



新創建 NWS

NWS HOLDINGS LIMITED

STOCK CODE: 659



Strategic Focus Balanced Growth

Interim Report 2016-2017



VISION

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

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Interim Report 2016-2017

Financial Highlights

	For the six months ended 31 December	
	2016 HK\$'m	2015 HK\$'m
Revenue	13,846.0	14,224.4
Profit attributable to shareholders of the Company	2,600.1	2,354.3
Basic Earnings per Share	HK\$0.68	HK\$0.62
Dividend Payout Ratio	50%	50%

	At 31 December 2016 HK\$'m		At 30 June 2016 HK\$'m	
Net Debt	5,336.1		6,141.2	
Total assets	78,043.1		75,685.0	
Net Assets	46,135.9		45,858.4	
Shareholders' funds	45,903.4		45,618.9	
Net Assets per Share	HK\$11.96		HK\$11.97	
Net Gearing Ratio	12%		13%	

Chairman's Statement

Dear Shareholders,

On behalf of our board of directors (the "Board"), I am pleased to report that NWS Holdings Limited (the "Company", together with its subsidiaries, the "Group") has continued to deliver credible growth for the six-month period ended 31 December 2016 (the "Current Period") despite challenging market conditions. The Group achieved profit attributable to shareholders of HK\$2.6 billion, a 10% improvement over the same period in the previous financial year (the "Last Period"), through a combination of organic growth and strategic acquisitions.

Solid Growth Foundation

Subdued trade and investment marked the start of the first half of the Group's financial year ending 30 June 2017 ("FY2017"). The global outlook for 2017 will remain mixed but it could be skewed to the downside. Brexit, the reversal of a number of policies such as the announcement by President Trump of the withdrawal of the United States from the Trans-Pacific Partnership Agreement and the upcoming elections in Europe will all but pose uncertainties. Central banks around the world have been signalling that the era of accommodative monetary policy, with its prolonged period of low interest rates and economic stimulus packages, is drawing to a close. Conversely, while globalization may be dampened, regionalization can serve as a catalyst in generating trade and financial flows across the world.

China's economic growth is expected to remain at around 6.5% in the near to medium term. In light of the anticipated strengthening US dollar, Renminbi will continue to face depreciation pressure in 2017. At the same time, US-China trade relationship will likely face new challenges under the new US Administration. However, with tightened monetary policy to rein in credit growth and capital outflow, China is well prepared to maintain the stability of Renminbi and spur China's economic growth. The "One Belt, One Road" Initiative has already made good progress in forging and enhancing regional economic partnerships between China and countries along the New Silk Road.

The remarkable growth of the Roads segment bears testimony to the success of the Group's capital allocation strategy. The acquisition of full ownership of Hangzhou Ring Road provided both an immediate Attributable Operating Profit ("AOP") improvement and an opportunity to take full advantage of its future growth potential from rising local economic activity.

The Group and SUEZ also reached an agreement to expand the scope of our strategic cooperation in the areas of water and waste treatment services in Greater China. Sino-French Holdings (Hong Kong) Limited, the co-investment platform, was substantially enlarged with asset injections by both of its shareholders and subsequently renamed as SUEZ NWS Limited ("SNL") in January 2017. Having completed the investment in Chongqing Derun Environment Co., Ltd. ("Derun Environment") in December 2015, the Group has two dedicated and unique investment platforms in its Environment segment to capitalize on the growth of environmental business in Greater China.

The air passenger throughput and aircraft portfolio growth of the Aviation segment continue to illustrate the strong growth potential of the industry. Further to the success of Goshawk Aviation Limited ("Goshawk"), Bauhinia Aviation Capital Limited ("Bauhinia") has also commenced to own aircraft with leases before the end of December 2016. The combined fleet size of the two leasing platforms has risen to 80 aircraft by the end of 2016. Growth in air travel and relatively low fuel price will continue to underlie the growth of the aircraft leasing industry.

The mixed performance of the Services division continues to reflect the contrasting environments of its various businesses. While the Construction business sustained growth momentum in a buoyant market, soft consumer spending and rising costs further muted the results of the Free Duty shops. However, following the Group's successful renewal of both of its cross-border duty free concessions up to 2022, the Group will implement new marketing strategies that will allow it to enhance sales and profit margins. With the full acquisition of NWS Transport Services Limited ("NWST", together with its subsidiaries, "NWST Group") in December 2016 and the opening of Gleneagles Hong Kong Hospital in early 2017, the Group has every confidence in the outlook of the Services division.

Financial Performance Review

AOP of the Group grew by 5% to HK\$2.5 billion while profit attributable to shareholders increased by 10% to HK\$2.6 billion in the Current Period. AOP growth of 4% of the Infrastructure division was mainly driven by the outstanding performance of the Roads segment which benefitted partially from the acquisition of the remaining equity interest in Hangzhou Ring Road. This positive impact was however diluted by the lower AOP of the Logistics and Aviation segments due to the disposal of NWS Kwai Chung Logistics Centre and one-off gain arising from an insurance claim for an aircraft in the Last Period. Despite the weakness of the retail business, AOP of the Services division grew by 7% as the Construction business maintained solid growth while the Strategic Investments segment performed better during the Current Period.

In addition to AOP growth, the combined impact of exceptional items contributed to the 10% rise in profit attributable to shareholders. The restructuring of SNL and the remeasurement of previously held equity interest in NWST generated gains of HK\$454 million and HK\$113 million respectively. The revaluation of investment properties gave rise to fair value gain of HK\$72 million. These gains were partly offset by the Group's share of impairment loss in relation to Newton Resources Ltd ("Newton Resources") which amounted to HK\$204 million.

The Board is pleased to declare an interim dividend for FY2017 of HK\$0.34 per share, representing an interim dividend payout ratio of approximately 50%.

Corporate Sustainability

The Group continues its effort to integrate sustainability into its business strategy and daily operations, which drives competitiveness and supports the long-term viability of our business. With a view to aligning with the global trend and advancing sustainability development across its different operations, the Group has adopted a new "Sustainability Policy" that serves as guidance for our member companies to advance broader sustainable principles and best practices. On the community front, our corporate volunteer team "NWS Volunteer

Alliance" celebrated its 15th anniversary in November 2016 with a new brand identity, new service tools and supports, and above all, a stronger team to better serve the underprivileged groups in our society. The caring spirit is also reflected in the Group's charity arm, NWS Holdings Charities Foundation, which celebrated 10 years of creating positive social impacts through projects in community welfare, environmental protection, education and healthcare.

Conclusion

The Group has been successful in achieving sustainable results by driving operating performance while enhancing the quality of the business portfolio through strategic restructuring and acquisitions. The restructuring of our water and waste treatment platform into SNL and acquisition of full equity interest in NWST will have transformational effects as the Group will be able to consolidate its position as a major force in the environmental and transportation sectors respectively. The Group will stay focused on delivering shareholder value through disciplined and high-quality growth.

Finally, I would like to take this opportunity to thank our shareholders, Board and staff for their continued support, trust and confidence.



Dr Cheng Kar Shun, Henry

Chairman

Hong Kong, 21 February 2017

Management Discussion and Analysis

GROUP OVERVIEW

The Group recorded an AOP of HK\$2.519 billion for the Current Period, representing an increase of HK\$121.2 million or 5% compared with HK\$2.398 billion in the Last Period. Driven by the organic growth of the Roads segment and the increased contribution from Hangzhou Ring Road since becoming a wholly owned subsidiary of the Group in January 2016, the Infrastructure division generated an AOP of HK\$1.525 billion, an increase of 4% compared with HK\$1.469 billion in the Last Period, despite the impact of Renminbi depreciation. The AOP of the Services division increased by 7% to HK\$994.7 million compared with HK\$928.9 million in the Last Period mainly due to the steady growth of the Construction business on the back of a buoyant real estate sector and the improved performance of the strategic investments.

During the Current Period, the Group recognized a gain of HK\$454.3 million on the restructuring of SNL that involved asset injections by both shareholders of SNL. Notwithstanding the post-restructuring decrease in the Group's interest in SNL from 50% to 42%, the Group expanded its environmental businesses from its focus on water and wastewater treatment to the waste treatment sector. The Group is also well positioned to build on the enlarged portfolio of SNL group and to capitalize on the expected future growth of the environmental market in Greater China.

On 30 December 2016, the acquisition of further 50% interest in NWST was completed and NWST then became a wholly owned subsidiary of the Group. NWST wholly owns Citybus Limited, New World First Bus Services Limited and New World First Ferry Services Limited and was, before the acquisition, a 50% owned joint venture of the Group. The Group recognized an accounting gain on the remeasurement of previously held equity interest in the joint venture of HK\$113.1 million. This acquisition presents a good opportunity for the Group to take full control of this existing investment and to capitalize on NWST Group's established market position, expertise and experience in Hong Kong's passenger transport industry. The results of NWST Group will be fully consolidated into the Group, enabling it to benefit from the stable and recurring revenue stream, cash flow and earnings of NWST Group.

While the Group recognized fair value gain of HK\$71.8 million on the revaluation of its investment properties, it also shared an impairment loss of HK\$204.0 million for Newton Resources in light of the impairment of Newton Resources' mining assets in Yanjiazhuang, Mainland China. This impairment loss is a non-cash item and bears no impact on the Group's cash flow and operation.

In the Last Period, the Group recognized several one-off items, including the share of a gain of HK\$179.3 million on the deemed disposal of its indirect interest in Chongqing Water Group Co., Ltd. ("Chongqing Water Group"), the impairment loss of HK\$200.0 million of the Group's interest in Tharisa plc ("Tharisa"), a share of the impairment loss of HK\$177.6 million for Hyva Holding B.V. ("Hyva") and a net exchange loss of HK\$266.6 million resulting from the depreciation of Renminbi.

GROUP OVERVIEW (continued)**Contribution by Division**

For the six months ended 31 December

	2016 HK\$'m	2015 HK\$'m
Infrastructure	1,524.7	1,469.3
Services	994.7	928.9
Attributable operating profit	2,519.4	2,398.2
<i>Corporate office and non-operating items</i>		
Gain on restructuring of a joint venture	454.3	–
Gain on remeasurement of previously held equity interest in a joint venture	113.1	–
Net gain on deemed disposal of a project under a joint venture	–	179.3
Net gain on disposal of projects	68.1	163.2
Gain on fair value of investment properties	71.8	593.0
Impairment loss related to an associated company	(204.0)	(200.0)
Impairment loss related to a joint venture	–	(177.6)
Net exchange gain/(loss)	10.4	(266.6)
Interest income	38.4	136.1
Finance costs	(257.1)	(274.1)
Expenses and others	(214.3)	(197.2)
	80.7	(43.9)
Profit attributable to shareholders	2,600.1	2,354.3

Contributions from the operations in Hong Kong accounted for 50% of AOP in the Current Period compared with 55% in the Last Period. Mainland China and Others contributed 43% and 7% respectively, compared with 37% and 8% respectively in the Last Period.

Management Discussion and Analysis

GROUP OVERVIEW (continued)

Earnings per Share

The basic earnings per share was HK\$0.68 in the Current Period, representing an increase of 10% from HK\$0.62 in the Last Period.

Treasury Management and Cash Funding

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group continues to monitor its cash flow position and debt profile, and to enhance 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 and Capital Resources

As at 31 December 2016, the Group's total cash and bank balances, which were mainly denominated in Hong Kong Dollar, United States Dollar and Renminbi, amounted to HK\$10.021 billion, compared with HK\$8.924 billion as at 30 June 2016. The Group's Net Debt as at 31 December 2016 was HK\$5.336 billion, compared with HK\$6.141 billion as at 30 June 2016. The decrease in Net Debt was mainly due to proceeds from disposals of investments. The capital structure of the Group comprised 25% debt and 75% equity as at 31 December 2016 which was the same as that as at 30 June 2016. The Group's Net Gearing Ratio, being Net Debt to total equity, decreased from 13% as at 30 June 2016 to 12% as at 31 December 2016.

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

Debt Profile and Maturity

As at 31 December 2016, the Group's Total Debt increased to HK\$15.357 billion from HK\$15.065 billion as at 30 June 2016. The Group has spaced out its debt maturity profile to reduce refinancing risks. Among the long-term loans and borrowings of HK\$10.199 billion as at 31 December 2016, 13% will mature in the second year, 81% will mature in the third to fifth year and 6% will mature after the fifth year. Bank loans were denominated in Hong Kong Dollar or Renminbi, 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 parts of the Group's underlying interest rate exposure. The Group did not have any material exposure to foreign exchange risk other than Renminbi during the Current Period. As at 31 December 2016, intangible concession rights of Hangzhou Ring Road were pledged as securities for a banking facility of the Group. The US\$500.0 million bonds were fully redeemed upon maturity on 9 February 2017.

Commitments

The Group's total commitments for capital expenditures were HK\$3.060 billion as at 31 December 2016 compared with HK\$3.065 billion as at 30 June 2016. These represented commitments for capital contributions to certain associated companies and joint ventures, properties and equipment and other investments. Sources of funds for capital expenditures include internally generated cash and banking facilities.

Financial Guarantee Contracts

Financial guarantee contracts of the Group were HK\$3.900 billion as at 31 December 2016, compared with HK\$2.369 billion as at 30 June 2016. These represented guarantees for banking facilities of associated companies and joint ventures.

OPERATIONAL REVIEW – INFRASTRUCTURE

Driven by the increase in AOP from the Roads segment, the Infrastructure division reported an AOP growth of 4% to HK\$1,524.7 million for the Current Period.

AOP Contribution by Segment

For the six months ended 31 December

	2016 HK\$'m	2015 HK\$'m	Change % Fav./(Unfav.)
Roads	733.2	620.2	18
Environment	256.4	261.5	(2)
Logistics	316.1	348.1	(9)
Aviation	219.0	239.5	(9)
Total	1,524.7	1,469.3	4

Roads

AOP from the Roads segment rose by 18% to HK\$733.2 million. Traffic volume of the Group's road portfolio grew by 12% during the Current Period which was supported by the increase in passenger cars from ongoing urbanization in Mainland China.

Toll revenue of Hangzhou Ring Road, fuelled by the rising cross-border trucks traffic during the Current Period, increased by 5% despite a 7% drop in traffic flow caused by the traffic control measures in Hangzhou during the G20 Summit. AOP contribution from Hangzhou Ring Road in the Current Period was also boosted following the acquisition of the remaining 5% interest from the minority shareholder in January 2016.

Average daily traffic flow of Tangjin Expressway (Tianjin North Section) grew by 6% in the Current Period notwithstanding the boosted traffic volume in the Last Period as a result of the traffic diversion from a competing road which was closed off temporarily following the Tianjin explosion incident. Its concession rights, after the completion of road expansion, were approved in February 2017 to extend for a further 11 years expiring in 2039.

The Group's expressways in the Pearl River Delta Region performed satisfactorily both in terms of traffic volume and toll revenue. Average daily traffic flow of Guangzhou City Northern Ring Road increased by 15%. Both Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and Guangzhou-Zhaoqing Expressway reported traffic growths of 13%. Having completed its expansion works in December 2015, Shenzhen-Huizhou Expressway's traffic flow rose by 17% while its toll revenue surged by 69% under the new standard toll rate approved in March 2016. Both Guangzhou City Nansha Port Expressway and Guangzhou Dongxin Expressway continued to show positive progress as their traffic flows grew by 15% and 25% respectively during the Current Period.

In Hong Kong, the average daily traffic flow of Tate's Cairn Tunnel remained stable while its toll revenue rose in line with the toll hike which took effect in January 2016.

Management Discussion and Analysis

OPERATIONAL REVIEW – INFRASTRUCTURE (continued)

Environment

AOP of the Environment segment dropped slightly by 2% to HK\$256.4 million in the Current Period.

The overall water and wastewater treatment revenue of SNL grew by 7% in the Current Period. The restructuring of SNL has been duly completed and the strengthened cooperation with SUEZ hence well positions the Group to capture the growth of a wide range of environmental businesses in Hong Kong, Mainland China, Macau and Taiwan. SNL is spurred on to explore and maximize potential synergies across a much wider operating portfolio in Greater China with its consolidated net asset value increased almost twofold to approximately HK\$8 billion.

The Group injected its interest in Chongqing Water Group into Derun Environment in December 2015. Derun Environment, an investment platform targeting environmental businesses in Mainland China, delivered positive AOP in the Current Period.

National power consumption in Mainland China rose mildly during the Current Period. However, an average cut of 7% on coal-fired benchmark on-grid tariff in January 2016 together with the rebound in coal prices during the Current Period exerted pressures on the performance of the Group's power plant projects. Electricity sales of Zhujiang Power Plants increased by 23% as one of the generators underwent overhaul in the Last Period. Due to the increasing competition from hydro-power, electricity sales of Chengdu Jintang Power Plant fell by 6%. The effect was mitigated by the robust performance of the Guangzhou Fuel Company in light of the rising coal prices during the Current Period.

Logistics

AOP from the Logistics segment dropped by HK\$32.0 million to HK\$316.1 million in the Current Period which reflected the disposal of NWS Kwai Chung Logistics Centre in 2016.

Contribution from ATL Logistics Centre dropped in the Current Period as there was a one-off rental adjustment of a major tenant in the Last Period. Its average rental grew modestly by 5% (excluding the aforesaid one-off rental adjustment) while occupancy rate fell slightly from 97.8% to 97.2% due to tenants' tendency to consolidate or reduce their space requirements upon lease renewals as a result of the general slowdown in retail.

China United International Rail Containers Co., Limited ("CUIRC") delivered continuous AOP growth in the Current Period. Benefitting from the launching of containerized break-bulk cargo services in January 2015, its throughput rose swiftly by 34% to 1,311,000 TEUs during the Current Period. This service also generates higher unit revenue and thus better yield. To capture the growing demand for international rail container transportation services and the economic opportunities created by "One Belt, One Road" Initiative, the new Tianjin terminal commenced trial run during the Current Period while the construction of Urumqi terminal is expected to complete by mid 2017. Furthermore, new warehouses are currently under construction at Chongqing and Wuhan terminals which will further enhance logistics and intermodal capabilities and services.

Throughput handled by Xiamen Container Terminal Group Co., Ltd. grew by 6% to 4,310,000 TEUs during the Current Period. With the steady recovery in business activities after the Tianjin explosion incident, Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd. registered throughput growth of 8% to 1,324,000 TEUs and 9% to 496,000 TEUs respectively.

OPERATIONAL REVIEW – INFRASTRUCTURE (continued)

Aviation

This segment includes the Group's investments in Beijing Capital International Airport Co., Ltd. ("BCIA") and its commercial aircraft leasing business. The decrease in AOP of 9% was primarily due to the Last Period's exceptional gain arising from the insurance claim on an aircraft formerly owned by Goshawk.

As the second busiest airport in the world in terms of passenger throughput for seven consecutive years, BCIA served 48.8 million passengers in the Current Period, representing a 6% growth compared with the Last Period. BCIA continues to maintain growth in aeronautical revenue through increase in flight movements, particularly international flight movements. For non-aeronautical revenue, BCIA remains focused on the development of the concession models for retail, food and beverage as well as advertising businesses.

With confidence in the long-term prospects of the commercial aircraft leasing business amid globalization trends and growing demand for air travel, the Group acquired an additional 10% equity interest in Goshawk and Goshawk Management Holdings (Cayman) Limited (collectively, the "Goshawk Companies") in October 2016 to increase its shareholding to 50%. Goshawk continues to focus on commercial aircraft that are young, modern and in demand. The fleet size grew from 68 aircraft as at 30 June 2016 to 76 aircraft as at 31 December 2016, reaching US\$3.0 billion in total assets under management. The fleet size was only 27 when the Group first invested in this platform in February 2015. Goshawk has since nearly tripled its fleet size. As all aircraft are purchased with leases attached, Goshawk is poised to generate steady and recurring income for the Group.

The Group's second commercial aircraft leasing platform, Bauhinia, a joint venture with Chow Tai Fook Enterprises Limited ("CTF Enterprises") and Aviation Capital Group Corp., commenced business with a fleet size of four aircraft as at 31 December 2016. The Group expects Bauhinia to bring recurring cash flows and stable income to the Group in the coming years in the same manner as Goshawk.

Management Discussion and Analysis

OPERATIONAL REVIEW – SERVICES

The Services division recorded an AOP of HK\$994.7 million in the Current Period, representing a 7% increase from the Last Period. The Construction business maintained its steady growth momentum while the overall performance of the strategic investments improved but the Free Duty business remained subdued.

AOP Contribution by Segment

For the six months ended 31 December

	2016 HK\$'m	2015 HK\$'m	Change % Fav./Unfav.)
Facilities Management	258.9	369.5	(30)
Construction & Transport	533.6	492.4	8
Strategic Investments	202.2	67.0	202
Total	994.7	928.9	7

Facilities Management

During the Current Period, 560 events were held at Hong Kong Convention and Exhibition Centre ("HKCEC") with a total patronage of approximately 3.7 million. Facing tough economic conditions, exhibition business is expected to remain sluggish with some recurring exhibitions downsizing the scale in exhibit space and/or event duration. Looking ahead, the management company for HKCEC, Hong Kong Convention and Exhibition Centre (Management) Limited, will focus its business development efforts to secure new knowledge-based exhibitions such as cloud computing and professional development and to identify large scale conferences to fill up the non-peak periods.

The performance of Free Duty in the Current Period continued to be affected by the slowdown in inbound Mainland tourists and the corresponding decline in visitor spending. Coupled with rising operating costs, the profit contribution from this business further declined. However, the operation at the MTR Lok Ma Chau Station sustained steady growth despite the retail headwinds. Apart from adjusting its marketing strategy, Free Duty will actively seek opportunities to extend its e-commerce platform and seek expansion opportunities. The Group is pleased to have won a competitive bid to continue its duty free concessions for five years at the MTR Hung Hom, Lo Wu and Lok Ma Chau Stations until 2022.

Gleneagles Hong Kong Hospital in Wong Chuk Hang, in which the Group owns 40% interest, is making final preparation for its opening in March 2017. This new 500-bed hospital will provide a comprehensive range of medical services and the recruitment process for doctors, nurses and healthcare professionals is progressing well.

To further capture the growing demand for healthcare services in Asian markets, in particular, Mainland China, the Group entered into an agreement (subject to certain conditions precedent) to subscribe for 20% of the enlarged issued share capital of UMP Healthcare China Limited and established a 50/50 joint venture with CTF Enterprises to serve as an investment platform for investing in healthcare facilities in Asia, with primary focus on clinics and medical centres in Mainland China and Hong Kong. The joint venture entered into an agreement (subject to certain conditions precedent) for the acquisition of interests in four clinics located in Mainland China from UMP Phoenix Healthcare Limited and UMP Healthcare China Limited.

OPERATIONAL REVIEW – SERVICES (continued)

Construction & Transport

AOP contribution from the Construction business increased steadily by 10% to HK\$408.5 million in the Current Period mainly due to the continuous improvement in gross profit through effective project management. Major projects during the Current Period included New World Centre remodeling, construction of 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, a factory development at Yuen Long Industrial Estate and Phase Two Expansion of Cathay Pacific's catering services facility. In addition, new tenders awarded during the Current Period included main contract works for Lohas Park Package 5, a retail and hotel development at Tung Chung Town Lot Nos. 2 and 11, and a residential and commercial development at Kai Tak. As at 31 December 2016, the gross value of contracts on hand for the Construction business was approximately HK\$73.7 billion and the remaining works to be completed amounted to approximately HK\$39.9 billion.

Despite the pressure on ridership following the opening of MTR Kwun Tong Line Extension and South Island Line in the Current Period, the Group's Transport business managed to deliver an AOP growth of 2% to HK\$125.1 million while maintaining a hedging programme to stabilize the fuel costs. NWST became a wholly owned subsidiary of the Group on 30 December 2016 and the results of NWST Group will be fully consolidated into the Group's financial statements in the second half of this financial year. Notwithstanding the anticipated competition from the expansion of the MTR network, public bus service in Hong Kong has its competitive advantages in terms of point-to-point travel and more extensive geographical coverage. Franchised buses will continue to be an important mode of transportation in Hong Kong.

Strategic Investments

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

Tricor's corporate services businesses performed steadily during the Current Period. The closing of the disposal of the Group's entire interest in Tricor is expected to occur during the first quarter of 2017 and the Group is expected to recognize a profit in the amount of approximately HK\$0.9 billion, as announced previously.

Tharisa, which is principally engaged in platinum group metals and chrome mining, processing and trading in South Africa, remained on track to achieve its targeted mining recovery rates. Market price of chrome rebounded satisfactorily in the Current Period which contributed to a more favourable operating environment for Tharisa.

Hyva's sales in Mainland China and India continued to improve while its performance in Brazil remained muted. Its management continues to exercise cost savings measures to enhance efficiency and profitability.

On 23 January 2017, the Group disposed of 20% stake in Newton Resources and thereby reduced its shareholding to 15.5%. Newton Resources has been actively pursuing new business opportunities, including investments in mining or resources-related projects. Having recently commenced its carpark business, Newton Resources will also enter the business of supplying and trading of iron ore.

Management Discussion and Analysis

BUSINESS OUTLOOK

The robust performance achieved by the Group under the prevailing challenging market conditions bodes well for our sustainable growth strategy. In line with our disciplined investment philosophy, the Group continues to reinforce and consolidate its asset portfolio by investing in high-growth sectors while seizing opportunities to bolster various core businesses. Based on our capital spending target, the Group has already incurred over HK\$4 billion on capital expenditure in the current financial year. The Group has further earmarked HK\$1 billion of resources for potential investment opportunities until the end of FY2017. Furthermore, with proactive treasury management, the Group has been able to mitigate the negative impact of Renminbi depreciation during the Current Period.

The convincing AOP growth delivered by the Roads segment fully verifies the investment decision to buy out the interest of the minority shareholder of Hangzhou Ring Road. Based on the overall increase in traffic flow and toll revenue, the Roads segment will remain resilient. Following the investment in Derun Environment, the Group further expanded the Environment segment by extending the scope of collaboration with our long-term strategic partner SUEZ. With the enlarged investment capabilities of SNL, the Group is therefore in a strong position to capitalize on the growing demand for water and environmental services in Greater China.

The current dynamic environment for the logistics and air travel industries will continue to enhance the growth of the Logistics and Aviation segments. With two more new terminals coming into operation in 2017, CUIRC is well placed to capture the long-term benefits from China's further economic development and the well publicized "One Belt, One Road" Initiative. Having raised the stake in Goshawk by 10% and established a seed portfolio for Bauhinia, the Group has effectively strengthened its position in the commercial aircraft leasing market.

The mixed performance within the Services division reflected the influence of business cycles on local commercial activities. Underpinned by a strong order book, the Construction business continued to flourish while the duty free business remained subdued reflecting the weakness in inbound tourism and rising costs. That said, the Group remains optimistic in the prospects of the Services division after having secured the contract to operate the concessions at both cross-border rail terminals until 2022. In addition, the future performance of the division is expected to be boosted by the stable and recurring contribution from NWST as a wholly owned subsidiary after completion of the latest acquisition.

Independent Auditor's Review Report



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF NWS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 14 to 53, which comprises the condensed consolidated statement of financial position of NWS Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2016 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 February 2017

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Interim Results

The Board is pleased to present the unaudited condensed consolidated interim financial statements (the “interim financial statements”) of the Group for the Current Period. The interim financial statements of the Group include the condensed consolidated income statement, condensed consolidated statements of comprehensive income, changes in equity and cash flows for the Current Period and the condensed consolidated statement of financial position as at 31 December 2016, all of which are unaudited, along with other explanatory notes, and are set out on pages 14 to 53 of this report.

Condensed Consolidated Income Statement – Unaudited

	Note	For the six months ended 31 December	
		2016 HK\$'m	2015 HK\$'m
Revenue	4	13,846.0	14,224.4
Cost of sales		(12,081.1)	(12,554.2)
Gross profit		1,764.9	1,670.2
Other income/gains	5	892.2	845.5
General and administrative expenses		(616.7)	(591.7)
Operating profit	6	2,040.4	1,924.0
Finance costs		(289.1)	(311.9)
Share of results of			
Associated companies	4(b)	254.0	299.0
Joint ventures	4(b)	926.9	785.5
Profit before income tax		2,932.2	2,696.6
Income tax expenses	7	(323.1)	(303.9)
Profit for the period		2,609.1	2,392.7
Attributable to			
Shareholders of the Company		2,600.1	2,354.3
Non-controlling interests		9.0	38.4
		2,609.1	2,392.7
Basic earnings per share attributable to the shareholders of the Company	8	HK\$0.68	HK\$0.62

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	For the six months ended 31 December	
	2016 HK\$'m	2015 HK\$'m
Profit for the period	2,609.1	2,392.7
Other comprehensive loss		
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Fair value changes of available-for-sale financial assets	(21.6)	(429.7)
Release of reserve upon disposal of available-for-sale financial assets	(15.6)	–
Release of reserve upon restructuring of a joint venture	5.7	–
Release of reserves upon remeasurement of previously held equity interest in a joint venture	35.6	–
Release of reserve upon deregistration of a subsidiary	(15.3)	–
Share of other comprehensive loss of associated companies and joint ventures	(6.2)	(2.4)
Cash flow hedges	248.5	(89.5)
Currency translation differences	(1,576.4)	(1,686.2)
Other comprehensive loss for the period, net of tax	(1,345.3)	(2,207.8)
Total comprehensive income for the period	1,263.8	184.9
Total comprehensive income attributable to		
Shareholders of the Company	1,265.1	170.6
Non-controlling interests	(1.3)	14.3
	1,263.8	184.9

Interim Results

Condensed Consolidated Statement of Financial Position – Unaudited

	Note	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
ASSETS			
Non-current assets			
Investment properties	9	1,672.6	1,612.6
Property, plant and equipment	10	5,115.6	1,034.7
Intangible concession rights	11	12,033.1	13,006.7
Intangible assets	12	837.2	386.9
Associated companies	13	17,043.2	14,947.7
Joint ventures	14	14,715.6	18,122.5
Available-for-sale financial assets	15	1,223.3	1,512.5
Other non-current assets	16	936.5	1,036.8
		53,577.1	51,660.4
Current assets			
Inventories		516.8	395.7
Trade and other receivables	17	13,928.7	10,909.2
Available-for-sale financial asset	15	–	30.0
Cash and bank balances		10,020.5	8,923.6
		24,466.0	20,258.5
Assets held-for-sale	18	–	3,766.1
Total assets		78,043.1	75,685.0

Condensed Consolidated Statement of Financial Position – Unaudited (continued)

	Note	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
EQUITY			
Share capital	19	3,856.9	3,832.0
Reserves	20	42,046.5	41,786.9
Shareholders' funds		45,903.4	45,618.9
Non-controlling interests		232.5	239.5
Total equity		46,135.9	45,858.4
LIABILITIES			
Non-current liabilities			
Borrowings	21	10,198.9	9,251.7
Deferred tax liabilities		2,508.8	2,109.3
Other non-current liabilities		212.6	215.0
		12,920.3	11,576.0
Current liabilities			
Borrowings	21	5,157.7	5,813.1
Trade and other payables	22	13,555.4	12,035.9
Taxation		273.8	318.3
		18,986.9	18,167.3
Liabilities directly associated with assets held-for-sale	18	–	83.3
Total liabilities		31,907.2	29,826.6
Total equity and liabilities		78,043.1	75,685.0

Interim Results

Condensed Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 31 December 2016

HK\$'m	Note	Shareholders' funds					Non-controlling interests	Total
		Share capital	Share premium	Revenue reserve	Other reserves	Total		
At 1 July 2016		3,832.0	16,840.4	23,824.7	1,121.8	45,618.9	239.5	45,858.4
Total comprehensive income for the period		-	-	2,590.7	(1,325.6)	1,265.1	(1.3)	1,263.8
<i>Contributions by/(distributions to) owners</i>								
<i>Dividend paid to</i>								
Shareholders of the Company	23	-	-	(1,302.9)	-	(1,302.9)	-	(1,302.9)
Non-controlling interests		-	-	-	-	-	(5.7)	(5.7)
<i>Scrip dividend</i>								
Nominal value of new shares issued		24.9	-	-	-	24.9	-	24.9
Share premium on new shares issued		-	291.1	-	-	291.1	-	291.1
<i>Share options</i>								
Value of services provided		-	-	-	6.3	6.3	-	6.3
Total transactions with owners		24.9	291.1	(1,302.9)	6.3	(980.6)	(5.7)	(986.3)
At 31 December 2016		3,856.9	17,131.5	25,112.5	(197.5)	45,903.4	232.5	46,135.9

Condensed Consolidated Statement of Changes in Equity – Unaudited (continued)

		For the six months ended 31 December 2015						
		Shareholders' funds					Non-controlling interests	
HK\$m	Note	Share capital	Share premium	Revenue reserve	Other reserves	Total		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 period		–	–	2,351.9	(2,181.3)	170.6	14.3	184.9
<i>Contributions by/(distributions to) owners</i>								
<i>Dividend paid to</i>								
Shareholders of the Company	23	–	–	(1,245.9)	–	(1,245.9)	–	(1,245.9)
Non-controlling interests		–	–	–	–	–	(16.0)	(16.0)
<i>Scrip dividend</i>								
Nominal value of new shares issued		29.8	–	–	–	29.8	–	29.8
Share premium on new shares issued		–	276.4	–	–	276.4	–	276.4
<i>Share options</i>								
Value of services provided		–	–	–	19.3	19.3	–	19.3
Total transactions with owners		29.8	276.4	(1,245.9)	19.3	(920.4)	(16.0)	(936.4)
At 31 December 2015		3,805.2	16,565.1	22,603.3	1,690.0	44,663.6	772.6	45,436.2

Interim Results

Condensed Consolidated Statement of Cash Flows – Unaudited

	Note	For the six months ended 31 December	
		2016 HK\$'m	2015 HK\$'m
Cash flows from operating activities			
Net cash generated from operations	26(a)	1,007.3	1,830.3
Finance costs paid		(228.9)	(286.8)
Interest received		146.7	159.8
Hong Kong profits tax paid		(165.7)	(284.9)
Mainland China and overseas taxation paid		(247.8)	(160.3)
Net cash generated from operating activities		511.6	1,258.1
Cash flows from investing activities			
Dividends received from associated companies and joint ventures		1,255.5	1,056.1
Increase in investments in and advances to associated companies		(1,027.4)	(409.4)
Increase in investments in and advances to joint ventures		(1,112.7)	(1,036.3)
Additions of property, plant and equipment		(45.8)	(415.1)
Additions of intangible concession rights		–	(121.4)
Addition of an available-for-sale financial asset		(34.5)	(54.3)
Disposal of intangible concession rights and their related assets and liabilities		–	158.3
Disposal of available-for-sale financial assets and a financial asset at fair value through profit or loss		347.4	0.8
Acquisition of subsidiaries	27(b)	(930.1)	-
Disposal of subsidiaries	26(b)	11.4	95.0
Disposal of assets held-for-sale		3,373.1	22.8
Dividends received from available-for-sale financial assets		14.8	54.9
(Increase)/decrease in other non-current assets		(1.5)	2.1
Decrease in short-term bank deposits maturing after more than three months		26.9	1.6
Net cash from/(used in) investing activities		1,877.1	(644.9)

Condensed Consolidated Statement of Cash Flows – Unaudited (continued)

	For the six months ended 31 December	
	2016 HK\$'m	2015 HK\$'m
Cash flows from financing activities		
New bank loans and other borrowings	3,026.0	2,599.9
Repayment of bank loans and other borrowings	(3,054.5)	(942.2)
Balance payment of acquisition of additional interests in a subsidiary	(81.9)	–
Dividends paid to shareholders of the Company	(986.9)	(939.7)
Dividends paid to non-controlling interests	(5.7)	(16.0)
Decrease in loans from non-controlling interests	(8.2)	(0.8)
Net cash (used in)/from financing activities	(1,111.2)	701.2
Net increase in cash and cash equivalents	1,277.5	1,314.4
Cash and cash equivalents at the beginning of the period	8,892.9	10,405.7
Currency translation differences	(165.6)	(365.9)
Cash and cash equivalents at the end of the period	10,004.8	11,354.2
Analysis of cash and cash equivalents		
Cash and bank balances	10,020.5	11,369.2
Short-term bank deposits maturing after more than three months	(15.7)	(15.0)
	10,004.8	11,354.2

Interim Results

Notes to Condensed Consolidated Interim Financial Statements

1. General information

NWS Holdings Limited 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 Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The interim financial statements were approved for issuance by the Board on 21 February 2017.

2. Basis of preparation and accounting policies

The interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim financial statements should be read in conjunction with the annual financial statements for the financial year ended 30 June 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies used in the preparation of these interim financial statements are consistent with those set out in the annual report for the financial year ended 30 June 2016 except for the adoption of new standard and amendments to standards which are further explained as below.

(a) Adoption of new standard and amendments to standards

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

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

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

2. Basis of preparation and accounting policies (continued)

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

The following new standards and amendments to standards are mandatory for accounting period beginning on or after 1 July 2017 or later periods but which the Group has not early adopted:

Effective for the financial year ending 30 June 2018 or after

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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.

3. Financial risk management and fair value estimation

(a) Financial risk factors

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 interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's June 2016 annual financial statements.

There has been no change in any risk management policies since the last year end.

(b) 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.

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3. Financial risk management and fair value estimation (continued)

(b) Fair value estimation (continued)

(iv) The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016:

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

The following table presents the Group's financial instruments that are measured at fair value at 31 December 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	881.2	–	101.2	982.4
Debt securities	240.9	–	–	240.9
Derivative financial instruments	–	10.9	58.8	69.7
	1,122.2	10.9	160.0	1,293.1
Liabilities				
Derivative financial instruments	–	(133.2)	(21.5)	(154.7)

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

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

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

3. Financial risk management and fair value estimation (continued)

(b) Fair value estimation (continued)

(iv) (continued)

The following table presents the changes in Level 3 instruments for the Current Period:

HK\$'m	Available- for-sale financial assets	Derivative financial assets	Derivative financial liabilities
At 1 July 2016	90.0	58.8	(24.6)
Translation differences	(0.6)	–	–
Acquisition of subsidiaries	7.3	–	–
Addition	34.5	–	–
Disposal	(30.0)	–	–
Total gain recognized in the condensed consolidated income statement	–	–	3.1
At 31 December 2016	101.2	58.8	(21.5)

The following table presents the changes in Level 3 instruments for the Last Period:

HK\$'m	Available- for-sale financial assets	Derivative financial assets	Derivative financial liabilities
At 1 July 2015	35.8	58.8	(30.1)
Addition	54.3	–	–
Total gain recognized in the condensed consolidated income statement	–	–	2.8
At 31 December 2015	90.1	58.8	(27.3)

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4. Revenue and segment information

The Group's revenue is analyzed as follows:

	For the six months ended 31 December	
	2016 HK\$'m	2015 HK\$'m
Roads	1,224.5	1,217.8
Logistics	–	50.0
Facilities Management	3,495.4	3,514.2
Construction & Transport	9,126.1	9,442.4
	13,846.0	14,224.4

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

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

4. Revenue and segment information (continued)

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

HK\$/m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Total
For the six months ended 31 December 2016								
Total revenue	1,224.5	-	-	-	3,496.8	9,126.1	-	13,847.4
Inter-segment	-	-	-	-	(1.4)	-	-	(1.4)
Revenue – external	1,224.5	-	-	-	3,495.4	9,126.1	-	13,846.0
Attributable operating profit								
Company and subsidiaries	463.6	7.0	-	1.2	304.6	296.9	65.6	1,138.9
Associated companies	36.8	18.2	62.2	153.3	(46.1)	111.6	134.5 (ii)	470.5 (b)
Joint ventures	232.8	231.2	253.9	64.5	0.4	125.1 (i)	2.1	910.0 (b)
	733.2	256.4	316.1	219.0	258.9	533.6	202.2	2,519.4
Reconciliation – corporate office and non-operating items								
Gain on restructuring of a joint venture (note 13(c))								454.3
Gain on remeasurement of previously held equity interest in a joint venture (note 27(c))								113.1
Gain on fair value of investment properties								71.8
Net gain on disposal of projects								68.1
Interest income								38.4
Net exchange gain								10.4
Impairment loss related to an associated company								(204.0) (b)
Finance costs								(257.1)
Expenses and others								(214.3)
Profit attributable to shareholders								2,600.1

(i) The amount includes the Group's share of attributable operating profit of HK\$125.1 million from its Transport business.

(ii) The amount includes the Group's share of attributable operating profit of HK\$103.8 million from certain associated companies engaged in investment activities.

Interim Results

4. Revenue and segment information (continued)

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

HK\$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Consolidated
For the six months ended 31 December 2016										
Depreciation	9.2	-	-	-	47.5	34.9	-	91.6	2.3	93.9
Amortization of intangible concession rights	404.8	-	-	-	-	-	-	404.8	-	404.8
Amortization of intangible assets	-	-	-	-	15.6	-	-	15.6	-	15.6
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	8.8	-	-	-	10.7	4,623.9	-	4,643.4	1.4	4,644.8
Interest income	29.1	6.4	-	0.3	20.3	1.1	18.6	75.8	38.8	114.6
Finance costs	6.9	-	-	-	0.3	24.8	-	32.0	257.1	289.1
Income tax expenses	178.6	13.7	-	2.6	61.0	64.5	-	320.4	2.7	323.1
At 31 December 2016										
Company and subsidiaries	14,027.2	407.1	-	2,384.1	5,688.6	15,356.6 (i)	1,615.6	39,479.2	6,805.1	46,284.3
Associated companies	462.1	3,744.8	1,958.8	2,819.1	1,124.9	1,688.8	5,194.1	16,992.6	50.6	17,043.2
Joint ventures	5,248.8	3,411.9	2,867.6	2,021.2	4.3	2.4	1,146.7	14,702.9	12.7	14,715.6
Total assets	19,738.1	7,563.8	4,826.4	7,224.4	6,817.8	17,047.8	7,956.4	71,174.7	6,868.4	78,043.1
Total liabilities	2,981.3	487.5	0.2	3.8	1,093.0	12,036.9 (i)	16.3	16,619.0	15,288.2	31,907.2

(i) The balances include total assets of HK\$5,459.6 million and total liabilities of HK\$1,631.1 million of the Group's Transport business.

4. Revenue and segment information (continued)

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

HK\$m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Total
For the six months ended 31 December 2015								
Total revenue	1,217.8	-	50.0	-	3,522.0	9,442.4	-	14,232.2
Inter-segment	-	-	-	-	(7.8)	-	-	(7.8)
Revenue – external	1,217.8	-	50.0	-	3,514.2	9,442.4	-	14,224.4
Attributable operating profit								
Company and subsidiaries	347.5	7.1	34.0	0.2	371.7	249.9	67.1	1,077.5
Associated companies	37.5	19.1	56.5	239.3	(5.3)	120.3	57.6 (ii)	525.0 (b)
Joint ventures	235.2	235.3	257.6	-	3.1	122.2 (i)	(57.7)	795.7 (b)
	620.2	261.5	348.1	239.5	369.5	492.4	67.0	2,398.2
Reconciliation – corporate office and non-operating items								
Gain on fair value of investment properties								593.0
Net gain on deemed disposal of a project under a joint venture								179.3 (b)
Net gain on disposal of projects								163.2
Interest income								136.1
Net exchange loss								(266.6)
Impairment loss related to an associated company								(200.0) (b)
Impairment loss related to a joint venture								(177.6) (b)
Finance costs								(274.1)
Expenses and others								(197.2)
Profit attributable to shareholders								2,354.3

(i) The amount included the Group's share of attributable operating profit of HK\$122.2 million from its Transport business.

(ii) The amount included the Group's share of attributable operating profit of HK\$64.2 million from certain associated companies engaged in investment activities.

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4. Revenue and segment information (continued)

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

HK\$m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Eliminations	Consolidated
For the six months ended											
31 December 2015											
Depreciation	6.9	-	-	-	36.9	29.5	-	73.3	2.5	-	75.8
Amortization of intangible concession rights	408.5	-	-	-	-	-	-	408.5	-	-	408.5
Amortization of intangible assets	-	-	-	-	15.6	-	-	15.6	-	-	15.6
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	159.4	-	-	-	24.4	350.6	-	534.4	2.1	-	536.5
Interest income	16.6	10.4	1.7	6.2	1.4	3.7	12.2	52.2	136.6	(6.9)	181.9
Finance costs	26.1	-	3.6	-	0.4	14.3	0.3	44.7	274.1	(6.9)	311.9
Income tax expenses	192.3	3.9	6.7	2.7	75.4	22.4	-	303.4	0.5	-	303.9
At 30 June 2016											
Company and subsidiaries	14,743.9	342.7	3,797.6	1,393.5	4,356.9	10,166.8	1,986.3	36,787.7	5,827.1	-	42,614.8
Associated companies	442.8	564.9	1,997.2	4,266.7	1,586.8	1,611.0	4,430.3	14,899.7	48.0	-	14,947.7
Joint ventures	5,607.2	6,333.0	2,865.4	-	3.9	2,073.5 (i)	1,213.1	18,096.1	26.4	-	18,122.5
Total assets	20,793.9	7,240.6	8,660.2	5,660.2	5,947.6	13,851.3	7,629.7	69,783.5	5,901.5	-	75,685.0
Total liabilities	3,246.4	35.5	84.4	38.6	1,143.5	10,084.5	9.7	14,642.6	15,184.0	-	29,826.6

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

4. Revenue and segment information (continued)

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

HK\$'m	Associated companies		Joint ventures	
	For the six months ended 31 December		For the six months ended 31 December	
	2016	2015	2016	2015
Attributable operating profit	470.5	525.0	910.0	795.7
Corporate associated companies, joint ventures and non-operating items				
Net gain on deemed disposal of a project under a joint venture	–	–	–	179.3
Impairment losses (notes 13(b),(f) & 14(b))	(204.0)	(200.0)	–	(177.6)
Others	(12.5)	(26.0)	16.9	(11.9)
Share of results of associated companies and joint ventures	254.0	299.0	926.9	785.5

(c) Information by geographical areas:

HK\$'m	Revenue		Non-current assets other than financial instruments, deferred tax assets and post- employment benefit assets	
	For the six months ended 31 December		At 31 December	At 30 June
	2016	2015	2016	2016
Hong Kong	12,352.7	12,564.9	7,505.7	2,899.5
Mainland China	1,271.9	1,256.0	12,123.5	13,109.2
Macau	221.4	403.5	29.3	32.2
	13,846.0	14,224.4	19,658.5	16,040.9

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

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5. Other income/gains

	Note	For the six months ended 31 December	
		2016 HK\$'m	2015 HK\$'m
Gain on restructuring of a joint venture	13(c)	454.3	–
Gain on remeasurement of previously held equity interest in a joint venture	27(c)	113.1	–
Gain on fair value of investment properties	9	71.8	593.0
Profit on disposal of a subsidiary	26(b)	–	95.0
Profit on disposal of intangible concession rights and their related assets and liabilities		–	58.7
Profit on disposal of available-for-sale financial assets		30.1	0.8
Profit on disposal of assets held-for-sale		77.8	15.0
Interest income		114.6	181.9
Machinery hire income		28.2	42.1
Dividend income		14.8	54.9
Management fee income		11.3	11.4
Other income		28.1	63.7
Net exchange loss		(51.9)	(271.0)
		892.2	845.5

6. Operating profit

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

	Note	For the six months ended 31 December	
		2016 HK\$'m	2015 HK\$'m
Crediting			
Gross rental income from investment properties		32.9	82.9
Less: outgoings		(7.2)	(13.4)
		25.7	69.5
Charging			
Cost of inventories sold		1,207.5	1,206.9
Cost of services rendered		10,873.6	11,347.3
Depreciation	10	93.9	75.8
Amortization of intangible concession rights	11	404.8	408.5
Amortization of intangible assets	12	15.6	15.6
Operating lease rental expenses – properties		40.8	42.2

7. 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 Current Period. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the Current Period at the rates of tax prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2015: 12% to 25%).

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

	For the six months ended 31 December	
	2016 HK\$'m	2015 HK\$'m
Current income tax		
Hong Kong profits tax	118.0	91.6
Mainland China and overseas taxation	231.1	236.3
Deferred income tax credit	(26.0)	(24.0)
	323.1	303.9

Share of taxation of associated companies and joint ventures of HK\$100.1 million (2015: HK\$94.7 million) and HK\$212.5 million (2015: HK\$199.8 million) respectively are included in the condensed consolidated income statement as share of results of associated companies and joint ventures respectively.

8. Earnings per share

The calculation of basic earnings per share for the Current Period is based on earnings of HK\$2,600.1 million (2015: HK\$2,354.3 million) and on the weighted average of 3,832,239,369 (2015: 3,775,691,850) ordinary shares outstanding during the Current Period.

The share options of the Company have an anti-dilutive effect on the basic earnings per share for the Current Period and the Last Period and are ignored in the calculation of diluted earnings per share.

9. Investment properties

HK\$'m	Note	Commercial and industrial properties in Hong Kong	Residential properties in Mainland China	Total
At 1 July 2016		1,590.3	22.3	1,612.6
Fair value changes	5	69.0	2.8	71.8
Disposal of subsidiaries	26(b)	–	(11.3)	(11.3)
Translation differences		–	(0.5)	(0.5)
At 31 December 2016		1,659.3	13.3	1,672.6

The investment properties were revalued on 31 December 2016 by an independent, professionally qualified valuer, Savills Valuation and Professional Services Limited. Valuations for properties were based on market value assessment or the income approach.

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10. Property, plant and equipment

HK\$m	Note	Land and properties	Other plant and equipment	Buses, vessels and other motor vehicles	Total
Cost					
At 1 July 2016		316.3	1,942.7	45.9	2,304.9
Acquisition of subsidiaries	27(b)	1,050.1	319.0	2,764.0	4,133.1
Additions		–	43.0	2.8	45.8
Disposals		–	(34.4)	(0.9)	(35.3)
Translation differences		–	(6.2)	(0.1)	(6.3)
At 31 December 2016		1,366.4	2,264.1	2,811.7	6,442.2
Accumulated depreciation and impairment					
At 1 July 2016		16.9	1,219.8	33.5	1,270.2
Depreciation	6	4.6	87.1	2.2	93.9
Disposals		–	(33.3)	(0.9)	(34.2)
Translation differences		–	(3.2)	(0.1)	(3.3)
At 31 December 2016		21.5	1,270.4	34.7	1,326.6
Net book value					
At 31 December 2016		1,344.9	993.7	2,777.0	5,115.6
At 30 June 2016		299.4	722.9	12.4	1,034.7

11. Intangible concession rights

	Note	HK\$'m
Cost		
At 1 July 2016		18,899.0
Translation differences		(841.6)
At 31 December 2016		18,057.4
Accumulated amortization and impairment		
At 1 July 2016		5,892.3
Amortization	6	404.8
Translation differences		(272.8)
At 31 December 2016		6,024.3
Net book value		
At 31 December 2016		12,033.1
At 30 June 2016		13,006.7

12. Intangible assets

HK\$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2016		61.4	567.2	628.6
Acquisition of subsidiaries	27(b)	396.7	69.2	465.9
At 31 December 2016		458.1	636.4	1,094.5
Accumulated amortization and impairment				
At 1 July 2016		15.4	226.3	241.7
Amortization	6	–	15.6	15.6
At 31 December 2016		15.4	241.9	257.3
Net book value				
At 31 December 2016		442.7	394.5	837.2
At 30 June 2016		46.0	340.9	386.9

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13. Associated companies

	Note	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
Group's share of net assets			
Listed shares – Hong Kong	(a),(b)	4,674.1	4,905.7
Listed shares – Overseas	(a)	847.1	827.2
Unlisted shares	(c),(d),(e)	9,465.9	6,710.4
		14,987.1	12,443.3
Goodwill		694.8	727.3
Amounts receivable		1,361.3	1,777.1
	(f)	17,043.2	14,947.7

- (a) As at 31 December 2016, the carrying amount represents the Group's investments in BCIA, Wai Kee Holdings Limited, Newton Resources and Tharisa. The share of market value of the Group's listed associated companies amounts to HK\$5,673.9 million (30 June 2016: HK\$5,624.7 million).
- (b) As at 31 December 2016, the Group holds 35.5% equity interest in Newton Resources, a listed associated company of the Group. Its carrying value is approximately HK\$0.9 billion before share of impairment loss provision detailed below.

As at 31 December 2016, the iron concentrates business of Newton Resources has not yet resumed due to local issues and disturbances. The management of Newton Resources has carried out an impairment assessment on the carrying value of the investment using the discounted cash flow method. In preparing the assessment, the management of Newton Resources has taken into consideration the potential unfavourable impact on cash flows arising from (i) reduction in profitability of iron concentrates business as a result of award to local villagers, (ii) postponement in the resumption of iron concentrates trial production and (iii) market outlook of iron concentrates' price and other assumptions such as production cost, proved and probable ore reserve, production capacity and discount rate, with reference to the business plan and prevailing market conditions. Based on the assessment, Newton Resources recognized an impairment loss of approximately RMB500.0 million (equivalent to approximately HK\$574.7 million) during the Current Period. Accordingly, the Group has shared an impairment loss of approximately RMB177.5 million (equivalent to approximately HK\$204.0 million) in the condensed consolidated income statement for the Current Period.

13. Associated companies (continued)

- (c) On 1 November 2016, the shareholders of Sino-French Holdings (Hong Kong) Limited, a then 50% joint venture of the Group and now known as SUEZ NWS Limited ("SNL"), entered into an agreement to restructure and expand the scope of operations of SNL by injecting cash and their respective waste and wastewater treatment businesses in Greater China into SNL. The directors of the Company considered all significant conditions precedent were satisfied and the restructuring was regarded as completed in December 2016. Gain arising from the restructuring of HK\$454.3 million was recognized by the Group in the Current Period. The Group ceased its joint control and owns 42% interest in SNL upon completion of the restructuring. Accordingly, the investment in SNL was accounted for as an associated company as at 31 December 2016.
- (d) On 5 October 2016, the Company, The Bank of East Asia, Limited ("BEA"), East Asia Secretaries (BVI) Limited ("East Asia Secretaries") and Trivium Investment Limited ("Trivium") entered into a share purchase agreement for the sale of all the issued shares of Tricor held by East Asia Secretaries to Trivium at a consideration of approximately HK\$6.5 billion (the "Disposal"). Tricor is 24.39% owned by the Company and 75.61% owned by BEA, in each case through East Asia Secretaries. Closing of the Disposal is subject to regulatory clearances and the Company expects it will occur during the first quarter of 2017. Following closing of the Disposal, the Group will cease to own any equity interest in Tricor.
- (e) As at 31 December 2016, the carrying amount mainly represents the Group's investments in various infrastructure, ports, healthcare, strategic investments and other projects. Among which the Group holds for investment purpose and has participating interests in certain investment companies amounted to HK\$3,093.6 million (30 June 2016: HK\$2,106.5 million), whose assets mainly comprise various loans receivables. The Group's share of attributable operating profit of these investment companies for the Current Period amounted to HK\$103.8 million (2015: HK\$64.2 million) as detailed in note 4(a) (ii).
- (f) Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies based on value in use calculations. Management is of the view that there is no impairment of the Group's investments in associated companies as at 31 December 2016 except as detailed in note 13(b) above.

An impairment loss of HK\$200.0 million for Tharisa was recognized by the Group in the condensed consolidated income statement during the Last Period.

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14. Joint ventures

	Note	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
Co-operative joint ventures			
Cost of investment less provision		1,582.0	1,663.9
Goodwill		90.0	90.0
Share of undistributed post-acquisition results		1,689.6	1,703.0
Amounts receivable		8.1	71.8
		3,369.7	3,528.7
Equity joint ventures			
Group's share of net assets	(a)	4,698.8	3,084.4
Goodwill		87.2	87.2
		4,786.0	3,171.6
Companies limited by shares			
Group's share of net assets		3,668.8	8,035.4
Goodwill		163.5	488.4
Amounts receivable		2,936.2	3,106.1
Amounts payable		(208.6)	(207.7)
		6,559.9	11,422.2
	(b)	14,715.6	18,122.5

(a) On 19 October 2016, the Group entered into agreements with the then other shareholders of the Goshawk Companies. Pursuant to such agreements, the Group acquired an additional 10% equity interest in the Goshawk Companies and related shareholder loans at an aggregate consideration of approximately HK\$788.0 million. Upon completion of the transactions on 24 October 2016, the Group's equity interest in the Goshawk Companies was increased from 40% to 50% and joint control over the companies was obtained. As such, the Group's investments in the Goshawk Companies were accounted for as joint ventures as at 31 December 2016.

(b) As at 31 December 2016, the carrying amount mainly represents the Group's investments in various infrastructure, ports, logistics, commercial aircraft leasing and other projects. The carrying amount as at 30 June 2016 also included the Group's investments in Transport business (which became subsidiaries of the Group as detailed in note 27) and Sino-French Holdings (Hong Kong) Limited (which became an associated company of the Group as detailed in note 13(c)). Management is of the view that there is no impairment of the Group's investments in joint ventures as at 31 December 2016.

An impairment loss of HK\$177.6 million for Hyva was shared by the Group in the condensed consolidated income statement during the Last Period.

15. Available-for-sale financial assets

	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
Non-current assets		
Equity securities listed in Hong Kong	881.2	1,208.2
Debt securities listed in Hong Kong	240.9	244.3
Unlisted equity securities	101.2	60.0
	1,223.3	1,512.5
Current asset		
Unlisted debt securities	–	30.0
	1,223.3	1,542.5

16. Other non-current assets

	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
Security deposits	868.1	971.9
Derivative financial instruments	39.5	39.5
Others	28.9	25.4
	936.5	1,036.8

Interim Results

17. Trade and other receivables

	Note	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
Trade receivables	(a)	2,406.9	2,582.2
Retention money receivables		1,627.3	1,444.0
Amounts due from customers for contract works		105.8	244.5
Other receivables, deposits and prepayments		6,539.4	4,703.2
Derivative financial instruments		30.2	19.3
Amounts due from associated companies		415.6	1,433.1
Amounts due from joint ventures		2,803.5	482.9
		13,928.7	10,909.2

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

	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
Under 3 months	2,333.2	2,511.7
4 to 6 months	40.7	30.3
Over 6 months	33.0	40.2
	2,406.9	2,582.2

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

18. Assets held-for-sale/Liabilities directly associated with assets held-for-sale

On 20 June 2016, the Group entered into an agreement in respect of the disposal of Shine Fame Holdings Limited ("Shine Fame", an investment holding company which holds the entire interest in NWS Kwai Chung Logistics Centre, an investment property of the Group) and the assignment of debt at an aggregate cash consideration of HK\$3.75 billion (subject to adjustments). Assets and liabilities of Shine Fame were reclassified as held-for-sale as at 30 June 2016. The gain on disposal was substantially recognized by means of fair value gain during the year ended 30 June 2016. Completion of the aforesaid disposal transaction took place on 31 August 2016.

	At 30 June 2016 HK\$m
<hr/>	
Assets	
Investment property	3,750.0
Other current assets	2.4
Trade and other receivables	1.2
Cash and bank balances	12.5
<hr/>	
Assets of a subsidiary classified as held-for-sale	3,766.1
<hr/>	
Liabilities	
Trade and other payables	(26.5)
Deferred tax liabilities	(56.8)
<hr/>	
Liabilities of a subsidiary classified as held-for-sale	(83.3)
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Interim Results

19. Share capital

	Ordinary shares	
	No. of shares	HK\$m
Authorized		
At 1 July 2016 and 31 December 2016	6,000,000,000	6,000.0
Issued and fully paid		
At 1 July 2016	3,831,966,840	3,832.0
Issued as scrip dividend	24,936,375	24.9
At 31 December 2016	3,856,903,215	3,856.9

Share option scheme

The share option scheme of the Company (the "Share Option Scheme"), which was adopted on 21 November 2011, is valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the Share Option Scheme to subscribe for the shares of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the share capital of the Company in issue as at 21 November 2011, i.e. 3,388,900,598 shares.

Movements in the number of share options during the Current Period are as follows:

	Note	Number of options
At 1 July 2016		55,275,823
Adjusted	(b)	41,528
Lapsed		(586,952)
At 31 December 2016		54,730,399

- (a) 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.
- (b) 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 financial year ended 30 June 2016 in scrip form (with cash option) during the Current Period which gave rise to adjustments to the number and the exercise price of outstanding share options in accordance with the Share Option Scheme. With effect from 29 December 2016, the exercise price per share of the share options granted was adjusted to HK\$14.126.
- (c) 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.

20. Reserves

HK\$m	Share premium	Special reserves	Investment revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2016	16,840.4	548.8	26.5	546.5	23,824.7	41,786.9
Profit for the period	-	-	-	-	2,600.1	2,600.1
Dividend paid to shareholders of the Company	-	-	-	-	(1,302.9)	(1,302.9)
Release of reserve upon deregistration of a subsidiary	-	-	-	(15.3)	-	(15.3)
Release of reserve upon restructuring of a joint venture	-	-	-	5.7	-	5.7
Release of reserves upon remeasurement of previously held equity interest in a joint venture	-	48.3	-	(12.7)	-	35.6
Release of reserve upon disposal of available-for-sale financial assets	-	-	(15.6)	-	-	(15.6)
Fair value changes on available-for-sale financial assets						
Group	-	-	(28.0)	-	-	(28.0)
Joint ventures	-	-	6.4	-	-	6.4
Currency translation differences						
Group	-	-	-	(619.0)	-	(619.0)
Associated companies	-	-	-	(328.9)	-	(328.9)
Joint ventures	-	-	-	(618.2)	-	(618.2)
Scrip dividend						
Share premium on new shares issued	291.1	-	-	-	-	291.1
Share options						
Value of services provided						
Group	-	5.8	-	-	-	5.8
Associated company	-	0.1	-	-	-	0.1
Joint ventures	-	0.4	-	-	-	0.4
Share of other comprehensive income/(loss) of associated companies and joint ventures	-	3.2	-	-	(9.4)	(6.2)
Cash flow hedges						
Group	-	44.0	-	-	-	44.0
Associated companies	-	25.2	-	-	-	25.2
Joint ventures	-	179.3	-	-	-	179.3
At 31 December 2016	17,131.5	855.1	(10.7)	(1,041.9)	25,112.5	42,046.5

Special reserves include statutory reserves which are created in accordance with the relevant PRC laws and/or terms of the joint venture agreements of subsidiaries and joint ventures established in Mainland China and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve, share option reserve, property revaluation reserve and cash flow hedges reserve arising from foreign exchange forward, interest rate and fuel price swaps.

Interim Results

21. Borrowings

	Note	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
Non-current			
Long-term bank loans			
Secured	(a)	–	181.3
Unsecured		10,198.9	9,070.4
		10,198.9	9,251.7
Current			
Current portion of long-term bank loans			
Secured	(a)	134.1	386.0
Unsecured		839.4	1,548.2
Fixed rate bonds			
Unsecured	(b)	3,884.1	3,878.7
Short-term bank loans and overdrafts			
Unsecured		300.0	–
Other borrowings			
Unsecured		0.1	0.2
		5,157.7	5,813.1
		15,356.6	15,064.8

(a) Bank loans are secured by the intangible concession rights of Hangzhou Ring Road.

(b) The US\$500.0 million bonds were fully redeemed upon maturity on 9 February 2017.

22. Trade and other payables

	Note	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
Trade payables	(a)	476.3	630.9
Retention money payables		1,443.0	1,216.1
Advances received from customers for contract works		1,701.9	1,719.9
Amounts due to customers for contract works		1,614.9	1,554.4
Amounts due to non-controlling interests		144.9	148.0
Other payables and accruals		8,046.8	6,751.3
Derivative financial instruments		112.4	–
Amounts due to associated companies		15.0	14.1
Amounts due to joint ventures		0.2	1.2
		13,555.4	12,035.9

(a) The ageing analysis of trade payables based on invoice date is as follows:

	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
Under 3 months	450.0	611.2
4 to 6 months	11.1	7.4
Over 6 months	15.2	12.3
	476.3	630.9

23. Dividend

A final dividend of HK\$1,302.9 million (2015: HK\$1,245.9 million) that related to the financial year ended 30 June 2016 was paid in December 2016.

On 21 February 2017, the Board has resolved to declare an interim dividend of HK\$0.34 per share (2015: paid of HK\$0.31 per share) for FY2017 in scrip form with a cash option, which is payable on or about 15 May 2017 to shareholders whose names appear on the register of members of the Company on 17 March 2017. This interim dividend, amounting to HK\$1,311.5 million (2015: HK\$1,179.6 million), has not been recognized as liability in this interim financial information. It will be recognized in shareholders' equity in FY2017.

Interim Results

24. Commitments

(a) The outstanding commitments for capital expenditure are as follows:

	Note	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
Contracted but not provided for			
Property, plant and equipment		747.8	23.4
Capital contributions to/acquisitions of associated companies and joint ventures	(i)	2,188.9	2,339.7
Other investment		122.9	701.7
		3,059.6	3,064.8

(i) The Group has committed to provide sufficient funds in the form of advances, capital and loan contributions to certain associated companies and 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\$2,188.9 million (30 June 2016: HK\$2,339.7 million) which represents the attributable portion of capital and loan contributions to be made to the associated companies and joint ventures.

(b) The Group's share of commitments for capital expenditure committed by joint ventures not included above are as follows:

	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
Contracted but not provided for		
Property, plant and equipment	3,033.3	574.3
Capital contributions to/acquisitions of joint ventures	–	76.4
	3,033.3	650.7

25. Financial guarantee contracts

The Group's financial guarantee contracts are as follows:

	At 31 December 2016 HK\$'m	At 30 June 2016 HK\$'m
Guarantees for credit facilities granted to		
Associated companies	2,248.9	1,340.9
Joint ventures	1,651.1	1,028.6
	3,900.0	2,369.5

26. Notes to condensed consolidated statement of cash flows

(a) Reconciliation of operating profit to net cash generated from operations:

	For the six months ended 31 December	
	2016 HK\$'m	2015 HK\$'m
Operating profit	2,040.4	1,924.0
Depreciation and amortization	514.3	499.9
Share-based payments	5.8	17.9
Interest income	(114.6)	(181.9)
Gain on restructuring of a joint venture	(454.3)	–
Gain on remeasurement of previously held equity interest in a joint venture	(113.1)	–
Gain on fair value of investment properties	(71.8)	(593.0)
Profit on disposal of a subsidiary	–	(95.0)
Profit on disposal of intangible concession rights and their related assets and liabilities	–	(58.7)
Profit on disposal of available-for-sale financial assets	(30.1)	–
Profit on disposal of assets held-for-sale	(77.8)	(15.0)
Dividend income from available-for-sale financial assets	(14.8)	(54.9)
Net exchange loss	33.6	310.1
Other non-cash items	(3.1)	(38.2)
Operating profit before working capital changes	1,714.5	1,715.2
(Increase)/decrease in security deposits	(848.3)	10.3
Increase in inventories	(35.3)	(111.5)
Increase in trade and other receivables	(134.2)	(713.2)
Increase in trade and other payables	328.4	1,652.1
Increase in balances with associated companies and joint ventures	(17.3)	(762.0)
Increase in amounts due to non-controlling interests	0.9	10.1
Others	(1.4)	29.3
Net cash generated from operations	1,007.3	1,830.3

Interim Results

26. Notes to condensed consolidated statement of cash flows (continued)

(b) Disposal of subsidiaries

	Note	For the six month ended 31 December	
		2016 HK\$'m	2015 HK\$'m
Net assets disposed			
Investment properties	9	11.3	–
Trade and other receivables		0.1	–
		11.4	–
Net profit on disposal	5	–	95.0
		11.4	95.0
Represented by			
Cash consideration received		11.4	95.0

(c) Major non-cash transaction

In relation to the restructuring of SNL as detailed in note 13(c), the Group injected its investments in landfill and waste treatment businesses in Hong Kong and Mainland China into SNL.

27. Business combination

(a) Acquisition of subsidiaries

On 15 November 2016, NWS Service Management Limited (“NWS Service (BVI)”, a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company) and Enrich Group Limited (“Enrich”, a direct wholly owned subsidiary of CTF Enterprises) entered into a sale and purchase agreement and pursuant to which, NWS Service (BVI) agreed to acquire the remaining 50% equity interest in NWST (a then joint venture owned as to 50% by each of NWS Service (BVI) and Enrich) from Enrich at a total consideration of approximately HK\$1,467.5 million (including adjustment to the consideration). NWST Group is principally engaged in the provision of public bus, ferry and travel related services in Hong Kong. Completion of the acquisition took place on 30 December 2016. Thereafter, NWST Group became indirect wholly owned subsidiaries of the Company.

27. Business combination (continued)

(b) The fair value of assets acquired and liabilities assumed as at the date of acquisition are as follows:

	Note	HK\$'m
Consideration		
Cash		1,380.0
Trade and other payables		87.5
Total consideration		1,467.5
Fair value of equity interest held by the Group as a joint venture before the business combination		2,361.0
		3,828.5
Recognized amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment	10	4,133.1
Intangible assets	12	69.2
Available-for-sale financial asset		7.3
Other non-current asset		0.5
Inventories		85.8
Trade and other receivables		317.1
Cash and bank balances		449.9
Trade and other payables		(731.3)
Taxation		(33.2)
Borrowings		(300.0)
Deferred tax liabilities		(509.0)
Other non-current liabilities		(57.6)
		3,431.8
Goodwill on acquisition	12	396.7
		3,828.5

Interim Results

27. Business combination (continued)

(b) The fair value of assets acquired and liabilities assumed as at the date of acquisition are as follows (continued):

	HK\$'m
Consideration settled in cash	(1,380.0)
Cash and cash equivalents in subsidiaries acquired	449.9
Cash outflow on acquisition	(930.1)

(c) The Group recognized a gain of HK\$113.1 million as a result of remeasuring its 50% equity interest in NWST held before the business combination. The gain is included in other income/gains in the condensed consolidated income statement for the Current Period.

(d) If the acquisition had occurred on 1 July 2016, consolidated revenue and consolidated profit for the Current Period would have been increased by HK\$1,840.7 million and HK\$112.6 million respectively.

28. Related party transactions

(a) Except for those disclosed, the following is a summary of significant related party transactions during the Current Period carried out in the normal course of the Group's business:

	Note	For the six months ended 31 December	
		2016 HK\$'m	2015 HK\$'m
Transactions with affiliated companies			
Provision of construction work services	(i)		
Provision of other services	(ii)	318.8	413.4
Interest income	(iii)	2.9	1.9
Management fee income	(iv)	58.3	31.8
Rental and other related expenses	(v)	11.6	11.7
	(vi)	(5.0)	(5.6)
Transactions with other related parties			
Provision of construction work services	(i)		
Provision of other services	(ii)	4,516.6	3,578.8
Rental and other related expenses	(iii)	18.6	40.3
Mechanical and electrical engineering services	(vi)	(27.5)	(26.0)
Other expenses	(vii)	(579.4)	(618.7)
	(viii)	(73.1)	(92.9)

28. Related party transactions (continued)**(a)** (continued)

- (i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of New World Development Company Limited ("NWD") and CTF Enterprises as well as Mr Doo Wai Hoi, William ("Mr Doo") and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is a substantial shareholder of NWD. Mr Doo is the Vice-chairman and a non-executive director of NWD and is also the father of Mr William Junior Guilherme Doo, the non-executive director of the Company.
- (ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts.
- (iii) The Group provided various kinds of services including facilities management, property management and other services to certain affiliated companies and related parties. The services were provided and charged in accordance with the relevant contracts.
- (iv) Interest income was charged at the relevant interest rates 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.

Interim Results

28. Related party transactions (continued)

(b) Key management compensation

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

	For the six months ended 31 December	
	2016 HK\$'m	2015 HK\$'m
Fees	2.6	2.1
Basic salaries, allowances and other benefits	23.6	32.7
Employer's contribution to retirement benefits schemes	1.2	1.4
	27.4	36.2
Deemed share option benefits	3.6	10.9
	31.0	47.1

- (c) On 19 October 2016, Natal Global Limited ("Natal Global", an indirect wholly owned subsidiary of the Company), Zion Sky Holdings Limited ("Zion Sky", a direct wholly owned subsidiary of CTF Enterprises), Investec Bank plc ("Investec") and GAL Partnership L.P. ("GAL") entered into a share purchase agreement, and pursuant to which, each of Natal Global and Zion Sky agreed to purchase (i) 50% of all the preference shares of Goshawk held by Investec, representing approximately 4.85% of total issued share capital of Goshawk (a then associated company of the Group), and 50% of the shareholder loans advanced to Goshawk by Investec; and (ii) 50% of all the preference shares of Goshawk held by GAL, representing approximately 5.15% of total issued share capital of Goshawk, and 50% of the shareholder loans advanced to Goshawk by GAL, for an aggregate consideration of approximately HK\$687.0 million respectively.

On 19 October 2016, Pure Cosmos Limited ("Pure Cosmos", an indirect wholly owned subsidiary of the Company), Zion Sky and Investec entered into a share purchase agreement, and pursuant to which, each of Pure Cosmos and Zion Sky agreed to purchase 50% of all ordinary shares of Goshawk Management Holdings (Cayman) Limited ("Manco") held by Investec, representing 10% of Manco's total issued share capital, for a consideration of approximately HK\$101.0 million respectively.

Completion of the above acquisitions took place on 24 October 2016 and upon completion, Natal Global owned 50% equity interest in each of Goshawk and Manco which were accounted for as joint ventures of the Group.

28. Related party transactions (continued)

- (d) On 15 November 2016, NWS Service (BVI) (an indirect wholly owned subsidiary of the Company) and Enrich (a direct wholly owned subsidiary of CTF Enterprises) entered into a sale and purchase agreement and pursuant to which, NWS Service (BVI) agreed to acquire the remaining 50% equity interest in NWST (a then joint venture owned as to 50% by each of NWS Service (BVI) and Enrich) from Enrich at a total consideration of approximately HK\$1,467.5 million (including adjustment to the consideration). NWST Group is principally engaged in the provision of public bus, ferry and travel related services in Hong Kong. Completion of the acquisition took place on 30 December 2016. Thereafter, NWST Group became indirect wholly owned subsidiaries of the Company.
- (e) On 15 December 2016, CTF Enterprises, Healthcare Ventures Holdings Limited ("Healthcare Ventures", a direct wholly owned subsidiary of CTF Enterprises), NWS Service Management Limited (a company incorporated in the Cayman Islands with limited liability and direct wholly owned subsidiary of the Company), Dynamic Ally Limited ("Dynamic Ally", an indirect wholly owned subsidiary of the Company) and Healthcare Assets Management Limited ("HAML") entered into a joint venture agreement to regulate the respective rights and obligations of Healthcare Ventures and Dynamic Ally towards the management of HAML. The entire issued share capital of HAML is owned as to 50% by Healthcare Ventures and 50% by Dynamic Ally. Pursuant to the joint venture agreement, the initial total capital commitment of each of Healthcare Ventures and Dynamic Ally towards HAML is HK\$70 million. The Group's investment in HAML is accounted for as its joint venture.
- (f) The total amounts receivable from associated companies and joint ventures are HK\$7,524.7 million (30 June 2016: HK\$6,871.0 million). These balances are unsecured, of which HK\$1,992.5 million (30 June 2016: HK\$2,017.4 million) are interest bearing. These balances also include an aggregate amount of HK\$197.5 million (30 June 2016: HK\$197.5 million) which has been subordinated to certain indebtedness of a joint venture. The total amounts payable to associated companies, joint ventures and non-controlling interests are HK\$429.4 million (30 June 2016: HK\$442.7 million). These balances are unsecured and interest free.

29. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

Interim Dividend

The Board has resolved to declare an interim dividend for FY2017 (the "Interim Dividend") in scrip form equivalent to HK\$0.34 per share with a cash option to shareholders whose names appear on the register of members of the Company on 17 March 2017.

Subject to 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 Interim 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 shareholders of the Company together with a form of election for cash dividend on or about 22 March 2017.

CLOSURE OF REGISTER OF MEMBERS

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

Latest time to lodge transfer documents for registration	4:30 pm on 13 March 2017
Closure of register of members	14 to 17 March 2017 (both days inclusive)
Record date	17 March 2017
Interim Dividend payment date	on or about 15 May 2017

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

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2016, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK\$7,524.7 million to its affiliated companies, guaranteed bank loans and other credit facilities for the benefit of the affiliated companies in the amount of HK\$3,900.0 million and contracted to provide an aggregate amount of HK\$2,188.9 million in capital and/or loans to affiliated companies. The said amounts, in aggregate, represent approximately 17.7% 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\$8.1 million which carries interest at Hong Kong prime rate; (iii) an aggregate amount of HK\$1,600.0 million which carries interest at 6-month Hong Kong Interbank Offered Rate plus a margin of 1.3% per annum in which HK\$400.0 million is repayable within the next 12 months from the end of the reporting period and HK\$1,200.0 million is not repayable within the next 12 months from the end of the reporting period; (iv) an amount of HK\$279.7 million which carries interest at 12-month London Interbank Offered Rate plus a margin of 12.15% per annum and is repayable on demand; (v) an aggregate amount of HK\$2,384.1 million which is interest free and is repayable within the next 12 months from the end of the reporting period; and (vi) an amount of HK\$162.0 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 31 December 2016 are presented as follows:

	Proforma combined statement of financial position HK\$'m	Group's attributable interest HK\$'m
Non-current assets	59,932.5	29,683.7
Current assets	6,756.7	3,186.6
Current liabilities	(14,813.9)	(8,939.9)
Non-current liabilities	(29,615.8)	(13,381.5)
	22,259.5	10,548.9

The proforma combined statement of financial position of the affiliated companies is prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 31 December 2016.

Additional Information

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

UPDATE ON DIRECTORS' INFORMATION

Changes in the information of directors of the Company since the disclosure made in the 2016 annual report of the Company, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. The term of service of Mr Tsang Yam Pui for acting as the Chief Executive Officer and an executive director of the Company has been extended for a further term of one year up to 30 June 2018.
2. Mr Hui Hon Chung was appointed as an independent director of 廣州白雲國際機場股份有限公司 (Guangzhou Baiyun International Airport Co., Ltd.), a company listed in Shanghai, the PRC, on 7 December 2016. He resigned as the Vice Chairman and a non-executive director of Newton Resources Ltd, a listed public company in Hong Kong, on 23 January 2017.
3. Mr Cheung Chin Cheung resigned as a director of Sino-French Holdings (Hong Kong) Limited (now known as SUEZ NWS Limited) and Far East Landfill Technologies Limited and the Managing Director of The Macao Water Supply Company Limited all on 10 January 2017.
4. Mr Cheng Chi Ming, Brian resigned as a non-executive director of Newton Resources Ltd, a listed public company in Hong Kong, on 23 January 2017. He retired as a non-executive director of Tharisa plc, whose shares are listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc, on 1 February 2017. He also resigned as a director of The Macao Water Supply Company Limited on 10 January 2017.

UPDATE ON DIRECTORS' INFORMATION (continued)

5. Mr Mak Bing Leung, Rufin was appointed as an executive director and a member of the Executive Committee of the Company both on 1 January 2017. He was appointed as director of certain subsidiaries and joint venture companies of the Group including Hip Hing Construction Company Limited (appointed on 1 February 2017), ATL Logistics Centre Hong Kong Limited (appointed on 5 January 2017) and SUEZ NWS Limited (appointed on 10 January 2017).
6. Mr Lam Wai Hon, Patrick was appointed as Vice Chairman of the board of directors of FSE Engineering Holdings Limited, a listed public company in Hong Kong, on 1 January 2017.
7. Mr William Junior Guilherme Doo is a director of NWS Transport Services Limited, New World First Bus Services Limited and Citybus Limited and all of them became wholly owned subsidiaries of the Group on 30 December 2016.
8. Mr Kwong Che Keung, Gordon was appointed as an independent non-executive director of Piraeus Port Authority S.A., a listed company in Athens, Greece, on 10 August 2016.
9. Mr Shek Lai Him, Abraham resigned as an independent non-executive director of TUS International Limited, a listed public company in Hong Kong, on 6 January 2017. He was appointed as an independent non-executive director of Goldin Financial Holdings Limited, a listed public company in Hong Kong, on 9 January 2017.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

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

Additional Information

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2016, the directors of the Company had the following interests in 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 31.12.2016
	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	0.787%
Mr Tsang Yam Pui	180,000	–	–	180,000	0.005%
Mr Lam Wai Hon, Patrick	1,316,207	–	7,608 ⁽²⁾	1,323,815	0.034%
Mr William Junior Guilherme Doo	547,687	–	125,658 ⁽³⁾	673,345	0.017%
Mr Kwong Che Keung, Gordon	1,207,077	–	–	1,207,077	0.031%
Dr Cheng Wai Chee, Christopher	2,804,123	–	–	2,804,123	0.073%
NWD					
(Ordinary shares)					
Mr Cheung Chin Cheung	124,400	–	–	124,400	0.001%
Mr William Junior Guilherme Doo	–	40,000 ⁽⁴⁾	–	40,000	0.000%
Mr Kwong Che Keung, Gordon	40,000	–	–	40,000	0.000%
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 were held by the spouse of Mr William Junior Guilherme Doo.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Long position in underlying shares – share options

(i) The Company

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

Name	Date of grant	Exercisable Period (Note)	Number of share options				Balance as at 31.12.2016	Exercise price per share ⁽²⁾ HK\$
			Balance as at 01.07.2016	Granted during the period	Adjusted during the period ⁽²⁾	Exercised during the period		
Dr Cheng Kar Shun, Henry	9 March 2015	(1)	7,412,058	–	5,633	–	7,417,691	14.126
Mr Tsang Yam Pui	9 March 2015	(1)	3,706,028	–	2,816	–	3,708,844	14.126
Mr Cheung Chin Cheung	9 March 2015	(1)	3,706,028	–	2,816	–	3,708,844	14.126
Mr Cheng Chi Ming, Brian	9 March 2015	(1)	3,706,028	–	2,816	–	3,708,844	14.126
Mr To Hin Tsun, Gerald	9 March 2015	(1)	701,140	–	532	–	701,672	14.126
Mr Dominic Lai	9 March 2015	(1)	701,140	–	532	–	701,672	14.126
Mr Lam Wai Hon, Patrick	9 March 2015	(1)	3,706,028	–	2,816	–	3,708,844	14.126
Mr William Junior Guilherme Doo	9 March 2015	(1)	701,140	–	532	–	701,672	14.126
Mr Kwong Che Keung, Gordon	9 March 2015	(1)	1,402,281	–	1,065	–	1,403,346	14.126
Dr Cheng Wai Chee, Christopher	9 March 2015	(1)	1,402,281	–	1,065	–	1,403,346	14.126
Mr Shek Lai Him, Abraham	9 March 2015	(1)	1,402,281	–	1,065	–	1,403,346	14.126
Mr Lee Yiu Kwong, Alan	9 March 2015	(1)	1,402,281	–	1,065	–	1,403,346	14.126

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 2016 in scrip form (with cash option) during the period which gave rise to adjustments to the number and exercise price of outstanding share options. The exercise price per share of the share options was adjusted from HK\$14.137 to HK\$14.126 on 29 December 2016.
- (3) The cash consideration paid by each director for the grant of share options was HK\$10.

(ii) NWD

Under the share option scheme of NWD, the holding company of the Company, the following director of the Company had personal interest in options to subscribe for 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 31.12.2016	Exercise price per share HK\$
			Balance as at 01.07.2016	Granted during the period	Exercised during the period		
Dr Cheng Kar Shun, Henry	10 June 2016	(1)	10,675,637	–	–	10,675,637	7.540

Notes:

- (1) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (2) The cash consideration paid by the director for the grant of the share options was HK\$10.

Additional Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

(c) Long position in debentures

(i) Rosy Unicorn Limited

The following director of the Company had 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 31.12.2016
	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) New World China Land Limited

The following director of the Company had interest in the debentures issued by New World China Land Limited, a fellow subsidiary of the Company, which included 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 31.12.2016
	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.

(iii) Fita International Limited

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

Name	Amount of debentures in US\$			Total	Approximate percentage to the total amount of debentures in issue as at 31.12.2016
	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.

DIRECTORS' INTERESTS IN SECURITIES (continued)**(c) Long position in debentures (continued)****(iv) NWD (MTN) Limited**

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

Name	Amount of debentures in US\$			Total	Approximate percentage to the total amount of debentures in issue as at 31.12.2016
	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.

(v) NWD Finance (BVI) Limited

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

Name	Amount of debentures in US\$			Total	Approximate percentage to the total amount of debentures in issue as at 31.12.2016
	Personal interests	Family interests	Corporate interests		
Mr William Junior Guilherme Doo	–	–	1,310,000 ^(Note)	1,310,000	0.109%

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

Save as disclosed above, as at 31 December 2016, none of the directors or chief executive of the Company had or deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Additional Information

SHARE OPTION SCHEME

During the Current Period, movement of share options granted by the Company under the Share Option 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 31.12.2016	Exercise price per share ⁽²⁾ HK\$
		Balance as at 01.07.2016	Granted during the period	Adjusted during the period ⁽²⁾	Exercised during the period	Lapsed during the period		
9 March 2015	(1)	25,327,109	–	18,775	–	(586,952)	24,758,932	14.126

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 2016 in scrip form (with cash option) during the period which gave rise to adjustments to the number and exercise price of outstanding share options. The exercise price per share of the share options was adjusted from HK\$14.137 to HK\$14.126 on 29 December 2016.
- (3) The cash consideration paid by each eligible participant for the grant of share options was HK\$10.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2016, so far as are known to the directors, 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 as at 31.12.2016
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited	–	2,462,434,388 ⁽¹⁾	2,462,434,388	63.84%
Cheng Yu Tung Family (Holdings II) Limited	–	2,462,434,388 ⁽²⁾	2,462,434,388	63.84%
Chow Tai Fook Capital Limited	–	2,462,434,388 ⁽³⁾	2,462,434,388	63.84%
Chow Tai Fook (Holding) Limited	–	2,462,434,388 ⁽⁴⁾	2,462,434,388	63.84%
CTF Enterprises	97,034,424	2,365,399,964 ⁽⁵⁾	2,462,434,388	63.84%
NWD	1,580,769,669	784,630,295 ⁽⁶⁾	2,365,399,964	61.33%
Mombasa Limited	712,748,508	–	712,748,508	18.48%

Notes:

- (1) Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in Chow Tai Fook Capital Limited ("CTFC") and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (2) Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

Notes: (continued)

- (3) CTFH 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, 34,450,906 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 represent long positions.

Save as disclosed above, there was no other interest recorded in the register that was required to be kept under Section 336 of the SFO as at 31 December 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, approximately 28,000 staff were employed by entities under the Group's management of which approximately 11,300 staff were employed in Hong Kong. Total staff related costs including provident funds, staff bonus and deemed share option benefits but excluding directors' remunerations were HK\$1.510 billion (2015: HK\$1.520 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Tsang Yam Pui

Chief Executive Officer and Executive Director

Hong Kong, 21 February 2017

Corporate Information

Board of Directors

Executive Directors

Dr Cheng Kar Shun, Henry (*Chairman*)
Mr Tsang Yam Pui (*Chief Executive Officer*)
Mr Hui Hon Chung (*Deputy Chief Executive Officer*)
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Mak Bing Leung, Rufin

Non-executive Directors

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

Independent Non-executive Directors

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

Board Committees

Executive Committee

Dr Cheng Kar Shun, Henry (*Chairman*)
Mr Tsang Yam Pui
Mr Hui Hon Chung
Mr Cheung Chin Cheung
Mr Cheng Chi Ming, Brian
Mr Mak Bing Leung, Rufin

Audit Committee

Mr Kwong Che Keung, Gordon (*Chairman*)
Mr Dominic Lai
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr Lee Yiu Kwong, Alan

Remuneration Committee

The Honourable Shek Lai Him, Abraham (*Chairman*)
Mr Tsang Yam Pui
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher

Nomination Committee

Dr Cheng Kar Shun, Henry (*Chairman*)
Mr Tsang Yam Pui
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

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

Registered Office

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2 Church Street, Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

28/F, New World Tower
18 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building, Central
Hong Kong

Principal Bankers

Bank of America, N.A. 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 interim report is also available at www.nws.com.hk.

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