director and Joint General Manager from March 2012 and re-designated to Executive Vice-chairman and Joint General Manager from April 2015. Dr. Cheng is a member of the Executive Committee of the Board of Directors of the Company. Dr. Cheng is an executive director of New World Department Store China Limited, Chow Tai Fook Jewellery Group Limited and International Entertainment Corporation, and a non-executive director of Giordano International Limited and Modern Media Holdings Limited, all being listed public companies in Hong Kong. He is an executive director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He is a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, both are substantial shareholders of the Company. He is also the chairman of New World Group Charity Foundation Limited and a director of certain subsidiaries of the Group. Dr. Cheng worked in a major international bank prior to joining the Group in September 2006 and has substantial experience in corporate finance. Dr. Cheng holds a Bachelor of Arts Degree *(cum laude)* from Harvard University, and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design. He is the vice-chairman of the Youth Federation of the Central State-owned Enterprises, the vice-chairman of All-China Youth Federation, a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, the chairman of China Young Leaders Foundation, the honorary chairman of K11 Art Foundation and a member of Board of the West Kowloon Cultural District Authority. He is the son of Dr. Cheng Kar-Shun, Henry, the brother of Ms. Cheng Chi-Man, Sonia, the nephew of Mr. Doo Wai-Hoi, William and Mr. Cheng Kar-Shing, Peter, and the cousin of Mr. Cheng Chi-Heng.

Mr. Chen Guanzhan
(Aged 57)

Appointed as an Executive Director and Joint General Manager in March 2012. Mr. Chen joined the Company as general manager in January 2011. He is a member of the Executive Committee of the Board of Directors of the Company. He also acts as director of New World Group Charity Foundation Limited and certain subsidiaries of the Group. Mr. Chen holds a Bachelor of Science Degree from Sun Yat-Sen University in Guangzhou and a Master of Science Degree in Environmental Chemical Engineering from South China University of Technology in Guangzhou. He had also been a visiting scholar to the California State University, Northridge in the U.S.A., where he studied Public Administration. Mr. Chen had previously taught at South China University of Technology, and held certificates as university lecturer, senior engineer, and held offices in various departments of the Guangzhou Municipal People's Government. Mr. Chen has extensive experience in administration management, corporate management and capital management with a strong academic and practical foundation.

Mr. Yeung Ping-Leung, Howard
(Aged 59)

Appointed as a Director in November 1985. Mr. Yeung is a member of the Audit Committee and the Remuneration Committee of the Board of Directors of the Company. He is also an independent non-executive director of Miramar Hotel and Investment Company, Limited, a listed public company in Hong Kong. He was the chairman of King Fook Holdings Limited, a listed pubic company in Hong Kong, up to his resignation on 1 July 2016.

Mr. Cha Mou-Sing, Payson
JP (Aged 74)

Appointed as a Director in April 1989. Mr. Cha is the chairman of the Audit Committee and a member of the Remuneration Committee of the Board of Directors of the Company. Mr. Cha is also the chairman of HKR International Limited and the non-executive chairman of Hanison Construction Holdings Limited, both of them are listed public companies in Hong Kong. He is also an independent non-executive director of Eagle Asset Management (CP) Limited — Manager of Champion Real Estate Investment Trust which is listed on The Stock Exchange of Hong Kong Limited, the chairman of Mingly Corporation and an independent non-executive director of Hong Kong International Theme Parks Limited.

Mr. Cheng Kar-Shing, Peter
(Aged 64)

Appointed as a Director in October 1994. Mr. Cheng is also an independent non-executive director of King Fook Holdings Limited, a listed public company in Hong Kong. He is an executive director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He was an independent non-executive director of Symphony Holdings Limited, a listed public company in Hong Kong, up to his resignation on 15 December 2014. Also, he is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, all of them are substantial shareholders of the Company. Mr. Cheng is a director of New World Hotels (Holdings) Limited, NWS Service Management Limited and certain subsidiaries of the Group. Mr. Cheng is committed to community services and is serving as the chairman of Chow Tai Fook Charity Foundation, the chairman of Chow Tai Fook Medical Foundation Limited, the chairman of The Welfare Fund Limited, the vice-chairman of Hong Kong Economic Exchange and a director of Green Council. He is The Commissar of the Chinese People's Political Consultative Conference, Guangzhou City and the University Assembly member of University of Macau. He is a Fellow of The Hong Kong Institution of Engineers, Hong Kong Institute of Arbitrators, Hong Kong Construction Arbitration Centre and The Chartered Institute of Arbitrators. He is a CEDR Accredited Mediator and on the lists of the Mediators of Hong Kong Mediation Accreditation Association Limited, Hong Kong International Arbitration Centre, Hong Kong Mediation Centre and Financial Dispute Resolution Centre. He is on the Panel of Arbitrators of South China International Economic and Trade Arbitration Commission/Shenzhen Court of International Arbitration and an Arbitrator of Huizhou Arbitration Commission as well as a Member of Society of Construction Law Hong Kong. Mr. Cheng is the brother of Dr. Cheng Kar-Shun, Henry, the brother-in-law of Mr. Doo Wai-Hoi, William, the father of Mr. Cheng Chi-Heng, and the uncle of Dr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia.

Mr. Cha Mou-Zing, Victor
(Alternate Director to Mr. Cha Mou-Sing, Payson) (Aged 66)

Appointed as an Alternate Director in September 2000. Mr. Cha is the deputy chairman and managing director of HKR International Limited, and an independent non-executive director of SOHO China Limited, both are listed public companies in Hong Kong. He has extensive experience in the textile manufacturing and real estate businesses.

Mr. Ho Hau-Hay, Hamilton
(Aged 65)

Appointed as a Non-executive Director in August 2004 and was re-designated as Independent Non-executive Director in November 2007. Mr. Ho was an Alternate Director of the Company from 7 January 2004 to 29 August 2004. Mr. Ho is the chairman of the Remuneration Committee and a member of the Audit Committee of the Board of Directors of the Company. He is also an independent non-executive director of King Fook Holdings Limited (a listed public company in Hong Kong), and an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited.

Mr. Lee Luen-Wai, John
BBS, JP (Aged 67)

Appointed as an Independent Non-executive Director in August 2004. Mr. Lee is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board of Directors of the Company. Mr. Lee is also the managing director and chief executive officer of Lippo Limited, an executive director and the chief executive officer of Lippo China Resources Limited and Hongkong Chinese Limited, as well as an independent non-executive director of UMP Healthcare Holdings Limited, all being listed public companies in Hong Kong. Mr. Lee was an independent non-executive director of New World China Land Limited (a listed public company in Hong Kong until its delisting on 4 August 2016) up until his resignation on 1 September 2016. Mr. Lee is a Fellow of The Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He was a partner of Price Waterhouse (now PricewaterhouseCoopers) in Hong Kong and has extensive experience in corporate finance and capital markets. Mr. Lee is an Honorary Fellow of the City University of Hong Kong and a Justice of Peace in Hong Kong. He serves as a member on a number of Public Boards and Committees including as a Trustee of the Hospital Authority Provident Fund Scheme, a member of the Public Service Commission as well as a member of the Appeal Boards Panel (Education).

Mr. Liang Cheung-Biu, Thomas
(Aged 69)

Appointed as a Non-executive Director in August 2004 and was re-designated as Independent Non-executive Director in March 2012. Mr. Liang is a member of the Audit Committee and the Nomination Committee of the Board of Directors of the Company. Mr. Liang is an independent non-executive director of Miramar Hotel and Investment Company, Limited (a listed public company in Hong Kong) and the group chief executive of Wideland Investors Limited. Mr. Liang is a member of the Council of The Chinese University of Hong Kong, a member of the Court of the Hong Kong Baptist University and a member of the Board of Governors, Hang Seng Management College. He has extensive experience in financial management, corporate finance, banking, real estate development and equity investment.

Ms. Ki Man-Fung, Leonie
GBS, JP (Aged 69)

Appointed as a Non-executive Director in December 2008 and was re-designated as Executive Director in March 2012. Ms. Ki is a member of the Executive Committee of the Board of Directors of the Company. Ms. Ki has been the managing director of New World China Enterprises Projects Limited (a subsidiary of the Company) since 1997 and is also a director of certain subsidiaries of the Group. Ms. Ki is an independent non-executive director of Clear Media Limited and Sa Sa International Holdings Limited, both are listed public companies in Hong Kong. Ms. Ki is also a director of Chow Tai Fook Charity Foundation. Ms. Ki has more than 30 years' experience in integrated communication and marketing services. She was the founder, partner and chairman/chief executive officer of Grey Hong Kong Advertising Limited and Grey China Advertising Limited. Ms. Ki is committed to the community and public services. She was the first chief executive of The Better Hong Kong Foundation. She is currently honorary council member of UNICEF Hong Kong Committee, a Director of PMQ Management Company Limited, honorary secretary of Wu Zhi Qiao Charitable Foundation, a member of the Asian Advisory Board of Cheng Yu Tung Management Institute, Richard Ivey School of Business (University of Western Ontario, Canada), vice chairman of the Committee of Overseers of Morningside College at The Chinese University of Hong Kong, a member of the Advisory Board of the EMBA Programme of The Chinese University of Hong Kong, a member of the executive committee of Youth Outreach, vice-chairman, council of the Musicus Society, a council member of The University of Hong Kong, a National Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China and a member of The Chinese People's Political Consultative Conference of Yunnan Province, and a recipient of Honorary University Fellowship from The Open University of Hong Kong and The University of Hong Kong, the honour of Beta Gamma Sigma from The Chinese University of Hong Kong Faculty of Business Administration, and Justice of the Peace and the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region.

Mr. Cheng Chi-Heng
(Aged 38)

Appointed as an Executive Director in June 2010. Mr. Cheng is a member of the Executive Committee of the Board of Directors of the Company. He also acts as director of certain subsidiaries of the Group. Mr. Cheng is an executive director of Chow Tai Fook Jewellery Group Limited, a listed public company in Hong Kong. He was a non-executive director of China Huishan Dairy Holdings Company Limited, a listed public company in Hong Kong, up to his resignation on 23 June 2015. Mr. Cheng is a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, both are substantial shareholders of the Company. Mr. Cheng worked in Yu Ming Investment Management Limited from 1999 to 2000 as a corporate finance executive. He obtained his Bachelor of Arts Degree majoring in Economics from the University of Western Ontario, Canada in 1999. He is the son of Mr. Cheng Kar-Shing, Peter, the nephew of Dr. Cheng Kar-Shun, Henry and Mr. Doo Wai-Hoi, William, and the cousin of Dr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia.

Ms. Cheng Chi-Man, Sonia
(Aged 35)

Appointed as an Executive Director in March 2012. Ms. Cheng is a member of the Executive Committee of the Board of Directors of the Company. She currently oversees the hotel division and the project management division of the Group. She is an executive director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016, and a director of certain subsidiaries of the Group. Before joining the Group in 2008, Ms. Cheng worked in a major international investment bank and a global US private equity firm specialising in real estate investments. Ms. Cheng holds a Bachelor of Arts Degree with a concentration in Applied Mathematics from Harvard University in the U.S.A.. Ms. Cheng is the chief executive officer of Rosewood Hotel Group, chairman of the advisory committee of the School of Hotel and Tourism Management at The Chinese University of Hong Kong and member of the advisory committee of the School of Hotel & Tourism Management Industry at The Hong Kong Polytechnic University. She is a member of the Y. Elites Association, the Young Presidents' Organization, the Hong Kong United Youth Association and the Eleventh Guizhou Municipal Committee of The Chinese People's Political Consultative Conference. Ms. Cheng is the daughter of Dr. Cheng Kar-Shun, Henry, the sister of Dr. Cheng Chi-Kong, Adrian, the niece of Mr. Doo Wai-Hoi, William and Mr. Cheng Kar-Shing, Peter, and the cousin of Mr. Cheng Chi-Heng.

Mr. Au Tak-Cheong
(Aged 64)

Appointed as an Executive Director in July 2013. Mr. Au is a member of the Executive Committee of the Board of Directors of the Company. Mr. Au joined the Company in 1975. He is currently the Head of the Finance and Accounts and senior management of the Company and is responsible for overseeing compliance of policy and procedures in relation to accounting matters of the Group. He possesses over 30 years of experience in finance and accounting and treasury. He is also a non-executive director of New World Department Store China Limited, a listed public company in Hong Kong, and a director of certain subsidiaries of the Group.

Ms. Lo Pui-Ying
(Aged 66)

Ms. Lo is currently the Owners' Representative-Hotel Division of the Company. Ms. Lo has been in the hotel industry since 1969 and held various positions in the Hyatt Regency and Excelsior hotels before joining the Group in 1978. Ms. Lo acted as the financial controller of the New World Hotel in Kowloon for three years before joining New World Harbour View Hotel (later renamed Renaissance Harbour View Hotel) in 1988 as Director of Finance. She also held a group controller position for New World Hotels International Limited (a former hotel management company of the Company) until 1997 when the position ceased to exist. Ms. Lo joined Foreign Holiday Philippines, Inc. and Marina Square Properties, Inc. in 2003 and 2005, respectively, as group financial controller, treasurer and co-leader of the pre-opening and operation team for a hotel and casino property investment in the Philippines. She rejoined the Company in 2007. Ms. Lo has previously been certified as a Certified Hotel Administrator (CHA) in the American Hotel and Motel Association (AHMA) from November 1990 to October 2000. She has also previously acted as a Fellow and Founder Member of the Hotel Controllers & Accountants Association (Hong Kong) founded in 1991. She has served respectively a member of Management Committee and Executive Committee of The Federation of Hong Kong Hotel Owners in 2012 and 2014 till now.

Mr. Sitt Nam-Hoi
BA(Hons),
BArch(Distinction), HKIA,
Authorised Person (List 1)
(Aged 62)

Appointed as Head of Projects (Hong Kong) of the Company in February 2011. He is currently the senior director of the Project Management Department of the Company. Mr. Sitt is a Registered Architect and is responsible for overseeing all project management matters for all property development projects of the Group in Hong Kong. Before joining the Company, Mr. Sitt has been working in Buildings Department of the Government of the Hong Kong Special Administrative Region. He was the project director of a listed company in Hong Kong which he also worked for over 25 years. Mr. Sitt has extensive project management experience and participated in various significant projects in Hong Kong and the PRC.

Mr. Wong Man-Hoi
BSc(Eng)(Hon), LLB(Hon)
(Aged 57)

Appointed as the Company Secretary of the Company in January 2011. Mr. Wong joined the Company in November 2000 and has headed the Legal Department (now Legal and Company Secretarial Department) since November 2001. Mr. Wong is a member of the Law Society of Hong Kong and has been a qualified solicitor in Hong Kong since 1994. Before joining the Company, Mr. Wong worked as a solicitor specialising in real estate practice. Mr. Wong obtained his Bachelor of Science (Engineering) Degree from the University of Hong Kong in 1981, Bachelor of Laws Degree from the University of London in 1990 and passed the Solicitors' Final Examination of the Law Society of England and Wales in 1992.

Mr. Yeo Woon Melvin
BA (Aged 49)

Mr. Yeo joined the Company in June 2011 as sales and marketing director. He is currently the senior director of the Sales and Marketing Department of the Company, responsible for overseeing the overall sales and marketing plans for residential property projects of the Group in Hong Kong. Before joining the Company, Mr. Yeo worked for a listed company in Hong Kong for more than 18 years and acted as an associate director of its sales department. Mr. Yeo has extensive experiences in property industry and has over 24 years experiences in sales and marketing of properties.

New World Development recognises the importance of maintaining effective communication with shareholders and investors, strives to convey clear messages to shareholders for a proper assessment of the Company effectively. Through the Investor Relations Department, the Chairman and the Board engage the investment community including retail shareholders, institutional investors and analysts via regular meetings, conference calls, webcasts, roadshows and announcements. A shareholders' communication policy was approved and adopted by the Board to sets out the Company's standards and practice in relation to communicating with its shareholders and prospective investors. The Group's investor relations practice continued to be highly recognised by the capital market, earning a high degree of trust and confidence of market participants.

Going forward, the Company will adhere to its mission and commit to long-term value creation for shareholders in all aspects. The Group's Investor Relations team will continue to serve the best interests of shareholders, ensuring regular and proactive communications with shareholders are all in place.

High standard of corporate disclosures

The Company endeavors to maintain a high standard of corporate disclosures in compliance with the legal and regulatory requirements. The Group sees the Annual General Meeting ("AGM") as an important forum in which to engage and communicate with shareholders and stakeholders of the Company. Every year, the Chairman, members of the Board and senior management of the Company make themselves available for AGM to review the business and financial and operations. Shareholders are encouraged to attend, express their views, and vote upon significant company affairs by poll during the meeting. Management will also invite independent auditors to attend AGM to respond to any questions especially on the audited financial statements. The poll results will be made available on the Company's website as soon as reasonable after AGM.

The company has placed strong emphasis on maintaining high standards of investor relations to update the investors our latest developments formally and comprehensively. The Group treats the annual report as another important public disclosure channel to communicate with shareholders and the wide investment community. In addition to the audited financial statements of the Company, the report sets out the Company's operations, achievements and business developments of the year. Management's visions, strategic directions and business plans for the coming year are also clearly presented to shareholders and potential investors, which helps assessing the Company holistically before making necessary investment decisions.

We believe that quality and timely corporate disclosures are crucial to protect the interest of our shareholders. Through voluntary announcements and pursuant to the listing rules, price-sensitive information, latest movements, and relevant information related to the Company and/or its subsidiaries are released as soon as they are available on the Stock Exchange of Hong Kong and also the Company's website. All members of investment community would be able to access to same pieces of information at the same time. To facilitate convenient access to the Group's latest information, announcements, and annual reports, etc, a dedicated Investor Relations website (http://ir.nwd.com.hk) has been set up to clearly present corporate information to stakeholders. Performance highlights and projects summary listed on the website are also updated periodically enabling the market to fully evaluate the Group's operations in Hong Kong comprehensively.

Investors of New World Development are encouraged to raise questions regarding the Group's corporate announcement and/or shareholders' interests via phone or email. Investor enquiries are properly logged and handled pursuant to the Shareholders' Communication Policy. An online enquiry form is also set in the website to facilitate investors in different locations communicating with the Company efficiently.

Major investor relations activities in FY2016

The Group makes full use of opportunities to establish face-to-face engagement with investors. With the participation of the Board and senior management, press conferences followed by analysts' briefings are organised on the date of results announcement to further explain the Group's financial positions. Feedbacks from the investment community are directly reverted to the management to promote two-way communications between the Board and the investors.

Besides, conference calls, one-on-one meetings, small group meetings, investor conference, luncheons as-well-as non-deal roadshows are often regularly organised by the Investor Relations team to discuss into details the Group's latest developments and future business plans with institutional investors and sector analysts. Currently, New World Development is covered by a group of property analysts from various international investment banks. Research reports and company updates are published frequently, being one of the most informative and resourceful references supporting one's investment judgements.

In addition to meetings, property tours to the Group's major projects are organised regularly to strengthen market's understanding to our property development and investment businesses. Notable improvements in product quality, project management and landscaping, which support positive valuations, are widely

observed by the investment community after site visits. During the year under review, the Group had joined over 30 global investor conferences and roadshows held in Mainland China, Macau, Taiwan, Singapore, Malaysia, Japan, United States of America and Europe. The Group has also maintained active communications with over hundreds of investors and analysts. Visits to Hong Kong projects such as EIGHT KWAI FONG, SKYPARK, THE PAVILIA HILL and D•PARK, either the show flats or construction sites, have been organised for over 90 investors and analysts.

Market recognitions

The outstanding performance of the Group in investor relations and corporate governance has gained significant recognition from the public. New World Development being four years in a row, garnered "Outstanding Enterprise Awards 2015 – Outstanding Investor Relations 2015" in January 2016 from Quamnet, a leading financial organisation focusing on not only the financial field but also other industries of great importance in Hong Kong. The Company has also claimed four awards from the renowned corporate governance publication Corporate Governance Asia in the "6th Asian Excellence Recognition Awards" namely "Asia's Best CEO (Investor Relations) - Mr Adrian Cheng", "Asia's Best CFO (Investor Relations) - Mr Au Tak Cheong", "Best Investor Relations Officer - Mr. Aldous Chiu" and "Best Investor Relations Company". New World Development has also been awarded "Hong Kong Outstanding Enterprises 2015 Award" by Economic Digest, "Top 100 - Comprehensive Strength" in Top 100 Hong Kong Listed Companies Selection 2015 organised by Finet and QQ.com and "Quam IR Awards 2015 - Hong Kong Index Constituents (Hang Seng Index) Category" by Quam IR.

The terrific design of the Annual Report in 2015 has gained various recognitions. The Group is dedicated to maintain its accuracy and transparency on information distribution towards its shareholders for a proper assessment of the Company, its high standard of investor relations has always been well received by shareholders and the capital market.

List of awards garnered by New World Development's FY2015 annual report

Competition	Award	Organiser
29th International Mercury Awards	**Gold Award** in Cover Design — Abstract/Graphics	MerComm, Inc.
	Gold Award in Overall Presentation — Housing Development & Sales	
	Gold Award in Overall Presentation — Real Estate Developer	
	Silver Award in Overall Presentation — Multi-industry	
	Silver Award in Overall Presentation — Property Development	
	Honor in Overall Presentation — Diverse Business	
International Astrid Awards 2016	**Grand Award:** Cover Design	MerComm, Inc.
	Gold Award — Annual Reports — Covers (Graphics & Text)	
	Gold Award — Annual Reports — Covers (Special Treatment)	
	Gold Award — Covers (Other/Misc. Artistic)	
	Silver Award — Covers (Property Development)	
	Bronze Award — Annual Reports — Covers (Artistic)	
LACP 2015 Vision Awards	**Platinum Award** — Conglomerates, Holding Co., Div. Invest.	League of American Communications Professionals LLC (LACP)
	Platinum Award — Most Creative report in the Asia-Pacific region	
	Top 100 Worldwide Annual Reports (Ranked 46)	
	Top 80 Asia-Pacific Region Annual Reports (Ranked 10)	
	2015 Top 50 Chinese Annual Reports	
30th International ARC Awards	**Gold Award** — Best of Printing and Production	MerComm, Inc.
	Gold Award — Cover Photo/Design — Financial Services: General	
	Gold Award — Cover Photo/Design — Holding Companies	
	Gold Award — Cover Photo/Design — Property Development: Residential	
	Gold Award — Cover Photo/Design — Real Estate Development/Svc: Residential Properties	
	Gold Award — Interior Design — Property Development: Niche Market	
	Gold Award — Printing & Production — Conglomerate — Multinational	
	Gold Award — Printing & Production — Diversified Business	
	Gold Award — Traditional Annual Report — Diversified Business	
	Gold Award — Traditional Annual Report — Financial Services: General	
	Gold Award — Traditional Annual Report — Property Development: Niche Market	
	Silver Award — Cover Photo/Design — Conglomerate — Multinational	
	Silver Award — Cover Photo/Design — Property Development: Niche Market	
	Silver Award — Interior Design — Conglomerate — Multinational	
	Silver Award — Interior Design — Real Estate Development/Svc: Various & Multi-Use	
	Silver Award — Printing & Production — Property Development: Various & Multi-Use	
	Silver Award — Printing & Production — Real Estate Development/Svc: Various & Multi-Use	
	Silver Award — Traditional Annual Report — Conglomerate — Multinational	
	Bronze Award — Cover Photo/Design — Diversified Business	
	Bronze Award — Interior Design — Diversified Business	
	Bronze Award — Interior Design — Property Development: Residential	
	Bronze Award — Printing & Production — Real Estate Development/ Svc: Residential Properties	
	Bronze Award — Printing & Production — Real Estate Integrated Development & Investment	
	Bronze Award — Traditional Annual Report — Holdings Companies	
	Bronze Award — Traditional Annual Report — Property Development: Residential	
	Honours — Interior Design — Property Development: Various & Multi-Use	

Corporate Sustainability

Message from Management

As a premium brand with businesses across diverse sectors, the New World Group has a tremendous ability to make an impact on people's lives through its sustainability programmes and initiatives.

The Artisanal Movement, our unique brand personality, plays an important role in underpinning and driving this sustainability journey. We also acknowledge the importance of our customers' voices in shaping our sustainability strategies and have become more committed than ever to weaving sustainability into all of our business operations while heightening awareness of environmental, social and governance ("ESG") issues among our stakeholders.

As artisans, we are proud to be trend-setters who inspire bold imagination. We champion green lifestyles and address environmental impacts through innovative solutions executed with meticulous craftsmanship. As a caring and responsible corporate citizen, we are mindful of giving back to the community by crafting bespoke community programmes with high impact for under-resourced youth. We continue to draw inspiration from our rich cultural heritage and incorporate creative, aesthetic elements into our properties that exceed the expectations of our customers. For the future, we will stay abreast of market and sustainability trends in the market as well as the evolving needs of our stakeholders in order to balance the interests of the environment, society and economic returns.

The introduction of a more stringent ESG Reporting Guide by Hong Kong Exchanges and Clearing Limited gives us an opportunity to showcase our achievements and celebrate the milestones on our sustainability journey. We believe The Artisanal Movement has been and always will be the foundation on which to grow as a brand. The five elements of The Artisanal Movement — Imagination, Bespoke, Craftsmanship, Heritage and Contemporary — form the structure of this section as we demonstrate who we are as artisans and the progress we have made. I invite you to join us on this sustainability journey of The Artisanal Movement.

Dr. Cheng Chi-Kong, Adrian
Executive Vice-chairman & Joint General Manager
Chairperson of New World Group Sustainability Steering Committee

21 September 2016

SUSTAINABILITY MANAGEMENT STRUCTURE

The following structure is established to facilitate effective communication of sustainability issues within New World Group.

Group Sustainability Steering Committee	• Set sustainability policies and objectives • Provide strategic directions of Group's sustainability programmes
Group Green Taskforce	• Day-to-day execution of sustainability programmes e.g. data collection • Exchange best practices between members from NWD, NWCL, NWDS and NWSH

The Group Sustainability Steering Committee, led by members of the NWD management team, is responsible for setting direction and ensuring consistency among business units on environmental and social issues. The Group Green Taskforce, which comprises members from NWD, NWCL, NWDS and NWSH, integrates sustainability policies into the Group's businesses, monitors sustainability performance and shares best practices among the business units. Under the Group's direction, the subsidiaries have their own sustainability initiatives and would disclose their Environmental, Social and Governance (ESG) information against the ESG Reporting Guide issued by the Hong Kong Exchanges and Clearing Limited (HKEx).

Group Sustainability Policy

Our Belief

In order to achieve long-term sustainable growth, New World Group is committed to minimising the potential environmental impacts and improving the quality of the communities where we operate while providing a reasonable return to our investors at the same time.

We strive to

- exceed statutory requirements in relation to sustainability issues
- engage our stakeholders and develop mutual communication on our sustainability performances
- minimise the potential environmental impacts of our projects as far as practicable
- enhance the quality of life for the communities where we operate
- provide a safe working environment for our employees and inspire them to grow with the Group
- influence our supply chain to share our belief with regard to corporate sustainability
- continuously improve our sustainability performance through monitoring and reporting

IMAGINATION

The Artisanal Movement is inextricably linked to sustainability as it embodies the care, creativity and foresight that go into all of the properties we manage and develop. The Artisanal Movement, however, is more than about arts and craftsmanship, or branding. It is a set of beliefs that governs everything we do with regard to our stewardship of the environment, our treatment of employees, our relationships with supply chain partners and our contribution to society. The Artisanal Movement also places a strong emphasis on lifestyle and the customer experience. We attempt to provide customers with products and services of the highest quality and have established systems to gauge customers' feedback and monitor quality. It is the heart and soul of NWD's approach to sustainability.

About This Section

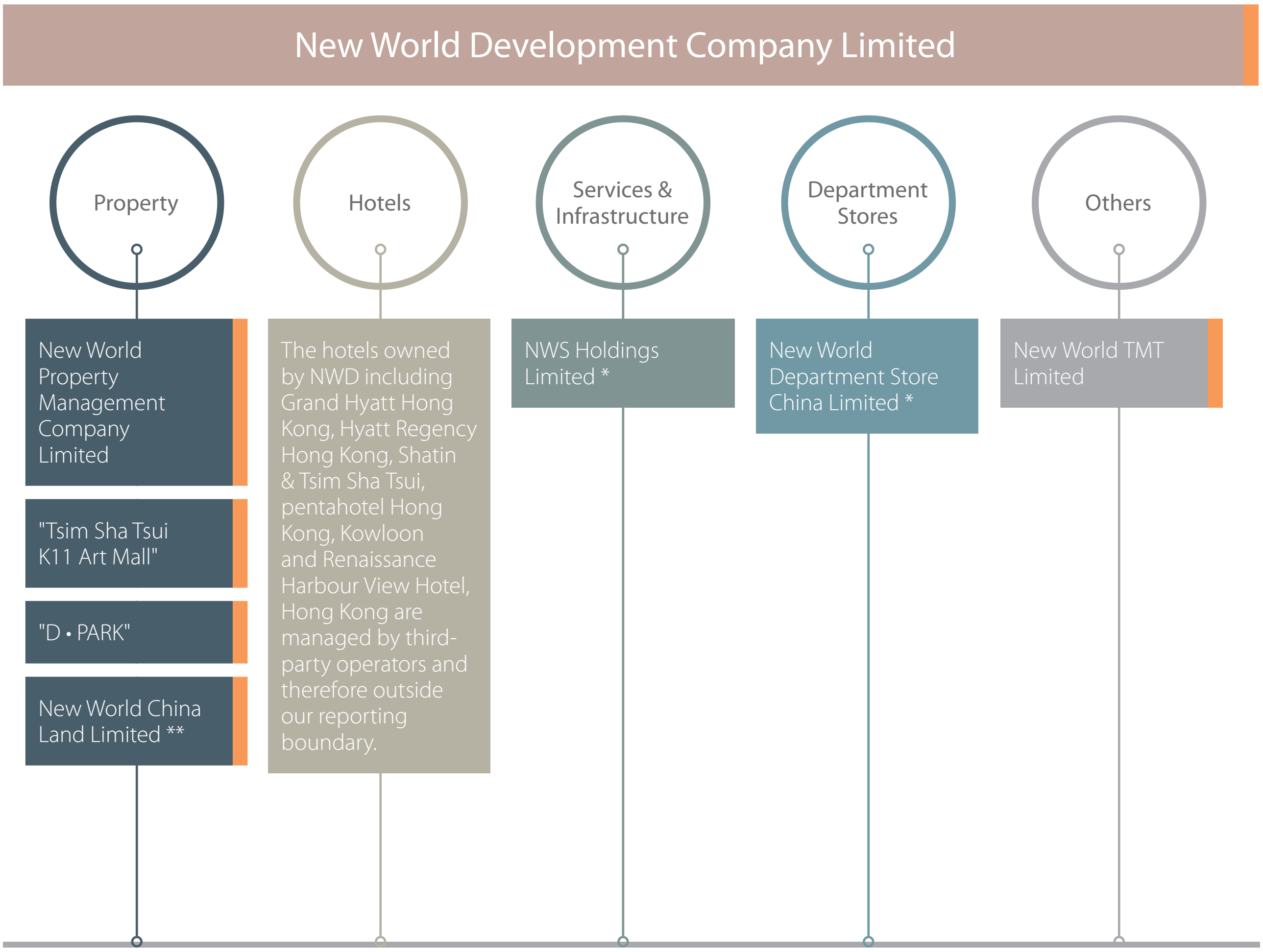
The content of this section covers the period from 1 July 2015 to 30 June 2016, in alignment with our financial reporting year. The scope of this section is illustrated in the scope diagram below. For information on our corporate governance structure, please refer to the relevant section of this Annual Report.

During the reporting period, we complied with all laws and regulations governing the environment, employment, occupational health and safety and labour standards, including laws prohibiting child or forced labour and those pertaining to product responsibility, such as the health and safety of customers and the public, advertising, labelling, data privacy and anti-corruption.

Scope of ESG Disclosures

New World Group's core business areas span property development, infrastructure and services, retail and hotel operations, all of which have wide-ranging environmental, social and governance impacts. As a holding company, NWD works in partnership with its wholly and partially owned subsidiaries as well as major supply chain partners, customers and other business partners to maintain an appropriate level of oversight for effective risk management.

Our management approach to ESG reflects our corporate structure, with each of the Group's three listed companies — NWCL, NWSH and NWDS — exercising operational control in their respective areas of specialisation and expertise. Since the direct control and substantial influence over ESG impacts of the Group is vested primarily in our property development and property investment businesses, these segments are the focus of our ESG disclosures in this section:



The reporting boundary for ESG disclosures by the Company is indicated by the orange highlights. Additional reporting on ESG impacts of the Group is available from other sources, as indicated.

* *The reporting period of annual reports and sustainability reports for NWSH and NWDS is from 1 July to 30 June. ESG performance of NWSH and NWDS will be disclosed independently in their ESG reports, to be published by the end of December 2016 and mid-November 2016 respectively.*

** *A publicly listed company in Hong Kong as of 31 July 2016. On 3 August 2016, NWCL has become an indirect wholly owned subsidiary of NWD. NWCL continues to handle all the Group's property projects in Mainland China. The listing of the NWCL shares was withdrawn from the Hong Kong Stock Exchange on 4 August 2016.*

The diagram below shows the sources of ESG data within our reporting boundary:

Property Management

NWD's ESG data cover commercial/retail properties that are directly managed by the Group and have been in operation for over 12 months, as well as residential properties that have been directly managed by the Group for over 12 months.

Property Development

NWD has completed projects with BEAM certification representing over 747,000 sqm GFA, and has received BEAM certification for ongoing projects representing a further 576,000 sqm GFA. In Mainland China, projects have received LEED and China Green Building Label certification, representing over 1.35m sqm GFA.

Property Management*

"D • PARK"**

"Tsim Sha Tsui K11 Art Mall"

"Park Signature"

"The Green Atrium"

Property Development

For on-going development projects in Hong Kong, 69% of the total GFA has received green building certification (BEAM or BEAM Plus). It is anticipated that over two thirds of these projects will receive final Gold or Platinum - level certification.

In the previous reporting period, the share of GFA-represented by on-going projects that had received green building certification was 98%. The decline to 69% during this reporting period can be attributed to new projects that are still in the process of applying for green building certification.

NWCL

25 office locations in Mainland China as well as Hong Kong

15 completed projects

16 projects under development

NWD Corporate Offices

Office space occupied in New World Tower

NWCL

NWCL's ESG information is included in this section. NWCL was a publicly listed company in Hong Kong as of 31 July 2016 and directly employed 4,941 people.

NWD Corporate Offices

NWD, together with the subsidiaries included in the scope of the ESG report, directly employed 841 people in our offices.

* The scope includes common area and management offices

** "D • PARK" data exclude the shopping mall due to renovation during the reporting period

Hang Seng Corporate Sustainability Index Series Member 2015-2016

SMRC HKBSI Hong Kong Business Sustainability Index 香港企業可持續發展指數

New World Development is a member of the Hang Seng Corporate Sustainability Index Series 2015–2016 and is listed on the Hong Kong Business Sustainability Index 2015

How We Report

For the first time since we began reporting on sustainability, we conducted a comprehensive stakeholder engagement exercise as part of our strengthened commitment to address their feedback and improve our performance. This section is also the first time we have carried out a materiality assessment, which was informed by the results of our stakeholder engagement exercise.

We also referenced the latest ESG Reporting Guide issued by HKEx. More information about our performance in accordance with the HKEx ESG Reporting Guide and the Core option of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines is also available in the standalone Sustainability Report to be released on our corporate website.

This section and the standalone Sustainability Report are assured independently by the Hong Kong Productivity Council to ensure the credibility and accuracy of the data and content and to fulfil the reporting requirements. The assurance statement can be found on sr.nwd.com.hk and in Sustainability Report 2016.

BESPOKE

“At New World, We Are All Artisans!” The Artisanal Movement focuses on the user experience, while our consideration of individual stakeholder groups — from employees and customers to the general public — is reflected in our business operations, risk management approach and long-term corporate development.

Stakeholder Engagement

Stakeholder engagement is an ongoing process in which we reach out to those who are affected by or have an influence on the way we run our businesses. For this year’s ESG section and Sustainability Report, we are giving voice to a broad spectrum of stakeholders in order to provide them with the opportunity to express their views on our performance and strategies for the future, particularly as they relate to ESG issues. The results of this exercise not only help us to address these issues, but to create programmes that benefit the community.

It is becoming widely acknowledged that companies which consider the interests of stakeholders are much more likely to excel in today’s marketplace than those which focus solely on the bottom line. This is particularly true for sustainability planning and reporting. For a sustainability report to be relevant, companies must take into account the needs, expectations and aspirations of their stakeholders — the organisations and people who affect or are affected by a company’s actions, behaviour and policies.

This means engaging stakeholders, listening to them and identifying and prioritising the issues with which they are concerned. The process of stakeholder engagement should be expansive, inclusive and comprehensive. The objective is to engage stakeholders in order to inform strategic planning and produce meaningful products and services rather than to consult them on their expectations and grievances.

Extending Our Engagement

For our 2016 report, we broadened our focus to include a wide range of stakeholders in a deep, inclusive process of consultation. In particular, we put greater emphasis on internal stakeholders, as well as those external stakeholders who have a higher awareness of NWD’s sustainability performance.

This change was the result of our need to put sustainability concepts into practice, starting with our staff and ultimately along our entire supply chain. The mandate from Dr. Adrian Cheng, our Executive Vice-Chairman and Joint General Manager was clear: “To integrate sustainability into our overall business operations through initiatives such as The Artisanal Movement, our journey of creativity, imagination and innovation.”

We referenced the AA1000 Stakeholder Engagement Standard and identified issues of material interest — those that are most relevant for informing the content of our sustainability report and planning — through three main sources:

1. Internal stakeholder mapping: Our Sustainability Team mapped out the year-long stakeholder engagement exercise, including the issues raised, the frequency of meetings and responses from NWD. From this document, we culled the most commonly-raised issues and organised them under ESG Aspects.

2. Interviews with a select group of internal and external stakeholders in order to identify or verify issues and their importance to the Group.

3. Identify existing customer focused initiatives to assess the effectiveness of our strategy.

AA1000 Stakeholder Engagement Standard

2016 Stakeholder Groups

Stakeholders were engaged in third party-facilitated interviews in order to solicit their opinions on our sustainability performance. They included employees from key departments, including those involved in property development and customer-facing roles; suppliers of construction materials; and social and environmental NGOs.

A series of individual interviews and roundtable sessions were conducted with all key internal stakeholders.

Materiality Assessment

We believe that disclosing how we conduct a materiality analysis and allowing stakeholders to comment on the process helps us win the trust of stakeholders, which leads to stronger, more informed results. In so doing, our internal stakeholders will gain an understanding of the interests and concerns of our external stakeholders, which will lead to more synergy in our day-to-day operations and create a greater impact on the Group.

Understanding and identifying material aspects will also build confidence among the Board, executives and management about which issues are material to the Group. Moreover, it will enable us to prioritise our efforts, resources and strategy, take into account the risks to the business, appreciate what is important to external stakeholders and put greater focus on our reporting.

Ultimately, one of the main benefits of a materiality analysis is that it will enable us as an organisation to move beyond a reactive approach towards strategic planning and begin the process of identifying opportunities for our business.

Identifying Issues Material to NWD

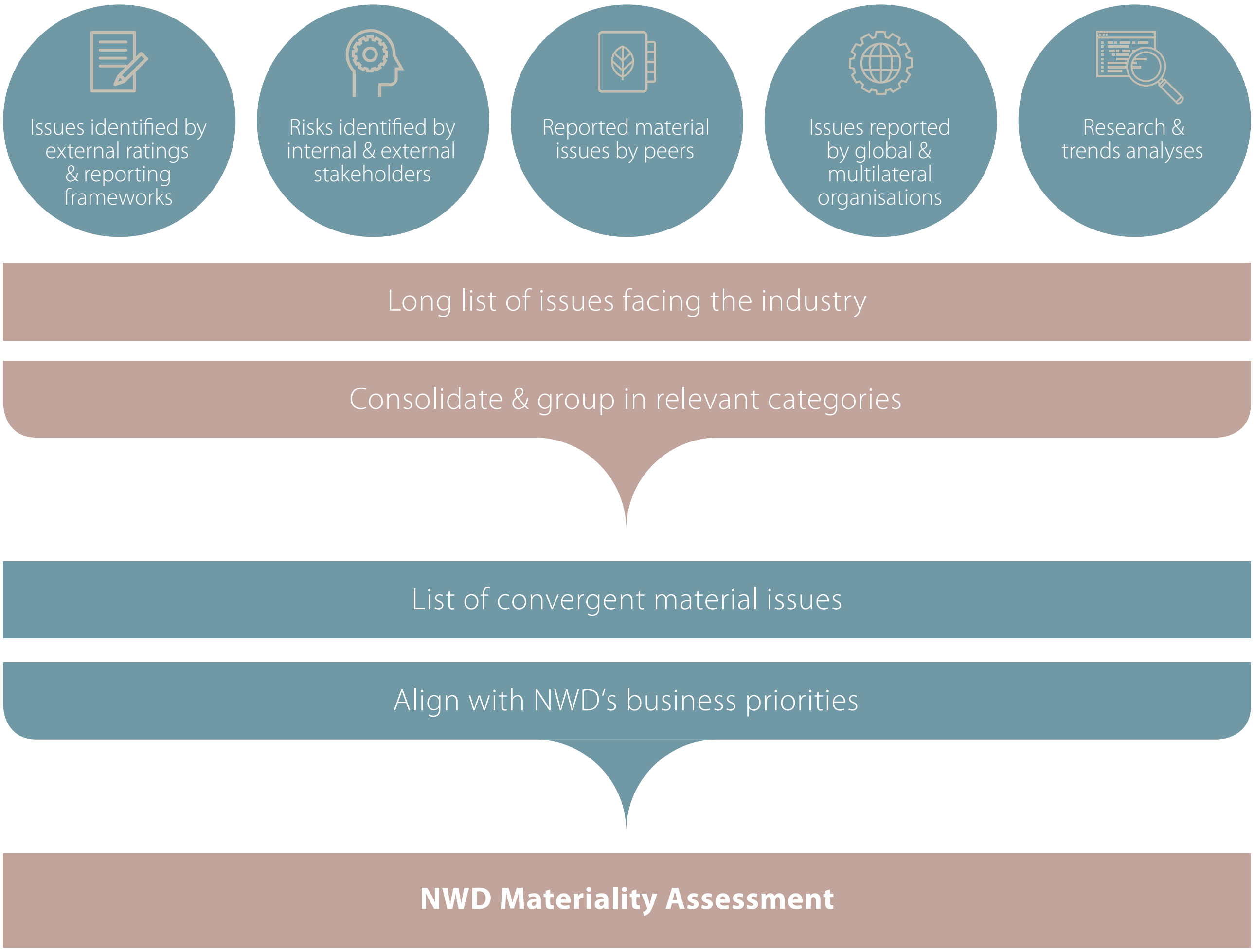
In addition to the findings of the stakeholder engagement exercise, we identified local and global issues of ESG significance, based in part on GRI guidelines, which are of greatest significance to multiple stakeholders and NWD's future success.

NWD's Sustainability Team assessed these issues based on three criteria: (i) their impact on our ability to achieve NWD's business strategy; (ii) the level of concern expressed by external stakeholders and; (iii) the degree to which NWD can influence these issues.

We then consolidated and grouped all of these issues under categories relevant to our business. The next step will be to integrate ESG matters into our Risk Management framework as part of our ongoing strategic planning.

Issues for Materiality Assessment

Since the current reporting period is a transitional year for NWD, the following framework is being used as part of our wider focus of stakeholder feedback, industry trends and local Hong Kong related issues. Our intent is to build upon this framework in upcoming reporting cycles.



The process of identifying and prioritising material issues, as recommended by our third-party consultant (The Purpose Business)

Next Steps

All issues identified by stakeholders are fed into a materiality analysis-and-check process and, where applicable, categorised into related groupings. Following this, issues will be subjected to a materiality check by our management and relevant departments and business units for prioritisation.

As part of the prioritisation process, they will ask whether these issues are closely related to the risk identification checklist, reflect an understanding of global environmental and social concerns, are consistent with our corporate culture and strategy, or bring new business opportunities to light, among other questions.

The prioritisation of these issues will then allow us to focus our resources, planning efforts and future engagement initiatives for the next reporting cycle.

Sustainability issues material to NWD

HERITAGE

THE ENVIRONMENT

True to the spirit of The Artisanal Movement, our commitment to environmental protection not only embraces sustainability but takes inspiration from our cultural heritage and our desire to create a lasting legacy for future generations.

This spirit guides us in all of the developments we build and the properties we manage.

Property Development

Whenever we embark on a new project, we engage a committee comprising representatives of departments involved in the property development life cycle. This approach allows us to address sustainability concerns holistically and effectively.

Under this approach, we add green lifestyle features into our buildings that meet green building certification standards and help to raise public awareness of environmental issues. We utilise Voice of Customers (VoC) channels, including a mobile app and internal taskforces to invite suggestions for improvements and innovation.

We believe that environmental sustainability should be promoted as a mindset among the general public. An example of how we do this is "The Green Atrium" — a sustainable lifestyle and learning hub adjacent to "Park Signature", our residential development in Yuen Long. This experimental project promotes an eco-friendly lifestyle and educates its visitors on food cycle concepts through an interactive learning centre, organic farm, farm-to-table restaurant, and health products store.

"The Green Atrium" includes 32 sustainable building features under the categories of Energy, Air, Water, Food and Waste. One significant feature is the Air Induction Unit (AIU) — an energy-efficient bladeless fan designed for semi-outdoor environments. This AIU, which is based on aerodynamic principles, produces large volumes of airflow with gentle wind speeds. Taking into consideration the thermal comfort of building users and aesthetics, the designers of the patented device were recognised by the Hong Kong Institute of Engineers at the "Innovation Awards for Young Members 2015".

In order to bring "Park Signature" residents closer to nature, a light swing doors system was installed at "Timber House" (the clubhouse of "Park Signature"), which can be opened at different angles to admit natural airflow when wind speeds at "The Green Atrium" reach a certain level, thereby decreasing energy consumption from air conditioning.

Air Induction Unit (AIU) in "The Green Atrium"

Another example is "Tsim Sha Tsui K11 Art Mall", whose core values are Art • People • Nature. At "K11", we engage the public and tenants through food waste recycling programmes, energy reduction initiatives and eco-friendly designs. Regular exhibitions are also held to promote low-carbon, green living concepts, including a campaign that showcased upcycled garments and the reduction of waste in the fashion industry. In Hong Kong's first carbon neutral Christmas exhibition, "K11" also used LED lights and offset its emissions by purchasing carbon credits generated from a reforestation project in Sichuan province.

Building Information Modelling (BIM)

New World Group plans to adopt BIM technology in all of its upcoming Hong Kong property projects in order to enhance project management efficiency. Using BIM allows for 3D visualisation and testing of designs and engineering processes during the planning stage. This enables stakeholders to gain a full and clear picture of a new property during each stage of construction and provide constructive comments. BIM also allows for better control over time, cost, quality and, ultimately, environmental sustainability, while minimising construction waste and operational risks.

Property Management & Leasing

In the past year, we have begun implementing new technologies and systems for the properties we manage as we mark the beginning of a new cycle of sustainability reporting for NWD. For our managed properties within the reporting boundary in Hong Kong, the intensity of greenhouse gas emissions was 0.1 tonne of CO_2e/sqm per year and the energy intensity was 104.7 kWh/sqm per year. We will put in place energy efficiency measures to improve our environmental performance.

At six of our Hong Kong and Mainland properties, including "Tsim Sha Tsui K11", we are piloting an energy monitoring system with plans to roll it out to more properties. Up to now, this system has been overseeing and monitoring the energy profiles of individual pilot sites, cross-referencing other pilot projects and benchmarking their energy performance with similar buildings around the world for more efficient use of utilities. With its ability to track actual and predicted energy use, costs and CO_2 emissions, it has become a valuable tool for our energy audits and sustainability reporting, with expected savings of over 5% of electricity costs at the pilot sites in the first year.

New World Development has signed up to the following environmental charters:

- Energy Saving Charter (since 2012)
- Food Wise Charter (since 2013)
- Charter on External Lighting (since 2016)

Beyond Green Buildings

In our office operations, we have established a Green Office Policy that ensures employees are committed to environmental conservation and protection. It covers the consumption of natural resources and energy, as well as the handling of waste and recycling.

We have also published a more detailed Sustainable Office Guide for use by all business units of the Group. It outlines measures that can be taken for a greener office, such as energy conservation through more efficient use of lighting and air conditioning, and a managed print system that requires staff to swipe their employee passes before printing in order to reduce paper consumption. The implementation of the Guide and the Policy will be strengthened with enhanced internal communication.

In addition, we intend to work more strategically with our environmental non-governmental organisation ("NGO") partners to take advantage of their expertise and gain a better understanding of the needs and concerns of the public. Collaborating with these groups, we will solicit feedback and identify appropriate environmental initiatives that can be incorporated into our workplaces.

For addressing the needs of specific users and customers, we plan to incorporate more sustainability features into our buildings, facilities and operations, and make use of BIM on an ongoing basis to track building performance.

Spice Up Series

Since 2009, "Tsim Sha Tsui K11" has organised the Spice Up Series in cooperation with the School of Biological Sciences of The University of Hong Kong to sponsor the training of student eco-leaders. Since then, over 60 student eco-leaders have been trained under this programme at biodiversity hotpots such as Africa and Sri Lanka. In April 2016, 15 students embarked on a journey to India. After returning to Hong Kong, they utilised social media platforms and developed a website to showcase their experience in ecological conservation and indigenous cultures in India. In previous years, exhibitions of photos taken by the students in the hosting countries were also held at "Tsim Sha Tsui K11" and have drawn more than 6 million visitors.

ENVIRONMENTAL PERFORMANCE IN 2015/16

	Units	NWD Corporate Offices (1)	Property Management in Hong Kong (2)	NWCL
Direct GHG emissions (Scope 1) (3)	tonnes CO_2e	55.3	1.7	-
Indirect GHG emissions (Scope 2) (4)	tonnes CO_2e	886.8	5,511.2	26,359.6
Energy consumption (5)	in '000 kWh	1,122.5	8,737.3	36,779.0
Water consumption	m^3	-(6)	34,489.1(7)	470,374.2

Notes:

(1) Include New World Tower office space occupied by the entities within our reporting boundary.

(2) Includes "Tsim Sha Tsui K11 Art Mall", "The Green Atrium" and "Park Signature" and their management offices. Whilst the management office of "D • PARK" is included, the "D • PARK" mall is excluded because it was under renovation during the reporting period.

(3) Includes greenhouse gas emissions from combustion of fuels in emergency electricity generators and company vehicles.

(4) Includes greenhouse gas emissions from consumption of electricity purchased from power companies.

(5) Includes only consumption of electricity. We are currently improving our data collection system to capture consumption of other fuels.

(6) A thorough materiality assessment had been conducted and water consumption was identified as an issue of low materiality to the operation in NWD Corporate Offices, therefore data are not disclosed.

(7) Excludes management offices of the managed properties.

SOCIAL

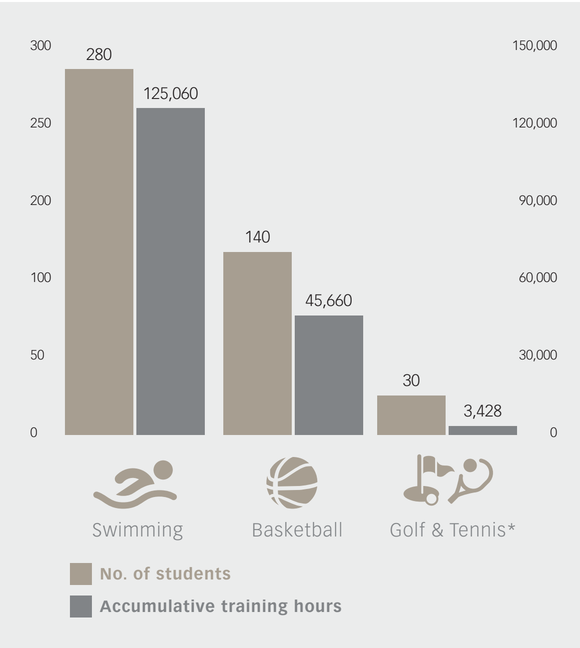
As a leading developer and manager of properties, we believe we have a responsibility to support those in need in the communities where we operate, with a special focus on providing assistance to the younger generation and the less privileged in society.

New World Springboard

New World Springboard, our community charity programme funded by the New World Group Charity Foundation, continued to inspire young athletes for the fourth year. Since its launch, we have expanded the number of community organisations we partner with up to 15, allowing us to reach more youth in need.

One of the highlights of the year was a two-day training camp co-organised by the New World Basketball League and Hong Kong Playground Association in March 2016. During the camp, students had the opportunity to learn advanced basketball skills and play a match with the Buddhist Lim Kim Tian Memorial Primary School.

The number of New World Springboard beneficiaries & training hours in 2015/16



* Newly introduced in April 2015

To enable more children to enjoy swimming, the New World Swimming Academy extended its coverage to Kwun Tong. Another swimming initiative organised under the New World Springboard Programme was the Learning and Experiencing Tour in Beijing 2015, in which 10 students with the highest school attendance visited Beijing, where they trained with the National Swimming Team of China.

New World Harbour Race 2015

For the fifth year in a row, we sponsored one of Hong Kong's most iconic sporting events, the New World Harbour Race 2015, on 18 October in the Victoria Harbour.

The 2015 event attracted a record number of 2,330 swimmers who came to compete in various categories, while many thousands more gathered along the harbour front to watch this exciting aquatic event.

As a result of the professional training offered through the New World Springboard Programme, a total of 11 young swimmers from the New World Swimming Academy at Tung Chung, Tuen Mun and Sham Shui Po districts competed in the New World Harbour Race 2015, including seven for the first time.

Parent Club & Community Ambassador Programme

The Parent Club, which was established in 2014, continued to organise parent-child activities that foster harmonious family relationships and the all-round development of children. In 2015, we launched the New World Springboard Community Ambassador Programme to encourage students and their mentors to give back to society. Service activities included visits to deprived families in Kwun Tong during the Mid-Autumn Festival, a spring home clean-up for the elderly before the Lunar New Year, and photography services to an under-resourced community in Tin Shui Wai. In addition to benefitting members of the community, the Ambassador Programme strengthens the interpersonal skills of the student volunteers while giving them a greater sense of mission.

Volunteering

One of the focuses of our volunteering programme is to make use of the talents and skills of our staff in order to contribute to society. In 2015, we expanded this programme by forming train-the-trainer volunteering units. One of these was a photography unit, in which a talented volunteer photographer trained other volunteers to provide free photography services to under-resourced communities. The next train-the-trainer unit will be a magic team, while other skill-based volunteer opportunities will be established in the future.

Additional volunteer activities organised during the year included trips to Ocean Park and Disneyland with the Children's Cancer Foundation.

The total number of volunteers in 2015/16 was 957.

CRAFTSMANSHIP

"We Create, We Are Artisans!" As innovation is a key driver for NWD, we encourage and support our staff at all levels to apply creativity in their roles and to devise solutions that are relevant to the needs of our stakeholders.

Our People

Staff Care

As a Caring Company and Family Friendly Employer, we have developed a culture that encourages work-life balance and provides opportunities for our staff to excel. Evidence of this can be seen in the human resources awards NWD has won and the results of our Employee Satisfaction Survey conducted every two years. In our last survey held in 2015, we achieved a satisfaction rate of 93% out of the 87% of employees who responded.

Among the recent staff caring programmes NWD has introduced, our CarePoints system allows staff to convert unused leave above the statutory minimum into flexible healthcare benefits for staff members and their families.

We also take into consideration the working styles of different age groups. For example, we balance the needs of our staff members, many of whom have families and prefer conventional working hours, with those of our younger employees who appreciate a more flexible work schedule. NWD is among the first brands in Hong Kong to offer such a flexi-time arrangement. Our innovative practices have been recognised by The Best Places to Work in Hong Kong Awards 2016 (HR Summit & Expo 2016) and HR Asia Best Companies to Work For in Asia 2016 (*HR Asia Magazine*), among others.

Training & Development

To bring out the best in our people, we provide internal and external training programmes as well as sponsorships through our Corporate & Talent Development Department and Human Resources Department. These include new staff orientation, regular risk workshops, job-specific training and voluntary courses on topics such as public speaking and design thinking. Leadership development programmes are also offered for all levels of management, from junior to senior management staff. To identify staff with high potential and support their career aspirations, we have introduced a Talent Management System. During the reporting period, a total of 76,000+ hours of training were provided to staff at NWD and NWCL.

In our Annual Management Forum, we give senior executives the opportunity to learn from subject experts and consider future strategy and innovation, and through our Reader's Hub initiative we promote reading and capacity-building for work and life skills.

For our construction staff, each new employee is required to undergo mandatory 30+ hours of induction training on the environment, health and safety, while contracted and subcontracted staff on construction sites are required to take regular training on similar subjects and acknowledge our policies on fair labour practices.

Group Management Trainee and Internship Programme Opening Ceremony 2016

Employment

To attract young people, we have comprehensive Group Management Trainee and Internship Programmes that reach out to the wider community, including disabled groups. This year, we selected 10 Management Trainees out of 2,000 local and overseas applicants through an innovative recruitment approach and also employed 100 interns. Applicants used multimedia to showcase their credentials and formed project teams to identify solutions for business cases within the Group.

We distribute our Employee Handbook describing relevant policies and procedures to all new hires and have made this guide available through our corporate intranet. As a company committed to transparency and ethical behaviour, we also have an Employee Code of Conduct with specific guidelines on avoiding the employment of illegal immigrants. For our construction contractors and other suppliers, we have policies preventing child and forced labour as well as the employment of illegal immigrants in our Supplier Code of Conduct. Safety on our construction sites is outlined in our Health and Safety Policy as well as Corrective and Prevention Action Plan and maintained through regular site inspections.

KEY HUMAN RESOURCES DATA IN 2015/16*

Total workforce by gender, employment type, age group & geographical region

- Number of employees in NWD: 1,160
- Number of employees in NWCL: 4,941

	Gender		Age Group				Employment Type		Geographical Region	
	Male	Female	Under 30	30 – 39	40 – 49	50 or above	Full-time	Part-time	Hong Kong	China
NWD	608	552	281	379	278	222	1,127	33	1,006	154
NWCL	2,782	2,159	1,374	1,700	1,211	656	4,917	24	145	4,796

Composition of employees receiving training from NWD's Corporate & Talent Development Department by gender & employee category

- Total number of trainees: 1,280

	Gender		Employee Category					
	Male	Female	Assistant General Manager & above	Senior Manager	Manager	Assistant Manager	General Staff	Operational Staff
Percentage of employees trained	49%	51%	9%	11%	18%	14%	48%	0%
Average training hours	2.4	2.4	1.9	2.2	2.2	2.7	2.5	1.0

Composition of employees receiving other training by gender & employee category

- Total number of trainees in NWD: 753
- Total number of trainees in NWCL: 4,941

		Gender		Employment Category					
		Male	Female	Assistant General Manager & above	Senior Manager	Manager	Assistant Manager	General Staff	Operational Staff
Percentage of employees trained	NWD	54%	46%	8%	12%	19%	12%	37%	12%
	NWCL	56%	44%	3%	4%	5%	4%	64%	20%
Average training hours	NWD	4.9	5.6	7.3	2.3	4.1	7.0	5.8	4.9
	NWCL	14.5	13.3	12.2	12.1	15.9	11.8	13.1	17.5

* Please refer to "About This Section" for clarification on the scope of ESG data.

Promoting Innovation

The Group promotes "intrapreneurship" by encouraging our staff at all levels to apply creativity in their jobs. We are also going one step further to establish Group-wide practices to protect our intellectual property rights.

Through our Incubation Circle programme, staff are encouraged to form self-driven teams and provide ideas that help to improve work processes, efficiency, products and services. In 2016, the Incubation Circle accepted proposals in six categories — Process/Servicing Improvement, Engineering/Technology, Safety, Health and Working Environment, Environmental Protection, Continuous Improvement and Chance (business innovation). Over 120 product or service improvement proposals were received, representing over 400 efficiency improvement suggestions that resulted in cost-saving initiatives valued at HK$25 million.

Incubation Circle Convention 2016

Another innovation was the development of a Voice of Customer (VoC) mobile app, which invites suggestions from the public on ways to improve NWD's residential properties, shopping malls, offices and serviced apartments.

Digital Strategy for the Future

To keep NWD in the vanguard of the industry, we have been undertaking a Digital Transformation project that was launched following our Annual Management Forum in 2014.

Among the initiatives that are being rolled out under this project is the digitisation of our financial payments system, which will reduce paper consumption and make approvals and transactions more efficient.

We are also taking steps to raise our cybersecurity standards, particularly with regard to issues such as online cloud storage, and to train our staff on relevant risks and protective measures. The protection of customer, supply chain partner and employee data is covered under our IT Policy and Procedure guidelines.

What's more, we are investigating ways to adopt innovative technologies for engaging our tenants and customers. One of the winning VoC ideas selected by senior management in 2016 included the digitisation of the residential unit handover process. Another was the use of sensors to display the number of passengers on the top deck of double decker buses so passengers on the lower deck do not have to check for empty seats.

Working with Our Supply Chain Partners

Our Group Sustainability Policy is complemented by our Supplier Code of Conduct and Risk Management Policy. In our construction business, the Environmental Policy is supplemented with a policy on Contractors' Environmental Responsibility and the Conflict of Interest Guideline and Policy.

All new vendors receive the Supplier Code of Conduct and are required to complete a vendor registration form containing a self-assessment on their quality, health, safety and environmental performance. These vendors will only be considered if the disclosed information fulfils our requirements.

The Group fully complied with laws and regulations relating to anti-corruption during the reporting period. Our Employee Handbook and Code of Conduct provide information to all employees regarding prevention of bribery, risk management and whistleblowing, as well as our conflict of interest policy and guidelines.

On projects where we are seeking building certifications, we append green building guidelines and material sourcing specifications to our tender documents. In addition to daily site inspections, our construction team will conduct regular factory visits to ensure material standards meet our criteria and will also carry out annual performance appraisals of all our supply chain partners. In cases of non-conformance, our team will engage partners individually and provide them with guidance for improvement over a specified monitoring period. If we see no improvement during that period, we may consider suspending or discontinuing our relationship with them.

In addition to meeting green building standards, we require our supply chain partners to source Forest Stewardship Council (FSC) certified wood for all temporary works. Based on vendors' feedback, this has positive implications as it enables them to source green products not only for our own projects but for projects commissioned by other property developers.

CONTEMPORARY

Sustainability is about staying relevant and evolving in response to stakeholder trends. We see opportunities to address sustainability in a more holistic way. While we remain committed to greening our own operations and supporting under-resourced individuals in the community, we will also make a greater effort to explore future applications of innovative technologies and to promote artisanal living among the general public.

Meeting the Challenges of Sustainability

Although we have reached many milestones in our sustainability journey, we recognise that there are challenges yet to be overcome. These challenges include minimising the environmental impacts of our operations, particularly among our staff, tenants, supply chain partners; enhancing our relationships with NGOs and the community; and establishing a stronger link between our brand and the core values of The Artisanal Movement.

Environmental Impacts

To maintain our position in the market, we understand that we should include more green elements in our development projects as this will promote NWD's reputation as a sustainable company. Our goal is to have the New World brand become firmly associated with pioneering sustainability programmes in the property development industry.

We seek green building certifications for our property projects where practicable. To showcase green lifestyles and technology, we have also undertaken experiments such as "The Green Atrium" and will continue to explore innovative approaches through our projects, services, and partnerships that motivate behavioural change and contribute to a more sustainable future.

To ensure our future projects are sustainable, we will continue to insist on using green materials to meet the requirements of BEAM Plus, including the use of FSC-certified wood, premixed concrete and prefabricated components, in order to reduce construction risk and wastage.

Making greater use of BIM to manage building performance from the planning through to the operational stages will further enable us to build more sustainably.

We will also encourage sustainability practices among our tenants, by providing advice and shared recycling facilities in our offices and retail malls. To achieve this, we will promote collaboration along the property supply chain in order to determine what kinds of ESG services and facilities are suitable for our leased properties.

When our tenants renovate their premises, we provide them with our Green Fitting-out Guides for Office/Shop Tenants (formerly known as "A Guide to Sustainable Office for Office Tenants" and "Green Guide for Shop Tenants") for their reference. In some cases, we will also share our sustainability vision, technology and experience with tenants to educate them on the cost advantages of following ESG practices and how these will promote their brands.

To raise knowledge of sustainability among our staff, we will engage with them on the importance of reducing waste and energy consumption in our properties. Additionally, we will continue to invite suggestions on improving sustainability through our Innovation Lab and Incubation Circle.

Working with NGOs & the Community

While we currently enjoy good relationships with NGOs, we believe there are opportunities to deepen our engagement with them and to work together more constructively. We have already achieved some success in this respect by making use of the expertise and networks of our NGO partners to build green communities and improve the social mobility of the under-resourced in order to demonstrate where we are headed on our sustainability journey.

During our stakeholder engagement exercise, our green NGO partners recommended that we pursue fewer projects or causes in a more strategic and integrated manner so that we can focus our efforts on priority issues such as waste reduction, conservation and water.

For the future, we will seek opportunities for deeper engagement with NGOs that are dedicated to strategic causes. We will also engage more with our other stakeholders and broaden our outreach to the community so that we can identify opportunities for long-term programmes that are relevant to their needs.

Promoting Innovative Technologies

The Group acknowledges the integral role of innovative technologies in the development of business and society. In addition to adopting digital processes and data analytics in performance benchmarking and business planning, we are placing a greater emphasis on exploring new technologies that have the potential of defining a greener lifestyle for the future. We will also explore the feasibility of applying Internet of Things (IoT) concepts and devices to make "smart living" a reality.

In 2016, "Tsim Sha Tsui K11" presented "*Electronic Vibes*", an exhibition that featured international and local artists and explored electronic art forms using virtual reality (VR). One of the highlights of the exhibition was a VR art jamming workshop to give the public a glimpse of tomorrow's technology. We will continue to inspire the minds of our stakeholders by utilising technology to present an artisanal lifestyle and the integration of technology into our business and public engagement.

Future of The Artisanal Movement

The Artisanal Movement has been set as the new direction for NWD to fulfil our mission as a sustainable company and to embed our values in all of our products and services.

In the future, we will increase awareness of The Artisanal Movement among the public, our customers, tenants and suppliers, as well as our own staff. To achieve this objective, we will formulate a strategic plan that incorporates The Artisanal Movement into our ESG practices and policies.

We believe this is essential to delivering a concise branding message on sustainability. Conveying this message will be achieved through regular updates on our sustainability initiatives, using stories that focus on the impact of our programmes in the community, as well as face-to-face communication and other publicity channels.

As awareness of the importance of sustainability continues to grow, making The Artisanal Movement synonymous with our brand will be critical for maintaining our competitive edge as a premium brand in Hong Kong.

New World Development Company Limited has complied with all "Comply or Explain" provisions on general disclosures in accordance with Hong Kong Exchange Main Board Listing Rule 13.91 and ESG Reporting Guide. To enhance navigability, this index summarises the location of relevant content in this section.

Comply or Explain Provisions	Disclosure		Location of Disclosures
	Comply	Explain	
Aspect A1 Emissions and waste	✓		Imagination — About This Section Heritage — The Environment, Property Development, Beyond Green Buildings Contemporary — Environmental Impacts
Aspect A2 Use of resources	✓		Heritage — The Environment, Property Development, Property Management & Leasing, Beyond Green Buildings Contemporary — Environmental Impacts
Aspect A3 Environmental and natural resources	✓		Heritage — The Environment, Property Development, Beyond Green Buildings Contemporary — Environmental Impacts, Future of The Artisanal Movement
Aspect B1 Employment	✓		Imagination — About This Section Craftsmanship — Staff Care, Employment
Aspect B2 Health and safety	✓		Imagination — About This Section Craftsmanship — Training & Development, Employment
Aspect B3 Development and training	✓		Craftsmanship — Training & Development
Aspect B4 Labour standards	✓		Imagination — About This Section Craftsmanship — Employment
Aspect B5 Supply chain management	✓		Craftsmanship — Working with Our Supply Chain Partners Contemporary — Environmental Impacts, Future of The Artisanal Movement
Aspect B6 Product responsibility	✓		Imagination — About This Section Bespoke — Stakeholder Engagement Craftsmanship — Employment, Promoting Innovation, Digital Strategy for the Future Contemporary — Promoting Innovative Technologies
Aspect B7 Anti-corruption	✓		Imagination — About This Section Craftsmanship — Employment, Working with Our Supply Chain Partners
Aspect B8 Community investment	✓		Bespoke — Stakeholder Engagement Heritage — New World Springboard Contemporary — Working with NGOs & the Community

Corporate Information

Emeritus Chairman
Dato' Dr. Cheng Yu-Tung

Board of Directors

Executive Directors
Dr. Cheng Kar-Shun, Henry *GBS (Chairman)*
Dr. Cheng Chi-Kong, Adrian *JP*
(Executive Vice-chairman and Joint General Manager)
Mr. Chen Guanzhan *(Joint General Manager)*
Ms. Ki Man-Fung, Leonie *GBS JP*
Mr. Cheng Chi-Heng
Ms. Cheng Chi-Man, Sonia
Mr. Au Tak-Cheong

Non-executive Directors
Mr. Doo Wai-Hoi, William *JP*
(Non-executive Vice-chairman)
Mr. Cheng Kar-Shing, Peter

Independent Non-executive Directors
Mr. Yeung Ping-Leung, Howard
Mr. Cha Mou-Sing, Payson *JP*
Mr. Cha Mou-Zing, Victor
(Alternate Director to Mr. Cha Mou-Sing, Payson)
Mr. Ho Hau-Hay, Hamilton
Mr. Lee Luen-Wai, John *BBS JP*
Mr. Liang Cheung-Biu, Thomas

Company Secretary
Mr. Wong Man-Hoi

Auditor
PricewaterhouseCoopers

Solicitors
Woo, Kwan, Lee & Lo
Kao, Lee & Yip
Vincent T.K. Cheung, Yap & Co
Iu, Lai & Li
Eversheds

Share Registrar and Transfer Office
Tricor Tengis Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

Registered Office
30/F., New World Tower,
18 Queen's Road Central, Hong Kong
Tel: (852) 2523 1056
Fax: (852) 2810 4673

Principal Bankers
Agricultural Bank of China
Bank of China (Hong Kong)
Bank of Communications
Bank of East Asia
China Construction Bank (Asia)
China Development Bank
China Merchants Bank
Citibank N.A.
DBS Bank
Hang Seng Bank
Industrial and Commercial Bank of China (Asia)
Mizuho Bank
Nanyang Commercial Bank
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ

Stock Code
Hong Kong Stock Exchange 0017
Reuters 0017.HK
Bloomberg 17 HK

Information for Investors
For more information about the Group,
please contact the Investor Relations Department of
the Company at:
30/F., New World Tower,
18 Queen's Road Central,
Hong Kong
Tel: (852) 2523 1056
Fax: (852) 2810 4673
e-mail: ir@nwd.com.hk

Website
www.nwd.com.hk

Financial Section Contents

Report of the Directors

The Directors have pleasure in presenting their annual report and financial statements for the year ended 30 June 2016.

Group Activities

The principal activities of the Company remain investment holding and property development and investment. The principal activities of the principal subsidiaries, joint ventures and associated companies are shown in notes 49, 50 and 51 to the financial statements on pages 186 to 199.

Results and Appropriation

The results of the Group for the year ended 30 June 2016 are set out in the consolidated income statement on page 108 of this annual report.

The Directors have resolved to recommend a final dividend for the year ended 30 June 2016 of HK$0.31 per share (2015: HK$0.30 per share) to shareholders whose names appear on the register of members of the Company on 25 November 2016. Together with the interim dividend of HK$0.13 per share (2015: HK$0.12 per share), the total dividend for the financial year ended 30 June 2016 is HK$0.44 per share (2015: HK$0.42 per share).

The Directors propose that shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend arrangement is subject to (1) the approval of the proposed final dividend at the annual general meeting to be held on 22 November 2016; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal. A circular containing the details of the scrip dividend arrangement will be despatched to shareholders together with the form of election for scrip dividend on or about 29 November 2016. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to shareholders on or about 30 December 2016.

Business Review

The business review of the Group for the year ended 30 June 2016 is set out in the sections headed "Executive Vice-Chairman's Report" on pages 16 to 35, "Management Discussion and Analysis" on pages 36 to 41, "Corporate Sustainability" on pages 56 to 75 and "Risk Factors" on pages 202 to 212 of this annual report.

Shares Issued

During the year, the Company has issued shares as follows:

1. As a result of the exercise of share options under the share option scheme of the Company, a total of 470,000 shares of the Company, fully paid, were issued for a total consideration of HK$3,595,345.

2. The Company declared final dividend for the year ended 30 June 2015 and interim dividend for the six months ended 31 December 2015 in cash (with scrip option) during the year. Accordingly, a total of 391,035,664 shares of the Company, fully paid, were issued for a total consideration of HK$2,884,574,720.

Details of the shares issued during the year are set out in note 36 to the financial statements.

Debentures Issued

NWD (MTN) Limited, a wholly owned subsidiary of the Company, has issued notes for the purpose of financing the general working capital requirement of the Group during the year as follows:

1. On 30 November 2015, USD950.0 million (equivalent to approximately HK$7,381.5 million) 4.375% notes due 2022 were issued and listed on the Stock Exchange at a price of 99.405% of the principal amount with net proceeds of USD938.0 million (equivalent to approximately HK$7,287.8 million);

2. On 8 March 2016, HK$872.0 million 4.70% notes due 2026 were issued at a price of 98.447% of the principal amount with net proceeds of HK$858.5 million; and

3. On 14 March 2016, HK$450.0 million 4.65% notes due 2026 were issued at a price of 98.597% of the principal amount with net proceeds of HK$443.7 million.

Save as disclosed above, the Group has not issued any debenture during the year.

Equity-Linked Agreements

Save for the share option schemes of the Group as set out on pages 93 to 103, no equity-linked agreements were entered into by the Group, or existed during the year.

Distributable Reserves

Distributable reserves of the Company as at 30 June 2016, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$21,244.8 million (2015: HK$20,854.2 million).

Five-Year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 200 and 201.

Purchase, Sale or Redemption of Listed Securities

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

Donations

The Group made charitable and other donations during the year of HK$424.7 million (2015: HK$40.2 million).

Major Acquisition and Disposal

1. On 3 July 2015, New World Development (China) Limited (the "NWDCL"), a wholly owned subsidiary of New World China Land Limited ("NWCL"), entered into a sale and purchase agreement with Chow Tai Fook Enterprises Limited ("CTF") pursuant to which NWDCL agreed to sell and CTF agreed to acquire the entire issued share capital of, and the outstanding shareholder's loans owing from, New World Hotel Management (BVI) Limited ("NWHM") for a cash consideration of HK$2,753.0 million. NWHM is the holding company of certain companies which are principally engaged in the provision of hotel management services. The transaction was completed on 29 December 2015, resulted in a gain of approximately HK$768.9 million.

2. On 20 November 2015, the Company entered into a sale and purchase agreement with CTF pursuant to which CTF agreed to sell and assign, and the Company agreed to acquire and accept the assignment of 36.0% of the issued shares of Beames Holdings Limited ("Beames") and the entire amount of unsecured and non-interest bearing shareholder's loan owing from Beames to CTF for a total adjusted consideration of approximately HK$3,592.8 million. Beames, through its subsidiaries, associated companies and joint ventures, is principally engaged in hotel business operations and property investment in Hong Kong and Southeast Asia. The transaction was completed on 23 November 2015 and Beames becomes a direct wholly owned subsidiary of the Company.

3. On 2 December 2015, three sale and purchase agreements were entered into between Shengyu (BVI) Limited ("Shengyu"), an indirect wholly owned subsidiary of Evergrande Real Estate Group Limited ("Evergrande"), as buyer and NWDCL as seller in relation to the disposal of NWCL Group's interests in the property projects in Haikou, Huiyang and Hankou of Wuhan City, all of which are in the PRC, for a total consideration of RMB8,600.0 million (equivalent to approximately HK$10,424.2 million), RMB1,100.0 million (equivalent to approximately HK$1,333.3 million) and RMB3,800.0 million (equivalent to approximately HK$4,606.1 million) respectively. These transactions were completed in January 2016 and resulted in a total gain of approximately HK$4,581.2 million.

4. On 23 December 2015, a direct wholly owned subsidiary of the Company and an indirect wholly owned subsidiary of NWCL entered into a subscription agreement with Evergrande to subscribe for the 9% perpetual securities issued by Evergrande in equal shares in cash in the aggregate amount of US$900.0 million (equivalent to approximately HK$6,993.0 million). The straight bond component of the perpetual securities is accounted for as available-for-sale financial assets, while the call option component is accounted for as derivative financial instruments.

5. On 29 December 2015, two sale and purchase agreements were entered into between Shengyu and NWDCL in relation to the disposal of NWCL Group's interests in the property projects in Chengdu and Guiyang, both in the PRC, for a total cash consideration of RMB2,000.0 million (equivalent to approximately HK$2,395.2 million) and RMB5,300.0 million (equivalent to approximately HK$6,347.3 million) respectively. The sale and purchase agreements for the property projects in Guiyang and Chengdu were completed in February and May 2016 respectively, resulted in a total gain of approximately HK$2,022.0 million.

6. On 18 February 2016, a share purchase agreement was entered into between New World Telephone Holdings Limited ("NWTHL"), a direct wholly owned subsidiary of the Company as seller and HKBN Group Limited as purchaser in relation to the disposal of the entire equity interest of NWTHL in two wholly owned subsidiaries, Concord Ideas Ltd. and Simple Click Investments Limited at an adjusted aggregate consideration of HK$725.7 million. These two subsidiaries together with their subsidiaries are principally engaged in the provision in Hong Kong of fixed line and broadband telecommunications services and online marketing solutions services. The transaction was completed on 31 March 2016, resulted in a gain of approximately HK$283.9 million.

7. On 20 June 2016, a sale and purchase agreement was entered into between Delaware Industrial Limited as buyer and NWS FM Limited, an indirect wholly owned subsidiary of NWS Holdings Limited ("NWSH") as seller, in respect of the disposal of its direct wholly owned subsidiary, Shine Fame Holdings Limited (an investment holding company which holds the entire interest in NWS Kwai Chung Logistics Centre), and the assignment of debt at an aggregate cash consideration of HK$3.75 billion (the "Disposal Transaction"). The completion of the Disposal Transaction took place on 31 August 2016.

Major Acquisition and Disposal (continued)

8. On 6 January 2016, the Company and Easywin Enterprises Corporation Limited (the "Offeror"), a wholly owned subsidiary of the Company, announced a voluntary conditional cash offer by the Offeror to acquire all of the issued shares of NWCL, an indirect non wholly owned subsidiary of the Company incorporated in the Cayman Islands, other than those shares already held by the Offeror and the Company (the "Offered Shares").

   On 5 April 2016, the Offeror received acceptance of approximately 98.65% of the Offered Shares. The Offeror could privatise NWCL by exercising its rights, pursuant to section 88 of the Companies Law of the Cayman Islands, to compulsorily acquire those Offered Shares not already acquired by the Offeror.

   On 28 June 2016, the Offeror had despatched the compulsory acquisition notices to the shareholders of the remaining Offered Shares. Based on a search of the Cayman Islands Register of Writs and Other Originating Process maintained by the Grand Court, no remaining offer shareholder has filed an objection to the compulsory acquisition with the Grand Court of the Cayman Islands by 28 July 2016. Accordingly, the Offeror became entitled and bound to compulsorily acquire the remaining Offered Shares at HK$7.80 per remaining Offered Share in accordance with the terms of the share offer and as set out in the compulsory acquisition notice. On 3 August 2016, the compulsory acquisition was completed. As a result of and with effect from the completion of the compulsory acquisition, NWCL has become an indirect wholly owned subsidiary of the Company and the listing of NWCL shares on the Stock Exchange was withdrawn on 4 August 2016.

Connected Transactions

Connected transactions of the Company during the year and up to the date of this report are set out on pages 85 to 92.

Rules 13.20 and 13.22 of the Listing Rules

The disclosure pursuant to Rules 13.20 and 13.22 of the Listing Rules is set out on page 106.

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 *GBS (Chairman)*
Dr. Cheng Chi-Kong, Adrian *JP (Executive Vice-chairman & Joint General Manager)*
Mr. Chen Guanzhan *(Joint General Manager)*
Ms. Ki Man-Fung, Leonie *GBS JP*
Mr. Cheng Chi-Heng
Ms. Cheng Chi-Man, Sonia
Mr. Au Tak-Cheong

Non-executive Directors

Mr. Doo Wai-Hoi, William *JP (Non-executive Vice-chairman)*
Mr. Cheng Kar-Shing, Peter

Independent Non-executive Directors

Mr. Yeung Ping-Leung, Howard
Mr. Cha Mou-Sing, Payson JP
Mr. Cha Mou-Zing, Victor
(alternate director to Mr. Cha Mou-Sing, Payson)
Mr. Ho Hau-Hay, Hamilton
Mr. Lee Luen-Wai, John *BBS JP*
Mr. Liang Cheung-Biu, Thomas

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Doo Wai-Hoi, William, Dr. Cheng Chi-Kong, Adrian, Mr. Cheng Kar-Shing, Peter, Mr. Liang Cheung-Biu, Thomas and Mr. Au Tak-Cheong shall retire by rotation and, being eligible, offer themselves for re-election.

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

A list of names of all the directors who have served on the boards of the Company's subsidiaries during the year is available on the Company's website at www.nwd.com.hk.

Audit Committee

An Audit Committee has been established and the members of the Committee as at the date of this report are Mr. Cha Mou-Sing, Payson, Mr. Yeung Ping-Leung, Howard, Mr. Ho Hau-Hay, Hamilton, Mr. Lee Luen-Wai, John and Mr. Liang Cheung-Biu, Thomas. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and risk management and internal control systems.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in the section headed "Connected Transactions" on pages 85 to 92 of this annual report and contracts amongst group companies, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company and 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 Shares, Underlying Shares and Debentures

As at 30 June 2016, interests of the Directors in shares, underlying shares and debentures of the Company and its associated corporations which were recorded in the register to be kept by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") are set out on pages 92 to 105.

Permitted Indemnity Provision

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company 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.

The Company and its listed subsidiaries have taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

Directors' Interests in Competing Businesses

During the year, according to the Listing Rules, the following Directors have interests in the following businesses which are considered to 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:

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of businesses	
Dr. Cheng Kar-Shun, Henry	Chow Tai Fook Enterprises Limited ("CTF") group of companies	Property investment and development, hotel operations, transport and commercial aircraft leasing	Director
	FSE Holdings Limited group of companies	Property and carpark management and landscaping	Director and shareholder
	International Entertainment Corporation group of companies	Hotel operations	Director
	Supreme Harvest Development Limited group of companies	Property investment and development	Director
	Silver City International Limited group of companies	Property investment and food and beverage operations	Director
	Sunshine Dragon Group Limited group of companies	Property investment	Director

Directors' Interests in Competing Businesses (continued)

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group: Name of entity	Description of businesses	Nature of interest of the Director in the entity
Mr. Doo Wai-Hoi, William	Amelia Gold Limited group of companies	Property investment	Director and shareholder
	Fortune Success Limited group of companies	Property investment	Director and shareholder
	FSE Holdings Limited group of companies	Property and carpark management and landscaping	Shareholder
	Fung Seng Enterprises Investment Company Limited group of companies	Property investment	Director and shareholder
	Fung Seng Enterprises Limited group of companies	Property investment and management	Director and shareholder
	Golden Wealth Investment Limited group of companies	Property investment and development	Director and shareholder
	Lifestyle International Holdings Limited group of companies	Department stores operations and property investment	Director
	Silver City International Limited group of companies	Property investment and food and beverage operations	Director and shareholder
	Silver Success Company Limited group of companies	Hotel operations	Director and shareholder
	Sunshine Dragon Group Limited group of companies	Property investment	Director and shareholder
Dr. Cheng Chi-Kong, Adrian	Cheung Hung Development (Holdings) Limited	Property investment and development	Director
	CTF group of companies	Property investment and development, hotel operations, transport and commercial aircraft leasing	Director
	Grandhope Properties Limited	Property investment	Director and shareholder
	International Entertainment Corporation group of companies	Hotel operations	Director
Mr. Cheng Kar-Shing, Peter	CTF group of companies	Property investment and development, hotel operations, transport and commercial aircraft leasing	Director
	Long Vocation Investments Limited group of companies	Property investment	Director and shareholder
Mr. Cheng Chi-Heng	CTF group of companies	Property investment and development, hotel operations, transport and commercial aircraft leasing	Director

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

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.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the section headed "Share Option Schemes" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or chief executives or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Option Schemes

Share option schemes of the Group are set out on pages 93 to 103.

Substantial Shareholders' Interests in Securities

As at 30 June 2016, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions in Shares

Name	**Number of shares held**			**Approximate % of shareholding**
	Beneficial interests	**Corporate interests**	**Total**	
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")(1)	–	**4,126,329,918**	**4,126,329,918**	**43.95**
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")(2)	–	**4,126,329,918**	**4,126,329,918**	**43.95**
Chow Tai Fook Capital Limited ("CTFC")(3)	–	**4,126,329,918**	**4,126,329,918**	**43.95**
Chow Tai Fook (Holding) Limited ("CTFHL")(4)	–	**4,126,329,918**	**4,126,329,918**	**43.95**
Chow Tai Fook Enterprises Limited ("CTF")(5)	**3,751,379,362**	**374,950,556**	**4,126,329,918**	**43.95**

Notes:

(1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(3) CTFC holds 78.58% direct interest in CTFHL and is accordingly deemed to have an interest in the shares deemed to be interested by CTFHL.

(4) CTFHL holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.

(5) CTF together with its subsidiaries.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30 June 2016.

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 25.0% of the Company's total number of issued shares.

Major Customers and Suppliers

During the year, less than 30.0% of the Group's turnover and less than 30.0% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

Auditor

The financial statements have been audited by Messrs. PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On Behalf of the Board

Dr. Cheng Kar-Shun, Henry
Chairman
Hong Kong, 21 September 2016

Connected Transactions

(1) The Company and Chow Tai Fook Enterprises Limited ("CTF"), severally in the proportions of 64.0% and 36.0%, have on 29 August 1995 issued an indemnity (the "Indemnity") to Renaissance Hotel Group N.V. ("RHG"), a former subsidiary of New World Hotels (Holdings) Limited ("NWHH"), which is now an independent third party, in respect of any obligations of RHG or its subsidiaries may have in respect of certain lease payment obligations under originally 25 leases or guarantees of leases (now two leases remaining) held by Hotel Property Investments (B.V.I.) Ltd. ("HPI") and its subsidiaries.

On 25 July 1997, NWHH sold its entire interests in HPI to CTF Holdings Ltd.("CTFH"), a company then controlled by Dr. Cheng Kar-Shun, Henry and Mr. Doo Wai-Hoi, William ("Mr. Doo"), and currently wholly owned by CTF. Under the sale, the Indemnity will continue. Arrangements have therefore been entered into whereby CTF will counter-indemnify the Company fully against any liability arising under the Indemnity in respect of the said lease obligations and guarantees of leases. It is presently estimated that the maximum liability of the Company under the Indemnity will be approximately US$3.4 million (equivalent to approximately HK$26.4 million) per annum. Up to the date of this report, no payment has ever been made by the Company or CTF under the Indemnity.

(2) In July 1999, a deed of tax indemnity ("Deed of Tax Indemnity") was entered into between the Company and New World China Land Limited ("NWCL") whereby the Company undertakes to indemnify NWCL in respect of, inter alia, certain Mainland China income tax ("IT") and land appreciation tax ("LAT") in Mainland China payable in consequence of the disposal of certain properties held by NWCL as at 31 March 1999 and in respect of which the aggregate amount of LAT and IT is estimated at approximately HK$4,157.5 million (2015: HK$4,654.6 million). During the year, tax indemnity amounted to approximately HK$218.9 million (2015: HK$359.2 million) was effected. By a deed of termination dated 23 August 2016 entered into between the Company and NWCL, the Deed of Tax Indemnity was terminated with effect from 4 August 2016.

(3) Penta Hotels Germany GmbH ("PHGG"), an indirect wholly owned subsidiary of NWCL during the period from 19 December 2013 to 28 December 2015, entered into 24 hotel management agreements and 24 licence and royalty agreements (collectively, the "Hotel Agreements") with certain subsidiaries of CTF (the "Hotel Owners") between February 2007 and March 2013 in relation to the management of the hotels owned by the Hotel Owners by PHGG and the grant of sublicences by PHGG to the Hotel Owners to use the "penta" brand name in connection with the goods and services offered in the hotels. The Hotel Agreements between PHGG and the Hotel Owners constitute continuing connected transaction for the Company under the Listing Rules by virtue of the controlling interests of CTF in the Hotel Owners. Details of the Hotel Agreements were set out in the announcement of the Company dated 19 December 2013. The aggregate transaction values under the Hotel Agreements for the year ended 30 June 2016 amounted to approximately HK$10.5 million. PHGG ceased to be a subsidiary of NWCL on 29 December 2015 following the completion of the disposal of New World Hotel Management (BVI) Limited, the holding company of PHGG, by NWCL.

(4) On 22 March 2012, New World Department Store China Limited ("NWDS") and Chow Tai Fook Jewellery Group Limited ("CTFJ") entered into a master concessionaire counter agreement (the "Master Concessionaire Counter Agreement") commencing from 24 April 2012 up to and including 30 June 2014, pursuant to which members of the NWDS Group (i.e. NWDS and its subsidiaries) and the CTFJ Group (i.e. CTFJ and its subsidiaries) may from time to time enter into definitive concessionaire agreements in relation to any transactions arising from the concessionaire arrangements or rental agreements in respect of retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to the NWDS Group or at which the NWDS Group operates its business.

The Master Concessionaire Counter Agreement will be automatically renewed for a successive period of three years after the initial term or subsequent renewal term subject to compliance with relevant requirements of the Listing Rules.

On 11 April 2014, in anticipation of the expiry of the Master Concessionaire Counter Agreement on 30 June 2014, NWDS and CTFJ proposed to renew the Master Concessionaire Counter Agreement for a further term of three years, subject to compliance with relevant requirements of the Listing Rules. The directors of NWDS believe that including CTFJ as one of the concessionaire counters in the department stores owned by the NWDS Group from time to time enhances NWDS' brand and product mix and raises the image and profile of such stores. As NWDS is a subsidiary of the Company, the Directors of the Company believe that the Group will also benefit as a result of the renewal of the Master Concessionaire Counter Agreement. The Master Concessionaire Counter Agreement was automatically renewed from 1 July 2014 for three years ending 30 June 2017.

As CTFJ is a fellow subsidiary of CTF which is a substantial shareholder of the Company, CTFJ is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Master Concessionaire Counter Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

For the year ended 30 June 2016, the aggregate amount of the transactions under the Master Concessionaire Counter Agreement amounted to approximately RMB63.2 million (equivalent to approximately HK$73.9 million), which is within the annual cap of RMB265.0 million (equivalent to approximately HK$310.1 million).

Connected Transactions (continued)

(5) On 11 April 2014, a master services agreement (the "Mr. Doo Master Services Agreement") was entered into between the Company and Mr. Doo for a term of three years commencing from 1 July 2014 in respect of the provision of certain operational and rental services which include contracting services, cleaning and landscaping services, facilities management services, property management services, security and guarding services and rental services, between members of the Group and members of 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 30.0% (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, or to control the composition of a majority of the board of directors and any other company which is its subsidiary). Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Mr. Doo Master Services Agreement will be automatically renewed for a successive period of three years thereafter.

Mr. Doo is the Non-executive Vice-chairman of the Company and a director of certain subsidiaries of the Company, and hence a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Mr. Doo Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

The Mr. Doo Master Services Agreement and the annual cap amounts payable by the Services Group to the Group, and vice versa, in respect of the transactions contemplated under the Mr. Doo Master Services Agreement for each of the three years ending 30 June 2017 were approved by the independent shareholders of the Company at the Company's extraordinary general meeting held on 22 May 2014.

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

For the year ended 30 June 2016, the aggregate amount of the transactions under the Mr. Doo Master Services Agreement amounted to approximately HK$1,725.1 million, which is within the annual cap of HK$4,284.4 million.

(6) On 11 April 2014, the Company and CTF entered into a master services agreement (the "CTF Master Services Agreement") for a term of three years commencing from 1 July 2014, whereby each of the Company and CTF agreed to, and agreed to procure members of the Group or the CTF Group (being CTF, (a) any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company, and/or (b) any other company in the equity capital of which CTF and such other companies referred to in (a) above taken together are directly or indirectly interested so as to exercise or control the exercise of 30.0% (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 or to control the composition of a majority of the board of directors, and any other company which is its subsidiary, but excluding members of the Group) (to the extent practicable) to engage relevant members of the CTF Group or the Group (as the case may be) to provide the relevant operational services, which include contracting services, general and rental services, project management and consultancy services, and hotel management and consultancy services, to members of the Group or the CTF Group (as the case may be) during the term of the CTF Master Services Agreement.

Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the CTF Master Services Agreement will be automatically renewed for a successive period of three years thereafter.

As CTF is a connected person of the Company, the entering into of the CTF Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

For the year ended 30 June 2016, the aggregate amount of the transactions under the CTF Master Services Agreement amounted to approximately HK$529.6 million, which is within the annual cap of HK$1,628.6 million.

Connected Transactions (continued)

(7) On 11 April 2014, the Company and CTFJ entered into a master leasing agreement (the "Master Leasing Agreement") regarding the leasing of premises between members of the Group and members of the CTFJ Group for an initial term of three years commencing from 1 July 2014. Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Leasing Agreement will be automatically renewed for a successive period of three years thereafter.

As CTFJ is a fellow subsidiary of CTF which is a substantial shareholder of the Company, CTFJ is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Master Leasing Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

For the year ended 30 June 2016, the aggregate amount of the transactions under the Master Leasing Agreement amounted to approximately HK$129.2 million, which is within the annual cap of HK$197.9 million.

(8) On 11 April 2014, NWDS, the Company and CTFJ entered into a master sales agreement (the "Master Sales Agreement") in relation to the sales transactions among members of the NWDS Group, members of the Group, members of the CTFJ Group and/or joint ventures jointly controlled by CTF and NWCL ("N/C JVs") in respect of the use of various cash equivalent gift coupons, gift cards and stored value shopping cards issued by the Group ("Shopping Vouchers"), prepaid shopping cards issued by the NWDS Group to the Group and/or CTFJ Group ("Prepaid Shopping Cards"), various joint name cards and/or joint name vouchers issued by the CTFJ Group and/or the NWDS Group ("Joint Name Vouchers") or other means acceptable to the NWDS Group as payment for purchases of goods at the department stores owned by the NWDS Group from time to time and the settlement of the relevant value represented by such Shopping Vouchers (with the shopping vouchers commissions and rebates), the Prepaid Shopping Cards (with the discounts, where applicable), the Joint Name Vouchers (with the joint name vouchers commissions) or by any other means acceptable to the NWDS Group among relevant members of the NWDS Group, the Group or the CTFJ Group; and the sale of goods by members of the Group, the CTFJ Group and/or N/C JVs to members of the NWDS Group.

The Master Sales Agreement has an initial term of three years commencing from 1 July 2014. Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Sales Agreement will be automatically renewed for a successive period of three years thereafter.

As CTFJ is a fellow subsidiary of CTF which is a substantial shareholder of the Company, CTFJ is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Master Sales Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

For the year ended 30 June 2016, the aggregate amount of the transactions under the Master Sales Agreement amounted to approximately RMB0.4 million (equivalent to approximately HK$0.5 million), which is within the annual cap of RMB79.9 million (equivalent to approximately HK$93.5 million).

Connected Transactions (continued)

(9) On 19 March 2013, NWCL and CTFJ entered into a master purchase agreement (the "Master Purchase Agreement") to provide a framework for the transactions between members of the NWCL Group (i.e. NWCL and its subsidiaries) and members of the CTFJ Group in respect of (i) the purchases of gold products by the relevant members of the NWCL Group from the relevant members of the CTFJ Group; (ii) the purchases of gift vouchers issued or to be issued by the CTFJ Group ("CTFJ Gift Vouchers") by relevant members of the NWCL Group from the relevant members of the CTFJ Group and the use of CTFJ Gift Vouchers by holders thereof given by the NWCL Group as payment of purchase of goods at the stores where the CTFJ Group operates its business; and (iii) the use of gift vouchers issued or to be issued by the NWCL Group ("NWCL Gift Vouchers") by customers of the NWCL Group as payment of purchase of goods at the stores where the CTFJ Group operates its business and the settlement of the relevant value represented by such NWCL Gift Vouchers (with rebates) between relevant members of the NWCL Group and the CTFJ Group.

The Master Purchase Agreement commenced from 19 March 2013 up to and including 30 June 2015, and will be automatically renewed for a successive period of three years upon the expiration of the initial term or subsequent renewal term subject to compliance with relevant requirements of the Listing Rules.

As CTFJ is a fellow subsidiary of CTF which is a substantial shareholder of the Company, CTFJ is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Master Purchase Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

The Master Purchase Agreement was automatically renewed in accordance with its terms and conditions for further three years from 1 July 2015 to 30 June 2018. Details of the renewal of the Master Purchase Agreement and the annual caps set for each of the three financial years ending 30 June 2018 were set out in the announcement of the Company dated 8 May 2015.

For the year ended 30 June 2016, the aggregate amount of the transactions under the Master Purchase Agreement amounted to approximately HK$10.9 million, which is within the annual cap of HK$185.9 million.

(10) On 3 July 2015, New World Development (China) Limited (the "Vendor", a wholly owned subsidiary of NWCL) entered into a sale and purchase agreement (the "NWHM Agreement") with CTF pursuant to which the Vendor conditionally agreed to sell and CTF conditionally agreed to acquire the entire issued share capital of, and the outstanding shareholder's loans owing to the Vendor from, New World Hotel Management (BVI) Limited ("NWHM"), for a cash consideration of HK$1,963.0 million. NWHM is the holding company of certain companies which are principally engaged in the provision of hotel management services. The said disposal enabled NWCL to realise its investment in its non-core business. Upon completion of the NWHM Agreement on 29 December 2015, NWHM ceased to be a wholly owned subsidiary of NWCL.

As CTF is a connected person of the Company, the disposal contemplated under the NWHM Agreement constitutes a connected transaction for the Company under the Listing Rules.

(11) On 3 July 2015, NWCL entered into a master hotel leasing agreement (the "Master Hotel Leasing Agreement") with CTF pursuant to which relevant members of the NWCL Group and relevant members of the CTFE Group (i.e. CTF and its subsidiaries) may enter into definitive agreements in respect of the leasing of hotels and licensing of related licences to members of the CTFE Group from members of the NWCL Group upon, and subject to, the terms and conditions in compliance with those of the Master Hotel Leasing Agreement as may be agreed between relevant members of the NWCL Group and the relevant members of the CTFE Group.

The Master Hotel Leasing Agreement commenced on 3 July 2015 and shall continue up to and including 30 June 2025 which can be automatically renewed for a further term of 10 years, subject to compliance with the then relevant requirements of the rules of any stock exchange to which any of the parties to the Master Hotel Leasing Agreement is subject to, including, but not limited to, the Listing Rules. No transaction was recorded under the Master Hotel Leasing Agreement for the year ended 30 June 2016.

As CTF is a connected person of the Company, the entering into of the Master Hotel Leasing Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

Connected Transactions (continued)

(12) On 24 August 2015, an agreement (the "Dragon Merchant Agreement") was entered into between Catchy Investments Limited ("Catchy", a wholly owned subsidiary of the Company) and FSE Management pursuant to which Catchy agreed to sell and assign, and FSE Management agreed to purchase and accept the assignment of, the entire issued share capital of Dragon Merchant Limited ("Dragon Merchant") and the entire amount of the unsecured and non-interest bearing shareholder's loan owing from Dragon Merchant to Catchy as at the date of completion of the Dragon Merchant Agreement ("Completion") at an aggregate cash consideration of HK$258.0 million (subject to adjustment).

The main asset of Dragon Merchant and its subsidiary is the property situate at 8th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. Details of the Dragon Merchant Agreement were set out in the announcement of the Company dated 24 August 2015. Completion took place upon signing of the Dragon Merchant Agreement and thereafter, Dragon Merchant and its subsidiary ceased to be subsidiaries of the Company. The consideration was adjusted to approximately HK$255.3 million by reference to the unaudited consolidated net tangible assets value of Dragon Merchant as at the date of Completion.

As FSE Management is a majority-controlled company (as defined in the Listing Rules) of Mr. Doo, FSE Management is therefore a connected person of the Company and the disposal contemplated under the Dragon Merchant Agreement constitutes a connected transaction for the Company under the Listing Rules.

(13) On 25 August 2015, a joint venture agreement (the "JV Agreement") was entered into among Startley Limited ("Startley", a wholly owned subsidiary of CTF), Risma Limited ("Risma", a wholly owned subsidiary of the Company), 周大福珠寶金行(深圳)有限公司 (Chow Tai Fook Jewellery (Shenzhen) Co. Ltd.) ("CTFJ Shenzhen", an indirect wholly owned subsidiary of CTFJ) and Chow Tai Fook Qianhai Investments Company Limited ("CTF Qianhai", a wholly owned subsidiary of CTF as at the date of the JV Agreement) regarding the formation of two joint venture entities, namely CTF Qianhai and 深圳前海周大福港貨中心有限公司 (Shenzhen Qianhai Chow Tai Fook Hong Kong Goods Centre Co., Ltd.) (the "PRC JV Company"), to develop and operate a high-end luxurious shopping complex in Qianhai, Shenzhen, the PRC. Completion of the JV Agreement took place on 7 September 2015.

After completion of the JV Agreement:

(a) CTF Qianhai is owned as to approximately 71.4% by Startley and approximately 28.6% by Risma; and

(b) the PRC JV Company is owned as to 70.0% by CTF Qianhai and 30.0% by CTFJ Shenzhen.

The effective interest in the PRC JV Company held by Startley, CTFJ Shenzhen and Risma is 50.0%, 30.0% and 20.0%, respectively.

The total investment in the PRC JV Company will be RMB350.0 million (equivalent to approximately HK$409.5 million), of which RMB120.0 million (equivalent to approximately HK$140.4 million) will be its registered capital. CTF Qianhai will contribute RMB245.0 million (equivalent to approximately HK$286.7 million) (of which RMB175.0 million (equivalent to approximately HK$204.8 million) and RMB70.0 million (equivalent to approximately HK$81.9 million) will be contributed by Startley and Risma, respectively, through CTF Qianhai) and CTFJ Shenzhen will contribute RMB105.0 million (equivalent to approximately HK$122.9 million) as funding for the total investment. Details of the JV Agreement were set out in the announcement of the Company dated 25 August 2015.

For the reasons stated above, CTF and CTFJ are connected persons of the Company and the entering into of the JV Agreement therefore constitutes a connected transaction for the Company under the Listing Rules.

Connected Transactions (continued)

(14) On 20 November 2015, an agreement (the "Beames Agreement") was entered into between the Company and CTF pursuant to which CTF agreed to sell and assign, and the Company agreed to purchase and accept the assignment of, 36.0% of the entire issued share capital of Beames Holdings Limited ("Beames") and the entire amount of the unsecured and non-interest bearing shareholder's loan owing from Beames to CTF as at the date of completion of the Beames Agreement at an aggregate cash consideration of HK$3,619.0 million.

Beames, through its subsidiaries, associated companies and joint ventures, principally owns and operates hotel properties in Hong Kong and South East Asia cities. Through the acquisition by the Company of further interests in Beames, the Group effectively consolidated the Group's interest in hotel properties held by CTF, which is consistent with the core business strategies of the Group. Details of the Beames Agreement were set out in the announcement of the Company dated 20 November 2015.

Upon completion of the Beames Agreement on 23 November 2015, the total consideration was adjusted to approximately HK$3,592.8 million and Beames became a wholly owned subsidiary of the Company.

As CTF is a connected person of the Company, the acquisition contemplated under the Beames Agreement constitutes a connected transaction for the Company under the Listing Rules.

(15) On 4 February 2016, each of New World Hotels Corporation Limited (an indirect wholly owned subsidiary of the Company) and Goland Developments Limited ("Goland", an indirect subsidiary of the Company) as purchasers entered into an agreement with Way West Investments Limited ("Way West") as vendor regarding the acquisition of 47.5% interest in Goland and 6.7% interest in Realform Developments Limited respectively at an aggregate cash consideration of HK$90.1 million (the "Makati Acquisitions"). Both transactions were completed on 4 February 2016, and through the Makati Acquisitions, the Company's attributable interests in New World Makati Hotel, Manila, Philippines increased from 49.0% to 62.0%.

Way West is wholly owned by the brother of Mr. Ho Hau-Hay, Hamilton who is an Independent Non-executive Director of the Company. Accordingly, Way West is an associate of Mr. Ho Hau-Hay, Hamilton and hence a connected person of the Company and the Makati Acquisitions constitute connected transactions for the Company under the Listing Rules. Details of the Makati Acquisitions were set out in the announcement of the Company dated 4 February 2016.

(16) On 10 December 2015, CTF, Razor Zenith Limited ("RZL", a wholly owned subsidiary of CTF), NWS Ports Management Limited (a direct wholly owned subsidiary of NWS Holdings Limited ("NWSH")), Flying Gravity Limited ("FGL", an indirect wholly owned subsidiary of NWSH) and Silverway Global Limited ("SGL") (collectively, the "Parties") entered into a shareholders agreement (the "Shareholders Agreement") to regulate the respective rights and obligations of RZL and FGL towards the management of SGL. The entire issued share capital of SGL is owned as to 50.0% by RZL and 50.0% by FGL. Pursuant to the Shareholders Agreement, it was agreed that SGL shall, subject to the satisfaction of certain conditions precedent, establish a joint venture with Aviation Capital Group Corp. ("ACG", a company established in USA engaged in the business of aircraft leasing), in which SGL shall hold 80.0% of the shares and ACG shall hold the remaining 20.0% of the shares of the same class.

On 8 March 2016, Bauhinia Aviation Capital Limited was established as the joint venture between SGL and ACG as contemplated under the Shareholders Agreement and owned as to 80.0% by SGL and 20.0% by ACG. Pursuant to a supplemental agreement to the Shareholders Agreement (the "Supplemental Agreement") entered into among the Parties on 8 March 2016, the Parties agreed that the total commitment (whether equity, loan or otherwise and including any guarantee or indemnity in connection with the establishment of SGL) of each of RZL and FGL towards SGL shall be increased from US$4.0 million (equivalent to HK$31.2 million) to US$240.0 million (equivalent to approximately HK$1,872.0 million).

As at the date of signing of the Supplemental Agreement, RZL was wholly owned by CTF which is a connected person of the Company. Accordingly, the formation of a joint venture between RZL and FGL through SGL and the increase of the total capital commitment in SGL pursuant to the terms of the Shareholders Agreement and the Supplemental Agreement and the performance of the transactions contemplated thereunder constitute connected transactions for the Company under the Listing Rules.

Connected Transactions (continued)

(17) On 15 July 2016, Sun Matrix Holdings Limited (a wholly owned subsidiary of the Company) as purchaser entered into the following three inter-conditional sale and purchase agreements (the “Agreements”) regarding the acquisition of the entire interest in Onwise Holdings Limited (“OH”), Glory Success Inc. (“GS”), Trafalgar Trading International Limited (“TT”) and related shareholders’ loans at a total cash consideration of HK$326.0 million (the “Acquisitions”):

(i) an agreement with King Choi Company Limited (“King Choi”) as vendor and Cheung Hung Development (Holdings) Limited (“Cheung Hung”) as King Choi’s guarantor regarding the acquisition of the entire issued share capital of OH and related shareholder’s loans at an aggregate cash consideration of HK$163.0 million;

(ii) an agreement with Eagle Step Investment Limited (“Eagle Step”) as vendor and Mr. Ho Chi-Kin, Simon as Eagle Step’s guarantor regarding the acquisition of the entire issued share capital of GS and related shareholder’s loans at an aggregate cash consideration of HK$81.5 million; and

(iii) an agreement with King Host Development Limited (“King Host”) as vendor and Mr. Ho David as King Host’s guarantor regarding the acquisition of the entire issued share capital of TT and related shareholder’s loans at an aggregate cash consideration of HK$81.5 million.

Each of OH, GS and TT owns 50.0%, 25.0% and 25.0% interest respectively in Broad Reach Company Limited (“Broad Reach”) which is the registered owner of a vacant land situated at No. 21 Luk Hop Street, Kowloon. The Acquisitions is consistent with the core business strategies of the Group. Upon completion of the Acquisitions on 28 July 2016, OH, GS, TT and Broad Reach became indirect wholly owned subsidiaries of the Company.

For reasons stated above, CTF is a connected person of the Company. Therefore, King Choi is a connected person of the Company by virtue of being a wholly owned subsidiary of Cheung Hung which is an associate of CTF and the acquisition of OH constitutes a connected transaction for the Company under the Listing Rules. As Cheung Hung indirectly owned 50.0% interest in Broad Reach, the acquisitions of GS and TT also constitute connected transactions for the Company pursuant to Rule 14A.28 of the Listing Rules. Details of the Acquisitions were set out in the announcement of the Company dated 15 July 2016.

(18) On 18 August 2016, the Company and CTF were awarded a tender by 深圳市前海深港現代服務業合作區管理局 (Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone) to acquire the land use rights of Plots T201-0092, Block 01, Unit No. 2, Guiwan Area, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen, Guangdong Province, the PRC (the “Land”) at a consideration of RMB4,207.2 million (equivalent to approximately HK$4,922.4 million) for the development of a financial and commercial complex on the Land (the “Project”). Immediately thereafter on the same day, the Company and CTF entered into a heads of agreement (“Heads of Agreement”) relating to the joint venture for the Project. Pursuant to the Heads of Agreement, Sky Treasure Development Limited (the “HK JV Company”), the issued shares of which are owned as to 70.0% and 30.0% by a wholly owned subsidiary of CTF and a wholly owned subsidiary of the Company (through NWCL) respectively, will establish a wholly foreign owned enterprise with limited liability in the PRC (“PRC JV Entity”, together with the HK JV Company, the “Joint Venture Entities”). It is expected that the total investment in the PRC JV Entity will be RMB8.0 billion (equivalent to approximately HK$9.4 billion), of which RMB4.5 billion (equivalent to approximately HK$5.3 billion) will be its registered capital. The total investment of the PRC JV Entity (other than any part for which bank financing is successfully obtained by the Joint Venture Entities) will respectively be contributed by CTF and the Company to the PRC JV Entity through the HK JV Company in the proportion of 70:30. Immediately after completion of the formation of the Joint Venture Entities, the effective interest of CTF and the Company in the PRC JV Entity will be 70.0% and 30.0% respectively. The Heads of Agreement sets out, among other things, the manner of formation of the Joint Venture Entities, the management of the Joint Venture Entities and certain rights and obligations of the shareholders of the Joint Venture Entities and their financial commitments to the Joint Venture Entities. Details of the Heads of Agreement were set out in the announcement of the Company dated 18 August 2016.

For reasons stated above, CTF is a connected person of the Company. Therefore, the entering into of the Heads of Agreement and the establishment of the joint venture thereunder constitute a connected transaction for the Company under the Listing Rules.

Connected Transactions (continued)

The price and terms of the continuing connected transactions mentioned in paragraphs (3) to (9) and (11) above were determined in accordance with the pricing policies and guidelines as set out in the relevant announcements of the Company. 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; and

(c) in accordance with 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.

The Company's auditor was engaged to report on the Group's continuing connected transactions stated in paragraphs (3) to (9) and (11) above 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 his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the HKEx.

Save as disclosed above, a summary of significant related party transactions that did not constitute connected transactions made during the year was disclosed in note 46 to the financial statements.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2016, the interests of the Directors in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO were as follows:

(A) Long Position in Shares

	Number of shares				Approximate % of shareholding
	Beneficial interests	Spouse interests	Corporate interests	Total	
New World Development Company Limited					
(Ordinary shares)					
Dr. Cheng Kar-Shun, Henry	–	600,000	–	600,000	0.01
Mr. Doo Wai-Hoi, William	–	11,353,749	98,074,684[(1)]	109,428,433	1.17
Mr. Cheng Kar-Shing, Peter	–	515,439	–	515,439	0.01
Mr. Ho Hau-Hay, Hamilton	–	–	878,353[(2)]	878,353	0.01
Mr. Liang Cheung-Biu, Thomas	10,429	–	–	10,429	0.00
Ms. Ki Man-Fung, Leonie	90,000	–	–	90,000	0.00
New World Department Store China Limited					
(Ordinary shares of HK$0.10 each)					
Ms. Ki Man-Fung, Leonie	20,000	–	–	20,000	0.00
Ms. Cheng Chi-Man, Sonia	92,000	–	–	92,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-Shun, Henry	18,349,571	–	12,000,000[(3)]	30,349,571	0.79
Mr. Doo Wai-Hoi, William	1,266,834	–	8,330,782[(4)]	9,597,616	0.25
Mr. Cheng Kar-Shing, Peter	303,966	–	6,137,504[(5)]	6,441,470	0.17
Ms. Ki Man-Fung, Leonie	15,000	–	–	15,000	0.00
Sun Legend Investments Limited					
(Ordinary shares)					
Mr. Cheng Kar-Shing, Peter	–	–	500[(6)]	500	50.00

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

(A) Long Position in Shares (continued)

Notes:

(1) These shares are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

(2) These shares are beneficially owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.

(3) These shares are beneficially owned by a company which is wholly owned by Dr. Cheng Kar-Shun, Henry.

(4) These shares are beneficially owned by a company which is wholly owned by Mr. Doo Wai-Hoi, William.

(5) These shares are beneficially owned by a company which is wholly owned by Mr. Cheng Kar-Shing, Peter.

(6) These shares are beneficially owned by a controlled corporation of Mr. Cheng Kar-Shing, Peter.

(B) Long Position in Underlying Shares — Share Options

During the year ended 30 June 2016, certain Directors of the Company have interest in share options to subscribe for shares in the Company and certain of its subsidiaries. Details of such interests and summaries of share option schemes of the Company and its subsidiaries are shown below.

Share Option Scheme of the Company

On 24 November 2006, the Company adopted a share option scheme (the "Scheme") and certain rules of such scheme were amended on 13 March 2012. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in the Company.

Summary of the Scheme disclosed in accordance with the Listing Rules is as follows:

	The Scheme
Purpose of the scheme	To reward directors and employees of the Group for past service or performance, to provide incentive, motivation or reward to eligible participants for increasing performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for or make contribution to the Group, to foster a sense of corporate identity and to allow the eligible participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.
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 Company or any invested entity of the Group (the "Invested Entity"); (iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Invested Entity or any other company or organisation; (iv) any supplier of goods or services to any member of the Group or any Invested Entity; (v) any customer of any member of the Group or any Invested Entity; (vi) any person or entity that provides research, development or other technological support to 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.

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

(B) Long Position in Underlying Shares — Share Options (continued)

Share Option Scheme of the Company (continued)

	The Scheme
Total number of shares available for issue under the scheme and percentage of issued shares as at the date of this annual report	The Company had granted 425,987,928 shares of the Company under the Scheme up to the date of this report. The total number of shares available for issue under the Scheme is 165,099,042 representing approximately 1.76% of the Company's total number of issued shares as at the date of this report.
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 1.0% of the total number of shares of the Company in issue.
The period within which the shares must be taken up under an option	A period to be specified by the Directors and not to exceed 10 years from the date of grant of options.
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$10.0 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 higher of (i) the closing price of the shares on the HKEx as stated in the HKEx's daily quotations sheets on the date of grant, which must be a dealing day; and (ii) the average closing price of the shares as stated in the HKEx's daily quotation sheets for the five dealing days immediately preceding the date of grant.
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. 24 November 2006.

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

(B) Long Position in Underlying Shares — Share Options (continued)

Share Option Scheme of the Company (continued)

Share options granted to Directors

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 1 July 2015	Granted during the year(6)	Adjusted during the year(7)	Exercised during the year	Lapsed during the year	Balance as at 30 June 2016	Exercise price per share(7) HK$
Dr. Cheng Kar-Shun, Henry	19 March 2012	(1)	10,664,813	–	10,824	–	(10,675,637)	–	9.152
	10 June 2016	(2)	–	10,675,637	–	–	–	10,675,637	7.540
Mr. Doo Wai-Hoi, William	22 January 2014	(3)	532,442	–	540	–	–	532,982	9.756
Dr. Cheng Chi-Kong, Adrian	19 March 2012	(1)	3,732,683	–	3,788	–	(3,736,471)	–	9.152
	9 March 2016	(4)	–	4,500,000	–	–	–	4,500,000	7.200
	10 June 2016	(2)	–	3,736,471	–	–	–	3,736,471	7.540
Mr. Chen Guanzhan	19 March 2012	(1)	3,732,683	–	3,788	–	(3,736,471)	–	9.152
	10 June 2016	(2)	–	3,736,471	–	–	–	3,736,471	7.540
Mr. Yeung Ping-Leung, Howard	19 March 2012	(1)	533,238	–	541	–	(533,779)	–	9.152
	10 June 2016	(2)	–	533,779	–	–	–	533,779	7.540
Mr. Cha Mou-Sing, Payson	19 March 2012	(1)	533,238	–	541	–	(533,779)	–	9.152
	10 June 2016	(2)	–	533,779	–	–	–	533,779	7.540
Mr. Cheng Kar-Shing, Peter	19 March 2012	(1)	533,238	–	541	–	(533,779)	–	9.152
	10 June 2016	(2)	–	533,779	–	–	–	533,779	7.540
Mr. Ho Hau-Hay, Hamilton	19 March 2012	(1)	533,238	–	541	–	(533,779)	–	9.152
	10 June 2016	(2)	–	533,779	–	–	–	533,779	7.540
Mr. Lee Luen-Wai, John	19 March 2012	(1)	533,238	–	541	–	(533,779)	–	9.152
	10 June 2016	(2)	–	533,779	–	–	–	533,779	7.540
Mr. Liang Cheung-Biu, Thomas	19 March 2012	(1)	533,238	–	541	–	(533,779)	–	9.152
	10 June 2016	(2)	–	533,779	–	–	–	533,779	7.540
Ms. Ki Man-Fung, Leonie	19 March 2012	(1)	3,199,441	–	3,247	–	(3,202,688)	–	9.152
	10 June 2016	(2)	–	3,202,688	–	–	–	3,202,688	7.540
Mr. Cheng Chi-Heng	19 March 2012	(1)	533,238	–	541	–	(533,779)	–	9.152
	10 June 2016	(2)	–	533,779	–	–	–	533,779	7.540
Ms. Cheng Chi-Man, Sonia	19 March 2012	(1)	3,199,441	–	3,247	–	(3,202,688)	–	9.152
	10 June 2016	(2)	–	3,202,688	–	–	–	3,202,688	7.540
Mr. Au Tak-Cheong	19 March 2012	(5)	1,345,328	–	1,365	–	(1,346,693)	–	9.152
	22 January 2014	(3)	532,442	–	540	–	–	532,982	9.756
	10 June 2016	(2)	–	1,346,693	–	–	–	1,346,693	7.540
			30,671,939	34,137,101	31,126	–	(29,637,101)	35,203,065	

Notes:

(1) Divided into 4 tranches exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.

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

(3) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.

(4) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

(5) Divided into 3 tranches exercisable from 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.

(6) The closing price per share immediately before 9 March 2016 and 10 June 2016, the dates of offer to grant, was HK$7.18 and HK$7.52, respectively.

(7) The Company declared final dividend for the year ended 30 June 2015 in cash (with scrip option) during the year. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 19 March 2012 was adjusted from HK$9.161 to HK$9.152 on 29 December 2015. The exercise price per share of the share options granted on 22 January 2014 was adjusted from HK$9.766 to HK$9.756 on 29 December 2015.

(8) The cash consideration paid by each Director for the grant of share options is HK$10.0.

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

(B) Long Position in Underlying Shares — Share Options (continued)

Share Option Scheme of the Company (continued)

Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options						Exercise price per share(12)
		Balance as at 1 July 2015	Granted during the year(8)	Exercised during the year	Adjusted during the year(12)	Lapsed during the year	Balance as at 30 June 2016	HK$
19 March 2012	(1)	48,472,228	–	(20,000)(9)	48,279	(48,500,507)	–	9.152
16 November 2012	(2)	6,958,068	–	–	7,057	(640,452)	6,324,673	11.238
22 January 2014	(3)	29,270,884	–	–	29,093	(3,676,986)	25,622,991	9.756
27 October 2014	(4)	33,001,582	–	(75,000)(10)	32,023	(1,352,531)	31,606,074	9.485
7 July 2015	(5)	–	20,100,000	–	20,392	(1,401,420)	18,718,972	9.966
9 March 2016	(6)	–	15,700,000	(375,000)(11)	–	(800,000)	14,525,000	7.200
10 June 2016	(7)	–	38,400,827	–	–	(854,047)	37,546,780	7.540
		117,702,762	74,200,827	(470,000)	136,844	(57,225,943)	134,344,490	

Notes:

(1) Divided into 4 tranches exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.

(2) Divided into 4 tranches exercisable from 16 November 2012, 16 November 2013, 16 November 2014 and 16 November 2015 respectively to 15 November 2016.

(3) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.

(4) Divided into 4 tranches exercisable from 27 October 2014, 27 October 2015, 27 October 2016 and 27 October 2017 respectively to 26 October 2018.

(5) Divided into 4 tranches exercisable from 7 July 2015, 7 July 2016, 7 July 2017 and 7 July 2018 respectively to 6 July 2019.

(6) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

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

(8) The closing price per share immediately before 7 July 2015, 9 March 2016 and 10 June 2016, the dates of offer to grant, was HK$9.72, HK$7.18 and HK$7.52, respectively.

(9) The exercise date was 10 July 2015. On the trading date immediately before the exercise date, the closing price per share was HK$9.24.

(10) The exercise date was 2 July 2015. On the trading date immediately before the exercise date, the closing price per share was HK$10.14.

(11) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$7.546.

(12) The Company declared final dividend for the year ended 30 June 2015 in cash (with scrip option) during the year. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 19 March 2012 was adjusted from HK$9.161 to HK$9.152 on 29 December 2015. The exercise price per share of the share options granted on 16 November 2012 was adjusted from HK$11.249 to HK$11.238 on 29 December 2015. The exercise price per share of the share options granted on 22 January 2014 was adjusted from HK$9.766 to HK$9.756 on 29 December 2015. The exercise price per share of the share options granted on 27 October 2014 was adjusted from HK$9.495 to HK$9.485 on 29 December 2015. The exercise price per share of the share options granted on 7 July 2015 was adjusted from HK$9.976 to HK$9.966 on 29 December 2015.

(13) The cash consideration paid by each participant for the grant of share options is HK$10.0.

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

(B) Long Position in Underlying Shares — Share Options (continued)

Share Option Scheme of the Company (continued)

Share options granted to other eligible participants (continued)

The fair values of the share options granted during the year with exercise prices per share of HK$9.966, HK$7.200 and HK$7.540 are estimated at HK$1.574, HK$1.042 and HK$0.966 per share respectively using the Binomial pricing model. Values are estimated based on the risk-free rate ranging from 0.709% to 1.027% per annum with reference to the market yield rates of the Hong Kong government bond (maturing 30 September 2019 and 22 June 2020) as of the value date, a historical volatility ranging from 26.00% to 30.98% calculated based on the historical price with period equals to the life of the options, assuming dividend yield ranging from 3.82% to 4.26% based on the average dividend yield in the past four to five years and an expected option life of four years.

The Binomial pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Share Option Schemes of New World China Land Limited ("NWCL")

On 26 November 2002, NWCL adopted a share option scheme ("NWCL 2002 Share Option Scheme") pursuant to which employees, including directors of NWCL and its subsidiaries ("NWCL Group"), were given opportunity to obtain equity holdings in NWCL. In anticipation of the expiry of the NWCL 2002 Share Option Scheme, NWCL adopted a new share option scheme ("NWCL 2011 Share Option Scheme") at the annual general meeting of NWCL held on 22 November 2011 and terminated the operation of the NWCL 2002 Share Option Scheme. Any share options which were granted under the NWCL 2002 Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance with the rules of the NWCL 2002 Share Option Scheme.

A summary of share option schemes of NWCL disclosed in accordance with the Listing Rules is as follows:

	NWCL 2002 Share Option Scheme and NWCL 2011 Share Option Scheme
Purpose of the schemes	To provide an opportunity for the full-time or part-time employees, including directors, of NWCL Group to participate in the equity of NWCL as well as to motivate them to optimise their performance.
Participants of the schemes	Full-time or part-time employees, including directors, of NWCL Group.
Total number of shares available for issue under the schemes and percentage of issued shares of NWCL as at the date of this annual report	NWCL had granted share options representing the rights to subscribe for 96,226,400 shares of NWCL under the NWCL 2002 Share Option Scheme up to the date of this report, together with share options representing 6,465,900 shares, 5,357,008 shares and 2,029,087 shares by way of adjustment on the number of share options as a result of NWCL's issue of rights shares which became unconditional on 8 April 2005, 16 November 2009 and 22 December 2011, respectively. No further share options will be granted under the NWCL 2002 Share Option Scheme. NWCL had granted share options representing the rights to subscribe for 41,682,100 shares under the NWCL 2011 Share Option Scheme up to the date of this report. No further share options will be granted under the NWCL 2011 Share Option Scheme.
Maximum entitlement of each participant under the schemes	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the shares in issue unless the same is approved by NWCL's shareholders in general meeting.
The period within which the shares must be taken up under an option	At any time during a period to be notified by NWCL's directors, which period not to exceed five years commencing on the expiry of one month after the date on which the option is accepted and expiring on a date not later than the last day of the five-year period.

Directors' interests in Shares, Underlying Shares and Debentures (continued)

(B) Long Position in Underlying Shares — Share Options (continued)

Share Option Schemes of New World China Land Limited ("NWCL") (continued)

	NWCL 2002 Share Option Scheme and NWCL 2011 Share Option Scheme
The minimum period for which an option must be held before it can be exercised	One month.
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$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.
The basis of determining the exercise price	The exercise price shall be determined by NWCL's directors, being at least the higher of: (a) the closing price of shares as stated in the HKEx's daily quotations sheet on the date of offer, which must be a business day; and (b) the average closing price of shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of offer.
The remaining life of the schemes	The NWCL 2002 Share Option Scheme expired on 26 November 2012. The NWCL 2011 Share Option Scheme was terminated by the shareholders of NWCL on 4 August 2016.

Share options granted to Directors
NWCL 2002 Share Option Scheme

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 1 July 2015	Exercised during the year(3)	Lapsed during the year	Balance as at 30 June 2016	Exercise price per share HK$
Dr. Cheng Kar-Shun, Henry	18 January 2011	(1)	**2,077,922**	**(2,077,922)**	–	–	3.036
Dr. Cheng Chi-Kong, Adrian	18 January 2011	(2)	**935,066**	**(935,066)**	–	–	3.036
Mr. Cheng Kar-Shing, Peter	18 January 2011	(1)	**831,169**	**(831,169)**	–	–	3.036
Mr. Lee Luen-Wai, John	18 January 2011	(1)	**311,688**	**(311,688)**	–	–	3.036
			4,155,845	**(4,155,845)**	–	–	

Notes:

(1) Divided into 5 tranches exercisable from 19 February 2011, 19 February 2012, 19 February 2013, 19 February 2014 and 19 February 2015, respectively to 18 February 2016.

(2) Divided into 3 tranches exercisable from 19 February 2013, 19 February 2014 and 19 February 2015, respectively to 18 February 2016.

(3) The exercise date was 15 January 2016. On the trading date immediately before the exercise date, the closing price per share was HK$7.59.

(4) The cash consideration paid by each of the above Directors for each grant of share options is HK$10.0.

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

(B) Long Position in Underlying Shares — Share Options (continued)

Share Option Schemes of New World China Land Limited ("NWCL") (continued)

Share options granted to other eligible participants

NWCL 2002 Share Option Scheme

Date of grant	Number of share options[1]					Exercise price per share
	Balance as at 1 July 2015	Exercised during the year[2]	Lapsed during the year	Cancelled during the year[4]	Balance as at 30 June 2016	HK$
31 May 2010 to 25 June 2010	39,480	(39,480)	–	–	–	2.349
10 November 2010 to 7 December 2010	593,278	(581,936)	(11,342)	–	–	3.013
18 January 2011 to 14 February 2011	3,933,085	(3,933,085)	–	–	–	3.036
26 July 2011 to 22 August 2011	517,242	(291,842)	–	(225,400)	–	2.705
	5,083,085	(4,846,343)	(11,342)	(225,400)	–	

NWCL 2011 Share Option Scheme

Date of grant	Number of share options[1]						Exercise price per share
	Balance as at 1 July 2015	Granted during the year[3]	Exercised during the year[2]	Lapsed during the year	Cancelled during the year[4]	Balance as at 30 June 2016	HK$
3 May 2012 to 30 May 2012	2,798,400	–	(811,640)	(120,000)	(1,866,760)	–	2.450
22 October 2012 to 16 November 2012	199,100	–	(77,600)	–	(121,500)	–	3.370
7 January 2013 to 1 February 2013	2,738,560	–	(472,600)	(46,040)	(2,219,920)	–	3.880
2 April 2013 to 29 April 2013	1,791,990	–	(290,000)	–	(1,501,990)	–	3.350
24 June 2013 to 25 June 2013	892,400	–	(149,200)	(99,200)	(644,000)	–	2.762
15 October 2013 to 17 October 2013	1,475,100	–	(616,000)	–	(859,100)	–	4.010
9 January 2014 to 13 January 2014	3,371,020	–	(597,537)	(132,060)	(2,641,423)	–	3.970
10 July 2014 to 11 July 2014	874,000	–	(188,000)	–	(686,000)	–	4.720
23 October 2014 to 24 October 2014	802,000	–	(320,800)	–	(481,200)	–	4.420
11 March 2015 to 12 March 2015	10,852,400	–	(595,520)	(298,400)	(9,958,480)	–	4.968
8 May 2015 to 11 May 2015	914,000	–	(82,000)	–	(832,000)	–	5.420
23 July 2015 to 24 July 2015	–	3,206,000	(319,600)	–	(2,886,400)	–	4.504
	26,708,970	3,206,000	(4,520,497)	(695,700)	(24,698,773)	–	

Notes:

(1) The share options are exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary years.

(2) The weighted average closing prices of the shares immediately before the dates on which share options were exercised under the NWCL 2002 Share Option Scheme and the NWCL 2011 Share Option Scheme were HK$6.606 and HK$6.182, respectively.

(3) The closing price per share immediately before 23 July 2015, the date of offer to grant, was HK$4.390.

(4) The share options were cancelled on 1 April 2016 following the acceptances by the NWCL option holders of the cash offer made by The Hongkong and Shanghai Banking Corporation Limited on behalf of Easywin Enterprises Corporation Limited ("Easywin"), a wholly owned subsidiary of the Company, to cancel all outstanding share options held by the NWCL option holders in accordance with the terms set out in the joint announcement of the Company, NWCL and Easywin dated 6 January 2016.

(5) The cash consideration paid by each eligible participant for each grant of share options is HK$10.0.

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

(B) Long Position in Underlying Shares — Share Options (continued)

Share Option Schemes of New World China Land Limited ("NWCL") (continued)

Share options granted to other eligible participants (continued)

NWCL 2011 Share Option Scheme (continued)

The fair value of the share options granted during the year with exercise price per share of HK$4.504 is estimated at HK$1.37 using the Binomial pricing model. Value is estimated based on the risk-free rate of 1.28% per annum with reference to the rate prevailing on the Exchange Fund Notes, a five-year period historical volatility of 38.32%, assuming dividend yield of 0.63% and an expected option life of five years.

The Binomial pricing model required input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Share Option Scheme of NWS Holdings Limited ("NWSH")

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

	NWSH Share Option Scheme
Purpose of the scheme	To reward directors and employees of NWSH and its subsidiaries ("NWSH Group") for their past service or performance; providing incentive and motivation or reward to eligible participants for optimising their performance or making contribution to NWSH Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to NWSH 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 NWSH Group or any invested entity of NWSH Group (the "Invested Entity"); (iii) any supplier of goods or services to any member of NWSH Group or any Invested Entity; (iv) any customer of any member of NWSH Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to NWSH Group or any Invested Entity; (vi) any shareholder of any member of NWSH Group or any Invested Entity or any holder of any securities issued by any member of NWSH 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 NWSH Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of NWSH Group or any Invested Entity in any area of business operation or development.

Directors' interests in Shares, Underlying Shares and Debentures (continued)

(B) Long Position in Underlying Shares — Share Options (continued)

Share Option Scheme of NWS Holdings Limited ("NWSH") (continued)

	NWSH Share Option Scheme
Total number of shares available for issue under the scheme and percentage of issued shares of NWSH as at the date of this annual report	NWSH had granted share options to certain eligible participants to subscribe for a total of 55,560,071 shares of NWSH under the NWSH Share Option Scheme, which include an adjustment made pursuant to the rules of the NWSH Share Option Scheme, up to the date of this report. The total number of shares of NWSH available for issue under the NWSH Share Option Scheme is 284,020,370 representing approximately 7.41% of NWSH's total number of issued shares as at the date of this report.
Maximum entitlement of each participant under the scheme	Unless approved by shareholders of NWSH, 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 1.0% of the total number of shares of NWSH in issue.
The period within which the shares must be taken up under an option	At any time during a period as specified by NWSH's 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 NWSH's 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$10.0 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 NWSH's directors which must be at least the highest of: (i) the closing price of the shares as stated in the HKEx's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five dealing days immediately preceding the date of grant; and (iii) the nominal value of the shares.
The remaining life of the scheme	The NWSH Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 21 November 2011.

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

(B) Long Position in Underlying Shares — Share Options (continued)

Share Option Scheme of NWS Holdings Limited ("NWSH") (continued)

Share options granted to Director

Name	Date of grant	Exercisable period (Note)	Number of share options					Exercise price per share(3)
			Balance as at 1 July 2015	Granted during the year	Adjusted during the year(2)	Exercised during the year	Balance as at 30 June 2016	HK$
Dr. Cheng Kar-Shun, Henry	9 March 2015	(1)	**7,401,080**	–	**10,978**	–	**7,412,058**	14.137

Notes:

(1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

(2) NWSH declared final dividend for the year ended 30 June 2015 and interim dividend for the six months ended 31 December 2015 in scrip form (with cash option) during the year. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$14.158 to HK$14.145 on 29 December 2015, and further to HK$14.137 on 16 May 2016.

(3) The cash consideration paid by the above Director for the grant of share options is HK$10.0.

Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options						Exercise price per share(2)
		Balance as at 1 July 2015	Granted during the year	Adjusted during the year(2)	Exercised during the year	Lapsed during the year	Balance as at 30 June 2016	HK$
9 March 2015	(1)	**48,076,973**	–	**71,040**	–	**(284,248)**	**47,863,765**	14.137

Notes:

(1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

(2) NWSH declared final dividend for the year ended 30 June 2015 and interim dividend for the six months ended 31 December 2015 in scrip form (with cash option) during the year. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$14.158 to HK$14.145 on 29 December 2015, and further to HK$14.137 on 16 May 2016.

(3) The cash consideration paid by each eligible participant for each grant of share options is HK$10.0.

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

(B) Long Position in Underlying Shares — Share Options (continued)

Share Option Scheme of New World Department Store China Limited ("NWDS")

On 12 June 2007, NWDS adopted a share option scheme (the "NWDS Share Option Scheme"). Under the NWDS Share Option Scheme, the directors of NWDS may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in NWDS.

Summary of the NWDS Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

	NWDS Share Option Scheme
Purpose of the scheme	The purpose of the NWDS Share Option Scheme is to attract and retain the best available personnel and to provide additional incentives to employees, directors, consultants, business associates and advisers of NWDS to promote the success of NWDS and its subsidiaries ("NWDS Group").
Participants of the scheme	The directors of NWDS may offer any employee (whether full-time or part-time), director, consultant, business associate or adviser of NWDS Group options to subscribe for shares of NWDS at a price calculated in accordance with the terms of the NWDS Share Option Scheme.
Total number of shares available for issue under the scheme and percentage of issued shares of NWDS as at the date of this annual report	No share option has been granted during the year under the NWDS Share Option Scheme up to the date of this report. NWDS may grant share options to subscribe for 162,520,000 shares of NWDS, representing approximately 9.64% of the total number of issued shares of NWDS as at the date of this report.
Maximum entitlement of each participant under the scheme	Unless approved by shareholders of NWDS in the manner as set out in the NWDS Share Option Scheme, the total number of shares of NWDS issued and to be issued upon exercise of the options granted to each eligible person (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the relevant class of securities of NWDS in issue.
The period within which the shares must be taken up under an option	A period to commence not less than one year and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Not less than one year upon the grant of options by the directors of NWDS.
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	The amount payable for the acceptance of an option shall be the sum of HK$1.0 which shall be paid upon acceptance of the offer of such option. An offer of an option must be made by NWDS in writing on a business day and accepted in writing by the participant in such manner as the board of directors of NWDS may prescribe within 21 calendar days (from and including the date of the offer by NWDS) of the same being made and if not so accepted such offer shall lapse.
The basis of determining the exercise price	The exercise price is determined by the directors of NWDS and shall be not less than the higher of (i) the closing price of the shares as stated in the HKEx's daily quotations sheet on the date of grant of option; (ii) the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of grant of option; and (iii) the nominal value of the shares.
The remaining life of the scheme	The NWDS Share Option Scheme shall be valid and effective for a period not to exceed 10 years from the date of adoption, i.e. 12 June 2007.

During the year ended 30 June 2016, no share option of NWDS has been granted under the NWDS Share Option Scheme.

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

(C) Long Position in Debentures

(1) Fita International Limited ("Fita")

Name	Amount of debentures in US$ issued by Fita				Approximate % to the total amount of debentures in issue as at 30 June 2016
	Personal interests US$	Family interests US$	Corporate interests US$	Total US$	
Mr. Doo Wai-Hoi, William	–	2,900,000	12,890,000[(1)]	15,790,000	2.11
Mr. Lee Luen-Wai, John	1,000,000	1,000,000	–	2,000,000	0.27
	1,000,000	3,900,000	12,890,000	17,790,000	

Note:

(1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

(2) NWCL

Name	Amount of debentures issued by NWCL				Approximate % to the total amount of debentures in issue as at 30 June 2016
	Personal interests RMB	Family interests RMB	Corporate interests RMB	Total RMB	
Mr. Doo Wai-Hoi, William	–	65,896,000[(1)]	1,142,041,200[(2)]	1,207,937,200	12.89
Mr. Cheng Kar-Shing, Peter	–	12,256,000[(3)]	16,000,000[(4)]	28,256,000	0.30
	–	78,152,000	1,158,041,200	1,236,193,200	

Notes:

(1) These debentures are held by the spouse of Mr. Doo Wai-Hoi, William, of which RMB42,896,000 debentures were issued in US$ and had been translated into RMB using the rate of US$1.0=RMB6.128.

(2) These debentures are held by companies which are wholly owned by Mr. Doo Wai-Hoi, William, of which RMB584,611,200 debentures were issued in US$ and had been translated into RMB using the rate of US$1.0=RMB6.128 and RMB118,800,000 debentures were issued in HK$ and had been translated into RMB using the rate of HK$1.0=RMB0.8.

(3) These debentures are jointly-held by Mr. Cheng Kar-Shing, Peter and his spouse, all of which were issued in US$ and had been translated into RMB using the rate of US$1.0=RMB6.128.

(4) These debentures are beneficially owned by a company which is wholly owned by Mr. Cheng Kar-Shing, Peter.

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

(C) Long Position in Debentures (continued)

(3) NWD (MTN) Limited ("NWD (MTN)")

Name	Amount of debentures issued by NWD (MTN)				Approximate % to the total amount of debentures in issue as at 30 June 2016
	Personal interests HK$	Family interests HK$	Corporate interests HK$	Total HK$	
Mr. Doo Wai-Hoi, William	–	23,400,000(1)	156,000,000(2)	179,400,000	0.90
Ms. Ki Man-Fung, Leonie	11,800,000(3)	–	–	11,800,000	0.06
	11,800,000	23,400,000	156,000,000	191,200,000	

Notes:

(1) These debentures were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

(2) These debentures are beneficially owned by a company which is wholly owned by Mr. Doo Wai-Hoi, William and were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

(3) HK$7,800,000 debentures were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

(4) Rosy Unicorn Limited ("Rosy Unicorn")

Name	Amount of debentures in US$ issued by Rosy Unicorn				Approximate % to the total amount of debentures in issue as at 30 June 2016
	Personal interests US$	Family interests US$	Corporate interests US$	Total US$	
Mr. Doo Wai-Hoi, William	–	51,500,000	28,330,000(1)	79,830,000	15.97

Note:

(1) These debentures are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executive had or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

At 30 June 2016, the Group had given financial assistance and guarantees to its joint ventures and associated companies (collectively "affiliated companies") as set out below:

	2016 HK$m	2015 HK$m
Amounts due by affiliated companies	**27,866.9**	24,181.7
Guarantees given for affiliated companies in respect of banking and other credit facilities	**5,762.7**	4,249.4
Commitments to capital injections and loan contributions	**2,372.6**	2,105.3
	36,002.2	30,536.4

(1) The advances were unsecured and were interest free except for an aggregate amount of HK$7,401.4 million (2015: HK$6,012.2 million) which carried interest ranging from 1.3% above HIBOR to 10.0% per annum (2015: from 1.3% above HIBOR to 10.0% per annum). The advances had no fixed repayment terms.

(2) Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interests in those affiliated companies as at 30 June 2016 are presented as follows:

	Combined statement of financial position HK$m	**Group's attributable interests HK$m**
Non-current assets	**170,612.0**	**65,573.1**
Current assets	**36,974.2**	**15,684.8**
Current liabilities	**(41,332.0)**	**(17,203.3)**
Total assets less current liabilities	**166,254.2**	**64,054.6**
Non-current liabilities	**(92,161.0)**	**(38,771.9)**
Net assets	**74,093.2**	**25,282.7**

The combined statement of financial position of the affiliated companies was 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 2016.

Independent Auditor's Report

pwc

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NEW WORLD DEVELOPMENT COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of New World Development Company Limited (the "Company") and its subsidiaries set out on pages 108 to 199, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 30 June 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 September 2016

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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Consolidated Income Statement

For the year ended 30 June 2016

	Notes	2016 HK$m	2015 HK$m
Revenues	6	**59,570.0**	55,245.0
Cost of sales		**(41,047.6)**	(35,939.0)
Gross profit		**18,522.4**	19,306.0
Other income	7	**923.5**	31.8
Other gains, net	8	**6,454.1**	15,276.4
Selling and marketing expenses		**(1,768.8)**	(1,957.9)
Administrative and other operating expenses		**(7,855.2)**	(7,850.9)
Changes in fair value of investment properties	16	**307.3**	3,165.5
Operating profit	9	**16,583.3**	27,970.9
Financing income		**1,399.0**	1,130.2
Financing costs	10	**(1,935.7)**	(1,621.9)
		16,046.6	27,479.2
Share of results of			
Joint ventures		**1,678.4**	4,319.2
Associated companies		**982.1**	(661.9)
Profit before taxation		**18,707.1**	31,136.5
Taxation	11	**(6,423.7)**	(4,264.4)
Profit for the year		**12,283.4**	26,872.1
Attributable to:			
Shareholders of the Company	38	**8,666.3**	19,112.0
Non-controlling interests		**3,617.1**	7,760.1
		12,283.4	26,872.1
Earnings per share	12		
Basic		**HK$0.95**	HK$2.17
Diluted		**HK$0.95**	HK$2.17

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

	2016 HK$m	2015 HK$m
Profit for the year	**12,283.4**	26,872.1
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights	**20.1**	303.4
— deferred tax arising from revaluation thereof	**(5.0)**	(7.5)
Remeasurement of post employment benefit obligation	**(15.1)**	3.6
Reversal of reserve upon reclassification of an available-for-sale financial asset as an associated company	**–**	717.2
Items that had been reclassified/may be reclassified subsequently to profit or loss		
Fair value changes of available-for-sale financial assets	**(1,074.9)**	295.2
— deferred tax arising from fair value changes thereof	**–**	(58.0)
Release of investment revaluation deficit to the income statement upon impairment of an available-for-sale financial asset	**670.4**	–
Release of reserve upon disposal of available-for-sale financial assets	**(422.5)**	(138.9)
— deferred tax arising from release of reserve upon disposal thereof	**106.5**	–
Release of reserves upon disposal of subsidiaries	**(980.3)**	(14.0)
Release of reserve upon disposal of interest in a joint venture and partial disposal of interest in an associated company	**(4.0)**	(46.6)
Share of other comprehensive income of joint ventures and associated companies	**(1,999.6)**	(303.3)
Cash flow hedges	**(12.1)**	(1.1)
Translation differences	**(4,079.9)**	(190.9)
Other comprehensive income for the year	**(7,796.4)**	559.1
Total comprehensive income for the year	**4,487.0**	27,431.2
Attributable to:		
Shareholders of the Company	**2,853.8**	19,704.2
Non-controlling interests	**1,633.2**	7,727.0
	4,487.0	27,431.2

Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	2016 HK$m	2015 HK$m
Assets			
Non-current assets			
Investment properties	16	**86,597.0**	91,625.0
Property, plant and equipment	17	**23,872.5**	20,483.8
Land use rights	18	**1,932.2**	2,343.4
Intangible concession rights	19	**12,906.4**	14,797.8
Intangible assets	20	**2,702.3**	2,864.1
Interests in joint ventures	21	**50,353.0**	49,451.9
Interests in associated companies	22	**19,057.0**	17,731.7
Available-for-sale financial assets	23	**10,079.2**	6,909.2
Held-to-maturity investments	24	**42.9**	41.4
Financial assets at fair value through profit or loss	32	**695.1**	847.0
Derivative financial instruments	25	**81.4**	39.5
Properties for development	26	**18,556.9**	26,604.5
Deferred tax assets	27	**684.9**	673.3
Other non-current assets	28	**5,610.1**	1,770.4
		233,170.9	236,183.0
Current assets			
Properties under development	29	**50,755.0**	51,578.4
Properties held for sale		**21,163.2**	26,375.5
Inventories	30	**665.7**	707.5
Debtors and prepayments	31	**25,481.1**	21,227.9
Available-for-sale financial assets	23	**1,799.8**	–
Financial assets at fair value through profit or loss	32	**0.1**	0.2
Derivative financial instruments	25	**19.3**	30.4
Restricted bank balances	33	**205.7**	113.5
Cash and bank balances	33	**54,965.1**	59,351.7
		155,055.0	159,385.1
Non-current assets classified as assets held for sale	35	**3,882.7**	2,362.6
		158,937.7	161,747.7
Total assets		**392,108.6**	397,930.7
Equity			
Share capital	36	**69,599.8**	66,711.6
Reserves	38	**109,973.6**	112,207.0
Shareholders' funds		**179,573.4**	178,918.6
Non-controlling interests	37	**21,321.9**	43,439.4
Total equity		**200,895.3**	222,358.0

Consolidated Statement of Financial Position (continued)

As at 30 June 2016

	Notes	2016 HK$m	2015 HK$m
Liabilities			
Non-current liabilities			
Long-term borrowings	39	**114,842.4**	83,638.4
Deferred tax liabilities	27	**8,453.2**	9,288.0
Derivative financial instruments	25	**794.0**	847.4
Other non-current liabilities	40	**601.2**	795.8
		124,690.8	94,569.6
Current liabilities			
Creditors and accrued charges	41	**38,190.9**	40,605.5
Current portion of long-term borrowings	39	**16,828.1**	27,256.9
Derivative financial instruments	25	**186.0**	–
Short-term borrowings	39	**3,261.6**	6,261.2
Current tax payable		**7,972.6**	5,951.6
		66,439.2	80,075.2
Liabilities directly associated with non-current assets classified as assets held for sale	35	**83.3**	927.9
		66,522.5	81,003.1
Total liabilities		**191,213.3**	175,572.7
Total equity and liabilities		**392,108.6**	397,930.7

Dr. Cheng Kar-Shun, Henry
Director

Dr. Cheng Chi-Kong, Adrian
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Share capital HK$m	Retained profits HK$m	Other reserves HK$m	Shareholders' funds HK$m	Non-controlling interests HK$m	Total HK$m
At 1 July 2015	66,711.6	98,427.6	13,779.4	178,918.6	43,439.4	222,358.0
Comprehensive income						
Profit for the year	–	8,666.3	–	8,666.3	3,617.1	12,283.4
Other comprehensive income						
Fair value changes of available-for-sale financial assets	–	–	(837.1)	(837.1)	(237.8)	(1,074.9)
Release of reserve upon disposal of available-for-sale financial assets, net of taxation	–	–	(286.0)	(286.0)	(30.0)	(316.0)
Release of investment revaluation deficit to the income statement upon impairment of an available-for-sale financial asset	–	–	411.1	411.1	259.3	670.4
Release of reserves upon disposal of subsidiaries	–	–	(771.9)	(771.9)	(208.4)	(980.3)
Release of reserve upon disposal of interest in a joint venture	–	–	(4.0)	(4.0)	–	(4.0)
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	–	–	10.9	10.9	4.2	15.1
Share of other comprehensive income of joint ventures and associated companies	–	(8.9)	(1,291.5)	(1,300.4)	(699.2)	(1,999.6)
Remeasurement of post employment benefit obligation	–	(8.0)	(1.4)	(9.4)	(5.7)	(15.1)
Cash flow hedges	–	–	(7.4)	(7.4)	(4.7)	(12.1)
Translation differences	–	–	(3,018.3)	(3,018.3)	(1,061.6)	(4,079.9)
Other comprehensive income for the year	–	(16.9)	(5,795.6)	(5,812.5)	(1,983.9)	(7,796.4)
Total comprehensive income for the year	–	8,649.4	(5,795.6)	2,853.8	1,633.2	4,487.0
Transactions with owners						
Contributions by/(distributions to) owners						
Dividends	–	(3,903.8)	–	(3,903.8)	(1,144.8)	(5,048.6)
Contributions from non-controlling interests	–	–	–	–	130.9	130.9
Issue of new shares as scrip dividends	2,884.6	–	–	2,884.6	–	2,884.6
Issue of new shares upon exercise of share options	3.6	–	–	3.6	–	3.6
Employees' share-based payments	–	–	77.7	77.7	11.6	89.3
Share options lapsed	–	307.6	(307.6)	–	–	–
Transfer of reserves	–	(33.3)	33.3	–	–	–
	2,888.2	(3,629.5)	(196.6)	(937.9)	(1,002.3)	(1,940.2)
Changes in ownership interests in subsidiaries						
Acquisition of subsidiaries (note 45(b))	–	–	–	–	2.1	2.1
Disposal of subsidiaries (note 45(d))	–	–	–	–	(236.5)	(236.5)
Acquisition of additional interests in subsidiaries (note)	–	(2,117.8)	889.8	(1,228.0)	(22,829.2)	(24,057.2)
Deemed disposal of interests in subsidiaries	–	(33.1)	–	(33.1)	315.2	282.1
	–	(2,150.9)	889.8	(1,261.1)	(22,748.4)	(24,009.5)
Total transactions with owners	2,888.2	(5,780.4)	693.2	(2,199.0)	(23,750.7)	(25,949.7)
At 30 June 2016	69,599.8	101,296.6	8,677.0	179,573.4	21,321.9	200,895.3

Note:

The acquisition of additional interests in subsidiaries mainly includes the privatisation of New World China Land Limited ("NWCL") (note 37).

Consolidated Statement of Changes in Equity (continued)

For the year ended 30 June 2016

	Share capital HK$m	Retained profits HK$m	Other reserves HK$m	Share-holders' funds HK$m	Non-controlling interests HK$m	Total HK$m
At 1 July 2014	63,761.3	82,746.4	13,300.6	159,808.3	40,468.2	200,276.5
Comprehensive income						
Profit for the year	–	19,112.0	–	19,112.0	7,760.1	26,872.1
Other comprehensive income						
Fair value changes of available-for-sale financial assets, net of taxation	–	–	311.7	311.7	(74.5)	237.2
Release of reserve upon disposal of available-for-sale financial assets	–	–	(101.8)	(101.8)	(37.1)	(138.9)
Reversal of reserve upon reclassification of an available-for-sale financial asset as an associated company	–	–	439.8	439.8	277.4	717.2
Release of reserves upon disposal of subsidiaries	–	58.0	(67.7)	(9.7)	(4.3)	(14.0)
Release of reserve upon partial disposal of interest in an associated company	–	–	(28.6)	(28.6)	(18.0)	(46.6)
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	–	–	289.7	289.7	6.2	295.9
Share of other comprehensive income of joint ventures and associated companies	–	(17.9)	(169.9)	(187.8)	(115.5)	(303.3)
Remeasurement of post employment benefit obligation	–	3.0	(0.8)	2.2	1.4	3.6
Cash flow hedges	–	–	(0.7)	(0.7)	(0.4)	(1.1)
Translation differences	–	–	(122.6)	(122.6)	(68.3)	(190.9)
Other comprehensive income for the year	–	43.1	549.1	592.2	(33.1)	559.1
Total comprehensive income for the year	–	19,155.1	549.1	19,704.2	7,727.0	27,431.2
Transactions with owners						
Contributions by/(distributions to) owners						
Dividends	–	(3,666.7)	–	(3,666.7)	(5,185.8)	(8,852.5)
Issue of new shares as scrip dividends	2,802.0	–	–	2,802.0	–	2,802.0
Issue of new shares upon exercise of share options	148.3	–	–	148.3	–	148.3
Employees' share-based payments	–	–	137.4	137.4	37.6	175.0
Share options lapsed	–	10.1	(10.1)	–	–	–
Transfer of reserves	–	197.6	(197.6)	–	–	–
	2,950.3	(3,459.0)	(70.3)	(579.0)	(5,148.2)	(5,727.2)
Changes in ownership interests in subsidiaries						
Acquisition of subsidiaries (note 45(b))	–	–	–	–	197.9	197.9
Acquisition of additional interests in subsidiaries	–	(1.4)	–	(1.4)	163.7	162.3
Deemed disposal of interests in subsidiaries	–	(13.5)	–	(13.5)	30.8	17.3
	–	(14.9)	–	(14.9)	392.4	377.5
Total transactions with owners	2,950.3	(3,473.9)	(70.3)	(593.9)	(4,755.8)	(5,349.7)
At 30 June 2015	66,711.6	98,427.6	13,779.4	178,918.6	43,439.4	222,358.0

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Notes	2016 HK$m	2015 HK$m
Cash flows from operating activities			
Net cash generated from operations	45(a)	12,364.6	13,828.6
Hong Kong profits tax paid		(1,202.7)	(764.8)
Mainland China and overseas taxation paid		(3,155.9)	(3,217.2)
Net cash from operating activities		8,006.0	9,846.6
Cash flows from investing activities			
Interest received		734.6	1,022.0
Dividends received from			
Joint ventures		1,491.3	3,652.4
Associated companies		615.3	258.1
Available-for-sale financial assets, perpetual securities and a financial asset at fair value through profit or loss		693.9	31.8
Additions of investment properties, property, plant and equipment, intangible concession rights and intangible assets		(8,920.9)	(8,987.3)
(Increase)/decrease in interests in joint ventures		(2,578.4)	397.4
Increase in interests in associated companies		(1,678.9)	(3,716.5)
Increase in other non-current assets		(53.6)	(157.5)
Increase in short-term bank deposits maturing after more than three months		(23.9)	(7.8)
Refund of deposits from potential investments		–	2,375.0
Acquisition of subsidiaries (net of cash and cash equivalents)	45(c)	(14.2)	(3,398.9)
Purchase of available-for-sale financial assets, perpetual securities and financial assets at fair value through profit or loss		(7,818.1)	(1,178.2)
Proceeds from disposal of			
Associated companies		33.8	–
Available-for-sale financial assets and financial assets at fair value through profit or loss		1,508.0	715.2
Investment properties, property, plant and equipment and intangible concession rights and their related assets and liabilities		1,996.8	572.7
Joint ventures		189.5	–
Non-current assets classified as assets held for sale		2,894.2	382.5
Subsidiaries (net of cash and cash equivalents)	45(e)	11,538.6	9,686.9
Net cash from investing activities		608.0	1,647.8
Cash flows from financing activities			
Issue of fixed rate bonds and notes payable, net of transaction costs		8,590.0	7,907.3
Redemption of fixed rate bonds		–	(6,558.6)
New bank and other loans		43,570.8	22,135.3
Repayment of bank and other loans		(31,776.6)	(26,421.4)
Decrease in loans from non-controlling shareholders		(1,439.7)	(576.5)
Increase in restricted bank balances		(92.2)	(16.1)
Increase in interests in subsidiaries		(23,975.1)	–
Issue of shares		3.6	148.3
Contributions from non-controlling interests		130.9	–
Interest paid		(5,654.0)	(4,869.4)
Dividends paid to shareholders of the Company		(1,019.2)	(864.7)
Dividends paid to non-controlling shareholders		(863.0)	(4,562.6)
Net cash used in financing activities		(12,524.5)	(13,678.4)
Net decrease in cash and cash equivalents		(3,910.5)	(2,184.0)
Cash and cash equivalents at beginning of the year		58,860.5	61,077.4
Translation differences		(652.5)	(32.9)
Cash and cash equivalents at end of the year		54,297.5	58,860.5
Analysis of cash and cash equivalents			
Cash at banks and on hand	33	30,129.1	22,954.4
Short-term bank deposits maturing within three months		24,155.9	35,741.1
Cash and bank balances of subsidiaries transferred to non-current assets classified as assets held for sale	35(a)	12.5	165.0
		54,297.5	58,860.5

Notes to the Financial Statements

1 General Information

New World Development Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of its registered office is 30/F, New World Tower, 18 Queen's Road Central, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (together the "Group") are principally engaged in property development and investment, construction, provision of services (including property and facility management, transport and other services), infrastructure operations (including the operation of roads, environment projects, commercial aircraft leasing, container handling, logistics and warehousing services), hotel operations, department store operations, telecommunications, media, technology and other strategic businesses.

These consolidated financial statements have been approved by the Board of Directors on 21 September 2016.

2 Basis of Preparation

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

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 revised standards, amendments to standards and interpretation

There are no standard, amendment to standard or interpretation that are effective for the first time for the financial year ended 30 June 2016.

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

The following new standards and amendments to standards are mandatory for accounting periods beginning on or after 1 July 2016 or later periods but which the Group has not early adopted:

HKFRS 9 (2014)	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS10, HKFRS12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvement Project	Annual Improvements 2012–2014 Cycle

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

2 Basis of Preparation (continued)

(c) Hong Kong Companies Ordinance (Cap.622)

The consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as they apply to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of section 380(6), the Company has departed from section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in notes 3(a)(ii) and 3(a)(iii). Those excluded subsidiary undertakings of the Group are disclosed in notes 50 and 51.

3 Principal Accounting Policies

The principal accounting policies adopted for the preparation of these consolidated financial statements, which have been consistently applied to all the years presented, unless otherwise stated, 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

A subsidiary is an entity (including a structured entity) over 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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. 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 at the acquisition date. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice, on the basis of each acquisition to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 recognised in profit or loss. The fair value is the carrying amount for the purposes of subsequently accounting for the retained interest as associated companies, joint ventures or financial assets. In addition, any amounts previously recognised 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. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

The Company's investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3 Principal Accounting Policies (continued)

(a) Consolidation (continued)

(ii) Joint arrangements

Under HKFRS 11, interests in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations of each investor.

(1) Joint ventures

The Group recognises its interests in joint ventures using equity method of accounting. Interests in joint ventures are stated in the consolidated financial statements at cost (including goodwill on acquisition) plus the share of post-acquisition results and movements in other comprehensive income less provision for impairment losses. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired joint ventures at the date of acquisition.

The Group's interests in joint ventures include the loans and advances to the joint ventures which, in substance, form part of the Group's interests in the joint ventures. The loans and advances to the joint ventures are a form of commercial arrangement between the parties to the joint ventures to finance the development of projects and viewed as a mean by which the Group invests in the relevant projects. These loans and advances have no fixed repayment terms and will be repaid when the relevant joint venture has surplus cash flow.

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

(a) Equity joint ventures/joint ventures in wholly foreign owned enterprises

Equity joint ventures/joint ventures in wholly foreign owned enterprises 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 and share of net assets of the venturers are in proportion to the capital contribution ratios.

(b) 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.

(c) 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.

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

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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

The Company's interests in joint ventures are stated at cost less provision for impairment losses. The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

3 Principal Accounting Policies (continued)

(a) Consolidation (continued)

(ii) Joint arrangements (continued)

(2) Joint operations

The assets that the Group has the rights and the liabilities that the Group has the obligations in relation to the joint operations are recognised in the statement of financial position on an accrual basis and classified according to the nature of the item. The share of expenses that the Group incurs and its share of income that it earns from the joint operations are included in the consolidated income statement.

(iii) Associated companies

An associated company is a company other than a subsidiary and a joint venture, in which the Group has significant influence, but not control, exercised through representatives on the board of directors.

Interests in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's interests in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associated companies at the date of acquisition. The interests in associated companies also include long-term interest that, in substance, form part of the Group's net investment in the associated companies.

The Group's share of its associated companies' post acquisition profits or losses is recognised in the consolidated income statement, and the share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of 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 interests in the associated company, including any other unsecured receivable, the Group does not recognise further losses, unless it has incurred legal and constructive obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies. Unrealised 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.

The Company's interests in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend income received and receivable.

Gains or losses on deemed disposal on dilution arising from interests in associated companies are recognised in the consolidated income statement.

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

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

(iv) Transactions with non-controlling interests

Non-controlling interests is 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.

3 Principal Accounting Policies (continued)

(b) Intangible assets

(i) Goodwill

Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill arising on acquisitions of joint ventures and associated companies is included in interests in joint ventures and associated companies respectively and is tested for impairment as part of overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or 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 for the purpose of testing for impairment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Trademarks

Separately acquired trademarks are recognised at initial cost. Trademarks acquired in a business combination are recognised at fair value at the date of acquisition. Trademarks with indefinite life are carried at cost less impairment and are not amortised.

(iii) Hotel management contracts

Separately acquired hotel management contracts are shown at historical cost. Hotel management contracts acquired in a business combination are recognised at fair value at the date of acquisition. Hotel management contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of hotel management contracts over their estimated useful lives of 20 years.

(iv) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the date of acquisition. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 20 years.

(v) Process, technology and know-how

Process, technology and know-how acquired in a business combination are recognised at fair value at the date of acquisition. Process, technology and know-how have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of process, technology and know-how over their estimated useful lives of 10 years.

(vi) Operating right

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

(vii) Intangible concession rights

The Group has entered into various service arrangements ("Service Concessions") with local government authorities for its participation in the development, financing, operation and maintenance of various infrastructures for public services, such as toll roads and bridges, power plants and water treatment plants (the "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 change 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.

3 Principal Accounting Policies (continued)

(b) Intangible assets (continued)

(vii) Intangible concession rights (continued)

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.

Amortisation 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 amortisation is provided based on the ratio of actual volume compared to the total projected volume or on a straight-line basis for water treatment plants 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.

(c) Non-current assets or disposal groups classified as assets held for sale

Non-current assets or disposal groups 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 non-current assets held for sale are stated at fair value at the end of the reporting period.

(d) Land use rights

The upfront prepayments made for the land use rights held under operating leases are 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.

(e) 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 conducted at the end of each reporting period. Changes in fair value are recognised in the consolidated income statement.

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.

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

3 Principal Accounting Policies (continued)

(f) 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 assets. Subsequent costs are included in the carrying amount of the assets or recognised 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 the replaced part is derecognised. All other repair 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 carrying value of an asset 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 capitalised as the costs of the assets.

(ii) Depreciation

No depreciation is provided on assets under construction until such time when the relevant assets are completed and available for intended use.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 10 to over 50 years or useful life
Buildings	20 to 40 years
Other assets	2 to 25 years

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 recognised in the consolidated income statement.

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

Non-financial assets that have an indefinite useful life, for example goodwill, or have not yet been available for use are not subject to amortisation 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 recognised 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 of disposal and value in use. For the purpose of assessing impairment, assets are grouped as cash-generating units 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.

Impairment testing of the interests in subsidiaries, joint ventures or associated companies is required upon receiving dividends from these interests if the dividend exceeds the total comprehensive income of the subsidiary, joint venture or associated companies in the period the dividend is declared or if the carrying amount of the interest in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3 Principal Accounting Policies (continued)

(h) Investments

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

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

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 under certain circumstances. 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 the category are classified as current assets are 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 or services directly to a debtor with no intention of trading the receivable and are included in current assets, except for those with maturities more than 12 months after the end of the reporting period, which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iv) 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 or expects to realise the investment within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised 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 recognised at fair value and transaction cost are expensed in the consolidated income statement. Financial assets are derecognised 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.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the consolidated income statement in the financial period in which they arise. Changes in the fair value of available-for-sale financial assets are recognised 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. Changes in the fair value of monetary financial assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the financial asset and other changes in the carrying amount of the financial asset. The translation differences on monetary financial assets are recognised in the consolidated income statement; translation differences on non-monetary financial assets are recognised in other comprehensive income.

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

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

3 Principal Accounting Policies (continued)

(i) Derivative financial instruments

A derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value at the end of each reporting period. The change in the fair value is recognised in the consolidated income statement.

(j) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (1) adverse changes in the payment status of borrowers in the portfolio;

  (2) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. 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 recognised in the consolidated income statement — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

3 Principal Accounting Policies (continued)

(k) Properties for/under development

Properties for/under development comprise leasehold land and land use rights, development expenditure and borrowing costs capitalised, and are carried at the lower of cost and net realisable value. Properties under development included in the current assets are expected to be realised in, or is intended for sale in the Group's normal operating cycle.

(l) Properties held for sale

Properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(n) Contracts in progress

Contracts in progress comprise contract cost incurred, plus recognised profits (less recognised 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 works, 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.

The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognise 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 works, for all contracts in progress for which costs incurred plus recognised profits (less recognised 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 works, for all contracts in progress for progress billings exceed costs incurred plus recognised profits (less recognised losses).

(o) Trade and other debtors

Trade and other debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other debtors 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 debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(p) 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.

(q) 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.

(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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3 Principal Accounting Policies (continued)

(s) Provisions

Provisions are recognised 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 will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow 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 recognised as interest expense.

(t) 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 recognised 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, other than that assumed in a business combination, is not recognised 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 recognised 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 recognised 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 recognised.

(u) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised 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, joint ventures and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax liabilities are not recognised 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 realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associated companies, 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.

3 Principal Accounting Policies (continued)

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement or capitalised on the basis set out in note 3(y) over the period of the borrowings using the effective interest method where appropriate.

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.

(w) 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 recognised 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. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Rental

Rental is recognised in the consolidated income statement on a straight-line basis over the lease term.

(ii) Property sales

Sale of properties is recognised when the risks and rewards of the properties are passed to the purchasers. Deposits and installments received on properties sold prior to their completion are included in current liabilities.

(iii) Construction revenue

Revenue from construction service contracts is recognised using the percentage of completion method when the contracts have progressed to a stage where an outcome can be estimated reliably. Revenue from construction service contracts 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.

When the outcome of construction service contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

(iv) Service fees

Property management service fee and property letting agency fee are recognised when services are rendered.

(v) Infrastructure operations

Toll revenue from road and bridge operations, income from port operation, cargo, container handling and storage are recognised when services are rendered.

(vi) Hotel operations

Revenue from hotel and restaurant operations is recognised upon provision of the services.

(vii) Department store operations

Sale of goods and merchandise is recognised upon delivery of goods.

Income from concessionaire sale is recognised upon the sale of goods and merchandise by the relevant stores.

(viii) Interest

Interest is recognised 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 unwinding the discount as interest income. Interest income on impaired receivables is recognised using the original effective interest rate.

(ix) Dividend

Dividend is recognised when the right to receive payment is established.

3 Principal Accounting Policies (continued)

(x) 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 capitalised 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 balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities, as creditors and accrued charges. 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.

Assets held under finance leases are depreciated on the basis described in note 3(f)(ii) above.

(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.

(y) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

(z) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised 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 recognised until the time of leave.

(ii) Bonus plans

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

(iii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans, including the Mandatory Provident Fund Scheme and employee pension schemes established by municipal government in The People's Republic of China ("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.

3 Principal Accounting Policies (continued)

(z) Employee benefits (continued)

(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 service and compensation.

The liability recognised 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 of 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. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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

Past-service costs are recognised immediately in the consolidated income statement.

(v) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share options is recognised 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 recognises 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) when the options are exercised.

On lapse of share options according to the plan, corresponding amount recognised in employees' share-based compensation reserve is transferred to retained profits.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(aa) 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 dollar, 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 ruling at the end of the reporting period are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on financial assets and liabilities held at fair value through profit or loss is reported as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets are included in equity.

3 Principal Accounting Policies (continued)

(aa) Foreign currencies (continued)

(iii) Group companies

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

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

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

(3) all resulting exchange differences are recognised as a separate component of equity; and

(4) 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 profit or loss.

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 are not recognised in profit or loss. 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 profit or loss.

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 exchange rate ruling at the end of the reporting period.

(ab) 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. If the carrying amount of the relevant insurance liabilities less than the best estimate of the expenditure required to settle the relevant insurance liabilities at the end of the reporting period, the Group recognises the entire difference in profit or loss. These estimates are recognised only when the outflow is probable and the estimates can be reliably measured.

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers, guarantees provided to its related parties and tax indemnity provided to its non-wholly owned subsidiary as insurance contracts.

(ac) Segment reporting

Operating segments 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 of the Board of Directors of the Company that makes strategic decisions.

Segment assets consist primarily of property, plant and equipment, land use rights, investment properties, intangible concession rights, intangible assets, available-for-sale financial assets, held-to-maturity investments, financial assets at fair value through profit or loss, properties for development, other non-current assets, properties under development, properties held for sale, inventories and receivables and exclude derivative financial instruments, deferred tax assets, restricted bank balances and cash and bank balances. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings.

(ad) Dividend distribution

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

4 Financial Risk Management and Fair Value Estimation

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

The Group has centralised treasury function for all of its subsidiaries except for listed subsidiaries which arrange their financial and treasury affairs on a stand-alone basis and in a manner consistent with the overall policies of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group's operations is 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 currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider entering into forward foreign exchange contracts to reduce the exposure should the need arises.

At 30 June 2016, the Group's entities with functional currency of Hong Kong dollar had aggregate United States dollar net monetary liabilities of HK$25,301.7 million (2015: HK$7,428.9 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 are no significant foreign exchange risk with respect to the United States dollar.

At 30 June 2016, the Group's entities with functional currency of Hong Kong dollar had aggregate Renminbi net monetary assets of HK$1,841.3 million (2015: HK$8,783.6 million). If Hong Kong dollar had strengthened/weakened by 5% (2015: 5%) against Renminbi with all other variables unchanged, the Group's profit before taxation would have been HK$92.1 million (2015: HK$439.2 million) lower/higher.

At 30 June 2016, the Group's entities with functional currency of Renminbi had aggregate United States dollar net monetary assets of HK$743.1 million (2015: net monetary liabilities of HK$6,670.9 million). If Renminbi had strengthened/weakened by 5% (2015: 5%) against United States dollar with all other variables unchanged, the Group's profit before taxation would have been HK$37.2 million lower/higher (2015: HK$333.5 million higher/lower).

At 30 June 2016, the Group's entities with functional currency of Renminbi had aggregate Hong Kong dollar net monetary liabilities of HK$391.3 million (2015: HK$12,859.8 million). If Renminbi had strengthened/weakened by 5% (2015: 5%) against Hong Kong dollar with all other variables unchanged, the Group's profit before taxation would have been HK$19.6 million (2015: HK$643.0 million) higher/lower.

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 management's assessment of reasonably possible changes in foreign exchange rates over the period from the end of the reporting period until the end of next reporting period. There are no other significant monetary balances held by group companies at 30 June 2016 and 2015 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.

(ii) 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 deposits at bank and amounts due from joint ventures and associated companies. The Group's floating rate borrowings will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. The Group's borrowings issued at fixed rates exposed the Group to fair value interest rate risk.

To mitigate the risk, the Group has maintained fixed and floating rate debts. To match with underlying risk faced by the Group, the level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates on profit or loss, interest cover and the cash flow cycles of the Group's businesses and investments.

4 Financial Risk Management and Fair Value Estimation (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

If interest rates had been 100 basis points (2015: 100 basis points) higher/lower with all other variables held constant, the Group's profit before taxation would have been HK$126.6 million lower or HK$128.2 million higher respectively (2015: HK$161.3 million higher or HK$156.1 million lower). The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points (2015: 100 basis points) increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of 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 before taxation sensitivities.

(iii) Price risk

The Group is exposed to equity securities price risk arising from the listed and unlisted equity investments held by the Group. Gains or 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 the 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. The Group is also exposed to other price risk arising from fair value of certain interest rate swaps which is determined based on the in-house indexes of banks. Changes in fair value of these interest rate swaps are dealt with in the consolidated income statement. The Group is not exposed to commodity price risk.

At 30 June 2016, if the price of listed and unlisted equity investments in available-for-sale financial assets had been 25% higher with all other variables held constant, the Group's investment revaluation reserve would have been HK$2,969.8 million (2015: HK$1,727.3 million) higher. If the price of listed and unlisted equity investments in available-for-sale financial assets had been 25% lower with all other variables held constant, the Group's profit before taxation and investment revaluation reserve would have been HK$487.6 million and HK$2,482.2 million (2015: HK$28.6 million and HK$1,698.7 million) lower respectively. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

At 30 June 2016, if the price of listed and unlisted equity investments in financial assets at fair value through profit or loss had been 25% higher/lower with all other variables held constant, the Group's profit before taxation would have been HK$173.8 million (2015: HK$211.8 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(b) Credit risk

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

Bank deposits are mainly placed with high-credit-quality financial institutions. Trade debtors mainly include receivables from sale and lease of properties and other services. Loans receivable included in other non-current assets normally carry interest at rates with reference to prevailing market interest rate and are secured by collaterals. The Group carry out regular reviews and follow-up actions on any overdue amounts to minimise exposures to credit risk. There is no concentration of credit risk with respect to trade debtors from third party customers as the customer bases are widely dispersed in different sectors and industries.

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

The Group provides guarantees to banks in connection with certain property purchasers' borrowing of mortgage loans to finance their purchase of the properties until the issuance of the official property title transfer certificates by the relevant authority in the Mainland China. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the purchaser's deposit and sell the property to recover any amounts paid by the Group to the bank. Therefore the Group's credit risk is significantly reduced. Nevertheless, the net realisable values of the relevant properties are subject to the fluctuation of the property market in general, the Group assesses at the end of each reporting period the liabilities based on the current estimates of future cash flows. As at 30 June 2016 and 2015, no provision on the above guarantees to banks had been made in the consolidated financial statements.

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 maintain adequate undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	Carrying amount HK$m	Total contractual undiscounted cash flow HK$m	Within 1 year or on demand HK$m	Over 1 year but within 5 years HK$m	After 5 years HK$m
At 30 June 2016					
Creditors and accrued charges	**22,256.1**	**22,260.6**	**19,761.1**	**2,489.0**	**10.5**
Short-term borrowings	**3,261.6**	**3,336.8**	**3,336.8**	**–**	**–**
Long-term borrowings	**131,670.5**	**148,989.7**	**21,128.8**	**101,432.3**	**26,428.6**
At 30 June 2015					
Creditors and accrued charges	24,556.6	24,556.6	22,333.4	2,202.2	21.0
Short-term borrowings	6,261.2	6,404.2	6,404.2	–	–
Long-term borrowings	110,895.3	120,323.2	30,939.6	72,963.3	16,420.3

Derivative financial liabilities:

	Total contractual undiscounted cash flow HK$m	Within 1 year or on demand HK$m	Over 1 year but within 5 years HK$m	After 5 years HK$m
At 30 June 2016				
Derivative financial instruments (net settled)	**443.8**	**203.7**	**240.1**	**–**
At 30 June 2015				
Derivative financial instruments (net settled)	391.4	125.5	263.8	2.1

There are no gross settled derivative financial liabilities as at 30 June 2016.

4 Financial Risk Management and Fair Value Estimation (continued)

(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 generally obtains long-term financing to on-lend or contribute as equity to its subsidiaries, joint ventures and associated companies to meet their funding needs in order to provide more cost efficient financing. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue or repurchase shares, raise new debt financing or sell assets to reduce debt.

The Group monitors capital on the basis of the Group's gearing ratio and makes adjustments to it in light of changes in economic conditions and business strategies. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (excluding loans from non-controlling shareholders) less cash and bank balances.

The gearing ratios at 30 June 2016 and 2015 were as follows:

	2016 HK$m	2015 HK$m
Consolidated total borrowings (excluding loans from non-controlling shareholders)	**132,219.6**	113,004.3
Less: cash and bank balances	**(55,170.8)**	(59,465.2)
Consolidated net debt	**77,048.8**	53,539.1
Total equity	**200,895.3**	222,358.0
Gearing ratio	**38.4%**	24.1%

(e) Fair value estimation

The Group's financial instruments that are measured at fair value are disclosed by levels of the following fair value measurement hierarchy:

- 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).

The carrying amounts of the financial instruments of the Group are as follows. See note 16 for disclosure relating to the investment properties which are measured at fair value.

(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. They are included in level 1.

Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4 Financial Risk Management and Fair Value Estimation (continued)

(e) Fair value estimation (continued)

(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.

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

	Level 1 HK$m	Level 2 HK$m	Level 3 HK$m	Total HK$m
Available-for-sale financial assets	**2,162.6**	**27.8**	**9,688.6**	**11,879.0**
Financial assets at fair value through profit or loss	**0.1**	**–**	**695.1**	**695.2**
Derivative financial instruments				
Derivative financial assets	**–**	**41.9**	**58.8**	**100.7**
	2,162.7	**69.7**	**10,442.5**	**12,674.9**
Derivative financial instruments				
Derivative financial liabilities	**–**	**(857.9)**	**(122.1)**	**(980.0)**

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2015:

	Level 1 HK$m	Level 2 HK$m	Level 3 HK$m	Total HK$m
Available-for-sale financial assets	3,115.7	60.7	3,732.8	6,909.2
Financial assets at fair value through profit or loss	0.2	–	847.0	847.2
Derivative financial instruments				
Derivative financial assets	–	11.1	58.8	69.9
	3,115.9	71.8	4,638.6	7,826.3
Derivative financial instruments				
Derivative financial liabilities	–	(817.3)	(30.1)	(847.4)

There were no significant transfer of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in level 3 instruments for the year ended 30 June 2016:

	Available-for-sale financial assets HK$m	Financial assets at fair value through profit or loss HK$m	Derivative financial assets HK$m	Derivative financial liabilities HK$m
At 1 July 2015	**3,732.8**	**847.0**	**58.8**	**(30.1)**
Additions	**7,603.6**	**275.1**	**–**	**(97.5)**
Net (loss)/gain recognised in the consolidated statement of comprehensive income/income statement	**(433.2)**	**(137.6)**	**–**	**5.5**
Reclassification	**(443.0)**	**–**	**–**	**–**
Disposals	**(771.6)**	**(289.4)**	**–**	**–**
At 30 June 2016	**9,688.6**	**695.1**	**58.8**	**(122.1)**

4 Financial Risk Management and Fair Value Estimation (continued)

(e) Fair value estimation (continued)

(ii) (continued)

The following table presents the changes in level 3 instruments for the year ended 30 June 2015:

	Available-for-sale financial assets HK$m	Financial assets at fair value through profit or loss HK$m	Derivative financial assets HK$m	Derivative financial liabilities HK$m
At 1 July 2014	2,822.9	405.6	58.8	(35.6)
Additions	861.0	317.5	–	–
Net gain recognised in the consolidated statement of comprehensive income/ income statement	284.9	123.9	–	5.5
Disposals	(236.0)	–	–	–
At 30 June 2015	3,732.8	847.0	58.8	(30.1)

The following unobservable inputs were used to determine the fair value of the available-for-sale financial assets included in level 3.

	2016 Fair value HK$m	2015 Fair value HK$m	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs**
Property development industry	**7,079.2**	–	Income approach	Expected rate of return	9.395%–10.341%
Property investment industry	**1,735.9**	1,952.8	Net asset value (note)	N/A	N/A
Entertainment industry	**–**	516.1	Market comparable approach	Enterprise value/earnings before interest and tax multiple	(2015: 9.37 times–25.31 times)
Property development industry	**–**	735.9	Residual method	Development cost, developer's profit and risk margin	N/A
Others	**873.5**	528.0			
	9,688.6	3,732.8			

Note: The Group has determined that the reported net asset value represents fair value at the end of the reporting period.

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 the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

(a) Fair value of available-for-sale financial assets and financial assets at fair value through profit or loss

The fair value of available-for-sale financial assets and financial assets at fair value through profit or loss that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods (such as discounted cash flow model and option pricing models) and evaluates, among other factors, whether there is significant or prolonged decline in the fair value below the cost of an investment; and the financial health and short-term business outlook for the investee and historical price volatility of these investments. The key assumptions adopted on projected cashflow are based on management's best estimates.

5 Critical Accounting Estimates and Judgements (continued)

(b) Valuation of investment properties

The fair value of each completed investment property is individually determined at the end of each reporting period by independent valuers or by management based on a market value assessment. The valuers have relied on the capitalisation of income approach as their primary methods, supported by the direct comparison method. Management also determines fair value based on active market prices and adjusted if necessary for any difference in nature, location or conditions of the specific asset, and uses alternative valuation methods such as recent prices on less active markets. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow 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 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.

The fair value of investment properties under development is determined by reference to independent valuation. For the Group's majority of investment properties under development, their fair value reflects the expectations of market participants of the value of the properties when they are completed, less deductions for the costs required to complete the projects and appropriate adjustments for profit and risk. The valuation and all key assumptions used in the valuation should reflect market conditions at the end of each reporting period. The key assumptions include value of completed properties, period of development, outstanding construction costs, finance costs, other professional costs, risk associated with completing the projects and generating income after completion and investors' return as a percentage of value or cost.

At 30 June 2016, if the market value of investment properties had been 5% (2015: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK$4,329.9 million (2015: HK$4,581.3 million) higher/lower.

(c) Estimated useful lives and impairment of property, plant and equipment

Property, plant and equipment are long-lived but may be subject to technical obsolescence. The annual depreciation charges are affected by the estimated useful lives that the Group allocates to each type of property, plant and equipment. Management performs annual reviews to assess the appropriateness of the estimated useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is higher than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(d) Impairment of assets

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in note 20.

The Group determines whether an available-for-sale financial asset is impaired by evaluating whether there is significant or prolonged decline in the fair value below its cost.

The Group assesses whether there is objective evidence as stated in note 3(j) that deposits, loans and receivables are impaired. It recognises 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) Impairment of interests in associated companies and joint ventures

The Group determines whether interests in joint ventures and associated companies are impaired by regularly review whether there are any indications of impairment based on value in use calculations. In determining the value in use, management assesses the present value of estimated future cash flows expected to arise from their businesses. Estimates and judgements are applied in determining these future cash flows and discount rate. The following 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.

Management has carried out impairment assessments in accordance with requirements under HKAS 36 "Impairment of Assets" on the interests in Tharisa plc ("Tharisa"), a listed associated company of the Group, Hyva Holding B.V. ("Hyva"), a joint venture of the Group, Newton Resources Ltd ("Newton Resources"), a listed associated company of the Group and NWS Transport Services Limited ("NWS Transport"), a joint venture of the Group, by using the discounted cash flow method. The estimated cash flows used in the assessments are based on assumptions, such as revenue growth, unit price, proved and probable mining reserve, production cost, production capacity, fuel costs and discount rate, with reference to the business plans and prevailing market conditions. The assumptions used in the assessments are highly judgemental, and heavily dependent on the discount rate used and the respective sale growth and price projections. Furthermore, for the impairment assessment of Newton, the management assumed that the mine will commence its operation in the near future. If the mine cannot commence its operation in the near future, it will also have significant impact to the impairment assessment. However, management of the Group do not aware of any information up to date to cast doubt on such assumption. Based on the assessments, impairment losses of HK$200.0 million and HK$177.6 million were provided against the Group's interests in Tharisa and Hyva respectively during the year. No impairment loss was provided against the Group's interests in Newton Resources and NWS Transport during the year.

(f) Financial guarantees and tax indemnity

The Group assesses at the end of each reporting period the liabilities under insurance contracts, using current estimates of future cash flows.

In respect of the financial guarantee contracts provided to property purchasers, the Group considers the net realisable value of the relevant properties against their outstanding mortgage principal and interest.

In respect of the tax indemnity provided to its non-wholly owned subsidiary, the Group makes estimates on the project costs for the development of the relevant properties and the potential exposure to the relevant Mainland China tax liabilities based on an estimation of the future market condition and economic environment. Provision will only be made in the financial period when the outcome of the potential liabilities can be reliably determined, or otherwise, the potential exposure attributable to the Group is disclosed as contingent liabilities set out in note 44.

(g) Income taxes

The Group is subject to withholding and income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for withholding and income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the financial period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

(h) Estimate of revenue and costs of construction works

The Group recognises 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 the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

5 Critical Accounting Estimates and Judgements (continued)

(i) Estimated volume of infrastructures of public services

The amortisation 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 and bridges. 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, in particular those projects still in their ramp-up period such as Guangzhou Dongxin Expressway and Guangzhou City Nansha Point Expressway (collectively "Expressways"). The growth in future traffic flow projected by the management is highly dependent on the realisation of the aforementioned factors.

Management has conducted an impairment assessment of both Expressways using discounted cash flow method. The estimated cash flows used in the assessment are based on assumptions, such as growth of the traffic flow, growth of toll rate and discount rate, with reference to the business plan and prevailing market conditions. Based on the assessment, management is of the view that there is no impairment of the Group's investment in the Expressways as at 30 June 2016.

6 Revenues and Segment Information

Revenues recognised during the year are as follows:

	2016 HK$m	2015 HK$m
Revenues		
Property sales	**28,527.9**	25,681.9
Rental	**2,492.3**	2,401.5
Contracting	**12,198.2**	8,456.7
Provision of services	**7,705.3**	7,387.3
Infrastructure operations	**2,444.0**	2,470.7
Hotel operations	**1,762.3**	4,060.8
Department store operations	**3,550.2**	3,913.0
Others	**889.8**	873.1
Total	**59,570.0**	55,245.0

The Executive Committee of the Company, being the chief operating decision-maker, determines and reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are determined based on the afore-mentioned internal reporting. The Executive Committee considers the business from product and service perspectives, which comprises property development, property investment, service (including facilities management, construction & transport and strategic investments), infrastructure (including roads, environment, logistics and aviation), hotel operations, department stores and others (including telecommunications, media and technology and other strategic businesses) segments.

The Executive Committee assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effects of unallocated corporate expenses. In addition, financing income, financing cost and taxation are not allocated to segments.

Sales between segments are carried out in accordance with terms agreed by the parties involved.

6 Revenues and Segment Information (continued)

	Property development HK$m	Property investment HK$m	Service HK$m	Infra-structure HK$m	Hotel operations HK$m (note (d))	Department stores HK$m	Others HK$m (note (e))	Consolidated HK$m
2016								
Total revenues	28,721.3	2,695.6	28,450.9	2,444.0	1,771.1	3,552.5	982.7	68,618.1
Inter-segment	(193.4)	(203.3)	(8,547.4)	–	(8.8)	(2.3)	(92.9)	(9,048.1)
Revenues — external	28,527.9	2,492.3	19,903.5	2,444.0	1,762.3	3,550.2	889.8	59,570.0
Segment results	7,215.3	1,408.2	976.3	1,092.5	(116.5)	205.0	342.5	11,123.3
Other gains, net	6,711.9	0.6	101.4	(331.9)	1,341.3	(106.9)	(1,262.3)	6,454.1
Changes in fair value of investment properties	–	(1,109.3)	1,416.6	–	–	–	–	307.3
Unallocated corporate expenses								(1,301.4)
Operating profit								16,583.3
Financing income								1,399.0
Financing costs								(1,935.7)
								16,046.6
Share of results of								
Joint ventures (note (a))	(85.9)	385.3	58.3	1,526.0	(86.8)	–	(118.5)	1,678.4
Associated companies (note (b))	242.4	20.3	106.9	603.3	–	–	9.2	982.1
Profit before taxation								18,707.1
Taxation								(6,423.7)
Profit for the year								12,283.4
Segment assets	109,285.1	89,474.0	15,318.7	14,569.6	14,613.8	5,599.9	17,881.1	266,742.2
Interests in joint ventures	13,178.9	11,772.6	5,127.8	12,605.9	5,934.3	–	1,733.5	50,353.0
Interests in associated companies	994.5	2,790.4	7,767.9	7,271.6	1.1	–	231.5	19,057.0
Unallocated assets								55,956.4
Total assets								392,108.6
Segment liabilities	21,143.7	1,269.6	10,204.5	673.1	356.1	3,745.2	1,483.2	38,875.4
Unallocated liabilities								152,337.9
Total liabilities								191,213.3
Additions to non-current assets (note (c))	8,654.5	4,260.3	373.9	165.1	3,851.7	165.2	699.7	18,170.4
Depreciation and amortisation	80.4	25.4	214.8	830.8	399.2	352.6	26.0	1,929.2
Impairment charge and provision	–	–	–	–	–	30.1	699.8	729.9

6 Revenues and Segment Information (continued)

	Property development HK$m	Property investment HK$m	Service HK$m	Infra-structure HK$m	Hotel operations HK$m (note (d))	Department stores HK$m	Others HK$m (note (e))	Consolidated HK$m
2015								
Total revenues	25,759.9	2,641.4	23,562.5	2,470.7	4,078.0	3,933.0	1,039.6	63,485.1
Inter-segment	(78.0)	(239.9)	(7,718.5)	–	(17.2)	(20.0)	(166.5)	(8,240.1)
Revenues — external	25,681.9	2,401.5	15,844.0	2,470.7	4,060.8	3,913.0	873.1	55,245.0
Segment results	6,804.1	1,418.4	946.0	1,057.9	323.6	307.4	(136.4)	10,721.0
Other gains, net	1,046.8	(0.1)	830.1	45.2	13,240.7	(192.9)	306.6	15,276.4
Changes in fair value of investment properties	–	2,874.7	290.8	–	–	–	–	3,165.5
Unallocated corporate expenses								(1,192.0)
Operating profit								27,970.9
Financing income								1,130.2
Financing costs								(1,621.9)
								27,479.2
Share of results of								
Joint ventures (note (a))	1,334.3	564.9	77.3	2,547.1	(78.9)	–	(125.5)	4,319.2
Associated companies (note (b))	(5.6)	289.2	(1,298.7)	355.6	–	–	(2.4)	(661.9)
Profit before taxation								31,136.5
Taxation								(4,264.4)
Profit for the year								26,872.1
Segment assets	118,553.4	91,514.2	11,936.3	16,690.2	13,808.3	6,492.6	11,543.7	270,538.7
Interests in joint ventures	12,355.0	12,312.7	3,125.2	14,576.0	6,200.9	–	882.1	49,451.9
Interests in associated companies	992.1	2,819.9	6,499.1	7,108.0	1.1	–	311.5	17,731.7
Unallocated assets								60,208.4
Total assets								397,930.7
Segment liabilities	25,909.1	1,073.3	8,259.1	751.3	540.0	4,061.2	1,735.2	42,329.2
Unallocated liabilities								133,243.5
Total liabilities								175,572.7
Additions to non-current assets (note (c))	7,167.9	10,843.5	235.5	64.6	2,085.6	386.4	1,848.3	22,631.8
Depreciation and amortisation	97.3	25.6	174.0	841.1	654.7	410.5	110.8	2,314.0
Impairment charge and provision	–	–	–	–	465.2	123.2	117.1	705.5

6 Revenues and Segment Information (continued)

	Revenues HK$m	Non-current assets HK$m (note (c))
2016		
Hong Kong	**33,721.9**	**84,282.1**
Mainland China	**24,772.5**	**61,885.2**
Others	**1,075.6**	**400.0**
	59,570.0	**146,567.3**
2015		
Hong Kong	29,907.9	81,469.7
Mainland China	24,360.5	76,854.2
Others	976.6	394.7
	55,245.0	158,718.6

Notes:

(a) For the year ended 30 June 2016, the amount in the service segment includes the Group's share of impairment loss of HK$177.6 million for Hyva and the amount in the infrastructure segment includes the Group's share of gain of HK$179.3 million arising from deemed disposal of its indirect interest in Chongqing Water Group Co., Ltd., a project under a joint venture.

For the year ended 30 June 2015, the amount in the infrastructure segment includes (i) the Group's share of gain of approximately HK$1,549.9 million arising from the disposal of its indirect interest in Companhia de Electricidade de Macau – CEM, S.A. and (ii) the Group's share of impairment loss of HK$300.0 million for Guangzhou Dongxin Expressway.

(b) For the year ended 30 June 2016, the amount in the service segment includes an impairment loss of HK$200.0 million made for the Group's interest in Tharisa.

For the year ended 30 June 2015, the amount in the service segment includes an impairment loss of HK$1,779.4 million made for the Group's interest in Newton Resources.

(c) Non-current assets represent non-current assets other than financial instruments, interests in joint ventures, interests in associated companies, deferred tax assets and retirement benefit assets.

(d) For the year ended 30 June 2016, the decrease in revenue in hotel segment is due to the disposal of its 50% interest in three hotels by the Group, namely Grand Hyatt Hong Kong, Renaissance Harbour View Hotel, Hong Kong and Hyatt Regency, Tsim Sha Tsui on 15 June 2015 and the remaining interest was reclassified as interest in a joint venture.

For the year ended 30 June 2015, the hotel operation segment includes the gain on partial disposal of interests in subsidiaries holding the three hotels in Hong Kong and remeasurement of retained interest at fair value after reclassification to a joint venture of HK$13,709.2 million.

(e) The amount in the others segment includes net exchange loss of HK$1,306.7 million for the year ended 30 June 2016. The telecommunication business in this segment ceased after the completion of the disposal of the telecommunication services in March 2016.

(f) For the year ended 30 June 2016, the operating profit before depreciation and amortisation, change in fair value of investment properties and other gains, net and after net exchange difference amounted to HK$9,857.1 million, of which HK$5,055.0 million was attributable to Hong Kong and HK$4,802.1 million was attributable to Mainland China and others.

7 Other Income

	2016 HK$m	2015 HK$m
Dividend income from available-for-sale financial assets, perpetual securities and a financial asset at fair value through profit or loss	**855.5**	31.8
Others	**68.0**	–
	923.5	31.8

8 Other Gains, Net

	2016 HK$m	2015 HK$m
Write back of provision for loans and other receivables	210.4	376.6
Write back of provision for property, plant and equipment	567.3	–
Gain on deemed disposal of interest in an associated company	–	50.7
Gain on partial disposal of interests in subsidiaries and remeasurement of retained interest at fair value after reclassification to a joint venture	40.0	13,709.2
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	–	914.0
Gain on remeasurement of previously held interest of an associated company at fair value upon further acquisition to become a subsidiary	18.2	–
(Loss)/gain on remeasurement of previously held interest of a joint venture at fair value upon further acquisition to become a subsidiary	(40.5)	986.6
Net loss on fair value of financial assets at fair value through profit or loss	(154.0)	(38.9)
Net gain/(loss) on disposal of		
Available-for-sale financial assets	413.3	66.2
Non-current assets classified as assets held for sale (note (a))	784.9	30.3
Financial assets at fair value through profit or loss	9.8	(23.5)
Investment properties, property, plant and equipment and intangible concession rights and their related assets and liabilities	207.2	(63.2)
Subsidiaries (note (b))	6,965.4	18.0
Joint ventures	53.0	–
Associated companies	3.0	(137.9)
Impairment loss on		
Available-for-sale financial assets (note (c))	(692.4)	(11.8)
Loans and other receivables	(7.4)	(61.2)
Property, plant and equipment	(30.1)	(532.0)
Intangible assets	–	(100.5)
Net exchange (losses)/gains	(1,894.0)	93.8
	6,454.1	15,276.4

Notes:

Other gains, net recognised are mainly as follows:

(a) Net gain on disposal of non-current assets classified as assets held for sale mainly includes the following:

On 3 July 2015, the Group entered into a sales and purchase agreement with Chow Tai Fook Enterprises Limited ("CTF"), to sell its entire interest in New World Hotel Management (BVI) Limited, its subsidiaries and a joint venture (the "Disposal Hotel Group") and to assign and transfer of the shareholder's loan for an aggregate consideration of HK$2,753.0 million. The Disposal Hotel Group is engaged in the provision of worldwide hotel management services, which is not the core business of the Group. The disposal was completed on 29 December 2015 and the Group recognised a gain on disposal of HK$768.9 million in the consolidated income statement for the year ended 30 June 2016.

(b) Net gain on disposal of subsidiaries during the year mainly includes the followings:

On 2 December 2015 and 29 December 2015, the Group entered into sale and purchase agreements with Shengyu (BVI) Limited ("Shengyu"), a wholly owned subsidiary of Evergrande Real Estate Group Limited ("Evergrande"), as purchaser, a company listed on the Stock Exchange, pursuant to which the Group had conditionally agreed to sell and Shenyu had conditionally agreed to purchase the entire equity interests in Hinto Developments Limited, Dragon Joy (China) Limited, White Heron Limited, Superb Capital Enterprises Limited, Best Wealth Investments Limited, Triumph Hero International Limited, Rise Eagle Worldwide Limited and their subsidiaries and joint ventures (collectively refer to as the "Disposal Property Group") and to assign and transfer of the shareholders' loan for an aggregate consideration of RMB20,800.0 million (equivalent to HK$25,106.1 million) subject to adjustments. The Disposal Property Group is engaged in the provision of property sale and investment in Wuhan, Huiyang, Haikou, Guiyang and Chengdu. The disposal was completed as at 30 June 2016, and the Group recognised a gain on disposal of interests in subsidiaries of approximately HK$6,603.2 million in the consolidated income statement for the year ended 30 June 2016.

On 18 February 2016, the Group entered into a sale and purchase agreement with HKBN Group Limited, to dispose the entire equity interests in Concord Ideas Ltd. and Simple Click Investments Limited and their subsidiaries at an adjusted aggregate consideration of HK$725.7 million. These two subsidiaries together with their subsidiaries are principally engaged in the provision in Hong Kong of fixed line and broadband telecommunications services and online marketing solutions services. The disposal was completed on 31 March 2016, resulted in a gain of approximately HK$283.9 million in the consolidated income statement for the year ended 30 June 2016.

(c) The amount included the impairment loss of HK$670.4 million arising from drop of the share price of Haitong International Securities Group Limited which is held by the Group as an available-for-sale financial asset.

9 Operating Profit

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

	2016 HK$m	2015 HK$m
Gross rental income from investment properties	2,335.6	2,213.7
Outgoings	(664.5)	(717.3)
	1,671.1	1,496.4
Cost of inventories sold	(22,058.8)	(19,709.2)
Cost of services rendered	(17,227.1)	(13,177.9)
Depreciation of property, plant and equipment (note 17)	(979.7)	(1,304.3)
Amortisation		
Land use rights (note 18)	(84.8)	(93.7)
Intangible concession rights (note 19)	(819.7)	(829.9)
Intangible assets (note 20)	(45.0)	(86.1)
Operating lease rental expense		
Land and buildings	(1,225.2)	(1,246.2)
Other equipment	(3.7)	(4.7)
Staff costs (note 14(a))	(6,077.1)	(6,366.8)
Auditors' remuneration		
Audit services	(66.5)	(68.5)
Non-audit services	(12.3)	(19.2)

10 Financing Costs

	2016 HK$m	2015 HK$m
Interest on bank loans and overdrafts	3,440.9	3,005.4
Interest on fixed rate bonds and notes payable	2,296.3	2,210.6
Interest on loans from non-controlling shareholders	8.2	19.8
Total borrowing costs incurred	5,745.4	5,235.8
Capitalised as (note):		
Cost of properties under development	(3,212.3)	(3,092.8)
Cost of assets under construction and investment properties under development	(597.4)	(521.1)
	1,935.7	1,621.9

Note:

To the extent funds are borrowed generally and used for the purpose of financing certain properties under development, assets under construction and investment properties under development, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation is 4.2% (2015: 4.5%) per annum.

11 Taxation

	2016 HK$m	2015 HK$m
Current taxation		
Hong Kong profits tax	925.3	623.9
Mainland China and overseas taxation	3,301.4	1,706.6
Mainland China land appreciation tax	2,093.7	1,667.6
Deferred taxation (note 27)		
Valuation of investment properties	60.5	178.5
Other temporary differences	42.8	87.8
	6,423.7	4,264.4

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2015: 9% to 25%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2015: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

Share of results of joint ventures and associated companies is stated after deducting the share of taxation of joint ventures and associated companies of HK$646.0 million and HK$254.2 million (2015: HK$1,085.8 million and HK$191.7 million) respectively.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2016 HK$m	2015 HK$m
Profit before taxation and share of results of joint ventures and associated companies	16,046.6	27,479.2
Calculated at a taxation rate of 16.5% (2015: 16.5%)	2,647.7	4,534.1
Effect of different taxation rates in other countries	1,205.5	644.9
Income not subject to taxation	(1,505.5)	(3,390.1)
Expenses not deductible for taxation purposes	1,938.4	627.7
Tax losses not recognised	514.7	589.1
Temporary differences not recognised	7.7	59.8
Utilisation of previously unrecognised tax losses	(234.0)	(101.9)
Deferred taxation on undistributed profits	262.0	153.2
Recognition of previously unrecognised temporary differences	–	5.2
Under/(over) provision in prior years	10.6	(71.7)
Land appreciation tax deductible for calculation of income tax purposes	(523.4)	(416.9)
Others	6.3	(36.6)
	4,330.0	2,596.8
Mainland China land appreciation tax	2,093.7	1,667.6
Taxation charge	6,423.7	4,264.4

12 Earnings per Share

The calculation of basic and diluted earnings per share for the year is based on the following:

	2016 HK$m	2015 HK$m
Profit attributable to shareholders of the Company	**8,666.3**	19,112.0
Adjustment on the effect of dilution in the results of subsidiaries	**(3.9)**	(1.7)
Profit for calculating diluted earnings per share	**8,662.4**	19,110.3

	Number of shares (million)	
	2016	2015
Weighted average number of shares for calculating basic earnings per share	**9,146.3**	8,790.3
Effect of dilutive potential ordinary shares upon the exercise of share options	**0.1**	2.0
Weighted average number of shares for calculating diluted earnings per share	**9,146.4**	8,792.3

Diluted earnings per share for the year ended 30 June 2016 and 30 June 2015 assumed the effect of exercise of share options outstanding during the year since they would have a dilutive effect.

13 Dividends

	2016 HK$m	2015 HK$m
Interim dividend of HK$0.13 (2015: HK$0.12) per share	**1,204.7**	1,067.2
Final dividend proposed of HK$0.31 (2015: HK$0.30) per share	**2,911.8**	2,699.1
	4,116.5	3,766.3
Of which the following were settled by the issue of scrip:		
Interim dividend	**896.6**	810.1
Final dividend	**#**	1,988.0

\# Full amount had been set aside from retained profits for the 2016 proposed final dividend on the basis that all shareholders would elect to receive cash being the alternative to their entitlements to the scrip dividends.

At a meeting held on 21 September 2016, the Directors recommended a final dividend of HK$0.31 per share. This proposed dividend was not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2017.

14 Staff Costs

(a) Staff costs

	2016 HK$m	2015 HK$m
Wages, salaries and other benefits	**5,678.7**	5,896.3
Pension costs — defined benefit plans	**7.8**	7.1
Pension costs — defined contribution plans	**265.8**	294.5
Share options (note (b))	**124.8**	168.9
	6,077.1	6,366.8

Staff costs include directors' remuneration.

(b) Share options

During the year, the Company and its subsidiaries, NWCL and NWS Holdings Limited ("NWSH") operate share option schemes whereby options may be granted to eligible employees and directors, to subscribe for shares of the Company, NWCL and NWSH respectively.

Details of share options are as follows:

Grantor	Date of grant	Exercise price HK$	At 1 July 2015	Granted	Adjusted	Exercised	Lapsed/ cancelled	At 30 June 2016	Number of share options exercisable as at 30 June 2016	Note
The Company	19 March 2012 to 10 June 2016	7.2 to 11.238	148,374,701	108,337,928	167,970	(470,000)	(86,863,044)	169,547,555	118,248,348	(i)
	Weighted average exercise price of each category (HK$)	–	9.457	7.929	9.510	7.650	9.111	8.619	8.452	
NWCL	31 May 2010 to 26 July 2011	2.349 to 3.036	9,238,930	–	–	(9,002,188)	(236,742)	–	–	(ii)
	Weighted average exercise price of each category (HK$)	–	3.013	–	–	3.021	2.720	–	–	
	3 May 2012 to 23 July 2015	2.450 to 5.420	26,708,970	3,206,000	–	(4,520,497)	(25,394,473)	–	–	(ii)
	Weighted average exercise price of each category (HK$)	–	4.211	4.504	–	3.862	4.310	–	–	
NWSH	9 March 2015	14.137	55,478,053	–	82,018	–	(284,248)	55,275,823	44,220,658	(iii)
	Weighted average exercise price of each category (HK$)	–	14.158	–	14.142	–	14.148	14.137	14.137	

14 Staff Costs (continued)

(b) Share options (continued)

Notes:

(i) A share option scheme was adopted by the Company on 24 November 2006 and amended on 13 March 2012 which will be valid and effective for a period of ten years from the date of adoption. On 19 March 2012, 16 November 2012, 22 January 2014, 27 October 2014, 7 July 2015, 9 March 2016 and 10 June 2016, 107,300,000, 9,400,000, 30,100,000, 34,400,000, 20,100,000, 20,200,000 and 68,037,928 share options were granted to Directors and certain eligible participants at the exercise price of HK$9.770, HK$11.996, HK$10.400, HK$9.510, HK$9.976, HK$7.200 and HK$7.540 per share respectively.

The Company declared final dividend for the year ended 30 June 2015 and interim dividend for the six months ended 31 December 2016 in cash (with scrip option) during the year. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 19 March 2012 was adjusted from HK$9.161 to HK$9.152 on 29 December 2015. The exercise price per share of the share options granted on 16 November 2012 was adjusted from HK$11.249 to HK$11.238 on 29 December 2015. The exercise price per share of the share options granted on 22 January 2014 was adjusted from HK$9.766 to HK$9.756 on 29 December 2015. The exercise price per share of the share options granted on 27 October 2014 was adjusted from HK$9.495 to HK$9.485 on 29 December 2015. The exercise price per share of the share options granted on 7 July 2015 was adjusted from HK$9.976 to HK$9.966 on 29 December 2015.

The share options granted on 19 March 2012 were divided into 4 tranches and exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.

The share options granted on 16 November 2012 were divided into 4 tranches and exercisable from 16 November 2012, 16 November 2013, 16 November 2014 and 16 November 2015 respectively to 15 November 2016.

The share options granted on 22 January 2014 were divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.

The share options granted on 27 October 2014 were divided into 4 tranches exercisable from 27 October 2014, 27 October 2015, 27 October 2016 and 27 October 2017 respectively to 26 October 2018.

The share options granted on 7 July 2015 were divided into 4 tranches exercisable from 7 July 2015, 7 July 2016, 7 July 2017 and 7 July 2018 respectively to 6 July 2019.

The share options granted on 9 March 2016 were divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

The share options granted on 10 June 2016 were divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

The fair value of the share options granted on 7 July 2015 are estimated at HK$1.574 per share using the Binomial pricing model. Value is estimated based on the risk-free rate at 0.920% per annum with reference to the market yield rates of the Hong Kong Government Bond (maturing 30 September 2019) as of the value date, a historical volatility of 30.98% calculated based on the historical price with period equals to the life of the options, assuming dividend yield of 3.82% based on the average dividend yield in the past five years and an expected option life of four years.

The fair value of the share options granted on 9 March 2016 are estimated at HK$1.042 per share using the Binomial pricing model. Value is estimated based on the risk-free rate at 1.027% per annum with reference to the market yield rates of the Hong Kong Government Bond (maturing 22 June 2020) as of the value date, a historical volatility of 27.00% calculated based on the historical price with period equals to the life of the options, assuming dividend yield of 4.26% based on the average dividend yield in the past four years and an expected option life of four years.

The fair value of the share options granted on 10 June 2016 are estimated at HK$0.966 per share using the Binomial pricing model. Value is estimated based on the risk-free rate at 0.709% per annum with reference to the market yield rates of the Hong Kong Government Bond (maturing 22 June 2020) as of the value date, a historical volatility of 26.00% calculated based on the historical price with period equals to the life of the options, assuming dividend yield of 4.26% based on the average dividend yield in the past four years and an expected option life of four years.

For the year ended 30 June 2016, the weighted average share price at the time of exercise was HK$8.066 per share (2015: HK$10.465 per share).

14 Staff Costs (continued)

(b) Share options (continued)

Notes: (continued)

(ii) On dates of grant, the share options are divided into 5 tranches and exercisable within a period of 3 years to 5 years commencing on the expiry of one month after the dates on which the options were accepted.

The fair value of options granted during the year was determined using the Binomial pricing model amounting to HK$4.4 million (2015: HK$21.8 million). The significant inputs to the model was share price of HK$4.504 (2015: HK$4.42 to HK$5.36) at the grant dates, exercise prices of HK$4.504 (2015: HK$4.42 to HK$5.42), volatility of the share of 38.32% (2015: 37.94% to 40.52%), expected life of options of 5 years (2015: 5 years), expected dividend yield of 0.63% (2015: 0.57% to 1.68%), risk-free interest rate of 1.28% (2015: 1.17% to 1.40%) and suboptimal exercise factor of 1.91 times (2015: 1.90 to 1.91 times) of the exercise prices (which accounts for the early exercise behaviour of the option holders). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of NWCL over the past 5 years.

For the year ended 30 June 2016, the weighted average share price at the time of exercise was HK$7.074 per share (2015: HK$4.931 per share) and HK$6.291 per share (2015: HK$5.166) under NWCL 2002 Share Option Scheme and NWCL 2011 Share Option Scheme respectively.

All the share options were cancelled on 1 April 2016 following the acceptances by the option holders of the cash offer made by The Hongkong and Shanghai Banking Corporation Limited on behalf of Easywin Enterprises Corporation Limited ("the Offeror"), a wholly owned subsidiary of the Company, to cancel all outstanding share options held by the option holders in accordance with the terms set out in the joint announcement of the Company, NWCL and the Offeror dated 6 January 2016.

(iii) The share option scheme of NWSH, 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 NWSH. 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 NWSH in issue as at 21 November 2011, i.e. 3,388,900,598 shares.

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 NWSH'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.

Pursuant to the 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 NWSH. NWSH declared the final dividend for the year ended 30 June 2015 and interim dividend for the six months ended 31 December 2015 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price in accordance with the scheme. With effect from 16 May 2016, the exercise price per share for the share options granted was adjusted to HK$14.137.

The share options will be vested according to the 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.

(iv) The Binomial pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

14 Staff Costs (continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 directors (2015: 2 directors) whose emoluments are reflected in the analysis shown in Note 15(a). The emoluments to the remaining 3 (2015: 3) individuals during the year are as follows:

	2016 **HK$m**	2015 HK$m
Salaries and other emoluments	**49.0**	32.5
Employer's contributions to retirement benefit schemes	**1.7**	1.2
Share options	**4.1**	11.6
	54.8	45.3

The emoluments of the individuals fell within the following bands:

	Number of individuals	
	2016	2015
Emolument band (HK$)		
13,500,001–14,000,000	**1**	1
14,500,001–15,000,000	**1**	–
15,000,001–15,500,000	**–**	1
16,000,001–16,500,000	**–**	1
26,500,001–27,000,000	**1**	–
	3	3

(d) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in note 15(a) and note 14(c) respectively, the emoluments of the senior management whose profiles are included in Directors' Profile/Senior Management Profile sections of this report fell within the following bands:

	Number of individuals	
	2016	2015
Emolument band (HK$)		
4,000,001–4,500,000	**2**	2
4,500,001–5,000,000	**1**	–
8,000,001–8,500,000	**–**	1
9,000,001–9,500,000	**1**	–
	4	3

15 Benefits and Interests of Directors

(a) Directors' emoluments

Name of Directors	As director (note(i)) Fees	Salaries	Discretionary bonuses	Estimated money value of other benefits (note (iii))	Employer's contribution to a retirement benefit scheme	As management (note (ii))	Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Year ended 30 June 2016							
Dr. Cheng Kar-Shun, Henry	1.4	–	–	4.2	–	53.3	58.9
Mr. Doo Wai-Hoi, William	0.3	–	–	0.2	–	–	0.5
Dr. Cheng Chi-Kong, Adrian	0.7	–	–	0.4	–	27.7	28.8
Mr. Yeung Ping-Leung, Howard	0.4	–	–	–	–	–	0.4
Mr. Cha Mou-Sing, Payson	0.4	–	–	–	–	–	0.4
Mr. Cheng Kar-Shing, Peter	0.5	6.9	1.2	–	0.7	–	9.3
Mr. Ho Hau-Hay, Hamilton	0.4	–	–	–	–	–	0.4
Mr. Lee Luen-Wai, John	0.7	–	–	–	–	–	0.7
Mr. Liang Cheung-Biu, Thomas	0.4	–	–	–	–	–	0.4
Ms. Ki Man-Fung, Leonie	0.3	–	–	–	–	7.0	7.3
Mr. Cheng Chi-Heng	0.3	–	–	–	–	2.0	2.3
Mr. Chen Guanzhan	0.3	–	–	0.1	–	6.7	7.1
Ms. Cheng Chi-Man, Sonia	0.6	–	–	–	–	11.9	12.5
Mr. Au Tak-Cheong	0.4	–	–	0.2	–	12.4	13.0
Total	7.1	6.9	1.2	5.1	0.7	121.0	142.0

Name of Directors	As director (note (i)) Fees	Salaries	Discretionary bonuses	Estimated money value of other benefits (note (iii))	Employer's contribution to a retirement benefit scheme	As management (note (ii))	Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Year ended 30 June 2015							
Dr. Cheng Kar-Shun, Henry	1.7	–	–	18.9	–	45.0	65.6
Mr. Doo Wai-Hoi, William	0.3	–	–	0.2	–	–	0.5
Dr. Cheng Chi-Kong, Adrian	0.7	–	–	2.6	–	18.4	21.7
Mr. Yeung Ping-Leung, Howard	0.4	–	–	0.3	–	–	0.7
Mr. Cha Mou-Sing, Payson	0.4	–	–	0.3	–	–	0.7
Mr. Cheng Kar-Shing, Peter	0.5	6.0	1.1	0.4	0.5	–	8.5
Mr. Ho Hau-Hay, Hamilton	0.4	–	–	0.3	–	–	0.7
Mr. Lee Luen-Wai, John	0.7	–	–	0.4	–	–	1.1
Mr. Liang Cheung-Biu, Thomas	0.4	–	–	0.3	–	–	0.7
Ms. Ki Man-Fung, Leonie	0.3	–	–	2.2	–	6.4	8.9
Mr. Cheng Chi-Heng	0.3	–	–	0.4	–	1.8	2.5
Mr. Chen Guanzhan	0.3	–	–	2.5	–	6.2	9.0
Ms. Cheng Chi-Man, Sonia	0.5	–	–	2.2	–	10.9	13.6
Mr. Au Tak-Cheong	0.8	–	–	2.0	–	6.6	9.4
Total	7.7	6.0	1.1	33.0	0.5	95.3	143.6

15 Benefits and Interests of Directors (continued)

(a) Directors' emoluments (continued)

Notes:

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

(ii) The amounts 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 salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.

(iii) Other benefits represented share option. The value of the share options granted to the directors of the Company under the share option schemes of the Company and its subsidiaries represents the fair value of these options charged to the consolidated income statement for the year in accordance with HKFRS 2.

(iv) No director waived or agreed to waive any emoluments during the year.

(b) Directors' material interests in transactions, arrangements or contracts

On 11 April 2014, a master services agreement (the "Mr. Doo Master Services Agreement") was entered into between the Company and Mr. Doo Wai-Hoi, William, Non-executive Vice-chairman ("Mr. Doo") for a term of three years commencing from 1 July 2014 in respect of the provision of certain operational and rental services by companies owned by Mr. Doo to the Group, and vice versa. For the year ended 30 June 2016, the aggregate amount of the transactions amounted to approximately HK$1,725.1 million (2015: HK$1,209.3 million).

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

Save as mentioned above, no other significant transactions, 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.

16 Investment Properties

	2016 HK$m	2015 HK$m
Completed investment properties	**53,385.3**	58,644.6
Investment properties under development	**33,211.7**	32,980.4
	86,597.0	91,625.0

	Completed investment properties HK$m	**Investment properties under development HK$m**	**Total HK$m**
At 1 July 2015	**58,644.6**	**32,980.4**	**91,625.0**
Translation differences	**(1,395.7)**	**(346.0)**	**(1,741.7)**
Disposal of subsidiaries	**(1,321.9)**	**(1,440.9)**	**(2,762.8)**
Additions	**687.2**	**3,501.3**	**4,188.5**
Transfer between investment properties, property, plant and equipment and land use rights	**(672.9)**	**–**	**(672.9)**
Transfer between investment properties, properties under development and properties held for sale	**1,035.5**	**–**	**1,035.5**
Disposals	**(1,631.9)**	**–**	**(1,631.9)**
Changes in fair value	**1,449.8**	**(1,142.5)**	**307.3**
Transfer between investment properties and non-current assets classified as assets held for sale (note 35)	**(3,750.0)**	**–**	**(3,750.0)**
Reclassification	**340.6**	**(340.6)**	**–**
At 30 June 2016	**53,385.3**	**33,211.7**	**86,597.0**

	Completed investment properties HK$m	Investment properties under development HK$m	Total HK$m
At 1 July 2014	53,190.6	24,194.0	77,384.6
Translation differences	(0.5)	–	(0.5)
Acquisition of subsidiaries	1,695.3	4,435.0	6,130.3
Disposal of subsidiaries	(5.6)	–	(5.6)
Additions	1,283.3	3,379.9	4,663.2
Transfer between investment properties, property, plant and equipment and land use rights	(92.6)	–	(92.6)
Transfer between investment properties, properties for/under development and properties held for sale	(23.6)	954.3	930.7
Disposals	(424.7)	–	(424.7)
Changes in fair value	2,053.0	1,112.5	3,165.5
Transfer between investment properties and non-current assets classified as assets held for sale	(125.9)	–	(125.9)
Reclassification	1,095.3	(1,095.3)	–
At 30 June 2015	58,644.6	32,980.4	91,625.0

16 Investment Properties (continued)

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, BMI Appraisals Limited, Savills Valuation and Professional Services Limited, and Knight Frank Petty Limited, independent qualified valuers, who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 30 June 2016 on an open market value basis. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuation performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the Audit Committee. 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.

At each financial year end, the finance department verifies all major inputs to the independent valuation report; assesses property valuation movements when compared to the prior year valuation report; and holds discussions with the independent valuers.

Valuation techniques

Fair value of completed commercial, residential properties and carparks in Hong Kong and Mainland China is generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation 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.

Direct comparison method is based on comparing the property 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 property under consideration.

Fair value of commercial properties, residential properties and carpark under development is generally derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

As at 30 June 2016 and 2015, all investment properties are included in level 3 in the fair value hierarchy.

There were no changes to the valuation techniques during the year and there were no transfers among the fair value hierarchy during the year.

16 Investment Properties (continued)

Valuation techniques (continued)

Information about fair value measurements using significant unobservable inputs:

	2016 Fair value HK$m	Valuation techniques	Range of significant unobservable inputs: Prevailing market rent per month	Unit price	Capitalisation rate
Completed investment properties					
Hong Kong					
Commercial	**30,520.1**	Income capitalisation	HK$23–HK$480 per square feet	N/A	1.5%–5.4%
Carparks	**1,579.1**	Income capitalisation	HK$1,950–HK$6,000 per carpark space	N/A	4.5%–4.7%
Mainland China					
Commercial	**14,784.2**	Income capitalisation	HK$29–HK$268 per square metre	N/A	3.0%–9.0%
Carparks	**4,973.1**	Direct comparison	N/A	HK$76,000–HK$503,000 per carpark space	N/A
Residential	**1,528.8**	Income capitalisation	HK$116–HK$199 per square metre	N/A	4.8%–15.0%
Total	**53,385.3**				

	2016 Fair value HK$m	Valuation technique	Range of significant unobservable inputs: Unit price	Estimated developer's profit and risk margins
Investment properties under development				
Commercial	**31,673.1**	Residual	HK$1,750–HK$60,000 per square feet	5.0%–20.0%
Carparks	**1,538.6**	Residual	HK$152,000–HK$269,000 per carpark space	1.0%–5.0%
Total	**33,211.7**			

16 Investment Properties (continued)

Valuation techniques (continued)

	2015 Fair value HK$m	Valuation techniques	Range of significant unobservable inputs: Prevailing market rent per month	Unit price	Capitalisation rate
Completed investment properties					
Hong Kong					
Commercial	33,708.4	Income capitalisation	HK$14–HK$480 per square feet	N/A	1.6%–7.5%
Carparks	1,487.7	Income capitalisation	HK$3,200–HK$5,600 per carpark space	N/A	4.5%–6.5%
Mainland China					
Commercial	14,594.0	Income capitalisation	HK$29–HK$286 per square metre	N/A	3.0%–8.5%
Carparks	5,919.4	Direct comparison	N/A	HK$81,000–HK$481,000 per carpark space	N/A
Residential	2,935.1	Income capitalisation	HK$11–HK$208 per square metre	N/A	4.0%–15.0%
Total	58,644.6				

	2015 Fair value HK$m	Valuation technique	Range of significant unobservable inputs: Unit price	Estimated developer's profit and risk margins
Investment properties under development				
Commercial	31,573.3	Residual	HK$1,750–HK$53,500 per square feet	5.0%–25.0%
Carparks	1,323.3	Residual	HK$125,000–HK$262,500 per carpark space	0.3%–5.0%
Residential	83.8	Residual	HK$14,400 per square metre	7.0%
Total	32,980.4			

Prevailing market rents are estimated based on independent valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation rates and developer's profit and risk margins are estimated by independent valuers based on the risk profile of the properties being valued and the market conditions. The lower the rates and the margins, the higher the fair value.

At 30 June 2016, the aggregate fair value of completed investment properties and investment properties under development pledged as securities for the Group's borrowings amounted to HK$34,412.0 million (2015: HK$31,881.0 million) and HK$4,600.0 million (2015: nil).

17 Property, Plant and Equipment

	Leasehold land HK$m	Buildings HK$m	Others (note (a)) HK$m	Assets under construction HK$m	Total HK$m
Cost					
At 1 July 2015	2,416.2	10,991.6	11,462.5	6,649.5	31,519.8
Translation differences	–	(337.3)	(302.7)	(192.3)	(832.3)
Acquisition of subsidiaries	–	–	39.0	–	39.0
Additions	19.0	96.4	802.6	4,321.0	5,239.0
Transfer between property, plant and equipment and investment properties	–	744.4	(17.7)	–	726.7
Transfer between property, plant and equipment, properties for/under development and properties held for sale	–	27.5	–	284.5	312.0
Transfer upon completion	52.1	200.8	57.8	(310.7)	–
Disposal of subsidiaries	(12.7)	(694.5)	(4,161.2)	(251.3)	(5,119.7)
Disposals	(5.3)	(38.3)	(216.0)	–	(259.6)
Transfer between property, plant and equipment and non-current assets classified as assets held for sale (note 35)	(89.5)	(69.3)	–	–	(158.8)
At 30 June 2016	2,379.8	10,921.3	7,664.3	10,500.7	31,466.1
Accumulated depreciation and impairment					
At 1 July 2015	320.5	2,616.9	8,098.6	–	11,036.0
Translation differences	–	(79.4)	(164.6)	–	(244.0)
Transfer between property, plant and equipment and investment properties	–	(17.9)	(3.0)	–	(20.9)
Depreciation	22.8	339.9	617.0	–	979.7
(Written back of provision)/ impairment	(213.4)	(353.9)	30.1	–	(537.2)
Disposal of subsidiaries	(4.7)	(35.1)	(3,347.9)	–	(3,387.7)
Disposals	(0.9)	(14.7)	(174.6)	–	(190.2)
Transfer between property, plant and equipment and non-current assets classified as assets held for sale (note 35)	(21.1)	(21.0)	–	–	(42.1)
At 30 June 2016	103.2	2,434.8	5,055.6	–	7,593.6
Net book value (note (b))					
At 30 June 2016	2,276.6	8,486.5	2,608.7	10,500.7	23,872.5

17 Property, Plant and Equipment (continued)

	Leasehold land HK$m	Buildings HK$m	Others (note (a)) HK$m	Assets under construction HK$m	Total HK$m
Cost					
At 1 July 2014	2,955.8	7,776.4	11,918.2	6,475.5	29,125.9
Translation differences	–	(15.1)	(5.8)	(1.8)	(22.7)
Acquisition of a subsidiary	–	12.9	23.9	–	36.8
Additions	10.5	178.5	1,109.9	3,220.2	4,519.1
Transfer between property, plant and equipment and investment properties	187.1	318.7	(66.7)	–	439.1
Transfer between property, plant and equipment, properties for/under development and properties held for sale	–	102.1	–	377.6	479.7
Transfer upon completion	–	3,332.5	89.5	(3,422.0)	–
Disposal of subsidiaries	(656.1)	(614.8)	(1,047.2)	–	(2,318.1)
Disposals	(81.1)	(99.6)	(524.2)	–	(704.9)
Transfer between property, plant and equipment and non-current assets classified as assets held for sale	–	–	(35.1)	–	(35.1)
At 30 June 2015	2,416.2	10,991.6	11,462.5	6,649.5	31,519.8
Accumulated depreciation and impairment					
At 1 July 2014	522.5	2,344.4	7,968.2	–	10,835.1
Translation differences	–	(5.9)	(5.6)	–	(11.5)
Transfer between property, plant and equipment and investment properties	(5.9)	(24.7)	(18.9)	–	(49.5)
Depreciation	46.8	374.1	883.4	–	1,304.3
Impairment	–	408.8	123.2	–	532.0
Disposal of subsidiaries	(242.9)	(391.2)	(421.5)	–	(1,055.6)
Disposals	–	(88.6)	(408.8)	–	(497.4)
Transfer between property, plant and equipment and non-current assets classified as assets held for sale	–	–	(21.4)	–	(21.4)
At 30 June 2015	320.5	2,616.9	8,098.6	–	11,036.0
Net book value (note (b))					
At 30 June 2015	2,095.7	8,374.7	3,363.9	6,649.5	20,483.8

Notes:

(a) Others mainly represented leasehold improvements for department stores, plant and machinery, motor vehicles, furniture and fixtures, office equipment and computer.

(b) As at 30 June 2016, the aggregate net book value of property, plant and equipment pledged as securities for the Group's borrowings amounted to HK$5,758.8 million (2015: HK$3,464.8 million).

18 Land Use Rights

	2016 HK$m	2015 HK$m
At beginning of the year	**2,343.4**	2,374.7
Translation differences	**(171.2)**	–
Acquisition of a subsidiary	**–**	24.7
Additions	**–**	116.0
Transfer between land use rights and properties under development	**–**	14.3
Transfer between land use rights and investment properties	**(54.6)**	(92.6)
Disposal of subsidiaries	**(100.6)**	–
Amortisation	**(84.8)**	(93.7)
At end of the year	**1,932.2**	2,343.4

Interests in land use rights represent prepaid operating lease payments.

As at 30 June 2016, the aggregate net book value of land use rights pledged as securities for the Group's borrowings amounted to HK$269.0 million (2015: HK$340.2 million).

19 Intangible Concession Rights

	2016 HK$m	2015 HK$m
Cost		
At beginning of the year	**18,775.2**	18,731.9
Translation differences	**(1,308.4)**	–
Additions	**122.1**	43.3
Disposals	**(643.7)**	–
At end of the year	**16,945.2**	18,775.2
Accumulated amortisation and impairment		
At beginning of the year	**3,977.4**	3,147.5
Translation differences	**(382.3)**	–
Amortisation	**819.7**	829.9
Disposals	**(376.0)**	–
At end of the year	**4,038.8**	3,977.4
Net book value		
At end of the year	**12,906.4**	14,797.8

As at 30 June 2016, the aggregate net book value of intangible concession rights pledged as securities of the Group's borrowings amounted to HK$12,695.6 million (2015: HK$14,253.7 million).

20 Intangible Assets

	Goodwill HK$m	Operating rights HK$m	Total HK$m
Cost			
At 1 July 2015	**2,697.0**	**635.5**	**3,332.5**
Translation differences	**(120.1)**	**–**	**(120.1)**
Acquisition of a subsidiary	**2.5**	**–**	**2.5**
Addition	**–**	**0.8**	**0.8**
At 30 June 2016	**2,579.4**	**636.3**	**3,215.7**
Accumulated amortisation and impairment			
At 1 July 2015	**273.1**	**195.3**	**468.4**
Amortisation	**–**	**45.0**	**45.0**
At 30 June 2016	**273.1**	**240.3**	**513.4**
Net book value			
At 30 June 2016	**2,306.3**	**396.0**	**2,702.3**

	Goodwill HK$m	Trademarks HK$m	Hotel management contracts HK$m	Process, technology and know-how HK$m	Customer relationships HK$m	Operating rights HK$m	Total HK$m
Cost							
At 1 July 2014	2,950.7	678.5	488.6	38.9	544.8	634.8	5,336.3
Acquisition of subsidiaries	81.4	–	–	–	–	0.7	82.1
Transfer between intangible assets and non-current assets classified as assets held for sale	(335.1)	(678.5)	(488.6)	(38.9)	(544.8)	–	(2,085.9)
At 30 June 2015	2,697.0	–	–	–	–	635.5	3,332.5
Accumulated amortisation and impairment							
At 1 July 2014	318.9	–	100.2	11.4	79.4	163.9	673.8
Amortisation	–	–	23.6	3.9	27.2	31.4	86.1
Impairment	44.1	–	56.4	–	–	–	100.5
Transfer between intangible assets and non-current assets classified as assets held for sale	(89.9)	–	(180.2)	(15.3)	(106.6)	–	(392.0)
At 30 June 2015	273.1	–	–	–	–	195.3	468.4
Net book value							
At 30 June 2015	2,423.9	–	–	–	–	440.2	2,864.1

20 Intangible Assets (continued)

Impairment test for goodwill

An operating segment level summary of the goodwill allocation is presented below:

	2016		
	Hong Kong HK$m	Mainland China HK$m	Total HK$m
Property development	**2.5**	**14.2**	**16.7**
Property investment	**–**	**263.4**	**263.4**
Service and infrastructure	**849.3**	**–**	**849.3**
Hotel operations	**–**	**9.2**	**9.2**
Department stores	**–**	**1,071.0**	**1,071.0**
Others	**96.7**	**–**	**96.7**
	948.5	**1,357.8**	**2,306.3**

	2015		
	Hong Kong HK$m	Mainland China HK$m	Total HK$m
Property development	–	14.2	14.2
Property investment	–	285.1	285.1
Service and infrastructure	849.3	–	849.3
Hotel operations	–	9.2	9.2
Department stores	–	1,169.4	1,169.4
Others	96.7	–	96.7
	946.0	1,477.9	2,423.9

Goodwill is allocated to the Group's cash generating units identified according to country of operation and business segment.

For the purpose of impairment test for goodwill, 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 best estimates and past experience.

For the segment of property investment, growth rates are determined by considering both internal and external factors relating to the relevant segments. Discount rates used also reflect specific risks relating to the relevant segment, which was 12.7% (2015: 13.6%).

For the segment of service and infrastructure, growth rates being 0% (2015: 0%) are determined by considering both internal and external factors relating to the relevant segment. Discount rates used also reflect specific risks relating to the relevant segment, which were 5.0% (2015: 6.3%).

For the segment of department stores, estimated long-term growth rates of 5% (2015: 5%) are determined by considering both internal and external factors relating to the relevant segment. Discount rates used are post-tax and reflect specific risks relating to the relevant segment, which were 12.7% (2015: 13.6%).

21 Interests in Joint Ventures

	2016 HK$m	2015 HK$m
Equity joint ventures/joint ventures in wholly foreign owned enterprises		
Group's share of net assets	**5,195.5**	5,696.4
Goodwill on acquisition	**2.2**	2.2
Amounts receivable less provision (note (a))	**2,843.2**	2,380.8
	8,040.9	8,079.4
Co-operative joint ventures		
Cost of investment less provision	**6,638.1**	6,838.5
Share of undistributed post-acquisition results	**2,121.1**	3,324.8
Amounts receivable less provision (note (a))	**5,321.7**	4,768.2
	14,080.9	14,931.5
Companies limited by shares		
Group's share of net assets	**11,573.7**	12,047.8
Goodwill on acquisition	**1,462.9**	1,475.5
Amounts receivable less provision (note (a))	**15,194.6**	12,917.7
	28,231.2	26,441.0
	50,353.0	49,451.9

Notes:

(a) Amounts receivable less provisions are analysed as follows:

	2016 HK$m	2015 HK$m
Interest bearing		
Fixed rates (note (i))	**1,944.3**	862.5
Floating rates (note (ii))	**3,475.1**	2,965.1
Non-interest bearing	**17,940.1**	16,239.1
	23,359.5	20,066.7

(i) Carry interest rates ranging from 8.5% to 10.0% (2015: 8.5% to 10.0%) per annum.

(ii) Carry interest rates ranging from 2.0% over HIBOR to People's Bank of China rate (2015: 2.0% over HIBOR to People's Bank of China rate) per annum.

The amounts are unsecured. Their carrying amounts are not materially different from their fair values.

The amounts receivable form part of the Group's interests in joint ventures.

(b) There is no joint venture that is individually material to the Group. The Group's share of results of the joint ventures are as follows:

	2016 HK$m	2015 HK$m
For the year ended 30 June		
Profit for the year	**1,678.4**	4,319.2
Other comprehensive income for the year	**(1,320.6)**	(221.0)
Total comprehensive income for the year	**357.8**	4,098.2

(c) Management regularly reviews whether there are any indications of impairments of the Group's interests in joint ventures based on value in use calculations, as detailed in note 5(e). An impairment loss of HK$177.6 million was made for the Group's interest in Hyva for the year ended 30 June 2016. Aside from this, management is of the view that there is no other impairment of the Group's interests in joint ventures as at 30 June 2016.

(d) Details of principal joint ventures are stated in note 50.

22 Interests in Associated Companies

	2016 HK$m	2015 HK$m
Group's share of net assets		
Hong Kong listed shares	**5,107.2**	4,985.2
Overseas listed shares	**827.2**	1,081.0
Unlisted shares	**9,844.1**	8,621.5
	15,778.5	14,687.7
Goodwill	**735.7**	794.7
Amounts receivable less provision (note (a))	**2,542.8**	2,249.3
	19,057.0	17,731.7
Market value of listed shares (note (b))	**5,624.7**	6,396.2

Notes:

(a) Amounts receivable less provision are analysed as follows:

	2016 HK$m	2015 HK$m
Interest bearing		
Fixed rate (note (i))	**109.7**	148.5
Floating rate (note (ii))	**1,562.3**	967.8
Non-interest bearing	**870.8**	1,133.0
	2,542.8	2,249.3

(i) Carry interest rate of 8.0% (2015: from 6.0% to 8.0%) per annum.

(ii) Carry interest rate of 1.3% over HIBOR (2015: ranging from 1.3% over HIBOR to 2.75% over LIBOR) per annum.

The amounts were unsecured and not repayable within 12 months. Their carrying amounts were not materially different from their fair values.

The amounts receivable form part of the Group's interests in associated companies.

(b) The market value of the Group's listed associated companies in Hong Kong and overseas amounted to HK$5,624.7 million (2015: HK$6,396.2 million). Management regularly reviews whether there are any indications of impairments of the Group's interests in associated companies based on value in use calculations, as detailed in note 5(e). An impairment loss of HK$200.0 million was made for the Group's interest in Tharisa for the year ended 30 June 2016. Aside from this, management is of the view that there is no other impairment of Group's investment in associated companies as at 30 June 2016.

(c) There is no associated company that is individually material to the Group. The Group's share of results of the associated companies are as follows:

	2016 HK$m	2015 HK$m
For the year ended 30 June		
Profit/(loss) for the year	**982.1**	(661.9)
Other comprehensive income for the year	**(679.0)**	(82.3)
Total comprehensive income for the year	**303.1**	(744.2)

(d) Details of principal associated companies are stated in note 51.

23 Available-For-Sale Financial Assets

	2016 HK$m	2015 HK$m
Non-current		
Equity securities		
Unlisted shares and investments, at fair value (notes (b) and (c))	**2,607.2**	3,793.4
Unlisted investment — perpetual securities, at fair value (note (a))	**5,309.4**	–
Listed shares, at market value		
Hong Kong	**1,807.2**	2,466.4
Overseas	**111.1**	405.2
Debt securities		
Listed debentures in Hong Kong, at market value	**244.3**	244.2
	10,079.2	6,909.2
Current		
Equity securities		
Unlisted shares and investments, at fair value (notes (b) and (c))	**30.0**	–
Unlisted investment — perpetual securities, at fair value (note (a))	**1,769.8**	–
	1,799.8	–
	11,879.0	6,909.2

Notes:

(a) During the year, a wholly owned subsidiary of the Company and an indirectly wholly owned subsidiary of NWCL, entered into the subscription agreement with Evergrande to subscribe for the 9% perpetual securities issued by Evergrande in cash for a consideration of USD900.0 million (equivalent to HK$6,993.0 million). The securities are perpetual securities in respect of which there is no fixed maturity or redemption date and Evergrande will only have the right to redeem or purchase them in accordance with the terms of the securities.

(b) The fair value of unlisted securities are calculated based on cash flows discounted using a rate based on the market interest rates and the risk premium specific to the unlisted securities.

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

	2016 HK$m	2015 HK$m
Hong Kong dollar	**3,581.8**	4,457.0
Renminbi	**162.6**	1,217.6
United States dollar	**7,974.1**	1,180.2
Korean won	**113.6**	6.2
Others	**46.9**	48.2
	11,879.0	6,909.2

24 Held-To-Maturity Investments

	2016 HK$m	2015 HK$m
Debt securities		
Unlisted debentures	**42.9**	41.4

25 Derivative Financial Instruments

	2016 HK$m	2015 HK$m
Non-current assets		
Foreign exchange and interest rate swaps	**41.9**	–
Others	**39.5**	39.5
	81.4	39.5
Current assets		
Foreign exchange and interest rate swaps	**–**	11.1
Others	**19.3**	19.3
	19.3	30.4
	100.7	69.9
Current liabilities		
Foreign exchange and interest rate swaps	**(88.4)**	–
Others (note)	**(97.6)**	–
	(186.0)	–
Non-current liabilities		
Foreign exchange and interest rate swaps	**(794.0)**	(847.4)
	(980.0)	(847.4)

The total notional principal amounts of the outstanding derivative financial instruments as at 30 June 2016 was HK$13,550.4 million (2015: HK$10,617.4 million).

Note:

The amounts represented the Evergrande's call option embedded in the perpetual securities (note 23(a)).

26 Properties for Development

At 30 June 2016, the aggregate carrying value of properties for development pledged as securities for the Group's borrowings amounted to HK$375.6 million (2015: HK$1,051.7 million).

27 Deferred Taxation

Deferred income tax assets and liabilities are offset when taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	2016 HK$m	2015 HK$m
Deferred tax assets	**684.9**	673.3
Deferred tax liabilities	**(8,453.2)**	(9,288.0)
	(7,768.3)	(8,614.7)
At beginning of the year	**(8,614.7)**	(8,247.2)
Translation differences	**377.8**	(29.2)
Acquisition of subsidiaries	**–**	(7.0)
Disposal of subsidiaries	**363.1**	30.3
Written back upon disposal of intangible concession rights	**33.8**	–
Transfer to current tax payable	**16.7**	4.2
Transfer to non-current assets classified as assets held for sale (note 35)	**56.8**	(34.0)
Charged to consolidated income statement (note 11)	**(103.3)**	(266.3)
Credited/(charged) to reserves	**101.5**	(65.5)
At end of the year	**(7,768.3)**	(8,614.7)

27 Deferred Taxation (continued)

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year was as follows:

Deferred tax assets

	Provisions		Accelerated accounting depreciation		Tax losses		Unrealised intra-group profit		Other items		Total	
	2016 HK$m	2015 HK$m	**2016 HK$m**	2015 HK$m	**2016 HK$m**	2015 HK$m	**2016 HK$m**	2015 HK$m	**2016 HK$m**	2015 HK$m	**2016 HK$m**	2015 HK$m
At beginning of the year	**20.0**	36.6	**1.4**	8.0	**473.5**	488.4	**71.1**	139.3	**242.9**	257.6	**808.9**	929.9
Translation differences	**(1.2)**	(0.5)	**–**	–	**(16.0)**	(11.1)	**–**	–	**(15.2)**	–	**(32.4)**	(11.6)
Transfer to non-current assets classified as assets held for sale	**–**	–	**–**	–	**–**	(9.9)	**–**	–	**–**	–	**–**	(9.9)
Transfer to liabilities directly associated with non-current assets classified as assets held for sale	**–**	–	**–**	–	**(4.0)**	–	**–**	–	**–**	–	**(4.0)**	–
(Charged)/credited to consolidated income statement	**(4.9)**	(16.1)	**9.9**	(6.6)	**(81.4)**	6.1	**(30.7)**	(68.2)	**(12.3)**	(14.7)	**(119.4)**	(99.5)
At end of the year	**13.9**	20.0	**11.3**	1.4	**372.1**	473.5	**40.4**	71.1	**215.4**	242.9	**653.1**	808.9

Deferred tax liabilities

	Accelerated tax depreciation		Valuation of properties		Fair value adjustments of properties on acquisitions		Amortisation of intangible concession rights		Undistributed profits of subsidiaries, joint ventures and associated companies		Other items		Total	
	2016 HK$m	2015 HK$m	**2016 HK$m**	2015 HK$m	**2016 HK$m**	2015 HK$m	**2016 HK$m**	2015 HK$m	**2016 HK$m**	2015 HK$m	**2016 HK$m**	2015 HK$m	**2016 HK$m**	2015 HK$m
At beginning of the year	**(2,704.4)**	(2,623.3)	**(1,609.3)**	(1,423.4)	**(1,869.3)**	(1,907.4)	**(2,143.4)**	(2,260.9)	**(808.6)**	(769.9)	**(288.6)**	(192.2)	**(9,423.6)**	(9,177.1)
Translation differences	**20.6**	(1.7)	**96.2**	0.1	**105.5**	0.1	**139.9**	–	**46.7**	(0.1)	**1.3**	(16.0)	**410.2**	(17.6)
Acquisition of subsidiaries	**–**	(1.0)	**–**	–	**–**	(5.7)	**–**	–	**–**	(0.3)	**–**	–	**–**	(7.0)
Disposal of subsidiaries	**(2.6)**	29.0	**124.9**	–	**177.9**	–	**–**	–	**62.9**	–	**–**	1.3	**363.1**	30.3
Written back upon disposal of intangible concession rights	**–**	–	**–**	–	**–**	–	**33.8**	–	**–**	–	**–**	–	**33.8**	–
Transfer to current tax payable	**–**	–	**–**	–	**–**	–	**–**	–	**16.7**	4.2	**–**	–	**16.7**	4.2
Transfer to non-current assets classified as assets held for sale	**–**	(24.1)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(24.1)
Transfer to liabilities directly associated with non-current assets classified as assets held for sale	**60.8**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**60.8**	–
(Charged)/credited to consolidated income statement	**(23.8)**	(83.3)	**(60.5)**	(178.5)	**215.6**	43.7	**85.9**	117.5	**(191.0)**	(42.5)	**(10.1)**	(23.7)	**16.1**	(166.8)
(Charged)/credited to reserves	**–**	–	**(5.0)**	(7.5)	**–**	–	**–**	–	**–**	–	**106.5**	(58.0)	**101.5**	(65.5)
At end of the year	**(2,649.4)**	(2,704.4)	**(1,453.7)**	(1,609.3)	**(1,370.3)**	(1,869.3)	**(1,883.8)**	(2,143.4)	**(873.3)**	(808.6)	**(190.9)**	(288.6)	**(8,421.4)**	(9,423.6)

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$17,079.4 million (2015: HK$17,961.5 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK$4,641.1 million (2015: HK$3,494.8 million) which will expire at various dates up to and including 2021 (2015: 2020).

For the investment properties that are located outside Hong Kong, they are held by certain subsidiaries with a business model to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale, the presumption is rebutted and related deferred tax continues to be determined based on recovery of use. For the remaining investment properties, the tax consequence is on the presumption that they are recovered entirely by sale.

As at 30 June 2016, the aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax liabilities have not been recognised totalled approximately HK$7.5 billion (2015: HK$9.2 billion), as the directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

28 Other Non-Current Assets

	2016 HK$m	2015 HK$m
Retirement benefit assets	–	0.1
Long-term receivables (note)	4,213.8	239.0
Long-term prepayments and deposits	1,396.3	1,531.3
	5,610.1	1,770.4

Note:

	2016 HK$m	2015 HK$m
Other loans	316.1	243.2
Amounts receivable within one year included in debtors and prepayments	(5.7)	(4.2)
Other receivables (note (a))	3,903.4	–
	4,213.8	239.0

Note:

(a) The balance mainly represents the non-current portion of consideration receivable from Evergrande of HK$3,853.4 million in relation to the disposal of subsidiaries, which will be settled by instalments after 1 year and within 2 years from the balance sheet date. The amount is stated at its fair value using a discount rate of 12%. The consideration to be received is subject to adjustment based on the actual amount required by the Group to settle the obligations stipulated in the sales and purchase agreements. The total contracted consideration of RMB20,800.0 million (approximately to HK$25,106.1 million) includes the imputed interest of HK$1,673.9 million, of which HK$602.2 million was recognised as financing income in the current year and the remaining of HK$1,071.7 million is expected to be recognised as financing income in the next 2 financial years.

29 Properties under Development

At 30 June 2016, the aggregate carrying value of properties under development pledged as securities for the Group's borrowings amounted to HK$13,459.0 million (2015: HK$10,382.7 million).

	2016 HK$m	2015 HK$m
Properties under development		
Expected to be completed and available for sale after more than 12 months	19,166.7	23,346.0
Expected to be completed and available for sale within 12 months	31,588.3	28,232.4
	50,755.0	51,578.4

30 Inventories

	2016 HK$m	2015 HK$m
Raw materials	**28.9**	27.7
Finished goods	**636.8**	679.8
	665.7	707.5

31 Debtors and Prepayments

	2016 HK$m	2015 HK$m
Trade debtors (note (a))	**3,205.2**	4,901.8
Amounts due from customers for contract work (note 34)	**417.6**	154.8
Retention receivable for contract work	**1,115.8**	932.0
Payment for purchase of land and land preparatory costs	**3,027.6**	5,338.2
Deposits, prepayments and other debtors (note (f))	**15,750.3**	8,035.4
Amounts due from associated companies (note (g))	**1,433.1**	1,582.4
Amounts due from joint ventures (note (h))	**531.5**	283.3
	25,481.1	21,227.9

Notes:

(a) The Group has different credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Sales proceeds receivable from sale of properties and retention receivable in respect of construction and engineering services are settled in accordance with the terms of respective contracts.

Aging analysis of trade debtors based on invoice date is as follows:

	2016 HK$m	2015 HK$m
Current to 30 days	**2,274.7**	2,859.5
31 to 60 days	**260.7**	595.1
Over 60 days	**669.8**	1,447.2
	3,205.2	4,901.8

There is no concentration of credit risk with respect to trade debtors as the customer bases are widely dispersed in different sectors and industries.

(b) At 30 June 2016, trade debtors of HK$646.8 million (2015: HK$1,716.6 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 aging analysis of these trade debtors is as follows:

	2016 HK$m	2015 HK$m
Current to 30 days	**354.1**	767.2
31 to 60 days	**43.4**	42.5
Over 60 days	**249.3**	906.9
	646.8	1,716.6

At 30 June 2016, trade debtors of HK$64.4 million (2015: HK$56.6 million) were impaired. The aging analysis of these debtors is as follows:

	2016 HK$m	2015 HK$m
Current to 30 days	**–**	0.9
31 to 60 days	**–**	0.6
Over 60 days	**64.4**	55.1
	64.4	56.6

31 Debtors and Prepayments (continued)

Notes: (continued)

(c) Movements on the provision for impairment of trade debtors are as follows:

	2016 HK$m	2015 HK$m
At beginning of the year	56.6	34.8
Translation differences	(4.4)	–
Increase in provision recognised in consolidated income statement	31.7	26.8
Amounts recovered	(2.6)	(0.5)
Amounts written off during the year	(8.1)	(4.5)
Disposal of subsidiaries	(8.8)	–
At end of the year	64.4	56.6

(d) The carrying amounts of the debtors and prepayments, which approximate to their fair values, are denominated in the following currencies:

	2016 HK$m	2015 HK$m
Renminbi	14,572.1	12,448.3
Hong Kong dollar	8,234.3	6,716.0
United States dollar	2,067.1	1,875.0
Others	607.6	188.6
	25,481.1	21,227.9

(e) Except for certain collaterals held as securities for other debtors, the Group does not hold other collateral as securities for the debtors and prepayments. The maximum exposure to credit risk at the end of the reporting period is the carrying value mentioned above.

(f) The balances include the current portion of consideration receivable of HK$6,822.4 million from Evergrande in relation to the disposal of subsidiaries. For details, please refer to note 28(a).

(g) As at 30 June 2016, the amounts due from associated companies of the Group are interest free, unsecured and repayable on demand. As at 30 June 2015, there is an aggregate amount of HK$1,038.0 million due from an associated company borne interest at LIBOR plus a margin of 2.2% to 2.8% per annum.

(h) As at 30 June 2016, the amounts due from joint ventures of the Group are interest free, unsecured and repayable on demand except for an aggregate amount of HK$310.0 million (2015: HK$30.3 million) due from joint ventures which bear interests ranging from 10.0% to 12-month LIBOR plus a margin of 12.2% (2015: 10.0%) per annum.

32 Financial Assets at Fair Value through Profit or Loss

	2016 HK$m	2015 HK$m
Non-current		
Unlisted equity securities, at fair value	**695.1**	847.0
Current		
Unlisted equity securities, at fair value	**0.1**	0.2
Total	**695.2**	847.2
Representing:		
Held for trading	**0.1**	0.2
Designated as financial assets at fair value through profit or loss	**695.1**	847.0
Total	**695.2**	847.2

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

	2016 HK$m	2015 HK$m
United States dollar	**616.4**	767.0
Renminbi	**56.5**	57.9
Others	**22.3**	22.3
	695.2	847.2

33 Cash and Bank Balances

	2016 HK$m	2015 HK$m
Cash at banks and on hand	**30,129.1**	22,954.4
Bank deposits — unrestricted	**24,836.0**	36,397.3
	54,965.1	59,351.7
Bank deposits — restricted	**205.7**	113.5
	55,170.8	59,465.2

The effective interest rates on bank deposits range from 0.001% to 4.3% (2015: 0.001% to 5.3%) per annum and these deposits have maturities ranging from 4 to 366 days (2015: 1 to 731 days).

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

	2016 HK$m	2015 HK$m
Hong Kong dollar	**22,111.7**	26,009.0
Renminbi	**28,892.9**	25,451.4
United States dollar	**3,832.3**	7,755.3
Others	**333.9**	249.5
	55,170.8	59,465.2

Restricted bank deposits are funds which are pledged to secure certain borrowings.

The conversion of Renminbi denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

34 Amounts Due from/to Customers for Contract Work

	2016 HK$m	2015 HK$m
Contract costs incurred plus attributable profits less foreseeable losses	**8,736.8**	27,614.9
Progress payments received and receivable	**(9,911.5)**	(28,310.4)
	(1,174.7)	(695.5)
Representing:		
Gross amounts due from customers for contract work (note 31)	**417.6**	154.8
Gross amounts due to customers for contract work (note 41)	**(1,592.3)**	(850.3)
	(1,174.7)	(695.5)

35 Non-Current Assets Classified as Assets Held for Sale/Liabilities Directly Associated with Non-Current Assets Classified as Assets Held for Sale

Non-current assets classified as held for sale

	2016 HK$m	2015 HK$m
Listed securities		
Equity securities listed in Hong Kong	**–**	7.8
Property, plant and equipment	**116.7**	–
Investment properties	**–**	257.0
Assets of a subsidiary classified as held for sale (note (a))	**3,766.0**	–
Assets of the Disposal Hotel Group classified as held for sale (note (b))	**–**	2,097.8
	3,882.7	2,362.6

Liabilities directly associated with non-current assets classified as assets held for sale

	2016 HK$m	2015 HK$m
Liabilities of a subsidiary classified as held for sale (note (a))	**83.3**	–
Liabilities of the Disposal Hotel Group classified as held for sale (note (b))	**–**	927.9
	83.3	927.9

Notes:

(a) On 20 June 2016, an agreement was entered into by NWSH, a subsidiary of the Group in respect of the disposal of its indirect wholly owned subsidiary, Shine Fame Holdings Limited ("Shine Fame", an investment holding company which holds the entire interest in the property where NWS Kwai Chung Logistics Centre is situated) and the assignment of debt at an aggregate cash consideration of HK$3.75 billion. All the conditions precedent to the sale and purchase agreement have been fulfilled and completion of the disposal took place on 31 August 2016.

As at 30 June 2016, the assets and liabilities related to Shine Fame have been classified as assets held for sale and liabilities directly associated with assets held for sale.

	Note	2016 HK$m
Assets		
Investment properties	16	**3,750.0**
Other non-current assets		**2.3**
Debtors and prepayments		**1.2**
Cash and bank balances		**12.5**
Assets of a subsidiary classified as held for sale		**3,766.0**
Liabilities		
Creditors and accrued charges		**26.5**
Deferred tax liabilities	27	**56.8**
Liabilities of a subsidiary classified as held for sale		**83.3**

35 Non-Current Assets Classified as Assets Held for Sale/Liabilities Directly Associated with Non-Current Assets Classified as Assets Held for Sale (continued)

Notes: (continued)

(a) (continued)

As at 30 June 2016, management of the Group determined the fair value of NWS Kwai Chung Logistics Centre approximated the consideration of the transaction. With reference to the consideration of the transaction, the fair value is adjusted, if necessary, after considering (i) difference between the value of the investment property and the value of Shine Fame as a whole; and (ii) time factor between the date of entering into the transaction and 30 June 2016.

The fair value of NWS Kwai Chung Logistics Centre is categorised as Level 2 (2015: Level 3) in the fair value hierarchy. The transfer from Level 3 to Level 2 fair value hierarchy is due to the determination of the fair value of the investment property as at 30 June 2016 having made reference to the consideration of the transaction which is an input observable for the investment property indirectly.

(b) The disposal of the Disposal Hotel Group was completed on 29 December 2015 (note 8(a)).

36 Share Capital

	2016		2015	
	Number of shares (million)	**HK$m**	Number of shares (million)	HK$m
Issued and fully paid:				
At beginning of the year	**8,996.9**	**66,711.6**	8,664.0	63,761.3
Issue of new shares as scrip dividends (note)	**391.0**	**2,884.6**	316.8	2,802.0
Issue of new shares upon exercise of share options	**0.5**	**3.6**	16.1	148.3
At end of the year	**9,388.4**	**69,599.8**	8,996.9	66,711.6

Note:

During the year ended 30 June 2016, 269,941,032 and 121,094,632 new shares were issued by the Company at HK$7.3644 and HK$7.4043 per share respectively for the settlement of 2015 final scrip dividends and 2016 interim scrip dividends.

37 Non-Controlling Interests

The total non-controlling interests as at 30 June 2016 is HK$21,321.9 million (2015: HK$43,439.4 million), of which HK$17,579.7 million (2015: HK$18,051.3 million) is attributable to NWSH. The total comprehensive income attributable to non-controlling interests for the year ended 30 June 2016 is HK$1,633.2 million (2015: HK$7,727.0 million), of which HK$773.3 million (2015: HK$1,709.7 million) is attributable to NWSH and HK$758.8 million (2015: HK$1,047.0 million) is attributable to NWCL. For the year ended 30 June 2015, HK$4,935.3 million was attributable to the gain on partial disposal of interests in two hotels, namely Grand Hyatt Hong Kong and Renaissance Harbour View Hotel, Hong Kong (note 8). The non-controlling interests in respect of other subsidiaries are not material to the Group.

The privatisation of NWCL at an cash offer price of HK$7.8 per share was announced on 6 January 2016 and as at final closing date of 5 April 2016, the Group has an effective interest of 99.58% in NWCL. Total consideration of HK$20,068.9 million was paid as of 30 June 2016. The excess of the consideration paid over the Group's interest in the net assets acquired from non-controlling interests, was recognised in equity with details as follows:

	2016 **HK$m**
Consideration paid	**20,068.9**
Carrying amount of non-controlling interests acquired	**(18,932.4)**
Excess of consideration paid over carrying amount recognised within equity	**1,136.5**

Following the privatisation, management has imposed substantial changes to NWCL's organisational structure in order to gain full control over its business activities and financing. As a result of these changes, management of NWCL consider that there is no longer decentralisation of decision nor autonomy in NWCL. Management determined that the functional currency of NWCL should be changed from Renminbi to Hong Kong dollar from April 2016 onwards to be in line with the Group's functional currency as an extension of the Group. The change is accounted for prospectively.

Set out below is the summarised financial information for NWSH and NWCL which are subsidiaries with material non-controlling interests to the Group.

Summarised consolidated statements of financial position of the respective companies as at 30 June 2016 and 2015 are as follows:

	NWSH		**NWCL**	
	2016 **HK$m**	2015 HK$m	**2016** **HK$m**	2015 HK$m
Non-current assets	**51,660.4**	55,305.8	**60,493.7**	67,402.7
Current assets	**24,024.6**	19,847.8	**79,186.2**	67,024.8
Total assets	**75,685.0**	75,153.6	**139,679.9**	134,427.5
Current liabilities	**(18,250.6)**	(12,748.9)	**(31,648.1)**	(31,898.0)
Non-current liabilities	**(11,576.0)**	(16,217.0)	**(42,965.9)**	(37,910.7)
Net assets	**45,858.4**	46,187.7	**65,065.9**	64,618.8
Non-controlling interests	**(239.5)**	(774.3)	**(1,882.2)**	(3,836.9)
Net assets after non-controlling interests	**45,618.9**	45,413.4	**63,183.7**	60,781.9

37 Non-Controlling Interests (continued)

Summarised consolidated statements of comprehensive income of the respective companies for the year ended 30 June 2016 and 2015 are as follows:

	NWSH		NWCL	
	2016 HK$m	2015 HK$m	**2016 HK$m**	2015 HK$m
Revenues	**29,497.8**	24,491.8	**17,414.4**	17,459.2
Profit before taxation	**5,594.4**	4,989.1	**11,106.2**	6,422.4
Taxation	**(632.9)**	(476.2)	**(4,759.7)**	(2,918.4)
Profit for the year from continuing operations	**4,961.5**	4,512.9	**6,346.5**	3,504.0
Profit/(loss) for the year from discontinued operation	**–**	–	**749.3**	(34.0)
Profit for the year	**4,961.5**	4,512.9	**7,095.8**	3,470.0
Other comprehensive income	**(2,854.3)**	28.9	**(3,909.8)**	(59.7)
Total comprehensive income	**2,107.2**	4,541.8	**3,186.0**	3,410.3
Non-controlling interests	**(18.7)**	(35.3)	**(591.3)**	(152.1)
Total comprehensive income after non-controlling interests	**2,088.5**	4,506.5	**2,594.7**	3,258.2
Dividends paid to non-controlling interests	**113.2**	88.0	**–**	0.2

Summarised consolidated statements of cash flows of the respective companies for the year ended 30 June 2016 and 2015 are as follows:

	NWSH		NWCL	
	2016 HK$m	2015 HK$m	**2016 HK$m**	2015 HK$m
Net cash from/(used in) operation activities	**3,593.5**	2,794.7	**8,208.3**	(1,770.5)
Net cash (used in)/from investing activities	**(458.2)**	2,385.6	**4,223.3**	(3,615.8)
Net cash (used in)/from financing activities	**(4,158.0)**	(2,393.6)	**1,667.9**	4,002.5
Net (decrease)/increase in cash and cash equivalents	**(1,022.7)**	2,786.7	**14,099.5**	(1,383.8)
Translation differences	**(490.1)**	–	**117.1**	(29.1)
Cash and cash equivalents at beginning of the year	**10,405.7**	7,619.0	**15,938.7**	17,351.6
Cash and cash equivalents at end of the year	**8,892.9**	10,405.7	**30,155.3**	15,938.7

The information above represents balances before inter-company eliminations, reclassification of assets and remeasurement of assets on Group level.

38 Reserves

	Property revaluation reserve HK$m	Investment revaluation reserve HK$m	General reserve HK$m	Employees' share-based compensation reserve HK$m	Exchange reserve HK$m	Retained profits HK$m	Total HK$m
At 1 July 2015	3,725.5	2,117.9	757.1	466.2	6,712.7	98,427.6	112,207.0
Fair value changes of available-for-sale financial assets	–	(837.1)	–	–	–	–	(837.1)
Release of reserve upon disposal of available-for-sale financial assets, net of taxation	–	(286.0)	–	–	–	–	(286.0)
Release of investment revaluation deficit to the income statement upon impairment of an available-for-sale financial asset	–	411.1	–	–	–	–	411.1
Employees' share-based payments	–	–	–	77.7	–	–	77.7
Share options lapsed	–	–	–	(307.6)	–	307.6	–
Acquisition of additional interests in subsidiaries	–	–	85.3	–	804.5	(2,117.8)	(1,228.0)
Release of reserves upon disposal of subsidiaries	–	–	–	–	(771.9)	–	(771.9)
Release of reserves upon disposal of interest in a joint venture	–	–	–	–	(4.0)	–	(4.0)
Deemed disposal of interests in subsidiaries	–	–	–	–	–	(33.1)	(33.1)
Profit attributable to shareholders	–	–	–	–	–	8,666.3	8,666.3
Share of other comprehensive income of joint ventures and associated companies	–	(10.5)	(68.8)	–	(1,212.2)	(8.9)	(1,300.4)
Cash flow hedges	–	–	(7.4)	–	–	–	(7.4)
Remeasurement of post employment benefit obligation	–	–	(1.4)	–	–	(8.0)	(9.4)
Transfer of reserves	–	–	33.3	–	–	(33.3)	–
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	10.9	–	–	–	–	–	10.9
Translation differences	–	–	–	–	(3,018.3)	–	(3,018.3)
2015 final dividend paid	–	–	–	–	–	(2,699.1)	(2,699.1)
2016 interim dividend paid	–	–	–	–	–	(1,204.7)	(1,204.7)
At 30 June 2016	3,736.4	1,395.4	798.1	236.3	2,510.8	101,296.6	109,973.6

38 Reserves (continued)

	Property revaluation reserve HK$m	Investment revaluation reserve HK$m	General reserve HK$m	Employees' share-based compensation reserve HK$m	Exchange reserve HK$m	Retained profits HK$m	Total HK$m
At 1 July 2014	3,435.8	1,492.3	1,077.5	338.9	6,956.1	82,746.4	96,047.0
Fair value changes of available-for-sale financial assets, net of taxation	–	311.7	–	–	–	–	311.7
Release of reserve upon disposal of available-for-sale financial assets	–	(101.8)	–	–	–	–	(101.8)
Employees' share-based payments	–	–	–	137.4	–	–	137.4
Share options lapsed	–	–	–	(10.1)	–	10.1	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(1.4)	(1.4)
Release of reserves upon disposal of subsidiaries	–	–	(59.5)	–	(8.2)	58.0	(9.7)
Release of reserves upon partial disposal of interest in an associated company	–	(0.8)	(8.4)	–	(19.4)	–	(28.6)
Deemed disposal of interests in subsidiaries	–	–	–	–	–	(13.5)	(13.5)
Reversal of reserves upon reclassification of an available-for-sale financial asset as an associated company	–	408.2	–	–	31.6	–	439.8
Profit attributable to shareholders	–	–	–	–	–	19,112.0	19,112.0
Share of other comprehensive income of joint ventures and associated companies	–	8.3	(53.4)	–	(124.8)	(17.9)	(187.8)
Cash flow hedges	–	–	(0.7)	–	–	–	(0.7)
Remeasurement of post employment benefit obligation	–	–	(0.8)	–	–	3.0	2.2
Transfer of reserves	–	–	(197.6)	–	–	197.6	–
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	289.7	–	–	–	–	–	289.7
Translation differences	–	–	–	–	(122.6)	–	(122.6)
2014 final dividend paid	–	–	–	–	–	(2,599.5)	(2,599.5)
2015 interim dividend paid	–	–	–	–	–	(1,067.2)	(1,067.2)
At 30 June 2015	3,725.5	2,117.9	757.1	466.2	6,712.7	98,427.6	112,207.0

Note:

Effect on transfer to the non-controlling interests of the Group for the year ended 30 June 2016:

	2016 HK$m	2015 HK$m
Total comprehensive income for the year attributable to the shareholders of the Company	**2,853.8**	19,704.2
Transfer to the non-controlling interests		
Acquisition of additional interests in subsidiaries	**(1,228.0)**	(1.4)
Deemed disposal of interests in subsidiaries	**(33.1)**	(13.5)
Net transfer to the non-controlling interests	**(1,261.1)**	(14.9)
Total comprehensive income for the year attributable to the shareholders of the Company and net transfer to the non-controlling interests	**1,592.7**	19,689.3

39 Borrowings

	2016 HK$m	2015 HK$m
Long-term borrowings		
Secured bank loans	22,130.9	22,958.5
Unsecured bank loans	62,580.7	52,393.8
Other secured loans	2,374.3	–
Other unsecured loans	1,625.7	1,062.9
Fixed rate bonds and notes payable	41,989.8	33,311.5
Loans from non-controlling shareholders (note (b))	969.1	1,168.6
	131,670.5	110,895.3
Current portion of long-term borrowings	(16,828.1)	(27,256.9)
	114,842.4	83,638.4
Short-term borrowings		
Secured bank loans	49.4	65.4
Unsecured bank loans	1,463.8	2,330.9
Other secured loans	–	625.0
Other unsecured loans	5.0	256.3
Loans from non-controlling shareholders (note (b))	1,743.4	2,983.6
	3,261.6	6,261.2
Current portion of long-term borrowings	16,828.1	27,256.9
	20,089.7	33,518.1
Total borrowings	134,932.1	117,156.5

Notes:

(a) Bank loans, other loans and fixed rate bonds and notes payable are repayable as follows:

	Bank loans		Other loans		Fixed rate bonds and notes payable	
	2016 HK$m	2015 HK$m	2016 HK$m	2015 HK$m	2016 HK$m	2015 HK$m
Within one year	14,152.6	29,640.6	344.2	894.1	3,849.5	–
In the second year	10,739.5	12,425.7	–	362.7	3,709.8	3,868.4
In the third to fifth year	59,483.8	33,000.3	3,660.8	687.4	18,480.8	16,440.6
After the fifth year	1,848.9	2,682.0	–	–	15,949.7	13,002.5
	86,224.8	77,748.6	4,005.0	1,944.2	41,989.8	33,311.5

(b) Loans from non-controlling shareholders

The loans of HK$504.8 million (2015: HK$238.9 million) are unsecured and interest bearing at 2.2% over HIBOR (2015: 6.2%) per annum. The remaining loans are unsecured and interest free. A total amount of HK$969.1 million (2015: HK$1,168.6 million) is not repayable within the next 12 months and the remaining balances have no specific repayment term.

(c) Effective interest rates

	2016				2015			
	Hong Kong dollar	Renminbi	United States dollar	Others	Hong Kong dollar	Renminbi	United States dollar	Others
Bank loans	2.1%	5.6%	2.1%	2.0%	2.1%	6.5%	6.2%	2.2%
Fixed rate bonds and notes payable	5.6%	5.5%	5.6%	–	5.6%	5.5%	6.0%	–
Loans from non-controlling shareholders	2.7%	–	–	–	2.5%	6.2%	–	–
Other secured loans	–	6.5%	–	–	–	10.1%	–	–
Other unsecured loans	3.0%	7.2%	–	–	2.8%	7.6%	–	–

(d) Carrying amounts and fair values of the borrowings

The fair value of the fixed rate bonds and notes payable at the end of the reporting period is HK$44,172.4 million (2015: HK$35,035.4 million). The carrying amounts of other borrowings approximate their fair values.

39 Borrowings (continued)

Notes: (continued)

(e) Currencies

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

	2016 HK$m	2015 HK$m
Hong Kong dollar	**84,170.8**	70,635.7
United States dollar	**30,528.0**	24,342.8
Renminbi	**20,106.6**	22,084.5
Others	**126.7**	93.5
	134,932.1	117,156.5

(f) The contractual repricing dates or maturity dates (whichever is earlier) of the interest-bearing borrowings are as follows:

	Bank loans HK$m	Other loans HK$m	Loans from non-controlling shareholders HK$m	Fixed rate bonds and notes payable HK$m	Total HK$m
2016					
Within five years	**86,224.8**	**4,005.0**	**504.8**	**26,158.8**	**116,893.4**
After the fifth year	**–**	**–**	**–**	**15,831.0**	**15,831.0**
	86,224.8	**4,005.0**	**504.8**	**41,989.8**	**132,724.4**
2015					
Within five years	77,748.6	1,944.2	186.4	21,365.2	101,244.4
After the fifth year	–	–	52.5	11,946.3	11,998.8
	77,748.6	1,944.2	238.9	33,311.5	113,243.2

40 Other Non-Current Liabilities

	2016 HK$m	2015 HK$m
Deferred income	**14.8**	147.9
Provision for long service payments	**38.8**	46.8
Long-term accounts payable	**547.6**	601.1
	601.2	795.8

41 Creditors and Accrued Charges

	2016 HK$m	2015 HK$m
Trade creditors (note (a))	**7,980.1**	11,088.1
Amounts due to customers for contract work (note 34)	**1,592.3**	850.3
Deposits received on sale of properties	**9,828.7**	12,603.6
Amounts due to joint ventures (note (b))	**1,897.7**	2,061.5
Amounts due to associated companies (note (b))	**180.3**	250.4
Other creditors and accrued charges	**16,711.8**	13,751.6
	38,190.9	40,605.5

Notes:

(a) Aging analysis of trade creditors based on invoice date is as follows:

	2016 HK$m	2015 HK$m
Current to 30 days	**5,496.4**	8,869.1
31 to 60 days	**894.3**	670.7
Over 60 days	**1,589.4**	1,548.3
	7,980.1	11,088.1

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

(c) The carrying amounts of creditors and accrued charges, which approximate their fair values, are denominated in the following currencies:

	2016 HK$m	2015 HK$m
Hong Kong dollar	**17,254.1**	20,128.5
Renminbi	**19,964.6**	19,490.5
United States dollar	**556.5**	553.3
Macau Pataca	**273.7**	231.6
Others	**142.0**	201.6
	38,190.9	40,605.5

42 Financial Instruments by Category

In accordance with HKFRS 7, the financial assets and financial liabilities of the Group as shown in the consolidated statements of financial position are classified as follows:

(a) Financial assets at fair value through profit or loss and derivative financial instruments are categorised as financial assets at fair value through profit or loss and carried at fair value;

(b) Available-for-sale financial assets are categorised as available-for-sale financial assets and carried at fair value;

(c) Held-to-maturity investments are categorised as held-to-maturity investments and carried at amortised cost using the effective interest method;

(d) Long-term receivables, long-term deposits, restricted bank deposits, trade and other debtors, and cash and bank balances are categorised as loans and receivables and carried at amortised cost using the effective interest method; and

(e) Borrowings, trade and other creditors are categorised as financial liabilities and carried at amortised cost using the effective interest method. Derivative financial instruments are categorised as financial liabilities at fair value through profit or loss and carried at fair value.

43 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet provided is as follows:

	2016 HK$m	2015 HK$m
Contracted but not provided for		
Property, plant and equipment	**1,166.5**	1,520.9
Investment properties	**6,741.7**	6,913.3
Intangible concession rights	**–**	93.0
Associated companies	**437.7**	1,679.6
Joint ventures	**1,934.9**	425.7
Other investments	**1,200.5**	436.0
	11,481.3	11,068.5

The Group's share of capital commitments of the joint ventures not included above are as follows:

	2016 HK$m	2015 HK$m
Contracted but not provided for	**708.3**	1,269.2

(b) Commitments under operating leases

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

	2016 HK$m	2015 HK$m
Land and buildings		
In the first year	**873.5**	954.6
In the second to fifth year	**3,056.3**	3,176.8
After the fifth year	**3,480.8**	5,110.0
	7,410.6	9,241.4

The Group leases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms ranging from 1 to 19 years. Certain of these leases have escalation clauses and renewal rights.

(c) Operating lease receivable

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

	2016 HK$m	2015 HK$m
In the first year	**1,742.5**	1,781.0
In the second to fifth year	**2,729.2**	2,550.3
After the fifth year	**567.9**	915.9
	5,039.6	5,247.2

The Group's operating leases are for terms ranging from 1 to 18 years.

44 Financial Guarantee and Contingent Liabilities

	2016 HK$m	2015 HK$m
Financial guarantee contracts:		
Mortgage facilities for certain purchasers of properties	**2,428.4**	2,240.0
Guarantees for credit facilities granted to		
Joint ventures	**4,421.8**	4,229.4
Associated companies	**1,340.9**	20.0
A related company	**–**	49.7
Indemnity to non-wholly owned subsidiaries for Mainland China tax liabilities	**18.0**	1,415.0
	8,209.1	7,954.1

45 Notes to Consolidated Statement of Cash Flows

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

	2016 HK$m	2015 HK$m
Operating profit	**16,583.3**	27,970.9
Depreciation	**979.7**	1,304.3
Amortisation	**949.5**	1,009.7
Changes in fair value of investment properties	**(307.3)**	(3,165.5)
Write back of provision for loans and other receivables	**(210.4)**	(376.6)
Write back of provision of property, plant and equipment	**(567.3)**	–
Gain on deemed disposal of interest in an associate company	**–**	(50.7)
Gain on partial disposal of interests in subsidiaries and remeasurement of retained interest at fair value after reclassification to a joint venture	**(40.0)**	(13,709.2)
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	**–**	(914.0)
Gain on remeasurement of previously held interest of an associated company at fair value upon further acquisition to become a subsidiary	**(18.2)**	–
Loss/(gain) on remeasurement of previously held interest of a joint venture at fair value upon further acquisition to become a subsidiary	**40.5**	(986.6)
Net loss on fair value of financial assets at fair value through profit or loss	**154.0**	38.9
Net (gain)/loss on disposal of		
Non-current assets classified as assets held for sale	**(784.9)**	(30.3)
Available-for-sale financial assets	**(413.3)**	(66.2)
Financial assets at fair value through profit or loss	**(9.8)**	23.5
Investment properties, property, plant and equipment and intangible concession rights and their related assets and liabilities	**(207.2)**	63.2
Subsidiaries	**(6,965.4)**	(18.0)
Joint ventures	**(53.0)**	–
Associated companies	**(3.0)**	137.9
Impairment loss on		
Available-for-sale financial assets	**692.4**	11.8
Loans and other receivables	**7.4**	61.2
Property, plant and equipment	**30.1**	532.0
Intangible assets	**–**	100.5
Dividend income from available-for-sale financial assets, perpetual securities and a financial asset at fair value through profit or loss	**(855.5)**	(31.8)
Share options expenses	**124.8**	168.9
Net exchange loss/(gain)	**1,894.0**	(93.8)
Operating profit before working capital changes	**11,020.4**	11,980.1
Decrease/(increase) in inventories	**42.6**	(77.5)
Increase in properties for/under development and properties held for sale	**(3,346.9)**	(7,004.7)
Decrease/(increase) in debtors and prepayments	**323.3**	(657.7)
Increase in creditors and accrued charges	**4,325.2**	9,588.4
Net cash generated from operations	**12,364.6**	13,828.6

45 Notes to Consolidated Statement of Cash Flows (continued)

(b) Acquisition of subsidiaries

	2016 HK$m	2015 HK$m
Net assets acquired		
Investment properties	**–**	6,130.3
Land use rights	**–**	24.7
Property, plant and equipment	**39.0**	36.8
Intangible assets, other than goodwill	**–**	0.7
Inventories	**0.8**	81.5
Debtors and prepayments	**9.9**	40.9
Cash and bank balances	**1.3**	31.2
Creditors and accrued charges	**(18.4)**	(170.4)
Current tax payable	**(0.1)**	(1.3)
Deferred tax liabilities	**–**	(7.0)
Borrowings	**–**	(397.0)
Non-controlling interests	**(2.1)**	(197.9)
Net assets	**30.4**	5,572.5
Interests originally held by the Group as a joint venture	**(54.5)**	(1,237.2)
Interests originally held by the Group as an associated company	**15.0**	–
	(9.1)	4,335.3
Goodwill on acquisition	**2.5**	81.4
Loss/(gain) on remeasurement of previously held interest of a joint venture at fair value upon further acquisition to become a subsidiary	**40.5**	(986.6)
Gain on remeasurement of previously held interest of an associated company at fair value upon further acquisition to become a subsidiary	**(18.2)**	–
Translation differences	**(0.2)**	–
Consideration	**15.5**	3,430.1

(c) Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries

	2016 HK$m	2015 HK$m
Cash consideration	**(15.5)**	(3,430.1)
Cash and cash equivalents acquired	**1.3**	31.2
	(14.2)	(3,398.9)

45 Notes to Consolidated Statement of Cash Flows (continued)

(d) Disposal of subsidiaries

	2016 HK$m	2015 HK$m
Net assets disposed		
Property, plant and equipment	**1,732.0**	1,262.5
Investment properties	**2,762.8**	5.6
Land use rights	**100.6**	–
Held-to-maturity investments	**–**	0.6
Other non-current assets	**–**	15.6
Properties for development	**10,108.6**	–
Properties under development	**5,004.2**	–
Properties held for sales	**1,296.1**	–
Interests in joint ventures	**1,092.7**	–
Inventories	**–**	12.8
Debtors and prepayments	**823.7**	175.3
Cash and bank balances	**1,466.5**	251.7
Creditors and accrued charges	**(4,506.2)**	(611.0)
Current tax payable	**(94.0)**	(70.3)
Borrowings	**(1,531.9)**	–
Deferred tax liabilities	**(363.1)**	(30.3)
Non-controlling interests	**(236.5)**	–
Net assets	**17,655.5**	1,012.5
Interest retained by the Group as a joint venture	**(287.9)**	(4,787.1)
Release of reserve upon disposal	**(980.3)**	(14.0)
Gain on partial disposal of interests in subsidiaries and remeasurement of retained interest at fair value after reclassification to a joint venture	**40.0**	13,709.2
Net gain on disposal of subsidiaries	**6,965.4**	18.0
Consideration	**23,392.7**	9,938.6

(e) Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries

	2016 HK$m	2015 HK$m
Cash consideration	**23,392.7**	9,938.6
Consideration to be received (note)	**(10,387.6)**	–
Cash and cash equivalents disposed	**(1,466.5)**	(251.7)
	11,538.6	9,686.9

Note:

The balance mainly represents the consideration to be received from Evergrande in relation to the disposal of subsidiaries (note 28(a)).

46 Related Party Transactions

In addition to those disclosed in other sections of the consolidated financial statements, the following significant related party transactions have been entered into by the Group during the year:

	2016 HK$m	2015 HK$m
Joint ventures		
Provision of construction work services (note (a))	**1,199.6**	676.8
Interest income (note (b))	**85.1**	204.9
Rental expenses (note (c))	**246.0**	277.5
Management services fee income (note (d))	**87.9**	–

	2016 HK$m	2015 HK$m
Related companies (note (k))		
Provision of construction work services (note (a))	**33.9**	249.6
Rental income (note (c))	**145.2**	132.1
Concessionaires commissions (note (e))	**76.1**	102.3
Management services fee income (note (d))	**221.1**	100.0
Sales of goods, prepaid shopping cards and vouchers (note (f))	**110.9**	11.4
Purchase of goods (note (g))	**10.9**	61.1
Engineering and mechanical services (note (h))	**1,768.6**	923.8
Management fee expenses (note (i))	**52.4**	118.7
Accounts payable (note (j))	**4.3**	461.5

Notes:

(a) Revenue from provision of construction work services is principally charged in accordance with relevant contracts.

(b) Interest income is charged at interest rates as specified in note 21(a) on the outstanding amounts.

(c) Rental income and expenses are charged in accordance with respective tenancy agreements.

(d) Management services fee income is charged in accordance with the terms of respective management service agreements.

(e) The income is charged in accordance with concessionaire counter agreements with CTFJ Group. The commission is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

(f) This represents the amounts received in respect of the sales of goods, prepaid shopping cards and vouchers to CTF Group, CTFJ Group and companies owned by Mr. Doo.

(g) This represents purchase of goods by means of presenting various cash equivalent gift coupons, gift cards and stored value shopping cards to CTFJ Group. Such fee is charged in accordance with the terms of the agreements.

(h) Engineering and mechanical services are charged in accordance with relevant contracts.

(i) Management fee expenses are charged at rates in accordance with relevant contracts.

(j) The accounts payable are unsecured, interest free and are repayable on demand.

(k) Related companies are subsidiaries and joint ventures of CTF Group, CTFJ Group and companies held by Mr. Doo.

(l) The balances with joint ventures and associated companies are disclosed in notes 21, 22, 31 and 41.

(m) No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 15.

46 Related Party Transactions (continued)

Notes: (continued)

(n) The disposal of the Disposal Hotel Group to CTF is disclosed in note 8(a).

(o) On 24 August 2015, Catchy Investments Limited ("Catchy", a wholly owned subsidiary of the Company), entered into an agreement (the "Dragon Merchant Agreement") with FSE Management (a majority-controlled company of Mr. Doo) pursuant to which Catchy agreed to sell and assign, and FSE Management agreed to purchase and accept the assignment of, the entire issued share capital of Dragon Merchant Limited ("Dragon Merchant") and the entire amount of the unsecured and non-interest bearing shareholder's loan owing from Dragon Merchant to Catchy as at the date of completion of the Dragon Merchant Agreement ("Completion") at an aggregate cash consideration of HK$258.0 million (subject to adjustment). The main asset of Dragon Merchant and its subsidiary is the property situate at 8th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. The consideration was adjusted to approximately HK$255.3 million by reference to the unaudited consolidated net tangible assets value of Dragon Merchant as at the date of Completion.

(p) On 25 August 2015, Startley Limited ("Startley", a wholly owned subsidiary of CTF), Risma Limited ("Risma", a wholly owned subsidiary of the Company), 周大福珠寶金行(深圳)有限公司 (Chow Tai Fook Jewellery (Shenzhen) Co. Ltd.) ("CTFJ Shenzhen", an indirect wholly owned subsidiary of CTFJ) and Chow Tai Fook Qianhai Investments Company Limited ("CTF Qianhai", a wholly owned subsidiary of CTF as at the date of the Joint Venture Agreement) entered into a joint venture agreement (the "JV Agreement") regarding the formation of two joint venture entities, namely CTF Qianhai and 深圳前海周大福港貨中心有限公司 (Shenzhen Qianhai Chow Tai Fook Hong Kong Goods Centre Co., Ltd.) (the "PRC JV Company"). The total investment in the PRC JV Company will be RMB350.0 million (equivalent to approximately HK$409.5 million), of which RMB120.0 million (equivalent to approximately HK$140.4 million) will be its registered capital. Completion of the JV Agreement took place on 7 September 2015. The effective interest in the PRC JV Company held by Startley, CTFJ Shenzhen and Risma is 50.0%, 30.0% and 20.0%, respectively.

(q) On 20 November 2015, the Company entered into a sale and purchase agreement with CTF pursuant to which CTF agreed to sell and assign, and the Company agreed to purchase and accept the assignment of 36.0% of the issued shares of Beames Holdings Limited ("Beames") and the entire amount of unsecured and non-interest bearing shareholder's loan owing from Beames to CTF for a total adjusted consideration of approximately HK$3,592.8 million. Beames, through its subsidiaries, associated companies and joint ventures, is principally engaged in hotel business operations and property investment in Hong Kong and Southeast Asia. The transaction was completed on 23 November 2015 and Beames becomes a direct wholly owned subsidiary of the Company.

(r) On 4 February 2016, each of New World Hotels Corporation Limited (an indirect wholly owned subsidiary of the Company) and Goland Developments Limited ("Goland", an indirect subsidiary of the Company) as purchasers entered into an agreement with Way West Investments Limited ("Way West", wholly owned by the brother of Mr. Ho Hau-Hay, Hamilton who is an Independent Non-executive Director of the Company) as vendor regarding the acquisition of 47.5% interest in Goland and 6.7% interest in Realform Developments Limited respectively at an aggregate cash consideration of HK$90.1 million (the "Makati Acquisitions"). Both transactions were completed on 4 February 2016, and through the Makati Acquisitions, the Company's attributable interests in New World Makati Hotel, Manila, Philippines increased from 49.0% to 62.0%.

(s) On 10 December 2015, CTF, Razor Zenith Limited ("RZL", a directly wholly owned subsidiary of CTF), NWS Ports Management Limited (a direct wholly owned subsidiary of NWSH), Flying Gravity Limited ("FGL", an indirect wholly owned subsidiary of NWSH) and Silverway Global Limited ("SGL") (collectively, the "Parties") entered into a shareholders agreement (the "Shareholders Agreement") to regulate the respective rights and obligations of RZL and FGL towards the management of SGL. The entire issued share capital of SGL is owned as to 50% by RZL and 50% by FGL. Pursuant to the Shareholders Agreement, it was agreed that SGL shall, subject to the satisfaction of certain conditions precedent, establish a joint venture with Aviation Capital Group Corp. ("ACG", a company established in USA engaged in the business of aircraft leasing), in which SGL shall hold 80% of the shares and ACG shall hold the remaining 20% of the shares of the same class.

On 8 March 2016, Bauhinia Aviation Capital Limited was established as the joint venture between SGL and ACG as contemplated under the Shareholders Agreement and owned as to 80% by SGL and 20% by ACG. Pursuant to a supplemental agreement to the Shareholders Agreement entered into among the parties on 8 March 2016, the parties agreed that the total commitment (whether equity, loan or otherwise and including any guarantee or indemnity in connection with the establishment of SGL) of each of RZL and FGL towards SGL shall be increased from US$4.0 million (equivalent to HK$31.2 million) to US$240.0 million (equivalent to HK$1,872.0 million).

47 Event Subsequent to Year Ended

Privatisation of NWCL

On 6 January 2016, the Company and the Offeror announced a voluntary conditional cash offer by the Offeror to acquire all of the issued shares of NWCL, an indirect non wholly owned subsidiary of the Company incorporated in the Cayman Islands, other than those shares already held by the Offeror and the Company ("the Offered Shares").

On 5 April 2016, the Offeror received acceptance of approximately 98.65% of the Offered Shares. The Offeror could privatise NWCL by exercising its rights, pursuant to section 88 of the Companies Law of the Cayman Islands, to compulsorily acquire those Offered Shares not already acquired by the Offeror.

On 28 June 2016, the Offeror had despatched the compulsory acquisition notices to the shareholders of the remaining Offered Shares. Based on a search of the Cayman Islands Register of Writs and Other Originating Process maintained by the Grand Court, no remaining offer shareholder has filed an objection to the compulsory acquisition with the Grand Court of the Cayman Islands by 28 July 2016. Accordingly, the Offeror became entitled and bound to compulsorily acquire the remaining Offered Shares at HK$7.80 per remaining Offered Share in accordance with the terms of the share offer and as set out in the compulsory acquisition notice. On 3 August 2016, the compulsory acquisition was completed. As a result of and with effect from the completion of the compulsory acquisition, NWCL has become an indirect wholly owned subsidiary of the Company and the listing of NWCL shares on the Stock Exchange was withdrawn on 4 August 2016.

48 Company Statement of Financial Position

	2016 HK$m	2015 HK$m
Assets		
Non-current assets		
Investment property	**107.0**	115.0
Property, plant and equipment	**13.0**	9.0
Interests in subsidiaries	**46,819.7**	44,980.2
Interests in joint ventures	**1,031.6**	983.2
Interests in associated companies	**18.2**	29.4
Available-for-sale financial assets	**3.5**	3.6
Deferred tax assets	**55.4**	55.4
	48,048.4	46,175.8
Current assets		
Properties held for sale	**1,229.3**	1,256.0
Debtors and prepayments	**180.2**	280.4
Amounts receivable from subsidiaries	**80,970.0**	65,281.4
Cash and bank balances	**295.2**	333.6
	82,674.7	67,151.4
Total assets	**130,723.1**	113,327.2
Equity		
Share capital	**69,599.8**	66,711.6
Reserves (note)	**21,502.9**	21,350.3
Total equity	**91,102.7**	88,061.9
Liabilities		
Current liabilities		
Creditors and accrued charges	**335.1**	336.8
Amounts payable to subsidiaries	**39,285.3**	24,928.5
Total liabilities	**39,620.4**	25,265.3
Total equity and liabilities	**130,723.1**	113,327.2

Dr. Cheng Kar-Shun, Henry
Director

Dr. Cheng Chi-Kong, Adrian
Director

48 Company Statement of Financial Position (continued)

Note:

Reserves

	Investment revaluation reserve HK$m	**Employees' share-based compensation reserve HK$m**	**Retained profits HK$m**	**Total HK$m**
At 1 July 2015	**(6.6)**	**394.4**	**20,962.5**	**21,350.3**
Employees' share-based payment	**–**	**71.3**	**–**	**71.3**
Share options lapsed	**–**	**(300.4)**	**300.4**	**–**
Fair value changes of available-for-sale financial assets	**(0.1)**	**–**	**–**	**(0.1)**
Profit for the year	**–**	**–**	**3,985.2**	**3,985.2**
2015 final dividend paid	**–**	**–**	**(2,699.1)**	**(2,699.1)**
2016 interim dividend paid	**–**	**–**	**(1,204.7)**	**(1,204.7)**
At 30 June 2016	**(6.7)**	**165.3**	**21,344.3**	**21,502.9**

	Investment revaluation reserve HK$m	Employees' share-based compensation reserve HK$m	Retained profits HK$m	Total HK$m
At 1 July 2014	1.6	322.8	14,337.8	14,662.2
Employees' share-based payment	–	74.8	–	74.8
Share options lapsed	–	(3.2)	3.2	–
Fair value changes of available-for-sale financial assets	(8.2)	–	–	(8.2)
Profit for the year	–	–	10,288.2	10,288.2
2014 final dividend paid	–	–	(2,599.5)	(2,599.5)
2015 interim dividend paid	–	–	(1,067.2)	(1,067.2)
At 30 June 2015	(6.6)	394.4	20,962.5	21,350.3

49 Principal Subsidiaries

As at 30 June 2016

	Share capital issued#		**Attributable interest to the Group (%)**	**Principal activities**
	Number of shares	**Issued and paid up share capital HK$**		
Incorporated and operate in Hong Kong				
Ace Island Limited	1	1	100	Property investment
Addlight Investments Limited	9,998	9,998	63	Property development
	2 [1]	2	63	
Adwin Top Limited	2	2	100	Property investment
All Speed Investment Limited	2	2	100	Property investment
Anway Limited	1	1	61	Duty free operation and general trading
Billion Huge (International) Limited	950,001	950,001	99	Investment holding
Billion Park Investment Limited	1,000,000	1,000,000	80	Investment holding
Billionoble Investment Limited	4,998	4,998	61	Investment holding
	2 [1]	2	61	
Birkenshaw Limited	10,000	10,000	100	Property investment
Bounty Gain Limited	1	1	61	Investment holding
Bright Moon Company, Limited	100,000	1,000,000	75	Property investment
Calpella Limited	2	20	100	Property investment
Cheer Best Enterprises Limited	2	2	100	Property investment
Cheering Step Investments Limited	1	1	61	Investment holding
Cheong Sing Company Limited	10,000	10,000	100	Property investment
Cheong Yin Company Limited	30,000	3,000,000	100	Property investment
Chi Lam Investment Company Limited	7,000	700,000	100	Investment holding

49 Principal Subsidiaries (continued)

As at 30 June 2016

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Issued and paid up share capital HK$		
Incorporated and operate in Hong Kong (continued)				
Chinese Future Limited	1,300,000,000	1,300,000,000	61	Investment holding
CiF Solutions Limited	10	1,000	61	Provision of information
	160,000 [1]	16,000,000	61	technology solutions
Come City Limited	2	2	100	Property investment
Discovery Park Commercial Services Limited	2	2	100	Property management
DP Properties Limited	4,000	1,000	100	Property investment
Easywin Enterprises Corporation Limited	2,000	200,000	100	Investment holding
Fook Hang Trading Company Limited	100	10,000	85	Property development
Fook Hong Enterprises Company, Limited	10,000	1,000,000	100	Property investment
Fortune Kingdom Development Limited	2	2	100	Property development
Full Asset Enterprises Limited	1	1	100	Property investment
Gold Queen Limited	5,000	5,000	100	Property investment
Grace Crystal Limited	1	1	61	Investment holding
Grace Sky Creation Limited	10,000	10,000	100	Investment holding
Gracejoy Investments Limited	1	1	100	Property development
Grand Express International Limited	1	1	61	Investment holding
Guidetone Investments Limited	100,000	100,000	80	Property investment
Happy Champion Limited	2	2	100	Investment holding
Head Step Limited	2	2	100	Hotel operation
Highness Land Investment Company Limited	10	100	60	Property investment
Hip Hing Builders Company Limited	40,000	40,000,000	61	Construction
	10,000 [1]	10,000,000	61	
Hip Hing Construction Company Limited	400,000	40,000,000	61	Construction and civil
	600,000 [1]	60,000,000	61	engineering
Hip Hing Engineering Company Limited	2,000,000	200,000,000	61	Building construction
Hip Seng Builders Limited	20,000	20,000,000	61	Construction
Hip Seng Construction Company Limited	1	1	61	Construction
Hong Kong Convention and Exhibition	3	3	61	Management of Hong Kong
Centre (Management) Limited	1 [1]	1	61	Convention and Exhibition Centre ("HKCEC")
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	61	Investment holding
Hong Kong Island Development Limited	33,400,000	167,000,000	100	Property investment
Hong Kong Jing-Guang Development Limited	100,000	1,000,000	82	Investment holding
Hong Kong Multiple Intelligence Education Company Limited	1	1	100	Provision of training courses
Honour Shares Limited	100	100	100	Investment holding
Housing Finance Limited	2	2	100	Financial services
Istaron Limited	4	4	100	Investment holding
Jade Gain Enterprises Limited	100	100	70	Property investment
Joint Profit Limited	2	2	100	Property investment
K11 Art Collection Company Limited	1	1	100	Trading
K11 (China) Limited	1	1	100	Investment holding
K11 Concepts Limited	1	1	100	Provision of property management consultancy services
K11 Design Store Limited	1	1	100	Retail of consumer products
K11 Exhibition Company Limited	1	1	100	Exhibitions and shows
K11 Klicks Limited	1	1	100	Online trading
K11 Loyalty Program Limited	1	1	100	Marketing and promotion
K11 Real Estate Agency Limited	1	1	100	Estate agency

49 Principal Subsidiaries (continued)

As at 30 June 2016

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Issued and paid up share capital HK$		
Incorporated and operate in Hong Kong (continued)				
K11 Retail Sales Limited	1	1	100	Retail sales
K11 Select Limited	1	1	100	Retail of consumer products
Kin Kiu Enterprises, Limited	10,000	10,000,000	100	Investment holding
King Lee Investment Company Limited	300	300,000	100	Investment holding
Kiu Lok Property Services (China) Limited	2	2	61	Property agency management and consultancy
	2 [1]	2	61	
La Tune Limited	2	200	100	Property investment
Land Source Investment Limited	2	2	100	Property investment
Lingal Limited	1,800	1,800	99	Investment holding
	200 [1]	200	–	
Legarleon Finance Limited	4,400,000	44,000,000	100	Financing
Loyalton Limited	2	20	100	Property investment
Lucrative Venture Limited	1,500,000	15,000,000	100	Property development
Magic Sign Limited	2	2	100	Property development
Million World Development Limited	100	100	100	Property investment
New Advent Limited	1	1	61	Property investment
New World Construction Company Limited	1	1	61	Construction
New World Construction Management Company Limited	1	1	61	Construction
New World Department Store (Investment) Limited	3	410,045,794	72	Investment holding
New World Department Stores Limited	2	2	72	Provision of management services to department stores
New World Development (China) Limited	2	2	99	Investment holding
	2 [1]	2	100	
New World Finance Company Limited	200,000	20,000,000	100	Financial services
New World-Guangdong Highway Investments Co. Limited	100	10,000	61	Investment holding
	100 [1]	10,000	65	
New World Hotels (Holdings) Limited	576,000,000	510,795,731	100	Investment holding
New World Loyalty Programme Limited	1	1	100	Loyalty programme
New World Nominee Limited	2	200	100	Nominee services
New World Port Investments Limited	2	2	61	Investment holding
New World Property Management Company Limited	1	1	100	Property management
New World Real Estate Agency Limited	2	2	100	Estate agency
New World Telephone Holdings Limited	200	200	100	Investment holding
New World Tower Company Limited	2	20	100	Property investment
New World (Xiamen) Port Investments Limited	2	2	61	Investment holding
NW Project Management (HK) Limited	1	1	100	Project management
NW Project Management Limited	2	2	100	Project management
NWD Finance Limited	2	2	100	Financing
NWS (Finance) Limited	2	2	61	Financial services
NWS Holdings (Finance) Limited	1	1	61	Financing
NWS Hong Kong Investment Limited	1	1	61	Investment holding
NWS Ports Management (Tianjin) Limited	1	1	61	Investment holding
Ocean Front Investments Limited	1	1	100	Property investment
Offline Selling Online Limited	1	1	100	Online trading
Pacific Great Investment Limited	50,000,000	50,000,000	99	Investment holding
Paterson Plaza Properties Limited	10,000	10,000	100	Property investment
Pearls Limited	100	100	92	Property development
Peterson Investment Company Limited	10,000	10,000	100	Property investment
Pine Harvest Limited	1	1	80	Property development

49 **Principal Subsidiaries** (continued)

As at 30 June 2016

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Issued and paid up share capital HK$		
Incorporated and operate in Hong Kong (continued)				
Polytown Company Limited	2	20	61	Property investment, operation, marketing, promotion and management of HKCEC
	100,000[1]	1,000,000	61	
Polyworth Limited	10	10	92	Property development
Pontiff Company Limited	10,000,000	10,000,000	100	Property investment
Pridemax Limited	2	2	100	Property investment
Profit Now Limited	1	1	61	Investment holding
Queen's Land Investment Limited	1,000	1,000	100	Property development
Realray Investments Limited	2	2	100	Property investment
Regent Star Investment Limited	1,000	1,000	100	Property development
Richglows Limited	2	2	100	Property investment
Rosy Page Limited	15,000,000	15,000,000	100	Property development
Scienward Fashion and Luxury Limited	10,000	10,000	72	Investment holding and fashion trading
Scienward Sports and Casual Limited	100	100	72	Provision of management services
Silver Grow Investment Limited	1	1	72	Investment holding
Silver Rich Holdings Limited	2	2	85	Property development
Sky Connection Limited	100	100	61	Duty free operation and general trading
Speed Star Development Limited	2	2	100	Property investment
Spotview Development Limited	10	10	100	Financial services
Spring Yield Investments Limited	1	1	100	Property investment
Super Memory Limited	2	2	100	Property investment
Super Value Development Limited	10,000	10,000	100	Property investment
Tao Yun Company Limited	2	20	100	Property investment
Top Flash Investments Limited	10,000	10,000	100	Property investment
True Hope Investment Limited	4,998	4,998	61	Investment holding
	2[1]	2	61	
Try Force Limited	4,998	4,998	61	Investment holding
	2[1]	2	61	
Twinic International Limited	1	1	61	Investment holding
Ultimate Vantage Limited	100	100	80	Property development
Up Fair Limited	2	2	100	Property development
Urban Parking Limited	15,000,000	15,000,000	61	Carpark management
Vibro Construction Company Limited	1,630,000	163,000,000	61	Civil engineering
	20,000[1]	2,000,000	61	
Vibro (H.K.) Limited	20,000,004	60,328,449	61	Piling, ground investigation and civil engineering
Waygent Investment Limited	2	2	100	Property investment
Winpo Development Limited	2	2	100	Property investment
Wisemec Enterprises Limited	2	2	61	Investment holding
World Empire Property Limited	2	2	100	Property investment

49 Principal Subsidiaries (continued)

As at 30 June 2016

	Share capital issued[#] Number of shares	Par value per share	Attributable interest to the Group (%)	Principal activities
Incorporated in the Cayman Islands				
Chinese Future Corporation	1,000,000	US$0.01	61	Investment holding
Incorporated in the Cayman Islands and operate in Hong Kong				
New World China Land Limited	8,702,292,242	HK$0.1	99[N]	Investment holding
New World Department Store China Limited	1,686,145,000	HK$0.1	72	Investment holding
New World TMT Limited	952,180,007	HK$1	100	Investment holding
NWS Service Management Limited	1,323,943,165	HK$0.1	61	Investment holding
Incorporated and operates in the Philippines				
New World International Development Philippines, Inc	6,988,016	Peso100	62	Hotel operation
Incorporated and operates in Malaysia				
Taipan Eagle Sdn. Bhd.	1,000,000	MYR1	71	Property development

[#] Represented ordinary share capital, unless otherwise stated

[1] Non-voting deferred shares

[N] Exact percentage of shareholding being 99.58%

	Registered/ fully paid capital	Attributable interest[ø] to the Group (%)	Principal activities
Incorporated and operate in the PRC			
Anshan New World Department Store Co., Ltd.	RMB25,000,000	72	Department store operation
Beijing Dongfang Huamei Real Estate Development Co., Ltd.	RMB200,000,000	75	Land development
Beijing K11 Art Development Limited (Formerly: PRC Art Collection Company Limited)	RMB5,000,000	100	Sales and leasing of arts and crafts collection (excluding artifacts)
Beijing Lingal Real Estates Development Co., Ltd.	US$13,000,000	99	Property investment
Beijing New World Huamei Real Estate Development Co., Ltd.	RMB748,000,000	75	Property development
Beijing New World Liying Department Store Co., Ltd.	RMB18,000,000	72	Department store operation
Beijing New World Qianzi Department Store Co., Ltd.	HK$60,000,000	72	Department store operation
Beijing New World Trendy Department Store Co., Ltd.	RMB25,000,000	72	Department store operation
Beijing NW Project Management Consultancy Services Limited	RMB1,000,000	100	Project management and consultancy
Beijing Xintong Media & Advertising Co., Ltd.	RMB100,000,000	83	Provision of advertising and media related services
Beijing Yixi New World Department Store Co., Ltd.	RMB65,000,000	72	Department store operation
Changsha New World Trendy Plaza Co., Ltd.	RMB60,000,000	72	Department store operation
Chaoming (Chongqing) Investment Company Limited	US$78,000,000	61	Investment holding
Chengdu New World Department Store Co., Ltd.	RMB70,000,000	72	Department store operation
Chongqing New World Department Store Co., Ltd.	RMB100,000,000	72	Department store operation
Dalian New World Plaza International Co., Ltd.	RMB58,000,000	88	Property investment and development
Dalian New World Tower Co., Ltd.	US$197,324,700	99	Property investment, development and hotel operation

49 Principal Subsidiaries (continued)

As at 30 June 2016

	Registered/ fully paid capital	Attributable interest[ø] to the Group (%)	Principal activities
Incorporated and operate in the PRC (continued)			
Foshan Country Club Co., Ltd.	US$52,923,600	84	Golf club operation
Foshan Country Real Estate Development Co., Ltd.	RMB638,030,000	84	Property development
Foshan Da Hao Hu Real Estate Development Co., Ltd.	RMB1,278,558,000	84	Property development
Guangdong Xin Chuan Co., Ltd.	RMB714,853,600	61	Investment holding
Guangxi Beiliu Xinbei Highways Co., Ltd.	RMB59,520,000	61	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	RMB57,680,000	61	Operation of toll road
Guangxi Yulin Xinye Highways Co., Ltd.	RMB63,800,000	37[α]	Operation of toll road
Guangxi Yulin Xinyu Highways Co., Ltd.	RMB96,000,000	40[α]	Operation of toll road
Guangzhou Fong Chuen-New World Property Development Ltd.	RMB330,000,000	99	Property development
Guangzhou Jixian Zhuang New World City Garden Development Limited	US$24,000,000	99	Property development
Guangzhou Metropolitan Properties Co., Ltd.	HK$140,000,000	100	Property investment
Guangzhou New World Properties Development Co., Ltd.	HK$220,000,000	100	Property investment
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	RMB200,000,000	99	Property development
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	RMB244,000,000	99	Property development
Guangzhou Xin Sui Tourism Centre Ltd.	HK$180,000,000	99	Property development
Guangzhou Xin Yi Development Limited	HK$286,000,000	90	Property investment and development
Guangzhou Yibo Real Estate Development Co., Ltd.	RMB392,500,000	99	Property development
Haikou New World Housing Development Ltd.	US$8,000,000	99	Property development
Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.	US$320,590,000	61	Operation of toll road
Harbin New World Department Store Co., Ltd.	RMB126,000,000	72	Department store operation
Huamei Wealth (Beijing) Technology Co., Ltd.	RMB640,000,000	99	Property investment
Hunan Fortune Lake Property Development Co., Ltd.	RMB255,724,318	99	Property development
Hunan Success New Century Investment Company Limited	RMB980,000,000	95	Property development
Jiangsu New World Department Store Co., Ltd.	RMB16,000,000	72	Department store operation
Jinan New World Sunshine Development Ltd.	US$69,980,000	99	Property development
K11 Business Services (Wuhan) Limited	RMB500,000	100	Business services
K11 Concepts (Beijing) Limited	RMB8,000,000	100	Business consultancy
K11 Concepts (Shanghai) Limited	RMB8,000,000	100	Business consultancy
K11 PRC Kuriosity (Domestic) Company Limited	RMB1,000,000	100	E-commerce
K11 PRC Kuriosity (Foreign) Company Limited	RMB1,000,000	100	E-commerce
Langfang New World Properties Development Co., Ltd.	US$145,300,000	99	Property development
Langfang Xin Zhong Properties Development Co., Ltd.	US$98,200,000	99	Property development
Lanzhou New World Department Store Co., Ltd.	RMB30,000,000	72	Department store operation
Mianyang New World Department Store Co., Ltd.	RMB14,000,000	72	Department store operation
Nanjing New World Real Estate Co., Ltd.	US$45,339,518	99	Property investment
New World Anderson (Tianjin) Development Co., Ltd.	US$5,500,000	99	Property investment
New World (Anshan) Property Development Co., Ltd.	RMB1,420,000,000	99	Property development
New World (China) Investment Limited	US$130,000,000	100	Investment holding
New World China Land Investments Company Limited	US$80,000,000	99	Investment holding
New World Department Store (China) Co., Ltd.	RMB50,000,000	72	Department store operation
New World Department Stores Investment (China) Co., Ltd.	US$150,000,000	72	Investment holding
New World Development (Wuhan) Co., Ltd	US$128,500,000	99	Property investment and development
New World Goodtrade (Wuhan) Limited	US$219,500,000	99	Property investment and development
New World New Land Real Estate (Wuhan) Co., Ltd.	US$590,900,000	99	Property development
New World (Shenyang) Property Development Limited	RMB5,647,800,000	99	Property investment and development
New World Strategic (Beijing) Investment Consultancy Limited	US$2,400,000	100	Investment consultancy
Ningbo Firm Success Consulting Development Co., Ltd.	US$5,000,000	72	Investment holding and provision of consultancy services

49 Principal Subsidiaries (continued)

As at 30 June 2016

	Registered/ fully paid capital	Attributable interest[α] to the Group (%)	Principal activities
Incorporated and operate in the PRC (continued)			
Ningbo New World Department Store Co., Ltd.	RMB40,000,000	72	Department store operation
Peak Moral High Commercial Development (Shanghai) Co., Ltd.	US$40,000,000	72	Property investment and shopping mall operation
Scienward Fashion and Luxury (Shanghai) Co., Ltd.	US$6,460,000	72	Fashion retailing and trading
Shanghai Art Store Company Limited	RMB2,000,000	100	Arts derivatives operation
Shanghai Luxba Trading Ltd.	US$7,150,000	72	Properties investment and fashion trading
Shanghai New World Caixuan Department Store Co., Ltd.	RMB30,000,000	72	Department store operation
Shanghai New World Caizi Department Store Co., Ltd.	RMB50,000,000	72	Department store operation
Shanghai New World Department Store Co., Ltd.	RMB18,000,000	72	Department store operation
Shanghai New World Huiya Department Store Co., Ltd.	RMB240,000,000	72	Department store operation
Shanghai New World Huiyan Department Store Co., Ltd	RMB85,000,000	72	Property investment and shopping mall operation
Shanghai New World Huiying Department Store Co., Ltd.	RMB93,970,000	72	Department store operation
Shanghai New World Huizi Department Store Co., Ltd	RMB5,000,000	72	Department store operation
Shanghai New World Trendy Plaza Co., Ltd.	RMB50,000,000	72	Department store operation
Shanghai New World Xinying Department Store Co., Ltd.	HK$100,000,000	72	Department store operation
Shanghai Nplus Catering Management Co., Ltd.	RMB16,000,000	72	Catering
Shanghai Ramada Plaza Ltd.	US$42,000,000	99	Property investment and hotel operation
Shanghai Trio Property Development Co., Ltd.	US$81,000,000	99	Property investment
Shanxi Xinda Highways Ltd.	RMB49,000,000	37[α]	Operation of toll road
Shanxi Xinhuang Highways Ltd.	RMB56,000,000	37[α]	Operation of toll road
Shenyang New World Department Store Ltd.	RMB30,000,000	72	Property investment and department store operation
Shenyang New World Xin Hui Properties Co., Ltd.	RMB501,520,000	99	Property development
Shenyang Trendy Property Company Limited	RMB27,880,000	72	Property investment
Shenzhen New World Xianglong Network Technology Company Limited	RMB447,708,674	100	Exploration of wireless telecommunication network
Shenzhen Top One Real Estate Development Co., Ltd.	HK$150,000,000	99	Property development
Shenzhen Topping Real Estate Development Co., Ltd.	HK$294,000,000	99	Property development
Tang Shan New World Property Development Co., Ltd.	US$162,000,000	99	Property development
Tianjin New World Department Store Co., Ltd.	US$5,000,000	72	Department store operation
Tianjin New World Housing Development Co., Ltd.	RMB80,000,000	99	Property development
Tianjin New World Properties Development Co., Ltd.	US$91,000,000	99	Property development
Tianjin New World Trendy Plaza Co., Ltd.	RMB30,000,000	72	Department store operation
Tianjin Xin Guang Development Co., Ltd.	US$4,500,000	99	Property investment
Wuhan New Eagle Enterprises Co., Limited	US$2,830,000	99	Property investment
Wuhan New World Caixuan Department Store Co., Ltd.	RMB75,000,000	72	Department store operation
Wuhan New World Department Store Co., Ltd.	US$15,630,000	72	Property investment and department store operation
Wuhan New World Trendy Department Store Co., Ltd.	RMB80,000,000	72	Department store operation
Wuhan New World Trendy Plaza Co., Ltd.	RMB50,000,000	72	Department store operation
Wuhan Xinhan Development Co., Ltd.	US$16,000,000	99	Property development
Wuzhou Xinwu Highways Limited	RMB72,000,000	32[α]	Operation of toll road
Xiamen NWS Management Consultancy Limited	US$500,000	61	Management consultation
Xi'an New World Department Store Co., Ltd.	RMB40,000,000	72	Department store operation
Xin Zhong Real Estate Yangzhou Co., Ltd	RMB500,000,000	80	Property development
Yancheng New World Department Store Co., Ltd.	HK$95,000,000	72	Department store operation
Yantai New World Department Store Co., Ltd	RMB80,000,000	72	Department store operation
Yunnan New World Department Store Co., Ltd.	RMB10,000,000	72	Department store operation
Zhaoqing New World Property Development Limited	US$16,500,000	99	Property development
Zhengzhou New World Department Store Co., Ltd.	RMB50,000,000	72	Department store operation

α The Group indirectly holds equity interest in these subsidiaries through non-wholly owned subsidiaries, and has control over each of these subsidiaries.

49 Principal Subsidiaries (continued)

As at 30 June 2016

	Registered/ fully paid capital	Attributable interest[ø] to the Group (%)	Principal activities
Incorporated and operate in Macau			
Hip Hing Engineering (Macau) Company Limited	MOP100,000	61	Construction
Vibro (Macau) Limited	MOP1,000,000	61	Foundation works

ø Profit or cash sharing percentage was adopted for certain PRC entities

	Share capital issued[#]		Attributable interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated in Bermuda and operates in Hong Kong				
NWS Holdings Limited	3,831,966,840	HK$1	61	Investment holding
Incorporated in the British Virgin Islands				
Beauty Ocean Limited	1	US$1	61	Investment holding
Brilliant Alpha Investment Limited	1	US$1	99	Investment holding
Crown Success Limited	100	US$1	100	Investment holding
Eagle Eyes Development Limited	1	US$1	100	Investment holding
Ease Kind Development Limited	1	US$1	100	Property development
Esteemed Sino Limited	1	US$1	99	Investment holding
Ever Brisk Limited	1	US$1	99	Investment holding
Fine Reputation Incorporated	10,000	US$1	100	Investment holding
Flying Gravity Limited	1	US$1	61	Investment holding
Fortland Ventures Limited	1	US$1	61	Investment holding
Fortune Star Worldwide Limited	100	US$1	99	Investment holding
Fotoland Limited	1	US$1	100	Investment holding
Gigantic Global Limited	2	US$1	100	Investment holding
Goodtrade Enterprises Limited	1	US$1	99	Investment holding
HH Holdings Corporation	600,000	HK$1	61	Investment holding
Hing Loong Limited	20,010,000	US$1	100	Investment holding
Ideal Global International Limited	1	US$1	61	Investment holding
K11 Group Limited	1	HK$1	100	Investment holding
Kee Shing Investments Limited	1,000	US$1	100	Investment holding
Lotsgain Limited	100	US$1	100	Investment holding
Magic Chance Limited	1	US$1	99	Investment holding
Moscan Developments Limited	1	US$1	61	Investment holding
Natal Global Limited	1	US$1	61	Investment holding
New World China Finance (BVI) Limited	1	US$1	99	Financing
New World Hotels Corporation Limited	1	US$1	100	Investment holding
NWS CON Limited	1	HK$1	61	Investment holding
NWS Construction Limited	190,000	US$0.1	61	Investment holding
	8,325[R]	US$0.1	–	
	7,080[S]	US$0.1	–	
NWS Infrastructure Bridges Limited	1	US$1	61	Investment holding
NWS Infrastructure Power Limited	1	US$1	61	Investment holding
NWS Infrastructure Roads Limited	1	US$1	61	Investment holding
NWS Infrastructure Water Limited	1	US$1	61	Investment holding
Penta Enterprises Limited	1	US$1	100	Investment holding

49 Principal Subsidiaries (continued)

As at 30 June 2016

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated in the British Virgin Islands (continued)				
Pure Cosmos Limited	1	US$1	61	Investment holding
Radiant Glow Limited	1	US$1	99	Investment holding
Right Choice International Limited	200	US$1	52	Property investment
Right Heart Associates Limited	4	US$1	61	Investment holding
Righteous Corporation	1	US$1	61	Investment holding
Rosy Unicorn Limited	1	US$1	61	Financing
Silvery Castle Limited	1	US$1	61	Financing
Sparkling Rainbow Limited	1	US$1	99	Investment holding
Steadfast International Limited	2	US$1	100	Investment holding
Stockfield Limited	1	US$1	61	Investment holding
Superb Wealthy Group Limited	1	US$1	99	Financing
Sweet Prospects Enterprises Limited	1	US$1	99	Investment holding
True Blue Developments Limited	1	US$1	99	Investment holding
Twin Glory Investments Limited	1	US$1	99	Investment holding
Vivid China Investment Limited	1	US$1	99	Investment
Winner World Group Limited	10	US$1	100	Investment holding
Incorporated in the British Virgin Islands and operate in Hong Kong				
Best Star (BVI) Investments Limited	1	US$1	61	Investment holding
China Sincere Limited	1	–	72	Financing
Citiplus Investment Limited	1	US$1	100	Investment holding
Creative Profit Group Limited	1	US$1	61	Investment holding
Economic Velocity Limited	1	US$1	61	Investment holding
Fita International Limited	1	–	100	Bond issuer
Forever Great Development Limited	1	US$1	61	Investment holding
Great Start Group Corporation	1	US$1	61	Investment holding
Hetro Limited	101	US$1	61	Investment holding
Lucky Strong Limited	1	US$1	61	Investment holding
New World Capital Finance Limited	1	US$1	100	Bond issuer
New World Strategic Investment Limited	1	US$1	100	Investment holding
NWD (MTN) Limited	1	US$1	100	Bond issuer
NWD Treasury Limited	1	US$1	100	Financing
NWS Financial Management Services Limited	1	US$1	61	Investment holding
NWS Infrastructure Management Limited	2	US$1	61	Investment holding
NWS (MTN) Limited	1	US$1	61	Financing
NWS Ports Management Limited	2	US$1	61	Investment holding
Park New Astor Hotel Limited	101	US$1	100	Property investment
Sherson Limited	1	US$1	100	Investment holding
Shine Fame Holdings Limited	1	US$1	61	Investment and operation of logistics centre
South Scarlet Limited	1	US$1	100	Hotel operation
Sunny Start Group Limited	1	US$1	61	Investment holding
Tin Fook Development Limited	1	US$1	61	Investment holding
Well Metro Group Limited	14,000	US$1	72	Investment holding
Incorporated in the British Virgin Islands and operates in the PRC				
Nacaro Developments Limited	2	US$1	100	Property Investment

Represented ordinary share capital, unless otherwise stated

R Redeemable, non-convertible and non-voting A preference shares

S Redeemable, non-convertible and non-voting B preference shares

50 Principal Joint Ventures

As at 30 June 2016

	Registered/ fully paid capital	Attributable interest[Ω] to the Group (%)	Principal activities
Equity joint ventures			
Incorporated and operate in the PRC			
China United International Rail Containers Co., Limited	RMB4,200,000,000	18	Operation of rail container terminals and related business
Chongqing Suyu Business Development Company Limited	RMB650,000,000	31	Investment holding
Guangzhou Oriental Power Co., Ltd.	RMB990,000,000	15	Generation and supply of electricity
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB613,361,800	21	Wholesale assembling and storage of fuel
Guangzhou Pearl River Power Company Limited	RMB420,000,000	31	Generation and supply of electricity
Guodian Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	21	Generation and supply of electricity
Co-operative joint ventures			
Incorporated and operate in the PRC			
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	RMB580,000,000	15	Operation of toll road
Beijing Chong Wen-New World Properties Development Co., Ltd.	US$225,400,000	70[s]	Property investment, development and hotel operation
Beijing Chong Yu Real Estate Development Co., Ltd.	US$171,840,000	70[s]	Property investment and development
Beijing Xin Kang Real Estate Development Co., Ltd.	US$12,000,000	70[s]	Property investment
Beijing Xin Lian Hotel Co., Ltd.	US$12,000,000	55[s]	Hotel operation
China New World Electronics Ltd.	US$57,200,000	70[s]	Property investment and development
Guangzhou Northring Freeway Company Limited	US$19,255,000	40[s]	Operation of toll road
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	31	Investment holding and operation of toll road
Huizhou New World Housing Development Limited	RMB80,000,000	62[s]	Property development
Tianjin Xinzhan Expressway Co., Ltd.	RMB2,539,100,000	37[@s]	Operation of toll road
Wuhan Wuxin Hotel Co., Ltd.	US$49,750,000	60[s]	Hotel operation
Wholly foreign owned enterprises			
Incorporated and operate in the PRC			
Guangzhou Bosson Real Estate Co., Ltd.	RMB50,003,000	62[s]	Property development
Guangzhou Hemsell Real Estate Development Co., Ltd.	RMB79,597,000	62[s]	Property development
Ningbo Gong Tai Properties Co., Ltd.	RMB235,000,000	49	Property development
Ningbo Xin Li Real Estate Co., Ltd.	US$827,925,905	49	Property development
Shanghai New World Huai Hai Property Development Co., Ltd.	US$108,500,000	50	Property investment
Wuhan New World Hotel Properties Co., Ltd.	RMB83,507,110	60[s]	Property investment

[Ω] Percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures

[@] Represented cash sharing ratio

[s] The Group through its non-wholly owned subsidiaries holds more than 50% interests in these joint ventures. These joint ventures are considered as subsidiary undertakings under the Hong Kong Companies Ordinance (Cap. 622). However, under the respective contractual agreements, the Group does not control these joint ventures as the decisions about relevant activities require the unanimous consent of the parties sharing the control.

50 Principal Joint Ventures (continued)

As at 30 June 2016

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Issued and paid up share capital HK$		
Companies limited by shares				
Incorporated and operate in Hong Kong				
ATL Logistics Centre Hong Kong Limited	100,000'A'	100,000	34&	Operation of cargo handling and storage facilities
	20,000'B'[2]	20,000	49	
	54,918[1]	54,918	100	
Austin Project Management Limited	1,000,000	1,000,000	50	Project management
China Aerospace New World Technology Limited	30,000,000	165,000,000	50	Investment holding
Chow Tai Fook Qianhai Investments Company Limited	700	700	29	Shopping mall operation
Earning Yield Limited	1	1	51&	Property development
Eminent Elite Limited	1	1	49	Investment holding
Far East Landfill Technologies Limited	1,000,000	1,000,000	29	Landfill
First Star Development Limited	100	100	31	Property development
GH Hotel Company Limited	1,001	64,109,750	50	Hotel operation
Global Perfect Development Limited	1,000,000	1,000,000	50	Investment holding
Golden Kent International Limited	1	1	40	Property development
Grace Sign Limited	1,000	1,000	30	Property development
Great TST Limited	2	863,878,691	50	Hotel operation
Hotelier Finance Limited	1	1	50	Financing
New World Harbourview Hotel Company Limited	1,001	109,109,750	50	Hotel operation
NWS Infrastructure SITA Waste Services Limited	2	2	31	Investment holding
Pacific Super Limited	1	1	51&	Property development
Supertime Holdings Limited	100	100	31	Property development
Tate's Cairn Tunnel Investment Holdings Company Limited	1,100,000	1,100,000	18	Investment holding
Wincon International Limited	300,000,000	300,000,000	31	Investment holding
Wise Come Development Limited	30	30	50	Property investment

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated in the British Virgin Islands and operate in the PRC				
Holicon Holdings Limited	2	US$1	50	Property Investment
Jaidan Profits Limited	2	US$1	50	Property Investment
Jorvik International Limited	2	US$1	50	Property Investment
Orwin Enterprises Limited	2	US$1	50	Property Investment
Incorporated in the British Virgin Islands and operates in Hong Kong				
NWS Transport Services Limited	500,000,016	HK$1	31	Investment holding

50 Principal Joint Ventures (continued)

As at 30 June 2016

	Share capital issued[#]		Attributable interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated in the British Virgin Islands				
DP World New World Limited	2,000	US$1	31	Investment holding
Great Hotels Holdings Limited	6	US$1	50	Investment holding
Landso Investment Limited	100	US$1	35	Investment holding
Newfoundworld Investment Holdings Limited	5	US$1	20	Investment holding
Silverway Global Limited	2	US$1	31	Investment holding
Silvery Yield Development Limited	100	US$1	49	Investment holding
Success Concept Investments Limited	1,000	US$1	55[$]	Investment holding
Incorporated and operates in the Netherlands				
Hyva I B.V.	19,000	EUR1	31	Manufacturing and supply of components used in hydraulic loading and unloading systems

	Share capital issued[#]		Attributable interest to the Group (%)	Principal activities
	Number of shares	Issued and paid up share capital HK$		
Incorporated in Hong Kong and operates in Hong Kong, Macau and Mainland China				
Sino-French Holdings (Hong Kong) Limited	3,748,680'A'	374,868,000	–	Investment holding and operation of water plants
	7,209,000'B'	720,900,000	61	
	3,460,320'C'	346,032,000	–	

[#] Represented ordinary share capital, unless otherwise stated

[1] Non-voting deferred shares

[2] Non-voting preference shares

[&] The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these joint ventures

[$] The Group through its non-wholly owned subsidiaries holds more than 50% interests in these joint ventures. These joint ventures are considered as subsidiary undertakings under the Hong Kong Companies Ordinance (Cap. 622). However, under the respective contractual arrangements, the Group does not control these joint ventures as the decisions about relevant activities require the unanimous consent of the parties sharing the control.

51 Principal Associated Companies

As at 30 June 2016

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Issued and paid up share capital HK$		
Incorporated and operate in Hong Kong				
Conduit Road Development Limited	100	10,000	30	Property development
Ever Light Limited	1,000	1,000	40	Property investment
GHK Hospital Limited	10	10	25	Healthcare
Joy Fortune Investments Limited	10,000	10,000	31	Investment holding
Pure Jade Limited	1,000,000	1,000,000	27	Property investment
Quon Hing Concrete Company Limited	200,000	20,000,000	31	Production and sales of ready-mixed concrete
Ranex Investments Limited	100	100	10^	Property investment
Shun Tak Centre Limited	1,000'A'	100,000	45	Property investment
	450'B'	4,500	100	
	550'C'	5,500	–	

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated in the British Virgin Islands				
East Asia Secretaries (BVI) Limited	300,000,000	HK$1	15	Business, corporate and investor services
VMS Private Investment Partners II Limited	2,500*	US$0.01	–	Securities investment
	1,151**	US$0.01	61@	
Incorporated in the British Virgin Islands and operates in Hong Kong				
VMS Private Investment Partners III Limited	1,500*	US$0.01	–	Securities investment
	2,740**	US$0.01	61@	
Incorporated in Bermuda and operates in Hong Kong				
Wai Kee Holdings Limited	793,124,034	HK$0.1	17	Construction
Incorporated in the Cayman Islands and operate globally				
Goshawk Aviation Limited	362,026,264***	US$0.001	24	Commercial aircraft leasing
Goshawk Management Holdings (Cayman) Limited	100	US$1	24	Commercial aircraft leasing management
Incorporated in the Cayman Islands and operates in the PRC				
Newton Resources Ltd	4,000,000,000	HK$0.1	22	Mining, processing and sale of iron concentrates and gabbro-diabase and stone products
Incorporated in the Cyprus and operates in South Africa				
Tharisa plc	256,981,571	US$0.001	10^	Platinum group metals and chrome mining, processing and trading

51 Principal Associated Companies (continued)

As at 30 June 2016

	Registered/ fully paid capital	Attributable interest[Ω] to the Group (%)	Principal activities
Incorporated and operate in the PRC			
Chongqing Silian Optoelectronics Science And Technology Co., Ltd.	RMB500,000,000	12	Manufacturing and sale of sapphire substrate and wafer, LED packaging and application
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	23	Operation of gasoline station
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	11^	Operation of container terminal
Xiamen Container Terminal Group Co., Ltd.	RMB2,436,604,228	12^	Operation of container terminals
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	15	Operation of toll road

	Issued and fully paid capital[#]		Approximate interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated and operates in the PRC				
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	15^	

[#] Represented ordinary share capital, unless otherwise stated

[Ω] Percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures

* Voting, non-participating, non-redeemable management shares

** Non-voting, redeemable participating shares

*** Preference shares

^ The directors of the Company considered the Group has significant influence over these companies through its representatives on the board of directors of each of these companies

@ The Group through its non-wholly owned subsidiaries holds more than 50% interests in these associated companies. These associated companies are considered as subsidiary undertakings under the Hong Kong Companies Ordinance (Cap. 622). However, under the respective contractual arrangements, the Group has no control over the relevant activities including investment decisions of these companies but has significant influence through its representative on each of these companies' investment committees.

Five-Year Financial Summary

For the year ended 30 June 2016

Consolidated Income Statement

For the year ended 30 June

	2016 HK$m	2015 HK$m	2014 HK$m	2013 HK$m	2012 HK$m
Revenues	**59,570.0**	55,245.0	56,501.1	46,779.9	35,620.1
Operating profit	**16,583.3**	27,970.9	16,823.1	19,286.7	16,115.0
Net financing costs	**(536.7)**	(491.7)	(843.6)	(695.2)	(513.5)
Share of results of joint ventures and associated companies	**2,660.5**	3,657.3	3,096.5	4,719.7	3,120.1
Profit before taxation	**18,707.1**	31,136.5	19,076.0	23,311.2	18,721.6
Taxation	**(6,423.7)**	(4,264.4)	(5,738.2)	(4,794.8)	(4,400.5)
Profit for the year	**12,283.4**	26,872.1	13,337.8	18,516.4	14,321.1
Non-controlling interests	**(3,617.1)**	(7,760.1)	(3,612.4)	(4,367.7)	(4,182.1)
Profit attributable to shareholders of the Company	**8,666.3**	19,112.0	9,725.4	14,148.7	10,139.0
Dividends per share (HK$)					
Interim	**0.13**	0.12	0.12	0.12	0.10
Final	**0.31**	0.30	0.30	0.30	0.28
Full year	**0.44**	0.42	0.42	0.42	0.38
Earnings per share (HK$)				(Adjusted)	
Basic	**0.95**	2.17	1.37	2.14	1.88
Diluted	**0.95**	2.17	1.37	2.10	1.85

Earnings per share for the years ended 30 June 2012 have not been adjusted to reflect the effect of rights issue of the Company during the year ended 30 June 2014.

Consolidated Statement of Financial Position

As at 30 June

	2016 HK$m	2015 HK$m	2014 HK$m	2013 HK$m	2012 HK$m
Assets					
Investment properties, property, plant and equipment and land use rights and intangible concession rights	**125,308.1**	129,250.0	113,634.5	105,762.3	92,014.1
Intangible assets	**2,702.3**	2,864.1	4,662.5	4,139.3	4,120.9
Interests in joint ventures, associated companies, other investments and other non-current assets	**105,160.5**	104,068.9	95,739.3	96,148.5	84,543.1
Current assets	**158,937.7**	161,747.7	155,191.1	126,139.0	105,693.6
Total assets	**392,108.6**	397,930.7	369,227.4	332,189.1	286,371.7
Equity					
Share capital	**69,599.8**	66,711.6	63,761.3	6,311.6	6,151.1
Reserves	**109,973.6**	112,207.0	96,047.0	132,819.0	117,391.8
Shareholders' funds	**179,573.4**	178,918.6	159,808.3	139,130.6	123,542.9
Non-controlling interests	**21,321.9**	43,439.4	40,468.2	38,614.4	34,497.8
Total equity	**200,895.3**	222,358.0	200,276.5	177,745.0	158,040.7
Current liabilities	**66,522.5**	81,003.1	70,070.5	65,146.8	50,691.2
Non-current liabilities	**124,690.8**	94,569.6	98,880.4	89,297.3	77,639.8
Total equity and liabilities	**392,108.6**	397,930.7	369,227.4	332,189.1	286,371.7

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 conditions, 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.

A. Risks Relating to Property Development, Sales, Investments and Hotel Operations

1. As most properties of the Group are located in Hong Kong and the PRC, the Group's businesses and prospects are principally dependent on the performance of property market in Hong Kong and the PRC. The property market in Hong Kong and the PRC are affected by a number of factors, including changes in social, political, economic and legal environment, as well as changes in the government's financial, economic, monetary, industrial and conservation policies. The Group is also susceptible to changes in economic conditions, consumer confidence, consumption spending, and changes in consumption preferences. Other factors beyond the Group's control, including personal and family disposable income levels and mortgage market condition etc., may also affect consumer confidence and demand for properties in the Group's location of operations. Any adverse changes, price control on property prices or rental value and restrictions on the growth of property market imposed by the relevant governments in the locations where the Group operates may have material adverse impacts on its businesses, financial condition, results of operations and growth prospects.

2. Under the influence of government policies and present economic trend of Hong Kong, the PRC and the world, property markets in Hong Kong and the PRC have witnessed volatility in recent years. In future, any downturn or financial turmoil in Hong Kong, the PRC and the global economies may have a material adverse impact on the Group's potential purchasers or tenants, which will in turn lead to a decrease in the general market demand for the Group's properties and its property price or rental value.

3. The Group's results of operations may fluctuate according to the progress of property development and the timing of its property sales. Turnover from property sales is recognised on the date of the sale or on the date of issue of the relevant occupation permit, whilst the economic benefit and the risks and returns are respectively accrued to the Group and the purchasers. The Group's revenue and results may vary from one period to another depending on the number of properties completed in a specific period, or the time and capital required for the completion of construction projects. The timing of its property sales is dependent on the lead time required for the Group to obtain the requisite government approvals, which is beyond the control of the Group.

4. The property industries in Hong Kong and the PRC are regulated by the respective governments. In general, property developers must comply with requirements mandated by the applicable laws and regulations, which include policies and procedures established by the local governments for implementation thereof. Property developers in Hong Kong and the PRC, in particular, must obtain relevant permits, licenses, certificates and other approvals at various stages of property development for the purpose of its property development business. The grant of relevant permits, licenses, certificates and other approvals is dependent on whether certain conditions set by the relevant authorities are fulfilled as they are often subject to governmental discretions and new laws, regulations, and changes in policies that are in relation to the property industry.

5. The Group cannot assure that it will not encounter impediments in fulfilling the conditions or meeting the particular process requirements in order to obtain the required approvals, or will acquire occupation of the land parcels, in relation to its property development project, or can perform its obligations under the land grant contract including the commencement and completion of the development in future. There can be no assurance that the Group's businesses will be in compliance with new laws, regulations or policies which come into effect from time to time relating to the particular process related to the granting of the approvals or generally applicable to the overall property industry. When the Group fails to obtain the relevant approvals, fulfill the conditions or acquire the land parcels, the relevant projects may not proceed as scheduled or at all.

A. Risks Relating to Property Development, Sales, Investments and Hotel Operations (continued)

6. Hong Kong's property market is also affected by the policies of the Hong Kong government. For instance, the government introduced the special stamp duty (SSD) applicable to the purchase of residential flats in 2010 to cool the property market for a period of 24 months. Subsequently, the rate of the SSD was raised while the period was extended to 36 months with the introduction of buyers' stamp duty (BSD), which became applicable to non-residential flats in 2013. On the other hand, the Hong Kong Monetary Authority required banks to lower their property mortgage proportion. The Hong Kong government also withdrew the Capital Investment Entrant Scheme in 2013. The above examples show that the Hong Kong government will be able to exert greater influence on the property market through legislation or administrative measures.

   There can be no assurance that the Hong Kong government will or will not implement further cooling measures or extend the scope, application and rate level of the existing measures. These and any further measures may adversely impact the Hong Kong property market which may in turn adversely impact the Group's business, financial condition, results of operations and prospects.

7. For some of the Group's property development, where agricultural land parcels are converted into residential or commercial uses, approvals from various government authorities would be required. The lengthy and complicated approval procedures imply that government policies and efficiency of approval directly affects the addition to land reserve. The Group cannot guarantee that such land use conversion will be approved, or that the Group can precisely grasp the land use and timeframe of such conversion.

8. A portion of the Group's revenue is derived from its hotel operations. Since hotel guests are short-term occupants of hotel rooms, they are generally not committed to contracts of medium-term or long-term rental payment. Consequently, a hotel's occupancy rate and room rate are subject to a high degree of fluctuations due to factors including seasonality, social stability, politics, natural hazards, disease and economic condition as well as the nature of hotel business. In addition, a significant portion of the Group's revenue from hotel operations is attributable to catering services, including banqueting services. Typically, demand for banqueting services increases on holidays, festivals and the propitious dates on the Chinese lunar calendar. Although corresponding measures have been taken to cope with the seasonal fluctuations of the hotel business, such measures may be ineffective. Therefore, any comparison of our results of operations between various interims in a financial year may not be meaningful and shall not be relied upon as an indicator for the Group's performance.

9. A significant amount of fixed costs are involved in operating investment properties and hotels of the Group, including maintenance costs as well as employees and staff salaries and expenses. These fixed costs may constrain the Group's ability to respond to adverse market conditions by minimising costs. Where property leasing or the hotel industry experience downturns, such costs may adversely affect the profitability of the Group, and may fuel the decline in occupancy rate, rental rate or room rate. If the maintenance costs significantly increase, there may be material adverse effect on the Group's businesses, financial condition, results of operations and growth prospects.

10. The rapid economic growth and infrastructure development in Hong Kong and the PRC in recent years have uplifted the costs of construction materials and wages of workers. In addition, in view of the improvement of general living standards in Hong Kong and the PRC and recent policies of the government of the PRC (the "PRC Government") to increase the wages of workers from rural areas, the Group expects that labour costs will continue to increase in the foreseeable future. Other than the higher labour costs, the rising labour demand and in turn more intensified competition for construction workers in regions where the Group operates, such as the growing shortage of construction workers and service in Hong Kong, has made it increasingly difficult for the Group to hire sufficient well-skilled labour for its property development projects and investment properties, hindering its property development business. In addition, labour shortage in neighboring regions such as Macau has intensified competition for labour in the region, which may adversely impact on the Group's business. Increasing cost of construction materials and labor are expected to raise contractors' fee quotes in our new property development projects. In addition, the Group usually commences pre-sales of properties prior to their completion. In the event that the construction materials and labour costs surge subsequent to the pre-sales, such increases in costs may not be passed on to buyers of the properties. Escalating labour shortage and/or significant increase in costs of labour or construction materials without corresponding reduction of other costs to offset such increases or pass on such increases to the buyers or tenants of our properties may adversely and materially affect the Group's businesses, financial condition, results of operations and growth prospects.

B. Risk Relating to Financial Conditions and Results of Operations

1. The following factors may lower the level of turnover and profit of the Group, while the Group cannot guarantee that the turnover and net profit level will be sustained or improved. The Group may not be able to sustain similar patterns or levels of turnover or profit in the future:

   I. change in the mix of turnover contributions, such as income from property development, rental income from investment properties and income from our hotels;

   II. increased market competition;

   III. unfavourable government policies affecting consumer sentiments;

   IV. failure to achieve target sales volumes and prices;

   V. failure to achieve target rentals, daily room rates and occupancy rates;

   VI. decrease in the fair value of investment properties;

   VII. our costs may not decrease in tandem with a reduction in turnover to be derived from properties, as most of the expenses associated with owning and maintaining the Group's properties are fairly fixed (including land cost, development cost, administration cost, and selling and distribution cost); and

   VIII. failure to negotiate volume discounts with suppliers on favourable terms.

2. The Group's finance costs and interest expenses fluctuate with changes in interest rates. In Hong Kong, the Group's borrowings include amounts denominated in Hong Kong dollars. The interest rates on some of our outstanding Hong Kong dollar denominated borrowings are benchmarked to the Hong Kong interbank offered rates ("HIBOR") for Hong Kong dollars. We cannot assure that the benchmark interest rate will not increase in the future, which would increase our financing costs and interest expenses. In the PRC, the Group's borrowings also include amounts denominated in RMB. The People's Bank of China adjusts its benchmark lending rates from time to time in response to domestic and global economic changes. The Group cannot guarantee that the People's Bank of China will not raise such lending rates in future. In addition, as the Group also borrows from overseas banks and other financial institutions, the availability of sufficient capital in the capital market directly affects the cost of borrowing in relation to the currencies the Group borrows. The Group may also 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 customers' mortgage interest rates and may adversely and materially affect the Group's businesses, financial condition, results of operations and growth prospects.

3. Fluctuations in the Group's results of operations may also be induced by other factors, including changes in market demand for the Group's properties. In addition, the periodicity of the property market also has an impact on the optimal timing for land acquisition as well as the planning of development and sales of properties. As results of operations in relation to property development activities are susceptible to significant fluctuations, comparison of the Group's results of operations and cash flow position among periods may not be an effective indicator of the Group's financial performance in any particular period.

4. The Group is required to reassess the fair value of its investment properties at every balance sheet date to which financial statements are made up. Pursuant to Hong Kong Financial Reporting Standards (HKFRS), investment properties are stated at their fair value, and the variation in their changes should be taken to the consolidated income statement of the financial period in which it is incurred. Based on the appraisal conducted by independent property valuers, the Group recognises the aggregate market value of investment properties at fair value and the related deferred tax in the consolidated statement of financial position, while the variation in changes in fair value and the related deferred tax of investment properties are recognised in the consolidated income statement. Therefore, the assumptions made in appraising investment properties would change under changing market conditions, including lower weighted average capital ratio. Notwithstanding any variations in profit, fair value gains and losses are not cash items and will not increase or decrease cash and cash equivalent. The amount of revaluation adjustment has been and will continually be subject to changes in market conditions. As such, there can be no assurance that changes in market conditions will continue to generate gains from fair value changes in investment properties at similar level or at all, or there will be no decline in the fair value of the Group's investment properties. If a property market in the region where the Group operates slows down, the fair value of the Group's investment properties may decline.

B. Risk Relating to Financial Conditions and Results of Operations (continued)

5. Properties developed by the Group for sales in the PRC are subject to Land Appreciation Tax ("LAT"). LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. Pending settlement with the relevant tax authorities, we make provisions for the amount of LAT in accordance with the relevant PRC tax laws and regulations from time to time. Provisions for LAT are made on the Group's own estimates based on, among other things, its own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. The Group only prepays a portion of such provisions each year as required by the local tax authorities. The Group cannot assure that the relevant tax authorities will agree with its calculation of LAT, nor can it assure that the LAT provisions will be sufficient to cover its LAT obligations in respect of its past LAT liabilities in relation to its combined property business. If the relevant tax authorities determine that its LAT exceed the LAT prepayments and provisions, and seek to collect that excess amount, the Group's cash flow, results of operations and financial may be materially and adversely affected. As there are uncertainties as to when the tax authorities will enforce the LAT collection and whether it will apply the LAT collection retrospectively to properties sold before the enforcement, any payment as a result of the enforcement of LAT collection may significantly restrict the Group's cash flow position, its ability to finance its land acquisitions and to execute its business plans.

6. The results of the Group are presented in Hong Kong dollars, but its various subsidiaries, joint ventures and associated companies may receive turnover and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, joint ventures and associated companies and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's businesses. Exchange rate of Hong Kong dollar against RMB or other foreign currencies are affected by, among other things, changes in the political and economic environment of the issuing jurisdictions of the currencies. The exchange rate of RMB against Hong Kong dollar, the US Dollar or other currencies may be re-valued, and may be permitted to enter a full or limited free float. Such situation may result in appreciation or depreciation in RMB against Hong Kong dollar, the US Dollar or other foreign currencies. Continual fluctuations in the exchange rate of the Hong Kong dollar against RMB or other currencies may materially and adversely affect the Group's businesses, financial condition, results of operations and growth prospects.

7. In April 2013, State Administration of Foreign Exchange ("SAFE") issued the Operation Guidelines for the Administration of Foreign Debt (the "Guidelines"), which became effective on 13 May 2013. The Guidelines stipulate that, amongst other things, (i) with respect to real estate enterprises with foreign investment who obtained approval certificates from commercial authorities and registered with the Ministry of Commerce on or after 1 June 2007, the branches of SAFE will no longer process the foreign debt registrations for such enterprises, (ii) with respect to real estate enterprises with foreign investment established prior to 1 June 2007, such enterprises may borrow foreign debt in accordance with the relevant provisions in the Guidelines, but the amount of foreign debt shall not exceed the surplus between the enterprise's total investment amount and its registered capital (the "Surplus"); in the event that the enterprise increases its registered capital, and the Surplus after the increase of registered capital is less than the Surplus before the increase of registered capital, then the amount of foreign debt of such enterprise shall not exceed the Surplus after the increase of registered capital, and (iii) in the event that the registered capital of a real estate enterprise with foreign investment is not paid in full, or such real estate enterprise with foreign investment does not obtain Stateowned land use rights certificate(s), or the capital for real estate projects to be developed is less than 35% of the total investment amount of such projects, such real estate enterprise with foreign investment is prohibited from borrowing foreign debt, and the branches of SAFE will not process the foreign debt registrations for such enterprises. The Guidelines therefore restrict the ability of our PRC subsidiaries that are real estate enterprises with foreign investment to raise funds offshore for the purpose of injecting such funds into the enterprises by way of shareholder loans. The Group cannot assure that the PRC Government will not issue any new policy that will further restrict the ability of the Group in allocating its funds in China.

B. Risk Relating to Financial Conditions and Results of Operations (continued)

8. The Group maintains a certain level of indebtedness to finance its operation. The Group's indebtedness could have an adverse effect on it, for example, by:

   I. requiring the Group to maintain certain financial ratios;

   II. requiring the Group to dedicate a large portion of its cash flow to repay interest and debt, thereby reducing the availability of its cash flow to expand its business;

   III. increasing the Group's vulnerability to adverse economic or industry conditions;

   IV. limiting the Group's flexibility in planning or responding to the changes in its business or the industry in which it operates;

   V. limiting the Group's ability to raise additional debt or equity capital in the future of increasing the cost of such funding;

   VI. restricting the Group from making strategic acquisitions or taking advantage of business opportunities;

   VII. increasing the difficulty of the Group to meet its obligations in relation to its debt; and

   VIII. increasing the cost of borrowings of the Group.

   The Group is principally engaged in property development business. As such business operation requires substantial capital input, the Group will still need to obtain financing from financial institutions. When the credit market contracts or tightens, the Group cannot assure that there will be sufficient borrowings or that it can refinance, in which case its business development will be adversely affected to a certain extent.

   In the future, the Group may from time to time incur other substantial indebtedness, intensifying the risks induced by its indebtedness. The Group's ability to generate sufficient cash to satisfy its outstanding and future debt obligations will depend on the Group's operating performance in future, which will be affected by, among other things, the prevailing economic conditions, governmental regulations, the demand for properties in the region where the Group's business operates and other factors, many of which are beyond the Group's control. The Group may not generate sufficient cash flow to pay its anticipated operating expenses and to service its debts. In this case, the Group will have to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of the Group's assets, restructuring or refinancing, or seeking equity capital. These strategies may not be implemented on satisfactory terms, or at all. Even they are implemented, they may result in an adverse effect on the Group's businesses, financial conditions and results of operations. In addition, if the Group fails to fulfill its payment obligations, comply with any actual covenants or required financial ratios, or breach any restrictive covenants, it may result in a default under the terms of such borrowing. If an event of default occurs, the loan borrower is entitled to request the Group to repay in full or part of its outstanding indebtedness on an accelerated basis.

C. Other Risks

1. An outbreak of any other epidemics in the region where the Group operates may result in material disruptions in the Group's and its tenants' businesses. Natural disasters or other catastrophic events, such as earthquake, flood or severe weather conditions, could, depending on its magnitude, significantly disrupt the Group's business operations or result in significant economic downturn in the affected regions. The Group cannot assure that there will be no occurrence of earthquakes or other natural hazards in the area where it operates, which may result in severe destruction of the Group's property development projects, assets, cash flow from infrastructure and facilities.

2. The Group is subject to extensive and increasingly stringent environmental protection laws, regulations and decrees that imposes fines for violation of such laws, regulations or decrees and provide for the shutdown by the government authorities of any construction sites not in compliance with government orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing global awareness of environmental issues and the Group may sometimes be expected to meet a standard which is more stringent than the requirement of the prevailing environmental laws and regulations and may cause negative impacts on the costs and operations of its projects. We have adopted various environmental protection measures, including conducting environmental assessment on the Group's property construction project and hiring contractors with good environmental protection and safety track records, and required them to comply with the relevant regulations or laws on environmental protection and safety, whereas such measure may be ineffective. In addition, the Group cannot assure that more stringent environmental projection regulations will not be imposed in the future. If the Group fails to comply with the prevailing environmental laws or regulations, or fails to meet public expectations in relation to environmental matters, the Group's reputation may be damaged or may be required to pay fines or take remedial actions, in which case suspension of operation may be required in the Group's subsidiaries.

C. Other Risks (continued)

3. The development of, and future trends in Hong Kong and the PRC property industries have been the focus of numerous media reports. As a leading property developer in Hong Kong and the PRC, information about the Group or its projects appears frequently in various media outlets. Some of these media reports contain inaccurate information about the projects of the Company and the Group. There can be no assurance that there will not be false, inaccurate or adverse media reports about the Group or its projects in the future. In particular, the Group may be required to respond or take defensive and remedial actions with regard to such inaccurate or adverse media reports, which may adversely divert its resources and our management's attention and may materially and adversely impact its business operations. Moreover, there can be no assurance as to the appropriateness, accuracy, completeness or reliability of any media reports regarding the Company. The Group disclaims any media reports contain information that is inconsistent or conflicts with the information contained in its annual report and circulars. Investors should not rely on such information in making a decision as to invest in the company's shares and/or its listed securities, and should rely only on the information included in its listing document.

4. The Group has insurance in place in relation to its various development projects, including third-party and earthquake insurances. In general, such insurances do not cover wars, riots, terrorism and acts of God, any of which case would result in an unpredictable amount of losses and have negative impacts on the Group's businesses and cash flow to a certain extent.

5. Certain businesses of the Group are operated under concession rights, including the Hong Kong Convention and Exhibition Centre, public bus services, public ferry services, operations of duty-free shops and toll roads etc. The Group cannot assure that such concession rights can be renewed upon their expiry, and the conditions could be worse off than the existing ones even if renewals are approved.

6. Notwithstanding the appropriate measures adopted to protect the Group's computer system and information, the Group cannot assure that there will be no occurrence of unlawful break-ins or misuse with rapid technological advancement, which may affect its businesses to a certain extent.

7. The International Accounting Standards Board has from time to time issued new and revised International Financial Reporting Standards ("IFRS"). As accounting standards continue to develop, the International Accounting Standards Board may in the future issue more new and revised IFRS and the Group may be required to adopt new accounting policies which might or could have a significant impact on the Group's businesses, financial condition, results of operations or growth prospects.

D. Major Risk Factor on Subsidiaries

New World China Land Limited ("NWCL")

1. NWCL's property development business is highly susceptible to the prevailing condition and performance of the PRC property market which is heavily regulated by the PRC central and local governments. In response to the domestic and international market volatility, the PRC Government will, from time to time adjust its monetary and economic policies to monitoring the rate of growth of the PRC economy and economies of local areas within the PRC. Such policies and regulations would have significant impact on the PRC property market where NWCL operates.

2. Economic conditions in the PRC are sensitive to global economic conditions, and it is impossible to predict how the PRC economy will develop in the future and whether it might slow down due to the global crisis or experience a financial crisis in a manner and scale similar to that in the United States and the European countries. As the real estate industry is sensitive to macroeconomic trends, real estate prices tend to fluctuate along with the change of macroeconomic conditions.

3. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, the Chinese market and consumption capacity in this market, which may lead to a decline in the general demand for NWCL's products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets and in China may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be adversely affected.

4. NWCL's property development operations face competition from both international and local property developers with respect to factors such as location, facilities and supporting infrastructure, services and pricing. NWCL competes with both local and international companies in capturing new business opportunities in the PRC. In addition, some local companies have extensive local knowledge and business relationships and/ or a longer operational track record in the relevant local markets than NWCL while international companies are able to capitalise on their overseas experience to compete in the PRC markets. Intensified competition between property developers may result in increased costs for land acquisition and an over-supply of properties, both of which may adversely affect NWCL's business and financial conditions.

D. Major Risk Factor on Subsidiaries (continued)

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

5. Property development companies in the PRC, including some of NWCL's PRC subsidiaries, are subject to extensive governmental regulation in most aspects of their operations, including those relating to the acquisition of land use rights, resettlement and clearance of land, the approval of property development proposals and pre-sales. There can be no assurance that these regulations will not change in the future in a manner which could adversely affect NWCL's business or results of operations. In addition, the PRC Government is presently strengthening its regulation and control of the development of properties. While enforcement of these and other regulations are beneficial to the entire property development industry, it is possible that certain individual regulations could adversely affect property development companies, including NWCL. As regulations continue to develop, prevailing industry practices may not comply with such regulations.

6. The PRC Government has in the past imposed restrictions on foreign investments in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. Such restriction may affect NWCL's ability to make further investments in NWCL's PRC subsidiaries and as a result may limit its business growth and have a material adverse effect on its business, financial condition and results of operations.

7. The fiscal and other measures adopted by the PRC Government from time to time may limit NWCL's flexibility and ability to use bank loans to finance its property developments and therefore may require NWCL to maintain a relatively high level of internally-sourced cash. In recent years, the PRC Government has tightened the requirements in relations to grant of state-owned land used rights by way of tender, auction and listing for sale and raised the minimum down payment of land premium several times up to 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after a land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of the signing of the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. Such change of policy may constrain NWCL's cash otherwise available for additional land acquisitions and construction works.

8. Under PRC tax laws and regulations, NWCL's properties developed for sale are subject to LAT, which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation does not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption. A minimum LAT prepayment rate ranging from 1% to 2% of sale value required to be paid by developer upon sale and before the development project is completed and eligible for tax audit for final settlement of LAT.

9. Local provincial tax authorities can formulate their own implementation rules according to the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises and local situations and there are uncertainties as to how they will enforce this notice. In the event that relevant tax authorities change their requirements as to the amount or timing of payment of provisional LAT, NWCL's cash flow may be materially and adversely affected.

10. Effective from 1 May 2016, PRC government extended the value-added tax ("VAT") reform pilot program to cover the remaining sectors of real estate, construction, financial services and consumer services. 11% VAT rate is applied to real estate industry, whereas the previous business tax rate was 5%, NWCL's tax burden might increase.

11. A significant portion of NWCL's operation is in the PRC and majority of NWCL's income and expenditures were transacted in Renminbi. Renminbi is not freely convertible. The PRC Government regulates the conversion between Renminbi and foreign currency, and there is significant restriction on the remittance of Renminbi into and outside the PRC. The value of Renminbi is subject to changes in PRC Government policies and to international economic and political developments. Therefore there is no assurance that the exchange rate of Renminbi will remain stable against foreign currencies in the market and fluctuations in exchange rates may adversely affect the value, translated into Hong Kong dollars, of NWCL's net assets, earnings and any declared dividends.

D. Major Risk Factor on Subsidiaries (continued)

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

12. In recent years, the PRC Government has promulgated administrative measures to gradually liberalise the control over cross-border remittance of Renminbi where payment of current account items, including profit distributions, interest payments and expenditure from trade may be made in foreign currencies without prior approval, but subject to certain procedural requirements. However strict foreign exchange controls continue to implement in respect of capital account transactions including repayment of loan principal and return on direct capital investments and investments in negotiable securities. Such exchange controls may impact the distribution plans of NWCL's PRC subsidiaries to the Company.

13. NWCL's property development business required substantial capital investment. NWCL will require additional financing to fund working capital and capital expenditure, to support the future growth of its business and/or to refinance existing debts obligations. NWCL's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in NWCL, success of its businesses, provisions of tax and securities laws that may be applicable to NWCL's efforts to raise capital and political and economic conditions in the PRC. In additions, a substantial portion of NWCL's borrowings are linked to benchmark lending rates published by the PBOC. The PBOC has adjusted the benchmark one-year lending rate a number of times in the past in response to the changing PRC and global financial and economic conditions. As such, NWCL is exposed to foreign currency exchange risk, interest rate risk, credit risk and liquidity risk.

New World Department Store China Limited ("NWDS")

1. PRC Government announced that the expected GDP growth for 2016 is around 6.5% compared with 6.9% last year and it was 6.7% in the first half of 2016 which is the lowest since the financial crisis. It is anticipated that GDP would continue to decelerate modestly. As a result, it would inevitably affect, to certain extent, the disposable income of citizens as well as personal consumption behavior, which in turn may have a negative impact on the retail industry in the PRC.

2. This slowdown also causes an adjustment of economic structure which has brought great challenges to the traditional industries, manufacturers and suppliers as well. Nowadays, industrial and commercial transformation aiming to increasing efficiency, reducing pollution and eliminating irregular and unnecessary intermediaries is being implemented. Consumers' requirement to the products and services becomes more quality, functional and environmental oriented. Therefore, it requires players in retail market to be more responsive, caring and socially responsible in order to satisfy customers' need.

3. Moreover, wage growth in China is not as fast as that of CPI, resulting in a decline of purchasing power. In addition, rising price of property, especially in the first tier cities, increases burden of citizens and hence further weakens the purchasing power. For example, customers would prefer buying goods with lower price from the internet to the retail stores.

4. The retail market remained sluggish as relevant government policies and measure in the PRC exerted significant pressure on the retail market, especially the luxury goods, shopping (stored value) cards sales and group (bulk) purchase. Therefore, it is anticipated that these sectors will continue to underperform to a larger extent as compared to other general goods and products.

5. The purchasing power of people in China diminishes as a result of continuous devaluation of RMB. The market also expects this will continue for a certain period of time due to recovery of US economy resulting in hiking USD interest rate and hence strong USD environment. It may affect the demand for imported goods or products substantially made of or assembled from imported materials.

6. According to the statistics, it shows that a total of 216 million Chinese were aged over 60 by the end of 2015 (2014: 212 million), about 16.7% (2014: 15.5%) of the total population. It also expects this will grow to 300 million by 2025 and the aged population will account for 30% of the population in 2042. The aging society can exacerbate the effects of recession. The good news, however, is that many aging populations are healthier than previous generations of senior citizens, and much more prosperous. So it would be a huge opportunity to the retail industry if they could accurately identify and take advantage of this large segment of consumers' preferences and habit.

D. Major Risk Factor on Subsidiaries (continued)

New World Department Store China Limited ("NWDS") (continued)

7. Online shopping continues to grow at the expense of store visits. There is no doubt that e-commerce shares will be expanded in the retail markets, and will continue to affect traditional stores' sales performance.

8. Chinese overseas shopping hits record high. According to a report from world Travel and Tourism Council, China accounts for the world's highest volume of international travelers and the highest per capita spending abroad. In the year of 2015, Chinese tourists contributed USD292.2 billion and hit the record, ranking the first worldwide. Meanwhile, the rising demand for the best quality drives the consumer away from buying local goods.

9. Three major operating costs, rent, labor and utilities will continue to rise. These three major costs, accounting for over 70% of the overall cost, have a rapid growth as a result of fast expansion and demand previously while the revenue doesn't increase at the same pace and hence could not offset the increase in costs which adversely affect the profitability and margin of retail business.

10. Besides, the emerging retail formats like shopping mall's expansion keeps hitting department store's market shares. Especially in the 1st and 2nd tier cities, it has gradually become consumers' most preferred shopping place. Meanwhile, store departments could not offer comprehensive experience as shopping mall, and due to the lack of price advantage and brand homogenization problem, it's getting tougher to compete with shopping malls. Massive supply of shopping malls in the coming few years will probably further worsen the situation.

11. It is expected the government will issue several policies to support e-commerce, with a target to establish a matured and well developed e-commerce market by 2020. New policies include the lowering of barrier for market access and reduction of tax burdens etc. The release of the above policies will greatly stimulate the development of China's e-commerce market, while placing huge pressure on the physical stores.

NWS Holdings Limited ("NWSH")

Global economy

1. NWSH is exposed to the development of the global economy as well as the industries and geographical markets in which it operates. As a result, NWSH'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 NWSH's financial condition or results of operations.

Currency fluctuations

2. The results of NWSH are presented in Hong Kong dollars, but its various subsidiaries, joint ventures and associated companies may receive turnover and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, joint ventures and associated companies and also on the repatriation of earnings, equity investments and loans may have an impact on NWSH's businesses. NWSH operates mainly in Hong Kong and Mainland China and is therefore exposed to Renminbi fluctuations with a portion of underlying transactions, assets, investments and cash denominated in Renminbi.

3. Exchange rates of Hong Kong dollar against Renminbi or other foreign currencies are affected by, among other things, changes in the political and economic environment of the issuing jurisdictions of the currencies. The exchange rates of Renminbi against Hong Kong dollar, United States dollar or other currencies may be re-valued, and may be permitted to enter a full or limited free float. Such situation may result in appreciation or depreciation in Renminbi against Hong Kong dollar, United States dollar or other foreign currencies. Continual fluctuations in the exchange rates of Hong Kong dollar against Renminbi or other currencies may materially and adversely affect NWSH's businesses, financial condition, results of operations and growth prospects.

Interest rate fluctuations

4. NWSH's finance costs and interest expenses fluctuate with changes in interest rates. NWSH is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. NWSH 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 NWSH borrows will increase NWSH's finance costs and may adversely and materially affect NWSH's businesses, financial condition, results of operations and growth prospects.

Changes in government policies and legislations, social and political stability

5. Clear government policies and legislations with stable social and political environment lay a good foundation for the success of NWSH's businesses and smooth operation. Any changes in the government policies and legislations such as tax regulations, franchising and licensing requirements may adversely and materially affect NWSH's financial condition and results of operations. There can be no assurance that the future social and political conditions are no less favourable than the prevailing environment.

D. Major Risk Factor on Subsidiaries (continued)

NWS Holdings Limited ("NWSH") (continued)

Concession, franchise and license risks

6. NWSH operates and manages certain concession and franchise businesses such as providing facilities management services at the Hong Kong Convention and Exhibition Centre ("HKCEC"), operating public bus and ferry transportation services and operating duty free tobacco and alcohol retail business at certain Hong Kong and Macau borders. NWSH also has roads, energy and water projects operating under concessions in Hong Kong, Mainland China and Macau. 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 NWSH.

Tariff and service fee determination

7. Tariffs and fees charged by NWSH's projects with respect to its toll roads, water supplied/treated by water plants, electricity produced by its power plants and aeronautical service provided by its airport are set by various relevant government authorities, although NWSH can propose rate changes in conjunction with its joint venture partners. 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 NWSH's projects may adversely affect NWSH's operating results.

Environmental concerns

8. NWSH is subject to extensive and increasingly stringent environmental protection laws, regulations and decrees that impose fines for violation of them. In addition, there is a growing global awareness of environmental issues. NWSH may sometimes be expected to meet a standard which is more stringent than the requirement of the prevailing environmental laws and regulations, which may cause negative impacts on the costs and operations of its projects.

9. Though NWSH has adopted various environmental protection measures, NWSH cannot assure that more stringent environmental protection regulations will not be imposed in the future. If NWSH fails to comply with the prevailing environmental laws or regulations, or fails to meet public expectations in relation to environmental matters, NWSH's reputation may be damaged or may be required to pay fines or take remedial actions, in which case suspension of operation may be required in NWSH's related projects.

Infrastructure Division
Roads

10. NWSH 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 appropriately carried out. However, revenue from NWSH'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, such as toll free access by certain types of vehicles during major holidays and toll rate standardization, may cast uncertainty on NWSH'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, the existence of new competing roads and other means of transportation, fuel prices, taxation, environmental regulations and suspension of operation due to material accidents. NWSH's operating results may also be affected by capital expenditure requirements for the ongoing repair, maintenance, renewal and expansion of the toll roads.

Environment

11. The operation of NWSH's power plants in Mainland China is complex and may be adversely affected by many factors, such as the downtime caused by system upgrades and overhaul works, the breakdown of equipment or disruption of production processes, plant underperformed or efficiency, labour disputes, natural disasters, insufficient or poor quality fuel, reduced demand for electricity, the setting of on-grid tariffs and the need to comply with the directions of the relevant government authorities or utilities. Fluctuations in fuel and finance costs, changes in regulatory regimes, disruptions in fuel supply or shortage of transportation resources may adversely affect the profit and normal operation of the power plants which in turn may impact on NWSH's business and financial condition.

12. NWSH's water and related projects are subject to environmental regulations and are exposed to environmental risks, such as water supplies being polluted by naturally occurring compounds or man-made sources. The types and amounts of pollutants in the water supplied or waste water treated by NWSH may increase unexpectedly due to a number of factors, including the occurrence of natural disasters, industrial accidents or increase in levels of manufacturing activities.

D. Major Risk Factor on Subsidiaries (continued)

NWS Holdings Limited ("NWSH") (continued)

Logistics

13. The operation of NWSH'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 lack of qualified equipment operators and the overall performance of the logistics and transportation sectors.

14. 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.

Aviation

15. NWSH's 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 payment and other obligations under their existing or future leases. The business may be adversely affected by factors such as downturn or disruptions in the aviation industry, global economic and financial markets and geographical issues.

16. Aircraft movements and passenger volume handled by NWSH'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 and changes in regulations. Concessions and other non-aeronautical income may be adversely affected by many factors, such as changes in passengers' consumption ability and preference, failure to renew concession contracts and competition from other new airports.

Services Division
Facilities Management

17. NWSH's facilities management of HKCEC may be adversely affected by factors such as limited expansion capacity, fierce competition from other exhibition venues, continuous increase in operating costs, inadequate supply of skilled labour, economic downturn and potential political sensitivities associated with HKCEC being a government owned Hong Kong icon. HKCEC generally has a high occupancy rate, however, it is located at the heart of the city with limited land supply, the increase in physical capacity is restricted. HKCEC has also been affected by the rapid emergence of competing exhibition centres across Hong Kong, Mainland China, Macau and other south-east Asian countries. Being an icon of Hong Kong, HKCEC has from time to time come under pressure from a variety of media and social-political groups in Hong Kong which may impact on its attractiveness both commercially and socially.

18. NWSH's duty free business has been and continues to be affected by changes in government policy relating to domestic and cross- border duties on tobacco, wine and alcohol. Furthermore, as a significant portion of the revenue of NWSH's duty free business is dependent upon tourists and travellers, any changes in travel policies may cause uneven fluctuations in NWSH's revenue.

Construction & Transport

19. Factors such as general economic conditions, political and social stability, government investment plans, mortgage and interest rates, inflation, demographic trends, consumer confidence, competition among competitors and subcontractors, supply of suitably skilled labour and workforce in Hong Kong, and material safety incidents may influence the performance and growth of NWSH's construction business. An economic downturn and a downturn in any of the industries NWSH serves in its construction business will generally lead to a decrease in the number of new construction projects available to NWSH as well as delays in or cancellation of NWSH's ongoing projects, which will in turn adversely affect NWSH's financial condition and operating results.

20. NWSH's transport business could be affected by fluctuations in fuel costs, elasticity of fares, competition from other means of transport, increasing difficulty in route development, labour shortage, adverse impacts from labour unions and strikes, serious traffic accidents as well as bad weather and natural disasters. Fluctuation in fuel price, which is a major cost component, will has a direct impact on NWSH's transport business. Given the Hong Kong population's heavy reliance upon public transport, any fare increase proposals by NWSH to offset rising overheads and costs would undoubtedly meet with strong public objection and negative publicity.

Strategic Investments

21. From time to time, NWSH 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 including, to date, (i) share registration and company secretarial services; (ii) corporate finance, asset management and brokerage services; (iii) iron ore mining, chrome mining and processing; and (iv) hydraulic loading and unloading systems, amongst others. Such investments are affected by factors particular to the specific industries as well as external and global factors, including but not limited to the performance of various global financial markets which are generally subject to economic conditions, investment sentiment and fluctuations in interest rates, which are beyond NWSH's control.

Corporate Governance Report

All along, the Company is committed to maintain a high standard of corporate governance practices to safeguard the interests of its shareholders and enhance the performance of the Group. From time to time, the board of Directors (the "Board") reviews and improves its corporate governance practices in order to ensure that the Group is under the leadership of an effective board so as to optimise return for its shareholders.

Corporate Governance Code

Throughout the year ended 30 June 2016, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, with the exception of code provision A.6.4.

Code provision A.6.4 is in relation to guidelines for securities dealings by relevant employees. As required under code provision A.6.4, the Board should establish for its relevant employees written guidelines on no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules in respect of their dealings in the securities of the Company. Instead of following the Model Code strictly, the Board has established its own guidelines which are not on no less exacting terms than the Model Code. Such deviation from the CG Code is considered necessary, mainly because of the huge size of employees of the Group which is over 45,000, and the Group's diversified businesses. For these reasons, to follow the exact guidelines of the Model Code will cause immense administrative burden to the Company in processing written notifications from the relevant employees when they deal in the securities of the Company, which can be avoided under the Company's own guidelines.

Directors' Securities Transactions

The Company has adopted the Model Code as its own code of conduct for securities transactions by its Directors.

Specific enquiries have been made with all Directors who confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 June 2016.

Board of Directors

Composition

Currently, the Board comprises a total of 14 Directors, being seven Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. The number of Independent Non-executive Directors represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules. The biographies of the Directors are set out from pages 44 to 50 of this annual report.

All Directors have entered into formal letters of appointment with the Company, each for a term of three years, subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles of Association").

Article 103(A) of the Articles of Association provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Also, pursuant to Article 94 of the Articles of Association, any Director appointed to fill a casual vacancy or as an addition to the Board is subject to re-election at the next following general meeting or next following annual general meeting of the Company respectively.

Independence of Independent Non-executive Directors

The Company has received annual confirmation of independence from all Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all Independent Non-executive Directors are independent in accordance with the Listing Rules.

Role of the Board

The Board oversees the management, businesses, strategic directions and financial performance of the Group. It is collectively responsible for the management and operation of the Company. The Board is the ultimate decision making body of the Company except for matters requiring the approval of the shareholders in accordance with the Articles of Association, the Listing Rules or other applicable laws and regulations.

Day-to-day businesses of the Company are delegated to the management team who works under the leadership and supervision of the Executive Vice-chairman & Joint General Manager, the Executive Director & Joint General Manager, and the Executive Committee of the Board as discussed in sections below.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties of the Company including:

(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 the Directors and senior management;

(c) to review and monitor the Company's policies and practices in 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 the Directors; and

(e) to review the Company's compliance with Appendix 14 of the Listing Rules (Corporate Governance Code and Corporate Governance Report).

Board Meetings

Regular Board meetings are held at least four times a year with at least 14 days' notices and additional meetings with reasonable notices are held as and when the Board considers appropriate. The Company Secretary assists the Chairman in preparing agenda for each meeting. Draft agenda for each Board meeting is circulated to all Directors to enable them to include other matters into the agenda. Agenda accompanying board papers are sent to all Directors at least three days before each regular Board meeting. Board decisions are voted upon at the Board meetings. The Company Secretary records all matters considered by the Board, decisions reached and any concerns raised or dissenting views expressed by the Directors. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

Directors' Training

Each newly appointed Director is provided with the necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statues, laws, rules and regulations. From time to time, the Company Secretary also provides the Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements.

In addition, all Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development activities to develop and refresh their knowledge and skills. From time to time, the Company has arranged in-house trainings for the Directors in the form of seminars and reading materials. A summary of training received by the Directors for the year ended 30 June 2016 according to the records provided by the Directors is as follows:

Name of Directors	**Type of Continuous Professional Development**	
	Training on corporate governance, regulatory development and other relevant topics	**Attending corporate events or visits**
Executive Directors		
Dr. Cheng Kar-Shun, Henry	✔	–
Dr. Cheng Chi-Kong, Adrian	✔	✔
Mr. Chen Guanzhan	✔	✔
Ms. Ki Man-Fung, Leonie	✔	✔
Mr. Cheng Chi-Heng	✔	–
Ms. Cheng Chi-Man, Sonia	✔	–
Mr. Au Tak-Cheong	✔	✔
Non-executive Directors		
Mr. Doo Wai-Hoi, William	✔	–
Mr. Cheng Kar-Shing, Peter	✔	–
Independent Non-executive Directors		
Mr. Yeung Ping-Leung, Howard	✔	–
Mr. Cha Mou-Sing, Payson	✔	–
Mr. Cha Mou-Zing, Victor *(alternate to Mr. Cha Mou-Sing, Payson)*	✔	–
Mr. Ho Hau-Hay, Hamilton	✔	–
Mr. Lee Luen-Wai, John	✔	–
Mr. Liang Cheung-Biu, Thomas	✔	–

Chairman, Executive Vice-chairman & Joint General Manager, Executive Director & Joint General Manager and Other Executive Directors

Dr. Cheng Kar-Shun, Henry, the Chairman, has led the Board and ensured that the Board works effectively and that all important issues are discussed in a timely manner. Dr. Cheng Chi-Kong, Adrian, the Executive Vice-chairman & Joint General Manager and Mr. Chen Guanzhan, the Executive Director & Joint General Manager, jointly manage the Company's day-to-day businesses and implement major strategies and policies of the Company. Each of the other Executive Directors takes up different responsibilities according to their own expertise. The responsibilities of the Chairman, the Executive Vice-chairman & Joint General Manager, the Executive Director & Joint General Manager and the other Executive Directors are clearly set out in their respective letters of appointment. The positions of the Chairman, the Executive Vice-chairman & Joint General Manager and the Executive Director & Joint General Manager are held by separate individuals so as to maintain an effective segregation of duties.

Non-executive Directors

Non-executive Directors (including the Independent Non-executive Directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Company. They have the same duties of care and skill and fiduciary duties as the Executive Directors. Each Non-executive Director has entered into a letter of appointment with the Company for a fixed term of three years, subject to retirement by rotation in accordance with the Articles of Association.

Board Committees

The Board currently has four committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. All the Board committees are empowered by the Board under their own terms of reference which have been posted on HKEx's website and/or the Company's website.

Executive Committee

Members:

Executive Directors	Dr. Cheng Kar-Shun, Henry *(Chairman)* Dr. Cheng Chi-Kong, Adrian Mr. Chen Guanzhan Ms. Ki Man-Fung, Leonie Mr. Cheng Chi-Heng Ms. Cheng Chi-Man, Sonia Mr. Au Tak-Cheong

The Board has delegated to the Executive Committee comprising all Executive Directors with authority and responsibility for handling the management functions and day-to-day operations of the Company, while reserving certain key matters such as the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee shall monitor the execution of the Company's strategic plans and the operations of all business units of the Company, manage and develop generally the businesses of the Company. The Executive Committee meets regularly as and when necessary.

Audit Committee

Members:

Independent Non-executive Directors	Mr. Cha Mou-Sing, Payson *(Chairman)* Mr. Yeung Ping-Leung, Howard Mr. Ho Hau-Hay, Hamilton Mr. Lee Luen-Wai, John Mr. Liang Cheung-Biu, Thomas

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process and internal control system. To align with the amendments made to the CG Code relating to risk management and internal control, the terms of reference of the Audit Committee was revised on 23 February 2016 and took effect on 1 July 2016.

During the year, the Audit Committee met twice and reviewed the audited financial statements for the year ended 30 June 2015 and the unaudited interim financial statements for the six months ended 31 December 2015 with recommendations to the Board for approval, reviewed reports on internal control system of the Group, and discussed with the management and the external auditors of the accounting policies and practices which may affect the Group and the financial reporting matters. Furthermore, the Audit Committee reviewed the framework and policy of risk management, the system of internal control and the financial statements for the year ended 30 June 2016 with recommendation to the Board for approval.

Remuneration Committee
Members:

Independent Non-executive Directors	Mr. Ho Hau-Hay, Hamilton *(Chairman)* Mr. Yeung Ping-Leung, Howard Mr. Cha Mou-Sing, Payson Mr. Lee Luen-Wai, John
Executive Director	Dr. Cheng Kar-Shun, Henry

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure on the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for the Company for approval by the Board. It shall also make recommendations to the Board on the remuneration packages of individual Executive Director and senior management.

During the year, the Remuneration Committee met once and reviewed the remuneration policy of the Company, including that for the Directors and senior management of the Company. The remuneration for the Executive Directors comprises basic salary, pensions and discretionary bonus. Share options have been granted to all Directors and senior management to subscribe for shares in the Company under the Company's share option scheme. In addition, certain Directors have been granted options under share option schemes of the Group's listed subsidiaries to subscribe for shares in those subsidiaries. Details of the remuneration paid to the Directors and members of senior management for the financial year ended 30 June 2016 are disclosed in the notes to the financial statements.

Nomination Committee
Members:

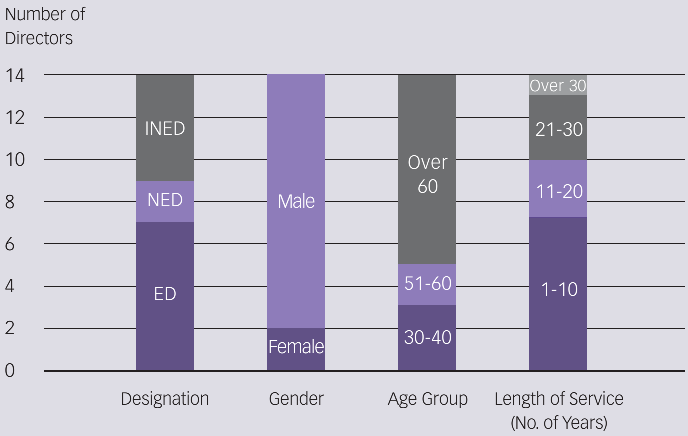
Executive Director	Dr. Cheng Kar-Shun, Henry *(Chairman)*
Independent Non-executive Directors	Mr. Lee Luen-Wai, John Mr. Liang Cheung-Biu, Thomas

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. During the year, the Nomination Committee met once and reviewed the structure, size and composition of the Board and considered that the current Board consists of a diverse mix of members appropriate to the requirements of the businesses of the Company.

The Board adopted a Board Diversity Policy (the "Policy") in August 2013 which sets out the approach by the Company to achieve diversity on the Board. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining its competitive advantage and supporting its sustainable development. In determining an optimum composition of the Board, the Company will consider all aspects of diversity and will also take into account factors based on its own business model and specific needs from time to time. Board members' appointment will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, skills, regional and industry experience and expertise, cultural and educational background, and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

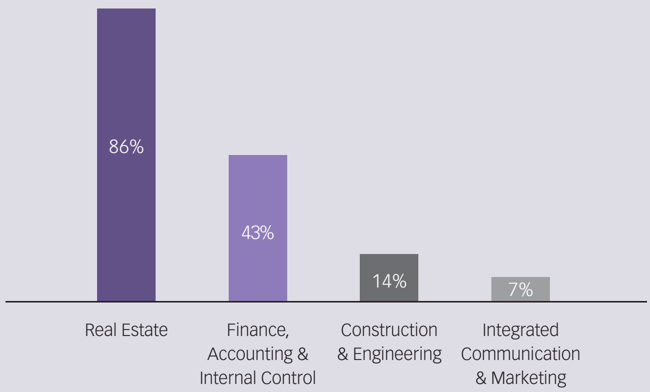
Currently, the Board consists of 14 members coming from diverse professional backgrounds, of which more than one-third are Independent Non-executive Directors. The Board considers the current Board composition has provided a good balance of skills and experience appropriate to its business needs and will continue to review its composition from time to time taking into account of the Group's business development requirements. The diversity mix of the Board is summarised in the following charts:

Diversity Mix



Remarks:
ED - Executive Director
NED - Non-executive Director
INED - Independent NED

Areas of Experience



Attendance at Board Meetings, Board Committee Meetings and General Meetings

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meeting
	Number of Meetings Attended/ Eligible to attend for the year ended 30 June 2016					
Executive Directors						
Dr. Cheng Kar-Shun, Henry	**5/5**	**–**	**1/1**	**1/1**	**1/1**	**2/2**
Dr. Cheng Chi-Kong, Adrian	**5/5**	**–**	**–**	**–**	**1/1**	**1/2**
Mr. Chen Guanzhan	**5/5**	**–**	**–**	**–**	**1/1**	**2/2**
Ms. Ki Man-Fung, Leonie	**5/5**	**–**	**–**	**–**	**1/1**	**2/2**
Mr. Cheng Chi-Heng	**4/5**	**–**	**–**	**–**	**1/1**	**0/2**
Ms. Cheng Chi-Man, Sonia	**3/5**	**–**	**–**	**–**	**1/1**	**2/2**
Mr. Au Tak-Cheong	**5/5**	**–**	**–**	**–**	**1/1**	**2/2**
Non-executive Directors						
Mr. Doo Wai-Hoi, William	**5/5**	**–**	**–**	**–**	**0/1**	**2/2**
Mr. Cheng Kar-Shing, Peter	**4/5**	**–**	**–**	**–**	**1/1**	**1/2**
Independent Non-executive Directors						
Mr. Yeung Ping-Leung, Howard	**4/5**	**2/2**	**1/1**	**–**	**1/1**	**1/2**
Mr. Cha Mou-Sing, Payson	**5/5**	**2/2**	**1/1**	**–**	**0/1**	**0/2**
Mr. Ho Hau-Hay, Hamilton	**5/5**	**2/2**	**1/1**	**–**	**1/1**	**2/2**
Mr. Lee Luen-Wai, John	**4/5**	**2/2**	**1/1**	**1/1**	**1/1**	**1/2**
Mr. Liang Cheung-Biu, Thomas	**4/5**	**2/2**	**–**	**1/1**	**1/1**	**2/2**

Auditors' Remuneration

During the year ended 30 June 2016, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Type of services	Fee paid/payable for the year ended 30 June	
	2016 HK$m	2015 HK$m
Audit services	**66.5**	68.5
Non-audit services	**12.3**	19.2
Total	**78.8**	87.7

Non-audit services include merger and acquisition related due diligence, taxation and services on system enhancement.

Directors' Responsibility for the Financial Statements

The Board, supported by the finance and accounts department, is responsible for the preparation of the financial statements of the Company and the Group. The Board has prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently. The Directors have not been aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company and the Group regarding its reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report on page 107 of this annual report.

Risk Management and Internal Control

The Board is responsible to oversee the Company's risk management and internal control systems on an ongoing basis. During the year, a Risk Management Committee was set up under the Audit Committee and a risk management policy was adopted. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

The Risk Management Committee has assisted the Audit Committee in deciding the Group's risk level and risk appetite, considering the Group's risk management strategies and giving guidelines where appropriate, and ensuring the soundness and effectiveness of the Group's risk management and internal control systems.

An internal audit department has been established to conduct internal audit of the Company and its subsidiaries, joint ventures and associated companies. The internal audit department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key business and operational risks are identified and managed, and to ensure that the risk management and internal control measures are carried out appropriately and functioning as intended. The internal audit department reports to the Board with its findings and makes recommendations to improve the risk management and internal control of the Group.

The Audit Committee also receives the report from the internal audit department and takes such report into consideration when it makes recommendation to the Board for approval of the half-yearly or annual results of the Group.

Company Secretary

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. The biography of the Company Secretary is set out on page 51 of this annual report.

Constitutional Documents

For the purpose of bringing the Company's Articles of Association in line with the provisions of the Hong Kong Companies Ordinance (Cap. 622), the Company adopted a new articles of association (the "New Articles of Association") during the year. The adoption of the New Articles of Association was approved by the shareholders of the Company at the annual general meeting held on 18 November 2015. The New Articles of Association is available on both the Company's website and the Stock Exchange's website.

Shareholders' Rights

Convening Extraordinary General Meeting ("EGM") and Putting Forward Proposals at Shareholders' Meetings

Shareholders representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can deposit a written request to convene an EGM at the registered office of the Company for the attention of the Company Secretary. Such requisition, signed by the shareholders concerned, must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM on a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months after the date on which the Directors become subject to the requirement to call a meeting.

To put forward proposals at the shareholders' meeting, a request in writing must be made by:

(i) shareholders representing at least 2.5% of the total voting rights of all shareholders of the Company having the right to vote at the shareholders' meeting; or

(ii) at least 50 shareholders of the Company having the right to vote at the meeting,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution at annual general meeting, and not less than seven days before the meeting in the case of requiring circulation of statement. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement.

If a shareholder of the Company intends to propose a person other than a Director of the Company for election as a Director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a written notice by that person of his/her willingness to be elected as a Director together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later than seven days prior to the date of such general meeting.

Detailed procedures can be found in the following documents which are available on the Company's website:

- "Procedures for Shareholders to convene Extraordinary General Meetings and putting forward proposals at General Meetings"; and

- "Procedures for Shareholders to propose a person for election as a Director".

Enquiries to the Board

Enquiries may be put to the Board through the Company's Investor Relations Department at 30/F., New World Tower, 18 Queen's Road Central, Hong Kong (email: ir@nwd.com.hk).

Communication with Shareholders

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman, other members of the Board and the external auditor attend the annual general meeting to meet the shareholders. The Directors will answer questions raised by the shareholders on the performance of the Group. The Company holds press and analysts conferences at least twice a year following the release of interim and full year results announcements at which the Executive Directors and senior management of the Company are available to answer questions regarding the performance of the Group. Our corporate website which contains corporate information, interim and annual reports, announcements and circulars issued by the Group as well as the recent developments of the Group enables the Company's shareholders to have timely and updated information of the Group. Shareholders can refer to the "Shareholders' Communication Policy" posted on the Company's website for more details.

Emphasise Investor Relations

To ensure that the investors have a comprehensive and thorough understanding of the Group, the Group participates in different international forums and overseas roadshows on a regular basis to elaborate the Group's business development plans to global investors. We also show our key development projects in both Mainland China and Hong Kong to the media and investors via site visits and meetings, and establish timely and effective two-way communications with media and investors. The "Investor Relations" Section is set out from pages 52 to 55 of this annual report.

Principal Projects Summary

Project summary - Hotel

No.	Name of Hotels	Total Number of Rooms As at 30 June 2016
	Hong Kong	
1	Renaissance Harbour View Hotel	861
2	Grand Hyatt Hong Kong	545
3	Hyatt Regency Hong Kong, Sha Tin	559
4	Hyatt Regency Hong Kong, Tsim Sha Tsui	381
5	Novotel Citygate Hong Kong	440
6	pentahotel Hong Kong, Kowloon	695
	Subtotal	3,481
	Mainland China	
7	pentahotel Beijing	307
8	pentahotel Shanghai	258
9	New World Shanghai Hotel	558
10	New World Shunde Hotel	370
11	New World Wuhan Hotel	325
12	New World Dalian Hotel	420
13	New World Beijing Hotel	309
14	Rosewood Beijing	283
	Subtotal	2,830
	Southeast Asia	
15	New World Makati Hotel, The Philippines	584
16	New World Saigon Hotel, Vietnam	533
17	Renaissance Riverside Hotel Saigon, Vietnam	336
	Subtotal	1,453
	Grand total	7,764

Project Summary – Major Property Development Projects in Hong Kong

No.	Name of property development projects	Site Area (sq ft)	Total GFA (sq ft)
	Central and Western District		
1	23 Babington Path, Mid-levels	13,294	66,470
2	BOHEMIAN HOUSE, 321 Des Voeux Road West, Western District	10,034	105,676
3	1-17 Sai Yuen Lane, Western District	7,812	90,925
	Eastern District		
4	FLEUR PAVILIA, Upper & Lower Kai Yuen Lane and 5 Kai Yuen Street, North Point	72,000	573,301
	Yau Tsim Mong District		
5	SKYPARK, 17 Nelson Street, Mong Kok (2)	26,673	186,712 53,346
	Kowloon City District and Kwun Tong District		
6	Kowloon City Road/Sheung Heung Road Project, Ma Tau Kok (2)	14,897	111,730
7	Yau Tong Redevelopment Project, Kowloon East	822,380	4,039,687
	Sha Tin District and Sai Kung District		
8	DOUBLE COVE SUMMIT, No. 8 Wu Kai Sha Road (Phase 5), Ma On Shan (3)	947,673	332,953
9	MOUNT PAVILIA, 663 Clear Water Bay Road, Sai Kung	719,035	1,078,517
10	Tai Wai Station Property Development, STTL No. 520, Sha Tin (2)	521,107	2,050,300
11	DD221, Sha Ha, Sai Kung	615,055	922,582
	Tsuen Wan District		
12	THE PAVILIA BAY — West Rail Tsuen Wan West Station (TW6), TWTL No. 402, Tsuen Wan (2)	148,586	675,021
	Yuen Long District and Tuen Mun District		
13	Lot No. 2131 in DD121, Tong Yan San Tsuen (Phase 1 — Site A), Yuen Long	78,502	78,502
14	No. 76-92 Tuen Mun Heung Sze Wui Road, Tuen Mun	8,000	84,046
15	YLTL 527, Tai Tong Road, Yuen Long	6,131	21,453
16	YLTL 524, Tai Tong Road, Yuen Long	48,933	171,265
17	Lung Tin Tsuen (Phase 2), Yuen Long	88,157	343,812
18	Lung Tin Tsuen (Phase 3), Yuen Long	24,230	121,149
19	Tong Yan San Tsuen (Phase 3), Yuen Long	88,658	88,658
20	Tong Yan San Tsuen (Phase 4), Yuen Long	175,000	175,000
21	Sha Po North, Yuen Long	TBC	373,240
	Grand Total	4,436,157	11,744,345

Remarks:
(1) P=Planning; D=Demolition; SP=Site Preparation; F=Site Formation/Foundation; S=Superstructure; LE=Land Exchange; NA=Not Applicable; TBC = To be confirmed
(2) Property in which the Group is entitled to a share of development profits in accordance with the terms and conditions of the respective development agreements
(3) The site area covers 5 phases of the project development

Group Interest	Residential (sq ft)	Retail (sq ft)	Attributable GFA (sq ft)	Stage of Completion [1]
10.00%	6,647		6,647	S
80.00%	72,141	12,400	84,541	S
100.00%	82,855	8,070	90,925	S
40.00%	229,320		229,320	S
100.00%	186,712		186,712	S
50.00%		26,673	26,673	S
100.00%	111,730		111,730	P
10.88%	429,889	9,710	439,599	D
32.00%	106,545		106,545	S
63.00%	665,917	13,549	679,466	S
100.00%	2,050,300		2,050,300	F
76.00%	701,162		701,162	P
80.00%	540,017		540,017	S
100.00%	78,502		78,502	F
100.00%	70,106	13,940	84,046	S
20.97%	4,014	485	4,499	SP
20.97%	35,914		35,914	LE
100.00%	343,812		343,812	LE
100.00%	121,149		121,149	LE
100.00%	88,658		88,658	LE
100.00%	175,000		175,000	LE
34.81%	129,925		129,925	NA
	6,230,315	84,827	6,315,142	

Project Summary — Major Property Investment Projects in Hong Kong

No.	Name of Property Investment Projects	Total GFA (sq ft)	Attributable GFA (sq ft)
	Completed		
	Hong Kong Island		
1	Manning House, Central	110,040	110,040
2	New World Tower, Central	640,135	640,135
3	Shun Tak Centre, Shopping Arcade, Sheung Wan	214,336	96,451
4	Hong Kong Convention and Exhibition Centre, Shopping Arcade, Wan Chai	87,999	87,999
5	Grand Hyatt Hong Kong	524,928	262,464
6	Renaissance Harbour View Hotel	544,518	272,259
7	Pearl City, Causeway Bay — Ground Floor to 4th Floor	53,691	21,476
	Pearl City, Causeway Bay — Ground Floor to Basement	24,682	24,682
8	EIGHT KWAI FONG, Happy Valley	65,150	57,965
9	Methodist House, Wan Chai (1)	40,813	40,405
	Kowloon		
10	Telford Plaza, Kowloon Bay (1)	335,960	335,960
11	K11, Tsim Sha Tsui (1)	335,939	264,552
	Hyatt Regency Hong Kong, Tsim Sha Tsui	277,877	138,939
12	pentahotel Hong Kong, Kowloon	285,601	285,601
13	KOHO, Kwun Tong	204,514	204,514
	New Territories		
14	ATL Logistic Centre, Kwai Chung	9,329,000	3,190,518
15	NWS Kwai Chung Logistics Centre, Kwai Chung (5)	920,000	562,120
16	D·PARK, Tsuen Wan	466,400	466,400
17	PopCorn II, Tseung Kwan O (1)	125,730	88,011
18	Hyatt Regency Hong Kong, Sha Tin (1)	538,000	538,000
19	Citygate, Tung Chung	659,003	131,800
	Novotel Citygate Hong Kong, Tung Chung	236,758	47,352
	Grand Total	16,021,074	7,867,643
	To be completed/Under development		
20	New World Centre, Tsim Sha Tsui (4)	2,951,444	2,951,444
21	704-730 King's Road, North Point (4)	487,500	487,500
22	TCTL 11, Tung Chung (4)	539,599	107,920
	Alteration and additional work		
23	12 Salisbury Road, Tsim Sha Tsui	141,331	141,331

Remarks:
(1) Properties in which the Group has a development interests: other parties provide the land whilst the Group finances the construction costs and occasionally land costs, and is entitled to a share of the rental income or a share of the development profits in accordance with the terms and conditions of the respective joint development agreements after completion
(2) Meeting rooms
(3) Logistics centre
(4) Attributable to GFA breakdown by usage of the project to be completed/under development is to be determined
(5) The disposal of interest in NWS Kwai Chung Logistics Centre completed on 31 August 2016

Retail (sq ft)	Office (sq ft)	Hotel (sq ft)	Residential (sq ft)	Others (sq ft)	Total Number of Carpark	Land Lease Expiry
63,383	46,657					2843
77,948	562,187				385	2863
96,451					85	2055
69,173				18,826[2]	1,070	2060
		262,464				2060
		272,259				2060
21,476						2868
24,682						2868
			57,965			2079
	40,405					2084
335,960					136	2047
264,552					240	2057
		138,939				2057
		285,601				2057
1,567	202,947				28	2047
				3,190,518[3]		2047
				562,120[3]		2058
466,400					1,000	2047
88,011					50	2047
		538,000			100	2047
99,696	32,104				1,238	2047
		47,352				2047
1,609,299	884,300	1,544,615	57,965	3,771,464	4,332	
						2052
						2083/2088/2090
						2063
141,331						2052

Project Summary — Major Property Projects in Mainland China

No.	Region	Project name	NWCL's Accounting Classification	NWCL's Attributable Interest	Total GFA (sq m)
		Projects under development/held for development			
1	Beijing	Beijing New View Garden Remaining Phases	Joint venture	70%	22,561
		Beijing New View Garden Commercial Centre			39,653
2	Beijing	Beijing Xin Yu Garden Remaining Phases	Joint venture	70%	605,600
		Beijing Xin Yu Garden Commercial Centre			89,620
3	Beijing	Beijing Yuzhuang Project Phase II	Subsidiary	75%	101,616
4	Langfang	Langfang New World Centre District A	Subsidiary	100%	162,572
		Langfang New World Centre District C2			71,741
5	Langfang	Langfang New World Garden District 1	Subsidiary	100%	120,785
		Langfang New World Garden District 2			96,547
6	Jinan	Jinan New World Sunshine Garden Remaining Portion	Subsidiary	100%	78,144
7	Shenyang	Shenyang New World Garden Phase I West District A	Subsidiary	100%	53,434
		Shenyang New World Garden Phase II D-1			348,409
		Shenyang New World Garden Phase II D-2			302,596
		Shenyang New World Garden Remaining Phases			849,280
8	Shenyang	Shenyang New World Centre — Expo	Subsidiary	100%	120,119
		Shenyang New World Centre Phase I and II			896,690
		Shenyang New World Centre Remaining Phases			228,359
9	Shenyang	Shenyang New World Commercial Centre Phase II	Subsidiary	100%	96,026
10	Anshan	Anshan New World Garden Phase III B	Subsidiary	100%	140,529
		Anshan New World Garden Remaining Phases			580,041
11	Wuhan	Wuhan New World Centre Phase III	Subsidiary	100%	140,967
12	Wuhan	Wuhan Guanggu New World	Subsidiary	100%	338,323
13	Wuhan	Wuhan New World•Times Phase I	Subsidiary	100%	308,251
		Wuhan New World•Times Phase II			361,195
14	Changsha	Changsha La Ville New World Phase III B	Subsidiary	48%	124,089
		Changsha La Ville New World Phase IV			529,251
15	Yiyang	Yiyang New World Scenic Heights Phase I B	Subsidiary	100%	18,932
		Yiyang New World Scenic Heights Phase I D			14,363
		Yiyang New World Scenic Heights Phase I E			22,310
		Yiyang New World Scenic Heights Phase I F			19,827
		Yiyang New World Scenic Heights Phase I G			12,898
		Yiyang New World Scenic Heights Phase II			216,859
		Yiyang New World Scenic Heights Remaining Phases			186,875
16	Guangzhou	Guangzhou Dong Yi Garden Phase V	Subsidiary	100%	26,128
17	Guangzhou	Guangzhou Covent Garden Phase III Remaining Portion	Subsidiary	100%	477,015
		Guangzhou Covent Garden Remaining Phases			357,400
18	Guangzhou	Guangzhou Park Paradise Phase III B	Subsidiary	100%	84,957
		Guangzhou Park Paradise Phase 5A			282,331
		Guangzhou Park Paradise Phase 5B			48,591
		Guangzhou Park Paradise Remaining Phases			121,430
19	Foshan	Canton First Estate Phase II (CF19B)	Subsidiary	85%	85,646
		Canton First Estate Phase II (CF20)			132,737
		Canton First Estate Phase III (CF27A)			35,065
		Canton First Estate Phase III (CF29)			140,948
		Canton First Estate Remaining Phases			1,141,481
20	Huizhou	Huizhou Changhuyuan Phase IV	Joint venture	63%	93,969
21	Ningbo	Ningbo New World Plaza Phase I	Joint venture	49%	290,006
		Ningbo New World Plaza Remaining Phases			311,118
22	Yangzhou	Yangzhou Phoenix•The Waterside	Subsidiary	80%	54,100
		Total (Projects under development/held for development)			10,981,384

Remarks:

(1) TBD: to be determined

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)	Development status	Expected completion date
	2,223	12,629		7,709	Under planning	TBD
	16,531	8,052		15,070	Under planning	TBD
251,000	99,800	135,100		119,700	Under planning	TBD
	60,925			28,695	Under planning	TBD
101,616					Under development	Jun/2017
27,555	52,505		46,951	35,561	Under development	Jan/2017
56,420	437			14,884	Under development	Jan/2017
89,615	5,722			25,448	Under development	Feb/2017
65,625	7,264			23,658	Under development	May/2017
	2,604	31,695	18,729	25,116	Under development	May/2017
	5,471	38,435		9,528	Under development	Sep/2016
247,123	8,492			92,794	Under development	Dec/2016
208,851	7,097			86,648	Under development	Dec/2017
533,784	50,211			265,285	Under planning	TBD
				120,119	Under development	Sep/2016
307,036	331,775		132,418	125,461	Under development	Dec/2016
		228,359			Under planning	TBD
	25,266	51,406		19,354	Under planning	TBD
87,530	13,268			39,731	Under development	Jun/2017
454,041	30,000			96,000	Under planning	TBD
	32,294	59,432		49,241	Under development	Feb/2018
	49,372	132,269	62,268	94,414	Under development	Mar/2017
238,805				69,446	Under development	Mar/2018
	26,000	250,000		85,195	Planning completed	Jun/2020
64,969	27,843			31,277	Under development	Dec/2017
374,140	20,071			135,040	Under planning	TBD
15,539				3,393	Under development	Dec/2016
11,842				2,521	Under planning	Aug/2017
15,927	2,886			3,497	Under planning	Oct/2017
16,494				3,333	Under planning	May/2018
10,484				2,414	Under planning	Nov/2018
114,703	67,932			34,224	Under planning	Jun/2019
138,305				48,570	Under planning	TBD
22,940				3,188	Under development	Jun/2017
381,929	6,067			89,019	Under development	Apr/2017
318,813	38,587				Planning completed	TBD
	5,047		63,494	16,416	Under development	Apr/2018
128,298	78,183			75,850	Under development	Jul/2018
42,369				6,222	Planning completed	Dec/2019
87,339	25,033			9,058	Under planning	TBD
48,894				36,752	Under development	Dec/2016
132,737					Under development	Nov/2017
23,040				12,025	Under development	Jun/2018
70,868				70,080	Under development	Sep/2018
802,512			86,869	252,100	Under planning	TBD
62,329	7,440			24,200	Under planning	TBD
137,652	43,760	69,386		39,208	Under development	Nov/2018
	95,801	135,580	37,717	42,020	Under planning	TBD
	11,500		19,600	23,000	Under planning	Oct/2018
5,691,124	1,257,407	1,152,343	468,046	2,412,464		

Project Summary — Major Property Projects in Mainland China (continued)

No.	Region	Project name	NWCL's Accounting Classification	NWCL's Attributable Interest	Total GFA (sq m)
		Completed Investment Properties			
23	Beijing	Beijing New World Centre Phase I	Joint venture	70%	94,188
24	Beijing	Beijing New World Centre Phase II	Joint venture	70%	73,392
25	Beijing	Beijing Zhengren Building	Joint venture	70%	16,415
26	Beijing	Beijing New World Garden	Joint venture	70%	34,544
		Beijing Xin Yang Commercial Building			3,439
		Beijing Xin Cheng Commercial Building			8,051
27	Beijing	Beijing Xin Yi Garden	Joint venture	70%	52,358
1a	Beijing	Beijing New View Garden	Joint venture	70%	11,398
2a	Beijing	Beijing Xin Yu Garden	Joint venture	70%	24,800
28	Beijing	Beijing Xin Kang Garden	Joint venture	70%	39,910
29	Beijing	Beijing Baoding Building Shopping Arcade	Subsidiary	100%	62,286
30	Tianjin	Tianjin Xin An New World Plaza	Subsidiary	100%	96,181
31	Tianjin	Tianjin New World Garden	Subsidiary	100%	7,395
32	Tianjin	Tianjin Xin Hui Hua Ting	Subsidiary	100%	25,661
6a	Jinan	Jinan New World Sunshine Garden	Subsidiary	100%	19,185
7a	Shenyang	Shenyang New World Garden	Subsidiary	100%	291,693
9a	Shenyang	Shenyang New World Commercial Centre	Subsidiary	100%	9,473
10a	Anshan	Anshan New World Garden	Subsidiary	100%	101,153
33	Dalian	Dalian New World Plaza	Subsidiary	88%	69,196
34	Dalian	Dalian New World Tower	Subsidiary	100%	48,982
35	Shanghai	Shanghai Hong Kong New World Tower	Joint venture	50%	130,385
36	Shanghai	Shanghai Ramada Plaza	Subsidiary	100%	34,340
37	Shanghai	Shanghai Jiu Zhou Shopping Arcade	Subsidiary	100%	129
38	Wuhan	Wuhan New World International Trade Tower I	Subsidiary	100%	121,828
		Wuhan New World International Trade Tower II			10,005
11a	Wuhan	Wuhan New World Centre	Subsidiary	100%	76,164
		Wuhan New World Centre	Joint venture	60%	6,202
39	Wuhan	Wuhan K11 Gourmet Tower	Subsidiary	100%	20,947
12a	Wuhan	Wuhan Guanggu New World	Subsidiary	100%	362
14a	Changsha	Changsha La Ville New World Phase I	Subsidiary	48%	5,667
40	Nanjing	Nanjing New World Centre	Subsidiary	100%	52,794
16a	Guangzhou	Guangzhou Dong Yi Garden	Subsidiary	100%	12,065
41	Guangzhou	Guangzhou New World Oriental Garden	Subsidiary	100%	28,806
42	Guangzhou	Guangzhou Central Park-view	Subsidiary	91%	64,320
17a	Guangzhou	Guangzhou Covent Garden	Subsidiary	100%	60,979
18a	Guangzhou	Guangzhou Park Paradise	Subsidiary	100%	92,315
43	Guangzhou	Guangzhou Park Paradise Area 6	Subsidiary	100%	22,438
44	Guangzhou	Guangzhou Xintang New World Garden	Joint venture	63%	81,549
45	Shenzhen	Shenzhen New World Yi Shan Garden	Subsidiary	100%	38,925
46	Shenzhen	Shenzhen New World Signature Hill	Subsidiary	100%	8,017
47	Shunde	Shunde New World Centre	Joint venture	42%	48,517
48	Zhaoqing	Zhaoqing New World Garden	Subsidiary	100%	15,150
20a	Huizhou	Huizhou Changhuyuan	Joint venture	63%	27,375
49	Haikou	Haikou New World Garden Phase III	Subsidiary	100%	4,389
4a	Langfang	Langfang New World Centre District B	Subsidiary	100%	7,016
50	Tangshan	Tangshan New World Centre Phase II	Subsidiary	100%	86,060
19a	Foshan	Guangzhou Foshan Canton First Estate CF19A	Subsidiary	85%	24,606
		Subtotal			2,171,050

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Car park and others (sq m)
	74,232			19,956
	46,378			27,014
				16,415
				34,544
				3,439
				8,051
				52,358
				11,398
	3,603			21,197
	11,725			28,185
	40,286			22,000
	78,283	6,614		11,284
				7,395
	25,661			
	7,676			11,509
	10,584			281,109
				9,473
	4,789			96,364
	49,413			19,783
	27,067			21,915
	35,474	80,549		14,362
	20,743			13,597
	129			
		104,556		17,272
		10,005		
	45,766	2,504		27,894
		563		5,639
	10,367			10,580
	362			
	386			5,281
	41,712			11,082
	8,221			3,844
	21,787			7,019
29,868	14,541			19,911
	23,752			37,227
22,112	15,708			54,495
				22,438
	22,886			58,663
				38,925
				8,017
	33,577			14,940
	15,062			88
	354			27,021
				4,389
	7,016			
	37,775	48,285		
11,039				13,567
63,019	735,315	253,076	–	1,119,640

Project Summary — Major Property Projects in Mainland China (continued)

No.	Region	Project name	NWCL's Accounting Classification	NWCL's Attributable Interest	Total GFA (sq m)
		Completed hotel properties			
50	Beijing	pentahotel Beijing	**Joint venture**	**55%**	**23,988**
51	Beijing	New World Beijing Hotel	**Joint venture**	**70%**	**53,998**
52	Dalian	New World Dalian Hotel	**Subsidiary**	**100%**	**53,248**
53	Shanghai	New World Shanghai Hotel	**Subsidiary**	**100%**	**46,942**
54	Shanghai	pentahotel Shanghai	**Subsidiary**	**100%**	**13,353**
55	Wuhan	New World Wuhan Hotel	**Joint venture**	**60%**	**29,411**
56	Shunde	New World Shunde Hotel	**Joint venture**	**33%**	**36,524**
		Subtotal			**257,464**
		Total (Completed investment and hotel properties)			**2,428,514**

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Car park and others (sq m)
			23,988	
			53,998	
			53,248	
			46,942	
			13,353	
			29,411	
			36,524	
–	–	–	257,464	–
63,019	735,315	253,076	257,464	1,119,640

Project Summary – Infrastructure Projects

No.	Name of Projects	Gross Length	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Year of Expiry(1)
	Roads					
R1	Guangzhou City Northern Ring Road	**22.0 km**	CJV	65.3	1/1994	2023
R2	Beijing-Zhuhai Expressway		CJV	25.0		2030
	(Guangzhou-Zhuhai Section)					
	Section I	**8.6 km**			12/1999	
	Section II	**53.8 km**			12/1999	
R3	Beijing-Zhuhai Expressway	**27.0 km**	CJV	15.0	12/2005	2032
	(Guangzhou-Zhuhai Northern Section)					
R4	Guangzhou-Zhaoqing Expressway		CJV	25.0		2031
	Phase I	**48.0 km**			9/2002	
	Phase II	**5.4 km**			9/2010	
R5	Shenzhen-Huizhou Expressway (Huizhou Section)					
	Expressway	**34.7 km**	CJV	33.3	6/1993	2023
	Roadway	**21.8 km**	CJV	50.0	12/1997	2022
R6	Guangzhou Dongxin Expressway	**46.2 km**	Equity	45.9	12/2010	2035
R7	Guangzhou City Nansha Port Expressway	**72.4 km**	Equity	22.5	12/2004	2030
R8	Guangdong Unitoll Services Incorporated	**N/A**	Equity	2.0	1/2013	N/A
R9	Hangzhou Ring Road	**103.4 km**	Equity	100.0	1/2005	2029
R10	Yulin Shinan — Dajiangkou Roadway	**30.0 km**	CJV	60.0	1/1999	2024
R11	Roadway No. 321 (Wuzhou Section)		CJV	52.0		2022
	Phase I	**8.7 km**			3/1997	
	Phase II	**4.3 km**			12/1998	
R12	Shanxi Taiyuan — Gujiao Roadway (Taiyuan Section)	**23.2 km**	CJV	60.0+	7/2000	2025
R13	Shanxi Taiyuan — Gujiao Roadway (Gujiao Section)	**36.0 km**	CJV	60.0+	4/1999	2025
R14	Roadway No. 309 (Changzhi Section)	**22.2 km**	CJV	60.0+	7/2000	2023
R15	Taiyuan to Changzhi Roadway (Changzhi Section)	**18.3 km**	CJV	60.0+	8/2000	2023
R16	Tangjin Expressway (Tianjin North Section)		CJV	60.0#		2028
	Section I	**43.5 km**			12/1998	
	Section II	**17.2 km**			12/2000	
R17	Tate's Cairn Tunnel	**4.0 km**	Equity	29.5	6/1991	2018
	Total Length	**650.7 km**				

\+ 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%

Project Summary – Infrastructure Projects (continued)

No.	Name of Projects	Capacity/ Installed Capacity	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Year of Expiry[1]
	Environment					
E1	Macau Water Plant	**390,000 m^3/day**	Equity	42.5	7/1985	2030
E2	Zhongshan Tanzhou Water Plant		Equity	29.0		2027
	Phase I	**60,000 m^3/day**			1/1994	
	Phase II	**90,000 m^3/day**			5/2007	
E3	Zhongshan Dafeng Water Plant		Equity	25.0		2020
	Phase I	**200,000 m^3/day**			4/1998	
	Phase II	**300,000 m^3/day**			11/2008	
E4	Zhongshan Quanlu Water Plant	**500,000 m^3/day**	Equity	25.0	4/1998	2020
E5	Baoding Water Plant	**260,000 m^3/day**	Equity	27.5	6/2000	2020
E6	Zhengzhou Water Plant	**360,000 m^3/day**	Equity	25.0	8/2001	2031
E7	Panjin Water Plant	**110,000 m^3/day**	Equity	30.0	4/2002	2032
E8	Changtu Water Plant	**50,000 m^3/day**	Equity	35.0	12/2000	2029
E9	Dalian Changxing Island Environmental Services Company		Equity	47.5		2040
	Waste Water (O&M^)	**40,000 m^3/day**			6/2010	
E10	Shanghai Spark Water Plant	**100,000 m^3/day**	Equity	25.0	1/2002	2031
E11	Shanghai SCIP Water Treatment Plants		Equity	25.0		2052
	Waste Water	**50,000 m^3/day**			4/2005	
	Industrial Water	**200,000 m^3/day**			4/2005	
	Demineralized Water	**4,800 m^3/day**			2/2008	
E12	Sino French Water Environmental Technology Consulting Company		Equity	50.0		2039
	Waste Water (O&M^)	**10,000 m^3/day**			10/2009	
E13	Qingdao Water Plant		Equity	25.0		2027
	Phase I	**543,000 m^3/day**			8/2002	
	Phase II	**183,000 m^3/day**			9/2006	
E14	Qingdao Dongjiakou Waste Water Plant	**13,200 m^3/day**	Equity	16.3	1/2016	2042
E15	Sanya Water Plant		Equity	25.0		2033
	Phase I	**235,000 m^3/day**			1/2004	
	Phase II	**75,000 m^3/day**			1st half of 2017 (Estimate)	
E16	Nanchang Water Plant		Equity	25.0		2023
	Phase I	**50,000 m^3/day**			1/1996	
	Phase II	**50,000 m^3/day**			9/2008	
E17	Chengdu Shuangliu Dayi Water Company		Equity	32.5		2043
	Waste Water	**19,800 m^3/day**			2/2012	
	Waste Water (O&M^)	**15,350 m^3/day**			1/2010	
E18	Chengdu Chongzhou Dayi Waste Water Plant	**40,000 m^3/day**	Equity	32.5	4/2008	2039
E19	Sichuan Water Fund	**N/A**	Equity	17.5	11/2014	2019
E20	Chongqing Water Plant		Equity	27.7		2052
	Phase I	**380,000 m^3/day**			11/2002	
	Phase II	**160,000 m^3/day**			7/2006	
	Phase III	**200,000 m^3/day**			7/2011	
	Phase IV	**200,000 m^3/day**			7/2015	
E21	Chongqing Tangjiatuo Waste Water Plant		Equity	28.1		2036
	Phase I	**300,000 m^3/day**			1/2007	
	Phase II	**100,000 m^3/day**			1/2015	

^ O&M stands for operation and management consultancy services

Project Summary – Infrastructure Projects (continued)

No.	Name of Projects	Capacity/ Installed Capacity	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Year of Expiry(1)
	Environment					
E22	Chongqing Construction Company		Equity	20.3*		2038
	Sludge Treatment	**240 tonnes/day**			2nd half of 2016 (Estimate)	
E23	Chongqing CCIP Water Treatment Plants		Equity	25.3		2055
	Waste Water	**40,000 m³/day**			3/2010	
	Industrial Water	**120,000 m³/day**			3/2010	
E24	Chongqing Environmental R&D Centre	**N/A**	Equity	15.6	11/2013	2043
E25	Wuhan Chemical Industry Park Water Treatment Plants		Equity	21.5		2041
	Waste Water	**10,000 m³/day**			12/2013	
	Industrial Water	**50,000 m³/day**			9/2013	
E26	Tianjin Jieyuan Water Plant	**500,000 m³/day**	Equity	50.0	8/2002	2022
E27	Tanggu Water Plant	**310,000 m³/day**	Equity	24.5	4/2005	2034
E28	Xinchang Water Plant	**100,000 m³/day**	Equity	25.0	3/2002	2032
E29	Changshu Water Plant		Equity	24.5		2036
	Phase I	**675,000 m³/day**			9/1984	
	Phase II	**200,000 m³/day**			11/2012	
E30	Changshu Waste Water Plant		Equity	24.5		2036
	Waste Water (O&M^)	**100,000 m³/day**			3/2015	
E31	Jiangsu Water Company		Equity	25.0		2037
	Water	**350,000 m³/day**			10/2007#	
	Waste Water	**300,000 m³/day**			10/2007#	
E32	Suzhou Industrial Park Sludge Treatment Plant		Equity	24.5		2039
	Phase I	**300 tonnes/day**			5/2011	
	Phase II	**300 tonnes/day**			7/2016	
E33	Yangzhou Sludge Treatment Plant	**300 tonnes/day**	Equity	10.4	5/2016	2044
E34	Suzhou Xiangcheng Sludge Treatment Plant	**200 tonnes/day**	Equity	12.5	2nd half of 2017 (Estimate)	2046
E35	Sino French Solutions Company		Equity	50.0	10/2013	N/A
E36	Far East Landfill Technologies Limited	**35 million m³**	Equity	47.0	6/1995	2045
E37	Shanghai SCIP Waste Incineration Plant		Equity	10.0		2053
	Phase I	**60,000 tonnes/year**			8/2006	
	Phase II	**60,000 tonnes/year**			2nd half of 2016 (Estimate)	
E38	Chongqing Derun Environment Co., Ltd.	**N/A**	Equity	12.6	10/2014#	N/A
E39	Chongqing Silian Optoelectronics Science & Technology Co., Ltd.	**N/A**	EJV	20.0	7/2008	N/A
E40	Zhujiang Power Station — Phase I	**600 MW**	EJV	50.0	1/1994	2017
E41	Zhujiang Power Station — Phase II	**620 MW**	EJV	25.0	4/1996	2020
E42	Chengdu Jintang Power Plant	**1,200 MW**	Equity	35.0	6/2007	2040
E43	Guangzhou Fuel Company		EJV	35.0		2033
	Coal Pier	**7 million tonnes/year**			1/2008	
	Water and industrial water treatment	**7,001,000 m³/day**				
	Demineralised water	**4,800 m³/day**				
	Waste water treatment	**1,038,350 m³/day**				
	Sludge treatment	**1,340 tonnes/day**				
	Waste management	**120,000 tonnes/year**				
	Landfill	**35 million m³**				
	Power plants installed capacity	**2,420.0 MW**				
	Coal pier handling capacity	**7 million tonnes/year**				

^ O&M stands for operation and management consultancy services

\# Date of incorporation

* To restructure the water projects in Chongqing, NWSH's interest in Chongqing Construction Company was injected into Chongqing Tangjiatuo Waste Water Plant in September 2016

Project Summary – Infrastructure Projects (continued)

No.	Name of Projects	Handling Capacity/ Leasable Area	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Year of Expiry[(1)]
	Logistics					
L1	China United International Rail Containers Co., Limited	**Pivotal rail container terminal network**	EJV	30.0	Kunming: 1/2008 Chongqing: 12/2009 Chengdu: 3/2010 Zhengzhou: 4/2010 Dalian: 7/2010 Qingdao: 8/2010 Wuhan: 8/2010 Xian: 12/2010	2057
L2	ATL Logistics Centre	**5,900,000 sq ft leasable area**	Equity	56.0	Phase I: 2/1987 Phase II: 3/1988 Phase III: 2/1992 Phase IV: 1/1994 Phase V: 11/1994	2047
L3	NWS Kwai Chung Logistics Centre	**920,000 sq ft leasable area**	Equity	100.0#	12/2011	2058
L4	Xiamen Container Terminal Group Co., Ltd.	**9,100,000 TEUs p.a.**	EJV	20.0	12/2013	2063
L5	Tianjin Orient Container Terminals Co., Ltd.	**1,400,000 TEUs p.a.**	Equity	24.5	1/1999	2027
L6	Tianjin Five Continents International Container Terminal Co., Ltd.	**1,500,000 TEUs p.a.**	EJV	18.0	11/2005	2035

No.	Name of Projects	Facility/ No. of Aircraft	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Year of Expiry[(1)]
	Aviation					
A1	Beijing Capital International Airport Co., Ltd.	**3 runways and 3 terminals (total floor area: 1.41 million sq m)**	Equity	10.4	10/1999##	N/A
A2	Goshawk Aviation Limited	**No. of Aircraft: 68**	Equity	40.0	10/2013##	N/A
A3	Bauhinia Aviation Capital Limited	**N/A**	Equity	40.0	3/2016##	N/A

\# The disposal of interest in NWS Kwai Chung Logistics Centre was completed on 31 August 2016
\## Date of incorporation

Notes:
(1) Project or JV expiry date
CJV = Co-operative Joint Venture (profit sharing percentage)
EJV = Equity Joint Venture (percentage of equity interest)

Glossary of Terms

GENERAL TERMS

EUR or Euro	Euro, the official currency of the Euro-area
FY	Fiscal year, 1 July to 30 June
Group	NWD and its subsidiaries
HIBOR	Hong Kong Interbank Offered Rate
HK	Hong Kong
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
HK$ billion	billion of Hong Kong Dollars
HK$ million or HK$m	million of Hong Kong Dollars
HKEx or Stock Exchange	The Stock Exchange of Hong Kong Limited
Listing Rules	Rules Governing the Listing of Securities on the HKEx
Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan for the purposes of this annual report
MTR	Mass Transit Railway
N/A or n/a	not applicable
New World or NWD or New World Development or Company	New World Development Company Limited (新世界發展有限公司)
NWCL or New World China Land	New World China Land Limited
NWDS or New World Department Stores	New World Department Store China Limited
NWSH or NWS Holdings	NWS Holdings Limited
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
TBD	To be determined
US	The United States of America
US$ or USD	United States dollar(s), the lawful currency of US

FINANCIAL TERMS

EBITDA	Operating profit before depreciation and amortisation, change in fair value of investment properties and other gains, net and after net exchange difference
Gearing Ratio	Net Debt divided by total equity
Net Debt	The aggregate of bank loans, other loans and fixed rate bonds and notes payable less cash and bank balances
Total Debt	Net Debt plus cash and bank balances

TECHNICAL TERMS

CJV	Co-operative joint venture
EJV	Equity joint venture
JV	Joint venture
WFOE	Wholly foreign owned enterprise

MEASUREMENTS

Km	kilometre(s)
m^3	cubic metre
MW	megawatt(s), equal to 1,000kW
sq ft	square feet
sq m	square metre
TEU or TEUs	Twenty-Foot Container Equivalent Unit

Chinese Version
The Chinese version of this Annual Report is available
on request from New World Development Company Limited.
Where the English and the Chinese texts conflict, the English text prevails.

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New World Development Company Limited takes every practicable measure to conserve resources and minimise waste.