



New World Development Company Limited

(Stock Code: 0017)

The Artisanal Movement



2017/2018 Interim Report





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S T R U C T U R E C O N T E N T S



	Unaudited	
	For the six months ended	
	31 December	
	2017	2016
	HK\$m	HK\$m
Revenues	27,935.4	26,639.4
Segment results (including share of results of joint ventures and associated companies, but excluding changes in fair value of investment properties)	8,077.5	7,742.2
Other gains, net	1,144.7	637.9
Changes in fair value of investment properties	7,167.9	346.0
Profit attributable to shareholders of the Company	11,269.9	4,335.7
Underlying profit ⁽¹⁾	4,198.6	5,001.3
	As at	As at
	31 December	30 June
	2017	2017
	HK\$m	HK\$m
Cash and bank balances	65,461.3	67,106.5
Net debt ⁽²⁾	78,328.0	76,870.2
Total equity	239,875.6	220,944.5
Gearing ratio ⁽³⁾	32.7%	34.8%

- (1) For the six months ended 31 December 2016, the Group underlying profit amounted to HK\$5,001.3 million, which included NWS Holdings Limited ("NWSH") one-off disposal gain from NWS Kwai Chung Logistic Centre, with an attributable contribution of HK\$1,333.9 million to the Group
- (2) The aggregate of bank loans, other loans, fixed rate bonds and notes payable less cash and bank balances
- (3) Net debt divided by total equity

To Our Shareholders,

"The Literary Mind and the Carving of Dragons" (《文心雕龍》) is China's first monograph on literary theory, which provides numerous epoch-making criticisms and suggestions on Chinese literature and sets new standards for literary theory, exerting a far-reaching influence on the literary circle of China. As the classic elaborates, while the talent of a litterateur could be a decisive factor in literary creation, literary genres shall change in sync with the current social development and will experience ebb and flow over time (「文變染乎世情·興廢繫乎時序」), highlighting the inseparable tie between literature and people's real life experience accumulated in the social and natural environments.

The vitality of literary aesthetics lies in innovation which derives its momentum from the advancement of times. This is exactly the case for the business operation of the successful entrepreneurs. No matter how ambitious their plans and how noble their goals might be, under no circumstances should they dissociate themselves from reality and ignore what people need in their daily life. Rather they must associate their products with the times, life, culture and experience by paying attention to the smallest details, evolving with the changing environment and times as well as adjusting the development strategy in an objective and flexible manner. Only in this way can they achieve innovation that has resonance with their audience.

The creation of a masterpiece requires great strength of body and mind. Besides, people keep redefining good life. New World Group has gone through different times and phases in its development. We have been keeping pace with the time, listening attentively to our customers, taking the smallest details into account and using imagination and craftsmanship to turn ideas into satisfying and landmark products and services that cater to the practical needs in people's everyday life. This objective represents the very essence of The Artisanal Movement, the epitome of New World.

As emphasised in President Xi Jinping's report presented at the opening session of the 19th National Congress of the Communist Party of China, the development of Hong Kong and Macau is closely connected with Mainland China. The Central Government will continue to support the integration of Hong Kong and Macau into the overall development of the motherland. Priority will be given to the construction of the Guangdong-Hong Kong-Macau Bay Area, cooperation among Guangdong, Hong Kong and Macau, as well as the regional cooperation within the Pan-Pearl River Delta, thus unwaveringly pressing ahead with the cooperation between Mainland China and the two Special Administrative Regions for mutual benefits and complementing each other with their respective strengths. This is not only a crucial opportunity for the future development of Hong Kong as well as Guangdong, Hong Kong and Macau as a whole, but also the dawning of a new era.

New World Group has been optimistic about the prospect of Mainland China and Hong Kong. We highly treasure the various development opportunities provided by the country and persistently prepare ourselves for contributing to the country and serving the community by optimising our structure, assets and management as well as flourishing our businesses in Greater China. As uncertainties remain over the future development around the globe, New World will enhance its strengths in cultural branding and create value for its stakeholders by capitalising on the global development trend, keeping abreast of the real-life situations and carefully charting the course with the fundamentals in mind.

Dr. Cheng Kar-Shun, Henry*Chairman*

27 February 2018

BUSINESS REVIEW

In 1HFY2018, profit attributable to shareholders of the Company amounted to HK\$11,269.9 million, up 159.9%, which was mainly due to the improved performance in segment results, together with the increase in net exchange gains and changes in fair value of investment properties.

Segment results up 4.3% year-on-year, in which, property development and infrastructure recorded a growth of 11.0% and 20.2% respectively, mainly attributable to the increase in contribution from property development in Mainland China, and the improved performance of road and aviation businesses. The changes in fair value of investment properties were mainly attributable to the rental contribution from the commencement of the K11 Atelier office tower at Victoria Dockside following the issuance of occupation permit and the enhancement of the flagship properties in Hong Kong.

The basic earnings per share of the Group increased by 150.0% to HK\$1.15. Net gearing stood at 32.7%, down 2.1 percentage points.

In 1HFY2018, the Group underlying profit amounted to HK\$4,198.6 million. For the six months ended 31 December 2016, the Group underlying profit amounted to HK\$5,001.3 million, which included NWSH one-off disposal gain from NWS Kwai Chung Logistic Centre, with an attributable contribution of HK\$1,333.9 million to the Group.

Segment performance (HK\$ million)	1HFY2018		1HFY2017	
	Revenues	Segment results	Revenues	Segment results
Property development				
Hong Kong	1,273.7	729.1	5,608.4	1,601.0
Mainland China	8,619.9	3,997.3	7,411.2	2,656.4
	9,893.6	4,726.4	13,019.6	4,257.4
Property investment				
Hong Kong	822.7	640.1	723.7	619.6
Mainland China	521.6	304.5	460.7	293.0
	1,344.3	944.6	1,184.4	912.6
Hotel operations				
Hong Kong	313.1	72.5	298.0	34.9
Mainland China	325.7	(73.5)	347.9	(118.4)
Southeast Asia	116.5	16.1	108.8	55.8
	755.3	15.1	754.7	(27.7)
Service	12,479.5	426.8	8,502.6	816.5
Infrastructure	1,352.6	1,936.6	1,256.3	1,610.8
Department stores	1,772.8	116.3	1,720.4	135.6
Others	337.3	(88.3)	201.4	37.0
Total	27,935.4	8,077.5	26,639.4	7,742.2

Hong Kong property development

Notwithstanding the impacts of various factors such as the interest rate hikes in the United States (U.S.), the commencement of monetary policy normalisation in a number of major developed economies and the fluctuation of Hong Kong Interbank Offered Rates (HIBOR), Hong Kong's primary residential property market remained burgeoning in 2017. Sales of residential units, especially luxury units, set record highs in terms of selling price and price per square feet. According to the statistics of the Hong Kong Rating and Valuation Department, the number of sale and purchase agreements for first hand residential units sales reached 18,645 with an aggregate worth of HK\$240.5 billion in 2017, representing a record high in recent years.

The discussions concerning the residential property market in Hong Kong have been related to property price movements and land supply for some time in the past. On the demand side, the housing needs of home starters and the eagerness of trade-up buyers to improve their living environments remained strong in spite of the stringent measures on the property market. The purchasing power remains strong in proportion to the new housing supply of approximately 18,000 to 20,000 units in Hong Kong's primary residential property market every year. On the supply side, the Task Force on Land Supply of Hong Kong SAR Government also confessed that there is a dire lack of usable land in Hong Kong resulting in short supply of residential units, and such shortage shall be irreversible in the short term.

As indicated by market participants, the current growth momentum of the property market is attributable to the fundamental imbalance of supply and demand. The effect of wealth accumulated over the years has also contributed to the rise in property price. The level of income and home loan repayment in Hong Kong has been on an upward trend in recent years. However, highly-leveraged speculative activities are not commonplace as the user-driven demand remains the mainstay of the market. Furthermore, the foreseeable risks of the property market are offset by the expected improvement of Hong Kong's economy and stable job market, as well as the requirements of passing stringent mortgage stress test set by the banks in Hong Kong.

During the period under review, the Group's attributable contracted sales in Hong Kong amounted to HK\$5.1 billion or 51% of the HK\$10 billion sales target, being mainly the attributable contracted sales of residential projects such as MOUNT PAVILIA in Clear Water Bay, ARTISAN HOUSE in Sai Ying Pun, THE PARKVILLE in Tuen Mun, PARK HILLCREST in Yuen Long, THE PAVILIA BAY in Tsuen Wan, The Masterpiece in Tsim Sha Tsui and the Double Cove series in Ma On Shan. As at mid-February 2018, the Group's attributable contracted sales in Hong Kong surpassed HK\$7.0 billion.

During the period under review, the Group's revenue and segment contributions from property development in Hong Kong, including joint development projects, amounted to HK\$1,273.7 million and HK\$729.1 million, respectively. The contribution from property sales was mainly attributable to the projects completed in previous financial years such as The Masterpiece in Tsim Sha Tsui, THE PAVILIA HILL in North Point and the Double Cove series in Ma On Shan.

In May 2017, the Group launched its major low-density residential project MOUNT PAVILIA in Clear Water Bay through tenders. The project, a sculpture park with the theme of Home and Family, promotes an innovative lifestyle concept that relates people to the nature and art to life. The project was well-received by the market and 224 units were sold as at mid-February 2018.

In November 2017, the Group launched another major project ARTISAN HOUSE in Sai Ying Pun. It is the third premium project of Bohemian Collection following the launch of EIGHT SOUTH LANE and BOHEMIAN HOUSE under The Artisanal Movement. The project offers studio flats and units with one and two bedrooms. 112 units were sold as at mid-February 2018.

PARK HILLCREST and PARK REACH in Yuen Long, together with THE PARKVILLE in Tuen Mun were launched one after another during the period under review. THE PARKVILLE is a pilot project to introduce the Group's "NewGen First Home Program" which provides another choice for young home-buyers with housing needs and sound financial standing which is well received. A total of 238 units were sold for the three projects as at mid-February 2018.

The Group will adjust its pace of new project launch in response to market conditions and provide home-buyers with satisfying products of different specifications. The Group had a total of approximately 890 residential units available for sales as at mid-February 2018. The Group plans to launch FLEUR PAVILIA in North Point, Yuen Long Town Lot 524 project in Yuen Long, Waterloo Road project in Ho Man Tin and Sheung Heung Road project in To Kwa Wan one after the other, which will provide over 1,600 residential units in aggregate.

Under HKFRS 15, property sales of MOUNT PAVILIA in Clear Water Bay will be recognised in 2HFY2018. Property sales of THE PAVILIA BAY in Tsuen Wan, ARTISAN HOUSE in Sai Ying Pun, THE PARKVILLE in Tuen Mun, FLEUR PAVILIA in North Point, PARK HILLCREST and PARK REACH in Yuen Long will be recognised in FY2019.

Hong Kong property investment and others

Market for office premises located in the central business districts flourished in 2017. The business plans and action plans of Chinese companies would be affected by the tightening of capital supervision in Mainland China. However, Hong Kong, being the nation's Southern gateway to the world, still demonstrates strategic significance to the Chinese enterprises, especially those in the financial services sector, that supports their appetite for investment and rental in the core business area in Central. As at the end of November 2017, the vacancy rate of Grade A offices in Central was merely 1.9%, and the rental rate has exceeded the highest level in 2008 by 1.5%.

The rental status of Central nearly reached saturation, which would continue its spillover effect and promote the rental performance in other sub-core business districts. Some of the international non-financial enterprises have relocated from Central to Island East, while some enterprises originally based in Hong Kong Island have been attracted to new development project along the Tsim Sha Tsui waterfront. Earlier on, the government recapped the revitalisation of old industrial buildings that has sparked investors' interest in industrial buildings in potential districts. Cheung Sha Wan, one of the districts with hectic acquisitions and transactions, is expected to benefit from the good market sentiment for its commercial development in the future.

As for retail shops, the retail industry in Hong Kong has been a silver lining in 2017 as relevant data showed sign of gradual recovery in the market. In 2017, the retail sales of Hong Kong rose 2.2% year-on-year, and the number of overnight visitors increased approximately 5% year-on-year. As advised by the market participants, the rental rates of street shops in core districts underwent continuous adjustment, but the pace of decline began to slow down. As for shopping malls, given the aggressive adjustments to the developers' tenant portfolio and operation strategies over the years, the performance of shopping malls was stronger than street shops. The synergy of assured visitor traffic and attraction of events has generated positive effect on shopping malls' rental income and sales performance.

Spending behaviour of the younger generation is driven by shopping experience and personalised brands. This fast-expanding consumer group has initiated the evolution of experiential consumption operating model. Recently, many shopping malls have attracted the market attention and strengthened interaction with young people by introducing new concepts in pursuit of stylish dining experience, opening pop-up stores, launching limited-time exclusive brands and crossover cooperation with various experiential brands or industries. Furthermore, some shopping malls have cooperated with different cinema operators to introduce cinema circuits with the latest audio-visual technology for enhancing entertainment experience. It is expected that the non-luxury brands emphasising experience and characteristic or experiential industries focused on entertainment elements would continue to support the development of Hong Kong's retail market.

During the period under review, the Group's gross rental income in Hong Kong amounted to HK\$822.7 million, up by 13.7% year-on-year. The occupancy of key projects recorded satisfactory results.

The development of Victoria Dockside (formerly known as the New World Centre redevelopment project), a new global landmark located at the core area of Tsim Sha Tsui waterfront in Kowloon, is progressing well and due for opening in 2019. This commercial complex with a total GFA of approximately 3 million sq ft will accommodate Grade A offices, Rosewood Hong Kong, an ultra-luxury hotel, and Rosewood Residences, and will offer unparalleled experience of art, design and leisure, commanding a panoramic view of Victoria Harbour and Hong Kong Island.

K11 Atelier, the Grade A office at Victoria Dockside, was completed during the period under review. In the 4th quarter of 2017, the first batch of multinational corporate tenants had moved in and the current occupancy rate is over 70%.

Victoria Dockside — area breakdown	Total GFA (sq ft '000)
Office	435
Hotel & Residences	1,106
Serviced apartment	380
Commercial	1,028
12 Salisbury Road, Tsim Sha Tsui	128
Total	3,077

Located in the traditional core retail and tourism district in Tsim Sha Tsui, Hong Kong K11 recorded an occupancy rate of 100% during the period under review, with an average monthly footfall of approximately 1.4 million. Hong Kong K11 has been striving to optimise its tenant mix. It has introduced a number of ladies' fashion brands and personalised entry lux designer labels during the period under review. For the purpose of enhancing consumers' shopping experience, Hong Kong K11, already in operation for eight years, will commence a comprehensive renovation program this year. The upgrading will be implemented in three phases and is expected to complete in 2019.

THE FOREST in Mong Kok had its grand opening during the period under review and attained an occupancy rate of 97%. The project is a shopping mall with brand new concept that integrates nature, sports, and culture. Modelled on the characteristic architecture of Daikanyama in Japan, THE FOREST, a three-storey shopping mall with a GFA of over 50,000 sq ft, brings in the outdoor atmosphere to create a unique shopping experience for its shoppers.

Located in the centre of Tsuen Wan, D•PARK positions itself as a multiple intelligence kids mall. Its prime location and diversified tenant mix have successfully enhanced footfall and leasing performance. During the period under review, it recorded an occupancy rate of 93% with an average monthly footfall of approximately 3.4 million.

For office properties, benefiting from the low vacancy rate at prime locations of Central, New World Tower and Manning House, the Group's two Grade A office buildings at the core area of Central, reported healthy rental performance. The office portion of New World Tower recorded an occupancy rate of 99% with potential positive rental improvement.

Hong Kong landbank

In the first half of 2017, developers from Mainland China vigorously participated in the public land auctions in Hong Kong, and such aggressive strategy to obtain land at high bid price has changed the landscape previously seen in the market. With the introduction of Hong Kong Monetary Authority's restrictive measures on highly-leveraged project finance as well as the notices of the General Office of the State Council expressly restricting domestic enterprises from investing in overseas real estate industry, developers from Mainland China tend to participate in land auctions mostly by way of joint venture so as to mitigate the impacts of such policies.

Due to increasing land auction prices and competition level, some developers actively increased their landbank by various methods such as old building acquisitions, land use conversion and land exchange. In 2017, the Lands Department completed land premium conversion procedure of several large-scale agricultural lands. Meanwhile, the government is currently studying the feasibility of public-private cooperation on private lands or agricultural lands to increase the overall housing supply in the market. This is considered as a positive signal for developers that hold quality agricultural landbank.

It is the Group's consistent policy to resort to diversified channels for the replenishment of its landbank in Hong Kong. Apart from public auctions and tenders, the Group has been actively undertaking old building acquisitions and agricultural land use conversions, with a view to securing a stable supply of land resources for future development.

The Group is optimistic about the development of Kowloon West District and plans to develop the Wing Hong Street project in Cheung Sha Wan, Kowloon acquired in August 2017 into Grade A offices with a GFA of approximately 370,000 sq ft. Together with the winning bids for King Lam Street project and Cheung Shun Street project, both located in Cheung Sha Wan, Kowloon, the Group currently has three Grade A office projects in that district with a total GFA of 1.9 million sq ft.

Further to the successful conversion of two agricultural land plots located in Yuen Long in 2016, the Group has taken another step forward to unlock the hidden value of the agricultural land by converting the land usage of Lung Tin Tsuen Phase 3 farmland in Yuen Long town centre in August 2017 to residential use. Total GFA is approximately 121,100 sq ft and the total land premium amounted to HK\$460 million.

As at 31 December 2017, the Group had a landbank in Hong Kong for immediate development with an attributable total GFA of around 10.66 million sq ft, of which approximately 4.8 million sq ft is for residential use. Meanwhile, the Group had an agricultural landbank in the New Territories with an attributable total site area of approximately 16.98 million sq ft pending for land use conversion.

Landbank by district	Attributable total GFA (sq ft '000)
Central and Western District	263
Eastern District	717
Yau Tsim Mong District, Kowloon City District, Kwun Tong District, Sham Shui Po District and Wong Tai Sin District	5,995
Tsuen Wan District, Yuen Long District and Tuen Mun District	864
Sha Tin District and Sai Kung District	2,730
Islands District	95
Total	10,664

Agricultural landbank by district	Total site area (sq ft '000)	Attributable site area (sq ft '000)
Yuen Long District	12,581	11,583
Fanling District	2,600	2,246
Sha Tin District and Tai Po District	1,973	1,973
Sai Kung District	1,359	1,161
Tuen Mun District	19	19
Total	18,532	16,982

Mainland China property development

At the Central Economic Work Conference held in December 2017, making progress amid stability was specified as the fundamental guideline for state governance by the Central Government. In the meantime, the establishment of housing system such as "multi-agent supply", "multi-channel protection" and "lease/purchase option" will be accelerated for perfecting an effective mechanism to promote the steady and healthy development of the real estate market in the long run, maintaining the continuity and stability of the control policies as well as implementing differentiated manipulation.

Recently, property market in Mainland China has experienced a relatively long period of adjustment. Approximately 250 policies have been introduced in 110 cities across Mainland China since October 2016. Adhering to the orientation of "housing properties should be used for accommodation, not for speculative trading", category-based regulations and city-targeted control policies on the property market have achieved the desired results together with satisfactory progress in price control and the de-inventory process. In 2018, the control policies on the property market would be relaxed gradually in several cities, such as the outright lifting of home buying restrictions, or relaxation of restriction on settlement condition and home ownership and provision of home buying subsidies to specified persons for attracting talented population.

The market participants generally considered that the Central Government has no intention of making significant adjustment to the property policies. The housing policies have been refined and optimised taking into account of domestic condition in certain cities to comply with the principles of "one policy for one city" and "category-based administration". Changing policies is a mean of maintaining stable development of property market due to adequate inventories, greater pressure on aging population and brain drain in certain second or third tier cities. However, such policies will continue to be strictly implemented in first tier cities and core urban areas, ensuring healthy and stable development of market in the long term by various measures such as establishment of long-term adjustment mechanism for the real estate market and acceleration of implementation of real estate tax.

The property business of the Group in Mainland China is operated by its subsidiary New World China Land Limited ("NWCL"). During the period under review, the revenue and segment results from property development in Mainland China, including joint development projects, amounted to HK\$8,619.9 million and HK\$3,997.3 million, respectively. The contribution from property development in Mainland China was mainly attributable to the sales of Guangzhou Covent Garden, Guangzhou Central Park-view, Guangzhou Park Paradise, Shenyang New World Garden, Langfang New World Garden, Shenzhen Yi Shan Garden, Guangzhou Foshan Canton First Estate, Beijing New World•Li Zun and Ningbo New World.

During the period under review, overall property contracted sales in Mainland China reached 443,000 sq m in GFA and RMB8.64 billion in gross sales proceeds, representing 54% of the FY2018 sales target of RMB16 billion. The average selling price of overall residential contracted sales is RMB20,400 per sq m. The major contributors of contracted sales were Shenyang New World Garden, Ning Zhu Zun Fu of Ningbo New World, Guangzhou Foshan Canton First Estate, Langfang New World Garden, Guangzhou Park Paradise and Shenzhen New World Signature Hill.

As for the geographical distribution of contracted sales proceeds, Southern region being the largest contributor, accounted for 27.8%, followed by North-eastern region and Eastern region, accounting for 21.0% and 20.4%, respectively.

Region	Residential contracted sales		Non-residential contracted sales	
	Area (sq m '000)	Proceeds (RMB million)	Area (sq m '000)	Proceeds (RMB million)
Southern region	57.1	1,570	45.4	829
Central region	44.8	755	21.5	224
Eastern region	38.7	1,766	–	–
Northern region	94.4	1,531	11.7	151
North-eastern region	125.4	1,714	4.0	102
Total	360.4	7,336	82.6	1,306

The GFA of development property completion during the period under review amounted to 396,000 sq m and it is expected to reach 1,143,000 sq m for FY2018, representing an increase of 24.2% year-on-year. In particular, 80.3% of which is residential in key cities including Guangzhou, Wuhan and Shenyang.

1HFY2018 project completion in Mainland China — Development property

Project/GFA sq m	Residential	Total (excluding carpark)	Total (including carpark)
		Guangzhou Foshan Canton First Estate CF-20 Phase 1	82,811
Guangzhou Covent Garden District 1 1C2	109,952	109,952	109,952
Guangzhou Covent Garden District 1 1E	63,525	63,525	63,525
Shenyang New World Garden 2D1	139,264	139,264	139,264
Total	395,552	395,552	395,552

1HFY2018 project completion in Mainland China — Investment property and hotel

Project/GFA sq m	Commercial	Total (excluding carpark)	Total (including carpark)
		Shenyang New World Garden 2D1	7,911
Guangzhou Covent Garden District 1 1C2	–	–	22,086
Guangzhou Covent Garden District 1 1E	–	–	38,139
Total	7,911	7,911	160,930

FY2018 estimated project completion in Mainland China — Development property

Project/GFA sq m	Residential	Commercial	Office	Total (excluding carpark)	Total (including carpark)
Guangzhou Foshan Canton First Estate CF-20 Phase 1	82,811	–	–	82,811	82,811
Guangzhou Covent Garden District 1 1C2	109,952	–	–	109,952	109,952
Guangzhou Covent Garden District 1 1E	63,525	–	–	63,525	63,525
Shenyang New World Garden 2D1	139,264	–	–	139,264	139,264
Guangzhou Foshan Canton First Estate CF-20 Phase 2	42,023	–	–	42,023	42,023
Guangzhou Foshan Canton First Estate CF-27A	23,837	–	–	23,837	35,862
Wuhan Hanxi Site B	235,918	–	–	235,918	326,041
Yiyang New World Scenic Heights Phase 1D	14,111	–	–	14,111	14,111
Yiyang New World Scenic Heights Phase 1E	20,516	1,139	–	21,655	21,655
Changsha La Ville New World Phase 3B	–	25,389	64,052	89,441	120,718
Guangzhou Dongyi Garden Phase 5	25,391	–	–	25,391	25,391
Shenyang New World Garden 2D2	161,507	–	–	161,507	161,507
Total	918,855	26,528	64,052	1,009,435	1,142,860

FY2018 estimated project completion in Mainland China — Investment property and hotel

Project/GFA sq m	Commercial	Hotel	Total (excluding carpark)	Total (including carpark)
Shenyang New World Garden 2D1	7,911	–	7,911	100,705
Guangzhou Covent Garden District 1 1C2	–	–	–	22,086
Guangzhou Covent Garden District 1 1E	–	–	–	38,139
Shenyang New World Garden 2D2	7,097	–	7,097	7,097
Guangzhou Covent Garden Commercial #1	6,067	–	6,067	7,788
Guangzhou Dongyi Garden Phase 5	–	–	–	11,815
Shenyang New World Centre	–	92,125	92,125	92,125
Total	21,075	92,125	113,200	279,755

Mainland China property investment and others

Retail industry in Mainland China is the first global market which has been disrupted by technology with rapid innovation, while people's spending pattern has been dramatically changed due to the emergence of e-commerce. However, new generation of consumers are eager for experience as well as the evolution of living standard, therefore, physical stores have been repositioned from traditional commercial passive sales approach to experiential business model with emphasis on perception and interaction with customer targeting different customer groups, so as to satisfy the increasing demand from customers for leisure, family, parenting, sport, entertainment and dining.

Major commercial operators have been actively reconstructing the industry structure for a period of time to reduce the retail ratio and enhance the elements of active participation and experience. Many shopping malls speciously operated experiential business by replicating product specification and marketing approach but failed to provide high quality and exclusive services. As advised by the market participants, only commercial operators with innovative ideas and unique position could stand out amongst the intense market competition as what the consumers needed most is unique and thematic consumption experience. A large number of commercial projects are expected to be launched in first and second tier cities, and the supply of shopping malls will be increased substantially. Strategic and unique position to strengthen interaction with consumers and enhance customer loyalty would become the key to success of commercial operators in Mainland China in confronting further market integration.

During the period under review, the Group recorded a total rental income of HK\$521.6 million in Mainland China with a year-on-year increase of 13.2%, with major projects showing active performance.

Shanghai Hong Kong New World Tower is situated in the prime business area of Shanghai Huaihai Middle Road. It comprises offices, K11 Art Mall and K11Club, Shanghai's first clubhouse for senior executives in an office building. During the period under review, K11 Art Mall recorded an average monthly footfall of over 790,000, 99% occupancy rate and a 7% growth in rental income. The occupancy rate of the office portion was 82%.

Located at the heart of Wuhan Guanggu, the world's third K11 Art Mall made its debut in Central China with an official soft opening in November 2017. Occupying an area of approximately 54,000 sq m, the project adheres to K11 Art Mall objective of providing new shopping experience and positions itself as a mall targeting at young and fashionable shoppers, with "artistic inspiration", "trend setter" and "future lifestyle" as its core value. This project reserves extensive space for public use to create a more relaxing and interactive environment for consumers.

Wuhan New World International Trade Tower, a major income contributor among the Group's office buildings, is one of the longest-standing super Grade A office buildings in Wuhan, attracting leases from the Fortune 500 companies, foreign embassies and government agencies. During the period under review, the occupancy rate was 80%.

Located at the core of Guangzhou's central business district, the leasing of Guangzhou Central Park-view recorded a satisfactory performance. The Canton Place has created a cluster with different varieties and The Canton Residence consolidating its leading position in the luxury apartment market in Guangzhou, which meets the demand from the affluent residents and the general public. During the period under review, the overall occupancy of the projects was 90%.

Mainland China landbank

The Group remains fully confident of the economic prospect of Mainland China. With a view to proactively optimising its business development in Mainland China, the Group will continue to strategically invest in key cities and develop iconic projects with great potential, so as to provide a quality living environment and extraordinary experience for the market.

Further to the acquisition of the development rights in premium projects in Qianhai and Prince Bay, both in Shenzhen, NWCL succeeded in acquiring a premium land plot located at the Eastern Transportation Hub Parcel in Guangzhou Zengcheng District in October 2017, at a consideration of RMB2.085 billion for the development of an urban complex.

This iconic project will become a large-scale residential and commercial complex to be developed by NWCL in Eastern Guangzhou, so as to work in concert with the government's step-up efforts to push forward the development of a sub-centre in the eastern region and further expand the Group's presence in Southern China. The project covering a GFA of 382,000 sq m, of which approximately 149,000 sq m is for commercial and office while approximately 91,000 sq m is for residential.

In January 2018, NWCL signed the "Strategic Cooperation Agreement for Economic Belt at Man Kam To Crossing" with the Lo Wu Government for in-depth cooperation on the construction of the "Port Economic Belt" and the modification, operation consolidation and investment attraction in relation to the commercial districts in "One River Six Circles", in turn establishing a new platform for the collaboration between Shenzhen and Hong Kong in terms of business, trade and logistics.

The existing land parcel available for the project modification covers an area of approximately 840,000 sq m. Connected by the Shennan East Road, the "Golden Delta" linking Guomao Building, Dongmen Business Circle and Caiwuwei Business Circle forms a financial thoroughfare. It takes only 10 minutes' drive away from the Shenzhen Metro Station and the Lo Wu Control Point, and a few minutes' walk away from several metro stations. The project looks set to become a transportation hub with tremendous potentials.

As at 31 December 2017, the Group had a landbank in Mainland China excluding carpark for immediate development with a total GFA of approximately 7.96 million sq m, of which 4.73 million sq m is for residential use. The major property development projects had a landbank excluding carpark with a total GFA of approximately 6.47 million sq m, of which 3.52 million sq m is for residential use, spreading across eight cities including Guangzhou, Foshan, Shenzhen, Wuhan, Ningbo, Beijing, Langfang and Shenyang, of which, 41% are located in Southern region.

Landbank by location	Total GFA excluding carpark (sq m '000)	Total GFA including carpark (sq m '000)
Southern region	2,722	3,402
Central region	1,507	2,035
Eastern region	557	824
Northern region	708	1,185
North-eastern region	2,468	3,065
Total	7,962	10,511

Landbank by type	Total GFA excluding carpark (sq m '000)	Total GFA including carpark (sq m '000)
Major projects (Eight cities including Guangzhou, Foshan, Shenzhen, Wuhan, Ningbo, Beijing, Langfang and Shenyang)	6,474	8,648
Other projects	1,488	1,863
Total	7,962	10,511

Hotel

Tourism industry in Hong Kong has picked up its growth momentum in 2017 after a long adjustment period since 2015. Visitor arrivals recorded a positive growth, which provided good support to retail, hotel and food & beverages industries. According to the Hong Kong Tourism Board, the occupancy rate of High Tariff A hotels from January to November 2017 reached 86%, representing an increase of 3 percentage points as compared with the corresponding period in 2015. However, price competition in the hotel market has intensified and the potential for raising room rates has been narrowed as a result of the prevalence of online room reservation platform. It is expected that the opening of the Hong Kong-Zhuhai-Macau Bridge and the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong High Speed Rail Link as well as the construction of the Third Runway Concourse of the Hong Kong International Airport which will be completed later, would boost the growth of visitor arrivals and benefit the hotel business in the long run.

The hotel market in Mainland China has been developing rapidly over the years. Hotels of different classification keep springing up, in turn leading to the rising operating costs, excess supply and intense market competition. The enriching travel experience and consumption upgrade of Chinese tourists currently provide development potential for mid-to-high tariff hotels in the hotel market in Mainland China, especially for those operated by the established corporations. In fact, Chinese tourists' growing attention to detailed and customised elements such as design and brand characteristic has gradually changed the enthusiasm towards traditional luxury hotels in the market.

The Group's premium hotel projects in Hong Kong primarily serving business guests are the main source of income of our hotel operations. During the period under review, the average occupancy rate of Grand Hyatt Hong Kong significantly increased to 83% following the completion of guest room renovations. Adjacent to the Hong Kong Convention and Exhibition Centre, Renaissance Hong Kong Harbour View Hotel continued to enjoy the benefits from the growing number of conferences and exhibitions, with the average occupancy rate rising to 87%. The Hyatt Regency Hong Kong, located in a prime spot of Tsim Sha Tsui, Kowloon, achieved an average occupancy rate of 92%.

In Mainland China, the three hotels of different segment operated by the Group in Beijing have all recorded satisfactory performance with average occupancy rates ranging from 74% to 85% during the period under review.

On 27 October 2017, the Group disposed of the entire interest in Ramada Property Ltd. at the consideration of RMB1.85 billion. The main assets of Ramada Property Ltd. comprise of New World Shanghai Hotel and pentahotel Shanghai. The disposal enables the Group to realise cash resources and unlock value of its low-yielding assets at fair market value.

Rosewood Phuket, Thailand officially commenced operation with soft opening during the period under review. At an exquisite location along a 600-meter beachfront at Emerald Bay, the project is a beach hideaway offering a total of 71 villas, of which, 41 villas are currently available.

Occupying 43 floors of Victoria Dockside and boasting a magnificent view of Victoria Harbour, Rosewood Hong Kong will offer 413 guestrooms, eight dining options and lounges, a fitness center, swimming pool, the high-end style conference and event spaces by The Pavilion, and Rosewood's holistic wellness concept — Asaya. Apart from the hotel guestrooms, Rosewood Residences will provide 186 luxury accommodations for long stays that will offer a dedicated lounge, indoor swimming pool and fitness centre along with an array of privileged services and amenities for its residents. Soft opening of the project is expected to commence in the fourth quarter of 2018.

As at 31 December 2017, the Group had a total of 17 hotel properties in Hong Kong, Mainland China and Southeast Asia, providing over 7,300 guest rooms.

Infrastructure

NWSH is the infrastructure and service business flagship of the Group. All businesses under infrastructure segment, particularly the roads and the aviation, registered an increase in profit contribution during the period under review.

The contribution from roads business increased during the period under review along with rising urbanisation and economic activities in Mainland China which contributed to the NWSH's road portfolio registering a 10% growth in daily traffic flow.

Increase in the contribution from environmental business was mainly due to the recognition of fair value gain from Chongqing Silian Optoelectronics Science & Technology Co., Ltd.. The enlarged portfolio of SUEZ NWS Limited provided a broadened income base to NWSH. The hazardous waste incineration plant in Shanghai Chemical Industrial Park continued to post encouraging operating performance after the commencement of the third production line in March 2017.

The performance of Logistics segment uplifted during the period under review. ATL Logistics Centre continued to provide significant and stable contribution, with average rental rate grew moderately by 4%. China United International Rail Containers Co., Limited ("CUIRC") performed steadily and saw a throughput growth of 4% to 1,367,000 TEUs during the period under review. With Urumqi terminal in operation since mid-2017, the expanded CUIRC network is well positioned to capitalise on the development of containerised rail transportation under the Belt and Road Initiative.

In aviation business, Goshawk Aviation Limited ("Goshawk") continued to pursue its expansion strategy by staying focused on commercial aircraft that are young, in demand, fuel efficient and equipped with modern technology and through customer diversification. As at 31 December 2017, Goshawk's fleet comprised 99 aircraft, having grown from 84 aircraft since 30 June 2017. The aircraft portfolio has an average age of 3.2 years and was on lease to 37 airlines in 28 countries as at 31 December 2017. Together with the planned delivery of another 13 aircraft, the overall portfolio size of Goshawk has increased to 112 aircraft as at 31 December 2017.

Service

Service segment recorded a decrease in contributions during the period under review. The construction business maintained its growth momentum amid buoyant property market conditions but its improved contribution could not offset the impacts of the subdued performance of Free Duty and the initial operating losses incurred by Gleneagles Hong Kong Hospital ("GHK Hospital") during its ramp-up phase.

The Free Duty business swung into a loss during the period under review as profit margins were further suppressed since the commencement of a new concession contract in 2017 while tourist spending remained sluggish. Strategies are in place by NWSH to continue to boost sales and save costs.

GHK Hospital, in which NWSH has 40% interest, commenced operations in late March 2017 and continued to incur operating losses during its business ramp-up. Radiotherapy and Oncology Centre, Dialysis Centre and 24-hour Outpatient and Emergency Services came into services during the period under review. To capture the growing demand for healthcare services in Mainland China, NWSH and CTF Enterprises set up Healthcare Assets Management Limited ("Healthcare Assets") during FY2017 to invest in primary healthcare facilities. The Group currently owns 70% interest of Healthcare Assets after subscribing for 40% of the enlarged issued share capital of Healthcare Assets in September 2017. Healthcare Assets currently operates four clinics in Beijing and Shanghai.

The contribution from the construction business increased notably during the period under review mainly due to the continuous improvement in gross profit and satisfactory work progress. As at 31 December 2017, the gross value of contracts on hand for the construction business was approximately HK\$89.6 billion and the remaining works to be completed amounted to approximately HK\$45.4 billion.

Following the opening of MTR Kwun Tong Line Extension and South Island Line, bus ridership along the affected routes fell by approximately 10%. Impacted by the overall decline in ridership and fare revenue and the continuous rise in operating costs, the profitability of public bus services fell substantially during the period under review despite the drop in fuel costs under the hedging programme. However, the additional contribution from NWS Transport as a wholly-owned subsidiary of NWSH was able to offset such negative effects in the period under review.

In addition, NWSH has secured the tender to operate Phase II of HKCEC until 2028 and looks forward to leveraging its experience and expertise to optimise the operational efficiency of this world class facility.

Department stores

The rapid growth of e-commerce has changed people's spending behaviour. Coupled with the intensifying competition from online stores and e-commerce, traditional offline department stores in Mainland China underwent an adjustment period with unprecedented difficulties. With steady economic performance and increasing national income in Mainland China, customers are no longer satisfied with the cyberworld for lack of physical experience, slowing down the growth of online retail sales. On the contrary, owing to the consumption upgrades, the massive customer base of youngster and middle class is encouraged to pursue a spending pattern that is more of a cultural identity or branding awareness or an extension of personalisation, entertainment and hands-on experience. Currently, offline physical operation is regaining popularity. The operators in either e-commerce or traditional retail industry are committing more resources to their offline fronts, so as to identify new business opportunities.

As at 31 December 2017, New World Department Store China Limited ("NWDS") operated and managed a total of 38 stores in Mainland China with total GFA of over 1.5 million sq m. During the period under review, same-store sales growth was 2.0%. The growth in the last corresponding period was flat. The commission income from concessionaire sales was the major income contributor to NWDS, accounted for 44.6% of the total revenue. Proceeds from direct sales and rental income accounted for 34.3% and 20.8% of the total revenue respectively. The remaining 0.3% was derived from management and consultancy fees. By region, the Northern China region contributed the most to the revenue of NWDS, amounting to 47.3% of total revenue, followed by the South Eastern China region and the Central Western China region, which accounted for 33.3% and 19.4% of the total revenue respectively.

Outlook

The global economy has entered the recovery phase. As indicated by the World Bank Open Data, more than half of the economies around the world recorded growth in GDP in 2017, benefiting from the favourable financial environment that boosted investment and business sentiments. The global economy will experience gradual and orderly adjustments amid stability in the near term. However, policy uncertainties of the major developed countries, the ripple effects stemming from their monetary policy normalisation, and the uneven progress of economic reforms achieved by developing countries have posed potential risks for the medium to long-term development of the global economy.

International relations and geopolitics have added further uncertainties to the global economy. The nuclear and missile tests of North Korea have aroused worldwide concern. The division of the international community over the handling of the North Korea issue has also increased volatility of the situation in the region. In the meantime, ongoing conflicts among religious sects in the Middle East, together with the series of moves made by the U.S. President Donald Trump, such as threatening Iran with the withdrawal from the nuclear deal, recognition of Jerusalem as the capital of Israel and public support for the anti-government demonstrations in Iran, have escalated the tensions between the Middle East and the West.

Having played an important role in the international community, China has been proactively reforming its economic development model in recent years. Under the general principle of gaining progress amid stability, China has shifted the focus of its national economic development from rapid growth to high-quality development, centered its policies on maintaining economic momentum by increasing domestic demand and supply-side reforms, actively promoted deleveraging, stepped up regulation on the banking industry and channeled funds into the real economy, preparing itself for creating a new impetus for the long term development of its economy.

The International Monetary Fund revised upward its forecast for China's economic growth on four occasions in 2017. Emerging and developing economies are expected to gather strength in 2018 culminating in a 4.9% economic growth, attributable to the anticipation of an even stronger growth in China.

Hong Kong, being an international financial centre, will continue to capitalise on its advantages and positioning under the national economic strategy. Being integrated into the nation's overall development, the Belt and Road Initiative as well as the development plan for a city cluster in Guangdong-Hong Kong-Macau Bay Area, Hong Kong will further deepen its cooperation with neighbouring cities to jointly explore growth potential. All of these will lend support to consolidate and enhance Hong Kong's status as an international hub of finance, shipping and trade, and to tap into overseas markets in joint efforts with other member cities of the Greater Bay Area under the "Going Out" policy.

Prospect for the economic and social development across the globe is full of opportunities and uncertainties. Notwithstanding the uncertainties, the Group will adhere to its development policy of gaining a foothold in the Greater China region while aggressively expanding its businesses in Hong Kong and Mainland China. Leveraging on the spirit of The Artisanal Movement in pursuit of perfection, the Group will strive to promote the diversified culture brand name of New World and go beyond the boundaries of traditions with innovative ideas, so as to provide our clients with customer-oriented experience and allow them to enjoy the extraordinary in the ordinary.

As for Hong Kong, the Group launched a number of premium residential projects in 2017, including MOUNT PAVILIA, a sculpture park with the theme of Home and Family, and THE PAVILIA BAY, a meticulously designed project with distinctive superyacht features, which impressed the market with their quality and sales performance. Investment property also recorded outstanding performance. The business model of K11 incorporating museum retail with art elements proves a success. Upon its completion, K11 Atelier, an office tower being the first phase of the HK\$20 billion Victoria Dockside which will become a new landmark drawing all the attention, is ready to provide a modern and inspiring working environment for the elites.

As for Mainland China, the Group will actively optimise its project portfolio by continuously increasing its investments in major cities and core regions, and work in concert with the Belt and Road Initiative and the development of the Greater Bay Area. Early on, the Group succeeded in acquiring premium land plots in Qianhai and Prince Bay, both in Shenzhen, and the Eastern Transportation Hub Parcel in Guangzhou, with an area of over 900,000 sq m in aggregate. The entering into of the "Strategic Cooperation Agreement for Economic Belt at Man Kam To Crossing" with the Lo Wu Government represents the capitalisation on the development opportunities available in the Guangdong-Hong Kong-Macau Bay Area and the utilisation of the intra-group synergies, rich resources and unique strategies of the New World Group, pushing forward the construction of the Greater Bay Area with the government authorities to achieve a win-win situation.

The Group financial position is solid and has diversified financing channels. Echoes to the supportive stances on green finance by the HKSAR Government and Central Government, the Group will take further steps to fully implement "New World Sustainability Vision 2030". It is expected that equity raising is not necessary for the Group in the foreseeable future.

Staff at all levels takes great pride in the development of New World. As a unique culture brand, New World will work towards a multifaceted development, keeping abreast of social culture and caring for people's life. With the passion for and insistence on The Artisanal Movement, the Group will continue to strive for innovation and excellence, give full play to a sustainable corporate culture and create value for its stakeholders.

Dr. Cheng Chi-Kong, Adrian

Executive Vice-chairman & General Manager

27 February 2018

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the six months ended 31 December 2017

	Note	2017 HK\$m	2016 HK\$m
Revenues	5	27,935.4	26,639.4
Cost of sales		(17,749.0)	(17,156.3)
Gross profit		10,186.4	9,483.1
Other income		41.8	254.6
Other gains, net		1,144.7	637.9
Selling and marketing expenses		(442.0)	(784.5)
Administrative and other operating expenses		(3,945.0)	(3,343.0)
Changes in fair value of investment properties		7,167.9	346.0
Operating profit	6	14,153.8	6,594.1
Financing income		678.2	856.5
Financing costs		(1,007.6)	(1,096.0)
		13,824.4	6,354.6
Share of results of			
Joint ventures		1,357.1	1,084.0
Associated companies		546.7	387.3
Profit before taxation		15,728.2	7,825.9
Taxation	7	(3,097.7)	(2,250.1)
Profit for the period		12,630.5	5,575.8
Attributable to:			
Shareholders of the Company		11,269.9	4,335.7
Holders of perpetual capital securities		269.5	129.3
Non-controlling interests		1,091.1	1,110.8
		12,630.5	5,575.8
Dividend		1,413.9	1,258.8
Earnings per share	8		
Basic		HK\$1.15	HK\$0.46
Diluted		HK\$1.14	HK\$0.46

For the six months ended 31 December 2017

	2017 HK\$m	2016 HK\$m
Profit for the period	12,630.5	5,575.8
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefit obligation	–	(9.4)
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights	3,357.9	173.6
— deferred tax arising from revaluation thereof	–	(0.6)
Items that had been reclassified/may be reclassified subsequently to profit or loss		
Fair value changes of available-for-sale financial assets	105.3	153.5
Release of reserve upon disposal of available-for-sale financial assets	(48.4)	(15.6)
Release of reserves upon disposal of subsidiaries	–	(320.9)
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 subsidiaries	(61.1)	(15.3)
Share of other comprehensive income of joint ventures and associated companies	763.2	(1,003.0)
Cash flow hedge	41.8	248.5
Translation difference	4,206.9	(4,319.7)
Other comprehensive income for the period	8,365.6	(5,067.6)
Total comprehensive income for the period	20,996.1	508.2
Attributable to:		
Shareholders of the Company	18,944.1	(79.9)
Holders of perpetual capital securities	269.5	129.3
Non-controlling interests	1,782.5	458.8
	20,996.1	508.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

As at 31 December 2017

	Note	As at 31 December 2017 HK\$m	As at 30 June 2017 HK\$m
ASSETS			
Non-current assets			
Investment properties		133,547.6	105,760.4
Property, plant and equipment		29,216.0	30,807.8
Land use rights		1,111.5	1,715.0
Intangible concession rights	10	11,912.7	11,841.9
Intangible assets	11	4,040.0	3,423.8
Interests in joint ventures		50,839.4	49,317.4
Interests in associated companies		27,717.4	26,401.8
Available-for-sale financial assets		7,763.6	6,540.9
Held-to-maturity investments		45.2	44.4
Financial assets at fair value through profit or loss		381.7	574.5
Derivative financial instruments		28.5	9.8
Properties for development		18,167.1	18,284.1
Deferred tax assets		648.6	740.9
Other non-current assets		3,906.1	2,612.6
		289,325.4	258,075.3
Current assets			
Properties under development		46,124.1	48,530.0
Properties held for sale		34,245.8	34,530.9
Inventories		733.2	756.1
Debtors, prepayments and contract assets	12	28,542.2	27,864.4
Financial assets at fair value through profit or loss		0.1	0.1
Derivative financial instruments		216.0	62.3
Restricted bank balances		29.0	120.5
Cash and bank balances		65,432.3	66,986.0
		175,322.7	178,850.3
Non-current assets classified as assets held for sale	13	3,488.4	130.7
		178,811.1	178,981.0
Total assets		468,136.5	437,056.3

	Note	As at 31 December 2017 HK\$m	As at 30 June 2017 HK\$m
EQUITY			
Share capital	14	76,160.7	73,233.6
Reserve		128,811.7	112,857.6
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Shareholders' fund		204,972.4	186,091.2
Perpetual capital securities		9,453.3	9,451.8
Non-controlling interests		25,449.9	25,401.5
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Total equity		239,875.6	220,944.5
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LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	127,129.5	125,895.3
Deferred tax liabilities		9,347.1	9,327.2
Derivative financial instruments		485.5	631.3
Other non-current liabilities		655.7	757.4
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		137,617.8	136,611.2
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Current liabilities			
Creditors, accrued charges and contract liabilities	16	61,610.1	50,735.2
Current portion of long-term borrowings	15	12,809.2	14,857.9
Derivative financial instruments		–	36.1
Short-term borrowings	15	6,804.9	6,366.7
Current tax payable		8,615.8	7,504.7
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Liabilities directly associated with non-current assets classified as assets held for sale	13	803.1	–
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		90,643.1	79,500.6
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Total liabilities		228,260.9	216,111.8
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Total equity and liabilities		468,136.5	437,056.3

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 December 2017

	Share capital	Retained profits	Other reserves	Shareholders' funds	Perpetual capital securities	Non-controlling interests	Total
For the six months ended	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
31 December 2017							
As at 30 June 2017	73,233.6	104,696.7	8,160.9	186,091.2	9,451.8	25,401.5	220,944.5
Adjustment on adoption of HKFRS 15, net of taxation (Note 2(a))	-	251.6	-	251.6	-	27.2	278.8
Restated balance as at 1 July 2017	73,233.6	104,948.3	8,160.9	186,342.8	9,451.8	25,428.7	221,223.3
Comprehensive income							
Profit for the period	-	11,269.9	-	11,269.9	269.5	1,091.1	12,630.5
Other comprehensive income							
Fair value changes of available-for-sale financial assets	-	-	69.7	69.7	-	35.6	105.3
Release of reserve upon disposal of available-for-sale financial assets	-	-	(49.4)	(49.4)	-	1.0	(48.4)
Release of reserve upon deregistration of subsidiaries	-	-	(27.9)	(27.9)	-	(33.2)	(61.1)
Revaluation of investment properties upon reclassification from property, plant and equipment, net of taxation	-	-	3,347.7	3,347.7	-	10.2	3,357.9
Share of other comprehensive income of joint ventures and associated companies	-	1.6	481.9	483.5	-	279.7	763.2
Cash flow hedges	-	-	25.5	25.5	-	16.3	41.8
Translation differences	-	-	3,825.1	3,825.1	-	381.8	4,206.9
Other comprehensive income for the period	-	1.6	7,672.6	7,674.2	-	691.4	8,365.6
Total comprehensive income for the period	-	11,271.5	7,672.6	18,944.1	269.5	1,782.5	20,996.1
Transactions with owners							
Contributions by/(distributions to) owners							
Dividends	-	(3,246.3)	-	(3,246.3)	-	(1,684.4)	(4,930.7)
Contribution from non-controlling interests	-	-	-	-	-	19.4	19.4
Repayment of capital to a non-controlling shareholder	-	-	-	-	-	(16.5)	(16.5)
Issue of new shares as scrip dividend	2,626.7	-	-	2,626.7	-	-	2,626.7
Issue of new shares upon exercise of share options	300.4	-	-	300.4	-	-	300.4
Employees' share-based payments	-	-	35.3	35.3	-	-	35.3
Share options lapsed	-	2.0	(2.0)	-	-	-	-
Buyback of shares	-	(107.6)	-	(107.6)	-	-	(107.6)
Distribution to holders of perpetual capital securities	-	-	-	-	(268.0)	-	(268.0)
Transfer of reserves	-	(11.5)	11.5	-	-	-	-
	2,927.1	(3,363.4)	44.8	(391.5)	(268.0)	(1,681.5)	(2,341.0)
Change in ownership interests in subsidiaries							
Acquisition of additional interests in subsidiaries	-	8.3	68.7	77.0	-	(79.8)	(2.8)
	-	8.3	68.7	77.0	-	(79.8)	(2.8)
Total transactions with owners	2,927.1	(3,355.1)	113.5	(314.5)	(268.0)	(1,761.3)	(2,343.8)
As at 31 December 2017	76,160.7	112,864.7	15,947.0	204,972.4	9,453.3	25,449.9	239,875.6

For the six months ended 31 December 2016	Share capital	Retained profits	Other reserves	Shareholders' funds	Perpetual capital securities	Non- controlling interests	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
As at 1 July 2016	69,599.8	101,296.6	8,677.0	179,573.4	–	21,321.9	200,895.3
Comprehensive income							
Profit for the period	–	4,335.7	–	4,335.7	129.3	1,110.8	5,575.8
Other comprehensive income							
Remeasurement of post employment benefit obligation	–	(5.8)	–	(5.8)	–	(3.6)	(9.4)
Fair value changes of available-for-sale financial assets	–	–	168.2	168.2	–	(14.7)	153.5
Release of reserve upon disposal of available-for-sale financial assets	–	–	(9.6)	(9.6)	–	(6.0)	(15.6)
Release of reserve upon deregistration of a subsidiary	–	–	(9.4)	(9.4)	–	(5.9)	(15.3)
Release of reserves upon disposal of subsidiaries	–	–	(320.9)	(320.9)	–	–	(320.9)
Release of reserve upon restructuring of a joint venture	–	–	3.5	3.5	–	2.2	5.7
Release of reserves upon remeasurement of previously held equity interest in a joint venture	–	–	21.8	21.8	–	13.8	35.6
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	–	–	172.5	172.5	–	0.5	173.0
Share of other comprehensive income of joint ventures and associated companies	–	–	(638.0)	(638.0)	–	(365.0)	(1,003.0)
Cash flow hedges	–	–	152.4	152.4	–	96.1	248.5
Translation differences	–	–	(3,950.3)	(3,950.3)	–	(369.4)	(4,319.7)
Other comprehensive income for the period	–	(5.8)	(4,409.8)	(4,415.6)	–	(652.0)	(5,067.6)
Total comprehensive income for the period	–	4,329.9	(4,409.8)	(79.9)	129.3	458.8	508.2
Transactions with owners							
Contributions by/(distributions to) owners							
Dividends	–	(2,912.3)	–	(2,912.3)	–	(511.5)	(3,423.8)
Contributions from non-controlling interests	–	–	–	–	–	2,796.6	2,796.6
Issue of new shares as scrip dividend	2,369.6	–	–	2,369.6	–	–	2,369.6
Issue of new shares upon exercise of share options	47.3	–	–	47.3	–	–	47.3
Employees' share-based payments	–	–	24.6	24.6	–	2.4	27.0
Share options lapsed	–	27.3	(27.3)	–	–	–	–
Issuance of perpetual capital securities	–	–	–	–	9,324.0	–	9,324.0
Transaction costs in relation to the issuance of perpetual capital securities	–	(108.2)	–	(108.2)	–	–	(108.2)
Transfer of reserves	–	(10.2)	10.2	–	–	–	–
	2,416.9	(3,003.4)	7.5	(579.0)	9,324.0	2,287.5	11,032.5
Change in ownership interests in subsidiaries							
Acquisition of additional interests in subsidiaries	–	(46.3)	–	(46.3)	–	13.7	(32.6)
Deemed disposal of interests in subsidiaries	–	(45.9)	–	(45.9)	–	116.8	70.9
	–	(92.2)	–	(92.2)	–	130.5	38.3
Total transactions with owners	2,416.9	(3,095.6)	7.5	(671.2)	9,324.0	2,418.0	11,070.8
As at 31 December 2016	72,016.7	102,530.9	4,274.7	178,822.3	9,453.3	24,198.7	212,474.3

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

For the six months ended 31 December 2017

	2017 HK\$m	2016 HK\$m
Net cash generated from operating activities	9,183.6	3,481.8
Cash flows from investing activities		
Additions of investment properties, property, plant and equipment, land use rights and intangible concession rights	(6,652.5)	(5,108.4)
Increase in interests in joint ventures	(1,187.3)	(900.1)
Increase in interests in associated companies	(452.8)	(2,463.0)
Purchase of available-for-sale financial assets and financial assets at fair value through profit or loss	(1,542.2)	(268.0)
Acquisition of subsidiaries	(162.4)	(1,491.1)
Others	4,379.2	3,932.7
Net cash used in investing activities	(5,618.0)	(6,297.9)
Cash flows from financing activities		
Net increase in borrowings	245.4	7,856.1
Issuance of perpetual capital securities	–	9,215.8
Contributions from non-controlling interests	19.4	2,796.6
Dividend paid to shareholders of the Company	(619.6)	(542.7)
Dividend paid to non-controlling shareholders	(1,684.4)	(511.5)
Buyback of shares	(107.6)	–
Distribution to holders of perpetual capital securities	(268.0)	–
Others	375.4	(914.5)
Net cash (used in)/from financing activities	(2,039.4)	17,899.8
Net increase in cash and cash equivalents	1,526.2	15,083.7
Cash and cash equivalents at beginning of the period	61,763.6	54,297.5
Translation differences	1,106.6	(1,311.4)
Cash and cash equivalents at end of the period	64,396.4	68,069.8
Analysis of cash and cash equivalents:		
Cash and bank balances	64,259.7	68,069.8
Cash and bank balances of subsidiaries transferred to non-current assets classified as assets held for sale	136.7	–
	64,396.4	68,069.8

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) for the six months ended 31 December 2017 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 “Hong Kong Stock Exchange”) (the “Listing Rules”). The Interim Financial Statements should be read in conjunction with the 30 June 2017 annual financial statements.

The accounting policies used in the preparation of these Interim Financial Statements are consistent with those set out in the annual report for the year ended 30 June 2017 except as described in note 1 (a) and (b) below.

(a) Adoption of amendments to standards

The Group has adopted the following amendments to standards which are relevant to the Group’s operations and are mandatory for the financial year ending 30 June 2018:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvement Project	Annual Improvements 2014–2016 Cycle

The adoption of these amendments to standards does not have any significant effect on the results and financial position of the Group.

(b) Early adoption of Hong Kong Financial Reporting Standard 15 “Revenue from Contracts with Customers” (“HKFRS 15”)

HKFRS 15 as issued by the HKICPA is effective for the financial year beginning or after 1 January 2018.

The Group has elected to early adopt HKFRS 15 for the year ending 30 June 2018 because the new accounting standard provides more reliable and relevant information for users to assess the amounts, timing and uncertainty of revenue and cash flows. The Group has also elected to apply the “cumulative catch-up” transitional method whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at 30 June 2017 are adjusted at the opening balance of equity as at 1 July 2017 and prior period comparatives are not restated. The effects of the adoption of HKFRS 15 are set out in Note 2 below.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer.

From 1 July 2017 onwards, the Group has adopted the following accounting policies on revenues.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**(b) Early adoption of Hong Kong Financial Reporting Standard 15 “Revenue from Contracts with Customers” (“HKFRS 15”) (Continued)**

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group’s performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group’s efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

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

The following new standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 July 2018 or later periods but which the Group has not early adopted:

HKFRS 9	Financial Instruments
HKFRS 16	Leases
HKFRS 17	Insurance Contracts
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 — Insurance Contracts
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) — Interpretation 22	Foreign Currency Transactions and Advance Consideration
HK (IFRIC) — Interpretation 23	Uncertainty over Income Tax Treatments
HKFRSs Amendment	Annual Improvements to HKFRSs 2014–2016 Cycle

The Group has already commenced an assessment of the likely impact of adopting the above new standards, amendments to standards and interpretations, in which the preliminary assessment of HKFRS 16 is detailed below. The Group will continue to assess the impact in more details.

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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

(Continued)

HKFRS 16 "Leases"

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the statements of financial position for lessees. The Group is a lessee of certain premises and properties which are currently classified as operating leases. HKFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee, almost all leases should be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. As for the financial performance impact in the consolidated statements of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to consolidated income statements in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

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

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

2 CHANGE IN ACCOUNTING POLICY

As explained in Note 1(b) above, the Group has early adopted HKFRS 15 from 1 July 2017, which resulted in changes in accounting policies and adjustments to the amounts recognised in the Interim Financial Statements. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15, which replaces both the provisions of HKAS 18 Revenue ("HKAS 18") and HKAS 11 Construction Contracts ("HKAS 11") and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract assets and liabilities

Reclassifications were made as at 1 July 2017 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as deposits received on sale of properties within creditors and accrued charges.
- Contract liabilities in relation to prepayments from customers and customer loyalty programme under department stores operation were previously presented as other creditors and accrued charges within creditors and accrued charges.
- Contract liabilities recognised in relation to contracting activities were previously presented as amounts due to customers for contract work within creditors and accrued charges.
- Contract assets recognised in relation to contracting activities were previously presented as amounts due from customers for contract work within debtors and prepayment.

2 CHANGE IN ACCOUNTING POLICY (CONTINUED)

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risks and rewards of ownership of properties have been transferred to the customers.

Under HKFRS 15, revenue from pre-sales of properties is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the properties under development may transfer over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property.

Revenue for certain pre-sale properties transactions will be accounted for differently and recognised earlier over time, instead of at a single point in time under HKAS 18.

The timing of revenue recognition for sale of certain completed properties, which is currently based on whether significant risks and rewards of ownership of properties have been transferred, may be recognised at a later point in time when the underlying property is legally or physically transferred to the customer.

The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financing component exists in that contract.

The excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers is recognised as contract assets.

The excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Accounting for department stores operation

Under HKFRS 15, revenue from sale of goods to retail customers is recognised when the Group sells the product to the customers and the revenue from sale of goods to wholesalers is recognised when control of the products has transferred, being when the products are delivered to the wholesaler. The Group recognises commission income from concessionaire sales upon sale of goods or provision of services by counter suppliers. Payments received in advance that are related to sales of goods or provision of services not yet delivered to customers are deferred and recognised as contract liabilities. Revenue is recognised when goods or services are delivered to customers.

Marketing or promotional offer made to customers at the time of the sale of goods is a separate performance obligation, and the likelihood of settlement of the outstanding performance obligation must be estimated and allocated to the consideration received.

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs only incurred if the contract is obtained, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

2 CHANGE IN ACCOUNTING POLICY (CONTINUED)

- (a) The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 July 2017		
	As previously stated HK\$m	Effects of the early adoption of HKFRS 15 HK\$m	As restated HK\$m
Condensed consolidated statement of financial position (extract)			
Interests in joint ventures	49,317.4	2.2	49,319.6
Deferred tax assets	740.9	(33.3)	707.6
Properties under development	48,530.0	(359.6)	48,170.4
Debtors, prepayments and contract assets	27,864.4	158.2	28,022.6
— Trade debtors, deposits, prepayments and other debtors	27,317.2	(79.1)	27,238.1
— Amounts due from customers for contract work	547.2	(547.2)	–
— Contract assets	–	784.5	784.5
Retained profits	104,696.7	251.6	104,948.3
Non-controlling interests	25,401.5	27.2	25,428.7
Deferred tax liabilities	9,327.2	0.9	9,328.1
Creditors, accrued charges and contract liabilities	50,735.2	(591.7)	50,143.5
— Trade creditors, other creditors and accrued charges	33,262.5	(280.0)	32,982.5
— Amounts due to customers for contract work	2,297.3	(2,297.3)	–
— Deposits received on sale of properties	15,175.4	(15,175.4)	–
— Contract liabilities	–	17,161.0	17,161.0
Current tax payable	7,504.7	79.5	7,584.2

2 CHANGE IN ACCOUNTING POLICY (CONTINUED)

- (b) The amount by each financial statement line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2017		
	Without the early adoption of HKFRS 15 HK\$m	Effects of the early adoption of HKFRS 15 HK\$m	As reported HK\$m
Condensed consolidated statement of financial position (extract)			
Interests in joint ventures	50,824.2	15.2	50,839.4
Deferred tax assets	691.8	(43.2)	648.6
Properties under development	46,738.7	(614.6)	46,124.1
Debtors, prepayments and contract assets	28,328.8	213.4	28,542.2
— Trade debtors, deposits, prepayments and other debtors	28,079.9	(71.8)	28,008.1
— Amounts due from customers for contract work	248.9	(248.9)	—
— Contract assets	—	534.1	534.1
Retained profits	112,513.3	351.4	112,864.7
Non-controlling interests	25,417.8	32.1	25,449.9
Deferred tax liabilities	9,346.5	0.6	9,347.1
Creditors, accrued charges and contract liabilities	62,536.0	(925.9)	61,610.1
— Trade creditors, other creditors and accrued charges	39,462.4	(290.5)	39,171.9
— Amounts due to customers for contract work	2,396.7	(2,396.7)	—
— Deposits received on sale of properties	20,676.9	(20,676.9)	—
— Contract liabilities	—	22,438.2	22,438.2
Current tax payable	8,503.2	112.6	8,615.8
Six months ended 31 December 2017			
	Without the early adoption of HKFRS 15 HK\$m	Effects of the early adoption of HKFRS 15 HK\$m	As reported HK\$m
Condensed consolidated income statement (extract)			
Revenues	27,695.8	239.6	27,935.4
Cost of sales	17,519.0	230.0	17,749.0
Selling and marketing expenses	557.2	(115.2)	442.0
Share of results of joint ventures	1,344.4	12.7	1,357.1
Taxation	3,064.9	32.8	3,097.7
Non-controlling interests	1,086.2	4.9	1,091.1

The early adoption of HKFRS 15 has no impact to the net cash flow from operating, investing and financing activities on the condensed consolidated statement of cash flows.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing these interim financial statements, in addition to the critical accounting estimates and judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty as set out in the annual report for the year ended 30 June 2017, the following judgements and estimates were applied:

Estimates and judgements in revenue recognition for property development activities

Revenue from property development activities is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time. The properties contracted for pre-sale to customers have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue should be recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts and the relevant local laws, considered the local regulators' views and obtained legal advice, where necessary.

For property development revenue that is recognised over time, the Group recognises such property development revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgets, the extent of the costs incurred and the allocation of costs to each property unit. In making the above estimation, the Group conducts periodic review on the budgets and make reference to past experience and work of contractors and surveyors.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the underlying completed property unit is legally and/or physically transferred to the customer.

4 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 30 June 2017 annual financial statements.

There have been no changes in the Group's financial risk management policies and procedures since the last year end.

(b) Fair value estimation

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

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

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)**(b) Fair value estimation** (Continued)

The carrying amounts 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. They are included in level 1.

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

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

The following table presents the Group's financial instruments that are measured at fair value at 31 December 2017:

	Level 1 HK\$m	Level 2 HK\$m	Level 3 HK\$m	Total HK\$m
Available-for-sale financial assets	2,427.6	1,594.9	3,741.1	7,763.6
Financial assets at fair value through profit or loss	0.1	–	381.7	381.8
Derivative financial instruments				
Derivative financial assets	–	78.9	165.6	244.5
	2,427.7	1,673.8	4,288.4	8,389.9
Derivative financial instruments				
Derivative financial liabilities	–	(469.5)	(16.0)	(485.5)

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

	Level 1 HK\$m	Level 2 HK\$m	Level 3 HK\$m	Total HK\$m
Available-for-sale financial assets	2,558.5	1,422.5	2,559.9	6,540.9
Financial assets at fair value through profit or loss	0.1	–	574.5	574.6
Derivative financial instruments				
Derivative financial assets	–	13.3	58.8	72.1
	2,558.6	1,435.8	3,193.2	7,187.6
Derivative financial instruments				
Derivative financial liabilities	–	(648.5)	(18.9)	(667.4)

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

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Fair value estimation (Continued)

(ii) (continued)

The following table presents the changes in level 3 financial instruments for the six months ended 31 December 2017:

	Available- for-sale financial assets HK\$m	Financial assets at fair value through profit or loss HK\$m	Derivative financial assets HK\$m	Derivative financial liabilities HK\$m
At 1 July 2017	2,559.9	574.5	58.8	(18.9)
Additions	1,266.4	126.7	–	–
Net gain/(loss) recognised in the condensed consolidated statement of comprehensive income/income statement	42.1	(17.2)	106.8	2.9
Disposal	(127.3)	(302.3)	–	–
At 31 December 2017	3,741.1	381.7	165.6	(16.0)

5 REVENUES AND SEGMENT INFORMATION

Revenues recognised during the period are as follows:

	For the six months ended	
	2017 HK\$m	2016 HK\$m
Revenues		
Property sales	9,893.6	13,019.6
Rental	1,344.3	1,184.4
Contracting	6,531.8	4,704.3
Provision of services	5,947.7	3,798.3
Infrastructure operations	1,352.6	1,256.3
Hotel operations	755.3	754.7
Department store operations	1,772.8	1,720.4
Others	337.3	201.4
Total	27,935.4	26,639.4

The Executive Committee of the Company, being the chief operating decision-maker, determines and reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are determined based on the aforementioned internal reporting. The Executive Committee considers the business from product and service perspectives, which comprises property development, property investment, service (including facilities management, construction & transport and strategic investments), infrastructure (including roads, environment, logistics and aviation), hotel operations, department stores and others (including media and technology and other strategic businesses) segments.

The Executive Committee assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effects of unallocated corporate expenses. In addition, financing income, financing cost and taxation are not allocated to segments.

Sales between segments are carried out in accordance with terms agreed by the parties involved.

5 REVENUES AND SEGMENT INFORMATION (CONTINUED)

	Property development HK\$m	Property investment HK\$m	Service (Note d) HK\$m	Infrastructure HK\$m	Hotel operations HK\$m	Department stores HK\$m	Others HK\$m	Consolidated HK\$m
For the six months ended								
31 December 2017								
Total revenues								
— Recognised at a point in time	9,642.7	—	4,787.5	1,352.6	755.3	1,772.8	179.8	18,490.7
— Recognised over time	752.8	1,426.9	12,709.4	—	—	—	206.4	15,095.5
	10,395.5	1,426.9	17,496.9	1,352.6	755.3	1,772.8	386.2	33,586.2
Inter-segment	(501.9)	(82.6)	(5,017.4)	—	—	—	(48.9)	(5,650.8)
Revenues-external	9,893.6	1,344.3	12,479.5	1,352.6	755.3	1,772.8	337.3	27,935.4
Segment results	4,601.4	785.9	397.7	702.5	(6.4)	116.4	(120.4)	6,477.1
Other gains/(losses), net (Note c)	529.7	6.1	52.4	106.8	—	(85.6)	535.3	1,144.7
Changes in fair value of investment properties	—	7,112.9	55.0	—	—	—	—	7,167.9
Unallocated corporate expenses								(635.9)
Operating profit								14,153.8
Financing income								678.2
Financing costs								(1,007.6)
								13,824.4
Share of results of								
Joint ventures	121.1	286.7	72.2	834.8	21.5	—	20.8	1,357.1
Associated companies	3.9	175.4	(43.1)	399.3	—	(0.1)	11.3	546.7
Profit before taxation								15,728.2
Taxation								(3,097.7)
Profit for the period								12,630.5
As at 31 December 2017								
Segment assets	113,082.9	138,409.1	19,369.7	16,293.5	16,631.4	5,965.2	13,473.5	323,225.3
Interests in joint ventures	14,073.1	12,437.0	3,463.4	11,832.3	5,782.6	—	3,251.0	50,839.4
Interests in associated companies	6,285.0	4,208.7	7,777.3	9,215.9	—	2.4	228.1	27,717.4
Unallocated assets								66,354.4
Total assets								468,136.5
Segment liabilities	38,890.3	2,501.2	12,342.5	659.8	1,626.9	4,434.4	2,613.8	63,068.9
Unallocated liabilities								165,192.0
Total liabilities								228,260.9
For the six months ended								
31 December 2017								
Additions to non-current assets (Note b)	2,228.2	4,772.3	254.0	19.6	1,501.0	117.4	376.8	9,269.3
Depreciation and amortisation	63.7	14.1	296.0	437.2	145.2	135.8	86.5	1,178.5
Impairment charge and provision	—	—	—	—	—	77.3	—	77.3

5 REVENUES AND SEGMENT INFORMATION (CONTINUED)

	Property development HK\$m	Property investment HK\$m	Service (Note d) HK\$m	Infrastructure HK\$m	Hotel operations HK\$m	Department stores HK\$m	Others HK\$m	Consolidated HK\$m
For the six months ended								
31 December 2016								
Total revenues	13,101.0	1,278.0	13,150.3	1,256.3	754.7	1,721.3	238.6	31,500.2
Inter-segment	(81.4)	(93.6)	(4,647.7)	–	–	(0.9)	(37.2)	(4,860.8)
Revenues-external	13,019.6	1,184.4	8,502.6	1,256.3	754.7	1,720.4	201.4	26,639.4
Segment results	4,185.8	738.8	391.5	623.7	(14.8)	135.6	91.2	6,151.8
Other gains/(losses), net (Note c)	104.2	–	405.0	454.3	–	2.6	(328.2)	637.9
Changes in fair value of investment properties	–	274.2	71.8	–	–	–	–	346.0
Unallocated corporate expenses								(541.6)
Operating profit								6,594.1
Financing income								856.5
Financing costs								(1,096.0)
								6,354.6
Share of results of joint ventures	(0.8)	211.9	225.1	729.0	(12.9)	–	(68.3)	1,084.0
Associated companies (Note a)	72.4	46.8	(4.1)	258.1	–	–	14.1	387.3
Profit before taxation								7,825.9
Taxation								(2,250.1)
Profit for the period								5,575.8
As at 30 June 2017								
Segment assets	117,055.7	108,476.1	18,048.9	15,191.8	17,549.5	5,182.7	11,912.9	293,417.6
Interests in joint ventures	11,754.9	13,271.9	3,308.7	11,957.4	5,873.4	–	3,151.1	49,317.4
Interests in associated companies	5,979.4	3,996.0	6,819.9	9,373.1	–	–	233.4	26,401.8
Unallocated assets								67,919.5
Total assets								437,056.3
Segment liabilities	31,902.8	1,108.9	12,058.8	618.9	474.7	3,488.2	1,840.3	51,492.6
Unallocated liabilities								164,619.2
Total liabilities								216,111.8
For the six months ended								
31 December 2016								
Additions to non-current assets (Note b)	1,599.2	1,012.3	4,825.8	19.5	1,858.5	61.8	267.2	9,644.3
Depreciation and amortisation	31.6	14.5	116.0	411.0	168.8	166.3	37.6	945.8

5 REVENUES AND SEGMENT INFORMATION (CONTINUED)

	Revenues	Non-current assets (Note b)
	Six months ended	As at
	31 December	31 December
	2017	2017
	HK\$m	HK\$m
Hong Kong	14,230.0	129,380.2
Mainland China	13,300.8	67,145.0
Others	404.6	1,469.7
	27,935.4	197,994.9

	Six months ended	As at
	31 December 2016	30 June 2017
	HK\$m	HK\$m
Hong Kong	14,632.2	97,141.0
Mainland China	11,894.8	74,391.1
Others	112.4	300.9
	26,639.4	171,833.0

Notes:

- (a) For the six months ended 31 December 2016, Newton Resources Ltd, an associated company, recognised an impairment of its assets for which the Group shared an impairment loss of HK\$204.0 million included in the segment result of the service segment.
- (b) Non-current assets represented non-current assets other than financial instruments (financial instruments include interests in joint ventures and associated companies), deferred tax assets and retirement benefit assets.
- (c) For the six months ended 31 December 2017, others segment included net exchange gain of HK\$287.0 million (2016: net exchange loss of HK\$467.7 million). For the six months ended 31 December 2016, the infrastructure segment included gain on restructuring of SUEZ NWS Limited of HK\$454.3 million.
- (d) For the six months ended 31 December 2016, the amount in the service segment included gain on remeasuring NWS Transport Services Limited at fair value upon further acquisition as a subsidiary of HK\$327.1 million and after completion of the acquisition, NWS Transport Services Limited and its subsidiaries became indirect subsidiaries of the Company.
- (e) For the six months ended 31 December 2017, the operating profit before depreciation and amortisation, changes in fair value of investment properties and other gains, net and after net exchange difference amounted to HK\$7,306.7 million, of which HK\$1,580.4 million was attributable to Hong Kong and HK\$5,726.3 million was attributable to Mainland China and others.

6 OPERATING PROFIT

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

	For the six months ended	
	31 December	
	2017	2016
	HK\$m	HK\$m
Write back of provision for loans and other receivables	3.8	1.9
Gain on restructuring of a joint venture	–	454.3
Gain on remeasurement of previously held interests of joint ventures at fair value upon further acquisition to become subsidiaries	–	327.1
Net gain on fair value of financial assets at fair value through profit or loss	25.9	200.6
Gain on partial disposal of interests in an associated company	56.8	42.4
Net profit/(loss) on disposal/liquidation of		
Available-for-sale financial assets and financial assets at fair value through profit or loss	108.5	84.0
Derivative financial instruments	106.8	–
Investment properties and property, plant and equipment	140.0	71.8
Assets held for sale	–	77.8
Subsidiaries	493.2	(154.3)
Impairment loss on		
Prepayments, deposits and other receivables	(7.9)	–
Property, plant and equipment	(69.4)	–
Cost of inventories and properties sold	(6,231.2)	(9,710.2)
Cost of services rendered	(10,710.5)	(6,839.8)
Depreciation and amortisation	(1,178.5)	(945.8)
Net exchange gain/(loss)	287.0	(467.7)

7 TAXATION

	For the six months ended	
	31 December	
	2017	2016
	HK\$m	HK\$m
Current taxation		
Hong Kong profits tax	82.1	325.1
Mainland China and overseas taxation	1,271.8	578.9
Mainland China land appreciation tax	1,748.9	1,175.8
Deferred taxation	(5.1)	170.3
	3,097.7	2,250.1

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period.

Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2016: 12% to 25%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2016: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

Share of results of joint ventures and associated companies is stated after deducting the share of taxation of joint ventures and associated companies of HK\$343.1 million and HK\$82.2 million (2016: HK\$351.0 million and HK\$130.3 million) respectively.

8 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the period is based on the following:

	For the six months ended	
	31 December	
	2017	2016
	HK\$m	HK\$m
Profit attributable to shareholders of the Company	11,269.9	4,335.7
Profit for calculating diluted earnings per share	11,269.9	4,335.7

	Number of shares (million)	
	For the six months ended	
	31 December	
	2017	2016
Weighted average number of shares for calculating basic earnings per share	9,831.9	9,394.3
Effect of dilutive potential ordinary shares upon the exercise of share options	23.1	9.5
Weighted average number of shares for calculating diluted earnings per share	9,855.0	9,403.8

Diluted earnings per share for the six months ended 31 December 2017 and 31 December 2016 assumed the exercise of share options outstanding during the period since the exercise would have a dilutive effect.

9 CAPITAL EXPENDITURE

For the six months ended 31 December 2017, the Group has acquired investment properties, property, plant and equipment, land use rights and intangible concession rights of HK\$6,719.6 million (2016: HK\$9,568.9 million). The Group has disposed of investment properties, property, plant and equipment and land use rights of net book value of HK\$559.7 million (2016: HK\$353.5 million).

10 INTANGIBLE CONCESSION RIGHTS

	HK\$m
Net book value as at 1 July 2017	11,841.9
Translation differences	491.8
Additions	3.5
Amortisation	(424.5)
Net book value as at 31 December 2017	11,912.7

11 INTANGIBLE ASSETS

	Goodwill	Trademarks	Operating right and others	Total
	HK\$m	HK\$m	HK\$m	HK\$m
Net book value as at 1 July 2017	2,935.6	69.7	418.5	3,423.8
Translation differences	81.0	–	–	81.0
Acquisition of subsidiaries	515.3	–	55.0	570.3
Reclassified as assets held for sale	(9.2)	–	–	(9.2)
Amortisation	–	(2.6)	(23.3)	(25.9)
Net book value as at 31 December 2017	3,522.7	67.1	450.2	4,040.0

12 TRADE DEBTORS

Aging analysis of trade debtors is as follows:

	As at 31 December 2017 HK\$m	As at 30 June 2017 HK\$m
Current to 30 days	2,427.5	2,441.8
31 to 60 days	521.6	341.5
Over 60 days	423.0	378.6
	3,372.1	3,161.9

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

13 NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE

Non-current assets classified as assets held for sale

	As at 31 December 2017 HK\$m	As at 30 June 2017 HK\$m
Property, plant and equipment, land use rights and other assets classified as held for sale	3,260.4	–
Investment properties	228.0	130.7
	3,488.4	130.7

Liabilities directly associated with non-current assets classified as assets held for sale

	As at 31 December 2017 HK\$m	As at 30 June 2017 HK\$m
Liabilities classified as held for sale	803.1	–

14 SHARE CAPITAL

	As at 31 December 2017		As at 30 June 2017	
	Number of shares (million)	HK\$m	Number of shares (million)	HK\$m
Issued and fully paid:				
At beginning of the period	9,815.2	73,233.6	9,388.4	69,599.8
Issue of new shares as scrip dividend (Note a)	246.5	2,626.7	402.4	3,426.0
Buyback of shares (Note b)	(9.5)	–	–	–
Issue of new shares upon exercise of share options	32.3	300.4	24.4	207.8
At end of the period	10,084.5	76,160.7	9,815.2	73,233.6

14 SHARE CAPITAL (CONTINUED)

Notes:

- (a) Issue of new shares as scrip dividend

During the period, 246,520,387 new shares were issued at HK\$10.6552 per share for the settlement of 2017 final scrip dividend.

- (b) Buyback of shares

During the period, the Company bought back and cancelled a total of 9,460,000 shares at an aggregate cost of HK\$107,620,720 on the Hong Kong Stock Exchange at share price ranging from HK\$10.88 to HK\$11.96.

During the period, the Company bought back its shares through the Hong Kong Stock Exchange as follows:

Month	Number of shares	Price per share		Aggregate consideration paid
		Highest	Lowest	HK\$m
September 2017	4,000,000	11.24	11.02	44.5
October 2017	2,000,000	11.96	11.80	23.8
November 2017	1,797,000	11.80	11.70	21.1
December 2017	1,663,000	10.98	10.88	18.2
	9,460,000			107.6

- (c) Share option scheme

A share option scheme was adopted by the Company on 24 November 2006 and amended on 13 March 2012 which will be valid and effective for a period of ten years from the date of adoption.

A new share option scheme was adopted by the Company on 22 November 2016 which will be valid and effective for a period of ten years from the date of adoption.

On 22 January 2014, 30,100,000 share options were granted by the Company to directors and certain eligible participants at an initial exercise price of HK\$10.400 per share, subject to adjustments.

On 27 October 2014, 34,400,000 share options were granted by the Company to certain eligible participants at an initial exercise price of HK\$9.510 per share, subject to adjustments.

On 7 July 2015, 20,100,000 share options were granted by the Company to certain eligible participants at an initial exercise price of HK\$9.976 per share, subject to adjustments.

On 9 March 2016, 20,200,000 share options were granted by the Company to a director and certain eligible participants at an initial exercise price of HK\$7.200 per share, subject to adjustments.

On 10 June 2016, 68,037,928 share options were granted by the Company to directors and certain eligible participants at an initial exercise price of HK\$7.540 per share, subject to adjustments.

On 3 July 2017, 53,450,000 share options were granted by the Company to directors and certain eligible participants at an initial exercise price of HK\$10.036 per share, subject to adjustments.

The outstanding number of share options at 31 December 2017 amounted to 149,565,883 and the number of share options lapsed and exercised for the six months ended 31 December 2017 amounted to 1,279,206 and 32,296,330 respectively.

15 BORROWINGS

	As at 31 December 2017 HK\$m	As at 30 June 2017 HK\$m
Long-term borrowings		
Secured bank loans	18,677.7	19,703.3
Unsecured bank loans	73,690.8	73,594.4
Other secured loans	2,994.0	2,873.6
Other unsecured loans	1,317.9	1,264.4
Fixed rate bonds and notes payable	41,995.7	41,959.7
Loans from non-controlling shareholders	1,262.6	1,357.8
	139,938.7	140,753.2
Current portion of long-term borrowings	(12,809.2)	(14,857.9)
	127,129.5	125,895.3
Short-term borrowings		
Secured bank loans	415.0	–
Unsecured bank loans	4,692.7	4,576.3
Other unsecured loans	5.5	5.0
Loans from non-controlling shareholders	1,691.7	1,785.4
	6,804.9	6,366.7
Current portion of long-term borrowings	12,809.2	14,857.9
	19,614.1	21,224.6
Total borrowings	146,743.6	147,119.9

16 TRADE CREDITORS

Aging analysis of trade creditors is as follows:

	As at 31 December 2017 HK\$m	As at 30 June 2017 HK\$m
Current to 30 days	7,482.8	6,098.0
31 to 60 days	321.8	875.7
Over 60 days	2,025.0	1,720.2
	9,829.6	8,693.9

17 COMMITMENTS

	As at 31 December 2017 HK\$m	As at 30 June 2017 HK\$m
Contracted but not provided for		
Property, plant and equipment	1,490.8	1,235.3
Investment properties	6,603.1	3,530.4
Joint ventures	1,651.1	1,689.5
Associated companies	135.9	–
Other investments	891.5	1,153.1
	10,772.4	7,608.3
The Group's share of capital commitments of the joint ventures/associated companies not included above are as follows:		
Contracted but not provided for	928.9	3,789.5

18 FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

	As at 31 December 2017 HK\$m	As at 30 June 2017 HK\$m
Financial guarantee contracts:		
Mortgage facilities for certain purchasers of properties	3,656.9	3,015.9
Guarantees for credit facilities granted to		
Joint ventures	4,331.6	3,994.1
Associated companies	1,938.2	1,938.2
	9,926.7	8,948.2

19 RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the period which were carried out in the normal course of the Group's business:

	For the six months ended	
	31 December	
	2017	2016
	HK\$m	HK\$m
Transactions with joint ventures and associated companies		
Provision of construction work services	574.6	610.3
Interest income	112.5	38.8
Rental expenses	109.0	124.7
Transactions with other related parties		
Provision of construction work services	28.8	12.2
Rental income	74.7	76.5
Concessionaires commissions	37.6	34.6
Sales of goods, prepaid shopping cards and vouchers	39.7	19.1
Purchase of goods	–	3.0
Engineering and mechanical services	332.6	715.4
Management fee expenses	54.1	65.9

These related party transactions were conducted in accordance with the terms as disclosed in the last annual report.

On 27 October 2017, New World Development (China) Limited ("NWD (China)"), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Oriental Triumph Inc. ("Oriental Triumph"), a company wholly owned by Mr. Doo Wai-Hoi, William, the Non-executive Vice-chairman of the Company, and under which NWD (China) agreed to sell, and Oriental Triumph agreed to purchase the entire issued share capital of Ramada Property Ltd., which together with its subsidiaries owns and operates the Shanghai Ramada Plaza, New World Shanghai Hotel and pentahotel Shanghai, at a consideration of RMB1.85 billion (equivalent to approximately HK\$2.2 billion), subject to customary closing adjustment (the "Disposal"). Completion of the Disposal is expected to occur during the first half of 2018.

No significant transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

20 EVENT SUBSEQUENT TO PERIOD END

On 11 January 2018, Fortland Ventures Limited ("FVL"), an indirect wholly-owned subsidiary of NWS Holdings Limited ("NWSH"), a non-wholly owned subsidiary of the Group entered into a placing agreement for the placing of 208,000,000 issued H shares of Beijing Capital International Airport Co., Ltd. ("BCIA") at the placing price of HK\$11.35 per H share of BCIA (the "Placing"). Closing of the Placing took place on 16 January 2018 and thereafter, NWSH's equity interest in BCIA reduced from approximately 10.35% to approximately 5.55%. A gain on disposal of approximately HK\$0.8 billion will be recognised in the consolidated income statement of NWSH in the second half of the year ending 30 June 2018.

Subsequently, an executive director of NWSH resigned as a non-executive director and a member of the strategy committee of BCIA on 2 February 2018. As a result, NWSH ceased to exercise significant influence on BCIA and its interests in BCIA was reclassified from investment in an associated company to an available-for-sale financial asset with effect from 2 February 2018 with its carrying value marked to its market value on 2 February 2018. Pursuant to HKAS 39 "Financial Instruments: Recognition and Measurement", a gain on the remeasurement at fair value upon reclassification amounting to approximately HK\$1 billion will be recognised in the consolidated income statement of NWSH in the second half of the year ending 30 June 2018.

NET DEBT

	As at 31 December 2017 HK\$m	As at 30 June 2017 HK\$m
Consolidated net debt	78,328.0	76,870.2
NWSH (stock code: 0659)	6,149.0	3,229.3
NWDS — net cash and bank balances (stock code: 0825)	(1,348.5)	(869.5)
Net debt (exclude listed subsidiaries)	73,527.5	74,510.4

The Group's debts were primarily denominated in Hong Kong dollar and Renminbi. In respect of the Group's operations in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging of Renminbi contributed to those projects. The Renminbi exposure of the Group is mainly derived from the translation of non-current assets and liabilities of the subsidiaries, associated companies and joint ventures in Mainland China with functional currency of Renminbi and the Renminbi deposits held for future development costs to be expended to Hong Kong Dollar. As at 31 December 2017, the translation of non-current assets and liabilities of subsidiaries, associated companies and joint ventures with functional currency other than Hong Kong Dollar to Hong Kong Dollar by using exchange rates at that day resulted a gain of HK\$4,950.7 million are recognised in equity. Apart from this, the Group does not have any material foreign exchange exposure.

The Group's borrowings were mainly arranged on a floating rate basis. The Group used interest rate swaps and foreign currency swaps and forward contracts to hedge part of the Group's underlying interest rate and foreign exchange exposure. As at 31 December 2017, the Group had outstanding interest rate swaps in the amounts of HK\$5,800.0 million and US\$600.0 million (equivalent to approximately HK\$4,662.0 million). As at 31 December 2017, the Group had outstanding foreign currency swap and forward contracts in the aggregate amounts of HK\$6,728.0 million, to hedge for certain foreign currency exposure of the Group. Fuel price swap contracts are also used to hedge against the upside risk of fuel prices of the Group's transport business in the service segment.

As at 31 December 2017, the Group's cash and bank balances (including restricted bank balances) stood at HK\$65,461.3 million (30 June 2017: HK\$67,106.5 million) and the consolidated net debt amounted to HK\$78,328.0 million (30 June 2017: HK\$76,870.2 million). The net debt to equity ratio was 32.7%, a decrease of 2.1 percentage points as compared with 30 June 2017.

As at 31 December 2017, the Group's long-term bank loans, other loans and fixed rate bonds and notes payable amounted to HK\$138,676.1 million. Short-term bank and other loans as at 31 December 2017 were HK\$5,113.2 million. The maturity of bank loans, other loans and fixed rate bonds and notes payable was as follows:

	As at 31 December 2017 HK\$m
Within one year	17,922.4
In the second year	22,133.8
In the third to fifth year	86,195.6
After the fifth year	17,537.5
	143,789.3

Equity of the Group as at 31 December 2017 increased to HK\$239,875.6 million against HK\$220,944.5 million as at 30 June 2017.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

At 31 December 2017, the Group had given financial assistance and guarantees to its joint ventures and associated companies (collectively “affiliated companies”) as set out below:

	As at 31 December 2017 HK\$m	As at 30 June 2017 HK\$m
Amounts due by affiliated companies	37,330.7	33,537.0
Guarantees given for affiliated companies in respect of banking and other credit facilities	6,269.8	5,932.3
Commitments to capital injections and loan contributions	1,787.0	1,689.5
	45,387.5	41,158.8

The advances were unsecured and were interest free except for an aggregate amount of HK\$12,838.3 million (30 June 2017: HK\$9,453.3 million) which carried interest ranging from 1.3% above HIBOR to 12.2% above LIBOR per annum (30 June 2017: 1.3% above HIBOR to 12.2% above LIBOR per annum). The advances had no fixed repayment terms.

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group’s attributable interest in those affiliated companies as at 31 December 2017 are presented as follows:

	Combined statement of financial position HK\$m	Group’s attributable interests HK\$m
Non-current assets	137,671.3	67,427.1
Current assets	39,065.4	19,537.4
Current liabilities	(34,936.0)	(19,262.0)
Total assets less current liabilities	141,800.7	67,702.5
Non-current liabilities	(102,498.8)	(46,066.3)
Net assets	39,301.9	21,636.2

The combined statement of financial position of the affiliated companies was prepared by combining their statements of financial position, after making adjustments to conform with the Group’s significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 31 December 2017.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.14 per share for the financial year ending 30 June 2018 to shareholders registered on 26 March 2018.

The interim dividend will be payable in cash but shareholders will be given the option of electing to receive the interim dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of the Hong Kong Stock Exchange. A circular containing details of the scrip dividend scheme will be despatched to shareholders together with the form of election for scrip dividend on or about 20 April 2018. It is expected that dividend warrants and certificates for the scrip shares will be posted to shareholders on or before 31 May 2018.

BOOK CLOSE DATES

Book close dates (both days inclusive)	:	20 March 2018 to 26 March 2018
Latest time to lodge transfer with share registrar	:	4:30 pm on Monday, 19 March 2018
Address of share registrar	:	Tricor Tengis Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2017, the Company bought back a total of 9,460,000 shares of the Company on the Hong Kong Stock Exchange at an aggregate consideration of HK\$107,620,720 (before expenses). All such bought back shares were subsequently cancelled during the period. As at 31 December 2017, the total number of shares of the Company in issue was 10,084,578,341.

Details of the shares bought back during the period are as follows:

Month	Number of shares bought back	Price paid per share		Aggregate consideration (before expenses) HK\$
		Highest HK\$	Lowest HK\$	
		September 2017	4,000,000	11.24
October 2017	2,000,000	11.96	11.80	23,801,960
November 2017	1,797,000	11.80	11.70	21,144,660
December 2017	1,663,000	10.98	10.88	18,200,660
	9,460,000			107,620,720

The above share buy-backs were made with a view to enhancing the earnings per share of the Company and thus benefit the shareholders as a whole.

During the six months ended 31 December 2017, the Company has not redeemed any of its listed securities. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 31 December 2017.

MAJOR ACQUISITION AND DISPOSAL

On 27 October 2017, New World Development (China) Limited (“NWD (China)”), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Oriental Triumph Inc. (“Oriental Triumph”), a company wholly owned by Mr. Doo Wai-Hoi, William, the Non-executive Vice-chairman of the Company, and under which NWD (China) agreed to sell, and Oriental Triumph agreed to purchase the entire issued share capital of Ramada Property Ltd., which together with its subsidiaries owns and operates the Shanghai Ramada Plaza, New World Shanghai Hotel and pentahotel Shanghai, at a consideration of RMB1.85 billion (equivalent to approximately HK\$2.2 billion), subject to customary closing adjustment (the “Disposal”). Completion of the Disposal is expected to occur during the first half of 2018.

REVIEW OF INTERIM RESULTS

The Company’s unaudited interim results for the six months ended 31 December 2017 have not been reviewed by external auditor, but have been reviewed by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2017, with the exception of code provisions A.6.4 and E.1.2.

Code provision A.6.4 is in relation to guidelines for securities dealings by relevant employees. As required under code provision A.6.4, the Board should establish for its relevant employees written guidelines no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules in respect of their dealings in the securities of the Company. Instead of following the Model Code strictly, the Board has established its own guidelines which are not on no less exacting terms than the Model Code. Such deviation from the CG Code is considered necessary, mainly because of the huge size of employees of the Group which is about 45,000, and the Group’s diversified businesses. For these reasons, to follow the exact guidelines of the Model Code will cause immense administrative burden to the Company in processing written notifications from the relevant employees when they deal in the securities of the Company, which can be avoided under the Company’s own guidelines.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Dr. Cheng Kar-Shun, Henry, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 21 November 2017 (the “AGM”) due to his other engagement. Dr. Cheng Chi-Kong, Adrian, Executive Vice-chairman and General Manager of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM and had answered questions at the AGM competently.

REQUIREMENT IN CONNECTION WITH PUBLICATION OF “NON-STATUTORY ACCOUNTS” UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE CAP. 622

The financial information relating to the year ended 30 June 2017 that is included in the Interim Report 2017/2018 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company had delivered the financial statements for the year ended 30 June 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor had reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 31 December 2017.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company since the date of the Company's 2017 Annual Report are set out below:

1. Mr. Lee Luen-Wai, John retired as a member of Appeal Boards Panel (Education) on 31 December 2017. Further, Mr. John Lee retired from the Board of Trustees of the Hospital Authority Provident Fund Scheme on 18 November 2017. He continues to serve as the Chairman of the Hospital Authority Provident Fund Scheme Investment Committee.
2. Ms. Ki Man-Fung, Leonie was appointed as a member of Hong Kong Institute of Construction Management Board in September 2017.
3. Ms. Cheng Chi-Man, Sonia retired as a member of the Guizhou Municipal Committee of The Chinese People's Political Consultative Conference effective from January 2018.

INVESTOR RELATIONS

The Group values good investor relations and has been committed to maintaining effective communication with investors. We have always offered in a high level of transparency and strived to ensure shareholders' comprehensive and thorough understanding of the Group. Announcements, interim and annual reports, and investor relations website are treated as important public disclosure channels to facilitate investors assessing the company holistically. Besides, we have actively participated in different investor forums and roadshows (both domestic and international), and conducted numerous site visits and meetings with the investment community for effective communication. Feedbacks from the investment community are directly reverted to the management to promote two-way communications between the Board and the investors.

CORPORATE SUSTAINABILITY

Through The Artisanal Movement, New World Group enriches the modern living culture with sustainability for the betterment of society. "New World Sustainability Vision 2030" was developed based on the United Nations Sustainable Development Goals to curate a customer experience epitomising the elements and benefits of "green", "wellness", "smart" and "caring". The Group recognises the importance of transparency to stakeholders and has published its Sustainability Report (<http://www.nwd.com.hk/sustainability>) to report the progress and performance of sustainability programmes in the past year.

EMPLOYEES AND REMUNERATION POLICIES

The Group has about 45,000 employees as at 31 December 2017 employed by entities under the Group's management. Remuneration policies are reviewed annually. Remuneration and bonuses are awarded to employees based on individual performances and market practices. Education subsidies will be granted to employees who are taking job-related courses. Periodic in-house training programs are also offered. Under the share option schemes of the Company and all the listed subsidiaries of the Group, options may be granted to certain Directors of the Company and certain employees of the Group to subscribe for shares in the Company and/or the respective subsidiaries.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2017, the interests of the Directors in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

(A) Long position in shares

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
New World Development Company Limited					
(Ordinary shares)					
Mr. Doo Wai-Hoi, William	-	12,966,143	15,926,681 ⁽¹⁾	28,892,824	0.29
Dr. Cheng Chi-Kong, Adrian	700,000	-	-	700,000	0.01
Mr. Cheng Kar-Shing, Peter	-	559,193	-	559,193	0.01
Mr. Ho Hau-Hay, Hamilton	-	-	878,353 ⁽²⁾	878,353	0.01
Mr. Liang Cheung-Biu, Thomas	10,429	-	-	10,429	0.00
Ms. Ki Man-Fung, Leonie	90,000	-	-	90,000	0.00
New World Department Store China Limited					
(Ordinary shares of HK\$0.10 each)					
Ms. Ki Man-Fung, Leonie	20,000	-	-	20,000	0.00
Ms. Cheng Chi-Man, Sonia	92,000	-	-	92,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	18,349,571	-	12,000,000 ⁽³⁾	30,349,571	0.78
Mr. Doo Wai-Hoi, William	-	-	6,802,903 ⁽⁴⁾	6,802,903	0.17
Mr. Cheng Kar-Shing, Peter	320,097	-	6,463,227 ⁽⁵⁾	6,783,324	0.17
Ms. Ki Man-Fung, Leonie	15,000	-	-	15,000	0.00
Sun Legend Investments Limited					
(Ordinary shares)					
Mr. Cheng Kar-Shing, Peter	-	-	500 ⁽⁶⁾	500	50.00

Notes:

- (1) These shares are beneficially owned by companies which are wholly owned by Mr. Doo Wai-Hoi, William.
- (2) These shares are beneficially owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.
- (3) These shares are beneficially owned by a company which is wholly owned by Dr. Cheng Kar-Shun, Henry.
- (4) These shares are beneficially owned by a company which is wholly owned by Mr. Doo Wai-Hoi, William.
- (5) These shares are beneficially owned by a company which is wholly owned by Mr. Cheng Kar-Shing, Peter.
- (6) These shares are beneficially owned by a controlled corporation of Mr. Cheng Kar-Shing, Peter.

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)**(B) Long position in underlying shares — share options**

During the six months ended 31 December 2017, certain Directors of the Company have interests in share options to subscribe for shares in the Company and certain of its subsidiaries. Details of such interests and movement of share options granted by the Company and its subsidiaries under their respective share option schemes are shown below:

(1) Long position in underlying shares of the Company — share options

Share options granted to Directors of the Company

Name	Date of grant	Exercisable period (Note)	Number of share options					Exercise price per share HK\$
			Balance as at 1 July 2017	Granted during the period	Transferred to other category on 1 July 2017	Exercised during the period	Balance as at 31 December 2017	
Dr. Cheng Kar-Shun, Henry	10 June 2016	(1)	10,675,637	-	-	-	10,675,637	7.540
	3 July 2017	(2)	-	2,000,000	-	-	2,000,000	10.036
Mr. Doo Wai-Hoi, William	22 January 2014	(3)	532,982	-	-	-	532,982	9.756
	3 July 2017	(2)	-	100,000	-	-	100,000	10.036
Dr. Cheng Chi-Kong, Adrian	9 March 2016	(4)	4,500,000	-	-	(700,000) ⁽⁶⁾	3,800,000	7.200
	10 June 2016	(1)	3,736,471	-	-	-	3,736,471	7.540
	3 July 2017	(2)	-	2,000,000	-	-	2,000,000	10.036
Mr. Yeung Ping-Leung, Howard	10 June 2016	(1)	533,779	-	-	-	533,779	7.540
	3 July 2017	(2)	-	100,000	-	-	100,000	10.036
Mr. Cha Mou-Sing, Payson	10 June 2016	(1)	533,779	-	-	-	533,779	7.540
	3 July 2017	(2)	-	100,000	-	-	100,000	10.036
Mr. Cheng Kar-Shing, Peter	10 June 2016	(1)	533,779	-	-	-	533,779	7.540
	3 July 2017	(2)	-	100,000	-	-	100,000	10.036
Mr. Ho Hau-Hay, Hamilton	10 June 2016	(1)	533,779	-	-	-	533,779	7.540
	3 July 2017	(2)	-	100,000	-	-	100,000	10.036
Mr. Lee Luen-Wai, John	10 June 2016	(1)	533,779	-	-	-	533,779	7.540
	3 July 2017	(2)	-	100,000	-	-	100,000	10.036
Mr. Liang Cheung-Biu, Thomas	10 June 2016	(1)	533,779	-	-	-	533,779	7.540
	3 July 2017	(2)	-	100,000	-	-	100,000	10.036
Ms. Ki Man-Fung, Leonie	10 June 2016	(5)	2,002,016	-	-	(400,000) ⁽⁷⁾	1,602,016	7.540
	3 July 2017	(2)	-	100,000	-	-	100,000	10.036
Mr. Cheng Chi-Heng	10 June 2016	(1)	533,779	-	-	-	533,779	7.540
	3 July 2017	(2)	-	100,000	-	-	100,000	10.036
Ms. Cheng Chi-Man, Sonia	10 June 2016	(1)	3,202,688	-	-	-	3,202,688	7.540
	3 July 2017	(2)	-	100,000	-	-	100,000	10.036
Mr. Au Tak-Cheong	22 January 2014	(3)	532,982	-	-	(532,000) ⁽⁸⁾	982	9.756
	10 June 2016	(1)	1,016,693	-	-	-	1,016,693	7.540
	3 July 2017	(2)	-	400,000	-	-	400,000	10.036
Mr. Chen Guanzhan ⁽⁹⁾	10 June 2016	(5)	1,868,471	-	(1,868,471) ⁽⁹⁾	-	-	7.540
			31,804,393	5,400,000	(1,868,471)	(1,632,000)	33,703,922	

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)**(B) Long position in underlying shares — share options (continued)****(1) Long position in underlying shares of the Company — share options (continued)***Share options granted to Directors of the Company (continued)*

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) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.
- (3) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.
- (4) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.
- (5) Divided into 3 tranches exercisable from 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (6) The exercise date was 13 July 2017. On the trading date immediately before the exercise date, the closing price per share was HK\$9.97.
- (7) The exercise date was 6 October 2017. On the trading date immediately before the exercise date, the closing price per share was HK\$11.46.
- (8) The exercise date was 4 October 2017. On the trading date immediately before the exercise date, the closing price per share was HK\$11.44.
- (9) Mr. Chen Guanzhan resigned as Director of the Company with effect from 1 July 2017, such share options were transferred from the category of "Directors of the Company" to "other eligible participants".
- (10) The cash consideration paid by each Director for the grant of share options is HK\$10.0.

Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options						Exercise price per share HK\$
		Balance as at 1 July 2017	Granted during the period ⁽⁷⁾	Transferred from other category on 1 July 2017	Exercised during the period	Lapsed during the period	Balance as at 31 December 2017	
22 January 2014	(1)	15,780,641	-	-	(11,356,663) ⁽⁹⁾	(319,788)	4,104,190	9.756
27 October 2014	(2)	27,079,872	-	-	(9,547,413) ⁽¹⁰⁾	-	17,532,459	9.485
7 July 2015	(3)	15,616,588	-	-	(3,020,000) ⁽¹¹⁾	-	12,596,588	9.966
9 March 2016	(4)	10,675,000	-	-	(425,000) ⁽¹²⁾	(50,000)	10,200,000	7.200
10 June 2016	(5)	28,734,925	-	1,868,471 ⁽⁸⁾	(4,297,754) ⁽¹³⁾	(859,418)	25,446,224	7.540
3 July 2017	(6)	-	48,050,000	-	(2,017,500) ⁽¹⁴⁾	(50,000)	45,982,500	10.036
		97,887,026	48,050,000	1,868,471	(30,664,330)	(1,279,206)	115,861,961	

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)**(B) Long position in underlying shares — share options (continued)****(1) Long position in underlying shares of the Company — share options (continued)**

Share options granted to other eligible participants (continued)

Notes:

- (1) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.
- (2) Divided into 4 tranches exercisable from 27 October 2014, 27 October 2015, 27 October 2016 and 27 October 2017 respectively to 26 October 2018.
- (3) Divided into 4 tranches exercisable from 7 July 2015, 7 July 2016, 7 July 2017 and 7 July 2018 respectively to 6 July 2019.
- (4) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.
- (5) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.
- (6) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.
- (7) The closing price per share immediately before 3 July 2017, the date of offer to grant, was HK\$9.91.
- (8) Mr. Chen Guanzhan resigned as Director of the Company with effect from 1 July 2017, such share options were transferred from the category of "Directors of the Company" to "other eligible participants".
- (9) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$11.121.
- (10) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$11.356.
- (11) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$11.305.
- (12) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$11.086.
- (13) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$10.842.
- (14) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$11.609.
- (15) The cash consideration paid by each participant for the grant of share options is HK\$10.0.

The fair value of the share options granted during the period is estimated at HK\$1.052 per share using the Binomial pricing model. Value is estimated based on the risk-free rate at 1.05% per annum with reference to the market yield rates of the Hong Kong Government Bond (maturing 21 June 2021 and 6 December 2021) as of the value date, a historical volatility of 24.55% calculated based on the historical price with period equals to the life of the options, assuming dividend yield of 4.26% based on the average dividend yield in the past five years and an expected option life of four years.

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

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)**(B) Long position in underlying shares — share options (continued)****(2) Long position in underlying shares of NWS Holdings Limited — share options***Share options granted to Directors of the Company*

Name	Date of grant	Exercisable period (Note)	Number of share options				Exercise price per share HK\$
			Balance as at 1 July 2017	Adjusted during the period	Exercised during the period	Balance as at 31 December 2017	
			Dr. Cheng Kar-Shun, Henry	9 March 2015	(1)	7,420,739	

Notes:

- (1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.
- (2) The cash consideration paid by the above Director for the grant of share options is HK\$10.0.

Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options					Exercise price per share HK\$
		Balance as at 1 July 2017	Adjusted during the period	Exercised during the period ⁽²⁾	Lapsed during the period	Balance as at 31 December 2017	
		9 March 2015	(1)	42,035,091	-	(6,239,687)	

Notes:

- (1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.
- (2) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$15.836 per share.
- (3) The cash consideration paid by each eligible participant for the grant of share options is HK\$10.0.

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)**(C) Long position in debentures****(1) Fita International Limited ("Fita")**

Name	Amount of debentures in US\$ issued by Fita				Approximate % to the total amount of debentures in issue as at 31 December 2017
	Personal interests	Family interests	Corporate interests	Total	
	US\$	US\$	US\$	US\$	
Mr. Doo Wai-Hoi, William	–	2,900,000	12,890,000 ⁽¹⁾	15,790,000	2.11
Mr. Lee Luen-Wai, John	1,000,000	1,000,000	–	2,000,000	0.27
	1,000,000	3,900,000	12,890,000	17,790,000	

Note:

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

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

Name	Amount of debentures issued by NWCL				Approximate % to the total amount of debentures in issue as at 31 December 2017
	Personal interests	Family interests	Corporate interests	Total	
	RMB	RMB	RMB	RMB	
Mr. Doo Wai-Hoi, William	–	65,896,000 ⁽¹⁾	1,142,041,200 ⁽²⁾	1,207,937,200	10.92
Mr. Cheng Kar-Shing, Peter	–	12,256,000 ⁽³⁾	16,000,000 ⁽⁴⁾	28,256,000	0.26
	–	78,152,000	1,158,041,200	1,236,193,200	

Notes:

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

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

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

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

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)**(C) Long position in debentures (continued)****(3) NWD Finance (BVI) Limited ("NWD Finance")**

Name	Amount of debentures in US\$ issued by NWD Finance				Approximate % to the total amount of debentures in issue as at 31 December 2017
	Personal interests	Family interests	Corporate interests	Total	
	US\$	US\$	US\$	US\$	
Mr. Doo Wai-Hoi, William	–	–	21,550,000 ⁽¹⁾	21,550,000	1.80
Ms. Ki Man-Fung, Leonie	1,000,000	–	–	1,000,000	0.08
	1,000,000	–	21,550,000	22,550,000	

Note:

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

(4) NWD (MTN) Limited ("NWD (MTN)")

Name	Amount of debentures issued by NWD (MTN)				Approximate % to the total amount of debentures in issue as at 31 December 2017
	Personal interests	Family interests	Corporate interests	Total	
	HK\$	HK\$	HK\$	HK\$	
Mr. Doo Wai-Hoi, William	–	23,400,000 ⁽¹⁾	156,000,000 ⁽²⁾	179,400,000	0.82
Ms. Ki Man-Fung, Leonie	11,800,000 ⁽³⁾	–	–	11,800,000	0.05
	11,800,000	23,400,000	156,000,000	191,200,000	

Notes:

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

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

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

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive had or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2017, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in shares

Name	Number of shares held			Approximate % of shareholding
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") ⁽¹⁾	–	4,476,605,260	4,476,605,260	44.39
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") ⁽²⁾	–	4,476,605,260	4,476,605,260	44.39
Chow Tai Fook Capital Limited ("CTFC") ⁽³⁾	–	4,476,605,260	4,476,605,260	44.39
Chow Tai Fook (Holding) Limited ("CTFHL") ⁽⁴⁾	–	4,476,605,260	4,476,605,260	44.39
Chow Tai Fook Enterprises Limited ("CTF") ⁽⁵⁾	4,069,825,958	406,779,302	4,476,605,260	44.39

Notes:

- (1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (3) CTFC holds 81.03% direct interest in CTFHL and is accordingly deemed to have an interest in the shares deemed to be interested by CTFHL.
- (4) CTFHL holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.
- (5) CTF together with its subsidiaries.

Save as disclosed above, no other person was recorded in the register kept pursuant to section 336 of the SFO having an interest in 10.0% or more of the issued share capital of the Company as at 31 December 2017.

OTHER PERSON'S INTERESTS IN SECURITIES

As at 31 December 2017, the interests or short positions of persons (other than Directors or chief executive or substantial shareholders (as defined in the Listing Rules) of the Company) in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in Shares

Name	Capacity	Number of shares/ underlying shares held	Total	Approximate % of shareholding
BlackRock, Inc.	Interest of controlled corporation	502,371,481	502,371,481⁽¹⁾	4.98

Short positions in Shares

Name	Capacity	Number of shares/ underlying shares held	Total	Approximate % of shareholding
BlackRock, Inc.	Interest of controlled corporation	12,048,486	12,048,486⁽²⁾	0.12

Notes:

- (1) The interests included interests in 11,000 underlying shares through its holding of certain cash settled unlisted derivatives.
- (2) The interests included interests in 4,693,819 underlying shares through its holding of certain cash settled unlisted derivatives.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under section 336 of the SFO as at 31 December 2017.

BOARD OF DIRECTORS**Executive Directors**

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

Non-executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Wong Man-Hoi

AUDITOR

PricewaterhouseCoopers

SOLICITORS

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

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 18 Queen's Road Central, Hong Kong
 Tel: (852) 2523 1056
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PRINCIPAL BANKERS

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

STOCK CODE

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

INFORMATION FOR INVESTORS

For more information about the Group,
 please contact the Investor Relations Department of
 the Company at:

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WEBSITE

www.nwd.com.hk

Chinese Version

The Chinese version of this Interim Report is available on request from New World Development Company Limited.

Where the English and the Chinese texts conflict, the English text prevails.



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www.nwd.com.hk



New World Development Company Limited
takes every practicable measure to conserve
resources and minimise waste.