



新創建 NWS

NWS HOLDINGS LIMITED

STOCK CODE: 659



Strategic Focus Balanced Growth

Annual Report 2016

Logistics

Aviation

Environment

Roads



Facilities Management



Construction & Transport



Strategic Investments

About NWS Holdings

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

With a workforce of approximately 27,900 people, NWS Holdings is committed to achieving sustainable growth in its two core business areas of infrastructure and services.

VISION

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

MISSION

Synergize and develop business units that:

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

CORE VALUES

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

Strategic Focus Balanced Growth

The circular cutout cover design of this year's annual report reflects NWS Holdings' business development strategy and depicts the seven business segments that were reclassified in FY2016: Roads, Environment, Logistics, Aviation, Facilities Management, Construction & Transport and Strategic Investments. Concentric and interlocking circles on the cover overlay an archery target image on the inside page, symbolising the focus and synergies of the Group's businesses, which connect lives and build futures for people in markets in which the Group operates. The photographs that border the target on the inside page represent the breadth of our operations and their balanced growth that create shareholder value.



Download the NWS Holdings
Annual Report 2016





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INFRASTRUCTURE

As one of the leading infrastructure players in Mainland China, NWS Holdings possesses an extensive business network in managing and operating 67 projects and two strategic investments in four major segments, namely Roads, Environment, Logistics and Aviation as at 30 June 2016.



ROADS

The road portfolio comprises 17 roads and related projects in strategic locations in Hong Kong and Mainland China.

Roads network approximately
651 km in length



ENVIRONMENT

This segment comprises water, waste water and sludge treatment, waste incineration, landfill and energy related projects.

Treat up to a total of
8.04 million cbms
of water and waste water per day

Total installed capacity of power plants reaches
2,420 MW



LOGISTICS

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

Logistics centres offer total leasable area of
6.82 million sq ft

Handling capacity of
12 million TEUs
per year for port projects



AVIATION

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

A fleet of
68 commercial aircraft on lease

* The disposal of NWS Kwai Chung Logistics Centre was completed in August 2016

SERVICES

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



FACILITIES MANAGEMENT

This segment mainly comprises the management and operation of Hong Kong Convention and Exhibition Centre and the business of Free Duty.

Approximately
5.5 million visitors
attended events at Hong Kong Convention and Exhibition Centre this year



CONSTRUCTION & TRANSPORT

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

The bus and ferry fleets carry over
1.1 million patronage per day



STRATEGIC INVESTMENTS

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

Major Events and Accolades

2015

SEPTEMBER

- NWS Holdings acquired an additional 6.2% interest in Xiamen Container Terminal Group Co., Ltd., increasing its stake to 20%.
- The Group was selected as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index for the fifth consecutive year, underpinning the Group's strong corporate governance, social and environmental performance.



Hang Seng Corporate Sustainability Index Series Member 2015-2016

NOVEMBER

- The Hong Kong Convention and Exhibition Centre ("HKCEC") became the first venue in Hong Kong to receive ISO 20121 Event Sustainability Management System certification.



DECEMBER

- The Group completed the investment for an indirect 12.55% stake in Chongqing Derun Environment Co., Ltd., an RMB30 billion investment platform targeting environmental businesses in Mainland China.



- Expansion works on Shenzhen-Huizhou Expressway (Huizhou Section) were completed, bringing the expressway's daily capacity to approximately 96,000 vehicles.



- NWS Holdings and its member companies in Hong Kong received seven awards at the sixth Hong Kong Corporate Citizenship Programme, including the fifth consecutive gold in the volunteer team category and a silver in the enterprise category.
- HKCEC was voted Best Convention and Exhibition Centre in Asia for the 13th time, and Best Venue Team in Asia-Pacific, by readers of *CEI Asia* magazine.

2016

MARCH

- NWS Holdings established a joint venture, Bauhinia Aviation Capital Limited, with Chow Tai Fook Enterprises Limited and Aviation Capital Group Corp., to further expand its commercial aircraft leasing business. NWS Holdings holds 40% effective interest in the joint venture.



- NWS Holdings and its seven member companies in Hong Kong were awarded the 10 Years Plus Caring Company Logo by The Hong Kong Council of Social Service.



APRIL

- NWS Holdings was named among the Best Companies to Work for in Asia 2016 by *HR Asia* magazine.
- NWS Holdings and its four member companies, as well as the NWS Holdings Charities Foundation, received six golds and one silver honour at the fourth Web Accessibility Recognition Scheme, organized by the Office of the Government Chief Information Officer and the Equal Opportunities Commission.



JUNE

- The new ten-year franchise for Citybus Franchise 1 (Hong Kong Island and Cross-Harbour bus network) took effect on 1 June.
- A wholly owned subsidiary of the Group signed a sale and purchase agreement to dispose of its entire interest in NWS Kwai Chung Logistics Centre for a cash consideration of HK\$3.75 billion.
- New World First Ferry Services Limited launched the first-ever breastfeeding room in Hong Kong public transportation.



Financial Highlights

	2016 HK\$'m	2015 HK\$'m
Revenue	29,497.8	24,491.8
Profit Attributable to Shareholders of the Company	4,912.8	4,477.6
Net Debt	6,141.2	6,389.1
Total Assets	75,685.0	75,153.6
Net Assets	45,858.4	46,187.7
Shareholders' Funds	45,618.9	45,413.4

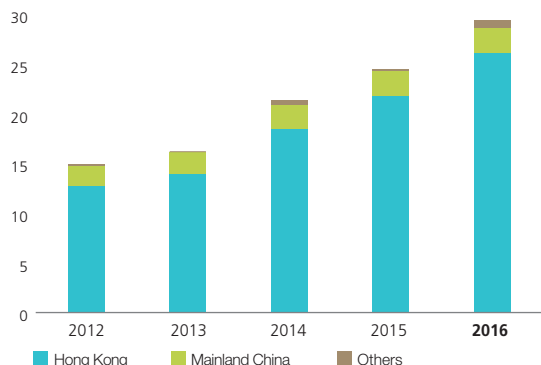
	2016 HK\$	2015 HK\$
Basic Earnings per Share	1.30	1.19
Net Assets per Share	11.97	12.23

	2016	2015
Net Gearing Ratio	13%	14%
Return on Equity	11%	10%
Return on Capital Employed	9%	7%
Dividend Payout Ratio	51%	50%

Revenue by Region

for the year ended 30 June

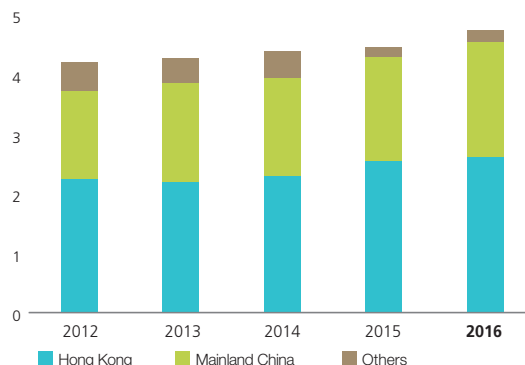
HK\$'billion



AOP by Region

for the year ended 30 June

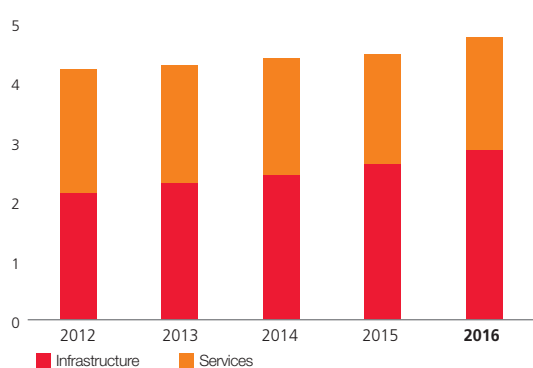
HK\$'billion



AOP by Division

for the year ended 30 June

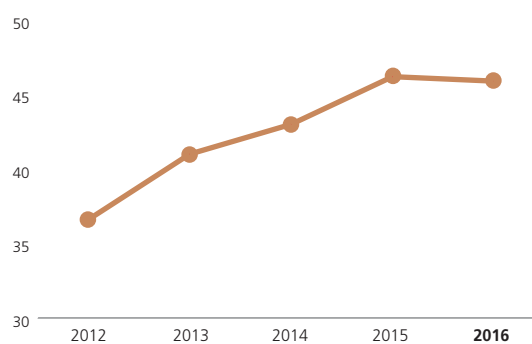
HK\$'billion



Total Equity

as at 30 June

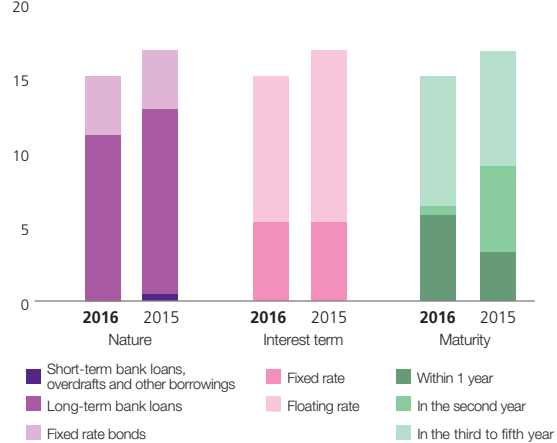
HK\$'billion



Debt Profile

as at 30 June

HK\$'billion

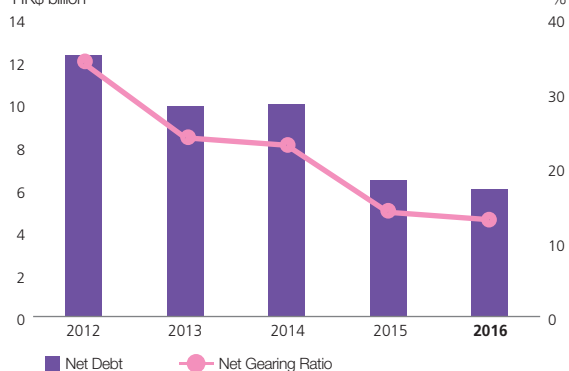


Net Debt and Net Gearing Ratio

as at 30 June

Net Debt
HK\$'billion

Net Gearing Ratio
%



Chairman's Statement

Dear Shareholders,

I am pleased to report another successful year with profit attributable to shareholders of HK\$4.913 billion, a 10% growth over FY2015. We have been able to achieve this through strategic and effective asset allocation founded on a prudent and proactive capital management approach despite challenging market conditions. Drawing on the quality of our assets and our active portfolio management and multi-asset class investment practices, the Group is confident that we will be able to provide long-term stable returns to shareholders through economic cycles in the years ahead.

Sustainable Growth Path Ahead

To achieve the average economic growth target of 6.5% set by the Central People's Government ("CPG") over the medium term, the CPG has adopted policy measures to reduce over-supply in certain sectors of the economy while at the same time, endeavour to boost domestic consumption. Meanwhile, the CPG continues to accelerate the pace of economic reforms to improve market efficiency and address underlying structural issues. Having established an extensive infrastructure platform and network in China, the Group has the operational and financial capabilities to capitalize on opportunities brought by the new policies and economic developments. In addition to being able to achieve sustainable growth for its well established infrastructure business platform in the Mainland, the Group will also continue to seek other growth opportunities through strategic acquisitions by undertaking direct investments and participating in public-private partnership projects.

To better reflect the Group's latest investment strategy and focus, segmental reporting of the Infrastructure division has undergone some changes. With the Roads segment maintaining status quo, the other infrastructure projects have been regrouped under Environment, Logistics and Aviation segments. As the backbone of local economic development, the Group's Mainland based infrastructure projects under the Roads, Environment and Logistics segments will continue to benefit from government policies on further reforms, urbanization, sustainable development through environmental protection and above all, the Belt and Road Initiative. Indeed, the positive contribution from the organic growth across the infrastructure portfolio in FY2016 would have been more significant had this not been diluted by the depreciation of Renminbi.

The Aviation segment registered notable growth with the full-year result of Goshawk Aviation Limited ("Goshawk"). Riding on the strong global demand for air travel and leased aircraft, Goshawk's fleet size increased from 40 to 68 during FY2016. The establishment of Bauhinia Aviation Capital Limited ("Bauhinia"), our second aircraft leasing platform, further strengthens the Group's ability to increase investment returns from this growing market.

The less than satisfactory result of the Environment segment in FY2016 mainly reflected the contraction of the coal-fired energy business on the back of weakening electricity demand and mounting competition from renewable energy. On the other hand, water related businesses maintained steady growth momentum as evidenced by the growth in sales and treatment volume. This included the part-year contribution from the newly invested joint venture to expand on environmental business, namely Chongqing Derun Environment Co., Ltd. ("Derun Environment"). As such, the Group looks forward to embracing the opportunities brought by the nationwide environmental reform initiatives as detailed in the country's 13th Five-Year Plan.



"We are committed to delivering sustainable returns to our shareholders through multi-asset class investment practices and active portfolio management strategies."

The growth of the Logistics segment owed much to the proactive leasing approach adopted by ATL Logistics Centre and its competitiveness in attracting and retaining quality tenants. Driven by the rising demand and supportive policy measures introduced by the authorities, throughput of China United International Rail Containers Co., Limited ("CUIRC") surpassed 2 million TEUs in FY2016. The outlook is encouraging as apart from rolling out Tianjin and Urumqi terminals in FY2017, CUIRC will also proceed to plan for the construction of a terminal in Guangzhou. It is expected that the Logistics segment will remain resilient even without the contribution from NWS Kwai Chung Logistics Centre following the strategic decision to dispose of this asset in FY2016.

The Services division produced modest growth despite the weakness of its retail component. The Construction & Transport segment continues to benefit from the demand for building and contracting services and the current low fuel price environment respectively. In contrast, the Facilities Management segment experienced further contraction as high rental amid weak consumer sentiments continued to squeeze the profit margins of the Free Duty shops while the Hong Kong Convention and Exhibition Centre ("HKCEC") performed steadfastly by delivering service excellence. With the opening of Gleneagles Hong Kong Hospital ("GHKH") in early 2017, the Group will benefit from the provision of quality healthcare services by GHKH, which will be a fresh impetus for the services portfolio.

Performance Review

Attributable Operating Profit ("AOP") grew by 6% to HK\$4.740 billion while profit attributable to shareholders increased by 10% to HK\$4.913 billion in FY2016. AOP growth of 9% delivered by the Infrastructure division against the impact of Renminbi depreciation fully illustrated the underlying strength of the infrastructure projects and the value of the Group's vision to invest in the aviation sector. On the other hand, the modest AOP growth of 3% for the Services division reflected the difficult operating environment of the retail business of the Group.

Besides AOP growth, the 10% increase in profit attributable to shareholders was also boosted by the net positive impact of the exceptional items. As detailed in the interim results announcement, the Group booked fair value and deemed disposal gains of approximately HK\$593 million and HK\$179 million on its investment properties and investment in Derun Environment although the impact was partly offset by impairment losses on Tharisa plc ("Tharisa") and Hyva Holding B.V. ("Hyva") which amounted to approximately HK\$200 million and HK\$178 million respectively. During the latter half of FY2016, the Group recognized additional fair

value and disposal gains of approximately HK\$850 million and HK\$534 million from the divestment of NWS Kwai Chung Logistics Centre and shares in New World China Land Limited prior to its privatization. However, such impact was softened by the marked-to-market loss of approximately HK\$670 million on Haitong International Securities Group Limited ("Haitong International"), which is held by the Group as an available-for-sale financial asset.


The Board is pleased to propose a final dividend of HK\$0.34 per share, representing a payout ratio of approximately 50.5%.

Corporate Sustainability

The Group's firm commitment in corporate sustainability is underpinned by our structured management approach in benchmarking and adopting industry and international best practices, in addition to engaging stakeholders in a transparent and accountable way. As an early adopter of the Global Reporting Initiative G4 Sustainability Reporting Guidelines and Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide in sustainability reporting, we take another step forward this year by disclosing the Group's risk management approach and progress in our annual report. As we progress along our sustainable journey, we are honoured to have been recognized as a constituent of the Hang Seng Corporate Sustainability Benchmark Index for the sixth consecutive year and the top performer in fair operating practices in September 2016.

A Note of Thanks and Appreciation

I would like to express my sincere appreciation to our board of directors for their invaluable leadership and insights and our management staff and employees for their dedication and hard work in forging a resilient future. Finally, I must thank our business partners and shareholders for maintaining the support and confidence in the Group over the years.



Dr Cheng Kar Shun, Henry

Chairman

Hong Kong, 20 September 2016

Board of Directors



Dr Cheng Kar Shun, Henry GBS

Chairman

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Dr Cheng, aged 69, was appointed as Executive Director in March 2000 and became the Chairman in March 2001. He is also the Chairman of the Executive Committee and the Nomination Committee of the Company and a director of certain subsidiaries of the Group. Dr Cheng is the Chairman and Executive Director of New World Development Company Limited, a substantial shareholder of the Company, the Chairman and Executive Director of Chow Tai Fook Jewellery Group Limited 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 being listed public companies in Hong Kong. He is the Chairman and Managing Director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He was a non-executive director of Lifestyle International Holdings Limited, 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 several substantial shareholders of the Company, namely Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited and Mombasa Limited. Dr Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China. In 2001, he was awarded the Gold Bauhinia Star by the Government of the HKSAR. Dr Cheng is the father of Mr Cheng Chi Ming, Brian and the uncle of Mr William Junior Guilherme Doo.



Mr Tsang Yam Pui GBS, OBE, QPM, CPM

Executive Director and Chief Executive Officer

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Mr Tsang, aged 70, was appointed as Executive Director in June 2004 and became the Chief Executive Officer on 1 July 2015. He is also the Chairman of the Corporate Social Responsibility Committee and a member of the Executive Committee, the Remuneration Committee and the Nomination Committee of the Company and also a director of certain subsidiaries of the Group. Mr Tsang is the Vice Chairman of New World First Bus Services Limited, Citybus Limited, New World First Bus Services (China) Limited and New World First Ferry Services Limited. He is also a director of GHK Hospital Limited which owns and operates Gleneagles Hong Kong Hospital. Mr Tsang is a non-executive director of Wai Kee Holdings Limited, a listed public company in Hong Kong. He is also a director of Mapletree Investments Pte Ltd in Singapore and the Chairman and a non-executive director of Mapletree Commercial Trust Management Ltd. (as manager of Mapletree Commercial Trust which is listed on the Singapore Stock Exchange). Prior to joining the Company, Mr Tsang had served with the Hong Kong Police Force for 38 years and retired from the Force as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. Mr Tsang was awarded the Gold Bauhinia Star, the OBE, the Queen's Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner's Commendation, and the HKSAR Police Long Service Medal.



Mr Hui Hon Chung JP

Executive Director and Deputy Chief Executive Officer

Mr Hui, aged 65, was appointed as Executive Director and the Deputy Chief Executive Officer on 1 September 2015. He is also a member of the Executive Committee and the Corporate Social Responsibility Committee of the Company and a director of certain subsidiaries of the Group. Mr Hui is the Vice Chairman and a non-executive director of Newton Resources Ltd, a listed public company in Hong Kong, and an independent non-executive director of Air China Limited whose shares are listed in Hong Kong, London and Shanghai. Mr Hui joined Cathay Pacific Airways Limited in 1975 and had held a range of management positions in Hong Kong and overseas. In 1997, he joined Hong Kong Dragon Airlines Limited as its Chief Executive Officer. During the period from February 2007 to July 2014, he served as the Chief Executive Officer of Hong Kong Airport Authority. Mr Hui has also served in a number of advisory committees both in Hong Kong and Mainland China, which included membership on the Greater Pearl River Delta Business Council, the Commission on Strategic Development of the HKSAR Government, Aviation Advisory Board, Aviation Development Advisory Committee, Vocational Training Council, the Hong Kong Logistics Development Council and the Hong Kong Tourism Board. Mr Hui was a member of the 4th and 5th Shenzhen Committee of the Chinese People's Political Consultative Conference. He is currently a member of the National Committee of the Twelfth Chinese People's Political Consultative Conference. Mr Hui is also a member of the General Committee of the Hong Kong General Chamber of Commerce. In July 2006, Mr Hui was appointed as a Justice of the Peace by the Chief Executive of the HKSAR. Mr Hui holds a Bachelor Degree of Science from The Chinese University of Hong Kong.



Mr Cheung Chin Cheung

Executive Director

Mr Cheung, aged 60, was appointed as Executive Director in October 2003 and is also a member of the Executive Committee and the Corporate Social Responsibility Committee of the Company. He had been an executive director of the Company during the period from May 1998 to January 2003. Mr Cheung is also a director of NWS Infrastructure Management Limited, Sino-French Holdings (Hong Kong) Limited, Far East Landfill Technologies Limited and a number of companies in Mainland China. He is the Managing Director of The Macao Water Supply Company Limited and a director of Chongqing Water Group Company Limited, a company listed in Shanghai, the PRC. He is a director of certain subsidiaries of the Group and is mainly responsible for managing the Group's infrastructure business. Mr Cheung had been a member of the Infrastructure Development Advisory Committee and the China Trade Advisory Committee of the Hong Kong Trade Development Council. He has over 25 years of experience in business development, investment and management in the infrastructure business in Mainland China. Mr Cheung is a member of the Hebei Province Committee of the Eleventh Chinese People's Political Consultative Conference of The People's Republic of China. He is a Chartered Professional Accountant of Canada.

Board of Directors



Mr Cheng Chi Ming, Brian

Executive Director

Mr Cheng, aged 33, was appointed as Executive Director in July 2009 and is also a member of the Executive Committee and the Corporate Social Responsibility Committee of the Company. He is also a director of certain subsidiaries of the Group. He has been with the Company since January 2008 and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of the Group. Mr Cheng is the Chairman and non-executive director of Integrated Waste Solutions Group Holdings Limited and a non-executive director of Newton Resources Ltd, Haitong International Securities Group Limited, Wai Kee Holdings Limited and Beijing Capital International Airport Co., Ltd., all being listed public companies in Hong Kong. Mr Cheng is a non-executive director of Tharisa plc, whose shares are listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc. He is also a director of Sino-French Holdings (Hong Kong) Limited, The Macao Water Supply Company Limited and a number of companies in Mainland China. Before joining the Company, Mr Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. Mr Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, USA. Mr Cheng is the son of Dr Cheng Kar Shun, Henry and the cousin of Mr William Junior Guilherme Doo.



Mr To Hin Tsun, Gerald

Non-executive Director

Mr To, aged 67, was appointed as Independent Non-executive Director in May 1998 and was re-designated as Non-executive Director in August 2002. Mr To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr To is also a non-executive director of Mongolia Energy Corporation Limited and an executive director of International Entertainment Corporation, both companies' shares being listed on the Main Board of the Hong Kong Stock Exchange.



Mr Dominic Lai

Non-executive Director

Mr Lai, aged 69, was appointed as Independent Non-executive Director in August 2002 and was re-designated as Non-executive Director in September 2004. He is also a member of the Audit Committee and the Corporate Social Responsibility Committee of the Company. Mr Lai is a practising solicitor in Hong Kong and is also admitted in England and Wales, the Republic of Singapore and the States of New South Wales and Victoria, Australia. Mr Lai is a senior partner of the Hong Kong law firm, lu, Lai & Li. He is also a non-executive director of Midas International Holdings Limited and Oriental Press Group Limited, both being listed public companies in Hong Kong.



Mr Lam Wai Hon, Patrick

Non-executive Director

Mr Lam, aged 54, was appointed as Executive Director in January 2003 and was re-designated as Non-executive Director on 1 January 2016. He is also a member of the Corporate Social Responsibility Committee of the Company and a director of certain subsidiaries of the Group. Mr Lam is currently an executive director and the Chief Executive Officer of FSE Holdings Limited. He is also an executive director of FSE Engineering Holdings Limited (appointed on 1 April 2016) and a non-executive director of Road King Infrastructure Limited, both being listed public companies in Hong Kong. He was the Vice Chairman and a non-executive director of Newton Resources Ltd (resigned on 2 January 2016) and a non-executive director of Wai Kee Holdings Limited (resigned on 30 December 2015), both being listed public companies in Hong Kong. Mr Lam is a Chartered Accountant by training and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Chartered Professional Accountants of Ontario, Canada. He is a member of the Asia advisory board of Ivey Business School of Western University, Canada.

Board of Directors



Mr William Junior Guilherme Doo

Non-executive Director

Mr Doo, aged 42, was appointed as Director in December 2005 and was re-designated from Executive Director to Non-executive Director on 1 July 2014. He is also a member of the Corporate Social Responsibility Committee of the Company. Mr Doo is an executive director of FSE Engineering Holdings Limited, a listed public company in Hong Kong, and an executive director and the Deputy Chief Executive Officer of FSE Holdings Limited. He is a solicitor admitted in the HKSAR and is currently a non-practising solicitor in England and Wales. Mr Doo had legal practice experience in one of the largest global law firms specializing in finance and corporate transactions. He is a member of the Standing Committee of the Twelfth Chinese People's Political Consultative Conference in Beijing of The People's Republic of China. Mr Doo is the nephew of Dr Cheng Kar Shun, Henry and the cousin of Mr Cheng Chi Ming, Brian.



Mr Kwong Che Keung, Gordon

Independent Non-executive Director

Mr Kwong, aged 67, was appointed as Independent Non-executive Director in October 2002 and is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He is also an independent non-executive director of a number of Hong Kong listed public companies including Agile Group Holdings Limited, CITIC Telecom International Holdings Limited, China COSCO Holdings Company Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, FSE Engineering Holdings Limited, Global Digital Creations Holdings Limited, Henderson Investment Limited, Henderson Land Development Company Limited and OP Financial Investments Limited. He was an independent non-executive director of China Chengtong Development Group Limited (resigned on 1 November 2013) and an independent supervisor of Beijing Capital International Airport Co., Ltd. (retired on 30 June 2014), both being listed public companies in Hong Kong. Mr Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He was a Partner of Price Waterhouse from 1984 to 1998 and an independent member of the Council of the Hong Kong Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee.



Dr Cheng Wai Chee, Christopher GBS, OBE, JP

Independent Non-executive Director

Dr Cheng, aged 68, was appointed as Independent Non-Executive Director in January 2003 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Dr Cheng is the Chairman of Wing Tai Properties Limited and an independent non-executive director of Kingboard Chemical Holdings Limited, both being listed public companies in Hong Kong. He is an independent non-executive director of Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust which is listed on the Hong Kong Stock Exchange). Dr Cheng is also an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited. He was an independent non-executive director (resigned on 1 September 2016) of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. Dr Cheng has a keen interest in the public services. He is currently a member of the Judicial Officers Recommendation Commission and a steward of the Hong Kong Jockey Club. He also serves as a member of the board of Overseers at Columbia Business School and a member on the President's Council on International Activities of the Yale University. He retired as a member of the board of Temasek Foundation CLG Limited on 7 September 2016. Dr Cheng holds a Doctorate in Social Sciences *honoris causa* from The University of Hong Kong and a Doctorate in Business Administration *honoris causa* from The Hong Kong Polytechnic University. He graduated from the University of Notre Dame, Indiana with a BBA degree and from Columbia University, New York with an MBA degree.



The Honourable Shek Lai Him, Abraham GBS, JP

Independent Non-executive Director

Mr Shek, aged 71, was appointed as Independent Non-executive Director in September 2004 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr Shek is an independent non-executive director of MTR Corporation Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, Chuang's China Investments Limited (also acts as Chairman), ITC Corporation Limited, ITC Properties Group Limited (also acts as Vice Chairman), Country Garden Holdings Company Limited, Hop Hing Group Holdings Limited, SJM Holdings Limited, China Resources Cement Holdings Limited, Lai Fung Holdings Limited, Cosmopolitan International Holdings Limited and TUS International Limited, all being listed public companies in Hong Kong. He is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both of the trusts are listed on the Hong Kong Stock Exchange. Mr Shek was an independent non-executive director of Titan Petrochemicals Group Limited (up to expiry of his contract on 27 February 2014) and Hsin Chong Construction Group Ltd. (now known as Hsin Chong Group Holdings Limited, retired on 12 May 2014), both are listed public companies in Hong Kong. He also ceased to act as an independent non-executive director of Dorsett Hospitality International Limited (the shares of which were withdrawn from listing with effect from 17 October 2015) on 11 March 2016. He was a director of The Hong Kong Mortgage Corporation Limited (retired on 25 April 2016). Mr Shek is a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. He was appointed as Justice of the Peace in 1995 and was awarded the Gold Bauhinia Star in 2013. Mr Shek graduated from the University of Sydney with Bachelor of Arts.

Board of Directors



Mr Lee Yiu Kwong, Alan

Independent Non-executive Director

Mr Lee, aged 72, was appointed as Independent Non-executive Director in October 2012 and he is also a member of the Audit Committee and the Corporate Social Responsibility Committee of the Company. He is the former Chief Executive Officer of CSX World Terminals Hong Kong Limited and ATL Logistics Centre Hong Kong Limited. Mr Lee has over 40 years of shipping and logistics experience, including over 15 years of international experience working in the United States, the Netherlands, Malaysia, Singapore and Thailand. Mr Lee is the former Chairman of Hong Kong Container Terminal Operators Association. He was also a committee member of Hong Kong Business Advisory Committee, Logistics Advisory Committee of Hong Kong Trade Development Council, Hong Kong Port Development Council, Hong Kong Logistics Development Council and the Sailors Home and Missions to Seamen Hong Kong. Mr Lee is an accountant by training and has over six years of experience at KPMG.



Mrs Oei Fung Wai Chi, Grace

Independent Non-executive Director

Ms Fung, aged 63, was appointed as Independent Non-executive Director on 1 January 2016 and is also a member of the Corporate Social Responsibility Committee of the Company. She is currently the Chairperson of Ronald McDonald House Charities in Hong Kong since September 2008 and she has been elected to the global board of trustees of Ronald McDonald House Charities in Chicago since 1 January 2015. Ms Fung had worked in investment banking and wholesale banking for 36 years. She was the Vice Chairman, Corporate & Institutional Clients, at Standard Chartered Bank, Hong Kong when she retired from the bank in November 2014. Before joining Standard Chartered Bank in 2002, she had worked with UBS for nine years including service as Managing Director responsible for corporate finance and fixed income. During her service with UBS, Ms Fung had regional responsibilities for institutional sales, fixed income, supervising a team in Hong Kong and Singapore which covered 13 countries in Asia (excluding Japan). Her team advised central banks and other institutional investors in Asia on fixed income investments and hedging strategies for interest rates and currencies. Ms Fung had taken on a number of public service responsibilities over the years, including as a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission and a member of the Finance Committee of the Hong Kong Housing Authority. Ms Fung graduated from the London School of Economics and Political Science, London University, with a BSc (Econ) degree, majoring in Accounting and Finance.

Senior Management



Mr Chow Tak Wing
*Group Financial Controller
and Company Secretary*
NWS Holdings Limited

Mr Chow, aged 49, joined the Company in 2002 and is the Group Financial Controller and Company Secretary of the Company. He is responsible for the financial management, treasury and corporate governance functions of the Group. Mr Chow is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants (UK), The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He holds an Executive MBA degree from Western University, Canada. Mr Chow has over 25 years' experience in accounting and financial management and corporate governance. Prior to joining the Group, he was a manager of an international accounting firm and senior executive of several Hong Kong listed public companies.



**Mr Mak Kai Lert,
Russell**
Head
– Audit & Risk Assurance
NWS Holdings Limited

Mr Mak, aged 61, joined the Company in 2006 and is the Head of Audit & Risk Assurance of the Company. He is responsible for internal audit and risk management of the Group. Mr Mak is a fellow of the Institute of Chartered Accountants in England & Wales and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Information Security Manager of the Information Systems Audit and Control Association (USA). He holds a BA(Hons) in Accountancy. Mr Mak has profound professional knowledge in auditing and corporate governance issues with over 30 years' auditing experience in various listed companies, financial institutions and investment banks. Prior to joining the Company, he had worked as the Head of Audit Departments in several Hong Kong listed public companies.



Mr Ng Tik Hong
General Manager
– Merger & Acquisition
NWS Holdings Limited

Mr Ng, aged 46, joined New World Group in 1997 and is the General Manager of Merger & Acquisition Department of the Company. He is responsible for the merger and acquisition affairs of the Group. Mr Ng is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants (UK). He holds a Bachelor Degree in Accountancy, and a Master Degree of Business Administration from The Chinese University of Hong Kong. Mr Ng has over 20 years' experience in accounting, finance and project management. Prior to joining the Group, he worked in an international accounting firm.



**Ms Lam Yuet Wan,
Elina**
General Manager
– Human Resources
NWS Holdings Limited

Ms Lam, aged 53, joined the Company in 1997 and is the General Manager of Human Resources Department of the Company. She is responsible for managing the human resources and administration affairs of the Group. Ms Lam is a professional member of the Hong Kong Institute of Human Resources Management. She holds an Executive MBA degree from Western University, Canada and a Master of Business Administration degree from University of Strathclyde, United Kingdom. Ms Lam has over 25 years' experience in human resources and training and development. Prior to joining the Group, she was a senior executive of human resources in several companies in Hong Kong.

Senior Management



Ms Tang Cheung Yi
General Manager
– Corporate Communication
NWS Holdings Limited

Ms Tang, aged 52, joined the Company in 2012 and is the General Manager of Corporate Communication Department of the Company. She is responsible for the Group's corporate communication, public affairs and corporate sustainability functions. Ms Tang possesses more than 25 years of management experience in corporate communication, government relations and journalism in Hong Kong and the United States. Prior to joining the Group, she was the corporate affairs director with a multinational company in information technology. Ms Tang holds a Bachelor of Social Science degree and a Master of Arts degree in Telecommunications.



Mr Cheng Chi Kwok
Director and General Manager
– Roads
NWS Infrastructure Management Limited

Mr Cheng, aged 52, joined New World Group in 1993 and is the Director and General Manager (Roads) of NWS Infrastructure Management Limited, a wholly owned subsidiary of the Company. He is also a director of several major PRC joint ventures in the Roads segment of the Group. Mr Cheng holds a Bachelor of Business Administration degree and he has over 25 years of experience in project development, investment and management in the infrastructure and roads business in Mainland China.



Ms Cheng Ka Ki, Joanna
General Manager
– Environment
NWS Infrastructure Management Limited

Ms Cheng, aged 49, joined New World Group in 1996 and is the General Manager (Environment) of NWS Infrastructure Management Limited, a wholly owned subsidiary of the Company. She is also an executive director of Sino French Water Development Company Limited and a director of Sino-French Holdings (Hong Kong) Limited, The Macao Water Supply Company Limited, Far East Landfill Technologies Limited and certain PRC joint ventures in the Environment segment of the Group. Ms Cheng is a member of the Chartered Professional Accountants of Ontario, Canada. She has more than 20 years of experience in business development, investment and management in power industry in Mainland China. Prior to joining the Group, she had worked for audit firms in Canada and Hong Kong.



Mr Lee Wai Bong, Stephen
General Manager
– Logistics & Ports
NWS Ports Management Limited

Mr Lee, aged 51, joined the Group in 2002 and is the General Manager (Logistics & Ports) of NWS Ports Management Limited, a wholly owned subsidiary of the Company. Mr Lee holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong and a Master of Business Administration degree from the University of Toronto, Canada. Mr Lee has extensive experience in project management and merger and acquisition activities. Prior to joining the Group, he had worked in several major multinational corporations.



Mr To Tsan Wai
General Manager
 – Logistics & Aviation
NWS Service Management Limited

Mr To, aged 54, joined New World Group in 1998, mainly responsible for infrastructures, ports and logistics projects. Mr To has over 20 years of experience in project investment and management. He is responsible for managing the Group's logistics and aviation projects including ATL Logistics Centre, a rail container terminal project in Mainland China, Beijing Capital International Airport and commercial aircraft leasing business. He also participated in managing the container terminal projects in Hong Kong, Xiamen, Tianjin, etc. Before joining the Group, Mr To had worked for international shipping and airline companies. Mr To is a member of the Hong Kong Institute of Certified Public Accountants.



Mr Chu Tat Chi
Managing Director
Hip Hing Construction Company Limited

Mr Chu, aged 59, joined Hip Hing Construction Company Limited ("Hip Hing", a wholly owned subsidiary of the Company) in 1979 and is the Managing Director of Hip Hing. Mr Chu graduated from the Hong Kong Polytechnic in 1978 with a Diploma in Building Studies. He has over 35 years of experience in the civil engineering and construction industries. Mr Chu is a director of NWS Service Management Limited, Quon Hing Concrete Company Limited and Ngo Kee (Macau) Limited. Prior to joining Hip Hing, he had worked in the Public Works Department of Hong Kong Government.



Mr Choy Hon Ping
Managing Director
New World Construction Company Limited

Mr Choy, aged 59, joined the Group in 2012 and is the Managing Director of New World Construction Company Limited, a wholly owned subsidiary of the Company. Mr Choy is a fellow of The Hong Kong Institution of Engineers and a member of The Chartered Institute of Building (UK). He has been appointed by The Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) as the "Construction Specialist" (2006-2012). He has over 40 years of experience in building construction in Hong Kong.



Mr Abu Baker Salleh
Chief Executive Officer
Anway Limited and Sky Connection Limited

Mr Salleh, aged 69, joined DFS after his graduation from The University of Hong Kong, and worked in various senior management positions in Hong Kong, Honolulu, Singapore, Taipei, Los Angeles and San Francisco. Prior to joining Sky Connection Limited ("Sky Connection", a wholly owned subsidiary of the Company), Mr Salleh was the President of DFS West with retail operations in several major cities, including Los Angeles, San Francisco, Dallas and Houston.

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

Senior Management



**Ms Lee Yuk Har,
Monica**
Managing Director
**Hong Kong Convention
and Exhibition Centre
(Management) Limited**

Ms Lee, aged 51, joined Hong Kong Convention and Exhibition Centre (Management) Limited, a wholly owned subsidiary of the Company, in 1994 and is currently its Managing Director. Ms Lee is a proven veteran in the hospitality industry for over 30 years. She is an executive committee member of the Hong Kong Exhibition & Convention Industry Association, as well as a board member of UFI, The Global Association of the Exhibition Industry and Ocean Park Corporation. Since January 2013, Ms Lee was appointed a member of the Working Group on Convention and Exhibition Industries and Tourism under the Economic Development Commission of the HKSAR Government. Ms Lee holds a Master degree in Management from Macquarie University, a Professional Certificate in Event Management & Marketing from the School of Business and Public Management of George Washington University, USA and a Certificate of Legal Studies from The University of Hong Kong.



**Mr Clifford Noble
Wallace III**
Chairman
**Shenyang New World
Expo (Management)
Limited**

Mr Wallace, aged 69, is the Chairman of Shenyang New World Expo (Management) Limited and the Managing Director of NWS Venue Management Limited, both wholly owned subsidiaries of the Company. He was the Managing Director of Hong Kong Convention and Exhibition Centre (Management) Limited, a wholly owned subsidiary of the Company, through 30 June 2012 having served in this position since May 1995. He remains a member of the board of Hong Kong Convention and Exhibition Centre (Management) Limited.

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



**Mr Cheng Wai Po,
Samuel**
Managing Director
**New World First Bus
Services Limited and
Citybus Limited**

Mr Cheng, aged 57, joined Citybus Limited in 1992 and is the Managing Director of New World First Bus Services Limited and Citybus Limited. Both companies are wholly owned subsidiaries of NWS Transport Services Limited which is a joint venture of the Company. Mr Cheng is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Social Sciences Degree from The University of Hong Kong. Mr Cheng has over 20 years' experience in the public transport industry. Prior to joining Citybus Limited, he had worked in an international accounting firm for over six years.

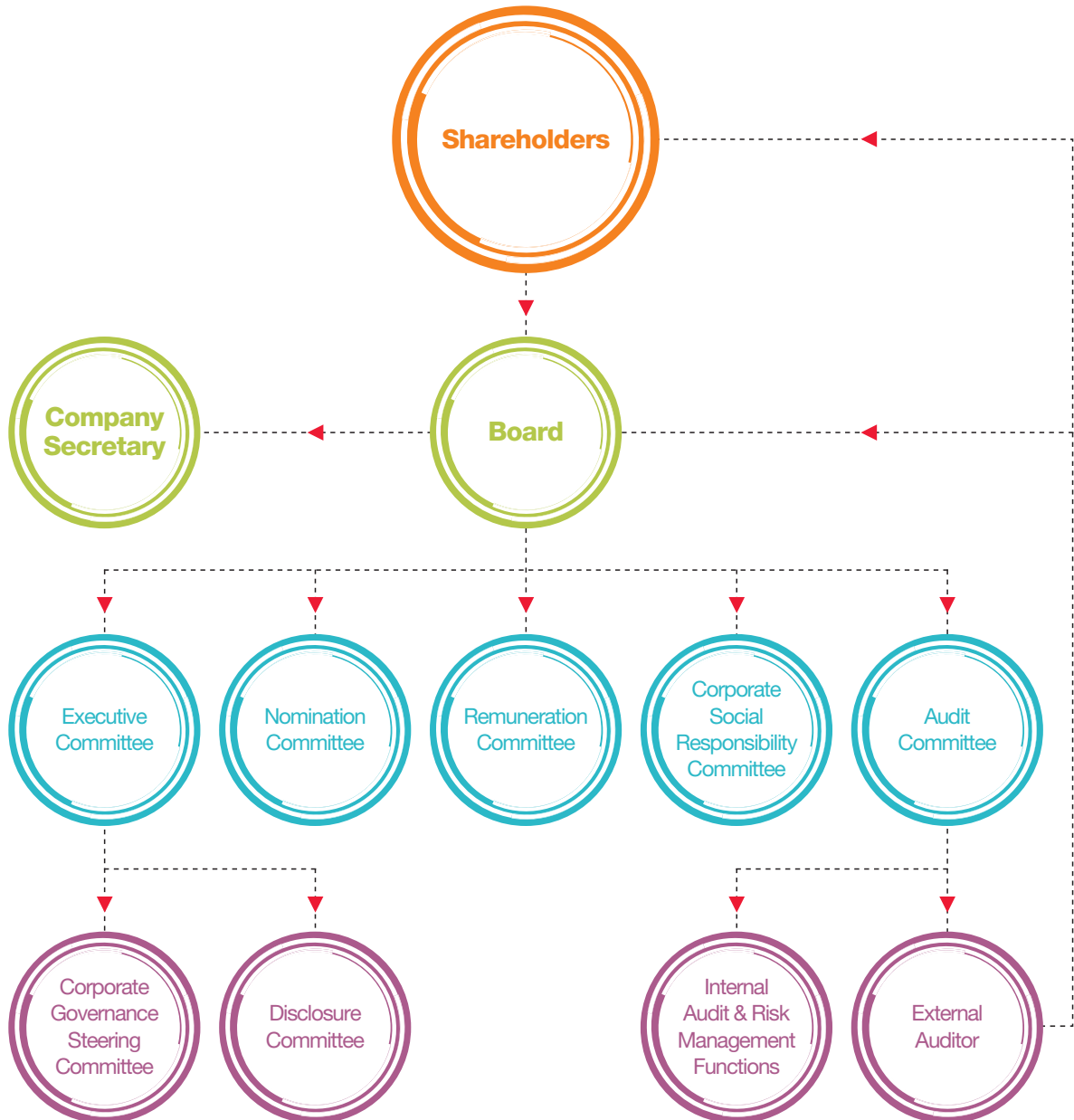
Corporate Governance Report

Corporate Governance Practices

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

This report describes the corporate governance practices adopted by the Company and specifically highlights how the Company has applied the principles of the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules.

Set out below is the current corporate governance framework of the Group:



Corporate Governance Report

Comprehensive guidelines, policies and procedures have been formulated by the Board in support of the Group's corporate governance framework including the "Director's Manual", "Corporate Governance Manual", "Guidelines on Risk Management", "Guidelines on Internal Control System", "Corporate Policy on Staff Responsibility", "Whistleblowing Policy", "Disclosure Policy for Inside Information", "Board Diversity Policy" and the terms of reference for various board committees. These documents are reviewed regularly by the Board and the relevant board committees and are updated in line with the amendments of applicable legislations and rules as well as the current market practices.

The Company has complied with all the applicable code provisions in the CG Code throughout FY2016.

The Board

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

The Board currently comprises 14 members whose biographical details (including their relationships (if any)) are set out in the "Board of Directors and Senior Management" section of this annual report. An updated list of directors of the Company and their respective role and function has been maintained on the website of each of the Hong Kong Stock Exchange and the Company. Updated biographical details of each director are also available on the Company's website.

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

The Company provides extensive background information about its history, mission and businesses to its directors. Directors are also invited to visit the Group's operational facilities from time to time and to meet with the management for gaining better understanding of business operations of the Group. Furthermore, the Board has separate and independent access to the senior management and the Company Secretary at all times. With prior request to the Company Secretary, the Board is given access to independent professional advice any time when it thinks appropriate.

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

The posts of Chairman and Chief Executive Officer of the Company are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

Board Meetings

The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate.

Four Board meetings were held during FY2016. Notice of no less than 14 days was given to directors for the regular Board meetings. Draft agenda for Board meetings were prepared by the Company Secretary and were circulated to all directors for comments before each meeting. Directors were given an opportunity to include any other matters in the agenda. The agenda, together with Board papers, were sent in full to the directors not less than three business days before the intended date of the Board meeting.

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

At each regular Board meeting, executive directors of the Company made presentations to the Board on various aspects, including the business performance, financial performance, corporate governance and outlook, etc. A written report reviewing the key operational aspects of the Group was provided to the directors before each regular Board meeting to enable them to make informed decisions for the benefit of the Company.

Throughout FY2016, directors of the Company also participated in the consideration and approval of matters of the Company by way of written resolutions circulated to them. Supporting written materials were provided in the circulation and verbal briefings were given by the subject executive directors or the Company Secretary when required.

Pursuant to the bye-laws of the Company, a director, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his/her interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered. Furthermore, a director shall not vote (nor be counted in the quorum) on any resolution of the directors in respect of any contract or arrangement or proposal in which he/she or any of his/her associate(s) is to his/her knowledge materially interested. Matters to be decided at Board meetings are decided by a majority of votes from directors entitled to vote. These bye-laws were strictly observed throughout FY2016.



Board meeting

Corporate Governance Report

Directors of the Company play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance record of each of the directors for the Board meetings, the board committees meetings and the general meeting held during FY2016 is set out as follows:

Name of director	Meetings attended / held					
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Corporate Social Responsibility Committee meeting	General meeting
<i>Executive directors:</i>						
Dr Cheng Kar Shun, Henry (Chairman of the Board)	3/4	–	1/1	–	–	1/1
Mr Tsang Yam Pui (Chief Executive Officer)	4/4	2/2 ⁽¹⁾	1/1	1/1	1/2	1/1
Mr Hui Hon Chung ⁽²⁾ (Deputy Chief Executive Officer)	4/4	–	–	–	1/2	1/1
Mr Cheung Chin Cheung	4/4	–	–	–	2/2	1/1
Mr Cheng Chi Ming, Brian	4/4	–	–	–	1/2	1/1
<i>Non-executive directors:</i>						
Mr To Hin Tsun, Gerald	4/4	–	–	–	–	1/1
Mr Dominic Lai	4/4	2/2	–	–	2/2	1/1
Mr Lam Wai Hon, Patrick	4/4	1/2 ⁽¹⁾	–	1/1	2/2	1/1
Mr William Junior Guilherme Doo	4/4	–	–	–	2/2	1/1
<i>Independent non-executive directors:</i>						
Mr Kwong Che Keung, Gordon	4/4	2/2	1/1	1/1	–	1/1
Dr Cheng Wai Chee, Christopher	3/4	1/2	1/1	1/1	–	1/1 ⁽³⁾
Mr Shek Lai Him, Abraham	4/4	1/2	0/1	1/1	–	1/1
Mr Lee Yiu Kwong, Alan ⁽⁴⁾	4/4	1/2	–	–	2/2	1/1
Mrs Oei Fung Wai Chi, Grace ⁽⁵⁾	2/4	–	–	–	1/2	0/1
Mr Wilfried Ernst Kaffenberger ⁽⁶⁾	1/4	–	–	–	–	1/1 ⁽³⁾
Mr Yeung Kun Wah, David ⁽⁶⁾ (alternate director to Mr Wilfried Ernst Kaffenberger)	1/4	–	–	–	–	1/1

Notes:

- The directors attended the Audit Committee meetings as an invitee.
- Mr Hui Hon Chung was appointed as a director of the Company on 1 September 2015 and a member of the Corporate Social Responsibility Committee of the Company on 23 October 2015.
- Joining the general meeting by way of telephone conference.
- Mr Lee Yiu Kwong, Alan was appointed as a member of the Audit Committee of the Company on 1 January 2016.
- Mrs Oei Fung Wai Chi, Grace was appointed as a director of the Company and a member of the Corporate Social Responsibility Committee of the Company both on 1 January 2016.
- Mr Wilfried Ernst Kaffenberger retired as a director of the Company after the conclusion of the annual general meeting of the Company held on 17 November 2015 ("2015 AGM") and Mr Yeung Kun Wah, David ceased to be an alternate director to Mr Kaffenberger upon his retirement.

Board Committees

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are being handled with relevant expertise. Five board committees have been established and each of them has its specific duties and authorities set out in its own terms of reference. Written terms of reference, which are in line with the CG Code, of each of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the website of each of the Hong Kong Stock Exchange and the Company.

(a) Executive Committee

Members
Dr Cheng Kar Shun, Henry (Chairman), Mr Tsang Yam Pui, Mr Hui Hon Chung, Mr Cheung Chin Cheung and Mr Cheng Chi Ming, Brian
Major responsibilities
<ul style="list-style-type: none"> to review the Group’s performance and manage its assets and liabilities in accordance with the policies and directives of the Board to make recommendation to the Board in respect of the overall strategy for the Group from time to time

(b) Audit Committee

Members
Mr Kwong Che Keung, Gordon (Chairman), Mr Dominic Lai, Dr Cheng Wai Chee, Christopher, Mr Shek Lai Him, Abraham and Mr Lee Yiu Kwong, Alan
Major responsibilities
<ul style="list-style-type: none"> to monitor the financial reporting process of the Group to review the Company’s financial control, risk management and internal control systems and arrangements under the Company’s whistleblowing policy to govern the engagement of external auditor and its performance
Work performed during FY2016
<ul style="list-style-type: none"> reviewing the audited consolidated financial statements of the Group for FY2015 and the interim results of the Group for FY2016 reviewing the continuing connected transactions of the Company during FY2015 reviewing the system of internal control of the Group reviewing the internal audit plan of the Group for FY2017 and the internal audit reports prepared by the Group Audit and Risk Assurance Department of the Company (“GARA”) reviewing the audit plans from external auditor and its remuneration making recommendation on the re-appointment of the external auditor reviewing the manpower of the Group’s finance team reviewing the performance, constitution and terms of reference of the Audit Committee making recommendation on the amendments to the terms of reference of the Audit Committee

The Audit Committee meets regularly with at least two meetings annually. It also has separate meeting with the Company’s external auditor at least once a year in the absence of the management.

(c) **Nomination Committee**

Members
Dr Cheng Kar Shun, Henry (Chairman), Mr Tsang Yam Pui, Mr Kwong Che Keung, Gordon, Dr Cheng Wai Chee, Christopher and Mr Shek Lai Him, Abraham
Major responsibilities
<ul style="list-style-type: none">• to review the structure, size and composition (including the skills, knowledge and experience) of the Board• to make recommendations to the Board on the appointment or re-appointment of directors
Work performed during FY2016
<ul style="list-style-type: none">• reviewing the structure of the Board• reviewing the board diversity policy of the Company• reviewing the independence of independent non-executive directors• making recommendations in relation to the re-appointment of the retiring directors• making recommendations in relation to the appointment of directors

(d) **Remuneration Committee**

Members
Mr Shek Lai Him, Abraham (Chairman), Mr Tsang Yam Pui, Mr Kwong Che Keung, Gordon and Dr Cheng Wai Chee, Christopher
Major responsibilities
<ul style="list-style-type: none">• to review and make recommendations to the Board on the Company's policy and structure for remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration• to make recommendations to the Board on the remuneration packages, including benefits in kind, pension rights and compensation payments, of individual executive directors• to determine the remuneration packages of senior management
Work performed during FY2016
<ul style="list-style-type: none">• reviewing the remuneration policy, structure and packages for directors and senior management• making recommendations to the Board regarding the directors' fee and other allowances for FY2016 and the remuneration packages of executive directors• determining the remuneration packages of senior management• making recommendations on the remuneration packages for the new directors appointed during FY2016

(e) Corporate Social Responsibility Committee

Members
Mr Tsang Yam Pui (Chairman), Mr Hui Hon Chung, Mr Cheung Chin Cheung, Mr Cheng Chi Ming, Brian, Mr Dominic Lai, Mr Lam Wai Hon, Patrick, Mr William Junior Guilherme Doo, Mr Lee Yiu Kwong, Alan, Mrs Oei Fung Wai Chi, Grace, Ms Lam Yuet Wan, Elina and Ms Tang Cheung Yi
Major responsibilities
<ul style="list-style-type: none"> • to formulate and oversee the Group's corporate sustainability strategy, framework and policies • to track progress on human resources management, community investment, corporate volunteering and environmental protection • to oversee strategic direction and funding commitments of NWS Holdings Charities Foundation
Work performed during FY2016
<ul style="list-style-type: none"> • reviewing the progress of the Group's overall corporate sustainability development, benchmarking and reporting • reviewing the development and implementation of human resources management, community investment, corporate volunteering and environmental protection • reviewing the funding commitments and statement of financial position of NWS Holdings Charities Foundation

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

The Corporate Governance Steering Committee is currently chaired by Mr Hui Hon Chung and its members comprise Mr Cheung Chin Cheung, Mr Kwong Che Keung, Gordon and the department heads of the Company's Finance Department, Company Secretarial Department and GARA. This committee is responsible for identifying corporate governance standards and practices applicable to the Company, reviewing the existing corporate governance practices of the Group and considering promotion and enhancement on the corporate governance of the Group.

Members of the Disclosure Committee compose of all executive directors of the Company. This committee is responsible for promoting consistent disclosure practices aiming at timely, accurate, complete and broadly disseminated disclosure of inside information about the Group to the market in accordance with applicable laws and regulatory requirements.

Non-executive Directors

Coming from diverse business and professional backgrounds, the non-executive directors (including independent non-executive directors) of the Company have shared their valuable experiences to the Board for promoting the best interests of the Company and its shareholders. Except for the Executive Committee, the non-executive directors have actively participated in the board committees of the Company and have made significant contribution of their skills and expertise to these committees. All non-executive directors are appointed under a fixed term of three years and are also subject to retirement on a rotational basis in accordance with the bye-laws of the Company.

During the year, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive directors and having at least one independent non-executive director with appropriate professional qualifications or accounting or relating financial management expertise. During FY2016, Mr Wilfried Ernst Kaffenberger retired as an independent non-executive director of the Company with effect from the conclusion of the 2015 AGM. Following his retirement, the number of independent non-executive directors of the Company fell below the requirement under Rule 3.10A of the Listing Rules which requires the Company to appoint independent non-executive directors representing at least one-third of the Board. Upon the appointment of Mrs Oei Fung Wai Chi, Grace as an independent non-executive director of the Company on 1 January 2016, the Company has re-complied with the requirement under Rule 3.10A of the Listing Rules. A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive directors in relation to his/her independence to the Company. The Company considers all its independent non-executive directors to be independent.

Corporate Governance Report

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

Remuneration of Directors

Each director will be entitled to a director's fee which is determined by the Board with authorization granted by the shareholders at the Company's annual general meetings. The Company's Human Resources Department assists the Remuneration Committee by providing relevant remuneration data and market conditions for the Remuneration Committee's consideration. The remuneration of executive directors and senior management of the Company is determined with reference to the Group's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions. Remuneration is performance-based and coupled with an incentive system is competitive to attract and retain talented employees.

The emoluments paid to each director for FY2016 are shown in note 14 to the financial statements on pages 140 to 142 of this annual report.

Nomination, Appointment and Re-election of Directors

Formal nomination procedures were adopted by the Board for governing the nomination and re-election of directors. Any nomination of director will be reviewed and discussed by the Nomination Committee for his/her suitability on the basis of qualifications, experience and background. Suitable candidate will be recommended by the Nomination Committee to the Board for consideration of the appointment. During FY2016, the Nomination Committee considered the appointment of Mrs Oei Fung Wai Chi, Grace as an independent non-executive director of the Company and made recommendation to the Board for consideration. Her appointment was approved by the Board and took effect on 1 January 2016.

Pursuant to the bye-laws of the Company, all directors appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mrs Oei Fung Wai Chi, Grace will retire at the forthcoming annual general meeting and being eligible, will offer herself for re-election.

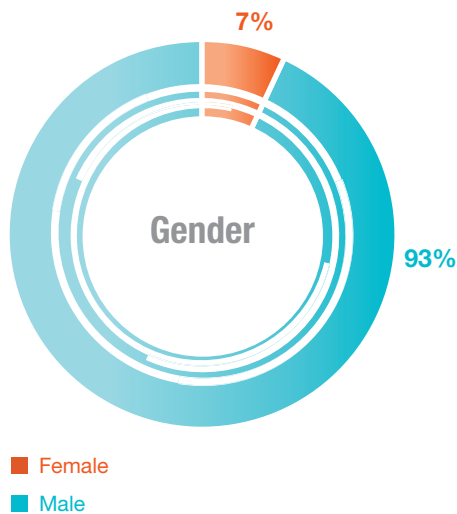
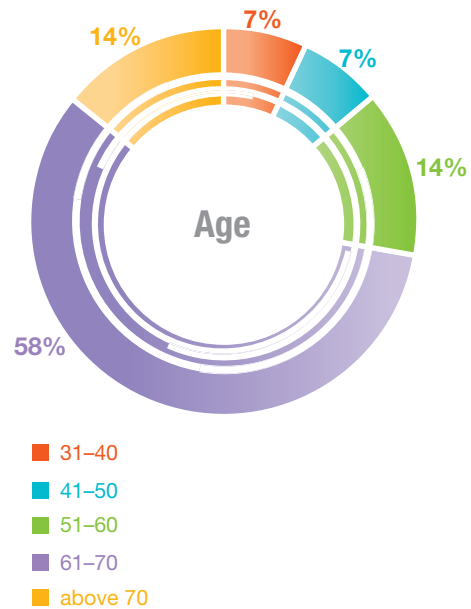
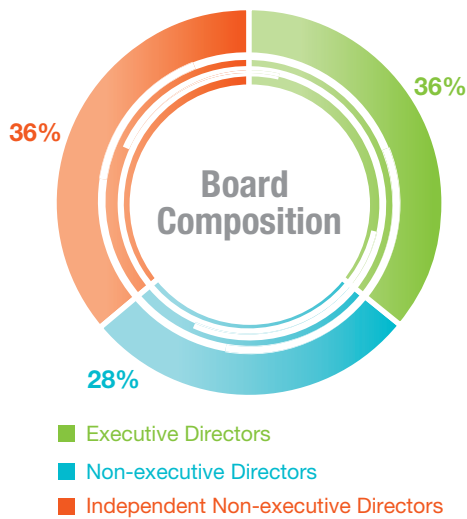
In addition, one-third of the directors that have served longest on the Board must retire, thus becoming eligible for re-election at each annual general meeting. Each director is subject to retirement by rotation at least once every three years. Any further re-appointment of an independent non-executive director, who has served the Board for more than nine years, will be subject to separate resolution to be approved by the shareholders. Mr Tsang Yam Pui, Mr To Hin Tsun, Gerald, Mr Dominic Lai, Mr Kwong Che Keung, Gordon and Mr Shek Lai Him, Abraham will retire by rotation at the forthcoming annual general meeting in accordance with the bye-laws of the Company. The retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

None of the directors of the Company has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Board Diversity

The Board adopted the *"Board Diversity Policy"* in June 2013 setting out the approach to diversity on the Board. As set out in this policy, a truly diverse board will include and make good use of differences in the skills, regional and industrial experience, background, race, gender and other qualities of members of the Board. These differences will be taken into account in determining the optimum composition of the Board.

The *"Board Diversity Policy"* also states that the Nomination Committee is responsible for setting annually measurable objectives for implementing diversity on the Board and recommends them to the Board for adoption. The *"Board Diversity Policy"* has been reviewed by the Nomination Committee during FY2016 for ensuring its effectiveness. During FY2016, the Board has achieved remarkable progress on its board diversity by the appointments of Mr Hui Hon Chung and Mrs Oei Fung Wai Chi, Grace as directors of the Company. Their professional experiences would enrich the Board's expertise and Ms Fung represents the first female director being appointed to the Board.



Induction and Continuous Professional Development

Orientation is provided to newly appointed director immediately upon his/her appointment. He/She will receive a director’s manual from the Company which contains a package of orientation materials on the operations and businesses of the Group, together with information relating to the duties and responsibilities of directors under statutory regulations and the Listing Rules. The Company Secretary updates directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties.

The Company has arranged training programmes as part of the continuous professional development for its directors to develop and refresh their knowledge and skills. During FY2016, the Company organized seminars for its directors on corporate governance related topics including updates on corporate sustainability and the new Hong Kong Companies Ordinance. Reading materials on regulatory updates were also provided to the directors for updating their knowledge on the relevant issues.

Corporate Governance Report

Directors are required to submit to the Company annually details of training sessions undertaken by them in each financial year for maintaining a training record for them. According to the training records maintained by the Company, the training received by each of the directors during FY2016 is summarized as follows:

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

In accordance with the training records provided by the Company's directors, an average of approximately 18 training hours were undertaken by each director (not including time spent for reviewing information relevant to the Company or its businesses) during FY2016.



NWS Sustainability Seminar 2016



NWS Awards Presentation Ceremony 2015

Corporate Governance Function

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

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Group strives to keep staff members abreast of the latest development of corporate governance issues through education and promotion. In FY2016, the Company organized a corporate governance related seminar for senior management of the Group, including directors of the Company. Besides, a series of training sessions on corporate governance and internal control practices were also given to staff members to update and improve their knowledge in these matters.

Directors' Responsibilities for Financial Reporting and Disclosures

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

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

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

Securities Transactions of Directors and Relevant Employees

The Company has adopted the Model Code as its own code of conduct for securities transactions by directors. Specific enquiry was made with all directors and it was established that they had all complied with the required standards of the Model Code during FY2016. Securities interests in the Company and its associated corporations held by each of the directors of the Company are disclosed in the "Report of the Directors" section of this annual report.

The Company has also adopted the "*Code for Securities Transactions by Relevant Employees*", which is no less exacting than the Model Code, for governing the securities transactions of specified employees ("Relevant Employees") who, because of their positions, are likely to come across unpublished inside information. Following specific enquiry by the Company, all Relevant Employees had confirmed that they complied with the standard set out in the "*Code for Securities Transactions by Relevant Employees*" during FY2016.

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

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

Risk Management and Internal Control

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

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

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

Monitoring

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

Information and Communication

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

Control Activities

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

Risk Assessment

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

Control Environment

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



We have the *"Guidelines on Risk Management"* as well as the *"Guidelines on Internal Control System"* which provide guidance and procedures to subsidiaries and corporate departments of the Company for implementing risk management and internal control practices. Under the supervision of the Audit Committee, GARA performs the internal audit function and provides assurance services on risk management and internal control.

The Board, through the Audit Committee, has conducted a review on the effectiveness of the risk management and internal control systems of the Group for FY2016 and considers these systems effective and adequate. Along with the Group's framework of risk management and internal control, the review covered all material controls, including financial, operational and compliance controls. Management of all subsidiaries are required to submit to GARA the Risk Management and Internal Control Compliance Certificate and the Risk Management and Internal Control Assessment Checklist for reporting the key risks, the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations half-yearly. Executive directors of the Company would also submit a written report on the effectiveness of the Group's risk management and internal control systems to the Audit Committee for review on a half-yearly basis.

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

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

Furthermore, we have the "*Whistleblowing Policy*" for staff members to raise concerns, in strict confidence, about possible improprieties in any matters related to the Group. Reported cases will be investigated by GARA in a confidential and timely manner and the investigation report will be submitted to the Executive Committee, the Audit Committee and the Corporate Governance Steering Committee.

In FY2016, GARA assessed the Group's risks in actual and potential legal cases by reviewing the legal case registers of business units and submitted reports to the Executive Committee on a regular basis.

The Company has adopted the "*Disclosure Policy for Inside Information*" and established the Disclosure Committee, under the authority delegated by the Executive Committee, to promote consistent disclosure practices. Various internal control measures such as management review, use of project codes and document filing in a register are instituted in the reporting procedures. Furthermore, GARA conducts a review on the compliance of the policy and reports the results to the Audit Committee annually.

Effective risk management facilitates the Group's business development and operation by setting the appropriate risk appetite, maintaining an optimal risk level and most importantly, managing the risks proactively. The Board, through the Audit Committee, oversees the risk management function of the Group. The Group's risk management system and key risks can be found in the "Risk Management" section on pages 41 to 45 of this Annual Report.

External Auditor

The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditor subject to endorsement by the Board and final approval and authorization by the shareholders of the Company in general meetings. PricewaterhouseCoopers, who was first appointed in 2000 and is also the Group's principal auditor, is the existing auditor of the Company. PricewaterhouseCoopers adopts a policy of rotating the engagement partner servicing their client companies regularly and the last rotation took place during the year ended 30 June 2016. The reporting responsibilities of PricewaterhouseCoopers are stated in the Independent Auditor's Report on page 91 of this annual report.

Corporate Governance Report

Total auditors' remuneration for FY2016 in relation to statutory audit work of the Group amounted to HK\$22.3 million (2015: HK\$20.8 million), of which a sum of HK\$21.1 million (2015: HK\$19.5 million) was paid to PricewaterhouseCoopers. The remuneration paid to PricewaterhouseCoopers and its affiliated firms for services rendered is listed as follows:

	2016 HK\$m	2015 HK\$m
Statutory audit	21.1	19.5
Non-audit services (Note)	3.7	4.6
	24.8	24.1

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

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

Review of Audited Results

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for FY2016.

Company Secretary

The Company Secretary of the Company, who is also the Group Financial Controller, has day-to-day knowledge of the Company's affairs. He reports to the Chairman and the Board and is responsible for providing advice on governance matters. The Company Secretary's biography is set out in the "Board of Directors and Senior Management" section of this annual report. During FY2016, the Company Secretary undertook over 32 hours of professional training to update his skills and knowledge.

Communication with Shareholders

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

Moreover, the annual general meeting of the Company provides an opportunity for face-to-face communication between the Board and the shareholders of the Company. Shareholders are welcome to raise any query in relation to the Group's businesses at the annual general meeting. Shareholders' enquiries, either received by telephone or by email, are properly attended by the Company Secretarial Department and are addressed to the Executive Committee, if necessary. Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at the Company's head office in Hong Kong.



Annual results presentation

Set out below is certain useful information for reference by the Company's shareholders:

Analysis of Shareholding Structure (as at 30 June 2016)

Category	Number of shares	Approximate percentage to the total number of issued shares
NWD and its subsidiaries	2,349,647,884	61.32%
Chow Tai Fook Enterprises Limited	97,034,424	2.53%
Directors (Note)	36,520,338	0.95%
Other shareholders (including individuals, institutions, corporates and nominees)	1,348,764,194	35.20%
Total	3,831,966,840	100.00%

Note: Including their deemed interests under the Securities and Futures Ordinance.

Stock Code

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

Board Lot

1,000 shares

Shareholder Services

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

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

Dividend Policy

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

Dividend per share (in HK\$)

Financial Year	Interim	Final	Total	Payout ratio
2012	0.50	0.25	0.75	50.2%
2013	0.29	0.26	0.55	50.2%
2014	0.36	0.22	0.58	50.0%
2015	0.27	0.33	0.60	50.5%
2016	0.31	0.34	0.65	50.5%

Corporate Governance Report

Financial Calendar

Announcement of FY2016 final results 20 September 2016

For determining eligibility to attend and vote at the 2016 annual general meeting of the Company ("2016 AGM"):

Latest time to lodge transfer documents for registration	4:30 pm on 16 November 2016
Closure of register of members	17 to 21 November 2016 (both days inclusive)
Record date	21 November 2016
2016 AGM date	21 November 2016

For determining entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration	4:30 pm on 24 November 2016
Closure of register of members	25 November 2016
Record date	25 November 2016
Final dividend payment date	on or about 29 December 2016

Company Website and Annual Report

To ensure all shareholders have equal and timely access to important company information, the Company makes extensive use of the Company's website to deliver up-to-date information. Latest information regarding the activities and publications of the Group is included in the Company's website at www.nws.com.hk in order to provide comprehensive information of the Group for the shareholders of the Company as well as the general public. The Company's annual report is printed in both English and Chinese and is available on our corporate website. Shareholders may at any time change their choice of means of receiving the Company's corporate communications free of charge by notice in writing to the Company's branch share registrar, Tricor Standard Limited.

Shareholders' Rights

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

1. The written requisition must state the purposes of the meeting, and must be signed by all the shareholders concerned and may consist of several documents in like form each signed by one or more shareholders concerned.
2. The written requisition must be deposited at the Company's registered office in Bermuda as well as the principal place of business in Hong Kong for the attention of the Company Secretary.
3. The written requisition will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders. Such general meeting shall be held within two months after deposit of such requisition.
4. If within 21 days of such deposit, the Board fails to proceed to convene such general meeting, the shareholders concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

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

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

General Meeting

A general meeting was held during FY2016. The 2015 AGM was held on 17 November 2015 at HKCEC.

The Company's annual report and the circular containing information on the proposed resolutions and the notice of the 2015 AGM were sent to shareholders more than 20 clear business days prior to the meeting. All directors of the Company joined the meeting. Chairman or members of the board committees, as well as representative from the Company's external auditor, were available at the 2015 AGM to answer questions from the shareholders. A separate resolution was proposed by the chairman of this meeting in respect of each separate issue, and voting on each resolution was conducted by way of a poll.

The poll voting procedure was explained fully to shareholders during the 2015 AGM. Tricor Standard Limited, the branch share registrar of the Company in Hong Kong, was appointed as scrutineer to monitor and count the poll votes cast at the 2015 AGM. All resolutions proposed at the 2015 AGM were passed by the Company's shareholders.

The 2016 AGM will be held on 21 November 2016. Details of the meeting are set out in the notice of the 2016 AGM which constitutes part of the circular to shareholders sent together with this annual report. Notice of the 2016 AGM and the proxy form are also available on our corporate website.



2015 AGM

Investor Relations

The Company is committed to upholding the highest standards of corporate governance practices and maintaining effective communication with shareholders and the financial community. To this end, the Company maintains an open-dialogue with investors and analysts to ensure transparent, timely and accurate dissemination of information including operating performance and strategic business developments.

The investor relations team of the Company, comprising executive directors and senior management, meets existing and potential shareholders, research analysts and investment managers on a regular basis. During FY2016, the team participated in over 90 investor meetings in Hong Kong and overseas cities including London, San Francisco, Los Angeles, Singapore and Beijing.

To promote direct interaction between analysts and the management team, an analyst briefing session is held as soon as practicable following results announcement. The positive recommendations from reputable financial research institutions including Citigroup, Goldman Sachs and Nomura International during FY2016 bear testimony to the Company's devotion in fostering transparency and accountability.

To ensure fair and equal access to material information, the Company utilizes multiple communication channels such as results announcements and presentations, press releases, annual and interim reports, corporate website and e-news notifications, to reach out to individual shareholders and stakeholders within the investment community.

Constitutional Documents

The Company has not made any change to its constitutional documents during FY2016. A consolidated version of the Company's constitutional documents is available on the website of each of the Hong Kong Stock Exchange and the Company.

Risk Management

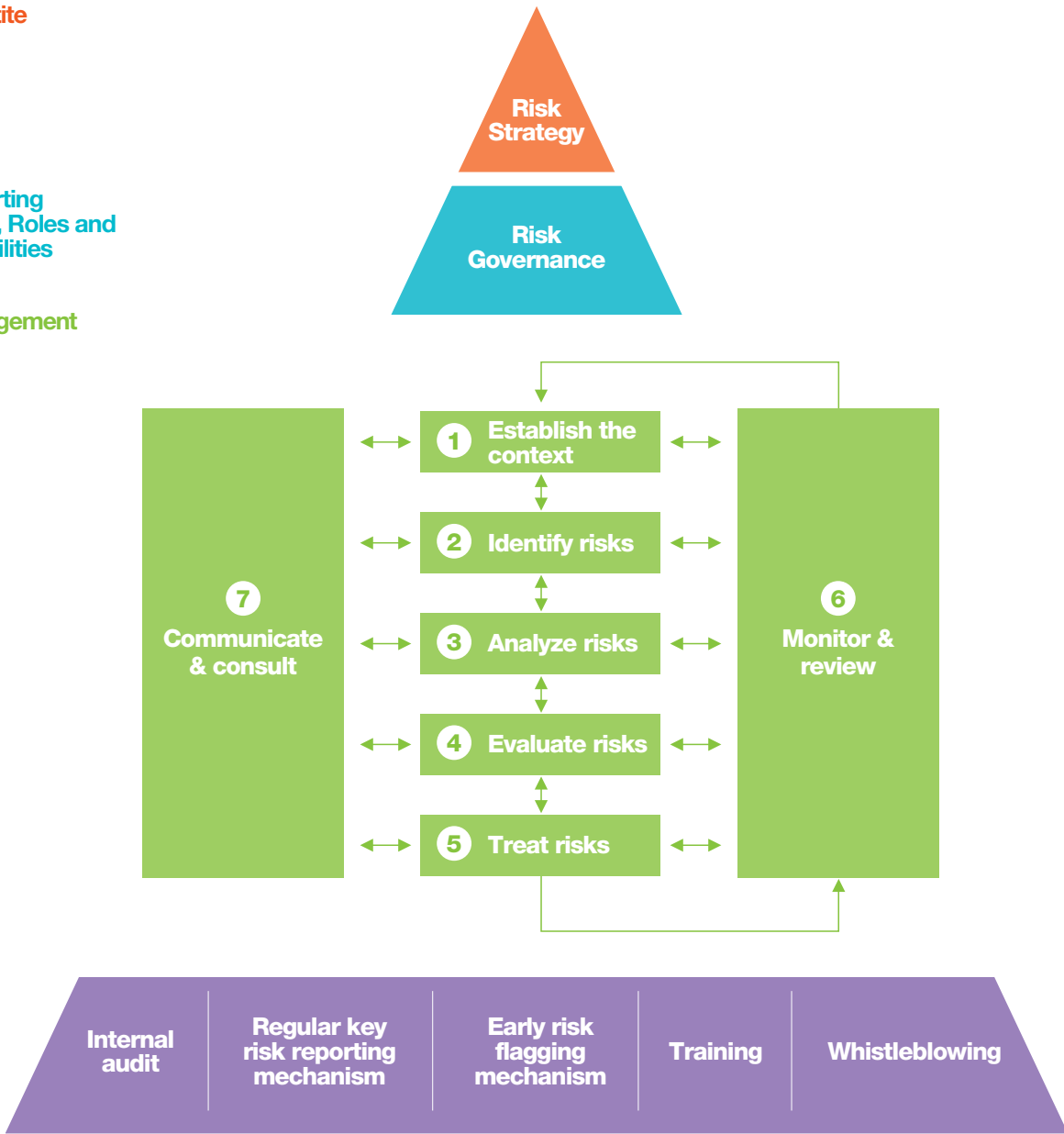
Risk management is an essential part of corporate governance. Effective risk management facilitates the Group’s business development and operation by setting the appropriate risk appetite, maintaining an optimal risk level and most importantly, proactively managing risks.

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

Risk Appetite

Risk Reporting Structures, Roles and Responsibilities

Risk Management Process



Risk Management

Risk Management Approach

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

It is the responsibility of all management staff to uphold the Group's risk management function by ensuring that all staff members and business units comply with the risk management practices embedded into our daily operations. The risk owners and risk oversight parties are clearly defined across the Group. They are required to identify, analyze and evaluate the risks facing their businesses with proper management execution to avoid, reduce or transfer those risks accordingly.

We have the *"Guidelines on Risk Management"* for enhancing the effective implementation of the risk management exercises within the Group. To ensure a smooth implementation of such Guidelines, staff members from GARA are assigned to assist and advise the Group's management on the risk management exercises.

To ensure that all major risks are properly identified, evaluated and monitored for achieving a sound and effective risk management system, risk owners across the Group are required to report the risk review exercises half-yearly. They need to report the effectiveness of the risk management system and set out details of the key risks including the risk description, change of risk level, current risk level and the corresponding key risk control/mitigation action in a key risks reporting table ("Key Risks Reporting Table") as set out in the Risk Management and Internal Control Assessment Checklist and report them to the risk oversight parties half-yearly.

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

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

The Board has put in place an effective risk management system which will enable the Group to respond appropriately to significant business, operational, financial, compliance and other risks in achieving its objectives.

Risk Factors

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

Global economy

The Group is exposed to the development of the global economy as well as the industries and geographical markets in which it operates. As a result, the Group's financial condition and results of operations may be influenced by the general state of the global economy or the general state of a specific market or economy. Any significant decrease in the level of economic growth in the global or regional or a specific economy could adversely affect the Group's financial condition or results of operations.

Currency fluctuations

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, associated companies and joint ventures and also on the repatriation of earnings, equity investments and loans may have an impact on the Group's businesses. The Group 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.

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 the Group's businesses, financial condition, results of operations and growth prospects.

Interest rate fluctuations

The Group's finance costs and interest expenses fluctuate with changes in interest rates. The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group may be affected by changes in the prevailing interest rate of the global credit market. Any increase in interest rate in connection with the currencies the Group borrows will increase the Group's finance costs and may adversely and materially affect the Group's businesses, financial condition, results of operations and growth prospects.

Changes in government policies and legislations, social and political stability

Clear government policies and legislations with stable social and political environment lay a good foundation for the success of the Group'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 the Group'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.

Concession, franchise and license risks

The Group 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. The Group 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 the Group.

Tariff and service fee determination

Tariffs and fees charged by the Group'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 the Group 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 the Group's projects may adversely affect the Group's operating results.

Environmental concerns

The Group 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. The Group 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.

Though the Group has adopted various environmental protection measures, the Group cannot assure that more stringent environmental protection 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 related projects.

Risk Management

Major Risk Factors on Different Business Segments

Infrastructure Division

Roads

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

Environment

The operation of the Group'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 underperformance or low 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 the Group's business and financial condition.

The Group'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 the Group may increase unexpectedly due to a number of factors, including the occurrence of natural disasters, industrial accidents or increase in levels of manufacturing activities.

Logistics

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

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

Aviation

The Group's commercial aircraft leasing business depends heavily on the willingness and/or ability of our airline customers to enter into new aircraft operating leases and to honour their 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.

Aircraft movements and passenger volume handled by the Group's airport project may be adversely affected by many factors, such as downturn in the domestic and global economies, airspace constraints for civil aviation, inclement weather, increase in airfares, competition from other airports and alternative modes of transport 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

The Group'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.

The Group'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 the Group's duty free business is dependent upon tourists and travellers, any changes in travel policies may cause uneven fluctuations in the Group's revenue.

Construction & Transport

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 the Group's construction business. An economic downturn and a downturn in any of the industries the Group serves in its construction business will generally lead to a decrease in the number of new construction projects available to the Group as well as delays in or cancellation of the Group's ongoing projects, which will in turn adversely affect the Group's financial condition and operating results.

The Group'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 have a direct impact on the Group's transport business. Given the Hong Kong population's heavy reliance upon public transport, any fare increase proposals by the Group to offset rising overheads and costs would undoubtedly meet with strong public objection and negative publicity.

Strategic Investments

From time to time, the Group invests in the stock and capital markets through investments in shares, private equity and pre-IPO financing of companies in a variety of businesses and industries including, to date, (i) share registration and company secretarial services; (ii) corporate finance, asset management and brokerage services; (iii) iron ore mining, platinum group metals and chrome mining, processing and trading; 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 the Group's control.

Approximately



27,900

employees

Over



150,000

hours of community services
accumulated by NWS Volunteer
Alliance members



55
construction projects in
Hong Kong received BEAM
Plus or LEED green building
certification

SUSTAINABILITY





At NWS Holdings, corporate sustainability is an integral part of both our long-term business strategy and daily operations. We live in an interconnected world, where global markets, businesses, communities and the environment are inextricably linked. To create long-term value for the Group and its shareholders, we must therefore ensure our business operates in a way that promotes sustainable growth. Our multi-faceted approach to sustainability combines management framework and policies, operational optimization and capacity building. We are also committed to engaging our stakeholders, benchmarking our performance, and reporting on our progress in a transparent and highly accountable way.

Management Framework and Policies

The Board, as the highest governance body of the Group, takes ultimate responsibility for business sustainability and plays a pivotal role in enhancing long-term shareholder value, direct growth strategies, supervise executive management and ensure that corporate governance policies and practices are properly executed. (Please refer to the Corporate Governance Report on page 23 to page 40 for details of the Group's corporate governance structure and practices.)

The Corporate Social Responsibility ("CSR") Committee, chaired by the Group's Chief Executive Officer ("CEO"), is responsible for overseeing the Group's sustainability strategy, framework and policies, and tracking progress on staff engagement, community investment, volunteering and environmental protection.

The Group's policies reflect our vision, mission and core values, which are fundamental to our business success.

Our "Board Diversity Policy" sets out clear objectives of achieving an appropriate balance of skills, experience and diversity of perspectives. In FY2016, Board diversity was further enhanced with the appointment of Mrs Oei Fung Wai Chi, Grace as an Independent Non-executive Director and a member of the CSR Committee.

To monitor and manage material risks for our business, the Group has "Guidelines on Risk Management" and "Guidelines on Internal Control System" to ensure the effectiveness of our risk management and internal control systems.

The Group's expectations of ethical and professional conduct by employees and business partners are detailed in our "Corporate Policy on Staff Responsibility". Our "Disclosure Policy for Inside Information" and "Whistleblowing Policy" guide employees on handling sensitive company information and reporting any misconduct.

The "Corporate Policy on CSR" embodies our pledge to contribute to the community through charitable donations, sponsorship and volunteer services. The "Environmental Policy" guides our work towards conserving natural resources, minimizing waste and complying with environmental laws and regulations. In FY2016, we launched our "Human Rights Policy", which aligns with the principles of the United Nations Global Compact.

Operational Optimization

We work with our employees, business partners and customers to increase efficiency, reduce waste and minimize our impact on the environment. We are also growing the parts of our business that have a positive impact on the environment, expanding from our current portfolio of water, waste water and sludge treatment to seeking opportunities in renewable resources recycling and utilization, and waste-to-energy projects. In line with this development, the Group has reclassified its water and energy projects under a new "Environment" business segment, reflecting the importance with which we regard sustainability.

Capacity Building

As we integrate sustainability into our decision making process, it is vital that all staff understand the links between emerging trends, daily operations and future business prospects. One of the ways we promote this is through the NWS Sustainability Seminar, an annual event that informs and educates managerial staff from across the Group on topical sustainability issues. This half-day seminar in FY2016 engaged around 300 participants to discuss issues as diverse as the economic and demographic development of Hong Kong, the business application of big data, sustainable procurement and regulatory compliance. Building on this broad, Group-wide understanding of sustainability, we also have Green Managers who receive targeted training on integrating sustainable practices into day-to-day operations.

Stakeholder Engagement, Benchmarking and Reporting

Dialogue with our stakeholders is essential to building valuable relationships that have a direct impact on our business success. As well as working closely with our employees, we regularly seek



The NWS Sustainability Seminar 2016 engages some 300 managers in sessions on sustainable development.

the views of external stakeholders, including government officials, investors, customers, suppliers, subcontractors, non-profit organizations and the media. We use forums, meetings, surveys, focus groups, online platforms and new media to invite feedback, to help us understand stakeholders' concerns and expectations, and ensure these views are passed on to the right functionaries within the Group who are best placed to act on them.

Benchmarking and reporting enables us to measure the Group's performance against our objectives on sustainability, and against international and industry standards. It also enables us to identify the Group's strengths and weaknesses and learn from best practices. We are open to third-party assessment of our performance, such as the Hang Seng Corporate Sustainability Benchmark Index, in which we have been a constituent stock for six consecutive years, with overall performance score improving from A to AA over time.

Since 2014, the Group has published an annual sustainability report in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines and the Environmental, Social and Governance Reporting Guide issued by the Hong Kong Stock Exchange. As we progress, we aim to gradually expand the report beyond our Hong Kong business to include our operations in Mainland China and Macau.

Our standalone sustainability reports are available on the Group's sustainability website: <http://sr.nws.com.hk>.

Human Capital

We are proud to be an employer of choice and strive to reinforce this position. We provide a stimulating, inclusive and safe work environment for our 27,900-strong workforce, and offer competitive remuneration and benefits. We also provide training and career development to unlock staff potential. As an equal opportunity employer, we treat and remunerate our employees fairly, regardless of their age, gender, ethnicity or other aspects of diversity. As a group, we value communication and team spirit, and make continuous efforts to promote dialogue, teamwork and a healthy work-life balance.

Approximately

 **170,000**

hours of training clocked up by our employees in Hong Kong in FY2016



Building Capabilities

In today's competitive labour market, it is essential to attract and retain talented people, and to equip employees with the capabilities to support business development. The Group has a comprehensive career advancement plan and well-rounded training programmes to grow the capabilities of our employees, and ensure each employee has the skills and know-how necessary to deliver quality results in an efficient and effective manner. Department heads and supervisors act as mentors, and training workshops, courses, seminars and external visits are provided to meet the specific needs of each staff member. To promote life-long learning, for example, we offer study leave, and have doubled the annual training subsidy for Corporate Office staff from HK\$5,000 to HK\$10,000 each.

Marine Officer Trainee Programme

More than 65% of the operational workforce at New World First Ferry Services Limited ("NWFF") is over 50 years of age. That gives us a great wealth of experience, but it is also crucial that we attract and train new recruits to build a pipeline for succession. In 2015, NWFF launched the First Ferry Marine Officer Trainee Programme, a six-year development programme that leads to participants becoming certified Grade 1 coxswains or operation supervisors.

Nurturing Team Spirit

Professional and social events promote communication and cohesion across departments, business units and levels of seniority throughout the Group. These activities include the popular Staff and Family Movie Day, Corporate Team-building Programme, staff outings, leisure activities and cocktail parties for new hires and promoted staff. In FY2016, we developed a new management-employee communication platform, the Executive Director Luncheon. Hosted by the Group's CEO or Executive Directors, this monthly lunch gathering facilitates candid exchanges between management and staff members in Hong Kong.



NWS Adventure Day 2015 at Hong Kong Disneyland attracts a record-breaking turnout of over 8,000 staff and their family members.

Our business serves as a nexus between the business partners, suppliers and customers that shape the products and services we offer. As we have a crucial leadership role in managing environmental and social risks that could arise in our supply chain, we can exert a positive influence on those individuals and organizations we work with regarding sustainability. Wherever possible, the Group selects local suppliers so as to support the local economy and create jobs for local people.

15,000 jobs

provided by our construction businesses in Hong Kong ⁽¹⁾

We require our suppliers and contractors to meet the ethical, social and environmental requirements stipulated in the “Supplier Code of Conduct” developed by our parent company, NWD. In our construction businesses, for instance, where the risk of environmental and social impacts is relatively high by business nature, Hip Hing Construction Company Limited (“Hip Hing”), Vibro (H.K.) Limited and New World Construction Company Limited screen suppliers and contractors based on their performance in quality management, environmental and energy management, safety management and community investment.

“We Hear Your Voice” Safety Campaign

Feedback from construction site-based staff and frontline workers makes accident prevention more effective and improves site safety. In its push to achieve a zero accident rate, Hip Hing launched the “We Hear Your Voice” programme in 2015 to leverage the first-hand experience of subcontracted workers to improve site safety. Workers are encouraged to identify safety risks and suggest ways to enhance site safety through regular meetings and other designated communication channels. Suggestions are discussed, prioritized and implemented to augment on-going safety efforts.

Ensuring Customer Safety

Customer safety is paramount, and is particularly important in our transport business. In our bus operations, we make safety facilities a top priority in our bus procurement exercises and daily operations. In response to safety incidents with sliding exit doors in early 2016 involving another local bus operator, New World First Bus Services Limited (“NWFB”) and Citybus Limited (“Citybus”) asked suppliers to preinstall two additional rails to exit doors on all new buses to provide better protection for bus passengers. All existing buses equipped with sliding exit doors will be retrofitted by FY2017.



Interactive dialogue between Hip Hing’s top management and frontline workers helps boost safety awareness.

Adding Value for Customers

We go beyond basic requirements to add value to our services. In FY2016, NWFF launched the first-ever breastfeeding room on Hong Kong public transport. The new facility aboard the Xin Guang ferry, which mainly runs between Central and Cheung Chau, measures about 4.6 sq m and provides a comfortable and private space with air-conditioning, a sofa, a diaper-changing area, a wash basin, a hand dryer and an emergency bell for passengers in need. NWFF will extend this breastfeeding facility to three other triple-deck ferries and complete installation within FY2017.

Note:

- (1) These include employees hired by our construction companies and construction workers hired by these companies’ subcontractors in FY2016.



Community Care

We invest in the communities in which we operate through long-term programmes and the Group's charity arm, NWS Holdings Charities Foundation ("Charities Foundation"). Our community investment focuses on four key areas: community welfare, education, health care and environmental protection. We also encourage and empower our employees to make meaningful contributions to the community through volunteering.

 **HK\$4.2 million**

contributed to charitable causes through the NWS Holdings Charities Foundation in FY2016

Reaching Out to the Community

NWS Holdings established the Charities Foundation in 2006 and has since contributed approximately HK\$22 million to it. Over the years, the Charities Foundation has funded hundreds of community projects. Among the non-profit organizations supported in FY2016 are the Arts with the Disabled Association Hong Kong, the Christian Family Service Centre, the Hans Andersen Club, the Hok Yau Club, the Hong Kong Family Welfare Society and the Hong Kong Young Women's Christian Association.

Since its inception in 2001, the NWS Volunteer Alliance, comprising our staff and their family members and friends, has been devoted to serving underprivileged groups, including the elderly, single-parent families, at-risk youth, ex-mentally ill people and those with intellectual disabilities. Through years of service and training, our corporate volunteers have developed skills such as haircutting, dancing, clown performance and handicraft, which they have passed on to those in need. In FY2016, for example, our corporate volunteers became tutors in the "Brightening My Life's Path" Men's Club, co-organized with the Hong Kong Family

Welfare Society. This one-year project was designed to help underprivileged men in Sham Shui Po rebuild self-confidence through social events and by acquiring new interests and skills.

Running for Geoconservation

NWS Holdings launched the NWS Geo Hero Run in FY2016 to promote healthy living and geoconservation. Around 1,500 runners participated in the half marathon and 10-km run, which wound through Hong Kong Global Geopark. To promote social inclusion and give disadvantaged people a new experience, we invited more than 100 beneficiaries from eight non-profit organizations to join in a 2-km Super Hero Run as part of the event. The NWS Geo Hero Run is a pillar event of the wider NWS Hong Kong Geo Wonders Hike campaign, which also included a full-year geoconservation training for senior high school students, plus guided public tours and a geopark clean-up activity.



Some 1,500 people participate in the NWS Geo Hero Run, which promotes physical health and a greater appreciation for Hong Kong's stunning natural landscape.

Environmental Performance

The viability of our business depends on the quality of the environment and the availability of natural resources. We therefore strive to mitigate environmental risk and reduce our overall environmental impact throughout our operations, and educate our staff on the importance of environmental protection. We follow international standards and best practices to minimize our environmental footprint, and seek external accreditation for our products, services and management systems where applicable.



1,036

environmentally friendly Euro 5 or above buses

Mitigating Environmental Impacts

Caring for the environment is integral to our day-to-day operations. In Hong Kong, NWFB and Citybus continue to acquire the more environmentally friendly Euro 5 buses and are now trialling zero-emission electric buses. Five electric buses are already in operation, and five more will be tested in the first half of FY2017. Hip Hing has designed and developed a “Packed Tower Wet Scrubber”, which captures a range of air pollutants emitted from diesel generators on construction sites, reducing the environmental impact and protecting the health of site workers and nearby residents.

Outside Hong Kong, our power plants in Mainland China implement ISO 14001 Environmental Management System and have upgraded their generators to reduce coal consumption and carbon emissions. In Macau, Macau Water Plant has collaborated with the University of Macau to develop a “Low Cost and Low Current Loss Energy Saving Device”, which reduces the energy used by its water pumps, reducing emissions and operational costs.



The Congress Plus restaurant receives LEED Gold and BEAM Plus Silver green building certification.

Building Staff Awareness

We are in continuous search for new ways to promote environmental understanding among our employees. In FY2016, we organized a range of green activities, including an energy saving contest and a visit to BYD’s headquarters and its electric vehicle power battery manufacturing plant in Shenzhen, to raise awareness of clean energy and energy conservation.

A Sustainable Exhibition and Meeting Hub

The Group’s wholly owned subsidiary, Hong Kong Convention and Exhibition Centre (Management) Limited (“HML”) is responsible for the management and daily operation of Hong Kong Convention and Exhibition Centre (“HKCEC”). HML demonstrated its leadership of the sector by making HKCEC the first venue in Hong Kong to receive ISO 20121 Event Sustainability Management System certification. This achievement reflects HML’s commitment to achieving strong business results and at the same time being socially and environmentally responsible.

The ISO 20121 Event Sustainability Management System certification ensures that HKCEC implements a full spectrum of sustainability measures throughout the event management cycle. These measures cover energy conservation, waste reduction and recycling, technology advancement, public safety, as well as staff and community welfare. All staff have been trained to integrate these measures into their day-to-day work.

HKCEC’s newly renovated restaurant, Congress Plus, also became the first restaurant in Hong Kong to receive LEED Gold Certification for Interior Design and Construction: Commercial Interiors V2009, and achieved a Silver rating from Hong Kong’s own BEAM Plus for its sustainable interior design. Notable features include carpet made of 50% recycled materials, and LED lighting with a programmable dimmer system and daylight sensors. Energy consumption is also reduced through the use of a zoned intelligent air-conditioning system and environmentally friendly kitchen equipment.



**Attributable
Operating Profit**

HK\$ 4.740 billion

▲ 6%

**Profit Attributable to
Shareholders**

HK\$ 4.913 billion

▲ 10%





Revenue

HK\$ 29.498 billion

▲ 20%

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

Notwithstanding persistent headwinds in the external environment and heightened financial market volatility, the stable organic growth underpinned by a well-balanced and diversified asset portfolio and the outstanding performance of the roads, logistics, aviation and construction businesses enabled the Group to sustain growth momentum as a whole. AOP of HK\$4.740 billion for FY2016 represented an increase of HK\$283.0 million or 6%

growth compared to the last financial year. The Infrastructure division achieved an AOP of HK\$2.856 billion, an increase of 9% compared to the same in FY2015. The AOP of the Services division increased by 3% to HK\$1.883 billion compared to the last financial year.

Profit attributable to shareholders rose by 10% to HK\$4.913 billion.

Contribution by Division

For the year ended 30 June

	2016 HK\$m	2015 HK\$m
Infrastructure	2,856.2	2,624.9
Services	1,883.4	1,831.7
Attributable operating profit	4,739.6	4,456.6
<i>Corporate office and non-operating items</i>		
Gain on fair value of investment properties	1,420.0	306.6
Gain on disposal of an available-for-sale financial asset	534.1	–
Gain on disposal of projects, net of tax	199.4	51.4
Net gain on deemed disposal of a project under a joint venture	179.3	–
Net gain on disposal of a project under a joint venture	–	1,549.9
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	–	914.0
Share of profit from Harbour Place, a residential development project	2.0	71.9
Impairment loss of an available-for-sale financial asset	(670.4)	–
Impairment loss related to an associated company	(200.0)	–
Impairment loss related to a joint venture	(177.6)	(300.0)
Loss on partial disposal and impairment loss related to an associated company	–	(1,910.9)
Net exchange (loss)/gain	(368.8)	2.1
Interest income	198.1	210.5
Finance costs	(546.3)	(522.0)
Expenses and others	(396.6)	(352.5)
	173.2	21.0
Profit attributable to shareholders	4,912.8	4,477.6

During FY2016, the Group recognized fair value gains of HK\$1.4 billion on the revaluation of investment properties. A significant portion of the fair value gain was contributed by NWS Kwai Chung Logistics Centre as the Group entered into an agreement to dispose of its entire interest in this property in June 2016 and the gain on disposal was recognized by means of fair value gain. On the other hand, the Group accepted a cash offer for its shareholding in New World China Land Limited in March 2016 and the gain on disposal of this available-for-sale financial asset amounted to HK\$534.1 million. Both disposals underlined the Group's strategy of unlocking the value in its investments at

an appropriate time and generating cash resources to fund its general working capital as well as other investment projects to further enhance shareholder value.

In addition, the Group shared a gain of HK\$179.3 million on the deemed disposal of its indirect interest in Chongqing Water Group Co., Ltd. ("Chongqing Water Group") as a result of the latter and cash being injected into Derun Environment. The investment in Derun Environment will serve as a springboard to the Group's entry into a wider range of environmental services in Mainland China and overseas.

The Group's investment in Haitong International was reclassified from an associated company to an available-for-sale financial asset in FY2015 and a fair value gain on the remeasurement of its value amounting to HK\$914.0 million was recognized pursuant to HKAS 39 "Financial Instruments: Recognition and Measurement". Thereafter, Haitong International was carried at fair value. As a result of the drop in its share price, an impairment loss of HK\$670.4 million was recognized by the Group in FY2016. As explained in the interim results announcement for the six months ended 31 December 2015, the Group recognized an impairment loss of HK\$200.0 million on the carrying value of the Group's interest in Tharisa in view of the substantial drop in the market price of chrome concentrates. An impairment loss of HK\$177.6 million for Hyva was also shared by the Group in light of the current and projected slowdown in demand for hydraulic components in Mainland China. All these impairment losses are non-cash items and bear no impact on the cash flow and operation of the Group.

Renminbi further weakened against Hong Kong Dollar by 6% in FY2016. The net exchange loss of HK\$368.8 million mainly arose from the translation of the Group's monetary assets denominated in Renminbi into Hong Kong dollars.

In FY2015, the one-off gain of HK\$1.5 billion from the disposal of indirect interest in Companhia de Electricidade de Macau – CEM, S.A. was fully offset by the partial disposal and impairment losses in relation to the Group's interest in Newton Resources Ltd ("Newton Resources") and the impairment loss shared by the Group on Guangzhou Dongxin Expressway which amounted to HK\$1.9 billion and HK\$0.3 billion respectively.

Contributions from the operations in Hong Kong accounted for 55% of AOP in FY2016 as compared to 57% in FY2015. Mainland China and Others contributed 41% and 4% respectively, as compared to 39% and 4% respectively in FY2015.

In FY2016, the Group reclassified its reporting segments under the Infrastructure division to better reflect the nature of the income streams and growth strategies. This resulted in the establishment of the Environment, Logistics and Aviation segments while the Roads segment remained. The former Energy and Water segments have been consolidated into the Environment segment in view of the long-term investment opportunities in the fast growing environmental markets through both Sino-French Holdings (Hong Kong) Limited ("SFH") and Derun Environment. The Logistics segment, which replaces the Ports & Logistics segment, has been set up to capture ports, warehousing and rail container terminal businesses. A new standalone Aviation segment has been established to embrace airport and commercial aircraft leasing investments given their strong earnings and growth potential. All prior year segment information has been restated based on the new reporting segments.

Earnings per share

The basic earnings per share was HK\$1.30 in FY2016, representing an increase of 9% from HK\$1.19 in FY2015.

Treasury management and cash funding

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

Liquidity

As at 30 June 2016, the Group's total cash and bank balances which were mainly denominated in Renminbi and Hong Kong Dollar amounted to HK\$8.924 billion, as compared to HK\$10.422 billion a year ago. The Group's Net Debt as at 30 June 2016 was HK\$6.141 billion, comparing to HK\$6.389 billion as at 30 June 2015. The decrease in Net Debt was mainly due to net cash inflows from operations and disposals of investments. The capital structure of the Group of 25% debt and 75% equity as at 30 June 2016 remained comparable to 27% debt and 73% equity as at 30 June 2015. Details of net gearing ratio are set out in the Financial Highlights section and note 4(d) to the financial statements.

Debt profile and maturity

As at 30 June 2016, the Group's Total Debt decreased to HK\$15.065 billion from HK\$16.811 billion as at 30 June 2015. The Group has spaced out its debt maturity profile to reduce refinancing risks. Among the long-term loans and borrowings of HK\$9.252 billion as at 30 June 2016, 6% will mature in the second year and 94% will mature in the third to fifth year. Bank loans were denominated in Hong Kong Dollar or Renminbi, while bonds were denominated in United States Dollar. Apart from the fixed rate bonds, bank loans were mainly floating rate interest-bearing. Interest rate swaps are used to hedge part of the Group's underlying interest rate exposure. The Group did not have any material exposure to exchange risk other than Renminbi during FY2016. As at 30 June 2016, intangible concession rights of Hangzhou Ring Road were pledged as securities for a banking facility of the Group.

Commitments

The Group's commitments for capital expenditure were HK\$3.065 billion as at 30 June 2016, as compared to HK\$2.175 billion as at 30 June 2015. These represented commitments for capital contributions to an associated company and certain joint ventures, properties and equipment, intangible concession rights and other investment. Sources of funding for capital expenditure include internally generated resources and banking facilities.

Financial guarantee contracts

Financial guarantee contracts of the Group were HK\$2.369 billion as at 30 June 2016, as compared to HK\$1.095 billion as at 30 June 2015. These represented guarantees for banking facilities of associated companies, joint ventures and a related company.

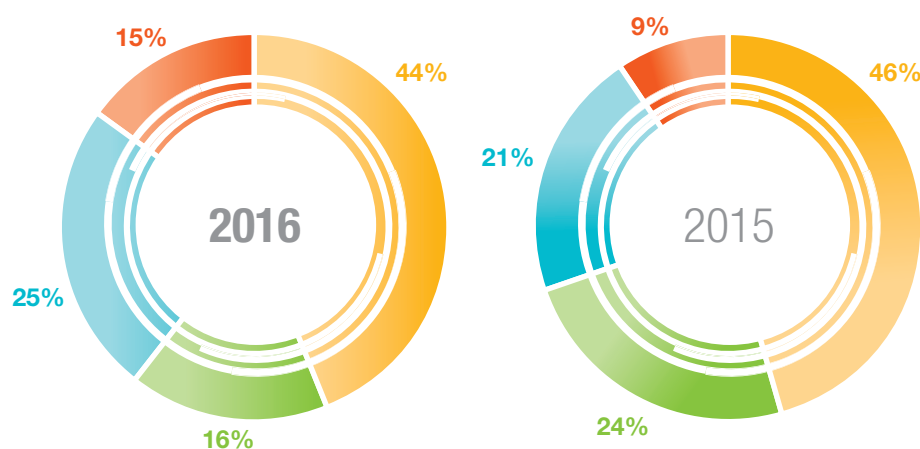
Infrastructure

In FY2016, the Infrastructure division reported an AOP of HK\$2,856.2 million, a growth of 9%, which was mainly attributable to Aviation and Logistics segments, while the Roads segment maintained steady growth. In order to better reflect the nature of the income streams and growth strategies, the Environment, Logistics and Aviation segments were established while the Roads segment remained.

AOP Contribution by Segment

For the year ended 30 June

	2016 HK\$'m	2015 HK\$'m	Change % Fav./((Unfav.))
Roads	1,259.8	1,201.0	5
Environment	469.8	631.4	(26)
Logistics	702.6	548.9	28
Aviation	424.0	243.6	74
Total	2,856.2	2,624.9	9



■ Roads
 ■ Environment
 ■ Logistics
 ■ Aviation



Operational Review



Guangzhou City Northern Ring Road

Roads

Bolstered by an overall increase in traffic volume of 12% across the Group's road portfolio, AOP from the Roads segment grew by 5% to HK\$1,259.8 million despite Renminbi depreciation during FY2016. AOP would have increased by 23% without the impact of Renminbi depreciation.

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

Traffic volume of Tangjin Expressway (Tianjin North Section) continued to grow satisfactorily since the completion of expansion works in December 2014. Its average daily traffic flow surged by 32% in FY2016.

Riding on further economic development in the Pearl River Delta Region, all the expressways in Guangdong reported healthy growth in both traffic volume and toll revenue. Average daily traffic flow in Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) grew by 11% and 7% respectively. Benefitting from the completion of its expansion works in December 2015, Shenzhen-Huizhou Expressway (Huizhou Section) delivered traffic growth of 14% in FY2016 while approval to increase its toll rate from dual 2-lane to dual 3-lane standard has been granted. The average daily traffic flow of Guangzhou-Zhaoqing Expressway also increased by 13%. The performance of both Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway continued to improve as evidenced by the rise in average daily traffic flow of 39% and 14% respectively.

In Hong Kong, average daily traffic flow of Tate's Cairn Tunnel grew slightly by 1% during FY2016.

In July 2015, the Group disposed most of its concession rights in Guangxi Roadways Network and recorded a disposal gain.

Environment

During FY2016, the former Energy and Water segments have been consolidated into the Environment segment. The decline of 26% in AOP to HK\$469.8 million for this segment was mainly caused by a significant drop in AOP from the Energy projects and pressure from Renminbi depreciation during FY2016. The AOP downturn of the Environment segment would have narrowed to 16% without the impact of Renminbi depreciation.



Macau Water Plant

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. In January 2016, the average coal-fired benchmark on-grid tariff in Mainland China was cut by RMB0.03/kWh (or 7%). The coal trading margin of Guangzhou Fuel Company also fell due to keen competition while the operating loss from a coal mine further affected its performance during FY2016.

Conversely, however, the water projects delivered a 6% growth in AOP in FY2016. Notably, 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. Sanya Water Plant successfully raised water tariff by 27.6% in February 2016. In Macau, sales volume of Macau Water Plant remained stable in FY2016 and a tariff hike of 4.3% became effective in October 2015.

In December 2015, the Group injected its interest in Chongqing Water Group into 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.

Logistics

The Logistics segment, which replaces the former Ports & Logistics segment, has been set up to capture ports, warehousing and rail container terminal businesses. AOP of the segment grew healthily by 28% to HK\$702.6 million in FY2016.

ATL Logistics Centre registered a robust average rental growth of 15% which was partly boosted by the rental adjustment of a major tenant. Without such rental adjustment, the average rent would have increased by 8%. 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 realize the full business value of the NWS Kwai Chung Logistics Centre, the Group has disposed of its entire interest for an aggregate consideration of HK\$3.75 billion in August 2016. The appreciation in property value released from this disposal has been mostly recognized by means of fair value gain in FY2016.

Throughput handled by Xiamen Container Terminal Group Co., Ltd. ("XCTG") reached 7,872,000 TEUs in FY2016, representing a steady growth of 11%. Following the acquisition of additional 6.2% interest as previously reported, the Group's stake in XCTG has increased to 20%. In Tianjin, the throughput of both Tianjin



Chongqing Rail Container Terminal

Management Discussion and Analysis

Operational Review

Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd. fell by 4% each to 2,486,000 TEUs and 897,000 TEUs respectively in FY2016.

With the introduction of containerized break-bulk cargo services in January 2015 and the increasing demand for international block train services, throughput handled by CUIRC 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.

Aviation

This segment includes the Group's investment in Beijing Capital International Airport Co., Ltd. ("BCIA") and the commercial aircraft leasing business. The significant increase in AOP of 74% was primarily due to the full year contribution from Goshawk.

As the world's second busiest airport in terms of passenger throughput, BCIA served 91.5 million passengers in FY2016, representing a 3% growth compared to FY2015. The robust growth of international passengers, together with the new

concession model for retail, restaurants and advertising businesses, have continued to drive BCIA's revenue streams.

To capture the growing demand for leased aircraft, the Group entered the commercial aircraft leasing business by acquiring 40% equity interest in 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 the Group.

In FY2016, the Group established the second commercial aircraft leasing platform through the formation of a joint venture with Chow Tai Fook Enterprises Limited and Aviation Capital Group Corp., one of the world's leading aircraft leasing companies based in the USA. This new joint venture, namely Bauhinia, which is expected to bring recurring cash flows and stable income to the Group 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.



Beijing Capital International Airport

Business Outlook – Infrastructure

Economic growth in Mainland China is still on track to attaining the official growth target for 2016, albeit at a slower pace than in previous years. With a strong financial position and additional cash resources from divestment activities in FY2016, the Group is well prepared and positioned to capture investment opportunities to further strengthen its infrastructure assets portfolio.

Roads

China will continue its effort in advancing urbanization and road network development. Public-private partnership is primed to be the key model in funding and operating infrastructure projects including expressways to alleviate the debt burden of local governments and improve operational efficiency. Against this backdrop and spurred by the strong financial strength and experience in the toll road industry, the Group is optimistic that it will be able to capitalize on the emerging business opportunities. Furthermore, the anticipated release of the amendment of “Regulation on the Administration of Toll Roads” by the Ministry of Transport of Mainland China is poised to provide clearer and helpful directives on toll regulations and concession extension.

Environment

China is committed to carrying out over 10 mega environmental related projects in the 13th Five-Year Plan, including setting up waste utilization bases, water environment renovation and construction of sponge cities. This will create immense investment opportunities for the industry. Derun Environment, with its expertise, resources and local presence, is well positioned to ride the wave of environmental sustainability. Construction of a sludge drying facility with daily treatment capacity of 200 tonnes is underway in Suzhou and the plant is expected to be operational by the end of 2017.

Renewable energy generation is becoming more technically mature and commercially viable in Mainland China. Its market share is expected to grow with the support of government policies. The Company will continue to explore investment potentials in this regard. The outlook of coal-fired power remains overshadowed by slowing electricity demand and rigorous emission controls.

Logistics

Retail sales in Hong Kong have continued to soften while the supply of warehouse facilities has been growing. To maintain the competitiveness of ATL Logistics Centre, a four-year building renovation programme is well underway and is targeted for completion in the financial year ending 30 June 2018.

The Belt and Road Initiative continues to benefit CUIRC terminals as a result of the rising demand for international block train services. In addition, the supportive policies from China Railway Corporation will further drive the development of containerized break-bulk cargo services. To capture the future growth potential, both Tianjin and Urumqi terminals are scheduled to commence operations in FY2017.

Aviation

In light of the increasing demand for air transportation, the outlook of aviation market remains robust.

While BCIA is operating near optimal capacity, it is expected to deliver relatively stable passenger growth in the coming years. Nevertheless, BCIA will endeavour to optimize air route network to increase the proportion of international flights. Other key management focus areas to realize BCIA’s underlying potentials include the development of non-aeronautical businesses, effective cost management, improving aircraft ground handling and airport operational efficiency.

Global air traffic growth is expected to continue in the long-term. According to the forecasts by both Boeing and Airbus, the size of the global aircraft fleet will double by 2035, thereby boosting the demand for leased aircraft. Looking ahead, the aircraft leasing industry will be driven by rising air traffic volumes from the emerging markets of the Asia-Pacific region, low fuel price and expansion of low cost carriers. With the firm commitment and strategy to further enhance the aircraft leasing portfolio, this business will serve as an important growth impetus for the Group in the years to come.



Commercial aircraft leasing business

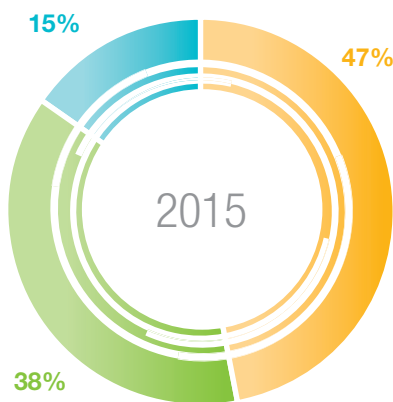
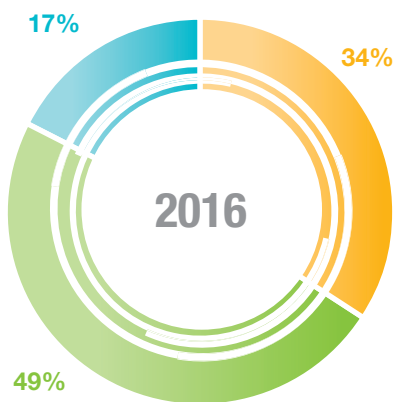
Services

The Services division recorded an AOP of HK\$1,883.4 million in FY2016, representing a 3% increase from FY2015. The Construction business maintained its healthy growth momentum on the back of strong project pipeline and order book while the Transport business continued to recover. However, AOP contribution from the Facilities Management segment experienced negative growth as a result of high rental and weaker than expected average spending of Mainland China tourists for the Free Duty business.

AOP Contribution by Segment

For the year ended 30 June

	2016 HK\$m	2015 HK\$m	Change % Fav./Unfav.
Facilities Management	645.0	861.5	(25)
Construction & Transport	911.6	691.1	32
Strategic Investments	326.8	279.1	17
Total	1,883.4	1,831.7	3



■ Facilities Management
 ■ Construction & Transport
 ■ Strategic Investments



Operational Review



Hong Kong Convention and Exhibition Centre

Facilities Management

The Facilities Management segment mainly comprises the management and operation of HKCEC and the business of Free Duty.

During FY2016, 1,149 events were held at 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. With the recognition of being the first organization in Hong Kong to attain the ISO 20121 Event Sustainability Management System certification, HKCEC will stay focused on delivering total customer satisfaction through innovative environmental solutions and quality services.

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 operation at the Lok Ma Chau Station sustained steady growth. The Group will continue to explore opportunities to reinforce the duty free business.

Construction & Transport

AOP contribution from the Construction business recorded strong growth of 26% to HK\$715.5 million in FY2016 mainly due to the continuous improvement in gross profit through effective project management and the strong increase in business volume. Major projects during FY2016 included New World Centre remodeling, residential development at Clear Water Bay Road,



New World First Ferry



New World First Bus and Citybus

Gleneagles Hong Kong Hospital, Phase Two Expansion of Cathay Pacific's catering services facility, Kerry Hotel Hong Kong at Hung Hom and foundation work for Public Rental Housing Development at Lai Chi Kok Road. In addition, new tenders awarded during FY2016 included construction for the Home Ownership Scheme Developments at Kiu Cheong Road, Tin Shui Wai and Ngan Kwong Wan Road East and West, Mui Wo, a composite development at Tseung Kwan O and a commercial development at Kowloon Bay. 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.

Having recovered from the impact of the "Occupy Central Movement" in FY2015 and as the ridership loss to the MTR West Island Line has gradually subsided and stabilized in FY2016, the Group's Transport business was able to take advantage of the rising patronage from airport bus services and stable fuel costs through a hedging programme to increase its earnings contribution by 56% to HK\$196.1 million in FY2016.

Strategic Investments

This segment includes contributions from Tricor Holdings Limited ("Tricor"), Haitong International, Newton Resources, Tharisa, Hyva and other investments held by the Group during the year for strategic investment purposes.

Tricor's corporate services businesses performed steadily during FY2016 and captured about 51% of the total share of new listings in Hong Kong. Its business operations in Hong Kong, Singapore and Malaysia altogether contributed about 81% of the total profit of Tricor in FY2016. The Company, together with The Bank of

East Asia, Limited, are currently undertaking a strategic review on our investments in Tricor whereby various options will be considered, including potential disposal, to realize shareholder value.

The Group's investment in Haitong International was reclassified from an associated company to an available-for-sale financial asset in June 2015. Contribution from Haitong International represented dividend income in FY2016.

While the global commodities prices appear to have stabilized since early 2016, the Group will continue to monitor its investments in the mining industry closely.

Tharisa, which is principally engaged in platinum group metals and chrome mining, processing and trading in South Africa, continued to ramp up its production to full capacity. Its ordinary shares are listed on the Johannesburg Stock Exchange Limited and its secondary listing on the main board of the London Stock Exchange plc commenced in June 2016. In view of the substantial drop in the market price of chrome concentrates, the Group recognized an impairment loss of HK\$200.0 million in the carrying value of its interest in Tharisa in FY2016.

The slowdown of China's mining related economic activities continued to have an adverse impact on Hyva's performance. While the operating losses had been mitigated by cost savings measures, an impairment loss of HK\$177.6 million was shared by the Group in FY2016.

Business Outlook – Services



Xiqu Centre at West Kowloon Cultural District, a construction project undertaken by Hip Hing Construction Company Limited

While Hong Kong's domestic economy exhibited remarkable resilience in the past year, uncertainties in the global economy together with volatilities in the local stock and property markets have inevitably dented local consumer sentiment. Looking ahead, the operating environment for the Services division in Hong Kong will remain challenging.

Facilities Management

HKCEC continued to foster its leading position in the industry having been voted the “Best Convention and Exhibition Centre in Asia” for 13 times from 2001 to 2016 by CEI Asia magazine, one of the most influential trade publications in the region. Its management company, Hong Kong Convention and Exhibition Centre (Management) Limited, was also honoured as the “Best Venue Team in Asia Pacific” in the same award programme. In the coming years, HKCEC will continue to host premier international events. In view of the anticipated adjustments in relation to luxury products or lifestyle shows, HKCEC will endeavour to identify new large scale exhibitions to further improve utilization especially during non-peak periods.

The outlook of the domestic retail market will remain subdued as the slowdown in inbound tourism is likely to continue. Free Duty has already adjusted its marketing strategy to target both tourists and local consumers. Based on the cross-border passenger traffic trends, the Group believes that the Lok Ma Chau Station will maintain its stable growth momentum. At the same time, the Group will continue to explore opportunities for geographical diversification.

The construction of Gleneagles Hong Kong Hospital in which the Group has 40% interest, has been completed. Workforce planning, including the recruitment of doctors, nurses and healthcare professionals, is well underway. Slated to commence operations in early 2017, Gleneagles Hong Kong Hospital will provide 500 beds and a comprehensive range of medical services. This new healthcare business will augment the Group's services portfolio in Hong Kong and serves as a new growth driver for the Services division.



Gleneagles Hong Kong Hospital

Construction & Transport

The construction industry in Hong Kong will remain vibrant over the short to medium term despite predictions of interest rate hike. In light of the existing contracts on hand and the opportunities to participate in other sizeable projects, the Group is confident to maintain a healthy order book and a good pipeline of projects in the coming years. However, profit margins are under pressure due to labour shortage, escalating labour and material costs and increasing scrutiny on industrial safety and environmental protection. Therefore, risk mitigation and cost control through proficient project management practices will continue to be the key focus areas for the construction companies.

The Transport business made steady progress in FY2016 in regaining some loss of ridership following the opening of the MTR West Island Line. Regarding the scheduled opening of the MTR Kwun Tong Line Extension and South Island Line by the end of 2016, such effect will be partly mitigated by the implementation of bus route rationalization programme.

Conclusions

The effective execution of sustainable investment strategy and systematic approach to business performance optimization enabled the Group to deliver solid growth despite unfavourable market conditions and operating environment. As the most significant growth driver in FY2016, the Aviation segment fully justified its new stature as a standalone segment under the Infrastructure division. While the expansion of Goshawk and its first full-year earnings contribution were in line with management expectations, the establishment of Bauhinia will allow the Group to increase its market presence in the growing aircraft leasing industry. The simultaneous development of these two aircraft leasing platforms together with the upside potential of BCIA will undoubtedly drive the growth of the Aviation segment in the coming years.

The overall operating performance of the projects under the Infrastructure division remained robust and resilient although the financial result was diluted by the impact of Renminbi depreciation on the projects in Mainland China. The Roads segment delivered

encouraging results driven by growing local economic activities. On the other hand, the performance of the newly formed Environment segment was restrained by the continued decline in coal-fired electricity sales although the impact was partly alleviated by the growth delivered by the former Water segment. Nonetheless, the Group remains optimistic in the outlook of the Environment segment as urbanization and policy support in Mainland China will continue to spur demand for modern and advanced water and waste treatment processes while Derun Environment will make full-year contribution starting from FY2017.

The Services division held its ground relatively well despite constant headwinds and contrasting performances. The Facilities Management segment contracted further as the Free Duty business slowed down due to subdued retail sentiment. Such impact was however more than compensated by the remarkable growth of the Construction business. With Gleneagles Hong Kong Hospital scheduled to commence operation in FY2017, the Group looks forward to developing the healthcare business into a new growth driver for its services portfolio.

Having strategically divested and unlocked the value of certain mature and non-core assets, the Group has built up a sizeable war chest to undertake value creating initiatives and pursue acquisition opportunities that will maintain long-term stability and growth in shareholder value and return on investment. The Group has accordingly set aside some HK\$4 billion of financial resources for capital expenditure and investment purposes in the coming financial year. As such, the Group is well prepared and equipped to embrace opportunities and face challenges that lie ahead.



Free Duty

REPORTS AND FINANCIAL STATEMENTS

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Report of the Directors

The directors of NWS Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) submit their report together with the audited financial statements of the Group for the year ended 30 June 2016.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

- (i) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and
- (ii) the investment in and/or operation of facilities, construction, transport and strategic investments.

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

Business Review

A fair review of the business of the Group and a discussion and analysis of the Group’s performance during the year and the material factors underlying its results and financial position, as well as the outlook for the Group’s business, are provided in the “Chairman’s Statement” (pages 10 and 11) and the “Management Discussion and Analysis” (pages 54 to 69) sections. Particulars of significant events affecting the Group that have occurred since the end of the year ended 30 June 2016, if applicable, can also be found in the aforesaid sections and the notes to the financial statements (pages 100 to 189). Description of the principal risks and uncertainties faced by the Group can be found throughout this annual report, particularly in the “Risk Management” section (pages 41 to 45). Description of the Group’s relationships with its key stakeholders is included in the “Corporate Governance Report” (pages 23 to 40) and the “Sustainability” (pages 46 to 53) sections. Furthermore, the Group’s environmental policies and performance are set out in the “Sustainability” section (pages 46 to 53) and details regarding the Group’s compliance with relevant laws and regulations which have a significant impact on the Group are provided in the “Corporate Governance Report” section (pages 23 to 40).

This discussion forms part of this report of the directors.

Results and Appropriations

The results of the Group for the year and the state of affairs of the Company and of the Group as at 30 June 2016 are set out in the financial statements on pages 92 to 189.

The board of directors of the Company (the “Board”) has resolved to recommend a final dividend for the year ended 30 June 2016 (the “Final Dividend”) in scrip form equivalent to HK\$0.34 per share (2015: HK\$0.33 per share) with a cash option to the shareholders whose names appear on the register of members of the Company on 25 November 2016. Together with the interim dividend of HK\$0.31 per share (2015: HK\$0.27 per share) paid in May 2016, total distribution of dividend by the Company for the year ended 30 June 2016 will thus be HK\$0.65 per share (2015: HK\$0.60 per share).

Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 21 November 2016 (the “2016 AGM”) and the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) granting the listing of and permission to deal in the new shares to be issued under the Final Dividend, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and they will be given the option of electing to receive payment in cash of HK\$0.34 per share instead of the allotment of shares. A circular containing details of the scrip dividend arrangement will be despatched to the shareholders of the Company together with a form of election for cash dividend on or about 29 November 2016.

Report of the Directors

Subsidiaries

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

Associated Companies and Joint Ventures

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 42 and 30 to the financial statements respectively.

Distributable Reserves

At 30 June 2016, the Company's reserves available for distribution amounted to HK\$10,047.3 million (2015: HK\$6,748.8 million).

Donations

During the year, the Group made charitable donations amounted to HK\$3.4 million (2015: HK\$3.0 million).

Investment Properties

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

Property, Plant and Equipment

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

Shares Issued

During the year, the Company 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). Accordingly, a total of 56,600,940 shares of the Company, fully paid, were issued for a total consideration of HK\$608.3 million.

Details of movements in the share capital of the Company during the year are set out in note 29 to the financial statements.

Debentures Issued

The Group has not issued any debentures during the year.

Bank Loans and Other Borrowings

Particulars of the bank loans and other borrowings of the Group are set out in note 31 to the financial statements.

Equity Linked Agreements

Save for the share option scheme of the Company disclosed in the section headed “Share Option Scheme” below and note 29 to the financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

Pre-emptive Rights

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

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

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

Major Customers and Suppliers

The amount of turnover attributable to the Group’s five largest customers in aggregate and the Group’s largest customer accounted for 31% and 12% respectively of the Group’s total turnover for the year ended 30 June 2016. The largest and the second largest customers are subsidiaries of the Company’s ultimate holding company and Dr Cheng Kar Shun, Henry is a director of these two customers. The turnover from these two customers is in respect of the Group’s construction business.

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

The aggregate amount of purchases attributable to the Group’s five largest suppliers accounted for less than 30% of the Group’s total purchases for the year ended 30 June 2016.

Management Contracts

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

Permitted Indemnity Provisions

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

In addition, a directors and officers liability insurance policy insuring claims made against, among others, the directors and the senior management of the Group members and the persons representing the Group in associates as directors or senior management was in effect throughout the year ended 30 June 2016 and remained in effect up to the date of this report.

Report of the Directors

Directors

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

Executive directors

Dr Cheng Kar Shun, Henry (*Chairman*)

Mr Tsang Yam Pui (*Chief Executive Officer*)

(appointed as Chief Executive Officer on 1 July 2015)

Mr Hui Hon Chung (*Deputy Chief Executive Officer*)

(appointed on 1 September 2015)

Mr Cheung Chin Cheung

Mr Cheng Chi Ming, Brian

Non-executive directors

Mr To Hin Tsun, Gerald

Mr Dominic Lai

Mr Lam Wai Hon, Patrick

(re-designated from executive director on 1 January 2016)

Mr William Junior Guilherme Doo

Independent non-executive directors

Mr Kwong Che Keung, Gordon

Dr Cheng Wai Chee, Christopher

The Honourable Shek Lai Him, Abraham

Mr Lee Yiu Kwong, Alan

Mrs Oei Fung Wai Chi, Grace

(appointed on 1 January 2016)

Mr Wilfried Ernst Kaffenberger

(retired on 17 November 2015)

Mr Yeung Kun Wah, David

(ceased on 17 November 2015)

(alternate director to Mr Wilfried Ernst Kaffenberger)

Mr Wilfried Ernst Kaffenberger, who retired as a director of the Company during the year, has no disagreement with the Board and nothing relation to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

In accordance with bye-law 86(2) of the Company's bye-laws, Mrs Oei Fung Wai Chi, Grace will retire at the forthcoming annual general meeting and being eligible, will offer herself for re-election.

In accordance with bye-law 87 of the Company's bye-laws, Mr Tsang Yam Pui, Mr To Hin Tsun, Gerald, Mr Dominic Lai, Mr Kwong Che Keung, Gordon and Mr Shek Lai Him, Abraham will retire by rotation at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

Directors' Service Contracts

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

Directors' Interests in Transactions, Arrangements or Contracts

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

Directors' Interests in Competing Business

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

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

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

Directors' Rights to acquire Shares or Debentures

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

Report of the Directors

Directors' Interests in Securities

As at 30 June 2016, the directors had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO:

(a) Long position in shares

	Number of shares			Total	Approximate percentage of shareholding as at 30.06.16
	Personal interests	Family interests	Corporate interests		
The Company					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar Shun, Henry	18,349,571	–	12,000,000 ⁽¹⁾	30,349,571	0.792%
Mr Tsang Yam Pui	180,000	–	–	180,000	0.005%
Mr Lam Wai Hon, Patrick	1,316,207	–	7,608 ⁽²⁾	1,323,815	0.035%
Mr William Junior Guilherme Doo	533,377	–	122,375 ⁽³⁾	655,752	0.017%
Mr Kwong Che Keung, Gordon	1,207,077	–	–	1,207,077	0.032%
Dr Cheng Wai Chee, Christopher	2,804,123	–	–	2,804,123	0.073%
New World Development Company Limited ("NWD")					
(Ordinary shares)					
Dr Cheng Kar Shun, Henry	–	600,000 ⁽⁴⁾	–	600,000	0.006%
Mr Cheung Chin Cheung	124,400	–	–	124,400	0.001%
Mr William Junior Guilherme Doo	–	40,000 ⁽⁵⁾	–	40,000	0.000%
Mr Kwong Che Keung, Gordon	40,000	–	–	40,000	0.000%
Newton Resources Ltd ("Newton Resources")					
(Ordinary shares of HK\$0.10 each)					
Mr Cheung Chin Cheung	7,154	–	–	7,154	0.000%
Mr Kwong Che Keung, Gordon	11,307	–	–	11,307	0.000%
Wai Kee Holdings Limited					
(Ordinary shares of HK\$0.10 each)					
Mr Lam Wai Hon, Patrick	300,000	–	–	300,000	0.038%

Notes:

- (1) The shares were held by a company wholly owned by Dr Cheng Kar Shun, Henry.
- (2) The shares were held by a company wholly owned by Mr Lam Wai Hon, Patrick.
- (3) The shares were held by a company wholly owned by Mr William Junior Guilherme Doo.
- (4) The shares represented the interest of the spouse of Dr Cheng Kar Shun, Henry.
- (5) The shares were held by the spouse of Mr William Junior Guilherme Doo.

Directors' Interests in Securities (continued)

(b) Long position in underlying shares – share options

(i) The Company

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

Name	Date of grant	Exercisable period (Note)	Number of share options					Balance as at 30.06.16	Exercise price per share ⁽²⁾ HK\$
			Balance as at 01.07.15	Granted during the year	Adjusted during the year ⁽²⁾	Exercised during the year	Re-classified during the year		
Dr Cheng Kar Shun, Henry	9 March 2015	(1)	7,401,080	-	10,978	-	-	7,412,058	14.137
Mr Tsang Yam Pui	9 March 2015	(1)	3,700,540	-	5,488	-	-	3,706,028	14.137
Mr Cheung Chin Cheung	9 March 2015	(1)	3,700,540	-	5,488	-	-	3,706,028	14.137
Mr Cheng Chi Ming, Brian	9 March 2015	(1)	3,700,540	-	5,488	-	-	3,706,028	14.137
Mr To Hin Tsun, Gerald	9 March 2015	(1)	700,102	-	1,038	-	-	701,140	14.137
Mr Dominic Lai	9 March 2015	(1)	700,102	-	1,038	-	-	701,140	14.137
Mr Lam Wai Hon, Patrick	9 March 2015	(1)	3,700,540	-	5,488	-	-	3,706,028	14.137
Mr William Junior Guilherme Doo	9 March 2015	(1)	700,102	-	1,038	-	-	701,140	14.137
Mr Kwong Che Keung, Gordon	9 March 2015	(1)	1,400,204	-	2,077	-	-	1,402,281	14.137
Dr Cheng Wai Chee, Christopher	9 March 2015	(1)	1,400,204	-	2,077	-	-	1,402,281	14.137
Mr Shek Lai Him, Abraham	9 March 2015	(1)	1,400,204	-	2,077	-	-	1,402,281	14.137
Mr Lee Yiu Kwong, Alan	9 March 2015	(1)	1,400,204	-	2,077	-	-	1,402,281	14.137
Mr Wilfried Ernst Kaffenberger	9 March 2015	(1)	1,400,204	-	-	-	(1,400,204) ⁽³⁾	-	14.158

Notes:

- (1) 60% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.
- (2) The Company declared final dividend for the year ended 30 June 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 interest of Mr Wilfried Ernst Kaffenberger, who retired as an independent non-executive director of the Company upon the conclusion of the annual general meeting of the Company held on 17 November 2015 (the "2015 AGM"), was re-classified as eligible participants' interest on the date of his retirement.
- (4) The cash consideration paid by each of the directors for the grant of share options was HK\$10.

Directors' Interests in Securities (continued)

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

(ii) NWD

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

Name	Date of grant	Exercisable period (Note)	Number of share options					Balance as at 30.06.16	Exercise price per share HK\$
			Balance as at 01.07.15	Granted during the year	Adjusted during the year ⁽²⁾	Exercised during the year	Lapsed during the year		
Dr Cheng Kar Shun, Henry	19 March 2012	(1)	10,664,813	-	10,824	-	(10,675,637)	-	9.152 ⁽²⁾
	10 June 2016	(3)	-	10,675,637	-	-	-	10,675,637	7.540

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. All unexercised share options lapsed on 19 March 2016.
- (2) NWD declared final dividend for the financial 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 was adjusted from HK\$9.161 to HK\$9.152 on 29 December 2015.
- (3) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (4) The cash consideration paid by the director for the grant of the share options was HK\$10.

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

Under the share option scheme of NWCL, a fellow subsidiary of the Company, the following directors of the Company have personal interests in options to subscribe for its shares. Details of the share options of NWCL granted to them are as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options			Exercise price per share HK\$
			Balance as at 01.07.15	Exercised during the year ⁽²⁾	Balance as at 30.06.16	
Dr Cheng Kar Shun, Henry	18 January 2011	(1)	2,077,922	(2,077,922)	-	3.036
Dr Cheng Wai Chee, Christopher	18 January 2011	(1)	311,688	(311,688)	-	3.036

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

Directors' Interests in Securities (continued)

(c) Long position in debentures

(i) *Rosy Unicorn Limited*

The following director of the Company has interest in the US\$500,000,000 6.50% guaranteed bonds due 2017 issued by Rosy Unicorn Limited, an indirect wholly owned subsidiary of the Company. Details of his interest in such debentures are as follows:

Name	Amount of debentures in US\$			Total	Approximate percentage to the total amount of debentures in issue as at 30.06.16
	Personal interests	Family interests	Corporate interests		
Mr William Junior Guilherme Doo	–	–	4,500,000 ^(Note)	4,500,000	0.900%

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

(ii) *NWCL*

The following director of the Company has interest in the debentures issued by NWCL, which include the RMB3,000,000,000 5.50% bonds due 2018 and the US\$900,000,000 5.375% notes due 2019 under its US\$1,500,000,000 medium term note programme. Details of his interest in such debentures are as follows:

Name	Amount of debentures in RMB			Total	Approximate percentage to the total amount of debentures in issue as at 30.06.16
	Personal interests	Family interests	Corporate interests		
Mr William Junior Guilherme Doo	–	–	27,628,000 ^(Note)	27,628,000	0.295%

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

Directors' Interests in Securities (continued)

(c) Long position in debentures (continued)

(iii) *Fita International Limited*

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

Name	Amount of debentures in US\$			Total	Approximate percentage to the total amount of debentures in issue as at 30.06.16
	Personal interests	Family interests	Corporate interests		
Mr William Junior Guilherme Doo	–	–	3,000,000 ^(Note)	3,000,000	0.400%

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

(iv) *NWD (MTN) Limited*

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

Name	Amount of debentures in US\$			Total	Approximate percentage to the total amount of debentures in issue as at 30.06.16
	Personal interests	Family interests	Corporate interests		
Mr William Junior Guilherme Doo	–	–	2,000,000 ^(Note)	2,000,000	0.078%

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

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 position in the shares, underlying shares and debentures of the Company and any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Listing Rules.

Share Option Scheme

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

Purpose of the Scheme	To reward directors and employees of the Group for their past service or performance; providing incentive and motivation or reward to eligible participants for optimizing their performance or making contribution to the Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to the Group; and fostering a sense of corporate identity.
Participants of the Scheme	<p>Eligible participant may be a person or an entity belonging to any of the following classes:</p> <ul style="list-style-type: none"> (i) any eligible employee; (ii) any non-executive director (including independent non-executive director) of the Group or any invested entity of the Group (“Invested Entity”); (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.
Total number of shares available for issue under the Scheme and percentage of the issued shares as at the date of this report	<p>The Company had granted share options to certain eligible participants to subscribe for a total of 55,560,071 shares of the Company under the Scheme, which include certain adjustments made pursuant to the rules of the Scheme, up to the date of this report.</p> <p>The total number of shares available for issue under the Scheme is 284,020,370 shares, representing approximately 7.41% of the Company’s total number of issued shares as at the date of this report.</p>
Maximum entitlement of each participant under the Scheme	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue.
The period within which the shares must be taken up under an option	At any time during a period as specified by the directors, however in any event the share options must be exercised within 10 years from the date of grant.
The minimum period for which an option must be held before it can be exercised	Any period as determined by the directors.

Report of the Directors

Share Option Scheme (continued)

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid

HK\$10 is to be paid as consideration for the grant of option within 14 days from the date of offer.

The basis of determining the exercise price

The exercise price is determined by the directors which must be at least the highest of: (i) the closing price of the share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the share as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five dealing days immediately preceding the date of grant; and (iii) the nominal value of the share.

The remaining life of the Scheme

The Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 21 November 2011.

During the year ended 30 June 2016, movement of share options granted by the Company under the Scheme is as follows:

- (1) Details of the movement of share options granted to directors of the Company are disclosed under the section headed "Directors' Interests in Securities" above.
- (2) Details of the movement of share options granted to other eligible participants are as follows:

Date of grant	Exercisable period (Note)	Number of share options						Balance as at 30.06.16	Exercise price per share ⁽²⁾ HK\$
		Balance as at 01.07.15	Granted during the year	Adjusted during the year ⁽²⁾	Exercised during the year	Re-classified during the year	Lapsed during the year		
9 March 2015	(1)	24,173,487	-	37,666	-	1,400,204 ⁽³⁾	(284,248)	25,327,109	14.137

Notes:

- (1) 60% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.
- (2) The Company declared final dividend for the year ended 30 June 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 interest of Mr Wilfried Ernst Kaffenberger, who retired as an independent non-executive director of the Company upon the conclusion of the 2015 AGM, was re-classified as eligible participants' interest on the date of his retirement.
- (4) The consideration paid by each eligible participant for the grant of share options was HK\$10.

Substantial Shareholders' Interest in Securities

As at 30 June 2016, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Number of shares			Approximate percentage to the issued share capital of the Company
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited	–	2,446,682,308 ⁽¹⁾	2,446,682,308	63.85%
Cheng Yu Tung Family (Holdings II) Limited	–	2,446,682,308 ⁽²⁾	2,446,682,308	63.85%
Chow Tai Fook Capital Limited	–	2,446,682,308 ⁽³⁾	2,446,682,308	63.85%
Chow Tai Fook (Holding) Limited	–	2,446,682,308 ⁽⁴⁾	2,446,682,308	63.85%
CTF Enterprises	97,034,424	2,349,647,884 ⁽⁵⁾	2,446,682,308	63.85%
NWD	1,572,899,022	776,748,862 ⁽⁶⁾	2,349,647,884	61.32%
Mombasa Limited	706,667,321	–	706,667,321	18.44%

Notes:

- (1) Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in Chow Tai Fook Capital Limited ("CTFC") and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (2) Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (3) CTFC held approximately 78.58% direct interest in Chow Tai Fook (Holding) Limited ("CTFH") and was accordingly deemed to have an interest in the shares deemed to be interested by CTFH.
- (4) CTFH held 100% direct interest in CTF Enterprises and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Enterprises.
- (5) CTF Enterprises, together with its subsidiaries, held more than one-third of the issued shares of NWD and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.
- (6) NWD held 100% indirect interest in Mombasa Limited and was accordingly deemed to have an interest in the shares held by Mombasa Limited in the Company. NWD was also deemed to be interested in 2,979,975 shares held by Financial Concepts Investment Limited, 33,550,783 shares each held by Hing Loong Limited and Fine Reputation Incorporated respectively, all of them are subsidiaries of NWD.
- (7) All the interests stated above represented long positions.

Save as disclosed above, there was no other interest recorded in the register that 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% of the Company's total number of issued shares during the year and up to the date of this report.

Report of the Directors

Connected Transactions

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

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

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

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

During the year ended 30 June 2016, the contract amounts for the operational services under the CTF Enterprises Master Services Agreement are summarized as follows:

Categories	Approximate total contract sum HK\$m	Annual cap HK\$m
Operational services by members of the Group to members of the CTF Enterprises Group	55.6	865.4
Operational services by members of the CTF Enterprises Group to members of the Group	0.9	1.6

Connected Transactions (continued)

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

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

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

During the year ended 30 June 2016, the contract amounts for the operational services under the NWD Master Services Agreement are summarized as follows:

Categories	Approximate total contract sum HK\$’m	Annual cap HK\$’m
Operational services by members of the Group to members of the NWD Group	7,988.4	14,506.5
Operational services by members of the NWD Group to members of the Group	80.4	117.1

Connected Transactions (continued)

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

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

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

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

During the year ended 30 June 2016, the contract amounts for the operational services under the DOO Master Services Agreement are summarized as follows:

Categories	Approximate total contract sum HK\$m	Annual cap HK\$m
Operational services by members of the Group to members of the Services Group	1.8	5.0
Operational services by members of the Services Group to members of the Group	1,397.5	3,538.4

Connected Transactions (continued)

- (4) On 24 September 2015, an agreement (the "Agreement") was entered into between Catchy Investments Limited ("Catchy") as vendor and Hip Hing Construction Holdings Limited ("HHCH", an indirect wholly owned subsidiary of the Company) as purchaser and pursuant to which, Catchy agreed to sell and HHCH agreed to purchase one share of par value of US\$1.00 in the share capital of Next Jubilee Holdings Limited ("Next Jubilee", whose main assets were the office units nos. 1 to 20 on the eleventh floor of Chevalier Commercial Centre at No. 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong) and to assign the outstanding shareholder's loan in the amount of HK\$154,016,995.82 of Next Jubilee owed to Catchy immediately prior to the completion of the Agreement at the total consideration of HK\$261,855,950.69.

As at the date of signing of the Agreement, NWD was interested in approximately 61.32% of the total issued share capital of the Company and Catchy was a direct wholly owned subsidiary of NWD. Catchy was therefore a connected person of the Company and the transaction contemplated under the Agreement constituted a connected transaction of the Company under the Listing Rules.

Completion of the Agreement took place on 24 September 2015.

- (5) On 10 December 2015, CTF Enterprises, Razor Zenith Limited ("RZL", a wholly owned subsidiary of CTF Enterprises), NWS Ports Management Limited (a direct wholly owned subsidiary of the Company), Flying Gravity Limited ("FGL", an indirect wholly owned subsidiary of the Company) 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 (the "Supplemental Agreement") entered into among the Parties on 8 March 2016, the Parties agreed that the total capital 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 to US\$240.0 million.

As at the date of signing of the Supplemental Agreement, RZL was wholly owned by CTF Enterprises and CTF Enterprises held approximately 43.87% of the total issued share capital of NWD and approximately 2.55% of the total issued share capital of the Company. NWD held approximately 61.33% of the total issued share capital 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 constituted a connected transaction of the Company under the Listing Rules.

Report of the Directors

Connected Transactions (continued)

- (6) On 6 January 2016, NWD, Easywin Enterprises Corporation Limited (the “Offeror”) and NWCL issued an announcement jointly in relation to (i) the voluntary conditional cash offer by The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) on behalf of the Offeror to acquire all of the issued shares of NWCL (“NWCL Shares”) (other than those already held by the Offeror and NWD) (the “Share Offer”); and (ii) the voluntary conditional cash offer by HSBC on behalf of the Offeror to the holders of NWCL’s share options to cancel all the outstanding share options of NWCL held by them.

On 11 March 2016, High Earnings Holdings Limited (“High Earnings”, a wholly owned subsidiary of the Company) tendered its acceptance of the Share Offer (the “Acceptance”) in respect of 93,073,738 NWCL Shares held by it by returning the duly completed and signed form of acceptance and transfer in respect of the Share Offer together with the relevant documents to the Hong Kong branch share registrar of NWCL. Based on the price of the Share Offer of HK\$7.80 per offer share of NWCL, the aggregate consideration paid by the Offeror for the 93,073,738 NWCL Shares held by High Earnings amounted to HK\$725,975,156.40 (before deduction of seller’s ad valorem stamp duty). The relevant consideration was received by High Earnings on 1 April 2016.

As at the date of the Acceptance, the Offeror was a wholly owned subsidiary of NWD. NWD was interested in approximately 61.33% of the total issued share capital of the Company. Accordingly, the Offeror was regarded as a connected person of the Company and the Acceptance constituted a connected transaction for the Company under the Listing Rules.

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

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better;
- (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- (d) within the caps as set out in the relevant circular.

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

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

Disclosure pursuant to Rule 13.22 of the Listing Rules

As at 30 June 2016, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK\$6,871.0 million to its affiliated companies (included in amounts disclosed in notes 19, 20 and 24 to the financial statements), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$2,369.5 million (included in the amounts disclosed in note 37 to the financial statements) and contracted to provide an aggregate amount of HK\$2,339.7 million in capital and/or loans to affiliated companies (included in the amounts disclosed in note 36 to the financial statements). The said amounts, in aggregate, represent approximately 15.6% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. Affiliated companies include associated companies and joint ventures of the Group.

The advances are unsecured, interest free and have no definite repayment terms except for (i) an aggregate amount of HK\$104.7 million which carries interest at 8% per annum; (ii) an amount of HK\$12.2 million which carries interest at Hong Kong prime rate; (iii) an amount of HK\$1,562.3 million which carries interest at 6-month HIBOR plus a margin of 1.3% per annum and is not repayable within the next 12 months from the end of the reporting period; (iv) an amount of HK\$58.5 million which carries interest at 12-month People's Bank of China Rate; (v) an amount of HK\$279.7 million which carries interest at 12-month LIBOR plus a margin of 12.15% per annum and is repayable within the next 12 months from the end of the reporting period; (vi) an amount of HK\$1,344.5 million which is interest free and is repayable within the next 12 months from the end of the reporting period; and (vii) an amount of HK\$169.6 million which is interest free and is not repayable within the next 12 months from the end of the reporting period. The advances also include an aggregate amount of HK\$197.5 million which has been subordinated to certain indebtedness of an affiliated company. Contracted capital and loan contributions to affiliated companies would be funded by internally generated resources and banking facilities of the Group.

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

	Proforma combined statement of financial position HK\$m	Group's attributable interest HK\$m
Non-current assets	100,998.8	31,103.8
Current assets	15,001.1	4,752.1
Current liabilities	(28,110.1)	(10,299.9)
Non-current liabilities	(33,209.4)	(11,387.7)
	54,680.4	14,168.3

The proforma combined statement of financial position of the affiliated companies is prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 30 June 2016.

Employees and Remuneration Policies

As at 30 June 2016, approximately 27,900 staff were employed by entities under the Group's management of which approximately 11,100 staff were employed in Hong Kong. Total staff related costs, including provident funds, staff bonus and deemed share option benefit but excluding directors' remunerations, were HK\$3.033 billion (2015: HK\$2.645 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

Report of the Directors

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 190 and 191.

Auditor

The financial statements for the year ended 30 June 2016 have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Dr Cheng Kar Shun, Henry

Chairman

Hong Kong, 20 September 2016



羅兵咸永道

TO THE SHAREHOLDERS OF NWS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of NWS Holdings Limited (the “Company”) and its subsidiaries set out on pages 92 to 189, 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 September 2016

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

For the year ended 30 June

	Note	2016 HK\$m	2015 HK\$m
Revenue	6	29,497.8	24,491.8
Cost of sales		(26,145.3)	(21,341.1)
Gross profit		3,352.5	3,150.7
Other income/gains	7	1,701.0	1,774.2
General and administrative expenses		(1,103.7)	(1,014.4)
Operating profit	8	3,949.8	3,910.5
Finance costs	10	(621.4)	(637.7)
Share of results of			
Associated companies	6(b)	724.3	(946.4)
Joint ventures	6(b)	1,541.7	2,662.7
Profit before income tax		5,594.4	4,989.1
Income tax expenses	11	(632.9)	(476.2)
Profit for the year		4,961.5	4,512.9
Attributable to			
Shareholders of the Company		4,912.8	4,477.6
Non-controlling interests		48.7	35.3
		4,961.5	4,512.9
Basic earnings per share attributable to the shareholders of the Company	13	HK\$1.30	HK\$1.19

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	2016 HK\$m	2015 HK\$m
Profit for the year	4,961.5	4,512.9
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment benefit obligation	(13.0)	4.9
Reversal of reserves upon reclassification of an available-for-sale financial asset as an associated company	-	717.2
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Fair value changes of available-for-sale financial assets	(317.2)	(187.3)
Release of investment revaluation deficit to the consolidated income statement upon impairment of an available-for-sale financial asset	670.4	-
Release of reserve upon disposal of available-for-sale financial assets	(623.0)	(96.0)
Release of reserves upon disposal of a subsidiary	-	(3.8)
Release of reserves upon partial disposal of interest in an associated company	-	(46.6)
Share of other comprehensive loss of associated companies and joint ventures	(121.3)	(116.3)
Cash flow hedges	(12.1)	(1.1)
Currency translation differences	(2,438.1)	(242.1)
Other comprehensive (loss)/income for the year, net of tax	(2,854.3)	28.9
Total comprehensive income for the year	2,107.2	4,541.8
Total comprehensive income attributable to		
Shareholders of the Company	2,088.5	4,506.5
Non-controlling interests	18.7	35.3
	2,107.2	4,541.8

Consolidated Statement of Financial Position

As at 30 June

	Note	2016 HK\$m	2015 HK\$m
ASSETS			
Non-current assets			
Investment properties	15	1,612.6	3,944.0
Property, plant and equipment	16	1,034.7	658.4
Intangible concession rights	17	13,006.7	14,904.0
Intangible assets	18	386.9	423.9
Associated companies	19	14,947.7	13,480.4
Joint ventures	20	18,122.5	18,277.5
Available-for-sale financial assets	21	1,512.5	2,602.5
Other non-current assets	22	1,036.8	1,015.1
		51,660.4	55,305.8
Current assets			
Inventories	23	395.7	436.9
Trade and other receivables	24	10,909.2	8,988.6
Available-for-sale financial asset	21	30.0	–
Cash and bank balances	26	8,923.6	10,422.3
		20,258.5	19,847.8
Assets held-for-sale	27	3,766.1	–
Total assets		75,685.0	75,153.6
EQUITY			
Share capital	29	3,832.0	3,775.4
Reserves	30	41,786.9	41,638.0
Shareholders' funds		45,618.9	45,413.4
Non-controlling interests		239.5	774.3
Total equity		45,858.4	46,187.7

Consolidated Statement of Financial Position

As at 30 June

	Note	2016 HK\$m	2015 HK\$m
LIABILITIES			
Non-current liabilities			
Borrowings	31	9,251.7	13,487.0
Deferred tax liabilities	32	2,109.3	2,378.3
Other non-current liabilities	33	215.0	351.7
		11,576.0	16,217.0
Current liabilities			
Borrowings	31	5,813.1	3,324.4
Trade and other payables	34	12,035.9	9,055.2
Taxation		318.3	369.3
		18,167.3	12,748.9
Liabilities directly associated with assets held-for-sale	27	83.3	–
Total liabilities		29,826.6	28,965.9
Total equity and liabilities		75,685.0	75,153.6

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

HK\$m	Shareholders' funds					Total	Non-controlling interests	Total
	Share capital	Share premium	Revenue reserve	Other reserves	Total			
At 1 July 2014	3,741.9	15,880.0	18,894.2	3,700.3	42,216.4	827.0	43,043.4	
Total comprehensive income for the year	–	–	4,453.3	53.2	4,506.5	35.3	4,541.8	
<i>Contributions by/(distribution to) owners</i>								
Dividends paid to								
Shareholders of the Company	–	–	(1,837.5)	–	(1,837.5)	–	(1,837.5)	
Non-controlling interests	–	–	–	–	–	(88.0)	(88.0)	
Scrip dividends								
Nominal value of new shares issued	33.5	–	–	–	33.5	–	33.5	
Share premium on new shares issued	–	408.7	–	–	408.7	–	408.7	
Share options								
Value of services provided	–	–	–	85.8	85.8	–	85.8	
Transfer	–	–	(12.7)	12.7	–	–	–	
Total transactions with owners	33.5	408.7	(1,850.2)	98.5	(1,309.5)	(88.0)	(1,397.5)	
At 30 June 2015	3,775.4	16,288.7	21,497.3	3,852.0	45,413.4	774.3	46,187.7	

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2016 HK\$'m	2015 HK\$'m
Cash flows from operating activities			
Net cash generated from operations	38(a)	4,598.0	3,520.5
Finance costs paid		(542.6)	(554.3)
Interest received		287.5	406.0
Hong Kong profits tax paid		(296.0)	(73.2)
Mainland China and overseas taxation paid		(453.4)	(504.3)
Net cash generated from operating activities		3,593.5	2,794.7
Cash flows from investing activities			
Dividends received from associated companies		609.2	258.1
Dividends received from joint ventures		1,289.4	3,524.9
Disposal of a joint venture		189.5	–
Disposal of a subsidiary	38(c)	95.0	3.4
Increase in investments in and advances to associated companies		(1,902.9)	(3,853.1)
Increase in investments in and advances to joint ventures		(1,073.2)	(67.7)
Refund of deposits from potential investments		–	2,375.0
Additions of investment properties, property, plant and equipment		(548.9)	(237.3)
Additions of intangible concession rights		(122.1)	(43.3)
Addition of an available-for-sale financial asset		(54.3)	(30.0)
Disposal of property, plant and equipment		1.2	62.5
Disposal of available-for-sale financial assets and a financial asset at fair value through profit or loss		836.3	386.9
Disposal of intangible concession rights and their related assets and liabilities		156.5	–
Disposal of an asset held-for-sale		22.8	–
Dividends received from available-for-sale financial assets		65.8	3.5
Decrease in other non-current assets		4.1	1.4
(Increase)/decrease in short-term bank deposits maturing after more than three months		(26.6)	1.3
Net cash (used in)/from investing activities		(458.2)	2,385.6

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2016 HK\$m	2015 HK\$m
Cash flows from financing activities			
New bank loans and other borrowings		2,108.8	5,425.7
Repayment of bank loans and other borrowings		(3,862.8)	(5,085.3)
Redemption of fixed rate bonds		–	(1,250.0)
Acquisition of additional interests in a subsidiary		(454.2)	–
Decrease in loan from non-controlling interests		(19.4)	(0.7)
Dividends paid to shareholders of the Company		(1,817.2)	(1,395.3)
Dividends paid to non-controlling interests		(113.2)	(88.0)
Net cash used in financing activities		(4,158.0)	(2,393.6)
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of year		10,405.7	7,619.0
Currency translation differences		(490.1)	–
Cash and cash equivalents at the end of year		8,892.9	10,405.7
Analysis of cash and cash equivalents			
Cash and bank balances	26	8,923.6	10,422.3
Short-term bank deposits maturing after more than three months	26	(43.2)	(16.6)
Cash and bank balances of a subsidiary reclassified as assets held-for-sale	27	12.5	–
		8,892.9	10,405.7

Notes to the Financial Statements

1 General Information

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

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

- (a) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and
- (b) the investment in and/or operation of facilities, construction, transport and strategic investments.

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

The consolidated financial statements were approved for issuance by the Board on 20 September 2016.

2 Basis of Preparation

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

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

(a) Adoption of new standards and amendments to standards

There has been no new standards or amendments to standards which are relevant to the Group’s operations and are mandatory for FY2016. The following new standards and amendments to standards are mandatory for accounting period beginning on or after 1 July 2016 or later periods but which the Group has not early adopted:

Effective for the year ending 30 June 2017 or after

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

2 Basis of Preparation (continued)

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

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.

(b) Amendments to the Listing Rules

In addition, the Company has adopted the amendments to the Listing Rules related to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) during the current financial year. As a result, there are changes to presentation and disclosure of certain information in the consolidated financial statements.

3 Principal Accounting Policies

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

(a) Consolidation

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

(i) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

3 Principal Accounting Policies (continued)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

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

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

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

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

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

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

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

3 Principal Accounting Policies (continued)

(a) Consolidation (continued)

(ii) *Associated companies*

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

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

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

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

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

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

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

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

(iii) *Joint arrangements*

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

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

(1) *Joint operations*

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

3 Principal Accounting Policies (continued)

(a) Consolidation (continued)

(iii) Joint arrangements (continued)

(2) Joint ventures

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

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

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

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

- **Equity joint ventures**
Equity joint ventures are joint ventures in respect of which the capital contribution ratios of the venturers are defined in the joint venture contracts and the profit sharing ratios of the venturers are in proportion to the capital contribution ratios.
- **Co-operative joint ventures**
Co-operative joint ventures are joint ventures in respect of which the profit sharing ratios of the venturers and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts.
- **Companies limited by shares**
Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interests therein is in accordance with the amount of the voting share capital held thereby.

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

(b) Non-controlling interests

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

3 Principal Accounting Policies (continued)

(c) Intangible assets

(i) Goodwill

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

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

(ii) Operating right

Operating right primarily resulted from the acquisition of right to operate facilities management business. Operating right is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method to allocate the cost over the period of the operating right.

(iii) Intangible concession rights

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

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

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

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

3 Principal Accounting Policies (continued)

(c) Intangible assets (continued)

(iv) Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortized over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method. Mining rights are written off to the consolidated income statement if the mining property is abandoned.

(d) Revenue recognition

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

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

(i) Port revenue

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

(ii) Toll revenue

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

(iii) Service fee income

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

(iv) Rental income

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

(v) Construction revenue

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

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

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

(vi) Sales of goods

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

3 Principal Accounting Policies (continued)

(d) Revenue recognition (continued)

(vii) Interest income

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

(viii) Dividend income

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

(e) Leases

(i) Finance leases

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

(ii) Operating leases

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

(f) Land use rights

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

(g) Investment properties

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

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

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

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

3 Principal Accounting Policies (continued)

(g) Investment properties (continued)

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

(h) Property, plant and equipment

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

(i) Assets under construction

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

(ii) Depreciation

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

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

Leasehold land classified as finance lease	over the period of lease terms
Properties	2.5% – 3%
Other plant and equipment	4% – 50%

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

(iii) Gain or loss on disposal

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

3 Principal Accounting Policies (continued)

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

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

(j) Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading and those designated as at fair value through profit or loss at inception. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

3 Principal Accounting Policies (continued)

(j) Financial assets (continued)

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

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

The fair values of listed investments are based on current bid prices. If the market for a financial asset 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.

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

(k) Deferred income

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

(l) Derivative financial instruments and hedging activities

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

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

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

3 Principal Accounting Policies (continued)

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

The fair values of various derivative instruments used for hedging purposes are disclosed in notes 22, 24 and 33. Movements in the hedging reserve in shareholders' equity are shown in note 30. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

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

(m) Trade and other receivables

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

(n) Inventories

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

(o) Contracts in progress

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

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

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

3 Principal Accounting Policies (continued)

(o) Contracts in progress (continued)

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

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

(p) Assets held-for-sale

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

(q) Cash and cash equivalents

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

(r) Trade payables

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

(s) Provisions

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

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

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

(t) Share capital

Ordinary shares are classified as equity.

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

(u) Contingent liabilities and contingent assets

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

3 Principal Accounting Policies (continued)

(u) Contingent liabilities and contingent assets (continued)

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

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

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

(v) Current and deferred income tax

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

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

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

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

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

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

(w) Borrowing costs

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

3 Principal Accounting Policies (continued)

(x) Foreign currencies

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

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

(iii) *Group companies*

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

- (a) assets and liabilities for each consolidated statement of financial position presented are translated at the exchange rate prevailing at the date of that consolidated statement of financial position;
- (b) income and expenses for each consolidated income statement are translated at the average exchange rate during the period covered by the consolidated income statement; and
- (c) all resulting exchange differences are recognized as a separate component of equity.

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

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

(iv) *Disposal of foreign operation and partial disposal*

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

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

3 Principal Accounting Policies (continued)

(y) Employee benefits

(i) *Employee leave entitlements*

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

(ii) *Bonus plans*

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

(iii) *Defined contribution plans*

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

(iv) *Defined benefit plans*

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

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

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

(v) *Share-based compensation*

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

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

3 Principal Accounting Policies (continued)

(z) Borrowings

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

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

(aa) Segment reporting

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

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

(ab) Dividend distribution

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

(ac) Insurance contracts

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

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

4 Financial Risk Management and Fair Value Estimation

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

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

(a) Market risk

(i) Interest rate risk

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

4 Financial Risk Management and Fair Value Estimation (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

Other than the fixed rate bonds issued by the Group as detailed in note 31(d) and debt securities classified as available-for-sale financial assets which expose the Group to fair value interest rate risk, the Group's borrowings are mainly on a floating rate basis, which will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk.

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

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been HK\$54.6 million (2015: HK\$79.8 million) lower/higher respectively.

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

(ii) Foreign exchange risk

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

The Group 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 to enter 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 net monetary liabilities denominated in United States dollar of HK\$1,440.8 million (2015: HK\$1,765.8 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

At 30 June 2016, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Renminbi of HK\$4,190.8 million (2015: HK\$8,828.5 million) which the related foreign exchange risk has not been hedged. If Hong Kong dollar had strengthened/weakened by 5% against Renminbi with all other variables held constant, the Group's profit for the year would have been HK\$206.3 million (2015: HK\$436.8 million) lower/higher respectively.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. There are no other significant monetary balances held by group companies at 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.

4 Financial Risk Management and Fair Value Estimation (continued)

(a) Market risk (continued)

(iii) Price risk

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

At 30 June 2016, if the price of listed and unlisted equity investments, classified as available-for-sale financial assets and financial assets at fair value through profit or loss (notes 21 and 25) had been 25% higher with all other variables held constant, the Group's investment revaluation reserve would have been HK\$385.6 million higher (2015: profit for the year HK\$0.1 million and investment revaluation reserve HK\$650.6 million higher respectively). If the price of the above-mentioned listed and unlisted equity investments had been 25% lower with all other variables held constant, the Group's profit for the year would have been HK\$302.1 million (2015: HK\$0.1 million) lower and investment revaluation reserve would have been HK\$83.6 million (2015: HK\$650.6 million) lower and resulted in a negative investment revaluation reserve of HK\$57.1 million (2015: HK\$354.3 million). 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 receivables, debt securities and balances receivable from group companies, including amounts due from associated companies and joint ventures. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses.

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

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

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

4 Financial Risk Management and Fair Value Estimation (continued)

(c) Liquidity risk

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

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

At 30 June 2016

Non-derivative financial liabilities

HK\$m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years
Trade payables	34	630.9	630.9	630.7	0.2
Retention money payables and other payables		7,424.0	7,424.0	5,541.4	1,882.6
Amounts due to non-controlling interests	34	148.0	148.0	148.0	-
Amounts due to associated companies	34	14.1	14.1	14.1	-
Amounts due to joint ventures	34	1.2	1.2	1.2	-
Borrowings and contracted interest payment	31	15,064.8	15,708.8	6,145.7	9,563.1
Loans from non-controlling interests	33	71.7	71.7	-	71.7

Derivative financial liabilities

HK\$m	Note	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Derivative financial instruments (net settled)	33	107.4	26.7	80.7	-

4 Financial Risk Management and Fair Value Estimation (continued)

(c) Liquidity risk (continued)

At 30 June 2015

Non-derivative financial liabilities

HK\$m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years
Trade payables	34	606.5	606.5	606.4	0.1
Retention money payables and other payables		5,783.2	5,783.2	4,466.3	1,316.9
Amounts due to non-controlling interests	34	94.2	94.2	94.2	–
Amounts due to associated companies	34	8.3	8.3	8.3	–
Amounts due to joint ventures	34	0.6	0.6	0.6	–
Borrowings and contracted interest payment	31	16,811.4	17,821.2	3,808.0	14,013.2
Loans from non-controlling interests	33	96.8	96.8	–	96.8

Derivative financial liabilities

HK\$m	Note	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Derivative financial instruments (net settled)	33	143.2	28.4	112.7	2.1

(d) Capital management

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group aims to maintain 50% dividend payout ratio. In order to maintain or adjust the capital structure, the Group may issue or repurchase shares, or raise new debt financing.

4 Financial Risk Management and Fair Value Estimation (continued)

(d) Capital management (continued)

The net gearing ratios at 30 June were as follows:

	Note	2016 HK\$m	2015 HK\$m
Total borrowings	31	(15,064.8)	(16,811.4)
Add: Cash and bank balances	26	8,923.6	10,422.3
Net debt		(6,141.2)	(6,389.1)
Total equity		45,858.4	46,187.7
Net gearing ratio		13%	14%

The decrease of net debt as at 30 June 2016 was primarily resulted from net cash inflow from operations and disposals of investments.

(e) Fair value estimation

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

- (i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.
- (ii) The fair value of long-term financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.
- (iii) The carrying values of bank balances, receivables, payables and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.
- (iv) The following table presents the Group's assets and liabilities that are measured at fair value at 30 June:
 - Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4 Financial Risk Management and Fair Value Estimation (continued)

(e) Fair value estimation (continued)

(iv) (continued)

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

HK\$m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Trading securities	0.1	–	–	0.1
Available-for-sale financial assets				
Equity securities	1,208.2	–	60.0	1,268.2
Debt securities	244.3	–	30.0	274.3
Derivative financial instruments	–	–	58.8	58.8
	1,452.6	–	148.8	1,601.4
Liabilities				
Derivative financial instruments	–	(65.1)	(24.6)	(89.7)

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

HK\$m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Trading securities	0.2	–	–	0.2
Available-for-sale financial assets				
Equity securities	2,322.5	–	5.8	2,328.3
Debt securities	244.2	–	30.0	274.2
Derivative financial instruments	–	–	58.8	58.8
	2,566.9	–	94.6	2,661.5
Liabilities				
Derivative financial instruments	–	(53.1)	(30.1)	(83.2)

There were no transfers of financial assets between Level 1 and Level 2 fair value hierarchy classifications.

4 Financial Risk Management and Fair Value Estimation (continued)

(e) Fair value estimation (continued)

(iv) (continued)

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

HK\$m	Available- for-sale financial assets	Derivative financial assets	Derivative financial liabilities
At 1 July 2015	35.8	58.8	(30.1)
Additions	54.2	–	–
Total gain recognized in the consolidated income statement	–	–	5.5
At 30 June 2016	90.0	58.8	(24.6)

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

HK\$m	Available- for-sale financial assets	Derivative financial assets	Derivative financial liabilities
At 1 July 2014	187.5	58.8	(35.6)
Additions	30.0	–	–
Disposals	(236.0)	–	–
Total gain recognized in the consolidated statement of comprehensive income/income statement	54.3	–	5.5
At 30 June 2015	35.8	58.8	(30.1)

5 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

(a) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by management or by independent valuers based on a market value assessment. Fair value is based on active market prices and adjusted if necessary for any difference in nature, location or conditions of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, income capitalization approach or professional valuation. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

At 30 June 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\$80.6 million (2015: HK\$197.2 million) higher/lower respectively.

(b) Impairment of assets other than property, plant and equipment

The Group tests annually whether goodwill has suffered any impairment according to its recoverable amount determined by the CGU based on value in use calculations and detailed in note 18(a). These calculations require the use of estimates which are subject to changes of economic environment in future.

The Group determines whether an available-for-sale financial asset is impaired by the duration or extent to which the fair value of an investment is less than its original cost.

The Group assesses whether there is objective evidence as stated in note 3(m) that deposits, loans and receivables are impaired. It recognizes impairment based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

(c) Estimate of revenue, costs and foreseeable loss of construction works

The Group recognizes its contract revenue according to the percentage of completion of the individual contract of construction works. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by major contractors, suppliers or vendors involved and the experience of the management. Foreseeable loss will be provided when budgeted construction costs exceed budgeted construction income. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

5 Critical Accounting Estimates and Judgements (continued)

(d) Estimated volume of Infrastructures of public services

The amortization for intangible concession rights and impairment assessment of Infrastructures for public services using discounted cash flow model are affected by the estimated volume for public services, such as toll roads 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 Port Expressway (collectively, the “Expressways”). The growth in future traffic flow projected by the management is highly dependent on the realization of the aforementioned factors.

For the year ended 30 June 2015, an impairment loss of HK\$0.3 billion against investment in Guangzhou Dongxin Expressway was shared by the Group. Management has conducted an impairment assessment of the 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 further impairment of the Group’s investment in the Expressways as at 30 June 2016.

(e) Impairment of the Group’s investments in associated companies and joint ventures

In accordance with the requirements under HKAS 36 “Impairment of Assets”, management regularly reviews whether there are any indications of impairment of the Group’s investments in associated companies and joint ventures based on value in use calculations. In determining the value in use, management assesses the present value of estimated future cash flows expected to arise from their businesses. Estimates and judgements are applied in determining these future cash flows and discount rate. 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.

- (i) The Group holds approximately 16% equity interest in Tharisa plc (“Tharisa”), an associated company of the Group incorporated in Cyprus with its ordinary shares dual-listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc (from June 2016) and principally engaged in platinum group metals and chrome mining, processing and trading in South Africa.

As at 30 June 2016, the Group’s share of market value of Tharisa amounting to approximately HK\$0.2 billion, is lower than its carrying value of approximately HK\$1.0 billion (before the impairment provision as detailed below). Management has carried out an impairment assessment on the carrying value of such investment using the discounted cash flow method. The estimated cash flows used in the assessment are based on assumptions, such as revenue growth, metal price, production cost, proved and probable ore reserve, production capacity and discount rate, with reference to the business plan and prevailing market conditions. Based on the assessment, an impairment loss of HK\$0.2 billion was provided against the Group’s investment in Tharisa during the year.

The assumptions used in the carrying value assessment are highly judgemental, and heavily dependent on the discount rate used and metal price projection. For example, if the risk premium increases by 1.4%, or metal price for the first five projection years decreases by 10% with other variables remain constant, any of such changes, if adopted, would reduce the recoverable amount as determined by the value in use calculation to approximate the carrying value of the Group.

5 Critical Accounting Estimates and Judgements (continued)

(e) Impairment of the Group's investments in associated companies and joint ventures (continued)

- (ii) The Group holds approximately 38% effective equity interest in Hyva Holding B.V. ("Hyva"), a private company and a joint venture of the Group incorporated in the Netherlands and principally engaged in manufacturing and supply of components used in hydraulic loading and unloading systems. As at 30 June 2016, the Group's share of net assets (including goodwill and intangible assets) of Hyva was approximately HK\$1.4 billion (before the impairment provision as detailed below).

Management of the joint venture has carried out an impairment assessment on the carrying value of such investment using the discounted cash flow method.

The estimated cash flows used in the assessment are based on assumptions, such as sales growth, production cost, production capacity and discount rate, with reference to the business plan and prevailing market conditions. Based on the assessment, the Group shared an impairment loss of approximately HK\$177.6 million on goodwill of its Mainland China business segment in FY2016, primarily due to the weaker demand for hydraulic components in Mainland China market.

The assumptions used in the carrying value assessment are highly judgemental, and heavily dependent on the discount rate used and sales growth projection. For example, if the risk premium increases by 1.7%, or projected revenue decreases by 14%, with other variables remain constant, any of such changes, if adopted, would reduce the recoverable amount as determined by the value in use calculation to approximate the carrying value of Mainland China market, a major cash-generating unit of Hyva representing approximately 47% of the value in use of Hyva. Alternatively, if the risk premium increases by 1.2%, or projected revenue decreases by 4% with other variables remain constant, any of such changes, if adopted, would reduce the recoverable amount as determined by the value in use calculation to approximate the carrying value of American market, a cash-generating unit of Hyva representing approximately 4% of the value in use of Hyva.

- (iii) The Group holds 35.5% equity interest in Newton Resources, an associated company of the Group and listed in the Hong Kong Stock Exchange and principally engaged in owning and operating the Yanjiazhuang Mine, an iron ore mine in Hebei Province PRC. An impairment loss of HK\$1.8 billion was provided against the Group's investment in Newton Resources for the year ended 30 June 2015.

As at 30 June 2016, the Group's share of market value of Newton Resources amounting to approximately HK\$1.1 billion, is higher than its carrying value of approximately HK\$1.0 billion. As such, management is of the view that there is no further impairment provision required. However, in consideration of the uncertainties surrounding Newton Resources' business and the continued fluctuation in iron concentrates' price that may impact its carrying value, the management has carried out an impairment assessment on the carrying value of such investment using the discount cash flow method.

The estimated cash flows used in the assessment are based on the assumption that the mine will commence its operation in near future. Other assumptions applied such as revenue growth, iron concentrates' price, production cost, proved and probable ore reserve, production capacity and discount rate, with reference to the business plan and prevailing market conditions. The assessment also indicated no further impairment on the carrying value of Newton Resources as at 30 June 2016.

5 Critical Accounting Estimates and Judgements (continued)

(e) Impairment of the Group's investments in associated companies and joint ventures (continued)

(iii) (continued)

The assumptions used in the carrying value assessment are highly judgemental, and heavily dependent on the discount rate used and iron concentrates' price projection. For example, if the risk premium increases by 0.2%, or the average iron concentrates' price decreases by 1.6% with other variables remain constant, any of such changes, if adopted, would reduce the recoverable amount as determined by the value in use calculation to approximate the carrying value of the Group.

Furthermore, if the mine cannot commence its operation in near future, it will also have significant impact to the carrying value assessment. However, management of the Group do not aware of any information up to date to cast doubt on such assumption.

(iv) The Group holds 50% equity interest in NWS Transport Services Limited, a joint venture of the Group. As at 30 June 2016, the Group's share of net assets (including goodwill) was approximately HK\$2.1 billion.

Management has carried out a periodic impairment assessment as at 30 June 2016. The estimated cash flows used in the assessment are based on assumptions, such as projected fare revenue, fuel costs and discount rate, with reference to the business plan and prevailing market conditions. Such assumptions used are highly judgemental, and heavily dependent on the projected fare revenue and discount rate used. For example, if the projected fare revenue decreases by 1.3%, or the risk premium increases by 1.0%, with other variables remain constant, any of such changes, if adopted, would reduce the recoverable amount as determined by the value in use calculation to approximate the carrying value of the Group.

6 Revenue and Segment Information

The Group's revenue is analyzed as follows:

	2016 HK\$m	2015 HK\$m
Roads	2,399.8	2,416.2
Logistics	100.1	100.1
Facilities Management	6,917.9	6,768.6
Construction & Transport	20,080.0	15,206.9
	29,497.8	24,491.8

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. In FY2016, the Group reclassified its reporting segments under the Infrastructure division to better reflect the nature of the income streams and growth strategies. This resulted in the establishment of the Environment, Logistics and Aviation segments while the Roads segment remained. The former Energy & Water segment has been renamed Environment segment in view of the long-term investment opportunities in the fast growing environmental markets through both Sino-French Holdings (Hong Kong) Limited and Chongqing Derun Environment Co., Ltd.. The Logistics segment, which replaces the Ports & Logistics segment, has been set up to capture ports, warehousing and rail container terminal businesses. A new standalone Aviation segment has been established to embrace airport and commercial aircraft leasing investments given their strong earnings and growth potential. Prior year comparative segment information has been restated to conform with the current year presentation accordingly.

Therefore, based on product and service perspectives, the Executive Committee considers that businesses of the Group comprised (i) Roads; (ii) Environment; (iii) Logistics; (iv) Aviation; (v) Facilities Management; (vi) Construction & Transport; and (vii) Strategic Investments. The Executive Committee assesses the performance of the operating segments based on a measure of attributable operating profit. This measurement basis excludes the effects of corporate office and non-operating items. Corporate interest income, finance costs and expenses are not allocated to segments.

6 Revenue and Segment Information (continued)

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

HK\$m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Total
2016								
Total revenue	2,399.8	-	100.1	-	6,933.0	20,198.9	-	29,631.8
Inter-segment	-	-	-	-	(15.1)	(118.9)	-	(134.0)
Revenue – external	2,399.8	-	100.1	-	6,917.9	20,080.0	-	29,497.8
Attributable operating profit								
Company and subsidiaries	728.3	14.2	68.2	4.1	658.0	556.6	207.0	2,236.4
Associated companies	73.6	8.7	109.0	419.9	(16.5)	158.9	172.4 (ii)	926.0 (b)
Joint ventures	457.9	446.9	525.4	-	3.5	196.1 (i)	(52.6)	1,577.2 (b)
	1,259.8	469.8	702.6	424.0	645.0	911.6	326.8	4,739.6
Reconciliation – corporate office and non-operating items								
Gain on fair value of investment properties								1,420.0
Gain on disposal of an available-for-sale financial asset								534.1
Gain on disposal of projects, net of tax								199.4
Net gain on deemed disposal of a project under a joint venture								179.3 (b)
Share of profit from Harbour Place, a residential development project								2.0
Impairment loss of an available-for-sale financial asset								(670.4) (iii)
Impairment loss related to an associated company								(200.0) (b)
Impairment loss related to a joint venture								(177.6) (b)
Net exchange loss								(368.8)
Interest income								198.1
Finance costs								(546.3)
Expenses and others								(396.6)
Profit attributable to shareholders								4,912.8

(i) The amount includes the Group's share of attributable operating profit of HK\$196.1 million from its Transport business.

(ii) The amount includes the Group's share of attributable operating profit of HK\$143.2 million from certain associated companies engaged in investment activities.

(iii) The amount represents the impairment loss arising from the drop in the share price of Haitong International Securities Group Limited ("Haitong International") (note 7). The Group's investment in Haitong International is classified as an available-for-sale financial asset.

6 Revenue and Segment Information (continued)

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

HK\$m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Eliminations	Consolidated
2016											
Depreciation	16.5	-	-	-	79.4	66.0	-	161.9	5.2	-	167.1
Amortization of intangible concession rights	825.6	-	-	-	-	-	-	825.6	-	-	825.6
Amortization of intangible assets	-	-	-	-	31.2	-	-	31.2	-	-	31.2
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	164.8	-	-	-	129.3	372.2	-	666.3	4.7	-	671.0
Interest income	42.9	19.3	2.0	7.6	24.7	6.6	30.7	133.8	198.6	(12.9)	319.5
Finance costs	39.3	-	6.9	-	0.8	40.5	0.5	88.0	546.3	(12.9)	621.4
Income tax expenses	367.4	21.1	21.4	8.2	130.3	84.0	-	632.4	0.5	-	632.9
As at 30 June 2016											
Company and subsidiaries	14,743.9	342.7	3,797.6	1,393.5	4,356.9	10,166.8	1,986.3	36,787.7	5,827.1	-	42,614.8
Associated companies	442.8	564.9	1,997.2	4,266.7	1,586.8	1,611.0	4,430.3	14,899.7	48.0	-	14,947.7
Joint ventures	5,607.2	6,333.0	2,865.4	-	3.9	2,073.5 (i)	1,213.1	18,096.1	26.4	-	18,122.5
Total assets	20,793.9	7,240.6	8,660.2	5,660.2	5,947.6	13,851.3	7,629.7	69,783.5	5,901.5	-	75,685.0
Total liabilities	3,246.4	35.5	84.4	38.6	1,143.5	10,084.5	9.7	14,642.6	15,184.0	-	29,826.6

(i) The balance includes the Group's investment in its Transport business of HK\$2,071.1 million.

6 Revenue and Segment Information (continued)

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

HK\$m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Total
2015								
Total revenue	2,416.2	-	100.1	-	6,786.9	15,233.2	-	24,536.4
Inter-segment	-	-	-	-	(18.3)	(26.3)	-	(44.6)
Revenue – external	2,416.2	-	100.1	-	6,768.6	15,206.9	-	24,491.8
Attributable operating profit								
Company and subsidiaries	759.3	14.2	68.2	-	868.8	363.9	91.4	2,165.8
Associated companies	40.6	21.3	75.0	243.6	(8.0)	201.9	284.2 (ii)	858.6 (b)
Joint ventures	401.1	595.9	405.7	-	0.7	125.3 (i)	(96.5)	1,432.2 (b)
	1,201.0	631.4	548.9	243.6	861.5	691.1	279.1	4,456.6
Reconciliation – corporate office and non-operating items								
Net gain on disposal of a project under a joint venture								1,549.9 (b)
Gain on disposal of projects, net of tax								51.4
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company								914.0
Gain on fair value of investment properties								306.6
Share of profit from Harbour Place, a residential development project								71.9
Loss on partial disposal and impairment loss related to an associated company								(1,910.9) (iii)
Impairment loss related to a joint venture								(300.0) (b)
Net exchange gain								2.1
Interest income								210.5
Finance costs								(522.0)
Expenses and others								(352.5)
Profit attributable to shareholders								4,477.6

(i) The amount included the Group's share of attributable operating profit of HK\$125.3 million from its Transport business.

(ii) The amount included the Group's share of attributable operating profit of HK\$133.6 million from certain associated companies engaged in investment activities.

(iii) The amount represented the impairment loss of HK\$1,779.4 million (note 5(e)) and the loss on partial disposal of equity interest in Newton Resources of HK\$131.5 million (note 7).

Notes to the Financial Statements

6 Revenue and Segment Information (continued)

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

HK\$m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Eliminations	Consolidated
2015											
Depreciation	11.1	-	-	-	64.2	49.8	-	125.1	5.4	-	130.5
Amortization of intangible concession rights	836.3	-	-	-	-	-	-	836.3	-	-	836.3
Amortization of intangible assets	-	-	-	-	31.2	-	-	31.2	-	-	31.2
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	64.6	-	-	-	126.8	82.4	-	273.8	6.8	-	280.6
Interest income	100.6	22.4	6.1	7.3	1.4	7.3	-	145.1	216.7	(14.5)	347.3
Finance costs	97.3	-	7.8	-	0.6	23.7	0.8	130.2	522.0	(14.5)	637.7
Income tax expenses	349.0	19.7	19.0	8.2	175.1	17.7	(53.4)	535.3	(59.1)	-	476.2
As at 30 June 2015											
Company and subsidiaries	15,722.2	530.0	2,426.1	1,543.5	4,262.5	7,465.0	2,499.9	34,449.2	8,946.5	-	43,395.7
Associated companies	488.0	615.6	1,534.9	4,469.5	902.3	1,631.2	3,803.0	13,444.5	35.9	-	13,480.4
Joint ventures	5,993.9	6,290.1	2,990.9	-	6.3	1,908.6 (i)	997.0	18,186.8	90.7	-	18,277.5
Total assets	22,204.1	7,435.7	6,951.9	6,013.0	5,171.1	11,004.8	7,299.9	66,080.5	9,073.1	-	75,153.6
Total liabilities	3,972.7	21.8	70.1	58.3	1,205.9	7,481.2	4.3	12,814.3	16,151.6	-	28,965.9

(i) The balance included the Group's investment in its Transport business of HK\$1,898.2 million.

6 Revenue and Segment Information (continued)

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

HK\$m	Associated companies		Joint ventures	
	2016	2015	2016	2015
Attributable operating profit	926.0	858.6	1,577.2	1,432.2
Corporate associated companies, joint ventures and non-operating items				
Net gain on deemed disposal/disposal of a project under a joint venture	–	–	179.3	1,549.9
Impairment losses (notes 5(d) and 5(e))	(200.0)	(1,779.4)	(177.6)	(300.0)
Others	(1.7)	(25.6)	(37.2)	(19.4)
Share of results of associated companies and joint ventures	724.3	(946.4)	1,541.7	2,662.7

(c) Information by geographical areas

HK\$m	Revenue		Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	
	2016	2015	2016	2015
Hong Kong	26,243.3	21,818.3	2,899.5	4,930.2
Mainland China	2,480.2	2,490.0	13,109.2	14,987.3
Macau	774.3	183.5	32.2	12.8
	29,497.8	24,491.8	16,040.9	19,930.3

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

Notes to the Financial Statements

7 Other Income/Gains

	Note	2016 HK\$m	2015 HK\$m
Gain on fair value of investment properties	15	1,420.0	306.6
Profit on disposal of available-for-sale financial assets		645.1	25.2
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company		–	914.0
Profit on disposal of a subsidiary	38(b)	95.0	5.1
Profit on disposal of a joint venture		53.2	–
Profit on disposal of intangible concession rights and their related assets and liabilities		58.7	–
Net profit on disposal of property, plant and equipment		–	61.6
Profit on disposal of an asset held-for-sale		15.0	–
Profit on disposal of a financial asset at fair value through profit or loss		–	10.7
Interest income		319.5	347.3
Machinery hire income		96.1	99.8
Dividend income		65.8	3.5
Other income		38.6	45.7
Management fee income		23.0	32.9
Net exchange (loss)/gain		(458.6)	53.3
Impairment loss of an available-for-sale financial asset	6(a)	(670.4)	–
Loss on partial disposal of an associated company	6(a)	–	(131.5)
		1,701.0	1,774.2

8 Operating Profit

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

	2016 HK\$m	2015 HK\$m
Crediting		
Gross rental income from investment properties	164.3	163.2
Less: outgoings	(26.3)	(25.9)
	138.0	137.3

8 Operating Profit (continued)

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

	Note	2016 HK\$m	2015 HK\$m
Charging			
Auditor's remuneration		22.3	20.8
Cost of inventories sold		2,375.0	2,319.6
Cost of services rendered		23,770.3	19,021.5
Depreciation	16	167.1	130.5
Amortization of intangible concession rights	17	825.6	836.3
Amortization of intangible assets	18	31.2	31.2
Operating lease rental expenses – properties		84.3	73.5
Staff costs (including directors' emoluments (note 14))	9	3,034.1	2,661.3

9 Staff Costs

(a) Staff costs

	Note	2016 HK\$m	2015 HK\$m
Wages, salaries and other benefits		2,958.2	2,550.5
Share-based payments	30	27.8	79.7
Pension costs – defined contribution plans		123.8	109.3
Pension costs – defined benefits plans		2.3	2.2
		3,112.1	2,741.7
Less: capitalized under contracts in progress		(78.0)	(80.4)
	8	3,034.1	2,661.3

Directors' emoluments are included in staff costs.

9 Staff Costs (continued)

(b) Five highest paid individuals

The five individuals whose emoluments are the highest in the Group for the year include four (2015: five) directors whose emoluments are reflected in note 14(a). The emoluments of the remaining one individual (2015: Nil) during the year are as follows:

	2016 HK\$m	2015 HK\$m
Fees	0.1	–
Basic salaries, allowances and other benefits	11.1	–
Employer's contribution to retirement benefits schemes	0.5	–
	11.7	–
Deemed share option benefits	0.5	–
	12.2	–

(c) Emoluments of senior management

Other than the emoluments of five highest paid individuals and directors disclosed in notes 9(b) and 14(a) respectively, the emoluments of the senior management whose profiles are included in the "Board of Directors and Senior Management" section of this report (excluding Mr Cheng Wai Po, Samuel, who is the senior management of a joint venture of the Company, the results of which are equity accounted for in the consolidated financial statements) fell within the following bands:

	Number of individual(s)	
	2016	2015
Emolument band (HK\$)		
2,000,001 – 3,000,000	5	2
3,000,001 – 4,000,000	4	6
4,000,001 – 5,000,000	1	3
5,000,001 – 6,000,000	1	2
6,000,001 – 7,000,000	1	–
7,000,001 – 8,000,000	1	1
9,000,001 – 10,000,000	–	1

10 Finance Costs

	2016 HK\$m	2015 HK\$m
Interest on borrowings	307.4	332.9
Interest on fixed rate bonds	262.8	273.0
Others	51.2	31.8
	621.4	637.7

11 Income Tax Expenses

Hong Kong profits tax is provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2015: 9% to 25%).

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

	Note	2016 HK\$m	2015 HK\$m
Current income tax			
Hong Kong profits tax		204.0	117.6
Mainland China and overseas taxation		474.9	491.4
Deferred income tax credit	32	(46.0)	(132.8)
		632.9	476.2

Share of taxation of associated companies and joint ventures of HK\$196.0 million (2015: HK\$155.1 million) and HK\$385.5 million (2015: HK\$393.0 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

11 Income Tax Expenses (continued)

The tax expenses on the Group's profit before income tax differ from the theoretical amount that would arise using the profits tax rate of Hong Kong as follows:

	2016 HK\$m	2015 HK\$m
Profit before income tax	5,594.4	4,989.1
Excluding share of results of associated companies	(724.3)	946.4
Excluding share of results of joint ventures	(1,541.7)	(2,662.7)
	3,328.4	3,272.8
Calculated at a taxation rate of 16.5% (2015: 16.5%)	549.2	540.0
Effect of different taxation rates in other countries	103.1	97.1
Income not subject to taxation	(428.9)	(276.6)
Expenses not deductible for taxation purposes	341.5	164.1
Tax losses not recognized	7.6	13.6
Utilization of previously unrecognized tax losses	(34.5)	(45.8)
Withholding tax	91.0	85.4
Over-provisions in prior years	(2.3)	(64.9)
Others	6.2	(36.7)
Income tax expenses	632.9	476.2

12 Dividends

	2016 HK\$m	2015 HK\$m
Interim dividend paid of HK\$0.31 (2015: HK\$0.27) per share	1,179.6	1,014.3
Final dividend proposed of HK\$0.34 (2015: paid of HK\$0.33) per share	1,302.9	1,245.9
	2,482.5	2,260.2

At a meeting held on 20 September 2016, the Board recommended a final dividend of HK\$0.34 per share in scrip form with a cash option. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained profits for FY2017.

Subject to the passing of the relevant resolution at the 2016 AGM and the Listing Committee of the Hong Kong Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the proposed final dividend, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and they will be given the option of electing to receive payment in cash of HK\$0.34 per share instead of the allotment of shares.

13 Earnings Per Share

The calculation of basic earnings per share for the year is based on earnings of HK\$4,912.8 million (2015: HK\$4,477.6 million) and on the weighted average of 3,793,701,910 (2015: 3,751,443,482) ordinary shares outstanding during the year.

For both FY2016 and FY2015, the share options of the Company have an anti-dilutive effect on the basic earnings per share and are ignored in the calculation of diluted earnings per share.

14 Benefits and Interests of Directors

(a) The aggregate amounts of emoluments of the directors of the Company are as follows:

	Note	2016 HK\$m	2015 HK\$m
Fees		4.6	4.1
Basic salaries, allowances and other benefits		54.4	41.9
Employer's contribution to retirement benefits schemes		2.5	2.3
	(i)	61.5	48.3
Deemed share option benefits	(ii)	17.2	48.4
		78.7	96.7

Remuneration package, including basic salaries, allowances and other benefits, contribution to retirement benefits scheme and share option benefits, is determined according to individual performance, job responsibility and seniority, and is reviewed with reference to market conditions.

During the year, the Group did not pay the directors any inducement to join or upon joining the Group, or as compensation for loss of office. No director waived or agreed to waive any emoluments during the year.

14 Benefits and Interests of Directors (continued)

(a) The aggregate amounts of emoluments of the directors of the Company are as follows (continued):

(i) The remunerations of individual directors are set out below:

Name of director	Fees HK\$m	Basic salaries, allowances and other benefits HK\$m	Employer's contribution to retirement benefits schemes HK\$m	2016 Total emoluments HK\$m	2015 Total emoluments HK\$m
Dr Cheng Kar Shun, Henry	0.53	13.17	0.53	14.23	13.50
Mr Tsang Yam Pui	0.42	10.37	0.74	11.53	9.33
Mr Hui Hon Chung*	0.09	4.52	0.23	4.84	–
Mr Cheung Chin Cheung	0.28	7.03	0.47	7.78	7.40
Mr Cheng Chi Ming, Brian	0.28	6.55	0.32	7.15	6.79
Mr To Hin Tsun, Gerald	0.23	0.06	–	0.29	0.26
Mr Dominic Lai	0.36	0.09	–	0.45	0.42
Mr Lam Wai Hon, Patrick**	0.33	12.12	0.25	12.70	8.18
Mr William Junior Guilherme Doo	0.28	0.06	–	0.34	0.33
Mr Kwong Che Keung, Gordon	0.48	0.10	–	0.58	0.55
Dr Cheng Wai Chee, Christopher	0.40	0.10	–	0.50	0.47
Mr Shek Lai Him, Abraham	0.45	0.09	–	0.54	0.52
Mr Lee Yiu Kwong, Alan	0.28	0.07	–	0.35	0.32
Mr Wilfried Ernst Kaffenberger [^]	0.20	0.05	–	0.25	0.26
	4.61	54.38	2.54	61.53	48.33

* Appointed on 1 September 2015

** Re-designated from executive director to non-executive director on 1 January 2016

[^] Retired on 17 November 2015

14 Benefits and Interests of Directors (continued)

(a) The aggregate amounts of emoluments of the directors of the Company are as follows (continued):

(ii) The deemed share option benefits of individual directors are set out below:

Name of director	2016 Deemed share option benefits HK\$m	2015 Deemed share option benefits HK\$m
Dr Cheng Kar Shun, Henry	4.07	11.45
Mr Tsang Yam Pui	2.03	5.72
Mr Cheung Chin Cheung	2.03	5.72
Mr Cheng Chi Ming, Brian	2.03	5.72
Mr To Hin Tsun, Gerald	0.38	1.08
Mr Dominic Lai	0.38	1.08
Mr Lam Wai Hon, Patrick	2.03	5.72
Mr William Junior Guilherme Doo	0.38	1.08
Mr Kwong Che Keung, Gordon	0.77	2.17
Dr Cheng Wai Chee, Christopher	0.77	2.17
Mr Shek Lai Him, Abraham	0.77	2.17
Mr Lee Yiu Kwong, Alan	0.77	2.17
Mr Wilfried Ernst Kaffenberger	0.77	2.17
	17.18	48.42

The deemed share option benefits are calculated in accordance with the requirement as stipulated in HKFRS 2 "Share-based payment". None of the directors of the Company has exercised the share options during the year.

(b) Directors' material interest in transactions, arrangements or contracts

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

The DOO Master Services Agreement has an initial term of three years commencing from 1 July 2014. For the year ended 30 June 2016, the approximate total contract sum was HK\$1,399.3 million (2015: HK\$784.8 million).

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

Save as mentioned above, no other significant transaction, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

15 Investment Properties

HK\$m	Note	Commercial and industrial properties in Hong Kong	Residential properties in Mainland China	Total
At 1 July 2015		3,924.9	19.1	3,944.0
Fair value changes	7	1,415.4	4.6	1,420.0
Reclassified as assets held-for-sale	27	(3,750.0)	–	(3,750.0)
Translation differences		–	(1.4)	(1.4)
At 30 June 2016		1,590.3	22.3	1,612.6

HK\$m	Note	Commercial and industrial properties in Hong Kong	Residential properties in Mainland China	Total
At 1 July 2014		3,620.1	23.7	3,643.8
Additions		–	0.2	0.2
Disposal of a subsidiary	38(b)	–	(5.6)	(5.6)
Fair value changes	7	305.8	0.8	306.6
Adjustment to total estimated construction costs		(1.0)	–	(1.0)
At 30 June 2015		3,924.9	19.1	3,944.0

The investment properties of the Group measured at fair value are categorized as Level 3 in the fair value hierarchy. The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer among Levels 1, 2, and 3 during the year except as detailed in note 27.

(a) Valuation process of the Group

The investment properties were revalued on 30 June 2016 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited or Knight Frank Petty Limited based on a market value assessment or income approach as detailed in note 5(a).

The Group's management reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

15 Investment Properties (continued)

(b) Valuation methods

Fair values of the residential properties in Mainland China and industrial properties in Hong Kong are generally derived using the sales comparison method. This valuation method is based on comparing the properties to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

Fair values of commercial properties in Hong Kong are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation techniques during the year.

(c) Significant unobservable inputs used to determine fair value

	Fair value at 30 June 2016 HK\$m	Fair value at 30 June 2015 HK\$m	Valuation methods	Unobservable inputs	Range of unobservable inputs for 2016	Range of unobservable inputs for 2015	Note
Commercial and industrial properties in Hong Kong	1,441.0	3,779.0	Income capitalization	Capitalization rate	4.25% – 5.40%	4.25% – 6.50%	(i)
				Average monthly rental	HK\$36 – HK\$480/sq.ft HK\$3,385 per carpark space	HK\$13.7 – HK\$480/sq.ft HK\$3,200 – HK\$4,250 per carpark space	(ii)
	149.3	145.9	Sales comparison	Property – specific adjusting factor	0.8 – 1.3	0.8 – 1.2	(ii)
Residential properties in Mainland China	22.3	19.1	Sales comparison	Property – specific adjusting factor	0.9 – 1.1	0.9 – 1.2	(ii)
	1,612.6	3,944.0					

Notes: Descriptions of the sensitivity in unobservable inputs and inter-relationship:

- (i) The fair value measurement is negatively correlated to the unobservable input that the lower the factor will result in a higher fair value.
- (ii) The fair value measurement is positively correlated to the unobservable input that the higher the factor will result in a higher fair value.

16 Property, Plant and Equipment

HK\$m	Note	Land and properties	Other plant and equipment	Total
Cost				
At 1 July 2015		25.1	1,816.2	1,841.3
Additions		291.2	257.7	548.9
Disposals		–	(77.4)	(77.4)
Translation differences		–	(7.9)	(7.9)
At 30 June 2016		316.3	1,988.6	2,304.9
Accumulated depreciation and impairment				
At 1 July 2015		9.3	1,173.6	1,182.9
Depreciation	8	7.6	159.5	167.1
Disposals		–	(75.6)	(75.6)
Translation differences		–	(4.2)	(4.2)
At 30 June 2016		16.9	1,253.3	1,270.2
Net book value At 30 June 2016		299.4	735.3	1,034.7
At 30 June 2015		15.8	642.6	658.4

16 Property, Plant and Equipment (continued)

HK\$m	Note	Land and properties	Other plant and equipment	Total
Cost				
At 1 July 2014		25.1	1,631.3	1,656.4
Additions		–	237.1	237.1
Disposals		–	(51.8)	(51.8)
Disposal of a subsidiary	38(b)	–	(0.4)	(0.4)
At 30 June 2015		25.1	1,816.2	1,841.3
Accumulated depreciation and impairment				
At 1 July 2014		8.9	1,094.8	1,103.7
Depreciation	8	0.4	130.1	130.5
Disposals		–	(50.9)	(50.9)
Disposal of a subsidiary	38(b)	–	(0.4)	(0.4)
At 30 June 2015		9.3	1,173.6	1,182.9
Net book value				
At 30 June 2015		15.8	642.6	658.4
At 30 June 2014		16.2	536.5	552.7

The Group's interests in land use rights grouped under land and properties amounted to HK\$207.5 million (2015: HK\$9.0 million).

17 Intangible Concession Rights

	Note	2016 HK\$m	2015 HK\$m
Cost			
At beginning of year		20,729.0	20,685.7
Additions		122.1	43.3
Disposals		(643.7)	–
Translation differences		(1,308.4)	–
At end of year		18,899.0	20,729.0
Accumulated amortization and impairment			
At beginning of year		5,825.0	4,988.7
Amortization	8	825.6	836.3
Disposals		(376.0)	–
Translation differences		(382.3)	–
At end of year		5,892.3	5,825.0
Net book value			
At end of year		13,006.7	14,904.0

Intangible concession rights refer to the Group's investment in the Roads segment. Amortization of intangible concession rights is included in the cost of sales in the consolidated income statement.

Certain amount of bank loans of the Group is secured by intangible concession rights of Hangzhou Ring Road with net book value of HK\$12,695.6 million (2015: HK\$14,253.7 million) (note 31(b)).

18 Intangible Assets

HK\$m	Note	Goodwill	Operating right	Total
Cost				
At 1 July 2015		67.2	567.2	634.4
Amount written off		(5.8)	–	(5.8)
At 30 June 2016		61.4	567.2	628.6
Accumulated amortization and impairment				
At 1 July 2015		15.4	195.1	210.5
Amortization	8	–	31.2	31.2
At 30 June 2016		15.4	226.3	241.7
Net book value				
At 30 June 2016		46.0	340.9	386.9
At 30 June 2015		51.8	372.1	423.9
HK\$m	Note	Goodwill	Operating right	Total
Cost				
At 1 July 2014 and at 30 June 2015		67.2	567.2	634.4
Accumulated amortization and impairment				
At 1 July 2014		15.4	163.9	179.3
Amortization	8	–	31.2	31.2
At 30 June 2015		15.4	195.1	210.5
Net book value				
At 30 June 2015		51.8	372.1	423.9
At 30 June 2014		51.8	403.3	455.1

18 Intangible Assets (continued)

(a) Goodwill

A summary of the goodwill allocation to segments is presented below:

HK\$m	Hong Kong	Mainland China	Total
2016			
Roads	–	11.9	11.9
Strategic Investments	34.1	–	34.1
	34.1	11.9	46.0
HK\$m	Hong Kong	Mainland China	Total
2015			
Roads	–	17.7	17.7
Strategic Investments	34.1	–	34.1
	34.1	17.7	51.8

Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified according to country of operation and business segment. For the purpose of impairment test, the recoverable amount of the business unit is determined based on value in use calculations. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management's best estimates and past experience.

(b) Operating right

Operating right was primarily resulted from the acquisition of right to operate facilities management business. Operating right is tested for impairment when there is indication of impairment and amortized over the period of the operating right.

(c) Amortization

Amortization of intangible assets is included in the cost of sales in the consolidated income statement.

19 Associated Companies

	Note	2016 HK\$m	2015 HK\$m
Group's share of net assets			
Listed shares – Hong Kong	(a)	4,905.7	4,985.2
Listed shares – Overseas	(a)	827.2	1,081.0
Unlisted shares	(b)	6,710.4	5,476.8
		12,443.3	11,543.0
Goodwill		727.3	777.3
Amounts receivable	(c)	1,777.1	1,160.1
		14,947.7	13,480.4

(a) As at 30 June 2016, the carrying amount represents the Group's investments in Beijing Capital International Airport Co., Ltd., Wai Kee Holdings Limited, Newton Resources and Tharisa. The share of market value of the Group's listed associated companies amounts to HK\$5,624.7 million (2015: HK\$6,396.2 million). Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies based on value in use calculations, as detailed in note 5(e). Management is of the view that there is no impairment of the Group's investments in associated companies as at 30 June 2016 except as detailed in note 5(e).

(b) As at 30 June 2016, the carrying amount mainly represents the Group's investments in various infrastructure, ports, commercial aircraft leasing, healthcare, strategic investments and other projects. Among which the Group has participating interests and holds for investment purpose in certain investment companies amounted to HK\$2,106.5 million (2015: HK\$1,152.9 million), which mainly represents various loans receivable. The Group's share of attributable operating profit of these investment companies for the year amounted to HK\$143.2 million (2015: HK\$133.6 million) as detailed in note 6(a)(ii).

(c) Amounts receivable are analyzed as follows:

	Note	2016 HK\$m	2015 HK\$m
Interest bearing	(i),(ii)	1,667.0	1,072.5
Non-interest bearing		110.1	87.6
		1,777.1	1,160.1

(i) The balance includes an amount of HK\$104.7 million (2015: HK\$104.7 million) which carries interest at 8% per annum and an aggregate amount of HK\$1,562.3 million (2015: HK\$883.9 million) which carries interest at 6-month HIBOR plus a margin of 1.3% per annum.

(ii) Included an amount of HK\$83.9 million which carried interests at LIBOR plus a margin of 2.2% to 2.75% per annum as at 30 June 2015.

The amounts are not repayable within the next 12 months from the end of the reporting period. As at 30 June 2016, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

19 Associated Companies (continued)

- (d) Dividend income from associated companies for the year is HK\$619.4 million (2015: HK\$286.3 million).
- (e) Details of principal associated companies are given in note 44. The directors of the Company were of the view that as at 30 June 2016, there was no individual associated company that was material to the Group.
- (f) Financial guarantee contracts relating to associated companies are disclosed in note 37.
- (g) The Group's share of revenue, results, assets and liabilities of associated companies are summarized below:

	2016 HK\$m	2015 HK\$m
Revenue	5,162.3	4,794.9
Profit/(loss) for the year	724.3	(946.4)
Other comprehensive loss for the year	(665.2)	(128.9)
Total comprehensive income/(loss) for the year	59.1	(1,075.3)
Non-current assets	20,613.8	16,485.8
Current assets	5,532.5	3,859.6
Current liabilities	(6,461.0)	(3,708.0)
Non-current liabilities	(7,242.0)	(5,094.4)
Net assets	12,443.3	11,543.0

20 Joint Ventures

	Note	2016 HK\$m	2015 HK\$m
Co-operative joint ventures			
Cost of investment less provision		1,663.9	1,747.1
Goodwill		90.0	90.0
Share of undistributed post-acquisition results		1,703.0	1,866.0
Amounts receivable	(b)	71.8	12.9
		3,528.7	3,716.0
Equity joint ventures			
Group's share of net assets		3,084.4	3,371.9
Goodwill		87.2	87.2
		3,171.6	3,459.1
Companies limited by shares			
Group's share of net assets		8,035.4	7,952.6
Goodwill		488.4	501.0
Amounts receivable	(b)	3,106.1	2,834.4
Amounts payable		(207.7)	(185.6)
		11,422.2	11,102.4
	(a)	18,122.5	18,277.5

(a) As at 30 June 2016, the carrying amount mainly represents the Group's investments in various infrastructure, ports, logistics, transport and other projects. Management is of the view that there is no impairment of the Group's investment in joint ventures as at 30 June 2016 except as detailed in note 5(e).

20 Joint Ventures (continued)

(b) Amounts receivable are analyzed as follows:

	Note	2016 HK\$m	2015 HK\$m
Interest bearing	(i)	70.7	12.9
Non-interest bearing	(ii)	3,107.2	2,834.4
		3,177.9	2,847.3

(i) The balance includes an amount of HK\$12.2 million (2015: HK\$12.9 million) which carries interest at Hong Kong prime rate and an amount of HK\$58.5 million (2015: Nil) which carries interest at 12-month People's Bank of China Rate per annum.

(ii) The balance includes an amount of HK\$197.5 million (2015: HK\$197.5 million) which has been subordinated to certain indebtedness of a joint venture.

As at 30 June 2016, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

- (c) Dividend income from joint ventures for the year is HK\$1,250.8 million (2015: HK\$3,407.2 million).
- (d) Details of principal joint ventures are given in note 45. The directors of the Company were of the view that as at 30 June 2016, there was no individual joint venture that was material to the Group.
- (e) Financial guarantee contracts relating to joint ventures are disclosed in note 37.
- (f) The Group's share of revenue, results, assets and liabilities of joint ventures are summarized below:

	2016 HK\$m	2015 HK\$m
Revenue	13,133.0	13,157.8
Profit for the year	1,541.7	2,662.7
Other comprehensive loss for the year	(1,008.9)	(211.2)
Total comprehensive income for the year	532.8	2,451.5
Non-current assets	23,253.6	24,131.1
Current assets	4,910.3	6,372.5
Current liabilities	(6,627.0)	(8,171.5)
Non-current liabilities	(7,050.2)	(7,394.5)
Net assets	14,486.7	14,937.6

21 Available-for-sale Financial Assets

	2016 HK\$m	2015 HK\$m
Non-current assets		
Equity securities listed in Hong Kong	1,208.2	2,245.0
Equity securities listed overseas	–	77.5
Debt securities listed in Hong Kong	244.3	244.2
Unlisted equity securities	60.0	5.8
Unlisted debt securities	–	30.0
	1,512.5	2,602.5
Current asset		
Unlisted debt securities	30.0	–
	1,542.5	2,602.5
Market value of listed securities	1,452.5	2,566.7

The maximum exposure to credit risk at the end of reporting period is the carrying value of the debt securities.

The fair value of unlisted securities is based on cash flows discounted using a rate based on the market interest rates and the risk premium specific to the unlisted securities.

The available-for-sale financial assets are denominated in the following currencies:

	2016 HK\$m	2015 HK\$m
Hong Kong dollar	1,238.2	2,275.0
United States dollar	298.5	321.7
Renminbi	5.8	5.8
	1,542.5	2,602.5

22 Other Non-Current Assets

	Note	2016 HK\$m	2015 HK\$m
Security deposits		971.9	952.0
Derivative financial instruments		39.5	39.5
Deferred tax assets	32	2.6	2.3
Others		22.8	21.3
		1,036.8	1,015.1

23 Inventories

	2016 HK\$m	2015 HK\$m
Raw materials	13.1	12.9
Finished goods	382.6	424.0
	395.7	436.9

24 Trade and Other Receivables

	Note	2016 HK\$m	2015 HK\$m
Trade receivables	(a)	2,582.2	1,976.8
Retention money receivables		1,444.0	1,049.0
Amounts due from customers for contract works	28	244.5	129.9
Other receivables, deposits and prepayments		4,703.1	3,997.2
Financial assets at fair value through profit or loss	25	0.1	0.2
Derivative financial instruments		19.3	19.3
Amounts due from associated companies	(b)	1,433.1	1,582.4
Amounts due from joint ventures	(b)	482.9	233.8
		10,909.2	8,988.6

24 Trade and Other Receivables (continued)

(a) Trade receivables can be further analyzed as follows:

The ageing analysis of trade receivables based on invoice date is as follows:

	2016 HK\$m	2015 HK\$m
Under 3 months	2,511.7	1,909.9
4 to 6 months	30.3	9.0
Over 6 months	40.2	57.9
	2,582.2	1,976.8

The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Retention money receivables in respect of construction services are settled in accordance with the terms of respective contracts.

The maximum exposure of trade receivables equals their carrying amounts.

An allowance for impairment of trade receivables is made based on the estimated irrecoverable amount determined by reference to past default experience and where there are indicators that the debt is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payment are considered indicators that the debt is impaired.

At 30 June 2016, trade receivables of HK\$272.7 million (2015: HK\$135.7 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 HK\$m	2015 HK\$m
Under 3 months	202.2	68.8
4 to 6 months	30.3	9.0
Over 6 months	40.2	57.9
	272.7	135.7

At 30 June 2016, trade receivables of HK\$1.1 million (2015: HK\$1.1 million) were impaired, which were related to customers that were in financial difficulties and were past due for more than 6 months. There were no movement on the provision for impairment of trade receivables during FY2016 and FY2015.

24 Trade and Other Receivables (continued)

- (b) As at 30 June 2016, the amounts due from associated companies and joint ventures of the Group are interest free, unsecured and repayable on demand except for an amount of HK\$279.7 million (2015: Nil) due from a joint venture which carries interests at 12-month LIBOR plus a margin of 12.15% per annum. As at 30 June 2015, there was also an aggregate amount of HK\$1,038.0 million due from an associated company which borne interest at LIBOR plus a margin of 2.2% to 2.75% per annum. The amounts receivable are fully performing.
- (c) Included in the Group's trade and other receivables are HK\$283.0 million (2015: HK\$354.7 million) denominated in Renminbi, HK\$101.0 million (2015: HK\$33.6 million) denominated in Macau Pataca and HK\$1,723.4 million (2015: HK\$1,664.2 million) denominated in United States dollar. The remaining balances are mainly denominated in Hong Kong dollar.

25 Financial Assets at Fair Value Through Profit or Loss

	Note	2016 HK\$m	2015 HK\$m
Unlisted equity securities	24	0.1	0.2

The financial assets at fair value through profit or loss are denominated in United States dollar.

26 Cash and Bank Balances

	2016 HK\$m	2015 HK\$m
Time deposits – maturing within three months	5,734.2	8,285.8
Time deposits – maturing after more than three months	43.2	16.6
Other cash at bank and on hand	3,146.2	2,119.9
Cash and bank balances	8,923.6	10,422.3

The effective interest rate on time deposits is 1.9% (2015: 2.9%) per annum; these deposits have an average maturity of 32 days (2015: 43 days).

The balances include HK\$2,450.9 million (2015: HK\$2,490.5 million) which are kept in the bank accounts opened with banks in Mainland China where the remittance of funds is subject to foreign exchange control.

The cash and bank balances are denominated in the following currencies:

	2016 HK\$m	2015 HK\$m
Hong Kong dollar	1,959.4	1,305.1
Renminbi	6,251.9	8,838.5
United States dollar	620.0	228.2
Macau Pataca	92.0	43.8
Others	0.3	6.7
	8,923.6	10,422.3

27 Assets held-for-sale/Liabilities Directly Associated With Assets held-for-sale

On 20 June 2016, NWD (the Company's ultimate holding company) and the Company jointly announced that an agreement was entered into in respect of the disposal of Shine Fame Holdings Limited ("Shine Fame", an investment holding company which holds the entire interest in NWS Kwai Chung Logistics Centre, an investment property of the Group) and the assignment of debt at an aggregate cash consideration of HK\$3.75 billion (the "Disposal Transaction"). Completion of the Disposal Transaction took place on 31 August 2016. Assets and liabilities of Shine Fame were reclassified as held-for-sale as at 30 June 2016.

	Note	2016 HK\$m
Assets		
Investment property	15	3,750.0
Other current assets		2.4
Trade and other receivables		1.2
Cash and bank balances		12.5
Assets of a subsidiary reclassified as held-for-sale		3,766.1
Liabilities		
Trade and other payables		(26.5)
Deferred tax liabilities	32	(56.8)
Liabilities of a subsidiary reclassified as held-for-sale		(83.3)

As at 30 June 2016, management of the Group determined the fair value of NWS Kwai Chung Logistics Centre approximated the consideration of the Disposal Transaction. With reference to the consideration of the Disposal 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 Disposal Transaction and 30 June 2016.

The fair value of NWS Kwai Chung Logistics Centre is categorized 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 Disposal Transaction which is an input observable for the investment property indirectly.

28 Contracts in Progress

	Note	2016 HK\$m	2015 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses		40,337.9	51,386.8
Progress payments received and receivable		(41,647.8)	(52,346.6)
		(1,309.9)	(959.8)
Representing			
Gross amounts due from customers for contract works	24	244.5	129.9
Gross amounts due to customers for contract works	34	(1,554.4)	(1,089.7)
		(1,309.9)	(959.8)

29 Share Capital

	Ordinary Shares	
	No. of shares	HK\$m
Authorized		
At 1 July 2015 and 30 June 2016	6,000,000,000	6,000.0
Issued and fully paid		
At 1 July 2014	3,741,915,242	3,741.9
Issued as scrip dividends	33,450,658	33.5
At 30 June 2015	3,775,365,900	3,775.4
Issued as scrip dividends	56,600,940	56.6
At 30 June 2016	3,831,966,840	3,832.0

Share Option Scheme

- (a) The share option scheme of the Company (the "Share Option Scheme"), which was adopted on 21 November 2011, is valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the Share Option Scheme to subscribe for the shares of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the share capital of the Company in issue as at 21 November 2011, i.e. 3,388,900,598 shares.

29 Share Capital (continued)

Share Option Scheme (continued)

(a) (continued)

Movements in the number of share options outstanding and their weighted average exercise prices during the year are as follows:

	Note	Number of options		Weighted average exercise price of each category (HK\$)	
		2016	2015	2016	2015
At beginning of year		55,478,053	–	14.158	–
Granted		–	55,470,000	–	14.160
Adjusted	(ii)	82,018	8,053	14.142	14.158
Lapsed		(284,248)	–	14.148	–
At end of year		55,275,823	55,478,053	14.137	14.158

- (i) On 9 March 2015, 55,470,000 share options were granted to directors and certain eligible participants at the exercise price of HK\$14.160 per share, which represents the average closing price of the Company's shares in the daily quotations sheets of the Hong Kong Stock Exchange for the five trading days immediately preceding 9 March 2015. Such share options will expire on 8 March 2020.
- (ii) Pursuant to the Share Option Scheme, the number of unexercised share options and the exercise price may be subject to adjustment in case of alteration in the capital structure of the Company. The Company declared the final dividend for the year ended 30 June 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 Share Option Scheme. With effect from 16 May 2016, the exercise price per share for the share options granted was adjusted to HK\$14.137.

Share options outstanding at the end of year have the following terms:

	Expiry Date	Number of options		Vested percentage	
		2016	2015	2016	2015
Exercise price		HK\$14.137	HK\$14.158		
Directors	8 March 2020	29,948,714	31,304,566	80%	60%
Other eligible participants	8 March 2020	25,327,109	24,173,487	80%	60%
		55,275,823	55,478,053		

- (b) The share options will be vested according to the Share Option Scheme and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date.

30 Reserves

HK\$m	Note	Share premium	Special reserves	Investment revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2015		16,288.7	634.2	296.3	2,921.5	21,497.3	41,638.0
Profit for the year		-	-	-	-	4,912.8	4,912.8
Dividends paid to shareholders of the Company		-	-	-	-	(2,425.5)	(2,425.5)
Fair value changes of available-for-sale financial assets							
Group		-	-	(300.1)	-	-	(300.1)
Joint ventures		-	-	(17.1)	-	-	(17.1)
Release of investment revaluation deficit to the consolidated income statement upon impairment of an available-for-sale financial asset		-	-	670.4	-	-	670.4
Release of reserve upon disposal of available-for-sale financial assets		-	-	(623.0)	-	-	(623.0)
Currency translation differences							
Group		-	-	-	(872.5)	-	(872.5)
Associated companies		-	-	-	(545.4)	-	(545.4)
Joint ventures		-	-	-	(990.2)	-	(990.2)
Scrip dividends							
Share premium on new shares issued		551.7	-	-	-	-	551.7
Share options							
Value of services provided							
Group	9	-	27.8	-	-	-	27.8
Associated company		-	0.2	-	-	-	0.2
Joint ventures		-	2.0	-	-	-	2.0
Further acquisition of interest in a subsidiary		-	-	-	33.1	(128.9)	(95.8)
Share of other comprehensive loss of associated companies and joint ventures		-	(106.8)	-	-	(14.5)	(121.3)
Cash flow hedges		-	(12.1)	-	-	-	(12.1)
Remeasurement of post-employment benefit obligation		-	-	-	-	(13.0)	(13.0)
Transfer		-	3.5	-	-	(3.5)	-
At 30 June 2016		16,840.4	548.8	26.5	546.5	23,824.7	41,786.9

30 Reserves (continued)

HK\$m	Note	Share premium	Special reserves	Investment revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2014		15,880.0	640.0	(84.9)	3,145.2	18,894.2	38,474.5
Profit for the year		–	–	–	–	4,477.6	4,477.6
Dividends paid to shareholders of the Company		–	–	–	–	(1,837.5)	(1,837.5)
Fair value changes on available-for-sale financial assets							
Group		–	–	(200.9)	–	–	(200.9)
Associated companies		–	–	(1.9)	–	–	(1.9)
Joint ventures		–	–	15.5	–	–	15.5
Release of reserve upon disposal of an available-for-sale financial asset		–	–	(96.0)	–	–	(96.0)
Release of reserves upon disposal of a subsidiary	38(b)	–	(2.4)	–	(1.4)	–	(3.8)
Release of reserves upon partial disposal of interest in an associated company		–	(13.7)	(1.2)	(31.7)	–	(46.6)
Reversal of reserves upon reclassification of an available-for-sale financial asset as an associated company		–	–	665.7	51.5	–	717.2
Currency translation differences							
Group		–	–	–	(51.2)	–	(51.2)
Associated companies		–	–	–	(45.8)	–	(45.8)
Joint ventures		–	–	–	(145.1)	–	(145.1)
Scrip dividends							
Share premium on new shares issued		408.7	–	–	–	–	408.7
Share options							
Value of services provided							
Group	9	–	79.7	–	–	–	79.7
Associated company		–	0.5	–	–	–	0.5
Joint ventures		–	5.6	–	–	–	5.6
Share of other comprehensive loss of associated companies and joint ventures		–	(87.1)	–	–	(29.2)	(116.3)
Cash flow hedges		–	(1.1)	–	–	–	(1.1)
Remeasurement of post-employment benefit obligation		–	–	–	–	4.9	4.9
Transfer		–	12.7	–	–	(12.7)	–
At 30 June 2015		16,288.7	634.2	296.3	2,921.5	21,497.3	41,638.0

30 Reserves (continued)

Special reserves include statutory reserves which are created in accordance with the relevant PRC laws and/or terms of the joint venture agreements of subsidiaries and joint ventures established in Mainland China and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve, share option reserve, property revaluation reserve and cash flow hedges reserve arising from interest rate swap.

31 Borrowings

	Note	2016 HK\$m	2015 HK\$m
Non-current			
Long-term bank loans			
Secured	(a),(b),(c)	181.3	606.2
Unsecured	(a),(c)	9,070.4	9,012.2
Fixed rate bonds			
Unsecured	(d)	–	3,868.4
Other borrowings			
Unsecured		–	0.2
		9,251.7	13,487.0
Current			
Current portion of long-term bank loans			
Secured	(a),(b),(c)	386.0	412.5
Unsecured	(a),(c)	1,548.2	2,402.6
Fixed rate bonds			
Unsecured	(d)	3,878.7	–
Short-term bank loans and overdrafts			
Unsecured	(c)	–	509.1
Other borrowings			
Unsecured		0.2	0.2
		5,813.1	3,324.4
		15,064.8	16,811.4

31 Borrowings (continued)

(a) Long-term bank loans

	2016 HK\$m	2015 HK\$m
Bank loans, secured	567.3	1,018.7
Bank loans, unsecured	10,618.6	11,414.8
Total long-term bank loans	11,185.9	12,433.5
Amounts repayable within one year included in current liabilities	(1,934.2)	(2,815.1)
	9,251.7	9,618.4
	2016 HK\$m	2015 HK\$m
The maturity of long-term bank loans is as follows:		
Within one year	1,934.2	2,815.1
In the second year	593.1	1,919.9
In the third to fifth year	8,658.6	7,698.5
	11,185.9	12,433.5

As at 30 June 2016, the Group's long-term bank loans of HK\$11.186 billion (2015: HK\$12.433 billion) are exposed to interest rate risk of contractual repricing dates falling within one year except for an amount of HK\$0.4 billion (2015: HK\$0.4 billion) which is fixed rate interest-bearing.

- (b) Bank loans are secured by the intangible concession rights of Hangzhou Ring Road (note 17).
- (c) The effective interest rates of bank loans at the end of the reporting period were as follows:

	2016	2015
Hong Kong dollar	1.63%	1.71%
Renminbi	4.41%	5.54%

(d) Fixed rate bonds

Fixed rate bonds represent US\$500.0 million bonds bearing interest with a coupon rate of 6.5% per annum. These bonds are guaranteed unconditionally and irrevocably by the Company and listed on the Singapore Exchange Securities Trading Limited.

US\$500.0 million bonds are redeemable by the issuer at any time at the option of the issuer, subject to terms governing the bonds. Unless previously redeemed, or purchased and cancelled, US\$500.0 million bonds will be redeemed at the principal on the maturity date on 9 February 2017.

As at 30 June 2016, the fair value of US\$500.0 million bonds amounted to US\$500.0 million (equivalent to approximately HK\$3,884.6 million) which is based on the quoted market prices.

Notes to the Financial Statements

31 Borrowings (continued)

(e) Other than fixed rate bonds as detailed in note (d) above, the carrying amounts of the borrowings approximate their fair values.

(f) The carrying amounts of the borrowings are denominated in the following currencies:

	2016 HK\$m	2015 HK\$m
Hong Kong dollar	10,618.8	11,924.3
United States dollar	3,878.7	3,868.4
Renminbi	567.3	1,018.7
	15,064.8	16,811.4

32 Deferred Income Tax

	Note	2016 HK\$m	2015 HK\$m
At beginning of year		2,376.0	2,510.1
Translation differences		(132.7)	–
Written back upon disposal of intangible concession rights		(33.8)	–
Disposal of a subsidiary	38(b)	–	(1.3)
Reclassified as liabilities directly associated with assets held-for-sale	27	(56.8)	–
Net amount credited to the consolidated income statement	11	(46.0)	(132.8)
At end of year		2,106.7	2,376.0

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2015: 16.5%).

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK\$941.1 million (2015: HK\$1,118.8 million) to be carried forward against future taxable income. These tax losses have no expiry dates.

As at 30 June 2016, the aggregate amount of unrecognized deferred tax liabilities associated with investments in subsidiaries totalled approximately HK\$225.9 million (2015: HK\$231.6 million). For this unrecognized amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

32 Deferred Income Tax (continued)

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets

HK\$m	Note	Tax losses		Other deductible temporary differences		Total	
		2016	2015	2016	2015	2016	2015
At beginning of year		13.8	22.4	75.6	88.8	89.4	111.2
Translation differences		-	-	(4.2)	-	(4.2)	-
Reclassified as liabilities directly associated with assets held-for-sale	27	(4.0)	-	-	-	(4.0)	-
Charged to the consolidated income statement		(8.7)	(8.6)	(0.6)	(13.2)	(9.3)	(21.8)
At end of year		1.1	13.8	70.8	75.6	71.9	89.4

Deferred tax liabilities

HK\$m	Note	Accelerated tax depreciation		Amortization of concession rights		Undistributed profits of subsidiaries, associated companies and joint ventures		Others		Total	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
At beginning of year		108.9	95.7	2,143.4	2,260.9	183.1	198.3	30.0	66.4	2,465.4	2,621.3
Translation differences		3.0	-	(139.9)	-	-	-	-	-	(136.9)	-
Disposal of a subsidiary	38(b)	-	-	-	-	-	-	-	(1.3)	-	(1.3)
Written back upon disposal of intangible concession rights		-	-	(33.8)	-	-	-	-	-	(33.8)	-
Reclassified as liabilities directly associated with assets held-for-sale	27	(60.8)	-	-	-	-	-	-	-	(60.8)	-
Charged/(credited) to the consolidated income statement		10.8	13.2	(85.9)	(117.5)	19.8	(15.2)	-	(35.1)	(55.3)	(154.6)
At end of year		61.9	108.9	1,883.8	2,143.4	202.9	183.1	30.0	30.0	2,178.6	2,465.4

Notes to the Financial Statements

32 Deferred Income Tax (continued)

Deferred income tax assets and liabilities are offset when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	Note	2016 HK\$m	2015 HK\$m
Deferred tax assets	22	(2.6)	(2.3)
Deferred tax liabilities		2,109.3	2,378.3
		2,106.7	2,376.0

33 Other Non-Current Liabilities

	Note	2016 HK\$m	2015 HK\$m
Long service payment obligations		20.1	18.8
Deferred income		14.8	148.0
Loans from non-controlling interests	(a)	71.7	96.8
Derivative financial instruments		89.7	83.2
Retirement benefit obligations		18.7	4.9
		215.0	351.7

(a) The loans are interest free, unsecured and not repayable within one year.

34 Trade and Other Payables

	Note	2016 HK\$m	2015 HK\$m
Trade payables	(a)	630.9	606.5
Retention money payables		1,216.1	890.3
Advances received from customers for contract works		1,719.9	1,284.9
Amounts due to customers for contract works	28	1,554.4	1,089.7
Amounts due to non-controlling interests	(b)	148.0	94.2
Other payables and accruals		6,751.3	5,080.7
Amounts due to associated companies	(b)	14.1	8.3
Amounts due to joint ventures	(b)	1.2	0.6
		12,035.9	9,055.2

34 Trade and Other Payables (continued)

(a) The ageing analysis of trade payables based on invoice date is as follows:

	2016 HK\$m	2015 HK\$m
Under 3 months	611.2	587.7
4 to 6 months	7.4	5.4
Over 6 months	12.3	13.4
	630.9	606.5

(b) The amounts payable are interest free, unsecured and have no fixed repayment terms.

(c) Included in the Group's trade and other payables are HK\$513.5 million (2015: HK\$395.4 million) denominated in Renminbi, HK\$273.7 million (2015: HK\$231.6 million) denominated in Macau Pataca and HK\$185.3 million (2015: HK\$208.1 million) denominated in United States dollar. The remaining balances are mainly denominated in Hong Kong dollar.

35 Financial Instruments by Category

Financial assets in the consolidated statement of financial position include available-for-sale financial assets, financial assets at fair value through profit or loss, derivative financial instruments, trade receivables, loan and other receivables and cash and bank balances. All these financial assets are carried at amortized cost using the effective interest method as "loans and receivables" except for the "available-for-sale financial assets", "financial assets at fair value through profit or loss" and "derivative financial instruments" which are carried at fair value.

Financial liabilities in the consolidated statement of financial position include borrowings, trade payables, derivative financial instruments, loan and other payables. All these financial liabilities are carried at amortized cost using the effective interest method except for the "derivative financial instruments" which are carried at fair value.

36 Commitments

(a) The outstanding commitments for capital expenditure are as follows:

	Note	2016 HK\$m	2015 HK\$m
Contracted but not provided for			
Intangible concession rights		–	93.0
Property, plant and equipment		23.4	9.3
Capital contributions to/acquisitions			
of an associated company and joint ventures	(i)	2,339.7	2,072.7
Other investment		701.7	–
		3,064.8	2,175.0

36 Commitments (continued)

(a) The outstanding commitments for capital expenditure are as follows (continued):

(i) The Group has committed to provide sufficient funds in the form of advances, capital and loan contributions to an associated company and certain joint ventures to finance relevant projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$2,339.7 million (2015: HK\$2,072.7 million) which represents the attributable portion of the capital and loan contributions to be made to an associated company and joint ventures.

(b) The Group's share of commitments for capital expenditure committed by the joint ventures not included above are as follows:

	2016 HK\$m	2015 HK\$m
Contracted but not provided for		
Property, plant and equipment	574.3	971.2
Capital contributions to/acquisitions of joint ventures	76.4	177.6
	650.7	1,148.8

(c) Commitments under operating leases

The future aggregate lease payments under non-cancellable operating leases are as follows:

	2016 HK\$m	2015 HK\$m
Buildings		
In the first year	78.0	73.5
In the second to fifth year inclusive	88.1	88.3
After the fifth year	4.4	5.3
	170.5	167.1

The lease terms range from 1 to 19 years.

36 Commitments (continued)

(d) Future minimum rental payments receivable

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	2016 HK\$m	2015 HK\$m
In the first year	34.0	121.2
In the second to fifth year inclusive	60.1	127.4
After the fifth year	11.2	–
	105.3	248.6

The Group's operating leases terms range from 1 to 18 years.

37 Financial Guarantee Contracts

The Group's financial guarantee contracts are as follows:

	2016 HK\$m	2015 HK\$m
Guarantees for credit facilities granted to		
Associated companies	1,340.9	20.0
Joint ventures	1,028.6	1,025.6
A related company	–	49.7
	2,369.5	1,095.3

38 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	3,949.8	3,910.5
Depreciation and amortization	1,023.9	998.0
Share-based payments	27.8	79.7
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	–	(914.0)
Gain on fair value of investment properties	(1,420.0)	(306.6)
Net profit on disposal of property, plant and equipment	–	(61.6)
Profit on disposal of a subsidiary	(95.0)	(5.1)
Profit on disposal of a joint venture	(53.2)	–
Profit on disposal of intangible concession rights and their related assets and liabilities	(58.7)	–
Profit on disposal of available-for-sale financial assets	(645.1)	(25.2)
Profit on disposal of an asset held-for-sale	(15.0)	–
Profit on disposal of a financial asset at fair value through profit or loss	–	(10.7)
Interest income	(319.5)	(347.3)
Dividend income	(65.8)	(3.5)
Impairment loss on an available-for-sale financial asset	670.4	–
Loss on partial disposal of an associated company	–	131.5
Net exchange loss	396.4	–
Other non-cash items	(3.5)	(17.4)
Operating profit before working capital changes	3,392.5	3,428.3
Decrease/(increase) in inventories	41.2	(107.3)
Increase in trade and other receivables	(1,806.6)	(1,225.6)
Increase in trade and other payables	2,885.3	1,329.0
Increase in deferred income	24.8	31.9
Decrease in balances with associated companies and joint ventures	1.8	20.5
Increase/(decrease) in long service payment obligations	0.4	(5.8)
Increase in amounts due to non-controlling interests	58.6	49.5
Net cash generated from operations	4,598.0	3,520.5

38 Notes to Consolidated Statement of Cash Flows (continued)**(b) Disposal of a subsidiary**

	Note	2016 HK\$m	2015 HK\$m
Net assets disposed			
Investment properties	15	–	5.6
Property, plant and equipment	16	–	–
Trade and other receivables		–	41.2
Cash and bank balances		–	0.3
Trade and other payables		–	(21.9)
Tax payable		–	(21.5)
Deferred tax liabilities	32	–	(1.3)
		–	2.4
Net profit on disposal	7	95.0	5.1
Release of reserves upon disposal	30	–	(3.8)
		95.0	3.7
Represented by			
Cash consideration received		95.0	3.7

During the year, an indirect wholly owned subsidiary of the Group which holds a convertible note of a private company (full provision was made in prior years) was disposed at net cash consideration of HK\$95.0 million.

(c) Analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	2016 HK\$m	2015 HK\$m
Cash consideration	95.0	3.7
Cash and bank balances disposed of	–	(0.3)
	95.0	3.4

39 Related Party Transactions

- (a) The following is a summary of significant related party transactions during the year carried out in the normal course of the Group's business:

	Note	2016 HK\$m	2015 HK\$m
Transactions with affiliated companies			
Provision of construction work services	(i)		
Provision of other services	(ii)	962.0	–
Interest income	(iii)	7.6	3.5
Management fee income	(iv)	70.0	30.6
Rental and other related expenses	(v)	23.6	23.7
	(vi)	(11.3)	(10.0)
Transactions with other related parties			
Provision of construction work services	(i)		
Provision of other services	(ii)	8,447.1	6,986.8
Rental and other related expenses	(iii)	72.2	75.5
Mechanical and electrical engineering services	(vi)	(49.5)	(45.4)
Other expenses	(vii)	(1,507.6)	(664.2)
	(viii)	(174.0)	(153.0)

- (i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD, CTF Enterprises and Mr Doo and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is a substantial shareholder of NWD. Mr Doo is the Vice-chairman and a non-executive director of NWD. Mr Doo is also the father of Mr William Junior Guilherme Doo, the non-executive director of the Company.
- (ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts.
- (iii) The Group provided various kinds of services including facilities management, property management and other services to certain affiliated companies and related parties. The services were provided and charged in accordance with the relevant contracts.
- (iv) Interest income was charged at interest rates as specified in notes 19, 20 and 24 on the outstanding balances due from the affiliated companies.
- (v) Management fee was charged at rates in accordance with the relevant contracts.
- (vi) Rental and other related expenses were charged at rates in accordance with the respective tenancy agreements.
- (vii) Mechanical and electrical engineering services were charged in accordance with the relevant contracts.
- (viii) Other expenses include purchase of construction materials, laundry, security and guarding, landscaping, cleaning and property management services. The services were charged in accordance with the relevant contracts.

(b) Key management compensation

No significant compensation arrangement has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 14.

39 Related Party Transactions (continued)

- (c) On 24 September 2015, Catchy Investments Limited (the “Vendor”, a direct wholly owned subsidiary of NWD) and Hip Hing Construction Holdings Limited (“HHCH”, an indirect wholly owned subsidiary of the Company) entered into an agreement and pursuant to which, the Vendor agreed to dispose the entire issued share capital of Next Jubilee Holdings Limited (“Next Jubilee”) and assign the outstanding shareholder’s loan of Next Jubilee from the Vendor to HHCH at a total consideration of HK\$261.9 million. Next Jubilee is an investment holding company whose main asset is its investment in a wholly owned subsidiary, whose main assets are the properties comprising all those office units nos. 1 to 20 on the eleventh floor of Chevalier Commercial Centre at No. 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

The consideration was satisfied in cash by HHCH and completion of the agreement took place on 24 September 2015.

- (d) On 10 December 2015, CTF Enterprises, Razor Zenith Limited (“RZL”, a wholly owned subsidiary of CTF Enterprises), NWS Ports Management Limited (a direct wholly owned subsidiary of the Company), Flying Gravity Limited (“FGL”, an indirect wholly owned subsidiary of the Company) 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 to US\$240.0 million (approximate from HK\$31.2 million to HK\$1,872.0 million).

- (e) On 6 January 2016, NWD, Easywin Enterprises Corporation Limited (the “Offeror”) and NWCL issued an announcement jointly in relation to (i) the voluntary conditional cash offer by The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) on behalf of the Offeror to acquire all of the shares of NWCL (“NWCL Shares”) (other than those already held by the Offeror and NWD) (the “Share Offer”); and (ii) the voluntary conditional cash offer by HSBC on behalf of the Offeror to the holders of NWCL’s share options to cancel all the outstanding share options of NWCL held by them.

On 11 March 2016, High Earnings Holdings Limited (“High Earnings”, a wholly owned subsidiary of the Company) tendered its acceptance of the Share Offer in respect of 93,073,738 NWCL Shares held by it by returning the duly completed and signed form of acceptance and transfer in respect of the Share Offer together with the relevant documents to the Hong Kong branch share registrar of NWCL. Based on the price of the Share Offer of HK\$7.80 per offer share of NWCL, the aggregate consideration paid by the Offeror for the 93,073,738 NWCL Shares held by High Earnings amounted to HK\$725,975,156.40 (before deduction of seller’s ad valorem stamp duty). The relevant consideration was received by High Earnings on 1 April 2016.

- (f) The amounts of outstanding balances with associated companies, joint ventures and non-controlling interests are disclosed in notes 19, 20, 24, 33 and 34.

40 Comparative Figures

Certain comparative figures have been reclassified to conform with the current year’s presentation.

41 Ultimate Holding Company

The directors regard NWD, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as being the ultimate holding company. The Company is held by NWD and certain of its subsidiaries.

42 Company Statement of Financial Position

	2016 HK\$m	2015 HK\$m
ASSETS		
Non-current assets		
Property, plant and equipment	10.4	11.1
Subsidiaries	7,893.3	8,064.6
	7,903.7	8,075.7
Current assets		
Trade and other receivables	32,542.8	31,894.0
Cash and bank balances	812.0	107.1
	33,354.8	32,001.1
Total assets	41,258.5	40,076.8
EQUITY		
Share capital	3,832.0	3,775.4
Reserves	26,887.7	23,037.5
Total equity	30,719.7	26,812.9
LIABILITIES		
Current liabilities		
Trade and other payables	10,538.8	13,263.9
Total liabilities	10,538.8	13,263.9
Total equity and liabilities	41,258.5	40,076.8

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

42 Company Statement of Financial Position (continued)

Reserves

HK\$m	Share premium	Contributed surplus	Special reserves	Revenue reserve	Total
At 1 July 2015	16,288.7	237.3	169.8	6,341.7	23,037.5
Issue of new shares as scrip dividends	551.7	–	–	–	551.7
Profit for the year	–	–	–	5,694.0	5,694.0
Dividends	–	–	–	(2,425.5)	(2,425.5)
Share options					
Value of services provided					
Company	–	–	19.3	–	19.3
Subsidiaries	–	–	8.5	–	8.5
Associated company	–	–	0.2	–	0.2
Joint ventures	–	–	2.0	–	2.0
At 30 June 2016	16,840.4	237.3	199.8	9,610.2	26,887.7
At 1 July 2014	15,880.0	237.3	84.0	2,328.1	18,529.4
Issue of new shares as scrip dividends	408.7	–	–	–	408.7
Profit for the year	–	–	–	5,851.1	5,851.1
Dividends	–	–	–	(1,837.5)	(1,837.5)
Share options					
Value of services provided					
Company	–	–	54.4	–	54.4
Subsidiaries	–	–	25.3	–	25.3
Associated company	–	–	0.5	–	0.5
Joint ventures	–	–	5.6	–	5.6
At 30 June 2015	16,288.7	237.3	169.8	6,341.7	23,037.5

The contributed surplus of the Company represents the difference between the nominal value of the ordinary share capital issued by the Company and the consolidated net asset value of the subsidiaries acquired at the date of acquisition pursuant to the group reorganization implemented in 1997. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

Special reserves mainly include capital redemption reserve and share option reserve.

Notes to the Financial Statements

43 Principal Subsidiaries

The directors of the Company were of the view that as at 30 June 2016, there was no individual subsidiary that had non-controlling interests that were material to the Group.

As at 30 June 2016

	Issued and fully paid share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK\$		
Incorporated and operate in Hong Kong				
Anway Limited	1	1	100.0	Duty free operation and general trading
Billionable Investment Limited	4,998	4,998	100.0	Investment holding
	2*	2	100.0	
Bounty Gain Limited	1	1	100.0	Investment holding
Cheering Step Investments Limited	1	1	100.0	Investment holding
Chinese Future Limited	1,300,000,000	1,300,000,000	100.0	Investment holding
CiF Solutions Limited	10	1,000	100.0	Provision of information technology solutions
	160,000*	16,000,000	100.0	
Grace Crystal Limited	1	1	100.0	Investment holding
Grand Express International Limited	1	1	100.0	Investment holding
Hip Hing Builders Company Limited	40,000	40,000,000	100.0	Construction
	10,000*	10,000,000	100.0	
Hip Hing Construction Company Limited	400,000	40,000,000	100.0	Construction and civil engineering
	600,000*	60,000,000	100.0	
Hip Hing Engineering Company Limited	2,000,000	200,000,000	100.0	Building construction
Hip Seng Builders Limited	20,000	20,000,000	100.0	Construction
Hip Seng Construction Company Limited	1	1	100.0	Construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	3	100.0	Management of HKCEC
	1*	1	100.0	
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	100.0	Investment holding
Kiu Lok Property Services (China) Limited	2	2	100.0	Property agency management and consultancy
	2*	2	100.0	
New Advent Limited	1	1	100.0	Property investment
New World Construction Company Limited	1	1	100.0	Construction
New World Construction Management Company Limited	1	1	100.0	Construction
New World-Guangdong Highway Investments Co. Limited	100	10,000	100.0	Investment holding
	100*	10,000	50.0	
New World Port Investments Limited	2	2	100.0	Investment holding
New World (Xiamen) Port Investments Limited	2	2	100.0	Investment holding

43 Principal Subsidiaries (continued)

As at 30 June 2016

	Issued and fully paid share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK\$		
Incorporated and operate in Hong Kong (continued)				
NWS (Finance) Limited	2	2	100.0	Financial services
NWS Holdings (Finance) Limited	1	1	100.0	Financing
NWS Hong Kong Investment Limited	1	1	100.0	Investment holding
NWS Ports Management (Tianjin) Limited	1	1	100.0	Investment holding
Polytown Company Limited	2 100,000*	20 1,000,000	100.0	Property investment, operation, marketing, promotion and management of HKCEC
Profit Now Limited	1	1	100.0	Investment holding
Sky Connection Limited	100	100	100.0	Duty free operation and general trading
True Hope Investment Limited	4,998 2*	4,998 2	100.0 100.0	Investment holding
Try Force Limited	4,998 2*	4,998 2	100.0 100.0	Investment holding
Twinic International Limited	1	1	100.0	Investment holding
Urban Parking Limited	15,000,000	15,000,000	100.0	Carpark management
Vibro Construction Company Limited	1,630,000 20,000*	163,000,000 2,000,000	100.0 100.0	Civil engineering
Vibro (H.K.) Limited	20,000,004	60,328,449	99.8(a)	Piling, ground investigation and civil engineering
Wisemec Enterprises Limited	2	2	100.0	Investment holding

43 Principal Subsidiaries (continued)

As at 30 June 2016

	Issued share capital [#]		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operates in Hong Kong				
NWS Service Management Limited	1,323,943,165	HK\$0.10	100.0	Investment holding
Incorporated in the Cayman Islands				
Chinese Future Corporation	1,000,000	US\$0.01	100.0	Investment holding
Incorporated in the British Virgin Islands and operate in Hong Kong				
Best Star (BV) Investments Limited	1	US\$1	100.0	Investment holding
Creative Profit Group Limited	1	US\$1	100.0	Investment holding
Economic Velocity Limited	1	US\$1	100.0	Investment holding
Forever Great Development Limited	1	US\$1	100.0	Investment holding
Great Start Group Corporation	1	US\$1	100.0	Investment holding
Hetro Limited	101	US\$1	100.0	Investment holding
Lucky Strong Limited	1	US\$1	100.0	Investment holding
NWS Financial Management Services Limited	1	US\$1	100.0	Investment holding
NWS Infrastructure Management Limited	2	US\$1	100.0	Investment holding
NWS (MTN) Limited	1	US\$1	100.0	Financing
NWS Ports Management Limited	2	US\$1	100.0	Investment holding
Shine Fame Holdings Limited ^{##}	1	US\$1	100.0	Investment and operation of logistics centre
Sunny Start Group Limited	1	US\$1	100.0	Investment holding
Tin Fook Development Limited	1	US\$1	100.0	Investment holding

43 Principal Subsidiaries (continued)

As at 30 June 2016

	Issued share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Islands				
Beauty Ocean Limited	1	US\$1	100.0	Investment holding
Flying Gravity Limited	1	US\$1	100.0	Investment holding
Fortland Ventures Limited	1	US\$1	100.0	Investment holding
Ideal Global International Limited	1	US\$1	100.0	Investment holding
Moscan Developments Limited	1	US\$1	100.0	Investment holding
Natal Global Limited	1	US\$1	100.0	Investment holding
NWS CON Limited	1	HK\$1	100.0	Investment holding
NWS Construction Limited	190,000	US\$0.1	100.0	Investment holding
	8,325**	US\$0.1	–	
	7,080***	US\$0.1	–	
NWS Infrastructure Bridges Limited	1	US\$1	100.0	Investment holding
NWS Infrastructure Power Limited	1	US\$1	100.0	Investment holding
NWS Infrastructure Roads Limited	1	US\$1	100.0	Investment holding
NWS Infrastructure Water Limited	1	US\$1	100.0	Investment holding
Pure Cosmos Limited	1	US\$1	100.0	Investment holding
Right Heart Associates Limited	4	US\$1	100.0	Investment holding
Righteous Corporation	1	US\$1	100.0	Investment holding
Rosy Unicorn Limited	1	US\$1	100.0	Financing
Silvery Castle Limited	1	US\$1	100.0	Financing
Stockfield Limited	1	US\$1	100.0	Investment holding
		Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China				
Chaoming (Chongqing) Investment Company Limited		US\$78,000,000	100.0	Investment holding
Guangdong Xin Chuan Co., Ltd.		RMB714,853,600	100.0	Investment holding
Guangxi Beiliu Xinbei Highways Co., Ltd.		RMB59,520,000	100.0	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited		RMB57,680,000	100.0	Operation of toll road
Guangxi Yulin Xinye Highways Co., Ltd.		RMB63,800,000	60.0(b)	Operation of toll road
Guangxi Yulin Xinyu Highways Co., Ltd.		RMB96,000,000	65.0(c)	Operation of toll road
Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.		US\$320,590,000	100.0(d)	Operation of toll road
Shanxi Xinda Highways Ltd.		RMB49,000,000	60.0(e)	Operation of toll road
Shanxi Xinhuang Highways Ltd.		RMB56,000,000	60.0(e)	Operation of toll road
Wuzhou Xinwu Highways Limited		RMB72,000,000	52.0(f)	Operation of toll road
Xiamen NWS Management Consultancy Limited		US\$500,000	100.0	Management consultation

43 Principal Subsidiaries (continued)

As at 30 June 2016

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Macau			
Hip Hing Engineering (Macau) Company Limited	MOP100,000	100.0	Construction
Vibro (Macau) Limited	MOP1,000,000	99.8(a)	Foundation works

Ordinary shares, unless otherwise stated

Company classified as assets held-for-sale/liabilities directly associated with assets held-for-sale

* Non-voting deferred shares

** Redeemable, non-convertible and non-voting A preference shares

*** Redeemable, non-convertible and non-voting B preference shares

(a) The approximate percentage of shares held by non-controlling interests is 0.2%

(b) Percentage of interest in ownership and profit sharing (percentage for non-controlling interest is 40%)

(c) Profit sharing percentage (percentage held by non-controlling interest is 35%)

(d) The Group contracted to increase its interest in Hangzhou Ring Road by 5% to 100% during the year. The directors of the Company considered the risks and rewards arising from the transaction has been passed to the Group and Hangzhou Ring Road was accounted for as a wholly owned subsidiary of the Group as at 30 June 2016. The transaction was legally completed in August 2016.

(e) Cash sharing ratio of 90% (percentage for non-controlling interest is 10%) for the first 12 years from the operation date and thereafter 60% (percentage for non-controlling interest is 40%)

(f) Profit sharing percentage (percentage for non-controlling interest is 48%)

44 Principal Associated Companies

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2016 is as follows:

As at 30 June 2016

	Issued and fully paid share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK\$		
Incorporated and operate in Hong Kong				
GHK Hospital Limited	10	10	40.0	Healthcare
Joy Fortune Investments Limited	10,000	10,000	50.0	Investment holding
Quon Hing Concrete Company Limited	200,000	20,000,000	50.0	Production and sales of ready-mixed concrete
Yargoan Company Limited	150,000	15,000,000	42.0	Stone quarrying
	Issued share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Islands and operates in Hong Kong				
VMS Private Investment Partners III Limited	1,500*	US\$0.01	–	Securities investment
	2,740**	US\$0.01	100.0(a)	
Incorporated in the British Virgin Islands				
East Asia Secretaries (BVI) Limited	300,000,000	HK\$1	24.4	Business, corporate and investor services
Tricor Holdings Limited	7,001	US\$1	24.4	Business, corporate and investor services
VMS Private Investment Partners II Limited	2,500*	US\$0.01	–	Securities investment
	1,151**	US\$0.01	100.0(a)	

44 Principal Associated Companies (continued)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2016 is as follows (continued):

As at 30 June 2016

	Issued share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in Bermuda and operates in Hong Kong				
Wai Kee Holdings Limited	793,124,034	HK\$0.10	27.0	Construction
Incorporated in the Cayman Islands and operate globally				
Goshawk Aviation Limited	362,026,264 preference shares	US\$0.001	40.0	Commercial aircraft leasing
Goshawk Management Holdings (Cayman) Limited	100	US\$1	40.0	Commercial aircraft leasing management
Incorporated in the Cayman Islands and operates in Mainland China				
Newton Resources Ltd	4,000,000,000	HK\$0.10	35.5	Mining, processing and sale of iron concentrates and gabbro-diabase and stone products
Incorporated in Cyprus and operates in South Africa				
Tharisa plc	256,981,571	US\$0.001	15.78(b)	Platinum group metals and chrome mining, processing and trading

44 Principal Associated Companies (continued)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2016 is as follows (continued):

As at 30 June 2016

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Chongqing Silian Optoelectronics Science And Technology Co., Ltd.	RMB500,000,000	20.0(c)	Manufacturing and sale of sapphire substrate and wafer, LED packaging and application
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	39.0(d)	Operating of gasoline station
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	18.0(b),(c)	Operation of container terminal
Xiamen Container Terminal Group Co., Ltd.	RMB2,436,604,228	20.0(c)	Operation of container terminals
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	25.0(d)	Operation of toll road

44 Principal Associated Companies (continued)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2016 is as follows (continued):

As at 30 June 2016

	Issued and fully paid share capital [#]		Approximate percentage of shares held by the Group	Principal activities
	Number of ordinary shares	Par value per share		
Incorporated and operates in Mainland China				
Beijing Capital International Airport Co., Ltd.	2,451,526,000 domestic shares	RMB1	–	Operation of an international airport
	1,879,364,000 H shares	RMB1	23.9(b)	

[#] Ordinary shares, unless otherwise stated

^{*} Voting, non-participating, non-redeemable management shares

^{**} Non-voting, redeemable participating shares

(a) The directors of the Company considered the Group has significant influence over these companies through its representative on the investment committee which governs the daily financial, operational and investment decisions

(b) The directors of the Company considered the Group has significant influence over these companies through its representatives on the board of directors of these companies

(c) Percentage of equity interest

(d) Percentage of interest in ownership and profit sharing

45 Principal Joint Ventures

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2016 is as follows:

As at 30 June 2016

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	RMB580,000,000	25.0(a)	Operation of toll road
China United International Rail Containers Co., Limited	RMB4,200,000,000	30.0(b)	Operation of rail container terminals and related business
Chongqing Suyu Business Development Company Limited	RMB650,000,000	50.0(a)	Investment holding
Guangzhou Northring Freeway Company Limited	US\$19,255,000	65.3(a),(d)	Operation of toll road
Guangzhou Oriental Power Co., Ltd.	RMB990,000,000	25.0(b)	Generation and supply of electricity
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB613,361,800	35.0(b)	Wholesale assembling and storage of fuel
Guangzhou Pearl River Power Company Limited	RMB420,000,000	50.0(b)	Generation and supply of electricity
Guodian Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	35.0(a)	Generation and supply of electricity
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	50.0(a)	Investment holding and operation of toll road
Tianjin Xinzhan Expressway Co., Ltd.	RMB2,539,100,000	60.0(c),(d)	Operation of toll road

45 Principal Joint Ventures (continued)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2016 is as follows (continued):

As at 30 June 2016

	Issued and fully paid share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK\$		
Incorporated and operate in Hong Kong				
ATL Logistics Centre Hong Kong Limited	100,000'A'	100,000	56.0(d)	Operation of cargo handling and storage facilities
	20,000'B**	20,000	79.6	
	54,918*	54,918	–	
Far East Landfill Technologies Limited	1,000,000	1,000,000	47.0	Operation of landfill
First Star Development Limited	100	100	50.0	Property development
NWS Infrastructure SITA Waste Services Limited	2	2	50.0	Investment holding
Supertime Holdings Limited	100	100	50.0	Property development
Tate's Cairn Tunnel Investment Holdings Company Limited	1,100,000	1,100,000	29.5	Investment holding
Wincon International Limited	300,000,000	300,000,000	50.0	Investment holding
	Issued share capital #		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Islands and operates in Hong Kong				
NWS Transport Services Limited	500,000,016	HK\$1	50.0	Investment holding
Incorporated in the British Virgin Islands				
DP World New World Limited	2,000	US\$1	50.0	Investment holding
Silverway Global Limited	2	US\$1	50.0	Investment holding
Success Concept Investments Limited	1,000	US\$1	90.0(d)	Investment holding
Incorporated and operates in the Netherlands				
Hya I B.V.	19,000	EUR1	50.0	Manufacturing and supply of components used in hydraulic loading and unloading systems

45 Principal Joint Ventures (continued)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2016 is as follows (continued):

As at 30 June 2016

	Issued and fully paid share capital [#]		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount 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	100.0	
	3,460,320 'C'	346,032,000	–	

[#] Ordinary shares, unless otherwise stated

^{*} Non-voting deferred shares

^{**} Non-voting preference shares

(a) Percentage of interest in ownership and profit sharing

(b) Percentage of equity interest

(c) Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%

(d) The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these joint ventures

Five-Year Financial Summary

	2016	2015	2014	2013	2012
Earnings per share – Basic (HK\$)	1.30	1.19	1.17	1.11	1.53
Earnings per share – Diluted (HK\$)	N/A	N/A	N/A	1.11	1.52
Key ratios					
Net Gearing Ratio	13%	14%	23%	24%	34%
Return on Equity	11%	10%	10%	10%	15%
Return on Capital Employed	9%	7%	8%	7%	10%
Income statement data					
(HK\$m)					
Revenue	29,497.8	24,491.8	21,443.0	16,247.9	14,954.3
Revenue by segments					
Roads	2,399.8	2,416.2	2,306.8	2,200.3	1,903.5
Logistics	100.1	100.1	99.7	102.1	41.3
Facilities Management	6,917.9	6,768.6	6,174.2	6,471.7	7,177.4
Construction & Transport	20,080.0	15,206.9	12,862.3	7,473.8	5,832.1
Revenue by region					
Hong Kong	26,243.3	21,818.3	18,504.2	13,973.6	12,786.4
Mainland China	2,480.2	2,490.0	2,381.2	2,265.9	1,971.7
Others	774.3	183.5	557.6	8.4	196.2
Profit attributable to shareholders of the Company	4,912.8	4,477.6	4,324.9	4,008.0	5,251.1
Attributable operating profit	4,739.6	4,456.6	4,379.0	4,267.3	4,207.6
Attributable operating profit by segments					
Roads	1,259.8	1,201.0	1,126.7	1,238.2	1,210.1
Environment	469.8	631.4	739.7	719.5	621.5
Logistics	702.6	548.9	477.7	330.4	301.4
Aviation	424.0	243.6	83.9	–	–
Facilities Management	645.0	861.5	910.7	1,123.6	1,184.0
Construction & Transport	911.6	691.1	605.3	394.3	334.2
Strategic Investments	326.8	279.1	435.0	461.3	556.4

	2016	2015	2014	2013	2012
Income statement data (continued)					
(HK\$m)					
Attributable operating profit by region					
Hong Kong	2,615.9	2,556.1	2,292.4	2,204.7	2,241.4
Mainland China	1,937.9	1,748.0	1,642.8	1,647.5	1,493.0
Others	185.8	152.5	443.8	415.1	473.2
Corporate office and non-operating items					
Net gain on disposal of a project under a joint venture	–	1,549.9	–	–	–
Gain on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	–	914.0	–	–	–
Net gain on deemed disposals of interests in associated companies or joint ventures	–	–	594.3	–	1,833.4
Gain on fair value of investment properties	1,420.0	306.6	111.4	333.6	93.3
Gain on disposal of an available-for-sale financial asset	534.1	–	–	–	–
Gain on disposal of projects, net of tax	199.4	51.4	79.0	–	108.7
Net gain on deemed disposal of a project under a joint venture	179.3	–	–	–	–
Share of profit from Harbour Place, a residential development project	2.0	71.9	41.8	28.1	51.8
Loss on partial disposal and impairment loss related to an associated company	–	(1,910.9)	–	–	–
Assets impairment losses	–	–	–	–	(316.5)
Impairment loss of an available-for-sale financial asset	(670.4)	–	–	–	–
Impairment loss related to an associated company	(200.0)	–	–	–	–
Impairment loss related to a joint venture	(177.6)	(300.0)	–	–	(200.0)
Provision for impairment on a joint venture	–	–	(72.1)	–	–
Net exchange (loss)/gain	(368.8)	2.1	(28.0)	104.9	14.0
Interest income	198.1	210.5	113.2	109.7	51.8
Finance costs	(546.3)	(522.0)	(561.9)	(555.3)	(333.8)
Expenses and others	(396.6)	(352.5)	(331.8)	(280.3)	(259.2)
Statement of financial position data					
(HK\$m)					
Total assets	75,685.0	75,153.6	71,554.1	67,022.8	62,086.2
Total liabilities and non-controlling interests	30,066.1	29,740.2	29,337.7	26,839.7	26,291.9
Total borrowings	15,064.8	16,811.4	17,667.5	17,679.5	17,666.1
Shareholders' funds	45,618.9	45,413.4	42,216.4	40,183.1	35,794.3

Project Key Facts and Figures

As at 30 June 2016

INFRASTRUCTURE



ROADS

The road portfolio comprises 17 roads and related projects in strategic locations in Hong Kong and Mainland China, namely Guangdong, Zhejiang, Guangxi, Shanxi and Tianjin, covering approximately 651 km in length.

Guangdong Province



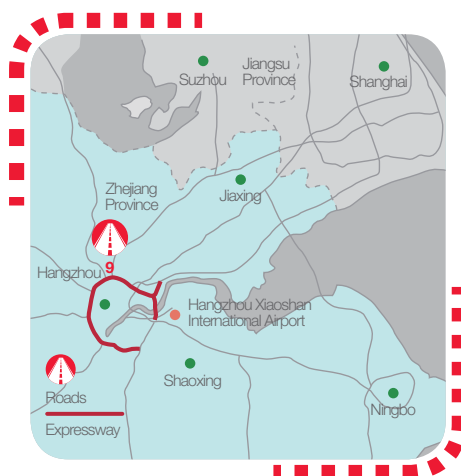
	1. Guangzhou City Northern Ring Road		
Attributable Interest	65.29%		
Form of Investment	CJV		
Length	22 km		
Lanes	Dual 3-Lane		
Location	Guangzhou City		
Operation Date	January 1994		
Expiry Date	2023		
Current Toll Rates	RMB1 – RMB28 (Normal) RMB0.12 / tonne / km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	2016	2015	2014
	286,088	258,580	247,450

	2. Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)			3. Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)			4. Guangzhou-Zhaoqing Expressway		
Attributable Interest	25%			15%			25%		
Form of Investment	CJV			CJV			CJV		
Length	Section 1: 8.6 km Section 2: 53.8 km			27 km			Phase 1: 48 km Phase 2: 5.39 km		
Lanes	Section 1: Dual 3-Lane Section 2: Dual 2 to 3-Lane			Dual 3-Lane			Phase 1: Dual 2-Lane Phase 2: Dual 3-Lane		
Location	Zhongshan City & Zhuhai City			Guangzhou City			Zhaoqing City & Foshan City		
Operation Date	December 1999			December 2005			Phase 1: September 2002 Phase 2: September 2010		
Expiry Date	2030			2032			2031		
Current Toll Rates	Section 1: RMB6 – RMB19 (Normal) Section 2: RMB2 – RMB109 (Normal) Section 1 & 2: RMB0.09 – RMB0.12 / tonne / km (Toll-by-weight vehicle)			RMB1 – RMB55 (Normal) RMB0.12 / tonne / km (Toll-by-weight vehicle)			RMB1 – RMB84 (Normal) RMB0.09 – RMB0.12 / tonne / km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	2016	2015	2014	2016	2015	2014	2016	2015	2014
	156,152	145,523	131,737	50,970	42,075	33,752	77,091	68,429	63,073

	5a. Shenzhen-Huizhou Expressway (Huizhou Section)	5b. Shenzhen-Huizhou Roadway (Huizhou Section)	6. Guangzhou Dongxin Expressway
Attributable Interest	33.33%	50%	45.9%
Form of Investment	CJV	CJV	Equity
Length	34.7 km	21.8 km	46.22 km
Lanes	Dual 3 to 4-Lane	Dual 2-Lane	Dual 3 to 4-Lane
Location	Huizhou City	Huizhou City	Guangzhou City
Operation Date	June 1993	December 1997	December 2010
Expiry Date	2023	2022	2035
Current Toll Rates	RMB1 – RMB67 (Normal) RMB0.12 / tonne / km (Toll-by-weight vehicle)	N/A (Annual toll ticket system has been implemented since January 2011)	RMB2 – RMB98 (Normal) RMB0.12 / tonne / km (Toll-by-weight vehicle)
Average Daily Traffic Flow	2016 80,852 2015 70,942 2014 63,649	2016 N/A 2015 N/A 2014 N/A	2016 82,769 2015 59,497 2014 44,232

	7. Guangzhou City Nansha Port Expressway	8. Guangdong Unitoll Services Incorporated
Attributable Interest	22.5%	2%
Form of Investment	Equity	Equity
Length	72.4 km	N/A
Lanes	Dual 3 to 4-Lane	N/A
Location	Guangzhou City	Guangzhou City
Operation Date	December 2004	January 2013
Expiry Date	2030	N/A
Current Toll Rates	RMB2 – RMB78 (Normal) RMB0.12 / tonne / km (Toll-by-weight vehicle)	N/A
Average Daily Traffic Flow	2016 94,853 2015 83,155 2014 74,309	2016 N/A 2015 N/A 2014 N/A

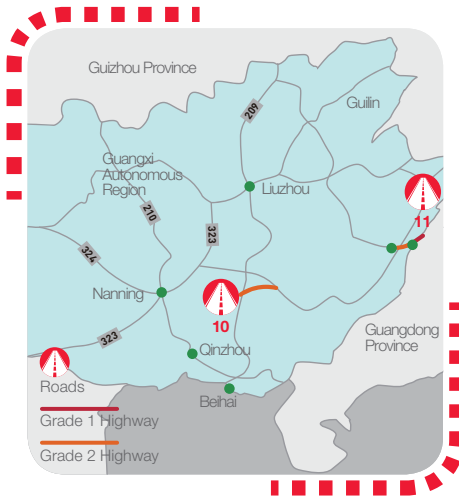
Zhejiang Province



	9. Hangzhou Ring Road
Attributable Interest	100%#
Form of Investment	Equity
Length	103.4 km
Lanes	Dual 2 to 3-Lane
Location	Hangzhou City
Operation Date	January 2005
Expiry Date	2029
Current Toll Rates	RMB5 – RMB170 (Normal) RMB0.09 / tonne / km (Toll-by-weight vehicle)
Average Daily Traffic Flow	2016 84,485 2015 82,825 2014 85,090

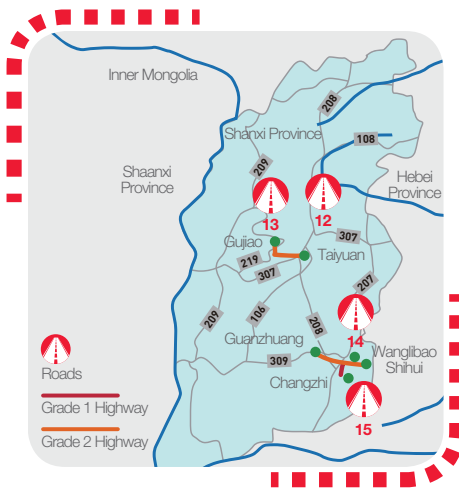
Project Key Facts and Figures

Guangxi Province



	10. Yulin Shinan – Dajiangkou Roadway	11. Roadway No. 321 (Wuzhou Section)
Attributable Interest	60%	52%
Form of Investment	CJV	CJV
Length	30 km	Phase 1: 8.7 km Phase 2: 4.3 km
Lanes	Dual 1-Lane	Dual 2-Lane
Location	Yulin City	Wuzhou City
Operation Date	January 1999	Phase 1: March 1997 Phase 2: December 1998
Expiry Date	2024	2022
Current Toll Rates	RMB1 – RMB30 (Normal) RMB1.45 – RMB1.8 / tonne (Toll-by-weight vehicle)	RMB1 – RMB35 (Normal) RMB1.8 / tonne (Toll-by-weight vehicle)
Average Daily Traffic Flow	2016 2015 2014	2016 2015 2014
	556 942 1,174	4,083 3,799 3,697

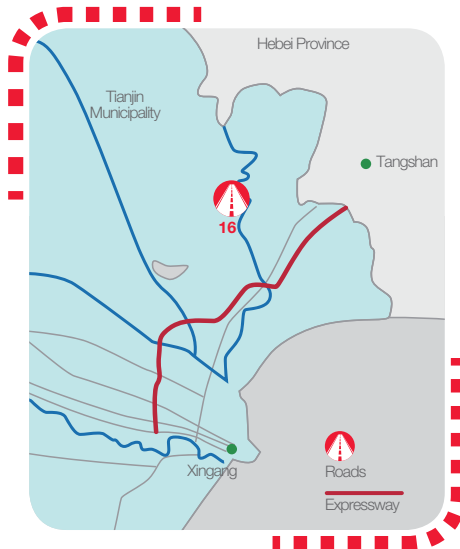
Shanxi Province



	12. Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)	13. Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)
Attributable Interest	60% [†]	60% [†]
Form of Investment	CJV	CJV
Length	23.18 km	36.02 km
Lanes	Dual 1-Lane	Dual 1-Lane
Location	Taiyuan City	Gujiao City
Operation Date	July 2000	April 1999
Expiry Date	2025	2025
Current Toll Rates	RMB10 – RMB60	RMB10 – RMB60
Average Daily Traffic Flow	2016 2015 2014	2016 2015 2014
	527 94 115	1,296 777 327

	14. Roadway No.309 (Changzhi Section)	15. Taiyuan – Changzhi Roadway (Changzhi Section)
Attributable Interest	60% [†]	60% [†]
Form of Investment	CJV	CJV
Length	22.2 km	18.3 km
Lanes	Dual 1 to 2-Lane	Dual 1 to 2-Lane
Location	Changzhi City	Changzhi City
Operation Date	July 2000	August 2000
Expiry Date	2023	2023
Current Toll Rates	RMB10 – RMB60	RMB10 – RMB70
Average Daily Traffic Flow	2016 2015 2014	2016 2015 2014
	5,367 5,017 4,729	1,128 1,339 1,184

Tianjin Municipality



16. Tangjin Expressway (Tianjin North Section)			
Attributable Interest	60%*		
Form of Investment	CJV		
Length	Section 1: 43.45 km Section 2: 17.22 km		
Lanes	Dual 3-Lane		
Location	Tianjin Municipality		
Operation Date	Section 1: December 1998 Section 2: December 2000		
Expiry Date	2028		
Current Toll Rates	RMB5 – RMB105 (Normal) RMB0.1 / tonne / km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	2016	2015	2014
	46,999	35,568	29,954

Hong Kong



17. Tate's Cairn Tunnel			
Attributable Interest	29.5%		
Form of Investment	Equity		
Length	4 km		
Lanes	Dual 2-Lane		
Location	Hong Kong		
Operation Date	June 1991		
Expiry Date	2018		
Current Toll Rates	HK\$15 – HK\$35		
Average Daily Traffic Flow	2016	2015	2014
	59,178	58,670	55,731

The Group contracted to increase its interest in Hangzhou Ring Road by 5% to 100% during the year. The directors of the Company considered the risks and rewards arising from the transaction have been passed to the Group and Hangzhou Ring Road was accounted for as a wholly owned subsidiary of the Group as at 30 June 2016. The transaction was legally completed in August 2016.

† Cash sharing ratio of 90% for the first 12 years from the operation date and thereafter 60%

* Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%



ENVIRONMENT

The Group invests in 27 water treatment projects, three sludge treatment projects and five technical consultancy companies in Mainland China, Hong Kong and Macau through its joint venture company Sino-French Holdings (Hong Kong) Limited. These projects treat up to a total of 8.04 million cbms of water and waste water as well as 1,340 tonnes of sludge per day. The Group also invests in a chemical waste incineration plant in Shanghai, and holds a stake in a 61-hectare landfill in Hong Kong and two strategic investments in Chongqing. In addition, the Group operates three power plants in Guangdong and Sichuan with a total installed capacity of approximately 2,420 MW.

	1. Macau Water Plant			2. Zhongshan Tanzhou Water Plant		
Attributable Interest	42.5%			29%		
Form of Investment	Equity			Equity		
Capacity	390,000 m ³ / day			Phase 1: 60,000 m ³ / day Phase 2: 90,000 m ³ / day		
Location	Macau			Zhongshan City, Guangdong Province		
Operation Date	July 1985			Phase 1: January 1994 Phase 2: May 2007		
Expiry Date	2030			2027		
Average Daily Volume Treated / Sold (m³)	2016	2015	2014	2016	2015	2014
	232,870	232,047	221,718	97,163	92,510	85,051

	3. Zhongshan Dafeng Water Plant		4. Zhongshan Quanlu Water Plant	
Attributable Interest	25%		25%	
Form of Investment	Equity		Equity	
Capacity	Phase 1: 200,000 m ³ / day Phase 2: 300,000 m ³ / day		500,000 m ³ / day	
Location	Zhongshan City, Guangdong Province		Zhongshan City, Guangdong Province	
Operation Date	Phase 1: April 1998 Phase 2: November 2008		April 1998	
Expiry Date	2020		2020	
Average Daily Volume Treated / Sold (m³)	2016	2015	2014	
	660,079	669,992	587,207	

	5. Baoding Water Plant			6. Zhengzhou Water Plant		
Attributable Interest	27.5%			25%		
Form of Investment	Equity			Equity		
Capacity	260,000 m ³ / day			360,000 m ³ / day		
Location	Baoding City, Hebei Province			Zhengzhou City, Henan Province		
Operation Date	June 2000			August 2001		
Expiry Date	2020			2031		
Average Daily Volume Treated / Sold (m ³)	2016	2015	2014	2016	2015	2014
	234,000	234,000	236,978	256,685	272,099	274,068

	7. Panjin Water Plant			8. Changtu Water Plant		
Attributable Interest	30%			35%		
Form of Investment	Equity			Equity		
Capacity	110,000 m ³ / day			50,000 m ³ / day		
Location	Panjin City, Liaoning Province			Tieling City, Liaoning Province		
Operation Date	April 2002			December 2000		
Expiry Date	2032			2029		
Average Daily Volume Treated / Sold (m ³)	2016	2015	2014	2016	2015	2014
	93,000	93,000	93,952	26,790	26,956	25,966

	9. Dalian Changxing Island Environmental Services Company			10. Shanghai Spark Water Plant		
Attributable Interest	47.5%			25%		
Form of Investment	Equity			Equity		
Capacity	Waste Water (O&M*): 40,000 m ³ / day			100,000 m ³ / day		
Location	Dalian City, Liaoning Province			Shanghai Municipality		
Operation Date	June 2010			January 2002		
Expiry Date	2040			2031		
Average Daily Volume Treated / Sold (m ³)	2016	2015	2014	2016	2015	2014
	9,401	8,152	9,583	42,152	42,519	47,239

	11. Shanghai SCIP Water Treatment Plants			
Attributable Interest	25%			
Form of Investment	Equity			
Capacity	Waste Water:	50,000 m ³ / day		
	Industrial Water:	200,000 m ³ / day		
	Deminerlized Water:	4,800 m ³ / day		
Location	Shanghai Municipality			
Operation Date	Waste Water & Industrial Water:	April 2005		
	Deminerlized Water:	February 2008		
Expiry Date	2052			
Average Daily Volume Treated / Sold (m ³)		2016	2015	2014
	Waste Water:	64,066	63,074	54,753
	Industrial Water:	148,905	143,129	128,522
	Deminerlized Water:	2,276	2,243	1,643

Project Key Facts and Figures

	12. Sino French Water Environmental Technology Consulting Company			13. Qingdao Water Plant			14. Qingdao Dongjiakou Waste Water Plant		
Attributable Interest	50%			25%			16.25%		
Form of Investment	Equity			Equity			Equity		
Capacity	Waste Water (O&M*): 10,000 m ³ / day			Phase 1: 543,000 m ³ / day Phase 2: 183,000 m ³ / day			13,200 m ³ / day		
Location	Shanghai Municipality			Qingdao City, Shandong Province			Qingdao City, Shandong Province		
Operation Date	October 2009			Phase 1: August 2002 Phase 2: September 2006			January 2016		
Expiry Date	2039			2027			2042		
Average Daily Volume Treated / Sold (m³)	2016	2015	2014	2016	2015	2014	2016	2015	2014
	9,743	7,255	5,885	674,483	603,896	622,756	12,718	N/A	N/A
	15. Sanya Water Plant			16. Nanchang Water Plant					
Attributable Interest	25%			25%					
Form of Investment	Equity			Equity					
Capacity	Phase 1: 235,000 m ³ / day Phase 2: 75,000 m ³ / day			Phase 1: 50,000 m ³ / day Phase 2: 50,000 m ³ / day					
Location	Sanya City, Hainan Province			Nanchang City, Jiangxi Province					
Operation Date	Phase 1: January 2004 Phase 2: 1 st half of 2017 (Estimate)			Phase 1: January 1996 Phase 2: September 2008					
Expiry Date	2033			2023					
Average Daily Volume Treated / Sold (m³)	2016	2015	2014	2016	2015	2014			
	253,357	260,622	248,528	88,659	88,508	90,002			
	17. Chengdu Shuangliu Dayi Water Company			18. Chengdu Chongzhou Dayi Waste Water Plant					
Attributable Interest	32.5%			32.5%					
Form of Investment	Equity			Equity					
Capacity	Waste Water: 19,800 m ³ / day Waste Water (O&M*): 15,350 m ³ / day			40,000 m ³ / day					
Location	Chengdu City, Sichuan Province			Chengdu City, Sichuan Province					
Operation Date	Waste Water: February 2012 Waste Water (O&M*): January 2010			April 2008					
Expiry Date	2043			2039					
Average Daily Volume Treated / Sold (m³)		2016	2015	2014	2016	2015	2014		
	Waste Water:	15,840	15,840	16,652	28,000	28,126	28,000		
	Waste Water (O&M*):	1,162	7,635	10,251					

	19. Sichuan Water Fund	20. Chongqing Water Plant			21. Chongqing Tangjiatuo Waste Water Plant		
Attributable Interest	17.46%	27.70%			28.14%		
Form of Investment	Equity	Equity			Equity		
Capacity	N/A	Phase 1: 380,000 m ³ / day Phase 2: 160,000 m ³ / day Phase 3: 200,000 m ³ / day Phase 4: 200,000 m ³ / day			Phase 1: 300,000 m ³ / day Phase 2: 100,000 m ³ / day		
Location	Chengdu City, Sichuan Province	Chongqing Municipality			Chongqing Municipality		
Operation Date	November 2014	Phase 1: November 2002 Phase 2: July 2006 Phase 3: July 2011 Phase 4: July 2015			Phase 1: January 2007 Phase 2: January 2015		
Expiry Date	2019	2052			2036		
Average Daily Volume Treated / Sold (m³)	N/A	2016	2015	2014	2016	2015	2014
		587,894	555,378	520,850	436,371	422,046	415,267
	22. Chongqing Construction Company			23. Chongqing CCIP Water Treatment Plants			
Attributable Interest	20.33%*			25.33%			
Form of Investment	Equity			Equity			
Capacity	Sludge Treatment: 240 tonnes / day			Waste Water: 40,000 m ³ / day Industrial Water: 120,000 m ³ / day			
Location	Chongqing Municipality			Chongqing Municipality			
Operation Date	Sludge Treatment: 2 nd half of 2016 (Estimate)			March 2010			
Expiry Date	2038			2055			
Average Daily Volume Treated / Sold (m³)	2016	2015	2014	2016	2015	2014	
	Sludge Treatment: N/A	N/A	N/A	Waste Water: 26,273	24,254	21,783	
				Industrial Water: 32,440	33,089	29,504	
	24. Chongqing Environmental R&D Centre			25. Wuhan Chemical Industry Park Water Treatment Plants			
Attributable Interest	15.64%			21.5%			
Form of Investment	Equity			Equity			
Capacity	N/A			Waste Water: 10,000 m ³ / day Industrial Water: 50,000 m ³ / day			
Location	Chongqing Municipality			Wuhan City, Hubei Province			
Operation Date	November 2013			Waste Water: December 2013 Industrial Water: September 2013			
Expiry Date	2043			2041			
Average Daily Volume Treated / Sold (m³)	N/A			2016	2015	2014	
				Waste Water: 1,350	726	401	
				Industrial Water: 4,369	1,479	478	

Project Key Facts and Figures

	26. Tianjin Jieyuan Water Plant			27. Tanggu Water Plant			28. Xinchang Water Plant		
Attributable Interest	50%			24.5%			25%		
Form of Investment	Equity			Equity			Equity		
Capacity	500,000 m ³ / day			310,000 m ³ / day			100,000 m ³ / day		
Location	Tianjin Municipality			Tianjin Municipality			Xinchang County, Zhejiang Province		
Operation Date	August 2002			April 2005			March 2002		
Expiry Date	2022			2034			2032		
Average Daily Volume Treated / Sold (m³)	2016	2015	2014	2016	2015	2014	2016	2015	2014
	335,685	320,174	320,104	183,507	180,352	181,477	95,056	92,548	87,557

	29. Changshu Water Plant			30. Changshu Waste Water Plant		
Attributable Interest	24.5%			24.5%		
Form of Investment	Equity			Equity		
Capacity	Phase 1: 675,000 m ³ / day Phase 2: 200,000 m ³ / day			Waste Water (O&M*): 100,000 m ³ / day		
Location	Changshu City, Jiangsu Province			Changshu City, Jiangsu Province		
Operation Date	Phase 1: September 1984 Phase 2: November 2012			March 2015		
Expiry Date	2036			2036		
Average Daily Volume Treated / Sold (m³)	2016	2015	2014	2016	2015	2014
	473,892	470,899	476,747	51,344	N/A	N/A

	31. Jiangsu Water Company			
Attributable Interest	25%			
Form of Investment	Equity			
Capacity	Water: 350,000 m ³ / day Waste Water: 300,000 m ³ / day			
Location	Taizhou & Nanjing City, Jiangsu Province			
Operation Date	October 2007*			
Expiry Date	2037			
Average Daily Volume Treated / Sold (m³)		2016	2015	2014
	Water:	280,287	253,863	235,432
	Waste Water:	320,870	325,102	335,397

	32. Suzhou Industrial Park Sludge Treatment Plant			33. Yangzhou Sludge Treatment Plant			34. Suzhou Xiangcheng Sludge Treatment Plant		
Attributable Interest	24.5%			10.41%			12.50%		
Form of Investment	Equity			Equity			Equity		
Capacity	Phase 1: 300 tonnes / day Phase 2: 300 tonnes / day			300 tonnes / day			200 tonnes / day		
Location	Suzhou City, Jiangsu Province			Yangzhou City, Jiangsu Province			Suzhou City, Jiangsu Province		
Operation Date	Phase 1: May 2011 Phase 2: July 2016			May 2016			2 nd half of 2017 (Estimate)		
Expiry Date	2039			2044			2046		
Average Daily Volume Treated (tonnes)	2016	2015	2014	2016	2015	2014	2016	2015	2014
	261	279	220	85	N/A	N/A	N/A	N/A	N/A
	35. Sino French Solutions Company								
Attributable Interest	50%								
Form of Investment	Equity								
Location	Hong Kong								
Operation Date	October 2013								
	36. Far East Landfill Technologies Limited			37. Shanghai SCIP Waste Incineration Plant					
Attributable Interest	47%			10%					
Form of Investment	Equity			Equity					
Capacity	35 million m ³			Phase 1: 60,000 tonnes / year Phase 2: 60,000 tonnes / year					
Location	Hong Kong			Shanghai Municipality					
Operation Date	June 1995			Phase 1: August 2006 Phase 2: 2 nd half of 2016 (Estimate)					
Expiry Date	2045			2053					
Annual Volume Treated (tonnes)	2016	2015	2014	2016	2015	2014	2016	2015	2014
	1,363,340	1,182,862	1,107,655	62,673	59,795	59,981			
	38. Chongqing Derun Environment Co., Ltd.			39. Chongqing Silian Optoelectronics Science & Technology Co., Ltd.					
Attributable Interest	12.55%			20%					
Form of Investment	Equity			EJV					
Location	Chongqing Municipality			Chongqing Municipality					
Operation Date	October 2014 [#]			July 2008					

Project Key Facts and Figures

	40. Zhujiang Power Station - Phase I			41. Zhujiang Power Station - Phase II		
Attributable Interest	50%			25%		
Form of Investment	EJV			EJV		
Installed Capacity	600 MW			620 MW		
Location	Guangzhou City, Guangdong Province			Guangzhou City, Guangdong Province		
Type of Power	Coal-Fired Thermal			Coal-Fired Thermal		
Operation Date	January 1994			April 1996		
Expiry Date	2017			2020		
Electricity Sales (GWh)	2016	2015	2014	2016	2015	2014
	1,916	2,437	2,918	2,089	2,777	2,569

	42. Chengdu Jintang Power Plant		
Attributable Interest	35%		
Form of Investment	Equity		
Installed Capacity	1,200 MW		
Location	Chengdu City, Sichuan Province		
Type of Power	Coal-Fired Thermal		
Operation Date	June 2007		
Expiry Date	2040		
Electricity Sales (GWh)	2016	2015	2014
	3,128	4,557	5,660

	43. Guangzhou Fuel Company
Attributable Interest	35%
Form of Investment	EJV
Coal Pier Handling Capacity	7 million tonnes / year
Location	Guangzhou City, Guangdong Province
Nature of Business	Wholesale, assembling and storage of coal
Operation Date	January 2008
Expiry Date	2033

[^] O&M stands for operation and management consultancy services

^{*} To restructure the water projects in Chongqing, the Group's interest in Chongqing Construction Company was injected into Chongqing Tangjiatuo Waste Water Plant in September 2016

[#] Date of incorporation



LOGISTICS

Through its joint venture, China United International Rail Containers Co., Limited, the Group develops and operates a large-scale pivotal rail container terminal network across Mainland China. The Group also invests in two logistics centres in Hong Kong that offer a total leasable area of 6.82 million sq ft, and three port projects in Mainland China with an aggregate container handling capacity of 12 million TEUs per year.

	1. China United International Rail Containers Co., Limited					
Attributable Interest	30%					
Form of Investment	EJV					
Investment Scope	Pivotal rail container terminal network					
Locations	Kunming, Chongqing, Chengdu, Zhengzhou, Dalian, Qingdao, Wuhan, Xian					
Operation Date	Kunming: January 2008 Chongqing: December 2009 Chengdu: March 2010 Zhengzhou: April 2010 Dalian: July 2010 Qingdao: August 2010 Wuhan: August 2010 Xian: December 2010					
Expiry Date	2057					
Throughput Achieved (TEUs)	2016		2015		2014	
	2,062,000		1,817,000		1,618,000	
	2. ATL Logistics Centre			3. NWS Kwai Chung Logistics Centre		
Attributable Interest	56%			100%#		
Form of Investment	Equity			Equity		
Leasable Area	5.9 million sq ft			920,000 sq ft		
Location	Hong Kong			Hong Kong		
Operation Date	Phase 1: February 1987 Phase 2: March 1988 Phase 3: February 1992 Phase 4: January 1994 Phase 5: November 1994			December 2011		
Expiry Date	2047			2058		
Average Occupancy Rate	2016	2015	2014	2016	2015	2014
	97.4%	99.5%	98.8%	100%	100%	100%

Project Key Facts and Figures

	4. Xiamen Container Terminal Group Co., Ltd.	5. Tianjin Orient Container Terminals Co., Ltd.	6. Tianjin Five Continents International Container Terminal Co., Ltd.
Attributable Interest	20%	24.5%	18%
Form of Investment	EJV	Equity	EJV
Handling Capacity	9.1 million TEUs / year	1.4 million TEUs / year	1.5 million TEUs / year
Total Area	3,420,000 sq m	469,000 sq m	447,000 sq m
Location	Xiamen City, Fujian Province	Tianjin Municipality	Tianjin Municipality
Operation Date	December 2013	January 1999	November 2005
Expiry Date	2063	2027	2035
Length of Berths	6,838 m	1,136 m	1,202 m
No. of Cranes	61	10	12
Throughput Achieved (TEUs)	2016 2015 2014	2016 2015 2014	2016 2015 2014
	7,872,000* 7,087,000* 3,106,000*	897,000 935,000 937,000	2,486,000 2,600,000 2,408,000

The disposal of interest in NWS Kwai Chung Logistics Centre was completed on 31 August 2016

* The figures represented the aggregate throughput handled by Xiamen Container Terminal Group Co., Ltd. and its invested companies. For the year ended 30 June 2014, the figure covered the period from its establishment in December 2013 to 30 June 2014



AVIATION

The Group has invested in Beijing Capital International Airport, the second busiest airport in the world in terms of passenger throughput. The Group's Goshawk Aviation Limited and Bauhinia Aviation Capital Limited invest in commercial aircraft for leasing to worldwide airline operators.

	1. Beijing Capital International Airport Co., Ltd.		
Attributable Interest	10.35%		
Form of Investment	Equity		
Facility	3 runways & 3 terminals (total floor area: 1.41 million sq m)		
Location	Beijing Municipality		
Operation Date	October 1999 [#]		
	2016	2015	2014
Passenger Throughput	91,462,000	88,620,000	44,121,000*
Aircraft Movements	597,000	589,000	302,000*
	2. Goshawk Aviation Limited		
Attributable Interest	40%		
Form of Investment	Equity		
Operation Date	October 2013 [#]		
	2016	2015	2014
No. of Aircraft	68	40	N/A [†]
	3. Bauhinia Aviation Capital Limited		
Attributable Interest	40%		
Form of Investment	Equity		
Operation Date	March 2016		
	2016	2015	2014
No. of Aircraft	–	N/A	N/A

[#] Date of incorporation

* The figures covered the period from the acquisition in December 2013 to 30 June 2014

[†] No comparative figures as the investment was acquired in February 2015

SERVICES



FACILITIES MANAGEMENT

The segment mainly comprises the management and operation of Hong Kong Convention and Exhibition Centre (“HKCEC”) and the Free Duty business. HKCEC, managed and operated by the Group, is an award-winning venue for international exhibitions and conventions. Free Duty/Sky Shilla Duty Free Limited retails duty free tobacco, liquor, perfume, cosmetics, package food and general merchandise at Hong Kong’s cross-border transport terminals and Macau International Airport.

	Hong Kong Convention and Exhibition Centre (Management) Limited	Hong Kong – Shanghai Venue Management (Zhengzhou) Limited
Attributable Interest	100%	30%
Services Offered	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc
Gross Rentable Space	91,500 sq m	93,000 sq m
No. of Events Held this Year	1,149	277
No. of Attendants this Year	Approximately 5.5 million	Approximately 2.5 million

	Free Duty	Sky Shilla Duty Free Limited
Attributable Interest	100%	60%
Services Offered	Retail of duty free tobacco, liquor, perfume, cosmetics, package food and general merchandise	Retail of duty free tobacco, liquor, perfume, cosmetics, package food and general merchandise
Locations of Shops	MTR Lo Wu, Hung Hom and Lok Ma Chau Stations; Hong Kong-Macau Ferry Terminal and China Ferry Terminal; Hong Kong International Airport	Macau International Airport



CONSTRUCTION & TRANSPORT

With abundant experience in constructing large-scale projects, the Group provides professional construction services in Hong Kong. The Group is also dedicated to providing reliable public transport services, including bus and ferry services in Hong Kong.

	Hip Hing Construction Company Limited	New World Construction Company Limited
Attributable Interest	100%	100%
Services Offered	General contracting, construction management and civil engineering works	General contracting and construction management
Total Value of Contracts Awarded this Year	HK\$8.8 billion	HK\$0.8 billion
Value of Contracts on Hand	HK\$33.3 billion (remaining value of works to be completed: HK\$18.3 billion)	HK\$36.4 billion (remaining value of works to be completed: HK\$20.3 billion)
Major Projects	West Kowloon Government Offices; Xiqu Centre at West Kowloon Cultural District; Gleneagles Hong Kong Hospital at Wong Chuk Hang; Kerry Hotel Hong Kong at Hung Hom; Phase Two Expansion of Cathay Pacific's Catering Services Facility at Chek Lap Kok; Residential Development at Tsuen Wan West Station TW6 for New World Development and Vanke; Residential Development "Double Cove" for New World Development; "One HarbourGate" at Hung Hom and Residential and Commercial Development at Tseung Kwan O Area 65C1 for Wheelock Properties; Goldin Financial Global Centre at Kowloon Bay for Goldin Group; Composite Development at Tseung Kwan O, Town Lot No. 95, for Strongly International Limited; Urban Renewal Project at Sham Shui Po for Hong Kong Housing Society; Public Rental Housing Development at former Kwai Chung Police Married Quarters, Home Ownership Scheme Development at Tin Shui Wai and Mui Wo for Hong Kong Housing Authority	Renovation of Discovery Park Shopping Mall at Tsuen Wan; Clear Water Bay Residential Development at Sai Kung; New World Centre Remodeling at Tsim Sha Tsui; Residential Development at South Lane, Sai Wan; Residential Development at Tong Yan San Tsuen Lot 2139, Yuen Long; Sai Yee Street Development at Mongkok; New Eastern Terrace Residential Development at Tin Hau; Palace Mall Remodeling at Tsim Sha Tsui; Residential Development at Des Voeux Road West; Residential Development at Sai Yuen Lane; Office Redevelopment at King's Road; Avenue of Stars Revitalization at Tsim Sha Tsui; Tai Wai Station Development (Advance Work); Residential Development at Tuen Mun Heung Sze Wui Road; Residential Development at 420-422 Prince Edward Road West

	New World First Ferry Services Limited	Citybus Limited	New World First Bus Services Limited
Attributable Interest	50%	50%	50%
Services Offered	Ferry services of outlying and inner harbour routes	Franchised bus services in Hong Kong	Franchised bus services in Hong Kong
Fleet Size	16 owned vessels and 3 chartered vessels	938 buses	709 buses
No. of Routes	5	105	87
Average Daily Patronage	40,000	627,000	461,000

Glossary of Terms

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

General terms

“Board”	the board of directors of NWS Holdings
“EUR”	Euro, the official currency of the Eurozone
“FY2015”	the financial year ended 30 June 2015
“FY2016”	the financial year ended 30 June 2016
“FY2017”	the financial year ending 30 June 2017
“Group”	NWS Holdings and its subsidiaries
“HIBOR”	Hong Kong Interbank Offered Rate
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HK\$m”	million of Hong Kong dollar
“Hong Kong” or “HKSAR”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“LIBOR”	London Interbank Offered Rate
“Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Macau”	The Macau Special Administrative Region of the PRC
“Mainland China”	the PRC excluding Hong Kong, Macau and Taiwan
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
“MOP”	Macau Pataca, the lawful currency of Macau
“NWD”	New World Development Company Limited
“New World Group”	NWD and its subsidiaries
“NWS Holdings” or “Company”	NWS Holdings Limited
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Takeovers Code”	the Code on Takeovers and Mergers
“USA”	the United States of America
“US\$”	United States dollar, the lawful currency of USA

Technical terms

“cbm(s)” or “m ³ ”	cubic metre(s)
“CJV”	co-operative joint venture company
“EJV”	equity joint venture company
“ft”	foot (feet)
“GWh”	gigawatt-hour, equals to 1,000,000 kilowatt-hours
“km”	kilometre(s)
“MW”	megawatt(s), equals to 1,000 kilowatts
“sq ft”	square foot (feet)
“sq km”	square kilometre(s)
“sq m”	square metre(s)
“TEU(s)”	twenty-foot equivalent unit(s), a standard measurement unit of a container. It is based on the dimensions of a container 20 feet long by 8 feet wide by 8.5 feet high with an average load of approximately nine tonnes
“tonne(s)”	equal to 1,000 kilograms

Financial terms

“Attributable operating profit” or “AOP”	profit available for appropriation before corporate office and non-operating items
“Dividend Payout Ratio”	$\frac{\text{dividends}}{\text{profit attributable to shareholders of the Company}}$
“Basic Earnings per Share”	$\frac{\text{profit attributable to shareholders of the Company}}{\text{weighted average number of shares in issue during the year}}$
“EBIT”	earnings before interests and tax expenses
“Net Gearing Ratio”	$\frac{\text{Net Debt}}{\text{total equity}}$
“Net Assets”	total assets less total liabilities
“Net Assets per Share”	$\frac{\text{Net Assets}}{\text{number of issued shares at the end of the year}}$
“Net Debt”	Total Debt less cash and bank balances and short-term deposits
“Return on Capital Employed”	$\frac{\text{profit for the year}}{\text{total equity + non-current liabilities}}$
“Return on Equity”	$\frac{\text{profit for the year}}{\text{total equity}}$
“Total Debt”	the aggregate of bank loans, other loans, overdrafts and finance leases

Corporate Information

Board of Directors

Executive Directors

Dr Cheng Kar Shun, Henry (*Chairman*)
Mr Tsang Yam Pui (*Chief Executive Officer*)
Mr Hui Hon Chung (*Deputy Chief Executive Officer*)
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian

Non-executive Directors

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

Independent Non-executive Directors

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

Board Committees

Executive Committee

Dr Cheng Kar Shun, Henry (*Chairman*)
Mr Tsang Yam Pui
Mr Hui Hon Chung
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian

Audit Committee

Mr Kwong Che Keung, Gordon (*Chairman*)
Mr Dominic Lai
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan

Remuneration Committee

The Honourable Shek Lai Him, Abraham (*Chairman*)
Mr Tsang Yam Pui
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher

Nomination Committee

Dr Cheng Kar Shun, Henry (*Chairman*)
Mr Tsang Yam Pui
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Corporate Social Responsibility Committee

Mr Tsang Yam Pui (*Chairman*)
Mr Hui Hon Chung
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Dominic Lai
Mr Lam Wai Hon, Patrick
Mr William Junior Guilherme Doo
Mr Lee Yiu Kwong, Alan
Mrs Oei Fung Wai Chi, Grace
Ms Lam Yuet Wan, Elina
Ms Tang Cheung Yi

Company Secretary

Mr Chow Tak Wing

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2 Church Street, Hamilton HM 11
Bermuda

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Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building, Central
Hong Kong

Principal Bankers

Bank of America, N.A. Hong Kong Branch
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
BNP Paribas Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Crédit Agricole Corporate & Investment Bank
DBS Bank Ltd. Hong Kong Branch
Mizuho Bank, Ltd. Hong Kong Branch
Nanyang Commercial Bank, Limited
Oversea-Chinese Banking Corporation Limited
Scotiabank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of Tokyo – Mitsubishi UFJ, Ltd. Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited

Website

www.nws.com.hk

Where the English and the Chinese texts conflict, the English text prevails.

This annual report is also available at www.nws.com.hk.

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