New World Development Company Limited

(Stock Code: 0017)

Annual Report 2018

The Artisanal Movement

WE CREATE, **WE ARE ARTISANS**

The Artisanal Movement

is a cultural vision, a philosophy for living.
In the age of machines, we want to celebrate something
more human and kindle the artisan spirit in us.
Through Collect, Connect, Collide,
The Artisanal Movement becomes an incubator for ideas,
and a channel for audiences to experience them.

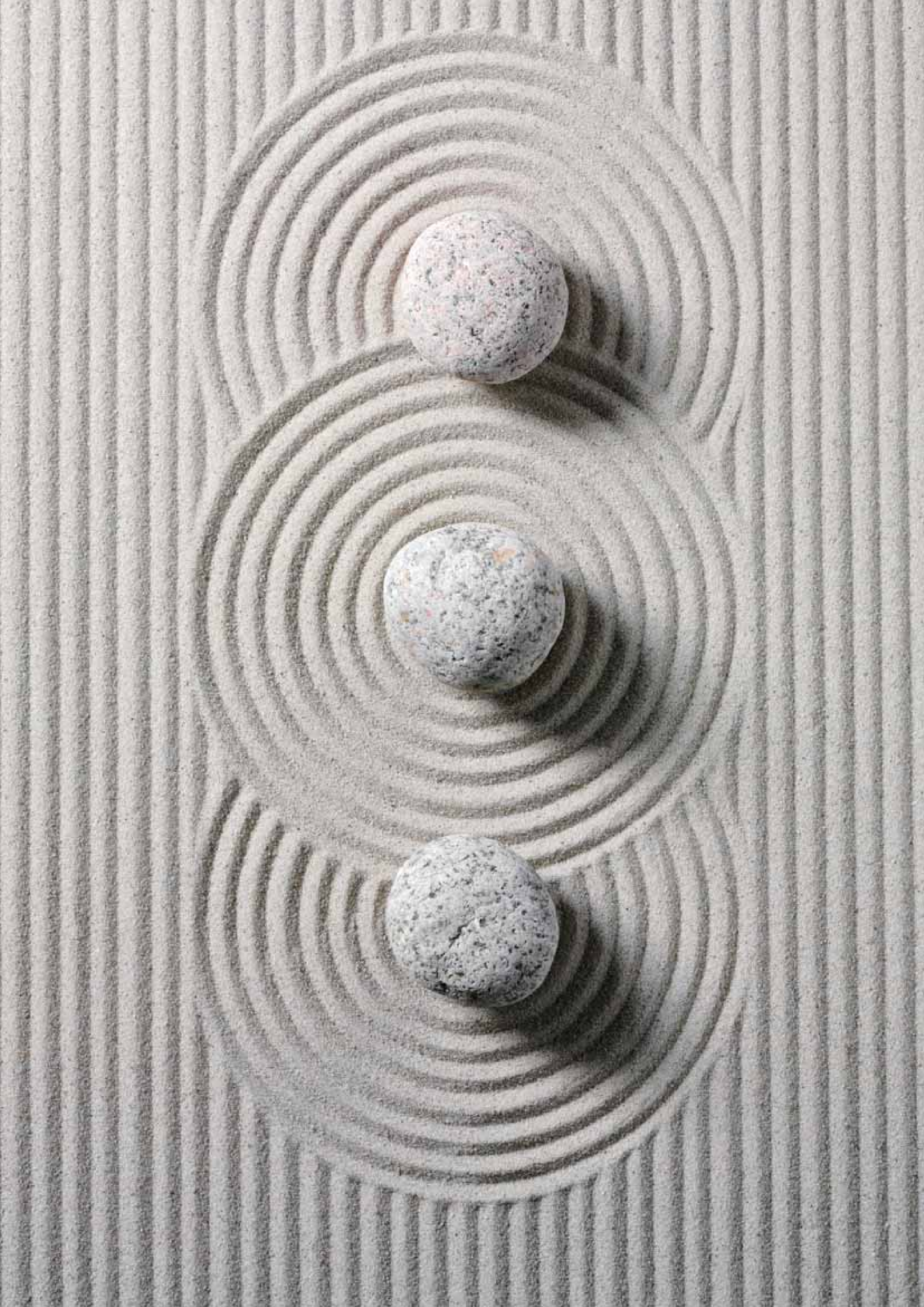
Contents

imagination

Aspiration • Boundless • Cultivation

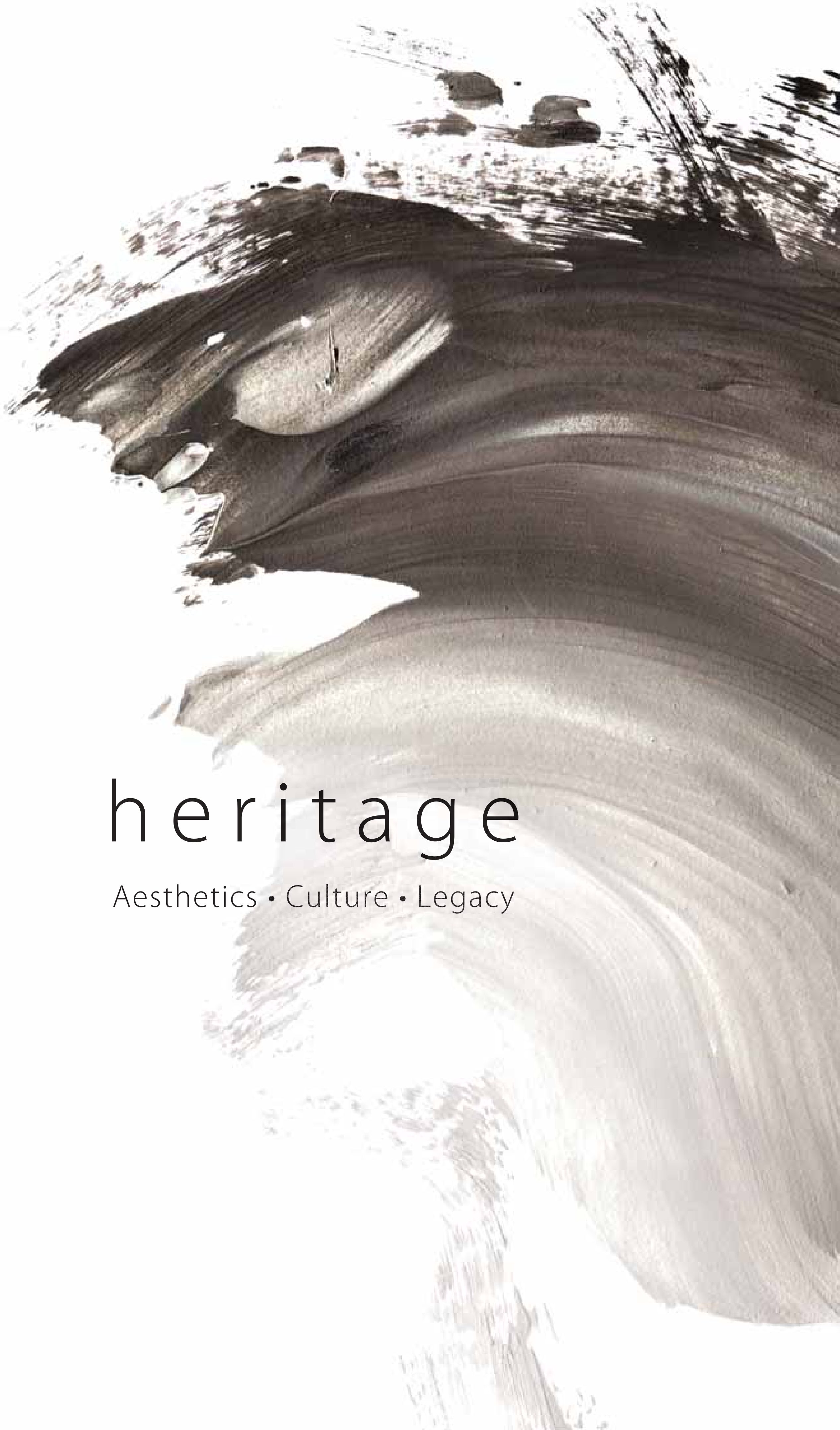
craftsmanship

Artistry • Creation • Humanised



b e s p o k e

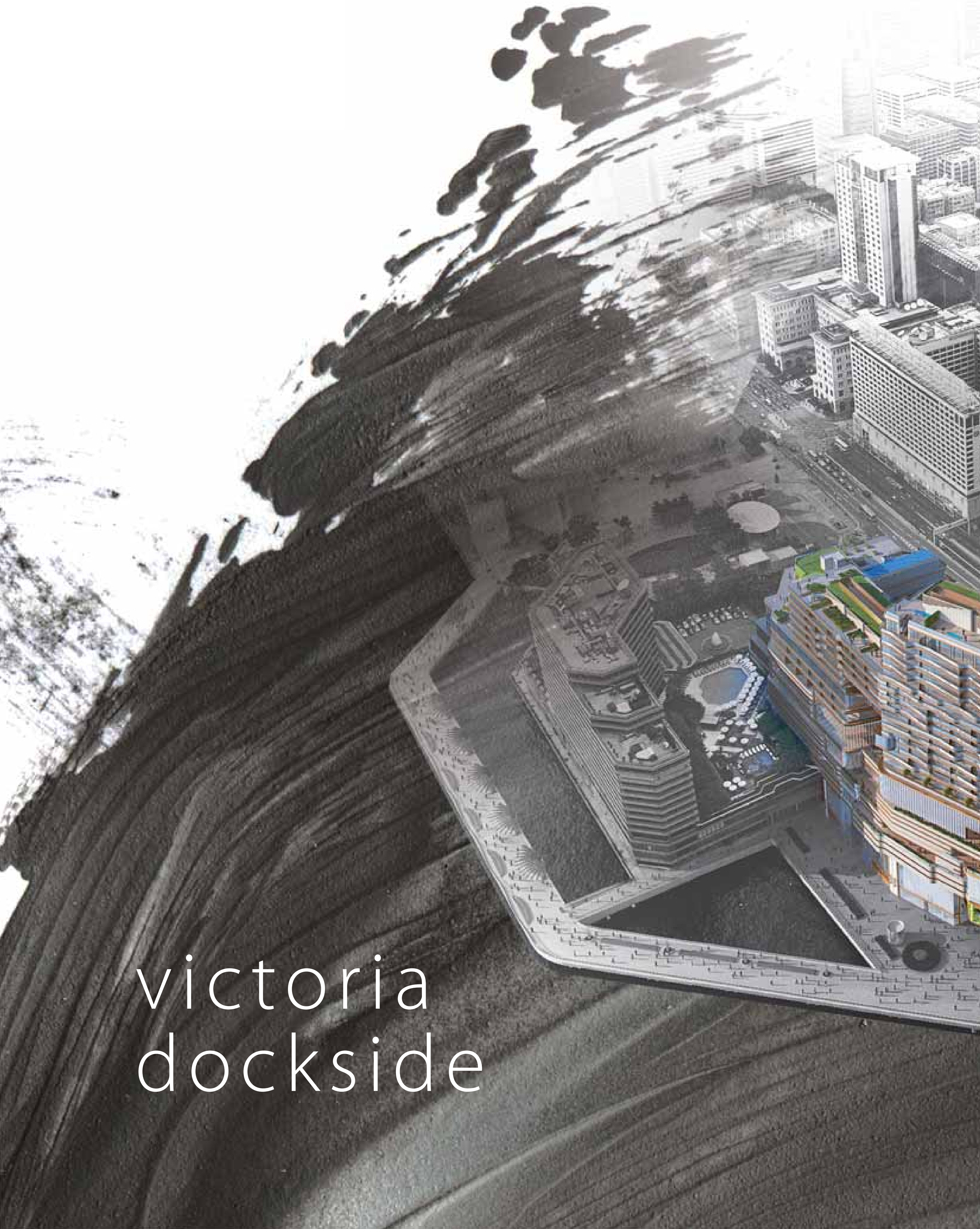
Encounter • Indulgence • Peculiar



heritage

Aesthetics • Culture • Legacy


contemporary
Innovation • Provocative • Visionary


victoria
dockside

mainland china

Corporate Structure

New World Development Company Limited
(HK Stock Code: 0017)

Property Development & Investment in Hong Kong

New World China Land Limited (100%)*
Property development & investment in Mainland China

New World Department Store China Limited (75%)*
(HK Stock Code: 0825)
Department store in Mainland China

NWS Holdings Limited (61%)*
(HK Stock Code: 0659)
Infrastructure & service in Hong Kong and Mainland China

* The percentage of interest held by the Group as at 30 June 2018

Financial Highlights

	FY2018 HK$m	FY2017 HK$m
Revenues	**60,688.7**	56,628.8
Segment results (include share of results of joint ventures and associated companies, but excluding changes in fair value of investment properties)	**15,844.6**	14,090.4
Changes in fair value of investment properties	**15,367.1**	1,363.8
Profit attributable to shareholders of the Company	**23,338.1**	7,675.7
Dividend per share (HK$)		
Interim	**0.14**	0.13
Final	**0.34**	0.33
Full-year	**0.48**	0.46

	As at 30 June 2018 HK$m	As at 30 June 2017 HK$m
Total assets	**481,454.8**	437,056.3
Net debt(1)	**74,859.0**	76,870.2
Gearing ratio(2) (%)	**29.3**	34.8

Remarks:
(1) Net debt: The aggregate of bank loans, other loans and fixed rate bonds and other borrowings less cash and bank balances
(2) Gearing ratio: Net debt divided by total equity

* The Group has adopted HKFRS 15 for the year ended 30 June 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. For details, please refer to the section of Basis of Preparation under "Notes to the Financial Statements" on page 136.

** For further details in relation to the EBITDA of the Group, please refer to "Management Discussion and Analysis" on page 113.

Chairman's Statement

The year 2018
In full support of China's development strategies including

"The Belt and Road Initiative" and Guangdong-Hong Kong-Macao Bay Area development,

the Group will continue to shoulder the responsibilities as a city builder, contribute to our homeland and plow back to society.

TO OUR SHAREHOLDERS,

City is a people-centered complex system. It is an aggregation of technological advancement, economic development and social evolvement; a network arising from the interactions between citizens and natural environment; and a combination of imagination and reality.

From the perspective of an urban ecologist, the ecological quality of a city casts direct impact on the pace of economic and social development. Urban development becomes more constrained by objective conditions such as land, resources, environment, society and economy when evolving to the mature period. By harmonising the conflicts between economic development and urban environment, or through the synergies across regions and expansion of the overall urban development scale and so forth, a city builder contributes to sustainability and creates a perpetual ecological environment in which residents can live in peace.

With the tremendously rapid development of our country and the overall expedition of the integration among Guangdong, Hong Kong and Macao, Hong Kong has vigorously utilized its unique strengths to interact and bond with neighbouring cities. This has key significance to sustainable development, competitiveness improvement and long-term prosperity and stability for the city cluster.

On 1 July 2017, the "Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Bay Area" was signed among the National Development and Reform Commission and the Governments of Guangdong Province, Hong Kong and Macao. Comprising 11 cities, the Guangdong-Hong Kong-Macao Bay Area ("Bay Area") will be a region with the highest density of population, capital and global patents of the country. Its geographical area, population, economic growth rate, ports handling capacity and airport traffic volume will be comparable to world-renowned bay areas which are based on single-core economy, including San Francisco, New York and Tokyo.

Some research institutions predict that the Bay Area will surpass the three existing bay areas by 2030 to become a new global free economic zone with the highest population and largest economic size in the world. Through innovation and greater regional collaboration, this multi-core development plan will enhance the complementary strengths of the cities in the Bay Area, achieve interconnections in terms of finance, trade, shipping, services, technology and talents, improve and innovate upon a cooperation mechanism, foster the development of industrial value chain, and deliver mutual benefits.

With its long-standing commitment to developing the Greater China market, the New World Group advocates a sustainable model of development and fabricates different products and services that cater to various needs generating from the city evolvement. In full support of China's development strategies including "The Belt and Road Initiative" and Guangdong-Hong Kong-Macao Bay Area Development, the Group will continue to shoulder the responsibilities as a city builder, contribute to our homeland and plow back to society. Meanwhile, the Group will further enhance the New World brand and, by way of boundless imagination and meticulous planning, create room for sustainable and diversified development and in turn create values for stakeholders and society.

Dr. Cheng Kar-Shun, Henry
Chairman
Hong Kong, 20 September 2018

Executive Vice-chairman's Report

The New World Group will continue to stay ahead of the market with the passion and commitment enshrined under The Artisanal Movement

BUSINESS REVIEW

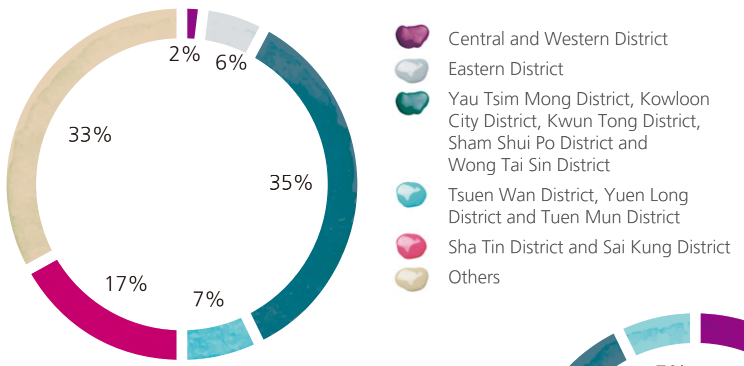
In FY2018, profit attributable to shareholders of the Company amounted to HK$23,338.1 million, up 204.1%, which was mainly due to the improved performance in segment results, together with the surplus in changes in fair value of investment properties.

Segment results up 12.4% year-on-year, in which, property development and infrastructure recorded a growth of 26.2% and 14.7% respectively, mainly attributable to the increase in contribution from property development in Hong Kong and Mainland China, and the improved performance of road and aviation businesses. The increase in changes in fair value of investment properties were mainly attributable to Victoria Dockside and the enhancement of the flagship properties in Hong Kong especially in office sector.

The basic earnings per share of the Group increased by 192.5% to HK$2.34. Net gearing stood at 29.3%, down 5.5 percentage points.

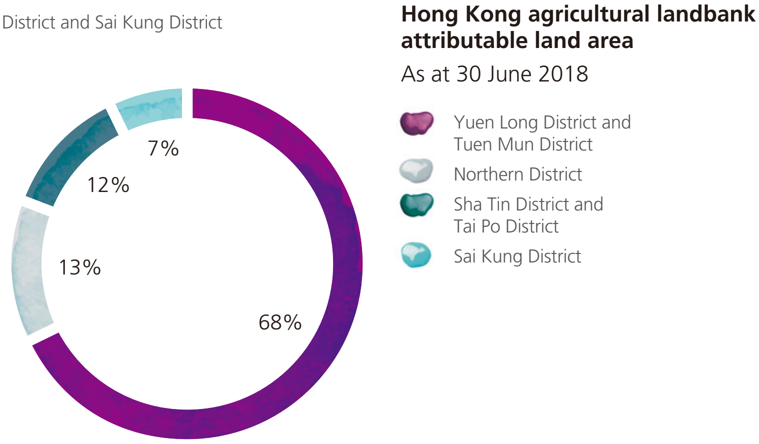
In FY2018, the Group's underlying profit amounted to HK$7,977.6 million, increased by 11.8%. The deduction were mainly due to changes in fair value of investment properties, non-controlling shareholder's interests, together with the disposal and revaluation of the shares in Beijing Capital International Airport Co., Ltd. ("BCIA") under NWS Holdings Limited ("NWSH"). In FY2017, the Group's underlying profit amounted to HK$7,133.3 million.

Hong Kong landbank attributable GFA
As at 30 June 2018



11,973,508 sq ft

Hong Kong agricultural landbank attributable land area
As at 30 June 2018



16,995,861 sq ft

Segment performance (HK$ million)	**FY2018 Revenues**	**FY2018 Segment results***	FY2017 Revenues	FY2017 Segment results*
Property development	**23,380.8**	**9,475.5**	25,968.0	7,506.8
Hong Kong	**7,141.0**	**2,864.5**	8,538.1	2,277.1
Mainland China	**16,239.8**	**6,611.0**	17,429.9	5,229.7
Property investment	**3,109.9**	**1,923.3**	2,410.9	1,770.6
Hong Kong	**1,835.9**	**1,160.9**	1,576.2	1,169.5
Mainland China	**1,274.0**	**762.4**	834.7	601.1
Hotel operations	**1,479.0**	**(76.5)**	1,426.5	(113.8)
Hong Kong	**608.8**	**68.9**	573.9	87.3
Mainland China	**606.8**	**(180.1)**	633.8	(289.2)
Southeast Asia	**263.4**	**34.7**	218.8	88.1
Service	**25,911.7**	**858.4**	20,743.0	1,186.0
Infrastructure	**2,814.6**	**3,801.4**	2,410.6	3,313.0
Department stores	**3,670.9**	**232.4**	3,389.0	220.0
Others	**321.8**	**(369.9)**	280.8	207.8
Total	**60,688.7**	**15,844.6**	56,628.8	14,090.4

* Segment results include share of results of joint ventures and associated companies and exclude changes in fair value of investment properties.

The Group adopted HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") from 1 July 2017 which replaces HKAS 18 Revenue ("HKAS 18") and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

In prior years, under HKAS 18, the Group accounted for property development activities when significant risks and rewards of ownership of properties have been transferred to the customers. The Group recognised revenue from sale of properties upon the later of the sale and purchase agreement and the issue of occupation permit by the relevant government authorities when the risks and rewards of ownership of the property had been transferred to the customers. Under HKFRS 15, revenue from sale of properties (including pre-sale) is recognised when or as the control of the asset is transferred to the customer. Revenue from sale of properties is generally recognised upon the legal assignment is completed when the customer has the ability to direct the use of the property. This change of accounting policy resulted in the Group's recognition of revenue from sale of properties being recognised later than the time recognised under the previous accounting policy.

The natural elegance of the neighbourhood

EBITDA* of the Group for FY2018 by Region is as follows:

EBITDA (HK$m)	Under HKFRS 15				Under HKAS 18			
	Hong Kong		Mainland China and other regions		Hong Kong		Mainland China and other regions	
Property related	**3,864.6**	**87%**	**7,284.1**	**77%**	**10,147.2**	**95%**	**6,966.2**	**76%**
Others	**585.9**	**13%**	**2,159.4**	**23%**	**585.9**	**5%**	**2,164.2**	**24%**
Total	**4,450.5**	**100%**	**9,443.5**	**100%**	**10,733.1**	**100%**	**9,130.4**	**100%**
EBITDA (%)	**32%**		**68%**		**54%**		**46%**	

* EBITDA: operating profit before depreciation and amortisation, changes in fair value of investment properties and other gains, net and after net exchange difference

HONG KONG PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT

Hong Kong saw strong momentum in its economic growth, bringing ample room for development of all sectors. Stable high employment rate and appreciation of assets value, together with the continuous shortage of land supply in the market in the near future, contributed positively to the pace of home purchases by potential buyers in the residential market. In 2017, primary private residential transactions reached 18,645 units at an aggregate value of HK$240 billion, representing a year-on-year increase of 11.0% and 28.9% from 2016 respectively.

Stepping into 2018, a number of key projects were launched in the second quarter. Most developers offered attractive incentive schemes for home purchases, which stimulated sales and in turn positive market sentiment for home purchases, as record-breaking prices of various project were achieved. During the first half of 2018, primary private residential transactions reached 7,682 units at an aggregate value of HK$110 billion.

In view of surging residential prices, on 29 June 2018, the Government of Hong Kong Special Administration Region (the "HK Government") announced three objectives and six housing initiatives, which included the introduction of "Special Rates" on vacant primary private residential units, and amendment of the "Lands Department Consent Scheme" to improve sales practices. Such policies are seen by the market as drivers for faster project launch by property developers, which would in turn curtail price soars otherwise underpinned by inadequate supply.

The Group treasures voice of customers, and has created a series of products and living concepts with forward-looking ideas and tastes, which reflects our dedication to bespoke craftsmanship and provides an unparalleled array of exclusive experience to our prestigious customers under the ecosystem of The Artisanal Movement living sphere.

During the year, the Group's attributable contracted sales in Hong Kong amounted to HK$24.7 billion, outperforming the HK$10 billion sales target and reaching a new height for the Group, being mainly contributions from residential projects including MOUNT PAVILIA in Clear Water Bay, ARTISAN HOUSE in Sai Ying Pun, FLEUR PAVILIA in North Point, THE PARKVILLE in Tuen Mun, PARK HILLCREST and PARK VILLA in Yuen Long, THE PAVILIA BAY in Tsuen Wan, The Masterpiece in Tsim Sha Tsui and the Double Cove series in Ma On Shan.

During the year under review, the Group's revenue and segment contributions from property development in Hong Kong, including joint development projects, amounted to HK$7,141.0 million and HK$2,864.5 million, respectively. The contributions was mainly attributable to residential projects including MOUNT PAVILIA in Clear Water Bay, The Masterpiece in Tsim Sha Tsui, THE PAVILIA HILL in North Point, PARK VILLA in Yuen Long and the Double Cove series in Ma On Shan.

In November 2017, the Group launched ARTISAN HOUSE, the third bespoke project under the Bohemian Collection, offering a mix of layouts including studio as well as one-bedroom and two-bedroom units. 241 units had been sold as of early September 2018.

During the year, the Group launched residential projects PARK HILLCREST and PARK REACH in Yuen Long, and THE PARKVILLE in Tuen Mun. THE PARKVILLE is the first pilot project under the "NewGen First Home Program" launched by the Group. This program provides another housing ladder to Hong Kong young generation with housing needs and have stable income. Market response was very positive and all units had been sold out.

MOUNT PAVILIA in Clear Water Bay, is a low-density residential project of the Group, it show cases futuristic living concepts in the setting of a sculpture park under the theme of "Home and Family". In May 2018, 241 units were sold together with the sale of carparks within a month, the total sales proceeds amounted to more than HK$6 billion, drawing a lot of attention from the market. As of early September 2018, 594 units out of 680 units had been sold.

In May 2018, the Group launched FLEUR PAVILIA in North Point, a major and scarcely available residential project located on Hong Kong Island. The project includes a clubhouse and a garden named "FLEUR ISLAND" designed by the Japanese design team, who embodied the natural elegance of the neighbourhood in their architecture and design. The maiden launch of the project drew an overwhelming market response, with 96% out of a total of 247 units of the first batch being sold within one day. As of early September 2018, 474 units out of 611 units had been sold.

The Group will fine-tune the pace of new project launch in response to market conditions, and provides home purchasers with choices and experience to their satisfaction. As of early September 2018, the Group had a total of approximately 400 residential units available for sales. The Group plans to launch REACH SUMMIT and Lung Tin Tsuen (Phase 3) in Yuen Long, Waterloo Road project in Ho Man Tin and Sheung Heung Road project in To Kwa Wan, which will provide over 1,300 residential units in aggregate.

Under the current development schedule of the projects, THE PAVILIA BAY in Tsuen Wan, ARTISAN HOUSE in Sai Ying Pun, THE PARKVILLE in Tuen Mun, FLEUR PAVILIA in North Point, and PARK HILLCREST and PARK REACH in Yuen Long will be handed over to purchasers in FY2019 and hence revenue from sales will be recognised in the same year.

HONG KONG PROPERTY INVESTMENT AND OTHERS

Driven by factors including the continuous growth of tourist arrivals, buoyant local job market and prospects of income growth, the retail sector of Hong Kong saw twilights of recovery in 2017, after more than three years of adjustment. In 2017, total retail sales increased by 2.2% with substantial growth in luxury goods and other consumer goods including medicines and cosmetics, which rose by 4% and 5.7% respectively. In the first half of 2018, retail performance further augmented with an increase of 12% in total retail sales in June, which was the 16th consecutive months of positive growth.

Driven by promising economic environment, corporates plan for their Hong Kong operations in a more positive way, the buoyance of fundraising and listing together with the market expansion by co-working space operators in Hong Kong have raised additional demand in the office leasing market. Premium office spaces in core commercial districts in Hong Kong are highly sought after by Chinese enterprises, which have accounted 41% of all new leases in the first half of 2018 and increasing year by year according to property agencies. Backed by multiple factors, the overall office vacancy recorded 5.1% and vacancy rate dropped to 1.1% for the core area of Central. While supply fell short of demand, office rental rates rose by 4.6% in the first half of 2018 on average.

During the year under review, the Group's gross rental income in Hong Kong amounted to HK$1,835.9 million, an increase of 16.5%, attributable to the satisfactory occupancy rates of major projects, together with the commencement of operation in K11 ATELIER at Victoria Dockside and THE FOREST in Mong Kok.

The development of Victoria Dockside, a new global landmark located at the core area of Tsim Sha Tsui waterfront in Kowloon, was progressing well. This commercial complex with a total GFA of approximately 3 million sq ft will accommodate Grade A offices namely K11 ATELIER, K11 ARTUS serviced apartments, a luxury hotel Rosewood Hong Kong, Rosewood Residences, and K11 MUSEA that offers unparalleled novel experience of art, design and leisure, commanding a panoramic view of Victoria Harbour and Hong Kong Island from a new perspective. Victoria Dockside will grand open in the third quarter in 2019.

K11 ATELIER, the Grade A offices in Victoria Dockside, was completed and became available for use during the year under review. The first batch of multinational corporations moved in during the fourth quarter of 2017. Occupancy rate is over 70% as at the end of FY2018.

K11 MUSEA, an ambitious project situated in the heart of Victoria Dockside, will be unveiled in the third quarter of 2019. Entailing an innovative experiential museum-retail concept, the project is set to turn over a new leaf for the retail industry of Hong Kong. K11 MUSEA has been designed to offer world-class experience in retail, art, culture, entertainment and dining to global millennials who see experiencing and travel as parts of an indulgent lifestyle and aimed to be the destination of travel gurus. The 10-storey K11 MUSEA will house an extensive selection of international brands, many of which are pop-up stores and flagship stores that are setting their first presence in Hong Kong.

K11 ARTUS is the first hospitality extension of K11, a global high-end lifestyle brand that brings together three essential elements of art, people and nature. K11 ARTUS comprises 287 suites spanning across 14-storey, offering flexible rental plans from short to long-term stays to accommodate the needs of guests, is scheduled to open in summer 2019.

Rosewood Hong Kong, as part of the multi-use tower, is scheduled to open in the first quarter in 2019.

Victoria Dockside – area breakdown	**Total GFA (sq ft '000)**
K11 ATELIER	435
K11 MUSEA (including the portion of 12 Salisbury Road, Tsim Sha Tsui)	1,156
K11 ARTUS	380
Rosewood Hong Kong + Rosewood Residences	1,106
Total	**3,077**

Hong Kong K11 recorded an occupancy rate of 100% during the year under review, with an average monthly footfall of approximately 1.4 million. Celebrating K11 10th anniversary this year, a HK$200 million major renovation for Hong Kong K11 will commence in phases, targeting end of 2019 for completion. The renovation is aimed to redesign interior zoning to optimise the flexibility of retail space. Upon completion, further enhancement in both footfall and sales is expected in 2020.

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 year under review, it recorded an occupancy rate of 94.4% with an average monthly footfall of approximately 3.4 million.

THE FOREST in Mong Kok had its grand opening during the year under review and attained an occupancy rate of 95.9%. Modelled on the characteristic architecture of Daikanyama in Tokyo, THE FOREST is a shopping mall with brand new concept that integrates nature, sports, and culture.

HONG KONG LANDBANK

The participation of property developers from Mainland China in Hong Kong's land market has become less active following the notices of the General Office of the State Council expressly restricting domestic enterprises from investing in overseas real estate sector. Instead, local developers in Hong Kong started to gear up in acquiring new projects in the second half of 2017. Be it for residential, office or hotel use purposes, land parcels have been transacted at record-high prices, outperforming market expectation on valuation in a number of occasions.

The inadequacy of land supply in Hong Kong has been a fundamental factor fueling price soars in the past. In this connection, the Task Force on Land Supply ("Task Force"), which is constituted at the appointment of the Chief Executive of HK Government, launched a five-month public engagement exercise on 26 April 2018, aiming to further promote and study 18 potential and additional land supply options put forward by the Task Force, in order to reach consensus and make recommendation to the Government. Despite the market's positive response towards the Task Force and its proposals, market anticipated that it will take quite a long time before ways to provide sustainable land supply can be clearly identified and ameliorated.

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

In furtherance of its strategy of development in the Guangdong-Hong Kong-Macao Bay Area, on 2 May 2018, the Group won a successful bid for an iconic world-class commercial development in SKYCITY at Hong Kong International Airport ("HKIA"). Situated next to HKIA, the development will involve total investment of HK$20 billion and take up a GFA of approximately 3.77 million sq ft, comprising 2.1 million sq ft for dinning and retail outlets and 570,000 sq ft each for experience-based entertainment facilities and office space. The remaining floor area will be used for public facilities and carparks. The project is scheduled to be completed in phases from 2023 to 2027.

The Group will be responsible for the design, development and management of the entire project, aiming to build this strategically located project into a commercial and entertainment hub in Hong Kong and the Bay Area at large, offering high-tech experiential entertainment, making it a new landmark in Hong Kong for locals and visitors from overseas and a population of more than 60 million people of the Bay Area.

The Group is optimistic about the development of Kowloon West District and acquired Wing Hong Street project in Cheung Sha Wan, Kowloon in August 2017. The project will develop into a Grade A office building 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, the Group currently has three Grade A office projects under development in that district with a total GFA of 1.9 million sq ft.

Further to the successful land use conversions of two agricultural land plots located in Yuen Long in 2016, the Group converted the land usage of another land plot Lung Tin Tsuen Phase 3 farmland in Yuen Long town centre in August 2017. Total GFA is approximately 121,100 sq ft and the total land premium amounted to approximately HK$460 million.

As at 30 June 2018, the Group had a landbank in Hong Kong for immediate development with an attributable total GFA of approximately 11.97 million sq ft, of which approximately 3.96 million sq ft is for residential use. Meanwhile, the Group had an agricultural landbank in New Territories with an attributable total site area of approximately 17 million sq ft pending for land use conversion.

Landbank by district	**Attributable total GFA (sq ft '000)**
Hong Kong Island	980
Kowloon	4,217
New Territories	6,777
Total	**11,974**

Agricultural landbank by district	**Total site area (sq ft '000)**	**Attributable site area (sq ft '000)**
Yuen Long District	12,593	11,594
Northern District	2,601	2,246
Sha Tin District and Tai Po District	1,975	1,975
Sai Kung District	1,359	1,161
Tuen Mun District	19	19
Total	**18,547**	**16,995**

MAINLAND CHINA PROPERTY DEVELOPMENT

As the real estate sector is highly correlated to financial policies, lowering leverages in the sector is among the key tasks of the Chinese Central Government ("Central Government") under its financial risk control and prevention initiatives. Against the backdrop of novel international relations and macroeconomic conditions, Renminbi exchange rate issue trailing from the trade war between China and the United States, together with the deleverage issue in the real estate sector, the potential risks and hidden irregularities are stacking up in the property market. Fortunately, the solid economic and financial foundation of the country and improvements in the global economy as compared to the past years have contributed to some positive sentiments in the market towards the latest development.

Most cities in Mainland China adhere to the principles of "one policy for one city" and "category-based administration", under which housing measures are refined and optimised based on the actual situations of the respective localities. First-tier cities and their core districts in general are still seeing some increases in property prices due to the rise in floating population and the overall inadequacy of land supply, despite some cooling down of the property market under tightened housing policies. In third- and fourth-tier cities, many local governments have shifted their policies from easing to comparatively tightening for ironing out risks in response to the over-vitalised market, albeit the remarkable change in transaction volume and prices under destocking policies and the unleashing of strong purchasing power in the course of renovation of shanty towns.

It is generally anticipated that the possibility for significant re-steering of property policies is remote. Under the current circumstances, policies will remain tight, namely hiking interest rate for home mortgages, more stringent requirements on down payment, and restrictions on the purchases of second and third homes, under which the transaction volume of property sales should be curtailed to a certain extent. Property developers need to lower leverages to form their sustainable business models. Meanwhile, industry consolidation is also expected to

proceed under new norms of the market. Industry competitiveness will be primarily benchmarked against the fittest-survive principle, brand influence, regional deployment and execution capability.

The property business in Mainland China is operated by our wholly-owned subsidiary New World China Land Limited ("NWCL"). During the year under review, the revenues and segment results of property development in Mainland China, including joint development projects, amounted to HK$16,239.8 million and HK$6,611.0 million, respectively. The contribution was mainly attributable to the sales of Guangzhou Covent Garden, Guangzhou Foshan Canton First Estate, Shenzhen New World Signature Hill, Wuhan New World•Times, Changsha La Ville New World, Langfang New World Garden, Beijing New World•Li Zun and Shenyang New World Garden.

During the year under review, overall property contracted sales in Mainland China reached 798,734 sq m in GFA and RMB16.26 billion in gross sales proceeds, achieving the FY2018 sales target of RMB16 billion. The average selling price of overall residential contracted sales is RMB22,667 per sq m, an increase of 20.9%. The major contributors were Ning Zhu Zun Fu of Ningbo New World, Shenyang New World Garden, Guangzhou Foshan Canton First Estate, Wuhan New World•Times, Wuhan New World Guanggu, Beijing New World•Li Zun, Langfang New World Garden, Shenzhen New World Signature Hill and Guangzhou Park Paradise.

As for the geographical distribution of contracted sales proceeds, Southern region being the largest contributor, accounted for 26.0%, followed by Central region and Eastern region, accounting for 24.4% and 18.4%, respectively.

Region	Residential contracted sales Area (sq m '000)	Residential contracted sales Proceeds (RMB million)	Non-residential contracted sales Area (sq m '000)	Non-residential contracted sales Proceeds (RMB million)
Southern region	112	3,062	68	1,161
Central region	96	1,913	143	2,060
Eastern region	65	3,000	–	–
Northern region	126	2,370	16	180
North-eastern region	159	2,315	13	199
Total	**558**	**12,660**	**240**	**3,600**

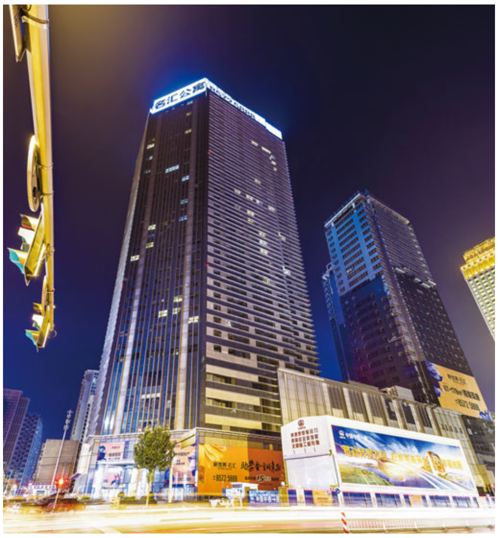
The GFA of development property completed (excluding carpark) during the year under review amounted to 1,074,164 sq m, 66.1% of which is residential in key cities including Guangzhou, Foshan, Wuhan and Shenyang. It is expected to reach 1,160,595 sq m in FY2019, representing an increase of 8% year-on-year.

FY2018 Project completion in Mainland China – Development property

Project/GFA sq m	Residential	Commercial	Office	Total (excluding carpark)	Total (including carpark)
Wuhan New World•Times Site B	186,909	–	–	186,909	186,909
Changsha La Ville New World Phase 3B	–	25,389	66,938	92,327	123,604
Guangzhou Covent Garden District 1 1C2	109,952	–	–	109,952	109,952
Guangzhou Covent Garden District 1 1E	63,525	–	–	63,525	63,525
Guangzhou Covent Garden Commercial 1	–	7,910	–	7,910	7,910
Canton First Estate CF-20 Phase 1	82,811	–	–	82,811	82,811
Canton First Estate CF-27A	23,837	–	–	23,837	23,837
Canton First Estate CF-29	75,140	–	–	75,140	75,140
Shenyang New World Centre K11	–	264,038	–	264,038	264,038
Shenyang New World Garden Phase 2D1	128,642	–	–	128,642	128,642
Shenyang New World Garden Phase 2D2	39,073	–	–	39,073	39,073
Total	**709,889**	**297,337**	**66,938**	**1,074,164**	**1,105,441**

FY2018 Project completion in Mainland China – Investment property and hotel

Project/GFA sq m	Commercial	Total (excluding carpark)	Total (including carpark)
Guangzhou Covent Garden District 1 1C2	–	–	3,016
Guangzhou Covent Garden District 1 1E	–	–	15,682
Shenyang New World Centre	–	–	138,018
Shenyang New World Centre EXPO	99,916	99,916	99,916
Shenyang New World Garden Phase 2D1	–	–	92,794
Shenyang New World Garden Phase 2D2C	3,938	3,938	3,938
Total	**103,854**	**103,854**	**353,364**



FY2019 Estimated project completion in Mainland China – Development property

Project/GFA sq m	Residential	Commercial	Office	Total (excluding carpark)	Total (including carpark)
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
Langfang New World Centre District A	–	–	–	–	33,651
Langfang New World Garden District 2	55,064	7,249	–	62,313	85,691
Ningbo New World Plaza Land No. 11	–	9,702	58,051	67,753	90,010
Ningbo New World Plaza Land No. 12	–	8,085	12,361	20,446	46,428
Ningbo New World Plaza Land Nos. 7-10	–	20,192	–	20,192	125,162
Guangzhou Dong Yi Garden Phase 5	23,015	–	–	23,015	37,226
Guangzhou Park Paradise Area 3 Phase 1	136,671	–	–	136,671	136,671
Canton First Estate CF-20 Phase 2	42,023	–	–	42,023	42,023
Anshan New World Garden Phase 1B1	63,885	14,472	–	78,357	97,782
Jinan New World Sunshine Garden District BC	–	5,697	37,162	42,859	61,292
Shenyang New World Centre	287,086	–	–	287,086	287,086
Shenyang New World Garden Phase 2D2	169,778	–	–	169,778	169,778
Shenyang New World Garden Phase 2E	97,665	–	–	97,665	97,665
Shenyang New World Commercial Centre Phase 2	–	25,266	51,405	76,671	76,671
Total	**909,814**	**91,802**	**158,979**	**1,160,595**	**1,422,902**

FY2019 Estimated project completion in Mainland China – Investment property and hotel

Project/GFA sq m	Commercial	Office	Hotel	Total (excluding carpark)	Total (including carpark)
Wuhan New World Centre Phase 3	32,294	59,434	–	91,728	140,969
Langfang New World Centre District A	–	–	40,192	40,192	40,192
Ningbo New World Plaza Land Nos. 7-10	5,781	–	–	5,781	5,781
Guangzhou Park Paradise Area 3 Phase 1	–	–	–	–	95,435
Guangzhou Park Paradise Area 3 Commercial	90,726	–	–	90,726	90,726
Guangzhou Park Paradise Area 5 Land No. 1	22,763	–	–	22,763	35,365
Canton First Estate CF-27A	–	–	–	–	12,025
Canton First Estate CF-29	–	–	–	–	70,080
Jinan New World Sunshine Garden District BC	–	–	19,545	19,545	19,545
Shenyang New World Centre	–	–	99,675	99,675	99,675
Shenyang New World Garden Phase 2D2	2,821	–	–	2,821	89,469
Shenyang New World Garden Phase 2E	–	–	–	–	40,878
Shenyang New World Commercial Centre Phase 2	–	–	–	–	19,354
Total	**154,385**	**59,434**	**159,412**	**373,231**	**759,494**

The Group remains its full confidence in the economic prospect

MAINLAND CHINA PROPERTY INVESTMENT AND OTHERS

For global retailers and brands, Greater China has surpassed the long-standing European and American markets to become the most desired destination for establishing or strengthening their presence. Ongoing consumer reliance on the internet has created opportunities for enterprises and brands to arouse consumers' curiosity and change their consumption behaviours. Big data consolidated in that progress have formed an interactive basis on which more precise bespoke experience can be offered to consumers. The disruption to retail ecology and consumption experience by the millennials that swiftly emerged in recent years bear testimony to the fact that the retail market of Mainland China is moving onto another new footstep of development.

For the full year of 2017, total retail sales of commodities in Mainland China amounted to RMB32.7 trillion, up 10.2%. Since 2012, total retail sales of commodities in China has recorded steady double-digit growth and accounted for over 80% of the total retail sales of consumer goods of the nation. It is expected that as China's market of retail consumer goods continues to develop, the millennials will play a dominating role in the consumer group. For a commercial operator, faster thinking, up-to-date strategies and the use of technology and digitised development are all necessary as it sets a clear brand positioning that caters to the needs of young consumers.

During the year under review, the Group recorded a total rental income of HK$1,274.0 million in Mainland China with an increase of 52.6%. The growth were mainly due to 1) the commencement in operations of Wuhan Guanggu K11; and 2) the Group has optimised its internal structure and individual projects have been converted from joint ventures to subsidiaries after the completion of the privatisation of NWCL. Major projects leaded by Shanghai K11 and Wuhan International Trade Towers, recorded satisfactory occupancy.

MAINLAND CHINA LANDBANK

The Group maintains its full confidence in the economic prospect and passion of investing in Mainland China. With its well-founded development strengths, NWCL puts full effort in optimising its businesses in Mainland China and participating in the diversified city 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.

In line with "The Belt and Road Initiative" and the Guangdong-Hong Kong-Macao Bay Area Development, the Group will continue to step up investment in the Bay Area. Since the completion of the privatisation of NWCL in August 2016, the Group has successfully acquired permissible GFA of more than 800,000 sq m in the Bay Area.

Further to the acquisition of the development rights in two premium projects in Qianhai and Prince Bay, both in Shenzhen, the groundbreaking and commencement ceremony for the Qianhai project, which is located at the core of Guiwan area in Qianhai Free Trade Zone in Shenzhen, was held in March 2018. Upon completion of the project, it will become the Mainland headquarters of Chow Tai Fook Enterprises Limited Group and the New World Group, and will bring in a foreign financial institution listed in Fortune 500 to set its regional headquarter with the remaining GFA for rental. Positioned as a world-class financial, commercial and service complex, the project is expected to boost the development of the economy and financial industry in Qianhai.

During the year under review, NWCL succeeded in acquiring a premium land plot for urban complex development in the transportation hub of Zengcheng District on the eastern outskirts of Guangzhou, at a consideration of RMB2.085 billion. The aim of this project is to convert Zengcheng District into China's Silicon Valley, which is specifically designed for young elites to live, work and socialise. It is poised to become a large-scale, iconic residential and commercial complex to be developed in the eastern part of Guangzhou, in line with the government's stepped-up efforts to push forward the development of a sub-centre in the eastern part of the province. The development, now under construction, has a GFA (excluding carpark) of approximately 267,000 sq m, including approximately 147,000 sq m for commercial use and as office spaces, approximately 93,000 sq m for residential use and approximately 27,000 sq m for hotel use.

In January 2018, NWCL signed the "Strategic Cooperation Agreement for Economic Belt at Man Kam To Crossing" with the Lo Wu District Government, Shenzhen 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 a site 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 30 June 2018, the Group had a landbank in Mainland China excluding carpark for immediate development with a total GFA of approximately 7.05 million sq m, of which 4.33 million sq m is for residential use. The major property development projects had a landbank excluding carpark with a total GFA of approximately 5.65 million sq m, spreading across eight cities including Guangzhou, Foshan, Shenzhen, Wuhan, Ningbo, Beijing, Langfang and Shenyang, of which, 3.12 million sq m is for residential use and 50.7% are located in Southern region.

Landbank by location	**Total GFA (excluding carpark) (sq m '000)**	**Total GFA (including carpark) (sq m '000)**
Southern region	2,609	3,294
Central region	1,209	1,689
Eastern region	557	824
Northern region	708	1,171
North-eastern region	1,963	2,316
Total	**7,046**	**9,294**

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)	5,646	7,546
Other projects	1,400	1,748
Total	**7,046**	**9,294**

BUSINESS DEVELOPMENTS IN MAINLAND CHINA

SOUTHERN REGION

Located at Guangzhou White Swan Lake business circle, Guangzhou New World•Canton Bay occupies an aggregate site area of approximately 370,000 sq m and an aggregate GFA of approximately 1,200,000 sq m, representing the largest residential community currently available for sale in downtown Guangzhou. The project is at close proximity to a number of prestigious schools and is easily accessible via two metro lines, two bridges (namely Pearl River Bridge and Hedong Bridge), three tunnels (namely Pearl River Tunnel, Zhoutouzui Tunnel and the under-construction Ruyifang Tunnel) and 24 bus routes. During the year under review, approximately 60% of the residential flats under the project were launched for sale and were all sold out. The latest launch of the brand-new completed flats products in White Swan Lake Bay Area offering two-bedroom to five-bedroom layouts ranging from 79 sq m to 143 sq m is highly sought after by customers.

Located at the heart of Tianhe District, Guangzhou New World•Tian Yi is adjacent to "Tianhe Park Station", which is the largest metro station in Asia, overlooking the panoramic view of the 707,000 sq m Tianhe Park, supported by well-established ancillary facilities including leading academic institutes and hospitals. During the year under review, approximately 59% of the residential units were launched and sold out. The latest launch of four-bedroom to five-bedroom units of 142 sq m to 295 sq m has received very positive market responses.

Situated at the central business district of Guangzhou Baiyun New Town, Guangzhou Park Paradise•Cozy Clouds stands at the interchange of three metro lines. It blends multiple elements including metropolitan, ecological, healthy and smart living. Since its launch, the project has become a benchmark property for quality living in the neighbourhood and has drawn a lot of attention from the market.

Located at the CBD axis of Guangzhou and Foshan, Canton First Estate is conveniently located at the Bay Area transportation hub supported by the Foshan West Railway Station and three metro lines, boasting 4,500 mu of authentic natural ecology. In 2018, a total of more than 500 units of villas and townhouses were launched, of which nearly 90% had been sold and 258 units had been delivered during the year under review.

Situated at the core of Guiwan area in Qianhai free-trade zone in Shenzhen, and capitalising upon Guangdong-Hong Kong cooperation, the superb location at the intersection of five metro lines, and the unique policy-favored advantage of Qianhai, Shenzhen's Qianhai Chow Tai Fook Financial Building is poised to become one of the landmarks in Qianhai upon completion, accommodating the regional headquarters of some Global 500 financial institutions and setting itself as a world-class financial, commercial and service complex.

The project occupies a site area of approximately 18,218 sq m and GFA of approximately 180,000 sq m, including GFA of 148,360 sq m as offices and 27,940 sq m for commercial use. With a total expected investment of RMB8 billion, the project will be built into a twin-tower landmark of approximately 200 m and 130 m tall, supported by creative spaces encompassing commercial facilities, art exhibition venues, vertical garden, performance venues and so forth. Construction of the project commenced in June 2018 and is scheduled to be completed by 2021.

Shenzhen Prince Bay Project is adjacent to the brand-new cruise homeport in Shekou, Shenzhen. With naturally-endowed sea-view resources and geographical advantage, the project is an integral part of the efforts in building an international city of happiness to be envisaged in Shenzhen. Comprising with a total of approximately 390,000 sq m for development, the project is a joint investment by the Group and China Merchants Group to build a large-scale complex with diversified functions including commercial facilities, offices, apartments and so forth. The commercial element will involve the first and foremost introduction to Shenzhen of K11, a high-end art-commercial brand, as well as D•PARK, a family consumption brand. Upon completion, the project will become the most unique commercial complex in the locality with a combination of marine resources, urban landscape, humanity art and sustainable development. Construction commenced in 2017 for some of the office and apartment functions of the project. For K11 and D•PARK, construction will commence in fourth quarter of 2018.

CENTRAL REGION

Wuhan New World•Times commands a superb geographical location, being a superstructure property above a metro station located within the Second Ring Road of Wuhan. Occupying a site area of approximately 600,000 sq m, the project is a large-scale urban complex covering super-grade A office buildings, commercial facilities, high-end residence and art centre. The residential portion was launched to the market in September 2016. As of the end of this fiscal year, all units were essentially sold, winning overwhelming responses from the market.

Wuhan Guanggu New World, a benchmark complex situated at Guanshan Avenue, is the main thoroughfare of Gaoxin District, Donghu, Wuhan. K11 Select, a design brand specialty store under K11, commenced operation in November 2017. KHOS Hotel, a brand-new global hotel brand under Rosewood Hotel Group, is also going to set its presence in the project and lead the trend of commercial development. Guanggu New World T1, a 229-metre-tall office building, is the first super grade-A office tower in Guanggu district, with a GFA of approximately 80,000 sq m. The preliminary leasing activity commenced in January 2018, had already secured a 57% occupancy without the need of extensive marketing and won positive responses from renowned enterprises.

Occupying a prime location on Finance Street in Jianghan District, our New World International Trade Tower is one of the first batch of super grade-A office buildings in Wuhan, with a GFA of approximately 100,000 sq m and occupancy rate of 80%, of which more than half was occupied by foreign-invested enterprises and institutions. The project accommodates foreign embassies and consulates in China including Consulate General of the United States in Wuhan and Consulat général de France à Wuhan.

Sitting at the heart of Hankou business circle, Wuhan New World Centre is the first urban complex in Wuhan, covering high-end residence, super grade-A office buildings and a five-star hotel. Its office portion is very popular among domestic and foreign enterprises, with a 79% occupancy. Under its phase-three extension in progress, the project will introduce a K11 art mall and a 202-metre-tall landmark office tower.

EASTERN REGION

Ningbo New World is an urban complex located at the core region of Sanjiangkou in Ningbo, occupies a site area of approximately 100,000 sq m and an aggregate GFA of approximately 850,000 sq m. The project will be developed in three phases and planned to include a K11 art mall, Rosewood Hotel, office buildings, high-end residential, international leisure and business avenues and K11 art garden. While topping-off of phase one residence named Ning Zhu Zun Fu has been completed, the Ningbo Tower landmark under phase two is undergoing main structure construction, whereas the overall business proposal for K11 under phase three has been approved by governmental departments. Construction of land parcels nos. 4 and 6 are also scheduled to commence within 2018.

During the year under review, Ning Zhu Zun Fu achieved sales revenue of more than RMB2.8 billion, setting a number of new records in Ningbo's supreme luxury residential market and winning extensive recognitions from customers and the industry. Commercial leasing has also commenced on a full scale, securing leases with flagship boutique supermarket and international smart fitness clubhouse. Premium residential projects and grade-A office buildings will be launched successively under the project to accommodate market demand.

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 K11 Club, Shanghai's first clubhouse for senior executives inside an office building. During the year under review, K11 Art Mall recorded an average monthly footfall of 900,000, 96% occupancy rate. The occupancy rate of the office portion was 92%.

NORTHERN REGION

Sitting in the Yuhe zone of central villa area, Beijing New World•Li Zun occupies an aggregate site area of 175,000 sq m and an aggregate GFA of 110,000 sq m. A seamless connection with Jingcheng Expressway Exit 8, the project is 15 minutes away from regions such as Wangjing and Beijing Capital International Airport and 30 minutes away from Guomao and Yayuncun business circles. Based on the design concept deriving from Château de Versailles in France, the Eastern Zone of the project offers 81 units of French-style detached villas, of which 77% were sold. The Western Zone provides 227 French-style detached villas and townhouses characterised by the unique structure of "one villa with three gardens", of which 80% were sold.

Langfang New World Centre, located at the central business district of Langfang, is a large-scale landmark complex with an area of 450,000 sq m, comprising commercial facilities, offices, hotel, apartments and high-end residential. Project development has been divided into three districts, apartments in District A were launched for sale in September 2017 and 60% were sold during the year under review. Apartments in District B were launched for sale for the first time in November 2013, totaling 289 units, of which 90% were sold. Leasing of stores on commercial streets in District B commenced in August 2014, achieving an occupancy rate of 100%. Leasing of offices in District C commenced in March 2017, securing tenancies with renowned enterprises in the banking, real estate, insurance, telecommunications sectors and so forth, with an occupancy rate of 87%. Residential portion was launched for the first time in April 2014, totaling 767 units, which had already been sold out. 31 units of villas were also made available, of which 60% were sold.

Langfang New World Garden, with a GFA of 370,000 sq m and situated at the heart of the government-designated key development area, is developed in three districts. Districts 1 and 3 have been completed and delivered. The first phase of District 2 will be delivered on 31 October 2018. During the year under review, the project achieved a sales revenue of RMB628 million.

NORTH-EASTERN REGION

Located at the northern shore of the Hun River and overlooking the scarcely-available river view, Shenyang New World•The Riverfront is a LOHAS community encompassing green, healthy, wellness and artistic elements, and has been recognised as "Shenyang Green Building Demonstration Project". Unit sizes currently for sale with GFA ranging from 100 sq m to 300 sq m. 1,408 units under D1 cluster were launched for sale in October 2015, of which a total of 96% were sold. 905 units under D2 cluster were launched for sale in October 2016, of which a total of approximately 86% were sold.

Shenyang New World•The Bayside, being the Group's first townhouse project in Shenyang, is located at the northern shore of the Hun River, close to the exit of metro line 2. The project's pioneering underground public space named "The Dome of Light", with the utilisation of green technology, was awarded "National Two-star Green Building Design Label". Being the first builder to have been granted this honour by the Construction Department of Liaoning Province since 2015 when the New World China Land Green Building Design Guidelines were implemented, the Group has been highly regarded by industry peers.

Centrally located in Heping District, commanding scarcely-available natural resources along the northern shore of Hun River, and in close proximity to Shenshui Bay Park and the prosperous business circle, Shenyang New World•The Masterpiece Crescent offers 84 residential units, of which nearly 88% were sold.

Shenyang New World•The Elite is an apartment project commanding a superb location in the heart of Taiyuan Street, the key commercial circle of the city, and has been highly sought after by the market since its launch. The project offers finely decorated units with GFA ranging from 67 sq m to 178 sq m. 73% of a total of 460 units have been sold.

Adhering to the philosophy of the "W.E Happy Office", Shenyang New World Prosperous Commercial Building provides value added services that combine the elements of the "New World brand", "efficiency", "ecology" and "enjoyment", creating a unique business experience. The project offers office spaces with a GFA ranging from 185 sq m to 2,000 sq m. Out of a total of 180 units of products, nearly 75% have been sold.

HOTEL

The Group's premium hotel projects in Hong Kong primarily serving business travellers are the main source of income of our hotel operations. During the year under review, the average occupancy rate of Grand Hyatt Hong Kong significantly increased to 83.2% following the full completion of guest room renovations. Adjacent to the Hong Kong Convention and Exhibition Centre, Renaissance Harbour View Hotel continued to enjoy the benefits from the growing number of conferences and exhibitions, with the average occupancy rate rising to 87.1%. The Hyatt Regency Hong Kong, located in a prime spot of Tsim Sha Tsui, Kowloon, achieved an average occupancy rate of 91.8%.

In Mainland China, the three hotels of different segments operated by the Group in Beijing have all recorded satisfactory performance with average occupancy rates ranging from 75.6% to 84.4% during the year 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 on 20 November 2017 with 41 villas. At an exquisite location along a 600-meter beachfront at Emerald Bay, the project is a beach hideaway with full opening of 71 villas in June 2018.

Rosewood Hong Kong, as part of the multi-use tower of Victoria Dockside located at Tsim Sha Tsui, Hong Kong, is scheduled to open in the first quarter of 2019. The hotel will have 413 guest rooms, eight dining options and a fitness centre, swimming pool and the first urban setting for Asaya, Rosewood's innovative holistic wellness concept. The Manor Club executive lounge will provide an array of exclusive privileges for its guests and The Pavilion that embodies the Rosewood's signature, high-end residential-style meeting and event spaces. Rosewood Residences – 186 luxury accommodations for longer stays – will offer a dedicated lounge, indoor swimming pool and fitness center along with special services and amenities for residents.

As at 30 June 2018, the Group had a total of 15 hotel properties in Hong Kong, Mainland China and Southeast Asia, providing over 6,000 guest rooms.

INFRASTRUCTURE

Infrastructure division experienced robust growth in FY2018. Contribution from road business rose by 32% in FY2018. Discounting the exchange factor, the contribution would have increased by 10% in line with the overall traffic volume growth of 10% as NWSH's road portfolio continued to benefit from rising vehicle ownership and urbanisation in Mainland China.

Most of the NWSH's expressways in the Pearl River Delta Region continued to register an increase in both traffic volume and toll revenue in FY2018. In addition, both toll revenue and average daily traffic flow of Hangzhou Ring Road grew healthily by 5% in FY2018, reflecting the increase in long-haul truck traffic and passenger cars which grew alongside the rise of online sales and residential property development in the surrounding areas.

Riding on the rising demand for environmental services in Mainland China, both NWSH's environmental platforms – SUEZ NWS Limited ("SNL") and Chongqing Derun Environment Co., Ltd. ("Derun Environment") contributed to the overall growth of the environment business.

The enlarged portfolio of SNL established after the restructuring in FY2017 continued to provide a broader income base to NWSH, with provision of services ranging from water and wastewater projects, waste treatment to design, engineering and procurement. Derun Environment performed satisfactorily delivered organic growth in both water and waste-to-energy businesses, and commissioned a new waste-to-energy plant in Chongqing in January 2018 which also raised its daily treatment capacity by 1,000 tonnes. The receipt of a lump sum value added tax subsidy for its sewage business also contributed to the growth.

The logistics business increased by 2% in FY2018. ATL Logistics Centre continued to provide significant and stable contribution to the logistics business. Buoyed by the recovery of the retail market in Hong Kong during FY2018, its average rental rate grew by 4% while average occupancy rate remained high at 97.2%.

China United International Rail Containers Co., Limited reported a throughput growth of 8% to 2,730,000 TEUs which was underpinned by the development of rail container and sea-rail intermodal transportation and the growth of the newly opened Urumqi terminal. The logistics capabilities and services at Chongqing and Wuhan terminals were further enhanced in FY2018 after the construction of new warehouse facilities.

Despite the partial divestment of Beijing Capital International Airport and its reclassification as an available-for-sale financial asset during FY2018, the aviation business still attained double-digit growth from the steadfast expansion of Goshawk Aviation Limited ("Goshawk"). During FY2018, Goshawk's fleet size grew from 84 to 105 aircraft and the average age of the aircraft as at 30 June 2018 was 3.5 years, while the customer base comprised of 43 airlines in 29 countries.

Goshawk has taken significant steps to cement itself as a leading aircraft leasing company. Firstly, Goshawk entered into an agreement to acquire Sky Aviation Leasing International Limited ("SALI") in June 2018. Upon completion of this acquisition later this year, the size and value of Goshawk's owned, managed and committed fleet would reach 223 aircraft and US$11.4 billion (equivalent to approximately HK$88.9 billion) respectively and thereby placing Goshawk to be a top 10 aircraft lessor in the world. Secondly, Goshawk has secured future aircraft supply by ordering a total of 40 narrow-body aircraft directly from Airbus and Boeing.

To enhance management efficiency, the portfolio of Bauhinia Aviation Capital Limited ("Bauhinia"), the second commercial aircraft leasing platform of NWSH, will be transferred to Goshawk in FY2019. The total aircraft asset value under both of NWSH's aircraft leasing platforms reached US$4.7 billion as at 30 June 2018.

For the year ended 30 June 2018, the share of results of joint ventures in the infrastructure segment included share of impairment losses for the underlying assets for Guangzhou City Nansha Port Expressway of HK$300.0 million, share of impairment losses for the underlying assets for Guangzhou Dongxin Expressway of HK$100.0 million and share of impairment losses for the underlying assets for Guodian Chengdu Jintang Power Generation Co., Ltd of HK$200.0 million.

SERVICE

The contribution from service division recorded a decrease in FY2018. Enthused by the upbeat property market sentiments, the construction business sustained its healthy growth momentum although the impact could not mitigate the underperformance of the facilities management segment as Free Duty experienced its first ever annual loss as new contract commenced in mid-august 2017 subject to much higher concession fee while Gleneagles Hong Kong Hospital ("GHK Hospital") incurred initial operating losses during its ramp-up stage.

During FY2018, Hong Kong Convention and Exhibition Centre ("HKCEC") hosted 1,061 events and over 8.2 million visitors. Despite rising cost

pressures, HKCEC delivered stable revenue and earnings growth having secured 76 new exhibitions and conferences under various themes.

The Free Duty business swung into a loss in FY2018 as consumer spending remained soft although the operating results rebounded in the second half of FY2018 under a new concession contract.

GHK Hospital, in which NWSH has 40% interest, was officially opened in late March 2018, around one year after commencing initial services. Notwithstanding the fact that the hospital has so far performed in line with management expectation and enjoyed continuous patient volume growth, GHK Hospital reported its first annual loss as anticipated in FY2018 while it remained in ramp-up stage.

To capture the growing demand for healthcare services in Mainland China, The Group has 70% interest in Healthcare Assets Management Limited and the interest in UMP Healthcare China Limited to tap into the primary healthcare market in Mainland China.

The contribution from the construction business increased notably by 16% to reach a new record in FY2018 mainly due to the continuous improvement in gross profit and satisfactory job progress. As at 30 June 2018, the gross value of contracts on hand for NWS Construction Limited and its subsidiaries was approximately HK$47.1 billion and the remaining works to be completed amounted to approximately HK$21.2 billion.

DEPARTMENT STORE

During the year under review, New World Department Store China Limited ("NWDS") same-store sales growth was 0.8%. The growth in the last corresponding period was 0.7%. The commission income from concessionaire sales was the major income contributor to NWDS, accounted for 44.0% of the total revenue. Proceeds from direct sales and rental income accounted for 34.6% and 21.3% of the total revenue respectively. The remaining 0.1% was derived from management and consultancy fees. By region, the Northern China region contributed the most to the revenue of NWDS, amounting to 48.0% of total revenue, followed by the Eastern China region and the Central Western China region, which accounted for 32.5% and 19.5% of the total revenue respectively.

Enhance the service experience of the consumers

As at 30 June 2018, NWDS operated and managed a total of 35 stores and two shopping malls in Mainland China with total GFA of over 1,455,780 sq m.

OUTLOOK

Reinforcement of social relations on a global basis resulted in closer linkage among different places, stronger correlations between events happening in one place and another, the cooperation between nations and increased communication and interaction in the political, economic and cultural fields. This is the symbol of the rapid development of globalisation since the end of the Cold War in the 1980s. The variant pace of development across nations has led to conflicts in trade activities and regional affairs, which have in turn triggered the growth of protectionism and populism. The friendly and cooperative relationship that has made globalisation has become complicated in the last five to six years.

While the economy and comprehensive national strength of China has grown significantly, the friction between the United States (U.S.) and other nations in political, military and economic terms has been more frequent. On 6 July 2018, China and the U.S. started to levy punitive tariffs on each other, sparkling imminent escalation of trade war. As the midterm elections in the U.S. to be held in November 2018 draw near, the U.S. Government has achieved favourable political bargaining chips through dealing with Asian geopolitics and U.S.-China trade war. With its strong economy, the U.S. will maintain or further enhance measures on China trade, bringing uncertainties over the world.

In 2017, China's economy achieved satisfactory performance, with the GDP growth by 6.9% to more than RMB80 trillion which surpassed market expectation, primarily backed by the picking up of import and export as well as the outperformance of tertiary industry. This represented the first turnaround of the previous slowdown of China's economic growth since 2011, to the stage of stabilisation and rebound. In the first half of 2018, the macro economy of China remained stable and grew by 6.8%, made the nation one of the best performers in the period among major economies in the world. With narrowed trade surplus under the U.S.-China trade war and the uncertainties over the global economy and geopolitics, the Central Government will pay closer attention to market conditions, maintain its policy focus on deleveraging and financial risk mitigation, and adjust relevant measures in time to prevent major risks. The targeted reduction of the required reserve ratio adopted by the People's Bank of China and its fine-tuning of the Renminbi-U.S. Dollar exchange rate setting mechanism were in response to the latest development, with leeway allowed as market expected.

Interest rate movement remains the major concern of the market under the current economic dynamic in Hong Kong. The interest rate of the U.S. has gone up several times since its first interest rate hike in nearly 10 years was announced in December 2015. Although the prime rate and deposit and lending rates in Hong Kong have not followed the U.S. interest rate hike, the Chief Executive of Hong Kong Monetary Authority, Norman Chan Tak-lam, pointed out that the normalisation of interest rate in Hong Kong will eventually happen, and market expectation on a sustained low-rate environment will change.

For the economic development in Mainland China, the overall keynote of making progress amid stability remains, with the primary policy focus on steering economic momentum towards boosting domestic demand and reforming supply-side, as well as fostering, deleveraging and strengthening supervision of the financial system, with the goal of creating a sound environment which favours the long-term economic development of the nation. Regarding the property market policies, it is expected that the tightened austerity measures will not deviate from the main line of maintaining stability and reducing risks, and will continue to guide the healthy development of the industry by establishing long-term adjustment mechanisms for the property market and accelerating the implementation of property tax. With the housing demand of a large floating population and of professionals, coupled with the favourable national strategies and overall development requirements, particular first-tier cities and core clusters will remain the market focus.

Despite sufficient liquidity in the Hong Kong market, the widened interest rate spread between the US and Hong Kong since US rate hikes has provided more incentives for interest rate arbitrage. Since the second quarter of 2018, the weak side convertibility undertaking has been triggered repeatedly, resulting in the Hong Kong Monetary Authority to buy Hong Kong dollars and to sell US dollars. The increasing financing cost in Hong Kong's banking system lays foundation for the normalisation of interest rate. As it becomes clearer for HKD-interbank offer rate to trend up, it is anticipated that the prime rate will have a high chance to increase in the second half of 2018.

The inadequacy of land supply remains the key factor curtailing the development of Hong Kong property market. Whilst the general public is optimistic about the 18 options that have the potential to provide additional land supply as put forth by the Task Force on Land Supply, it is difficult to reverse the actual situation in the short term in view of the lead time required from the implementation of the project to the actual completion of the housing. As such, significant change in the keynote of the property market is not expected for the time being; there is still room for the transaction of primary residential units in a user-oriented market. The key issue will be the direction of property policies to be adopted by Hong Kong SAR Government and the trend of interest rate in the future.

The wealth effect accumulated over the years is another key factor for the boom of property market. Whilst debt servicing ratio has been on the rise in recent years, the foreseeable risks to the property market in association with interest rate normalisation has been mitigated, due to the domination of end-users and fading out of highly-leveraged speculations, the augmented economic performance and stable job market of Hong Kong, as well as the requirement of passing stringent stress test before mortgages are granted by banks in Hong Kong.

As well-known contemporary sociologist Anthony Giddens points out, "*Thinking in terms of risk certainly has its unsettling aspects, but it is also a means of seeking to stabilise outcomes, a mode of colonising the future. Nothing can be taken for granted. What is acceptable/appropriate/recommended behaviour today may be seen differently tomorrow in the light of altered circumstances or incoming knowledge-claims.*" This utterance points exactly to the need for a corporate to look forward to the future and embrace a favourable turn with changes instead of taking things as they are.

The Group will pay ongoing attention to latest market development in Greater China and the rest of the world, carefully devise and timely adjust its development strategies, to make the best preparations for the opportunities ahead. Notwithstanding uncertainties at the present time, the Group will be unswerving in its adherence of the dedicated artisan spirit under The Artisanal Movement to enhance the brand value. To create a distinctive, sustainable and diversified New World Ecosystem with the belief of "Collect•Connect•Collide", and presenting a series of culturally-rich properties to a population of more than 1.3 billion people in Greater China, through which we achieve the impossible, one after another.

Embodying and sustaining the superiority of our brand's DNA, the Group delivered satisfactory results during the year under review, which is a milestone for us to build on our achievements and begin a new chapter of development. Going forward, a number of premium residential projects that offer numerous living experience and design concepts will be subsequently launched in Hong Kong. Following the previous launch of FLEUR PAVILIA in North Point, a key project that perfectly inherits and interprets what is known as a novel downtown retreat, the Group is vigorously planning the launch of its large-scale living sphere including the Waterloo Road project in Ho Man Tin, the Sheung Heung Road project in To Kwa Wan, REACH SUMMIT in Yuen Long and the Tai Wai Station project in Sha Tin.

For the landbank in Hong Kong, the Group will carefully identify and select development opportunities suitable for the Group with reference to future land supply on the market, the trend of evolvement of consumption behaviour and the voice of home buyers. To secure land resources of premium quality that are in line with our brand positioning and conducive to sustainable development, the Group will continue to adopt a three-line parallel strategy, namely public land tenders, old building acquisitions and farmland conversion.

The Group also vigorously enhances and optimises the recurring income generated by its investment property portfolio. Victoria Dockside, a new global landmark of art and design in Hong Kong located at Tsim Sha Tsui waterfront facing the Victoria Harbour, will commence operation upon full completion in 2019. As part of the development, the futuristic K11 MUSEA entails an innovative experiential museum-retail concept and is set to turn over a new leaf for the retail industry of Hong Kong. In May 2018, the Group won a successful bid for a commercial development in SKYCITY at Hong Kong International Airport, which is strategically located adjacent to the terminals of Hong Kong International Airport and the Hong Kong-Zhuhai-Macao Bridge. Sitting amid ten other cities within the Bay Area, the development will become a new landmark of commerce, entertainment and shopping that draws residents in the Bay Area, local Hong Kong residents, visitors from domestic and overseas upon completion under the one-hour living sphere concept.

Striving for enhanced brand value in Mainland China, the Group, through its property flagship New World China Land, is engaged in the primary businesses of property development and property investment in Mainland China with a unified and centralised management, and increasing investment in cities with numerous growth potentials and strategic positions. Taking full account of the needs for both sector development and talent pooling, the Group persistently optimises structure and operational management, solidifies control and enhances efficiency.

The Group will closely monitor the market development and the change in the context of its operations, to expand its Mainland China business in a vigorous and prudent manner. The Group is particularly optimistic about the development prospects of the Guangdong-Hong Kong-Macao Bay Area. Capitalising the development opportunity presented by the Bay Area, the Group will make good use of its advantages, resources and unique development. The Group has granted the rights of developing several premium projects in Guangzhou and Shenzhen, these projects are synergistic with SKYCITY commercial development, being part of the one-hour living sphere, and also with the novel landmark Victoria Dockside in Hong Kong. In the near future, the Group will actively seek new opportunities in this area, which is poised to enjoy equal fame with other renowned bay areas in the world including San Francisco, New York and Tokyo.

The Group's financial position is stable. As at 30 June 2018, cash on hand, bank balance and the undrawn bank facilities amounted to HK$92.1 billion, which provides sufficient development resources for the Group. The Group has a strong working relationship with the major local and multinational banks and the financing channels are diversified. It is expected that equity raising is not necessary in the foreseeable future. In addition, the Group will actively consider different ways, such as share buyback, to enhance shareholder's return on investment.

Tomorrow never knows! Tomorrow is full of fantasy and hope; full of opportunities and challenges. In the face of a series of unknown on a new day, it is necessary for the Group to endeavour and make the best preparations, embracing the future with endless vision and careful planning. With a "New" in its name, the New World Group has all the way been bold for innovation. The DNA underlying the Group's brand encompasses diversity, futuristic development, innovation and breaking through tradition. Being the first brand in the sector to use online registration in property sale in Hong Kong, the Group has enhanced existing business mindsets and operating models through innovation of businesses, substantiation of intellectual property rights, smart development of information technology, brand creation for cultural and creative products and corporate talent grooming. Tapping on the synergy among various cross-sector interaction such as education, culture, medical care and health care, we create a more sustainable and diversified ecosystem of the New World Group, add value to our core businesses, and enhance the unique experience of the consumers.

The New World Group will continue to stay ahead of the market. With the passion and commitment enshrined under The Artisanal Movement, we will adhere to our people-centered philosophy and bespoke craftsmanship, with a view to optimising stakeholders' interests and maximising their value.

Dr. Cheng Chi-Kong, Adrian
Executive Vice-chairman &
General Manager
Hong Kong, 20 September 2018

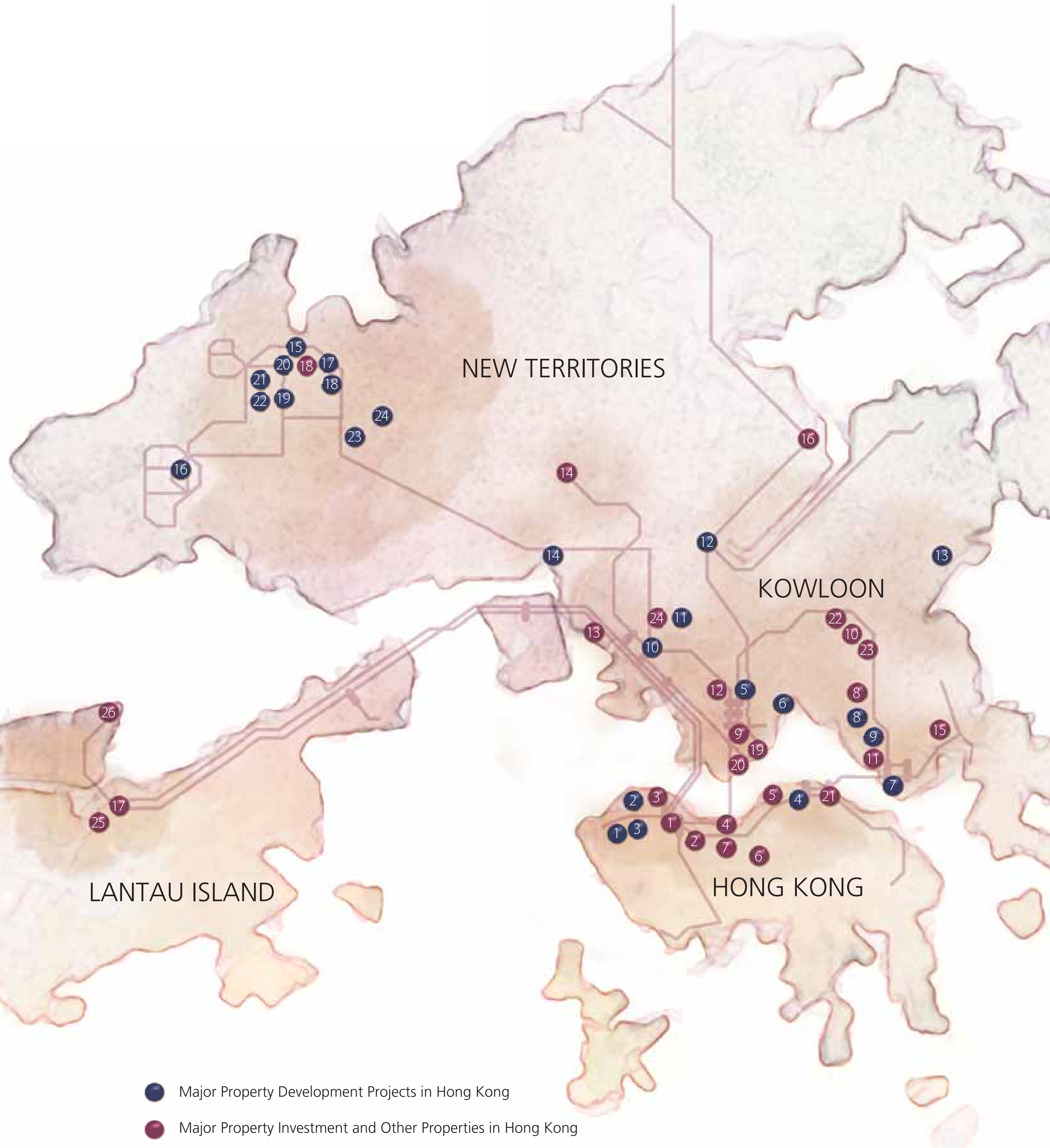
Major Property Projects in Hong Kong

Major Property Development Projects in Hong Kong

1 23 Babington Path, Mid-levels
2 ARTISAN HOUSE, 1 Sai Yuen Lane, Western District
3 4A-4P Seymour Road, Mid-levels
4 FLEUR PAVILIA, 1 Kai Yuen Street, North Point
5 74 Waterloo Road, Ho Man Tin
6 Kowloon City Road / Sheung Heung Road, Ma Tau Kok
7 Yau Tong Redevelopment Project, Kowloon East
8 43-45 Tsun Yip Street, Kwun Tong
9 46 Tsun Yip Street, Kwun Tong
10 New Kowloon Inland Lot No. 6582, Cheung Shun Street, Cheung Sha Wan
11 New Kowloon Inland Lot No. 6572, Wing Hong Street, Cheung Sha Wan
12 Tai Wai Station Property Development, STTL No. 520, Sha Tin
13 DD221, Sha Ha, Sai Kung
14 THE PAVILIA BAY, West Rail Tsuen Wan West Station (TW6), TWTL No. 402, Tsuen Wan
15 PARK HILLCREST, Lot No.2131 in DD121, Tong Yan San Tsuen (Phase 1 - Site A), Yuen Long
16 THE PARKVILLE, No.76-92 Tuen Mun Heung Sze Wui Road, Tuen Mun
17 Park Reach, YLTL 527, Tai Tong Road, Yuen Long
18 YLTL 524, Tai Tong Road, Yuen Long
19 Lung Tin Tsuen (Phase 3), Yuen Long
20 Lung Tin Tsuen (Phase 2), Yuen Long
21 Tong Yan San Tsuen (Phase 3), Yuen Long
22 Tong Yan San Tsuen (Phase 4), Yuen Long
23 Sha Po North, Yuen Long
24 DD110, Kam Tin, Yuen Long

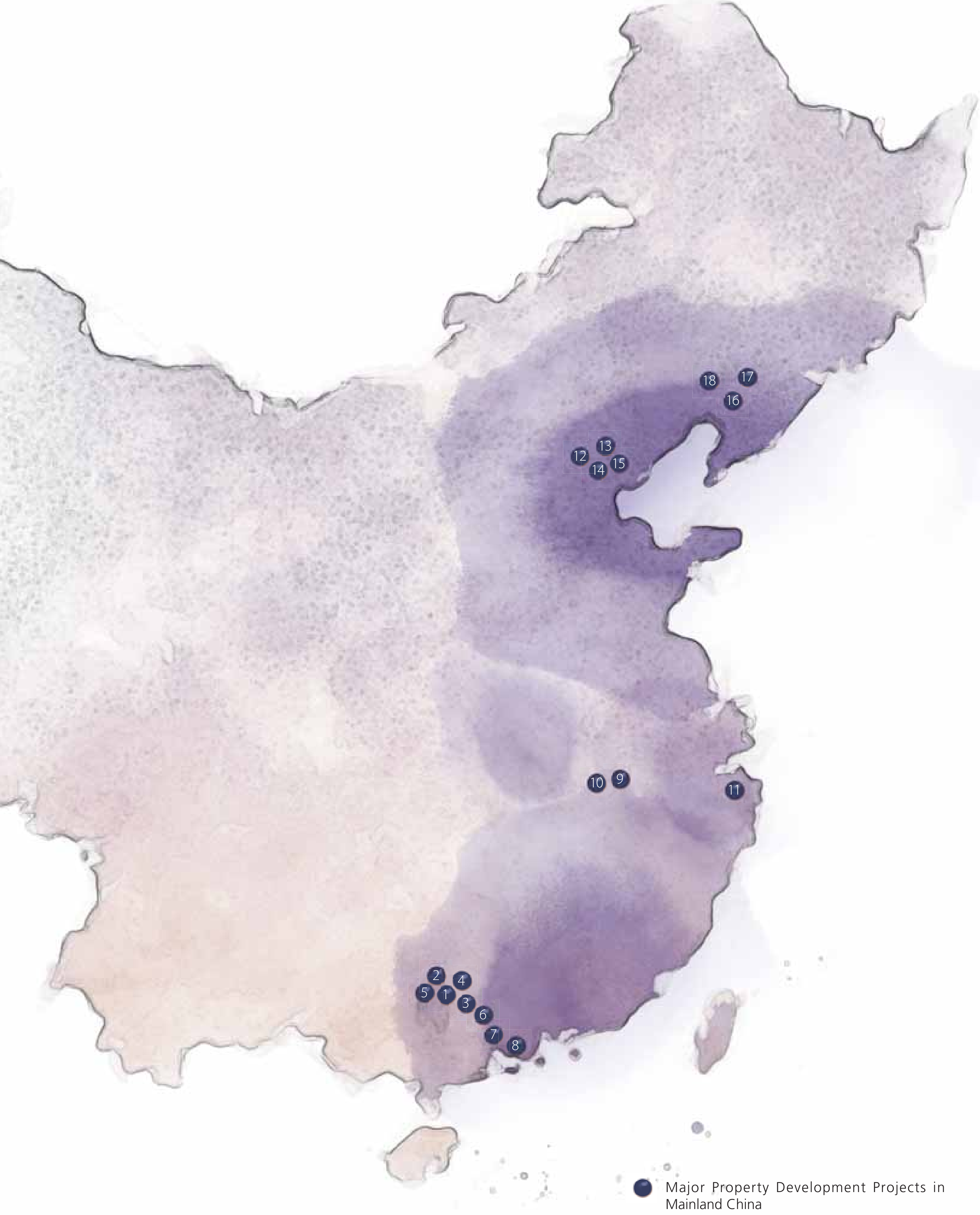
Major Property Investment and Other Properties in Hong Kong

1 Manning House, Central
2 New World Tower, Central
3 Shun Tak Centre, Shopping Arcade, Sheung Wan
4 Hong Kong Convention and Exhibition Centre, Shopping Arcade, Wan Chai
Grand Hyatt Hong Kong
Renaissance Harbour View Hotel
5 Pearl City, Causeway Bay - Basement, Ground Floor to 4th Floor
6 EIGHT KWAI FONG, Happy Valley
7 Methodist House, Wan Chai
8 Telford Plaza, Kowloon Bay
9 K11, Tsim Sha Tsui
Hyatt Regency Hong Kong, Tsim Sha Tsui
10 pentahotel Hong Kong, Kowloon
11 KOHO, Kwun Tong
12 THE FOREST, Mong Kok
13 ATL Logistic Centre, Kwai Chung
14 D • PARK, Tsuen Wan
15 PopCorn II, Tseung Kwan O
16 Hyatt Regency Hong Kong, Sha Tin
17 Citygate, Tung Chung
Novotel Citygate Hong Kong
18 PARK SIGNATURE, Yuen Long
19 K11 ATELIER of Victoria Dockside, Tsim Sha Tsui
Rosewood Hotel & Rosewood Residences of Victoria Dockside, Tsim Sha Tsui
20 Remaining portion of Victoria Dockside, Tsim Sha Tsui
21 704-730 King's Road, North Point
22 9 Luk Hop Street, San Po Kong
23 21 Luk Hop Street, San Po Kong
24 New Kowloon Inland Lot No. 6505, King Lam Street, Cheung Sha Wan
25 TCTL 11, Tung Chung
26 SKYCITY Project



Major Property Development Projects in Hong Kong

Major Property Investment and Other Properties in Hong Kong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Major Property Development Projects in Mainland China

Major Property Development Projects in Mainland China

Major Property Development Projects in Mainland China*

1 Guangzhou Covent Garden Remaining Phases

2 Guangzhou Park Paradise Phase 3B

Guangzhou Park Paradise Phase 5A

Guangzhou Park Paradise Phase 5B

Guangzhou Park Paradise Remaining Phases

3 Guangzhou Dong Yi Garden Phase 5

4 Guangzhou Zengcheng Comprehensive Development Project

5 Canton First Estate CF-20 Phase 2

Canton First Estate CF-29

Canton First Estate CF-27A

Canton First Estate CF-27B

Canton First Estate CF-30

Canton First Estate CF-31

Canton First Estate Remaining Phases

6 Shenzhen Qianhai Project

7 Shenzhen Prince Bay Project DY04-01

Shenzhen Prince Bay Project DY04-04

8 Shenzhen Prince Bay Project DY02-02

Shenzhen Prince Bay Project DY02-04

9 Wuhan New World Centre Phase 3

10 Wuhan New World•Times Phase 1

Wuhan New World•Times Phase 2

11 Ningbo New World Plaza Land No.7-10

Ningbo New World Plaza Land No.11

Ningbo New World Plaza Land No.5

Ningbo New World Plaza Land No.4

Ningbo New World Plaza Land No.6

Ningbo New World Plaza Land No.1-4

Ningbo New World Plaza Land No.12

12 Beijing New View Commercial Centre

Beijing New View Commercial Centre Remaining Phases

13 Beijing Xin Yu Commercial Centre

Beijing Xin Yu Commercial Centre Remaining Phases

14 Langfang New World Centre District A

15 Langfang New World Garden District 2

16 Shenyang New World Garden Phase 2D2

Shenyang New World Garden Phase 2E

Shenyang New World Garden Phase 2C1

Shenyang New World Garden Phase 2C2

Shenyang New World Garden Phase XB

Shenyang New World Garden Phase XC

17 Shenyang New World Commercial Centre Phase 2

18 Shenyang New World Centre

Remark:
* Certain property development projects will be classified as investment properties upon completion.

Directors' Profile

Dr. Cheng Kar-Shun, Henry

GBM, GBS (Aged 71)

Appointed as Director in October 1972, Executive Director in 1973, became Managing Director from 1989 and Chairman from March 2012. Dr. Cheng is a member of the Remuneration Committee and the chairman of the Nomination Committee and Executive Committee of the Board of Directors of the Company. Dr. Cheng is the chairman and executive director of NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, the chairman and non-executive director of New World Department Store China Limited and FSE Services Group Limited (formerly known as FSE Engineering Holdings Limited), the vice-chairman and non-executive director of i-CABLE Communications Limited, and a non-executive director of SJM Holdings Limited, all of them are listed public companies in Hong Kong. He is the chairman and managing director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He was the chairman and executive director of International Entertainment Corporation up to his resignation on 10 June 2017, an independent non-executive director of HKR International Limited and Hang Seng Bank Limited up to his resignation on 31 March 2018 and retirement on 10 May 2018 respectively, and the chairman and non-executive director of Newton Resources Ltd up to his resignation on 9 April 2018, all of them are listed pubic companies in Hong Kong. Dr. Cheng is also the chairman of New World Hotels (Holdings) Limited and a director of certain subsidiaries of the Group. He is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, all of them are substantial shareholders of the Company. Dr. Cheng is the chairman of the Advisory Council for The Better Hong Kong Foundation. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the father of Dr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia, the brother-in-law of Mr. Doo Wai-Hoi, William, the brother of Mr. Cheng Kar-Shing, Peter and the uncle of Mr. Cheng Chi-Heng.

Mr. Doo Wai-Hoi, William

JP (Aged 74)

Appointed as the Vice-chairman and Non-executive Director in July 2013. Mr. Doo is also a non-executive director of Lifestyle International Holdings Limited upon re-designation from executive director on 11 June 2015 and an independent non-executive director of Shanghai Industrial Urban Development Group Limited, both being listed public companies in Hong Kong. Mr. Doo was an independent non-executive director of The Bank of East Asia, Limited, a listed public company in Hong Kong, up to his resignation on 18 February 2017. Mr. Doo is also a director of certain subsidiaries of the Group. He is the chairman and director of Fungseng Prosperity Holdings Limited. Mr. Doo is a Justice of the Peace appointed by the Government of the Hong Kong Special Administrative Region. He is also the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau, and a Governor of the Canadian Chamber of Commerce in Hong Kong. He was awarded the Chevalier de la Légion d'Honneur by the Republic of France in 2008. Mr. Doo is the brother-in-law of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter, and the uncle of Dr. Cheng Chi-Kong, Adrian, Ms. Cheng Chi-Man, Sonia and Mr. Cheng Chi-Heng.

Dr. Cheng Chi-Kong, Adrian

JP (Aged 38)

Appointed as an Executive Director in March 2007, became Executive Director and Joint General Manager from March 2012, re-designated as Executive Vice-chairman and Joint General Manager from April 2015 and re-designated as Executive Vice-chairman and General Manager from March 2017. Dr. Cheng is a member of the Executive Committee of the Board of Directors of the Company. Dr. Cheng is an executive director of New World Department Store China Limited and Chow Tai Fook Jewellery Group Limited, and a non-executive director of Giordano International Limited, i-CABLE Communications Limited and New Century Healthcare Holding Co. Limited, all being listed public companies in Hong Kong. He was an executive director of International Entertainment Corporation and a non-executive vice chairman of Modern Media Holdings Limited, both being listed public companies in Hong Kong, up to his resignation on 10 June 2017 and 26 August 2017 respectively. He is an executive director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He is a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, both are substantial shareholders of the Company. He is also the chairman of New World Group Charity Foundation Limited and a director of certain subsidiaries of the Group. Dr. Cheng worked in a major international bank prior to joining the Group in September 2006 and has substantial experience in corporate finance. Dr. Cheng holds a Bachelor of Arts Degree *(cum laude)* from Harvard University, and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design. He is the vice-chairman of All-China Youth Federation, a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, the chairman of China Young Leaders Foundation, the honorary chairman of K11 Art Foundation and a member of Board of the West Kowloon Cultural District Authority. He is the son of Dr. Cheng Kar-Shun, Henry, the brother of Ms. Cheng Chi-Man, Sonia, the nephew of Mr. Doo Wai-Hoi, William and Mr. Cheng Kar-Shing, Peter, and the cousin of Mr. Cheng Chi-Heng.

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

Mr. Yeung Ping-Leung, Howard

(Aged 61)

Appointed as a Director in April 1989. Mr. Cha is a member of the Audit Committee and the Remuneration Committee of the Board of Directors of the Company. Mr. Cha is also the chairman of HKR International Limited and the non-executive chairman of Hanison Construction Holdings Limited, both of them are listed public companies in Hong Kong. Mr. Cha was appointed as an independent non-executive director of Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Ltd.), a listed public company in Hong Kong, on 3 October 2016 and subsequently resigned as its independent non-executive director on 23 December 2016. He is also an independent non-executive director of Eagle Asset Management (CP) Limited – Manager of Champion Real Estate Investment Trust which is listed on The Stock Exchange of Hong Kong Limited, the chairman of Mingly Corporation and an independent non-executive director of Hong Kong International Theme Parks Limited.

Mr. Cha Mou-Sing, Payson

JP (Aged 76)

Mr. Cheng Kar-Shing, Peter

(Aged 66)

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

Mr. Cha Mou-Zing, Victor

(Alternate Director to
Mr. Cha Mou-Sing, Payson)
(Aged 68)

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

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

Mr. Ho Hau-Hay, Hamilton

(Aged 67)

Mr. Lee Luen-Wai, John

BBS, JP (Aged 69)

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

Mr. Liang Cheung-Biu, Thomas

(Aged 71)

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

Ms. Ki Man-Fung, Leonie

GBS, SBS, JP (Aged 71)

Appointed as a Non-executive Director in December 2008 and was re-designated as Executive Director in March 2012 and re-designated as Non-executive Director in June 2018. Ms. Ki has been the managing director of New World China Enterprises Projects Limited (a subsidiary of the Company) since 1997 and is also a director of certain subsidiaries of the Group. Ms. Ki is an independent non-executive director of Clear Media Limited and Sa Sa International Holdings Limited, both are listed public companies in Hong Kong. Ms. Ki is also a director of Chow Tai Fook Charity Foundation. Ms. Ki has more than 30 years' experience in integrated communication and marketing services. She was the founder, partner and chairman/chief executive officer of Grey Hong Kong Advertising Limited and Grey China Advertising Limited. Ms. Ki is committed to the community and public services. She was the first chief executive of The Better Hong Kong Foundation. She is currently a director of PMQ Management Company Limited, founder and honorable president of Wu Zhi Qiao Charitable Foundation, a member of the Asian Advisory Board of Cheng Yu Tung Management Institute, Richard Ivey School of Business (University of Western Ontario, Canada), vice chairman of the Committee of Overseers of Morningside College at The Chinese University of Hong Kong, a member of the Advisory Board of the EMBA Programme of The Chinese University of Hong Kong, a member of the executive committee of Youth Outreach, vice-chairman, council of the Musicus Society, a council member of The University of Hong Kong and a member of Hong Kong Institute of Construction Management Board. Ms. Ki is a recipient of Honorary University Fellowship from The Open University of Hong Kong and The University of Hong Kong. She has been awarded the honour of Beta Gamma Sigma by the Faculty of Business Administration of The Chinese University of Hong Kong, and Justice of the Peace, the Silver Bauhinia Star and the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region.

Mr. Cheng Chi-Heng

(Aged 40)

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

Ms. Cheng Chi-Man, Sonia

(Aged 37)

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

Mr. Au Tak-Cheong

(Aged 66)

Appointed as an Executive Director in July 2013. Mr. Au is a member of the Executive Committee of the Board of Directors of the Company. Mr. Au joined the Company in 1975. He is currently the Head of the Finance and Accounts and senior management of the Company and is responsible for overseeing compliance of policy and procedures in relation to accounting matters of the Group. He possesses over 40 years of experience in finance and accounting and treasury. He is also a non-executive director of New World Department Store China Limited, a listed public company in Hong Kong, and a director of certain subsidiaries of the Group.

Mr. Sitt Nam-Hoi

(Aged 64)

Appointed as an Executive Director in June 2018. Mr. Sitt is a member of the Executive Committee of the Board of Directors of the Company. Mr. Sitt joined the Group and was appointed as Head of Projects (Hong Kong) of the Company in February 2011. He is currently the senior director of the Project Management Department of the Company and director of certain subsidiaries of the Group. Before joining the Company, he was the project director of a listed public company in Hong Kong which he worked for over 25 years. Before that, Mr. Sitt had been working in Buildings Department of the Government of the Hong Kong Special Administrative Region. Mr. Sitt obtained his Bachelor of Architecture and Bachelor of Arts in Architectural Studies from the University of Hong Kong. He is a Registered Architect, an Authorised Person and is responsible for overseeing all project management matters for all property development projects of the Group in Hong Kong. He has extensive project management experience and participated in various significant projects in Hong Kong and mainland China.

Mr. So Chung-Keung, Alfred

(Aged 69)

Appointed as an Executive Director in June 2018. Mr. So is a member of the Executive Committee of the Board of Directors of the Company. Mr. So joined the Group as the chief executive officer of New World China Land Limited in January 2016. He is currently a director and chief executive officer of New World China Land Limited (a listed public company in Hong Kong until its delisting on 4 August 2016) and director of certain subsidiaries of the Group. Prior to joining the Group, Mr. So worked with a listed group in Hong Kong for over 30 years. Mr. So previously served as executive director and non-executive director of a Hong Kong-listed public company and was appointed as adviser to a Hong Kong-listed mainland China property developer. He is currently a member of the Hong Kong Institute of Real Estate Administrators and a member of The Community Chest Corporate & Employee Contribution Programme Organising Committee. Mr. So received a Master of Science degree in Mathematics from the University of Toronto. He has extensive experience in the business world as a veteran property development professional, having played pivotal roles in launching a host of significant projects in both Hong Kong and mainland China.

Mr. Ip Yuk-Keung

(Aged 66)

Appointed as an Independent Non-executive Director in June 2018. Mr. Ip is a member of the Audit Committee and the Nomination Committee of the Board of Directors of the Company. Mr. Ip is an independent non-executive director of Hopewell Holdings Limited, TOM Group Limited, Power Assets Holdings Limited and Lifestyle International Holdings Limited, all being listed public companies in Hong Kong. He is also the executive director and chief executive officer of LHIL Manager Limited which is the trustee-manager of Langham Hospitality Investments (a listed fixed single investment trust) and Langham Hospitality Investments Limited, and a non-executive director of Eagle Asset Management (CP) Limited, as manager of Champion Real Estate Investment Trust (a listed real estate investment trust). In addition, he was an independent non-executive director of New World China Land Limited (a listed public company in Hong Kong until its delisting on 4 August 2016), AEON Credit Service (Asia) Company Limited (a listed public company in Hong Kong) and Hopewell Highway Infrastructure Limited (a listed public company in Hong Kong) up to his resignation in August 2016, September 2016 and May 2018 respectively. Mr. Ip is an international banking and real estate executive with 33 years of experience at Citigroup, First National Bank of Chicago, Wells Fargo and Merrill Lynch in Hong Kong, Asia and the United States. His areas of expertise are in real estate, corporate banking, risk management, transaction banking and wealth management. Mr. Ip is an Honorary Professor of Business of Lingnan University, a Professor of Practice (International Banking and Real Estate) at The Hong Kong Polytechnic University, an Adjunct Professor of City University of Hong Kong, The Hong Kong University of Science and Technology and Hang Seng Management College, an Adjunct Distinguished Professor in Practice of University of Macau, a Council Member of The Hong Kong University of Science and Technology, a trustee of the Board of Trustees at Washington University in St. Louis, and a Vice Chairman of the Board of Governors of World Green Organization Limited. He is a member of the Committee on Certification for Principalship under the Education Bureau of the Government of the Hong Kong Special Administrative Region. Mr. Ip holds a Bachelor of Science degree at Washington University in St. Louis (summa cum laude) and Master of Science degrees at Cornell University and Carnegie-Mellon University. He is an Honorary Fellow of Vocational Training Council.

Senior Management Profile

Mr. Wong Man-Hoi
BSc(Eng)(Hon), LLB(Hon) (Aged 59)
Appointed as the Company Secretary of the Company in January 2011. Mr. Wong joined the Company in November 2000 and has headed the Legal Department (now Legal and Company Secretarial Department) since November 2001. Mr. Wong is a member of the Law Society of Hong Kong and has been a qualified solicitor in Hong Kong since 1994. Before joining the Company, Mr. Wong worked as a solicitor specialising in real estate practice. Mr. Wong obtained his Bachelor of Science (Engineering) Degree from the University of Hong Kong in 1981, Bachelor of Laws Degree from the University of London in 1990 and passed the Solicitors' Final Examination of the Law Society of England and Wales in 1992.

Ms. Lo Pui-Ying
(Aged 68)
Ms. Lo is currently the Owners' Representative-Hotel Division of the Company. Ms. Lo has been in the hotel industry since 1969 and held various positions in the Hyatt Regency and Excelsior hotels before joining the Group in 1978. Ms. Lo acted as the financial controller of the New World Hotel in Kowloon for three years before joining New World Harbour View Hotel (later renamed Renaissance Harbour View Hotel) in 1988 as Director of Finance. She also held a group controller position for New World Hotels International Limited (a former hotel management company of the Company) until 1997 when the position ceased to exist. Ms. Lo joined Foreign Holiday Philippines, Inc. and Marina Square Properties, Inc. in 2003 and 2005, respectively, as group financial controller, treasurer and co-leader of the pre-opening and operation team for a hotel and casino property investment in the Philippines. She rejoined the Company in 2007. Ms. Lo has previously been certified as a Certified Hotel Administrator (CHA) in the American Hotel and Motel Association (AHMA) from November 1990 to October 2000. She has also previously acted as a Fellow and Founder Member of the Hotel Controllers & Accountants Association (Hong Kong) founded in 1991. She has served respectively a member of Management Committee and Executive Committee of The Federation of Hong Kong Hotel Owners in 2012 and 2014 till now.

Investor Relations

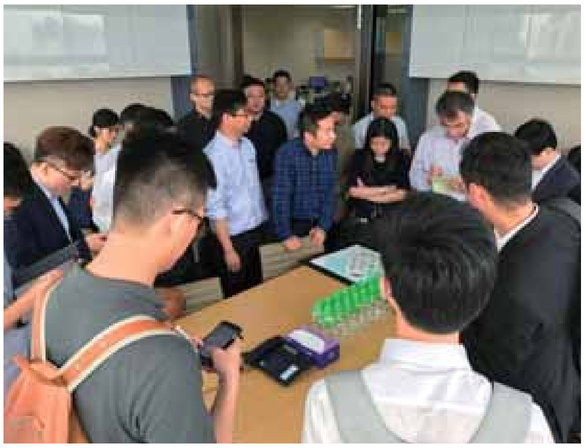
The Group endeavours to maintain a high standard of corporate disclosures in compliance with the legal and regulatory requirements and believes that delivery of clear messages regarding the Company's strategy, business development and prospect will enhance and create value for stakeholders.

COMMUNICATION WITH INVESTORS VIA MULTIPLE CHANNELS

The Board places strong emphasis on the importance of investors to our long-term business development and value creation, by setting up Investor Relations Department for effective communication with the capital market. Investor Relations team takes the professional initiatives to maintain close and regular communications with different stakeholders including institutional investors, analysts and credit rating agencies, keeping the market abreast of the latest development of the Group in a timely manner and accurate assessment of the growth potential and value of the Group upon better understanding of our brand philosophy. Currently, the Group is actively covered by various domestic and international investment banks and securities dealers, which produce research reports on the Group on a regular basis.

The Group organises press conferences and analysts' briefings in Hong Kong on the dates of annual and interim results announcements. In order to promote dual communications with the stakeholders, management will chair the meetings and explains the Group's latest operations, takes feedbacks and solve questions. Comprehensive presentation materials including financial data and business development of the Group are illustrated and available not only to participants at the meetings, but also published on the Group's investor relations website. Moreover, the meeting are webcast online with choice of languages for investors in other countries and regions.

The Group is often invited to attend large-scale investor conferences at home and abroad to outreach and promote the differentiation of our brand and business with different stakeholders. Non-deal roadshows and project experience tours are organised by the Group on a regular



basis to ensure that investors have a thorough understanding towards our strategies, product offerings and latest development. In FY2018, the Investor Relations team met over hundreds of institutional investors and analysts in Hong Kong, Mainland China and overseas, organised and participated in more than 20 investor events.

HIGH-STANDARD INFORMATION DISCLOSURE

The Group recognises the importance of timely, fair and transparent disclosure of information, and takes the active stance to disclose information that may affect the investment decision, so as to ensure fair and timely access to important information regarding the Group by the public. The Board has approved and adopted the Shareholders' Communication Policy, which will be reviewed in due course to ensure its appropriateness and effectiveness.

Through voluntary announcements and compliance with requirements of the Listing Rules regarding issuance of announcements, disclosure is made on the website of The Stock Exchange of Hong Kong and the page "Investor's Column" on the Company's website as soon as possible or within the prescribed time limit under relevant regulations. In addition, information such as financial reports, financial calendar, results presentation and corporate news are available on the Group's website.

Apart from the shareholders' services provided by the share registrar and transfer office, investors are encouraged to raise questions and communicate with the Group via phone, email and online enquiry form available on the Group's website.

DISTINGUISHED MARKET RECOGNITIONS

The outstanding performance of the Group in investor relations has gained recognition from the market. During the year under review, the Group won more than 50 domestic and international awards regarding investor relations, corporate governance and annual report, in recognition of the commitments of the management to excellent investor relations and corporate governance.

The awards garnered by the Group include "Quam IR Awards 2017 — The Most Remarkable Investor Relations" recognition for three consecutive years from Quamnet, a leading financial platform in Hong Kong; four awards including "Best Investor Relations Company" and "Best Investor Relations Professional" of "Asian Excellence Award 2018" organised by Asia renowned corporate governance publication *Corporate Governance Asia* for consecutive years; two awards including "Best Investor Meeting" of "4th Investor Relations Awards" organised by The Hong Kong Investor Relations Association; "Listed Enterprises Award", "Best Corporate Governance Award" and "Best Development Strategy Award" presented by *Bloomberg Businessweek Chinese*; "Best Investor Relations Team Hong Kong 2017" by the international financial magazine *Capital Finance International*; and 26 annual report awards in the "30th International ARC Awards" from MerComm, Inc.

Corporate Sustainability

MESSAGE FROM MANAGEMENT

TOWARDS YOUR NEW WORLD IN 2030

Our Group is building upon strong business foundations to expand into new ventures and geographies, and continuing to promote The Artisanal Movement on our journey to becoming a cultural enterprise. Our ongoing success relies on our understanding of the opportunities and challenges ahead of us in order to craft relevant solutions that stand the test of time and market trends. Global businesses are now facing volatility, uncertainty, complexity and ambiguity due to international politics, the rise of the millennial generation, urbanisation, climate change, digitalisation and other game changers. Our Group recognises the importance of embracing these megatrends and deploying shared economy and big data solutions as part of our way forward. For our conglomerate businesses, these insights have translated into internal workflow enhancements, new product launches and impactful customer engagement. Through these initiatives, we aim to create synergies within our business portfolio, evolve in the age of hyperconnectivity and manifest the cultural vision of The Artisanal Movement by curating opportunities for a life well-lived.

Our commitment, presented here in our "New World Sustainability Vision 2030" ("SV2030"), is to integrate green aspirations, healthy living, smart potential and caring services into our operations, from planning to customer experience. In this way, we will create shared value through quality, meaningful and lasting products, services and cultural content.

As our businesses are gaining a greater presence in Mainland China and placing a larger emphasis on millennial customers, we listen closely to these market voices and have identified key challenges such as urbanisation, climate change, income inequality and ageing population. Underneath these complex issues, we see an aspiration for a holistic lifestyle among our customers and an opportunity to further explore mixed-use developments. Property development is no longer just about building structures but also establishing platforms that support people to live, work, play and dream.

Building upon the K11 brand's "art x commerce" hybrid model, we launched K11 Atelier at Victoria Dockside in Hong Kong – an innovative workplace that is certified to green building standards and provides wellness and cultural programmes to its tenants. In both Hong Kong and Mainland China, we are planning more mixed-use developments to improve resource efficiency and connectivity between cities and people.

While our businesses have continued to deliver remarkable returns in FY2018, our success will also be measured in terms of environmental and community impact created. Our Group will continue to attract entrepreneurial talents, who embrace a global vision and strive for excellence as their purpose, and develop our existing employees to capture the opportunities in the era of disruptive technologies. It is through these talents that we can execute our vision and better serve our internal and external stakeholders.

In FY2018, our millennial employees inspired the Group to explore solutions to one of the housing issues in Hong Kong. As a response, we launched the "NewGen First Home Program" to offer financial subsidies and preferential payment arrangements to some first-time property owners among Hong Kong permanent residents aged 25-35. To promote green financing in Hong Kong and the Mainland and transparent impact reporting, our Group has also launched the first-in-market "New World Development Green Finance Framework" that covers both future green bonds and loans. Under this Framework, we have raised Hong Kong's first green loan for an upcoming certified green and healthy building. From strength to strength, our Group will innovate with our society and customers in mind and deliver positive impact to all stakeholders. We welcome you to share any feedback and requests with us as we progress in The Artisanal Movement and the SV2030.

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

REPORTING APPROACH

This section provides an overview of the Group's Environmental, Social and Governance (ESG) performance during the reporting period of 1 July 2017 to 30 June 2018.

The reporting boundary extends to all areas of NWD's business over which the Group has major financial control, as well as those of ESG significance to the Group and its stakeholders. In addition to our core property business, the reporting scope covers our infrastructure and services, department stores, hotels and other businesses.

REPORTING STANDARDS

This section is prepared in accordance with the requirements stipulated in the latest ESG Reporting Guide set out in the Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("HKEx"). We have also made reference to the United Nations Sustainable Development Goals ("UN SDGs"), in establishing our long-term sustainability vision, under which we will report ongoing performance and impact. The Group will issue a standalone Sustainability Report ("SR") in December 2018 on the Company and HKEx's websites.

NWD has been a member of the Hang Seng Corporate Sustainability Index Series since 2015. We respond to investor enquiries and provide information to various ESG surveys such as the Carbon Disclosure Project ("CDP") and the Global Real Estate Sustainability Benchmark ("GRESB"). In doing so, we identify those issues that are most relevant and important to the industries in which we operate.

Hang Seng Corporate Sustainability Index Series Member 2017-2018

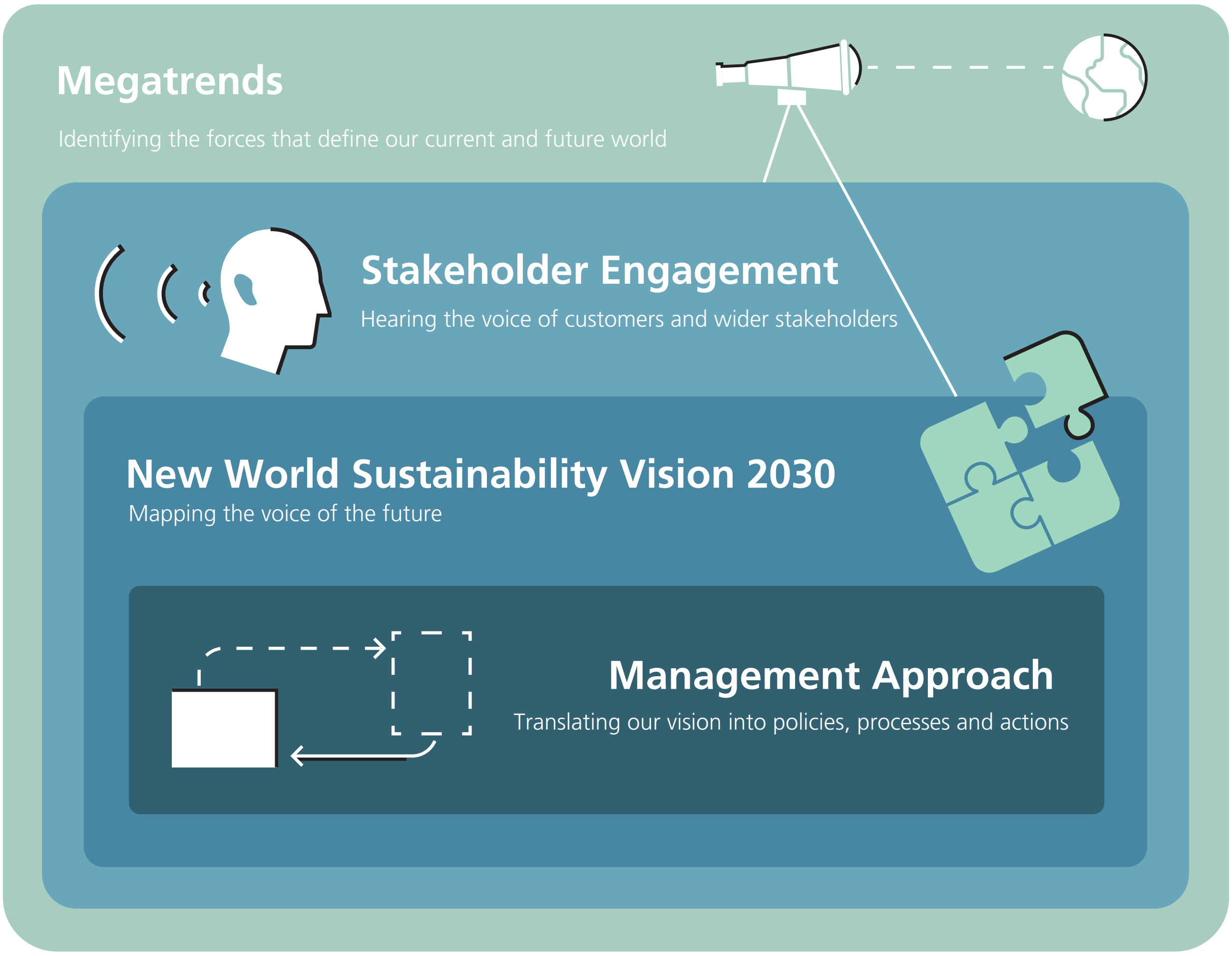
NWD has been a member of the Hang Seng Corporate Sustainability Index Series since 2015.

The information contained in this section has been independently assured by the Hong Kong Productivity Council to ensure accuracy and credibility. The independent assurance statement can be found on https://sr.nwd.com.hk/.

THE FACTORS INFLUENCING OUR FOCUS AREAS

The capability of an organisation to leap forward and realise its vision hinges on its ability to connect the voice of its stakeholders, management approach and business priorities, to megatrends defining our current and future world. We regularly review these connections to assess how they influence our operations and desired impact.

The four major factors driving our agenda and actions are shown below. The subsequent parts of this section delve into these factors in more detail.



MEGATRENDS - IDENTIFYING THE FORCES THAT DEFINE OUR CURRENT AND FUTURE WORLD

In light of changing political, consumer market and environmental landscapes in recent years, keeping watch on the emergence and disruption of major trends becomes an essential activity for any business to stay relevant. By shaping our vision and action to stay ahead of the transformation trajectory, downside risks could be minimised while capturing emerging opportunities to make a difference. We identified the following relevant megatrends as the most important for the Group:

	Megatrends	Challenges presented	How we plan to respond
The Rise of Millennials 	As of 2017, 50% of the world's population is under the age of 30, the highest youth population in history[1].	Born in the digital age, the millennial generation has different expectations about work and lifestyle. This includes how they communicate and how they value impact as part of their identity.	We will continue to listen to the voices of younger customers and provide bespoke products and services by leveraging our diverse business portfolio to curate a convenient, contemporary and sustainable lifestyle.
Urbanisation 	Urban population is expected to contribute towards 66% of the total global population by 2050, compared to only 30% back in 1950[2].	Rising populations challenge a city's infrastructure, public services, natural resources and its ability to help them meet their aspirations. Ageing populations across many cities increase the demand for elderly care facilities and services, as well as affect the structure and productivity of the workforce.	We are exploring how our mixed-use property projects can fulfill urban lifestyles and address the needs of an ageing population. For instance, we offer quality education and healthcare services, enhance connectivity in the community and expedite automation for more efficient services.
Environmental issues 	The planet is under stress due to climate change, population growth and the rising economic power of the middle class.	By 2030, the demand for food is expected to rise by 35%, water by 40% and energy by 50% when compared with their level in 2014[3].	We will adopt cleaner energy sources, develop sustainable buildings, manage our operational impact and engage our internal and external stakeholders to offer our customers a greener, low-carbon lifestyle.
Impact of Technology 	Penetration of mobile phones has reached nearly 68% globally, compared to less than 5% two decades ago[4,5].	Better connectivity leads to a greater demand for businesses to respond and serve in a more timely and personalised manner, both online and offline.	We promote entrepreneurship to drive innovation and adopt new technologies, in order to meet the high-efficiency expectations of the digital age and capture opportunities presented by a shared economy.

1 World Economic Forum (2017), Global Shapers Survey 2017, Retrieved from http://www.shaperssurvey2017.org/static/data/WEF_GSC_Annual_Survey_2017.pdf

2 United Nations (2014) , World Urbanization Prospects 2014 revision, Retrieved from https://esa.un.org/unpd/wup/publications/files/wup2014-highlights.pdf

3 National Intelligence Council (2014), Global Trends 2030 Alternative Worlds, Retrieved from https://globaltrends2030.files.wordpress.com/2012/11/global-trends-2030-november2012.pdf

4 Hootsuite (2018), Digital in 2018, Retrieved from: https://hootsuite.com/pages/digital-in-2018

5 Statistia.com (2018), Number of mobile (cellular) subscriptions worldwide from 1993 to 2017, Retrieved from https://www.statista.com/statistics/262950/global-mobile-subscriptions-since-1993/

STAKEHOLDER ENGAGEMENT - HEARING THE VOICE OF CUSTOMERS AND WIDER STAKEHOLDERS

We regularly engage our stakeholders to identify key sustainability topics of importance to them as well as to identify business opportunities and address risks, in order to further NWD's sustainable development efforts. Here are our regular engagement channels:

Employees

- Management interviews
- Focus group discussions
- Whistleblowing channels
- Intranet
- A. Connect, a staff bulletin mobile app
- Talent development programmes
- Spotlight+, a monthly sustainability e-newsletter
- Internal digital risk flagging system

Customers and tenants

- Customer satisfaction surveys and ongoing communication through New World CLUB
- Online platforms such as Artisanal Living and K11 mobile apps
- Social media and company website
- Customer service hotline
- Meetings and visits

Supply chain partners

- Audits and performance review
- Surveys and meetings
- Tendering and procurement processes
- Training and briefings

NGO partners

- Online surveys
- Attend conferences and seminars

Local communities

- Public/community events
- Company website
- Community initiatives such as New World Springboard Programme and New World Harbour Race

Media

- Online surveys
- Media briefings and press releases

Academic and professional institutions

- Technical site visits
- Meetings, conferences, seminars and workshops

Shareholders and investors

- Annual general meetings and results announcements
- Annual and interim reports
- Company website
- Roadshows and investor meetings
- Investor visits
- Responses to investor surveys and benchmarking exercises such as CDP, GRESB MSCI ESG Rating, etc.

In addition to our routine engagement with stakeholders, an independent consultant was commissioned in FY2018 to provide an impartial assessment of our sustainability performance, gaining insights into stakeholders' priorities and identifying opportunities and risks that lie ahead of us.

This exercise consisted of analysing 218 responses from a quantitative online survey and 26 in-depth interviews, combined with desktop research and peer benchmarking. The outcome not only provides us with a clearer picture of our current standing, but also guides us to realise our vision in the future.

Some of the stakeholder groups engaged included the senior management of major business units, key internal departments, employees of different levels, customers, tenants, supply chain partners, social and green non-governmental organisations ("NGOs") and media. A summary of stakeholders' views is presented further below:

To solicit feedback from internal and external stakeholders for identifying our focus areas, we conducted:

26
in-depth interviews

An online survey, from which
218 responses
were received

Top five issues	Top five improvement areas	
	Internal stakeholders' views	External stakeholders' views
Bribery and corruption	Talent attraction and retention	Energy efficiency and greenhouse gas emission
Corporate governance	Employee engagement and communication	Social integration and regeneration
Occupational health and safety	Employee development	Contribution to the local economic development
Information privacy	Waste disposal and recycling	Ageing population
Talent attraction and retention	Employee wellness	Climate change

Our Group believes solid ESG performance forms a strong basis for the long-term success of a corporation. We will continue to monitor megatrends and the feedback from our stakeholders in designing our roadmap. In the past year, we have started to strengthen our corporate governance structure and practices to include ESG considerations and also developed a long-term sustainability vision to align the efforts of our business units.

The top five issues identified by our stakeholders are being addressed through our ESG governance and business activities. Read on to learn about our corporate governance, under "Management Approach", and please also refer to the following sections:

- "Our Products and Services": regarding anti-corruption and information privacy
- "Your Health": regarding occupational health and safety
- "Your Community": regarding talent attraction and retention

NEW WORLD SUSTAINABILITY VISION 2030 – MAPPING THE VOICE OF THE FUTURE

Inspired by The Artisanal Movement and referencing the UN SDGs, the "New World Sustainability Vision 2030" ("SV2030") creates shared value for the society through quality products, services and cultural content revolving around "Green", "Wellness", "Smart" and "Caring" , supporting our stakeholders to adopt a more sustainable lifestyle. We empower our talents to practically apply this vision to their functions and roles, from business planning to the curation of customer experiences.

NEW WORLD SUSTAINABILITY VISION 2030

Together, we curate opportunities for a life well-lived

SV2030 steers the Group to curate a customer experience with the elements of

GREEN, WELLNESS, SMART and CARING.

GREEN | Moving us towards a greener future

We preserve the environment through the way we operate and by investing in green initiatives that will make our cities fit for the future.

WELLNESS | Promoting health in body and mind

We enhance wellbeing through our business ventures and wellness programmes, and by designing spaces that work better for people.

SMART | Using innovation to unlock potential

We unleash creativity by supporting entrepreneurs to innovate, helping children discover new skills and using technology to improve experiences.

CARING | Nurturing our communities and culture

We create opportunities wherever we are by supporting local communities, providing training for our people and their families and preserving local identity for all to enjoy.

MANAGEMENT APPROACH – TRANSLATING OUR VISION INTO POLICIES, PROCESSES AND ACTIONS

In order to translate our future vision into business practices, we are committed to continuously improving our governance framework for sustainability.

This includes incorporating relevant ESG aspects into the Risk Management & Internal Control Assessment Checklist ("the Checklist") this year. The completion of this Checklist is a biannual exercise that engages all NWD departments and business units to identify, assess and address these risks accordingly. The feedback collected from the Checklist is analysed by the internal audit department and reported to the Risk Management Committee, which supports the Board-level Audit Committee in deciding the Group's overall risk level and ensuring the effectiveness of its risk management system. The Audit Committee conducts a biannual review of ESG risks identified by all internal stakeholders via the Checklist. We have undertaken Group-wide ESG training to raise internal capacity in managing relevant risks and performance.

A number of other bodies also provide support and direction in fostering a sustainability culture and driving performance:

- **Group Sustainability Steering Committee**
  Chaired by our Executive Vice-chairman and General Manager and comprising senior members from Group functions and major business units.

- **Group Sustainability Taskforce**
  Comprising members from NWD, NWCL, NWDS, NWSH, New World TMT, K11 and our hotel division, etc. The Taskforce serves as a knowledge-exchange platform to drive ESG management and the implementation of the SV2030 across the Group. Taskforce members are also ESG Persons-in-Charge, who support their respective business units in flagging ESG risks to the Group, implementing sustainability policies and compiling information for ESG disclosure.

- **NWD Sustainability Department**
  Reports directly to the Executive Vice-chairman and General Manager and drives relevant Group-wide initiatives across NWD's major businesses and functions.

Our Sustainability Policies

The Group has updated and developed the following policies and guidelines to strengthen ESG governance and performance management as well as to safeguard the rights and interests of key stakeholders.

The policies are driven from the Group level to cover all business units, which are encouraged to adopt additional guidelines and practice notes based on specific operational needs.

For further details on these policies, please refer to our corporate sustainability website: http://www.nwd.com.hk/sustainability/en/group.html#policy

OUR PRODUCTS AND SERVICES

We listen to our customer feedback closely and identify associated sustainability challenges and opportunities. Throughout the Group's diverse businesses, we drive innovation and entrepreneurship. We look for new synergies, while upholding the quality of our products and services through corporate policies and standards. Our property projects are no longer just building structures, but also holistic lifestyle platforms.

FROM FEEDBACK TO ACTIONS

Voice of Customers

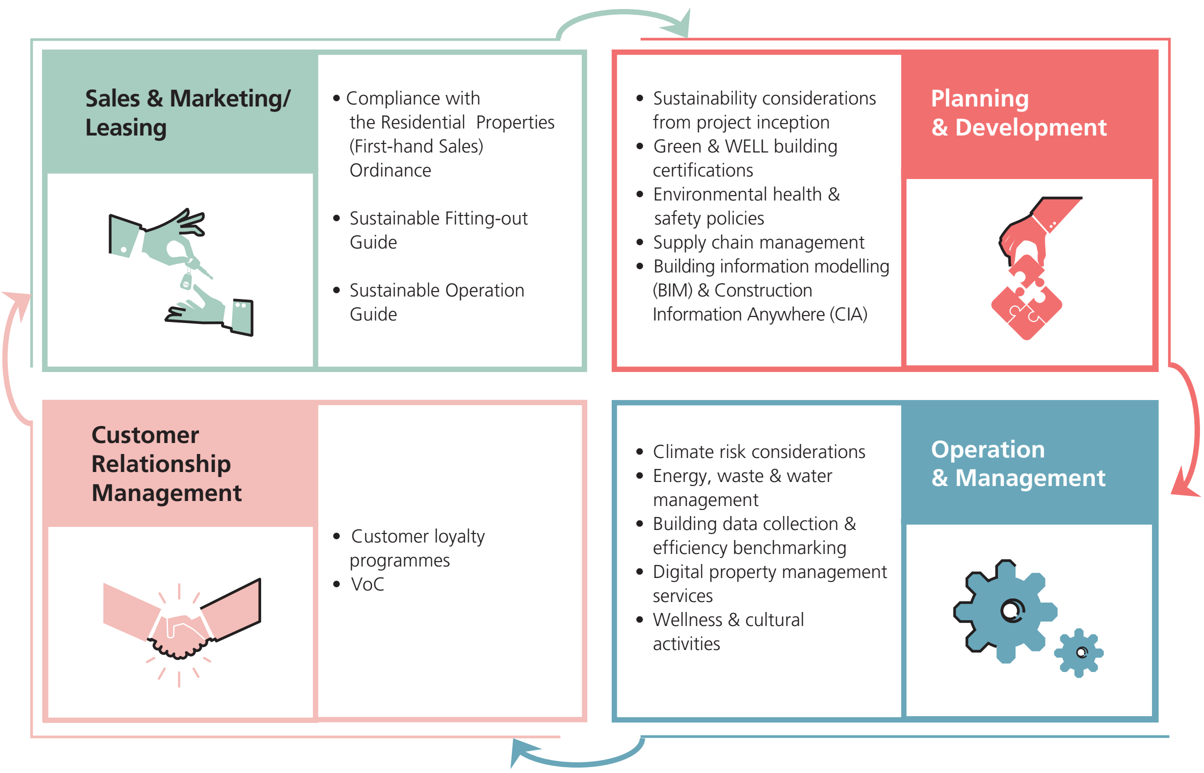
Our innovation and product development depends upon sufficient quantities of timely and relevant customer feedback. In FY2018, we set up a committee to collect, analyse and address the voice of customers ("VoC"). The committee comprises members of different key departments and business units, including sustainability representatives, to collect VoC from different business touch-points.

Stakeholder engagement throughout the building lifecycle

Our new Sustainable Building Policy covers regulatory, environmental and social factors, stakeholder engagement and risk management related matters to be considered by relevant departments at each stage of the building lifecycle. We maintain two-way communication with stakeholders on a regular basis. For instance, the occupants of residential properties can raise feedback both onsite and online, through the Artisanal Living mobile app and the New World CLUB online platform, among others.

Among more than 700 responses received in our latest New World CLUB customer satisfaction survey, more than 80% of respondents felt "satisfied" or "very satisfied".

Sustainable Property Development Lifecycle



Stakeholder Engagement Events

We organise exhibitions to showcase the crafts and stories behind our Group's unique brand personality, The Artisanal Movement. We invite feedback to drive continuous improvements. More than 5,000 stakeholders were engaged through the "Make Waves" exhibition at Victoria Dockside and the 2°C architecture exhibition during FY2018.

Quality assurance

We believe robust management systems create a solid framework for managing our performance and provide quality products and services. We have adopted various international standards and an integrated system for quality, environmental and health and safety management. New World Construction Company Limited ("NWCON") and Hip Hing Construction Company Limited ("Hip Hing") are certified to the ISO 9001, ISO 14001 and OHSAS 18001 Standards. Our suppliers and contractors are also required to adhere to the Group's Supplier Code of Conduct and to follow our requirements on business ethics, ethical conduct, labour practices, environmental conservation, human rights and legal compliance, with regular checks to ensure compliance.

We provide accurate information about our products and services to our customers to help them make informed decisions and facilitate the trust-building relationship. Our frontline personnel and business partners are also required to provide accurate and complete information in marketing and sales, and to act with due skill, care and diligence. We ensure the correct labelling of our products to protect the interests of our customers.

Anti-corruption and integrity

All employees, including directors and full-time, part-time and temporary staff members of the Group, are required to fully comply with our Employee Code of Conduct, as well as other policies including the Anti-Fraud Policy, Conflict of Interest Policy and Whistleblowing Policy, to ensure anti-corruption and uphold integrity throughout the Group. In FY2018, more than 240 hours of associated training were delivered to introduce related ordinances regarding workplace corruption and other ESG risks. As part of our ESG training plan, we will explore the use of e-learning to enhance our staff's sustainability awareness.

Data privacy

We endeavour to build trusting relationships with our customers, tenants and communities by safeguarding personal data. We comply with data privacy laws and regulations. We conduct regular review of our data privacy measures and provide regular training to our staff on the subject.

A Personal Data Privacy Officer has been designated with contact information publicised on our website along with the Privacy Policy Statement, as well as in the Personal Information Collection Statements which will be provided upon collection of personal data, so as to provide a channel for customer to give feedback on any data privacy concern. IT security policies and procedures have been implemented to prevent unauthorised access. Unauthorised use of customer data is strictly prohibited. Customer data are only accessible by authorised personnel within the Group on a need-to-know and need-to-use basis. The importance of data protection is also emphasised to all employees in our Employee Code of Conduct.

PROMOTING INNOVATION AND CREATIVITY

From incubation to innovation

In 2013, we launched our Incubation Circle programme to collect, screen and implement novel ideas to optimise business processes and enhance our products and services. About 630 improvement projects have been implemented since the launch of the programme, which have brought an estimated cost saving of HKD 90 million and generated HKD 5.5 million direct revenue.

Our Customer Committee and Innovation Lab were set up in 2016 to fast-track the execution of new solutions and adoption of new technologies. These act as regular channels to collect and discuss innovative ideas, as well as expedite the implementation by facilitating senior management's approval of shortlisted ideas.

Marrying aspirations and imagination, our in-house professionals have invented products that are both aesthetically designed and highly functional. As a result, 34 intellectual property ("IP") rights have been granted or are under application through the process driven by the aforesaid platforms since 2016.

DRIVING INNOVATION VIA SUPPORTING START-UPS

Eureka Nova assists young entrepreneurs in Hong Kong by providing a bespoke incubation programme and critical resources such as networking opportunities, office space and access to funding. The programme collects disruptive business solutions, connects passionate change-makers, and enables the collision of bold ideas.

The Group is also collaborating with Tencent Makerspace to set up a culture and innovation centre in KOHO, one of our office buildings in Hong Kong. This partnership will help cultivate local multimedia talents.

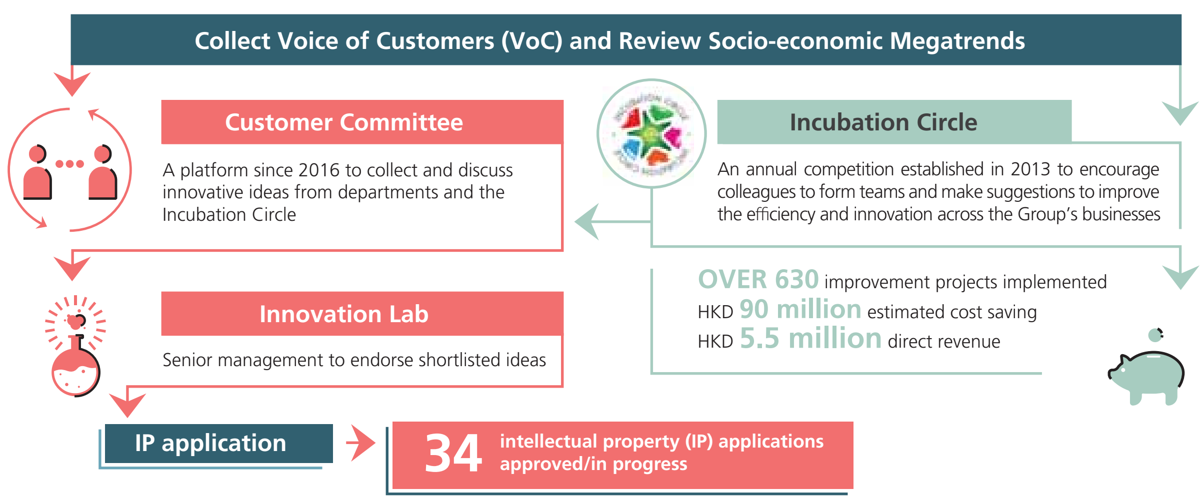
NWCL partnered with the Institute of Digital China Inc. of Peking University to set up the Digital Innovation Institute. Collaborated with incubators for technology start-ups, the Digital Innovation Institute set up a platform to attract and draw related industries and talents for strengthening the Group's future business ecosystem in Beijing, Tianjin and Hebei Province.

DEDICATED TEAMS FOR DIGITALISATION

We have dedicated teams to bring ideas to life, accelerating transformation towards digitalisation. New World First Bus and Citybus' mobile app provides passengers with real-time bus arrival information. The app has accumulated 3 million downloads with average daily enquiries of over 2 million. We develop these online platforms in-house and drive associated IPs. Another example is Artisan 360, which is a virtual reality website that shows our properties to potential customers with 360-degree images of our new flat units. A. Connect is an internal office app that enhances workflows and internal communication.

The New World DigiTalent Programme organises training programmes to inspire and support our workforce to develop and implement creative digital solutions in their daily work through social media, digital marketing, online services, app development and data analytics.

Process To Drive Innovation



GREEN FINANCING

Sustainable project developments require sustainable funding. In light of our commitment to the SV2030, the Group announced the "New World Development Green Finance Framework" ("the Framework") in March 2018 to enable the funding of sustainable building design and operational enhancements through green bonds or green loans. The Framework, which covers projects by NWD, NWCL and K11 in Hong Kong and Mainland China, was developed based on the Green Bond Principles 2017 and reviewed by Sustainalytics, an independent ESG research and rating provider.

The eligibility criteria for green financing include building certifications promoting sustainable and healthy design, energy efficiency and renewable energy projects, water management, waste management and climate change adaptation initiatives. A Green Finance Review Panel, comprising senior representatives from NWD Finance & Accounts, relevant Project Management teams, Property Management and Sustainability, was formed to propose eligible projects according to these criteria for the endorsement from the Chairperson of the Group Sustainability Steering Committee. Please refer to the full framework at http://www.nwd.com.hk/sustainability/en/group.html#green

The inaugural transaction under the Framework was Hong Kong's first green loan for the King's Road Commercial Re-development Project, which has achieved BEAM Plus Provisional Platinum, LEED and WELL Platinum (Pre-certified) core and shell status. The loan syndicate has approved the conversion of the HKD 3.6 billion construction loan into a green loan. The green credentials of this loan had been verified by the Hong Kong Quality Assurance Agency and had received a "Green Finance Certificate (Pre-issuance)".

The King's Road Project, with a target completion date in mid-2019, has not yet utilised the green loan funding as of the end of FY2018.

Bringing our SV2030 to your lives

The next three sections detail how we are curating opportunities for your environment, your health and your communities.

YOUR ENVIRONMENT

To create sustainable living environments for our customers and tenants, we consider the long-term integrity of the ecosystem and natural resources, as well as climate risks, in our building design, operations, procurement and the curation of our commercial offers.

SUSTAINABLE BUILDING DESIGN AND CLIMATE RESILIENCE

Our new Sustainable Building Policy sets out the Group's commitment to embed sustainability considerations into the full building lifecycle from the identification and acquisition of project sites and project design, to property management and stakeholder engagement. Under the policy, we strive to achieve Gold or above level in BEAM Plus, Hong Kong's leading independent assessment of building sustainability performance, or U.S. LEED certifications for new commercial and retail buildings in Hong Kong and Mainland China.

As of the end of FY2018, 20 buildings have earned the BEAM Plus certification and 27 buildings have earned the LEED certification, achieving Platinum or Gold ratings. 12 buildings have also been certified to the China Green Building Evaluation Standard (two-star or above).

Our King's Road Commercial Re-development Project in Hong Kong achieved the world's first WELL Building Standard Platinum Pre-certification. Further to this, we are exploring other certification opportunities among new Hong Kong and Mainland projects to curate buildings that improve the physical and mental health of our customers. The WELL Building Standard v1 includes seven concepts concerning the holistic wellness of building users: air, water, nourishment, light, fitness, comfort and mind. With reference to this, all new buildings will strive to achieve at least an above-compliance level of indoor air quality, water and lighting.

We have also developed internal sustainable building design guidelines for Hong Kong and Mainland China to cover specifications pertinent to healthy and smart living, social integration and climate change adaptation for different property types.

CONSTRUCTION INFORMATION ANYWHERE ("CIA")

The Group has pioneered the full property lifecycle application of Building Information Modeling ("BIM") among Hong Kong companies to reduce project development time, cost, construction risks, abortive works and wastage with computer simulation and 3D visualisation functionalities. Timely sharing of the latest project details with project team members and data-intensive models created on advanced software is a challenge to wider adoption of this full lifecycle BIM approach. We created the Construction Information Anywhere ("CIA"), a cloud-based online system, to address this bottleneck by serving as a centralised project database for internal and external team members to access up-to-date project information easily on their computers or mobile devices. While BIM enables design coordination and the production of "virtual visual mock-up", CIA allows more efficient distribution of relevant drawings and documents among all project team members, including subcontractors. For instance, about 11,340 documents and 8,740 drawings of the King's Road Commercial Re-development Project are handled digitally by the Document Control System of CIA. We plan to develop CIA eventually as an Enterprise Resource Planning system, enabling information from various building stages could be reviewed and archived for quality improvements and knowledge sharing.

Climate Change Strategy

The Board oversees climate risks, which form part of the Risk Management Policy. We are committed to developing quality and artisanal buildings that are resource efficient and climate resilient. A Group-level Sustainable Building Policy guides relevant business units, such as NWD, NWCL and K11, to consider climate change impacts in the building lifecycle and obtain green and healthy building certifications for new and existing buildings where possible. We also reference building performance benchmarks and implement internal sustainable building design guidelines to ensure that our projects cover specifications related to climate change adaptation. For example, project managers in Mainland China are guided to assess climate risks and adopt "sponge city" features, such as rainwater harvesting, ecological detention ponds and permeable paving, to improve climate resilience. Beyond preliminary energy and carbon reduction targets for our portfolio in Hong Kong and Mainland China, we will also develop Group-wide carbon reduction targets to substantiate the SV2030.

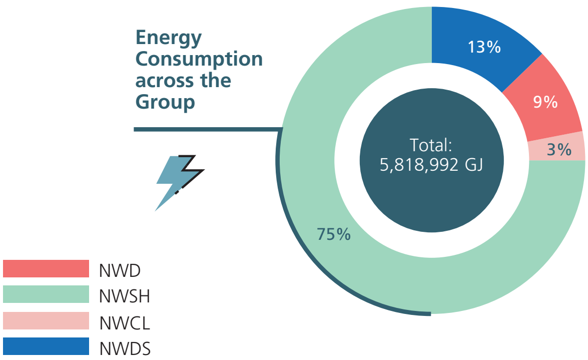
MINIMISING ENVIRONMENTAL IMPACT

We aim to minimise our environmental impact through enhancing operational efficiency, and adopting and investing in renewable energy and sustainable technology.

Digitalisation of ESG data collection

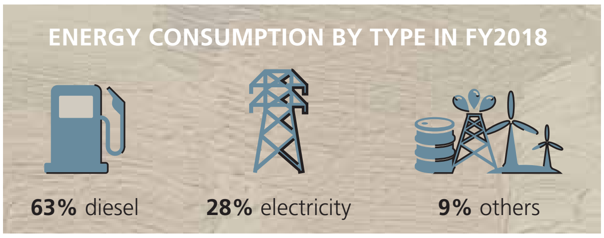
The Group-wide ESG data management system Resource Advisor has been deployed since FY2017 to streamline data collection. Around 130 sites across our business units now report their ESG data via this system, which has enhanced traceability and accountability of the data and performance disclosure. Eco-world, a real-time building energy monitoring and benchmarking system synchronised with the building management systems, has also been installed at major properties in Hong Kong and Mainland China to record more accurate energy and carbon data.

Energy



	Total		% change
	FY2017	FY2018	
Energy Consumption (GJ)	5,784,908[1]	5,818,992[2]	+1%

Notes:
1) The data have been adjusted to reflect the actual Towngas consumption; and
2) The data exclude tenants' consumptions in all NWDS stores.



In FY2018, the Group's total energy consumption was 5,818,992 GJ, compared with 5,784,908 GJ in FY2017. The increase is mainly attributed to the higher fuel consumption in our expanding businesses.

The transportation fleets of NWS accounted for more than 60% of the Group's total energy consumption. The relevant businesses have been upgrading their fleets to be more fuel-efficient with lower emissions. Nearly 90% of our bus fleet achieved Euro V or above efficiency standard. 10 electric buses and three Euro VI hybrid buses are also in service in Hong Kong.

The second major source of energy consumption in our Group is buildings. We support the HKSAR Government's 4Ts Charter, through which building managers commit to a specific energy saving framework, and have pledged to reduce the energy consumption of selected existing buildings in Hong Kong. Alongside sustainable building features and certification requirements in the design stage, we also have the following energy saving targets for major commercial and retail properties developed and operated by NWD and K11 in Hong Kong and Mainland China:

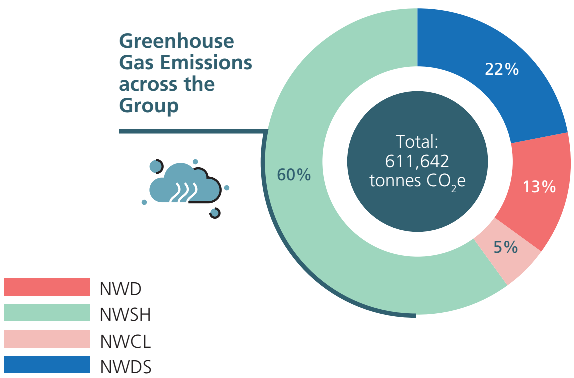
- **Hong Kong:**
  37% reduction (kWh/sq m.) (2030 vs 2012)

- **Mainland China:**
  22% reduction (kWh/sq m.) (2030 vs 2015)

In the past two years, we have increased the use of LED lighting and upgraded heating, ventilation, air-conditioning (HVAC) systems for instance, through the use of more energy-efficient, water-cooled chillers with variable speed drives, in our major commercial and retail properties in Hong Kong and Mainland China. Our portfolio has already achieved 23% energy reduction against the 2012 baseline in Hong Kong.

We adopt renewable energy where possible and practical. The rooftop of K11 Atelier Office Tower at Victoria Dockside has one of the largest façade-integrated solar photovoltaic systems in Hong Kong. We will also pilot Hong Kong's first wave energy system in the neighbouring Avenue of Stars. Rosewood Phuket deploys the largest solar energy system among all hotels in Phuket, Thailand, which generates 113,000 kWh of electricity per year for water heating in the resort.

Greenhouse gas emissions and air emissions



	Total[1]		% change
	FY2017	FY2018	
GHG Emissions (tonnes of CO_2e)	714,184[2]	611,642[3]	-14%

Notes:
1) Calculated with reference to "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" by EPD and EMSD of the Government of HKSAR;
2) The data have been adjusted to reflect the actual Towngas consumption; and
3) The data exclude tenants' consumptions in all NWDS stores.

The direct greenhouse gas (GHG) and air emissions mainly come from our bus and ferry fuel consumption. We will continue to explore fleet upgrades and the adoption of cleaner fuels such as ultra-low sulphur diesel and biodiesel in our transportation services.

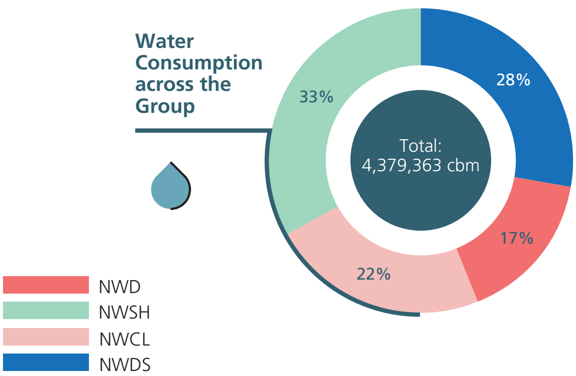
In FY2018, the Group's GHG emissions were 611,642 tonnes of CO_2e, compared with 714,184 tonnes of CO_2e in FY2017. The decrease is mainly the results of enhancing GHG accounting methodology with more detailed vehicle types, and the exclusion of tenants' consumption in our department stores.

Air Emissions in FY2018

	tonnes
Sulphur Oxides (SO_x)	798
Nitrogen Oxides (NO_x)	2
Particulates	58

Note:
The figures are derived from the distance traveled or fuel consumption multiplied by the factor provided by the HKEx Guide, which neglects different bus types and emission standards. We will enhance the measurement methodology in the future.

Water



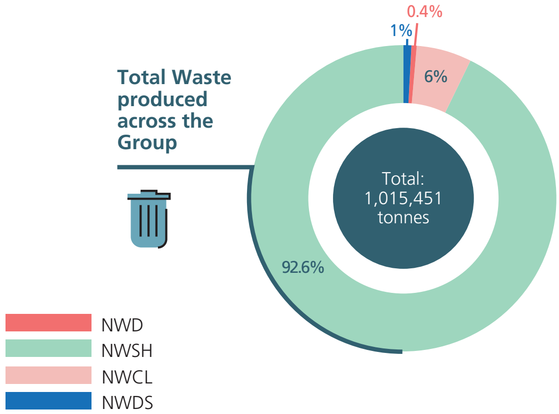
	Total		% change
	FY2017	FY2018	
Water Consumption (cbm)	4,725,293	4,379,363[1]	-7%

Note:
1) The data exclude tenants' consumption in all NWDS stores.

We recognise water-related risks as one of our long-term priorities especially for our expanding businesses in Mainland China. We strive to reduce water consumption and treat water to a standard for reuse in selected properties as far as practicable. MOUNT PAVILIA, one of our residential projects in Hong Kong, adopts 100% recycled wastewater for irrigation.

In FY2018, the Group's water consumption was 4,379,363 cbm, compared with 4,725,293 cbm in FY2017. The decrease is mainly the result of excluding tenants' water consumption in our department stores.

Waste Management



	Total		% change
	FY2017	FY2018	
Waste Generated (tonnes)	888,171	1,015,451	+14%
Waste Recycled (tonnes)	808,003	872,608	+8%

The Group generated 1,015,451 tonnes of waste in FY2018, representing a 14% increase compared with FY2017, which is mainly attributable to the increased waste generated from our construction businesses. Of our total waste, 86% was recycled, as our construction businesses have adopted Engineered Waste Management Plan, BEAM Plus and LEED green building standards. Hip Hing also continued to implement the Inert Materials Transfer Programme to reuse inert construction waste as foundation filter materials in construction projects; an example of the Group embracing Circular Economy principles.

We are committed to supporting the HKSAR Government's Municipal Solid Waste Charging Scheme, which will take effect in late 2019. Manning House, one of our commercial properties in Hong Kong, completed a pilot study in FY2018 to gauge tenants' waste generation and engage them on waste reduction and recycling, preparing them for the upcoming legislation.

K11 Art Mall in Hong Kong has invited our tenants and selected food and beverage businesses in the community to join its food waste recycling programme since 2011. In 2018, we conducted a survey with tenants and applied data analysis to understand the challenges faced by our tenants in waste management and identify improvement opportunities in our operation. One waste reduction measure from NWSH is to donate unconsumed food from the Hong Kong Convention and Exhibition Centre ("HKCEC") to needy families and elderly people, through Food Angel, a local charitable organisation. NWCL has also invited more than 400 families to join the food waste recycling programmes across six regions.

The total hazardous waste produced by the Group in FY2018 was 630 tonnes. Our hazardous waste mainly comes from the chemical waste of our transportation businesses, such as lubricant and organic solvent. We have commissioned licensed service providers to collect and recycle these materials for safe and proper disposal.

Responsible resource use along our supply chains
All suppliers and contractors are required to adhere to the Group's Supplier Code of Conduct. We have a Group Sustainable Procurement Policy to encourage the use of materials from responsible and local sources.

Construction timber and concrete are the two key materials used by our businesses, in terms of sourcing volumes. We prioritise the use of timber certified to the Forest Stewardship Council ("FSC") standard or equivalent. NWCON commits to sourcing 100% FSC or an equivalent standard timber for temporary works in each project. Our property construction projects aim to source at least 10% of local materials that are grown or manufactured within a radius of 800 km from project sites, to reduce the environmental impact of transportation. Our hotels also offer amenities made of sustainable and natural materials.

We have been taking an active role in developing new construction materials. Hip Hing formed a partnership with Nano and Advanced Materials Institute Limited to develop green building materials. An award-winning technology was developed to produce high-performance lightweight concrete. With lower thermal conductivity than regular concrete, this new concrete reduces the need for air-conditioning and in turn cuts energy consumption.

Conservation and biodiversity
As part of our Sustainable Building Policy, the Group considers biodiversity impacts and enhancement opportunities as we plan our property projects. For instance, MOUNT PAVILIA has a green coverage that is higher than BEAM Plus' requirement. Native plant species constitute the majority of the onsite vegetation, and so reduce irrigation needs and protect local biodiversity.

We support a water quality research initiative on the Victoria Harbour, Hong Kong, conducted by the Open University of Hong Kong, as part of our environmental protection efforts for the New World Harbour Race, the Group's annual city-level sporting event.

During the construction stage of Rosewood Phuket, prudent waste and erosion management had minimised adverse environmental impact on the sea. The resort had also collaborated with the navy and local government on placing 340 artificial reef structures and transplanting coral in the Emerald Bay to help replenish aquatic lives.

Customer engagement on sustainability
We distribute the Sustainable Fitting-out Guide and Sustainable Operation Guide to support office and shop tenants to reduce their environmental impact and adopt practical eco-friendly and healthy practices.

We are one of the founding members of the Hong Kong Green Shop Alliance ("the Alliance") initiated by the Hong Kong Green Building Council. The Alliance was established to raise green building awareness and disseminate sustainable practices in the retail industry. More than 30 tenants from eight properties of NWD have joined the Alliance.

In addition to the ISO 20121 Event Sustainability Management System Certification, the HKCEC launched the LoveGreen Meeting Package to offer low-carbon menus, recycling support, and surplus food donation services to customers.

GREEN RETAIL
From conception to tenant mix, we revolutionise the concept of retail by offering green and healthy options to customers. Spanning nearly 9,000 sq ft., K11 Natural features a number of green catering and retail brands promoting nature, wellness and sustainability. NWDS maintains the sales proportion of eco-friendly merchandise at LOL ("Love • Original • Life") Concept Shops at about 10%. To further promote green merchandising, the "LOL Green Proposal" will guide suppliers to pursue green procurement.

YOUR HEALTH

GOVERNANCE FOR HEALTH AND SAFETY

Health and Safety ("H&S") matters across the Group are overseen by the Group Sustainability Steering Committee, chaired by the Executive Vice-chairman and General Manager. The Group H&S Policy sets out our commitment to safeguard the H&S of employees, contractors, tenants and visitors on our premises and construction sites. We monitor and enforce the implementation of this policy with regular reviews and audits. In addition, H&S risk factors are incorporated in our risk management framework for evaluation by NWD departments and business units every six months. Consolidated findings are reported to the Board. More imminent H&S risks can be raised through the internal digital risk flagging system for a timely response.

CONSTRUCTION

NWCON and Hip Hing, our construction businesses in Hong Kong, have in place formal health and safety committees and policies to govern H&S matters. An occupational H&S management system certified to the OHSAS 18001 Standard has been adopted to ensure the highest standard of occupational health and safety is embedded in the planning, design and construction stages of a project. During the tendering process, our construction companies share the Supplier Code of Conduct with subcontractors and benchmark their safety performances as part of the evaluation process, in addition to their professional competence and project track records. We also provide our subcontractors with job-specific operating guidelines and training to safeguard their health and safety. There are dedicated safety officers onsite who conduct safety inspections on a regular basis in order to identify potential safety risks and ensure proper mitigation measures are duly implemented. In addition, the deployment of BIM and augmented reality technologies during site inspections allows for visualisation of designs and lowering H&S risks.

HHC Construction Company Limited ("HHC"), our construction arm in Mainland China, has set H&S targets which aim to rule out fatality, serious work-related injuries and major errors related to equipment and facilities failure, as well as major fire incidents and other workplace hazards. HHC requires subcontractors to sign off the Annual Zero Safety Incident Commitment and Subcontractor Safe Production Management Agreement and provides safety training for all operational staff. Onsite safety audits are undertaken at least once every two months.

Regrettably, a fatality of a worker of a construction subcontractor was recorded during the reporting period in Hong Kong. To mitigate this risk in future, we strengthened the safety management system for workers undertaking repair and maintenance works in elevator shafts and will reinforce relevant safety practices through training.

BUILDINGS

We develop healthy buildings and curate wellness programmes to enhance the lives of our communities and deepen engagement with stakeholders.

In our upcoming King's Road Project in Hong Kong, we intend to deliver health benefits to each building user by adopting biophilic design principles such as extensive indoor and outdoor green features, and providing indoor air quality and water above the local standards. Spaces for physical activities will also be available for tenants' use to promote active living.

To protect our customers' health in the hotels and retail mall in Shenyang K11, we deployed a mid-high air filtering system in addition to the use of eco-friendly adhesives and sealants which emit lower volatile organic compounds.

Beyond the buildings themselves, engagement programmes are important for building users to experience firsthand the health benefits. Office tenants in K11 Atelier in Hong Kong and Mainland China enjoy the K11 Atelier Academy, a comprehensive wellness curriculum covering fitness, yoga and lifestyle. Visitors of K11 Art Mall in Hong Kong can immerse themselves in a wide array of wellness activities, such as aromatherapy classes and organic food workshops through the K11 Kulture Academy. Online platforms such as mobile applications are available to deepen engagement on wellness.

During the reporting period, we have started a smart metering pilot in Manning House, Hong Kong, a commercial building which hosts mainly medical practitioners as tenants. The smart meters monitor real-time energy consumption and indoor air quality metrics such as PM2.5, carbon dioxide, humidity, etc. With these smart meters, tenants can learn more about their electricity usage and indoor air quality, potentially triggering positive behaviour changes for a more eco-friendly and healthy workplace. We also organised the "New World Tower Wellness Fest", which promoted the SV2030 and engaged about 100 tenants and Group staff with a full-day of interactive wellness activities and lunchtime seminars.

WORKPLACE

NWD Central Administration Department oversees matters relating to employee workplace safety and wellness. Mindful of our staff's physical and mental well-being, our comprehensive wellness programme provides staff with fruit, fitness classes, sporting competitions, seminars on stress management, networking opportunities and affinity groups such as the Christian Family, etc. Staff members based in KOHO, one of our corporate offices in Hong Kong, also enjoy in-house gym facilities. Employee health and safety metrics are tracked and our target is to achieve a lower year-on-year work-related injury rate, and ultimately create an injury/hazard-free workplace.

PUBLIC TRANSPORT

We are deeply saddened by the unfortunate fatal accident involving Citybus in September 2017 and are determined to enhance safety provisions to better protect passengers and pedestrians. In conjunction with the investigation of the accident, the senior management of our bus companies has undertaken a comprehensive review of bus captains' working hour guidelines with major stakeholders including the Government and labour unions. Following the Transport Department's revisions of bus operational guidelines in February 2018, New World First Bus and Citybus announced the introduction of new measures including phased reduction of working hours per shift, and more rest facilities. The salary package for frontline staff was also enhanced.

We have also set up an internal working group to study possible measures to further enhance bus safety, including the installation of in-vehicle safety devices and seatbelts on all seats and trainings for bus captains. Automated external defibrillators have also been installed in multiple ferry piers and will be made available in selected ferries in the future.

OUR WELLNESS BUSINESSES

The Group aspires to building an ecosystem of wellness businesses which will provide a one-stop shop of holistic wellness for stakeholders. We have invested in New Century Healthcare to develop middle to high-end gynecologic and pediatric specialty medical services, as well as family healthcare management services, in the Greater China region. K11 has invested in Hua Medicine, a clinical-stage drug development company. This financing would enable commercialisation of a novel therapy which seeks to address the underlying causes of Type 2 diabetes.

Opened in March 2018, the Gleneagles Hong Kong Hospital ("GHK") is jointly invested between NWSH and Parkway Pantai, with the University of Hong Kong being its exclusive clinical partner, providing cutting-edge medical services for the community. GHK performed the Hong Kong's first hyperthermic intraperitoneal chemotherapy for treating ovarian cancer, a treatment that leads to significant improvement in reducing recurrence and enhancing overall survival for patients with ovarian cancer, as published in the New England Journal of Medicine.

YOUR COMMUNITY

FOSTERING AN IDEAL WORKPLACE

We create a supportive workplace conducive for growth and development. Our Employee Handbook is regularly shared with our employees, and spells out employment-related policies covering employee grievances, equal opportunity, and the Employee Code of Conduct. These lay the foundation for an open, diverse and respectful workplace free of harassment, intimidation, bias and discrimination on the grounds of age, gender, disability, religion, family status and obligations, race and colour.

The Human Rights Policy reinforces this message and safeguards the civil rights of not only employees but also suppliers, subcontractors, etc. such as freedom of speech, association and collective bargaining. Under this policy, the employment of forced/child labour is strictly prohibited from our operations. This policy also guides our employees to identify risks related to human rights. In case of experiencing violation or inappropriate treatment within the Company or by business partners, employees must report the incidents, and the internal audit department would conduct further investigation where appropriate.

The annual performance appraisal provides an opportunity for staff members to discuss career planning, identify areas for further development and maximise career potential with their line managers. We also provide staff members with a wide range of caring benefits such as flexible working hours, paternity leave, family-care leave and Care Points, which can be converted from unused annual leave to cover medical expenses.

TALENT GROOMING

Our employees are our source of innovation and ingenuity, which is critical to future-proofing the Group's business. A. New World University™ is a comprehensive talent grooming curriculum which develops Group talents through various training and development opportunities and financial support. High-flying talents take the opportunity to gain exposure to the wider New World business ecosystem and broaden their professional network through development programmes such as YoungSTAR Programme, New Manager Programme and Accelerating Management Talent Programme. For example, the YoungSTAR programme recruits over 20 promising staff members of Assistant Manager Grade or below from across the Group, to take part in activities including business visits to operations in Mainland China, a design-thinking workshop, and network events with distinguished entrepreneurs. YoungSTARs also receive mentorship and are encouraged to apply their learning and pitch new business ideas to the senior management.

In our department store operations, we provide the senior management with training sessions on digitalisation and its benefits for customer profiling and experience curation. The training was conducted in the forms of webinars, site visits, etc. Over 150 staff members were trained in 2018 and they were tasked with disseminating the new knowledge with other colleagues from their departments or stores.

We have invited external speakers to conduct training to heighten sustainability awareness across the Group. The training engaged more than 250 staff members and covered ESG risks, supply chain best practices, the "Prevention of Bribery Ordinance (Cap 201)" by the Hong Kong Independent Commission Against Corruption, and equal opportunity related legislation by the Equal Opportunities Commission. A bespoke internal training was also provided for the senior management of our department store business, connecting the major directions of the SV2030 with the retail market landscape in Mainland China, and inspiring participants to apply the vision to business strategies and operations.

FOSTERING ENTREPRENEURSHIP

To support the Group's vision of expanding its business ecosystem in the realm of "cultural technologies" from digitally-enabled education to e-sports, multimedia and wellness, we call for talents with an entrepreneurial mindset to inject fresh perspectives into the Group and capture opportunities from fast-changing technologies and disruptive business models. We aim to attract bright millennial talents to join our ranks and nurture them to drive practical innovations.

A • Entrepreneur Adventure Programme is one of our latest innovative talent acquisition initiatives, through which we aim to attract entrepreneurial talents from all over the world. Candidates participated in weekend hackathons and pitched business ideas for cultural technologies to our judging panels, which comprised both senior management and start-up experts. Outstanding candidates were offered positions with the Group on a full-time, part-time or consultancy basis to drive innovations. We have engaged nearly 300 participants through the programme.

SOCIAL INCLUSION

Mixed-use development

Mixed-use developments enable our customers and tenants to live, play, shop and work in close-knit communities, where the proximity of day-to-day destinations allows for more convenience. The reduced need for transportation also results in a lower environmental impact. One of the key examples is Victoria Dockside at Tsim Sha Tsui waterfront in Hong Kong, which comprises K11 Atelier Office Tower, K11 MUSEA (a shopping mall which will open in Q3 of 2019 and targets global millennial customers), the Avenue of Stars and the Salisbury Garden. With community interests in mind, we had revitalised the Salisbury Garden with enhanced access to and visibility of the Victoria Harbour, barrier-free waterfront steps and more seating areas, as well as spacious performance spaces for the public to enjoy. In the future, the adjacent Avenue of Stars will also be a welcoming public space with seven times more shaded areas and over twice as many seating areas compared with the pre-renovation site.

NWCL has updated its internal Sustainable Building Design Guidelines in FY2018, adding new design recommendations related to social integration and community wellness.

Improving housing affordability

The NewGen First Home Program, piloted during the reporting period, supported some young home buyers aged 25-35 in Hong Kong with a reduced down payment, subsidised stamp duty and progressive mortgage repayment arrangements. THE PARKVILLE in Hong Kong was the first pilot project providing 15 units under the programme, which was well-received by the market with oversubscription.

Caring facilities

We offer breastfeeding facilities to families in shopping malls such as K11 Art Mall and D•PARK in Hong Kong. Since New World First Ferry launched the first breastfeeding room in Hong Kong public transportation in 2016, about 600 users have benefited. For ferries without breastfeeding rooms, priority seats with high privacy are arranged.

SUPPORTING THE COMMUNITY VIA CORPORATE CITIZENSHIP AND CHARITY

The Group is committed to promoting local social development by improving the social mobility of the under-resourced youth, supporting the promotion of art and culture, and fostering active living in the community.

New World Springboard Programme

The Group recognises sport as an instrumental vehicle for personal growth. Celebrating the fifth anniversary, the New World Springboard Programme continues to groom the under-resourced youth to become Hong Kong's future sports stars through professional training in swimming, basketball, golf and tennis. As of the end of the reporting period, there have been close to 500 participants and over 270,000 hours of training. We celebrated this important milestone by publishing a book entitled *Invisible Beauty Nurtured over Five Years*, and establishing a new scholarship to deepen our efforts to nurture these future leaders.

Community sports events

In 2017, the iconic "M" Mark New World Harbour Race revitalised the historic cross-harbour race route from 40 years ago, which stretched from the Tsim Sha Tsui Public Pier to the Golden Bauhinia Square Public Pier at Wan Chai, Hong Kong. The race drew participation from 2,940 swimmers from around the globe. There were 17 young outstanding swimmers from the New World Springboard Programme participating in the race and 10 of which competed in the racing category.

We continued to sponsor the European Challenge Tour – Foshan Open 2017, which is one of the most significant sporting events in Guangdong and facilitates cultural exchanges between Guangdong and the world. In 2017, a total of 126 golfers were engaged. We also collaborated with local charitable organisations to host a charity walk for participants, as well as a charity sale: the proceeds were donated to under-resourced and hearing-impaired children, as well as to elderly people living alone.

Meanwhile, NWS Geo Hero Run in 2017 attracted over 1,500 runners who raced through the world-renowned Hong Kong UNESCO Global Geopark. No paper cups were provided, and recyclable and reusable cups were used at the water stations along the race route. Runners were encouraged to bring their own bottles and cutlery. Recyclables were collected and sent to community recycling centre for proper processing afterwards, and fruit residue was sent to a non-profit organic farm for composting.

Hong Kong Golf & Tennis Academy Charity Foundation
Established in 2014, the Hong Kong Golf & Tennis Academy Charity Foundation delivers coaching and educational programmes to facilitate the personal development of children and young people, inspiring them to lead active and healthy lives.

K11 Art Foundation
The K11 Art Foundation continues to incubate young contemporary artists and promotes public art education in Greater China. The Emerald City exhibition, which was open to the public between March and May 2018, brought together a kaleidoscope of contemporary artworks including paintings and sculptures to explore the natural and built environments through the lens of geometry. Its aim was to demonstrate how geometry shapes one's conception of the world, and inspire visitors to look at the world beyond the confines of geometry. The exhibition engaged more than 7,000 visitors.

Culture for Tomorrow
Culture for Tomorrow is a non-profit organisation founded in 2017 to actualise design and architectural innovation. Its debut cross-cultural event, Hot is Cool: A Cultural Dialogue between Finland and Hong Kong, was held in December 2017. The event put together a Finnish sauna and a Hong Kong pavilion in a public space, inspiring visitors to reimagine these two culturally symbolic constructions and explore the social meanings behind them. A series of design exhibitions, cultural salons, creative workshops and reading and music performances was curated for the public, drawing about 10,000 visitors.

CONTENT INDEX

NWD has complied with all "Comply or Explain" provisions on General Disclosures ("GD") and Environmental Key Performance Indicators ("KPI"), in accordance with Hong Kong Exchange Main Board Listing Rule 13.91 and ESG Reporting Guide.

During the reporting period, there were no confirmed non-compliance incidents or grievances about environmental protection, employment practices, labour standards, human rights, product responsibility and anti-corruption that would have a significant impact on the Group.

The following table provides an overview of the GD and Environmental KPIs and their location of disclosure in the Annual Report.

Comply or Explain Provisions	Disclosure		Location of Disclosures	Remarks
	Comply	Explain		
GD-A1 Emissions	✓		• The Factors Influencing Our Focus Areas • Your Environment	There were no confirmed non-compliances or grievances during the reporting period.
KPI A1.1	✓		• Your Environment	
KPI A1.2	✓		• Your Environment	
KPI A1.3	✓		• Your Environment	
KPI A1.4	✓		• Your Environment	
KPI A1.5	✓		• Your Environment	
KPI A1.6	✓		• Your Environment	
GD-A2 Use of Resources	✓		• The Factors Influencing Our Focus Areas • Your Environment	
KPI A2.1	✓		• Your Environment	
KPI A2.2	✓		• Your Environment	
KPI A2.3	✓		• Your Environment	
KPI A2.4	✓		• Your Environment	
KPI A2.5		✓	-	Packaging materials are not considered material to the Group's businesses hence such data are not disclosed.
GD-A3 The Environment and Natural Resources	✓		• Your Environment	
KPIA 3.1	✓		• Your Environment	
GD-B1 Employment	✓		• The Factors Influencing Our Focus Areas • Your Community	There were no confirmed non-compliances or grievances during the reporting period.
GD-B2 Health and Safety	✓		• The Factors Influencing Our Focus Areas • Your Health	There was one case of construction-related fatality and a fatal bus accident during the reporting year.
GD-B3 Development and Training	✓		• The Factors Influencing Our Focus Areas • Our Products and Services • Your Health • Your Community	
GD-B4 Labour Standards	✓		• The Factors Influencing Our Focus Areas • Your Community	There were no confirmed non-compliances or grievances during the reporting period.
GD-B5 Supply Chain Management	✓		• The Factors Influencing Our Focus Areas • Your Environment • Your Health • Your Community	
GD-B6 Product Responsibility	✓		• The Factors Influencing Our Focus Areas • Our Products and Services	There were no confirmed non-compliances or grievances during the reporting period.
GD-B7 Anti-corruption	✓		• The Factors Influencing Our Focus Areas • Our Products and Services • Your Community	There were no confirmed non-compliances or grievances during the reporting period.
GD-B8 Community Investment	✓		• The Factors Influencing Our Focus Areas • Your Community	

Corporate Information

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)
Mr. Cheng Chi-Heng
Ms. Cheng Chi-Man, Sonia
Mr. Au Tak-Cheong
Mr. Sitt Nam-Hoi
Mr. So Chung-Keung, Alfred

Non-executive Directors

Mr. Doo Wai-Hoi, William *JP*
(Non-executive Vice-chairman)
Mr. Cheng Kar-Shing, Peter
Ms. Ki Man-Fung, Leonie *GBS SBS JP*

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
Mr. Ip Yuk-Keung

COMPANY SECRETARY

Mr. Wong Man-Hoi

AUDITOR

PricewaterhouseCoopers

SOLICITORS

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

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

INFORMATION FOR INVESTORS

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

WEBSITE

www.nwd.com.hk

Report of the Directors

The Directors have pleasure in presenting their annual report and financial statements for the year ended 30 June 2018.

GROUP ACTIVITIES

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

RESULTS AND APPROPRIATION

The results of the Group for the year ended 30 June 2018 are set out in the consolidated income statement on page 128 of this annual report.

The Directors have resolved to recommend a final cash dividend for the year ended 30 June 2018 of HK$0.34 per share (2017: HK$0.33 per share) to shareholders whose names appear on the register of members of the Company on 23 November 2018. Together with the interim dividend of HK$0.14 per share (2017: HK$0.13 per share), the total dividend for the financial year ended 30 June 2018 is HK$0.48 per share (2017: HK$0.46 per share).

Subject to the passing of the relevant resolutions at the annual general meeting of the Company to be held on 20 November 2018, it is expected that the proposed final dividend will be distributed to shareholders on or about 20 December 2018.

BUSINESS REVIEW

The business review of the Group for the year ended 30 June 2018 is set out in the sections headed "Executive Vice-chairman's Report" on pages 20 to 47, "Management Discussion and Analysis" on pages 113 to 121, "Corporate Sustainability" on pages 64 to 87 and "Risk Factors" on pages 241 to 253 of this annual report.

SHARES ISSUED

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

1. As a result of the exercise of share options under the share option scheme of the Company, a total of 53,197,038 shares of the Company, fully paid, were issued for a total consideration of HK$490,174,761.79.

2. The Company declared final dividend for the year ended 30 June 2017 and interim dividend for the six months ended 31 December 2017 in cash (with scrip option) during the year. Accordingly, a total of 357,226,189 shares of the Company, fully paid, were issued for a total consideration of HK$3,802,109,669.

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

DEBENTURES ISSUED

The Group has not issued any debenture during the year.

EQUITY-LINKED AGREEMENTS

Save for the share option schemes of the Group as set out on pages 101 to 109, no equity-linked agreements were entered into by the Group, or existed during the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2018, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$24,041.3 million (2017: HK$23,080.9 million).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 239 and 240.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2018, over 45,000 staff was 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 are in line with market practices. Education subsidies are granted to employees who are taking job-related courses. Periodic in-house training programs are also offered. Under the share options 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company bought back a total of 11,460,000 shares of the Company on the Hong Kong Stock Exchange at an aggregate consideration of HK$130,537,760 (before expenses). All such bought back shares were subsequently cancelled during the year. As at 30 June 2018, the total number of shares of the Company in issue was 10,214,184,851.

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

Month	**Number of shares bought back**	**Price paid per share**		**Aggregate consideration (before expenses)**
		Highest	**Lowest**	
		HK$	**HK$**	**HK$**
September 2017	4,000,000	11.24	11.02	44,473,440
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
June 2018	2,000,000	11.50	11.28	22,917,040
	11,460,000			130,537,760

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.

New World China Land Limited ("NWCL") redeemed the RMB3,000.0 million (equivalent to approximately HK$3,614.5 million) 5.5% bonds due 2018 (stock code: 85914) at principal amount upon maturity on 6 February 2018.

During the year, 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 year.

DONATIONS

The Group made charitable and other donations during the year of HK$101.3 million (2017: HK$92.9 million).

MAJOR ACQUISITIONS AND DISPOSALS

1 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"). The Disposal was completed on 28 March 2018.

2 On 11 January 2018, Fortland Ventures Limited, an indirect wholly owned subsidiary of NWS Holdings Limited ("NWSH") 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 interest in BCIA's total issued H shares reduced from approximately 23.86% to approximately 12.79%.

CONNECTED TRANSACTIONS

Connected transactions of the Company during the year and up to the date of this report are set out on pages 96 to 100.

RULES 13.20 AND 13.22 OF THE LISTING RULES

The disclosure pursuant to Rules 13.20 and 13.22 of the Listing Rules is set out on page 112.

DIRECTORS

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

Executive Directors	
Dr. Cheng Kar-Shun, Henry GBM GBS *(Chairman)*	
Dr. Cheng Chi-Kong, Adrian JP *(Executive Vice-chairman & General Manager)*	
Mr. Cheng Chi-Heng	
Ms. Cheng Chi-Man, Sonia	
Mr. Au Tak-Cheong	
Mr. Sitt Nam-Hoi	(appointed on 1 June 2018)
Mr. So Chung-Keung, Alfred	(appointed on 1 June 2018)
Non-executive Directors	
Mr. Doo Wai-Hoi, William JP *(Non-executive Vice-chairman)*	
Mr. Cheng Kar-Shing, Peter	
Ms. Ki Man-Fung, Leonie GBS SBS JP	(re-designated on 1 June 2018)
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	
Mr. Ip Yuk-Keung	(appointed on 1 June 2018)

In accordance with Article 94 of the Company's Articles of Association, Mr. Sitt Nam-Hoi, Mr. So Chung-Keung, Alfred and Mr. Ip Yuk-Keung retire and, being eligible, offer themselves for re-election.

In accordance with Article 103(A) of the Company's Articles of Association, Dr. Cheng Kar-Shun, Henry, Mr. Doo Wai-Hoi, William, Mr. Cha Mou-Sing, Payson, Mr. Cheng Kar-Shing, Peter, Mr. Liang Cheung-Biu, Thomas and Ms. Cheng Chi-Man, Sonia shall retire by rotation and, being eligible, offer themselves for re-election.

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

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

AUDIT COMMITTEE

An Audit Committee has been established and the members of the Committee as at the date of this report are Mr. Lee Luen-Wai, John, Mr. Cha Mou-Sing, Payson, Mr. Yeung Ping-Leung, Howard, Mr. Ho Hau-Hay, Hamilton, Mr. Liang Cheung-Biu, Thomas and Mr. Ip Yuk-Keung. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and risk management (including but not limited to business, operation as well as environmental, social and governance related risks) and internal control systems.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" on pages 96 to 100 of this annual report and contracts amongst group companies, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company and the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, interests of the Directors in shares, underlying shares and debentures of the Company and its associated corporations which were recorded in the register to be kept by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") are set out on pages 101 to 111.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, according to the Listing Rules, the following Directors have interests in the following businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group:

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (CONTINUED)

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (CONTINUED)

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

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

Share option schemes of the Group are set out on pages 101 to 109.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2018, 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

	Number of shares held			
Name	**Beneficial interests**	**Corporate interests**	**Total**	**Approximate % of shareholding**
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")[(1)]	–	**4,535,634,444**	**4,535,634,444**	**44.41**
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")[(2)]	–	**4,535,634,444**	**4,535,634,444**	**44.41**
Chow Tai Fook Capital Limited ("CTFC")[(3)]	–	**4,535,634,444**	**4,535,634,444**	**44.41**
Chow Tai Fook (Holding) Limited ("CTFHL")[(4)]	–	**4,535,634,444**	**4,535,634,444**	**44.41**
Chow Tai Fook Enterprises Limited ("CTF")[(5)]	**4,123,491,293**	**412,143,151**	**4,535,634,444**	**44.41**

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 30 June 2018.

OTHER PERSON'S INTERESTS IN SECURITIES

As at 30 June 2018, 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	**538,886,286**	**538,886,286**[(1)]	**5.28**

Short positions in Shares

Name	Capacity	Number of shares/ underlying shares held	Total	Approximate % of shareholding
BlackRock, Inc.	Interest of controlled corporation	**18,531,618**	**18,531,618**[(2)]	**0.18**

Notes:

(1) The interests included interests in 661,000 underlying shares through its holding of certain cash settled unlisted derivatives.

(2) The interests included interests in 7,649,431 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 30 June 2018.

SUFFICIENCY OF PUBLIC FLOAT

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25.0% of the Company's total number of issued shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On Behalf of the Board

Dr. Cheng Kar-Shun, Henry
Chairman
Hong Kong, 20 September 2018

CONNECTED TRANSACTIONS

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

On 25 July 1997, NWHH sold its entire interests in HPI to CTF Holdings Ltd.("CTFH"), a company then controlled by Dr. Cheng Kar-Shun, Henry and Mr. Doo Wai-Hoi, William ("Mr. Doo"), and currently wholly owned by CTF. Under the sale, the Indemnity will continue. Arrangements have therefore been entered into whereby CTF will counter-indemnify the Company fully against any liability arising under the Indemnity in respect of the said lease obligations and guarantees of leases. It is presently estimated that the maximum liability of the Company under the Indemnity will be approximately US$2.8 million (equivalent to approximately HK$21.7 million) per annum. Up to the date of this report, no payment has ever been made by the Company or CTF under the Indemnity.

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

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

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

Upon expiry of its initial term, the Master Concessionaire Counter Agreement was automatically renewed for three years commencing from 1 July 2014. In anticipation of the expiry of the first renewal term on 30 June 2017, NWDS and CTFJ agreed to further renew the Master Concessionaire Counter Agreement for further three years commencing from 1 July 2017 up to and including 30 June 2020. Details of the second renewal of the Master Concessionaire Counter Agreement and the annual caps set for each of the three financial years ending 30 June 2020 were set out in the announcement of the Company dated 10 April 2017.

For the year ended 30 June 2018, the aggregate amount of the transactions under the Master Concessionaire Counter Agreement amounted to approximately RMB65.6 million (equivalent to approximately HK$79.0 million), which is within the annual cap of RMB129.551 million (equivalent to approximately HK$156.1 million).

CONNECTED TRANSACTIONS (CONTINUED)

(3) On 10 April 2017, the Company and Mr. Doo entered into a master services agreement (the "Mr. Doo MSA") for a term of three years commencing from 1 July 2017 up to and including 30 June 2020 in respect of the provision of certain operational and rental services which include contracting services, cleaning and landscaping services, facilities management services, property management services, security and guarding services and rental services between members of the Group and members of the Services Group (being Mr. Doo and any company in the equity capital of which Mr. Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30.0% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers (the "Takeovers Code") as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary). Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Mr. Doo MSA will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules). The Mr. Doo MSA and the annual caps set for each of the three financial years ending 30 June 2020 were approved by the independent shareholders of the Company on 26 May 2017.

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

For the year ended 30 June 2018, the aggregate amount of the transactions under the Mr. Doo MSA amounted to approximately HK$1,728.3 million, which is within the annual cap of HK$3,699.6 million.

(4) On 10 April 2017, the Company and CTF entered into a master services agreement (the "CTF MSA") for a term of three years commencing from 1 July 2017 up to and including 30 June 2020 in respect of the provision of services including administrative services, contracting services, general and rental services, and project management and consultancy services between members of the Group and members of the CTF Services Group (being CTF, (a) any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company, and/or (b) any other company in the equity capital of which CTF and such other companies referred to in (a) above taken together are directly or indirectly interested so as to exercise or control the exercise of 30.0% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings or to control the composition of a majority of the board of directors, and any other company which is its subsidiary, but excluding members of the Group).

Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the CTF MSA will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules). Details of the CTF MSA and the annual caps set for each of the three financial years ending 30 June 2020 were set out in the announcement of the Company dated 10 April 2017.

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

For the year ended 30 June 2018, the aggregate amount of the transactions under the CTF MSA amounted to approximately HK$557.9 million, which is within the annual cap of HK$1,708.6 million.

CONNECTED TRANSACTIONS (CONTINUED)

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

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

Upon expiry of its initial term, the Master Leasing Agrement was automatically renewed in accordance with its terms and conditions for three years commencing from 1 July 2017 up to and including 30 June 2020. Details of the renewal of the Master Leasing Agreement and the annual caps set for each of the three financial years ending 30 June 2020 were set out in the announcement of the Company dated 13 April 2017.

For the year ended 30 June 2018, the aggregate amount of the transactions under the Master Leasing Agreement amounted to approximately HK$98.5 million, which is within the annual cap of HK$125.0 million.

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

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

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

The Master Purchase Agreement was automatically renewed in accordance with its terms and conditions for further three years from 1 July 2015 to 30 June 2018.

For the year ended 30 June 2018, the aggregate amount of the transactions under the Master Purchase Agreement amounted to approximately HK$1.3 million, which is within the annual cap of HK$241.0 million.

The Master Purchase Agreement was further automatically renewed for three years commencing from 1 July 2018 up to and including 30 June 2021. As the annual cap amount for the transactions under the Master Purchase Agreement for each of the three financial years ending 30 June 2021 is de minimis, the renewal of the Master Purchase Agreement is fully exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

CONNECTED TRANSACTIONS (CONTINUED)

(7) On 10 April 2017, the Company and CTF entered into a master hotel management services agreement (the "Master Hotel Management Services Agreement") regarding the provision of hotel management and consultancy services by members of the CTF Group to members of the Group. The Master Hotel Management Services Agreement is for a term of 10 years commencing from 1 July 2017 up to and including 30 June 2027 and will be automatically renewed for a further term of 10 years upon expiration of the initial term subject to compliance with the relevant requirements under the Listing Rules. Details of the Master Hotel Management Services Agreement and the annual caps set for each of the three financial years ending 30 June 2020 were set out in the announcement of the Company dated 10 April 2017.

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

For the year ended 30 June 2018, the aggregate amount of the transactions under the Master Hotel Management Services Agreement amounted to approximately HK$112.2 million, which is within the annual cap of HK$136.4 million.

(8) On 29 September 2017, (i) Smart Future Investments Limited ("Smart Future", an indirect wholly owned subsidiary of the Company) and Healthcare Assets Management Limited ("HAML") entered into a subscription agreement (the "Subscription Agreement"), pursuant to which Smart Future agreed to subscribe for and HAML agreed to allot and issue, four shares, representing 40.0% of the enlarged issued share capital of HAML, at a subscription price of HK$10,177,194, on terms and subject to the conditions set out in the Subscription Agreement (the "Subscription"); and (ii) CTF, Healthcare Ventures Holdings Limited ("Healthcare Ventures", a direct wholly owned subsidiary of CTF), New World Strategic Investment Limited ("NWSI", a direct wholly owned subsidiary of the Company), Smart Future, NWS Service Management Limited ("NWS Service", a direct wholly owned subsidiary of NWS Holdings Limited), Dynamic Ally Limited ("Dynamic Ally", an indirect wholly owned subsidiary of NWS Service) and HAML entered into an amended and restated joint venture agreement ("Amended and Restated JV Agreement") upon completion of the Subscription to regulate the respective rights and obligations of Healthcare Ventures, Smart Future and Dynamic Ally towards the management of HAML. The Subscription was completed on 29 September 2017.

Prior to the completion of the Subscription, HAML was owned as to 50.0% by Healthcare Ventures and 50.0% by Dynamic Ally. A joint venture agreement was entered into between CTF, Healthcare Ventures, NWS Service, Dynamic Ally and HAML on 15 December 2016. Immediately after completion of the Subscription, HAML is owned as to 30.0%, 40.0% and 30.0% by Healthcare Ventures, Smart Future and Dynamic Ally, respectively.

The total amount of investment by Healthcare Ventures, Smart Future and Dynamic Ally to HAML amounted to HK$780.0 million. Initial investment of HK$63.0 million had been made by each of Healthcare Ventures and Dynamic Ally towards HAML. HK$10,177,194 has been contributed by way of capital injection and HK$77,333,333 has been contributed by way of interest-free shareholder's loan by Smart future on the date of completion of the Subscription, The remaining amount shall be contributed by the shareholders of HAML by way of capital injection and/or shareholder's loan in proportion to their shareholding interests in HAML on an as-needed basis pursuant to the Amended and Restated JV Agreement.

HAML shall be an investment holding company and its business shall be the investment in, and operation and management of primary healthcare facilities (predominantly clinics and medical centres) located in Asia, with primary focus in the PRC and Hong Kong.

For reasons stated above, CTF is a connected person of the Company. Prior to the completion of the Subscription, CTF indirectly controls more than 30.0% interest in HAML. HAML is therefore deemed as an associate of CTF and a connected person of the Company. Healthcare Ventures is a direct wholly owned subsidiary of CTF and is therefore deemed as an associate of CTF and a connected person of the Company. Accordingly, the transactions contemplated under the Subscription Agreement and the Amended and Restated JV Agreement constitute connected transactions of the Company under the Listing Rules. Details of the Subscription and the Amended and Restated JV Agreement were set out in the announcement of the Company dated 29 September 2017.

CONNECTED TRANSACTIONS (CONTINUED)

(9) On 27 October 2017, New World Development (China) Limited ("Vendor", an indirect wholly owned subsidiary of the Company) and Oriental Triumph Inc. ("Purchaser", a company wholly owned by Mr. Doo) entered into a sale and purchase agreement (the "Agreement") pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the entire issued share capital of Ramada Property Ltd. ("Ramada") at the consideration of RMB1.85 billion (equivalent to approximately HK$2.2 billion) subject to customary closing adjustment (the "Disposal"). Ramada, together with its subsidiaries owns and operates the Shanghai Ramada Plaza, New World Shanghai Hotel and pentahotel Shanghai.

By reason stated above, Mr. Doo is a connected person of the Company. Therefore, the Purchaser is a connected person of the Company by virtue of being wholly owned by Mr. Doo and the Disposal constitutes a connected transaction for the Company under the Listing Rules. Details of the Disposal were set out in the announcement of the Company dated 27 October 2017.

The Disposal was completed on 28 March 2018.

The price and terms of the continuing connected transactions mentioned in paragraphs (2) to (7) above were determined in accordance with the pricing policies and guidelines as set out in the relevant announcements of the Company. These continuing connected transactions have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

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

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions stated in paragraphs (2) to (7) above in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the HKEx.

Save as disclosed above, a summary of significant related party transactions that did not constitute connected transactions made during the year was disclosed in note 47 to the financial statements.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests of the Directors in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO were as follows:

(A) Long position in shares

	Number of shares				Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests	Total	
New World Development Company Limited					
(Ordinary shares)					
Mr. Doo Wai-Hoi, William	–	13,137,116	16,136,692(1)	29,273,808	0.29
Dr. Cheng Chi-Kong, Adrian	700,000	–	–	700,000	0.01
Mr. Cheng Kar-Shing, Peter	–	566,567	–	566,567	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.

(B) Long position in underlying shares – share options

During the year ended 30 June 2018, certain Directors of the Company have interest in share options to subscribe for shares in the Company and certain of its subsidiaries. Details of such interests and summaries of share option schemes of the Company and its subsidiaries are shown below.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

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

Share Option Schemes of the Company

On 24 November 2006, the Company adopted a share option scheme (the "2006 Scheme") and certain rules of such scheme were amended on 13 March 2012. Under the 2006 Scheme, the Directors of the Company may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in the Company. In anticipation of the expiry of the 2006 Scheme on 24 November 2016, the Company adopted a new share option scheme (the "2016 Scheme") at the annual general meeting of the Company held on 22 November 2016. Share options granted under the 2006 Scheme prior to its expiry on 24 November 2016 shall continue to be valid and exercisable in accordance with the terms of the 2006 Scheme.

Summary of the 2006 Scheme and the 2016 Scheme disclosed in accordance with the Listing Rules is as follows:

	2006 Scheme and 2016 Scheme
Purpose of the schemes	To reward directors and employees of the Group for past service or performance, to provide incentive, motivation or reward to eligible participants for increasing performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for or make contribution to the Group, to foster a sense of corporate identity and to allow the eligible participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.
Participants of the schemes	Eligible participant may be a person or an entity belonging to any of the following classes: (i) any employee (including directors) of the Group or any invested entity of the Group (the "Invested Entity"); (ii) any person seconded or nominated by the Group to represent the Group's interest in any of the Invested Entity or any other company or organisation; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (vi) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (vii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.
Total number of shares available for issue under the schemes and percentage of issued shares as at the date of this annual report	The Company had granted 425,987,928 share options of the Company under the 2006 Scheme up to the date of this report. No further share option was granted under the 2006 Scheme since the adoption of the 2016 Scheme on 22 November 2016. 92,700,000 share options were granted under the 2016 Scheme up to the date of this report. The total number of shares available for issue under the 2016 Scheme is 849,405,147 representing approximately 8.32% of the Company's total number of issued shares as at the date of this report.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

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

Share Option Schemes of the Company (continued)

	2006 Scheme and 2016 Scheme
Maximum entitlement of each participant under the schemes	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the total number of shares of the Company in issue.
The period within which the shares must be taken up under an option	A period to be specified by the Directors and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Any period as determined by the Directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The basis of determining the exercise price	The exercise price is determined by the Directors which must be at least the higher of (i) the closing price of the shares on the HKEx as stated in the HKEx's daily quotations sheets on the date of grant, which must be a dealing day; and (ii) the average closing price of the shares as stated in the HKEx's daily quotation sheets for the five dealing days immediately preceding the date of grant.
The remaining life of the schemes	The schemes shall be valid and effective for a period of 10 years from the date of adoption. The 2006 Scheme which was adopted on 24 November 2006 expired on 24 November 2016. The 2016 Scheme which was adopted on 22 November 2016 will expire on 22 November 2026.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

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

Share Option Schemes of the Company (continued)

Share options granted to Directors

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 1 July 2017	Granted during the year	Transferred from other category on 1 June 2018[6]	Transferred to other category on 1 July 2017[7]	Exercised during the year	Balance as at 30 June 2018	Exercise price per share HK$
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)[8]	–	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)[9]	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	–	–	–	(200,000)[10]	333,779	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)[11]	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	–	–	–	(532,982)[12]	–	9.756
	10 June 2016	(1)	1,016,693	–	–	–	(150,000)[13]	866,693	7.540
	3 July 2017	(2)	–	400,000	–	–	(100,000)[14]	300,000	10.036
Mr. Sitt Nam-Hoi[6]	10 June 2016	(1)	–	–	767,827	–	–	767,827	7.540
	3 July 2017	(2)	–	–	300,000	–	–	300,000	10.036
Mr. So Chung-Keung, Alfred[6]	3 July 2017	(2)	–	–	2,300,000	–	–	2,300,000	10.036
Mr. Chen Guanzhan[7]	10 June 2016	(1)	1,868,471	–	–	(1,868,471)	–	–	7.540
			31,804,393	5,400,000	3,367,827	(1,868,471)	(2,615,964)	36,087,785	

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

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

Share Option Schemes of the Company (continued)

Share options granted to Directors (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) Mr. Sitt Nam-Hoi and Mr. So Chung-Keung, Alfred were appointed as Directors of the Company on 1 June 2018, such share options were transferred from the category of "other eligible participants" to "Directors of the Company".

(7) 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".

(8) The exercise date was 15 January 2018. On the trading date immediately before the exercise date, the closing price per share was HK$12.38.

(9) 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.

(10) The exercise dates were 23 January 2018 and 24 January 2018. On the trading dates immediately before the exercise dates, the closing prices per share were HK$12.32 and HK$12.54 respectively.

(11) 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.

(12) The exercise dates were 4 October 2017 and 10 January 2018. On the trading dates immediately before the exercise dates, the closing prices per share were HK$11.44 and HK$12.50 respectively.

(13) The exercise date was 10 January 2018. On the trading date immediately before the exercise date, the closing price per share was HK$12.50.

(14) The exercise date was 9 January 2018. On the trading date immediately before the exercise date, the closing price per share was HK$12.32.

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

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

Share Option Schemes of the Company (continued)

Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options: Balance as at 1 July 2017	Granted during the year[7]	Transferred from other category on 1 July 2017[8]	Transferred to other category on 1 June 2018[9]	Exercised during the year	Lapsed during the year	Balance as at 30 June 2018	Exercise price per share HK$
22 January 2014	(1)	15,780,641	–	–	–	(15,240,389)[10]	(540,252)	–	9.756
27 October 2014	(2)	27,079,872	–	–	–	(17,162,289)[11]	(945)	9,916,638	9.485
7 July 2015	(3)	15,616,588	–	–	–	(4,845,941)[12]	(550,786)	10,219,861	9.966
9 March 2016	(4)	10,675,000	–	–	–	(1,580,000)[13]	(125,000)	8,970,000	7.200
10 June 2016	(5)	28,734,925	–	1,868,471	(767,827)	(8,417,955)[14]	(1,366,707)	20,050,907	7.540
3 July 2017	(6)	–	48,050,000	–	(2,600,000)	(3,334,500)[15]	(2,075,000)	40,040,500	10.036
		97,887,026	48,050,000	1,868,471	(3,367,827)	(50,581,074)	(4,658,690)	89,197,906	

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) Mr. Sitt Nam-Hoi and Mr. So Chung-Keung, Alfred were appointed as Directors of the Company on 1 June 2018, such share options were transferred from the category of "other eligible participants" to "Directors of the Company".

(10) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$11.399.

(11) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$11.661.

(12) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$11.705.

(13) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$11.825.

(14) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$11.520.

(15) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$11.833.

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

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

Share Option Schemes of the Company (continued)

The fair value of the share options granted during the year 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.

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

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

	NWSH Share Option Scheme
Purpose of the scheme	To reward directors and employees of NWSH and its subsidiaries ("NWSH Group") for their past service or performance; providing incentive and motivation or reward to eligible participants for optimising their performance or making contribution to NWSH Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to NWSH Group; and fostering a sense of corporate identity.
Participants of the scheme	Eligible participant may be a person or an entity belonging to any of the following classes: (i) any eligible employee; (ii) any non-executive director (including independent non-executive director) of NWSH Group or any invested entity of NWSH Group (the "Invested Entity"); (iii) any supplier of goods or services to any member of NWSH Group or any Invested Entity; (iv) any customer of any member of NWSH Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to NWSH Group or any Invested Entity; (vi) any shareholder of any member of NWSH Group or any Invested Entity or any holder of any securities issued by any member of NWSH Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of NWSH Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of NWSH Group or any Invested Entity in any area of business operation or development.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

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

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

	NWSH Share Option Scheme
Total number of shares available for issue under the scheme and percentage of issued shares of NWSH as at the date of this annual report	NWSH had granted share options to certain eligible participants to subscribe for a total of 55,623,705 shares of NWSH under the NWSH Share Option Scheme, which include certain adjustments made pursuant to the rules of the NWSH Share Option Scheme, up to the date of this report. The total number of shares of NWSH available for issue under the NWSH Share Option Scheme is 284,347,671 representing approximately 7.30% of the total number of shares of NWSH as at the date of this report.
Maximum entitlement of each participant under the scheme	Unless approved by shareholders of NWSH, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the share capital of NWSH in issue.
The period within which the shares must be taken up under an option	At any time during a period as specified by NWSH's directors, however in any event the share options must be exercised within 10 years from the date of grant.
The minimum period for which an option must be held before it can be exercised	Any period as determined by NWSH's directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The basis of determining the exercise price	The exercise price is determined by NWSH's directors which must be at least the highest of: (i) the closing price of the shares as stated in the HKEx's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five dealing days immediately preceding the date of grant; and (iii) the nominal value of the shares.
The remaining life of the scheme	The NWSH Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 21 November 2011.

Share options granted to Director

			Number of share options				
Name	**Date of grant**	**Exercisable period** (Note)	**Balance as at 1 July 2017**	**Adjusted during the year**	**Exercised during the year**	**Balance as at 30 June 2018**	**Exercise price per share HK$**
Dr. Cheng Kar-Shun, Henry	9 March 2015	(1)	**7,420,739**	–	–	**7,420,739**	14.120

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.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

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

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

Share options granted to other eligible participants

		Number of share options					
Date of grant	Exercisable period (Note)	Balance as at 1 July 2017	Adjusted during the year	Exercised during the year[2]	Lapsed during the year	Balance as at 30 June 2018	Exercise price per share HK$
9 March 2015	(1)	**42,035,091**	–	**(8,214,363)**	**(74)**	**33,820,654**	14.120

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 of NWSH immediately before the dates on which such share options were exercised was HK$15.726 per share.

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

(C) Long position in debentures

(1) Fita International Limited ("Fita")

	Amount of debentures in US$ issued by Fita				
Name	Personal interests US$	Family interests US$	Corporate interests US$	Total US$	Approximate % to the total amount of debentures in issue as at 30 June 2018
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.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(C) Long position in debentures (continued)

(2) NWCL

Name	Amount of debentures issued by NWCL				Approximate % to the total amount of debentures in issue as at 30 June 2018
	Personal interests HK$	Family interests HK$	Corporate interests HK$	Total HK$	
Mr. Doo Wai-Hoi, William	–	54,600,000(1)	892,620,000(2)	947,220,000	9.25
Mr. Cheng Kar-Shing, Peter	–	15,600,000(3)	–	15,600,000	0.15
Mr. Ip Yuk-Keung	–	3,900,000(4)	–	3,900,000	0.04
	–	74,100,000	892,620,000	966,720,000	

Notes:

(1) These debentures are held by the spouse of Mr. Doo Wai-Hoi, William, all of which were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

(2) These debentures are held by companies which are wholly owned by Mr. Doo Wai-Hoi, William, of which HK$744,120,000 debentures were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

(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 HK$ using the rate of US$1.0=HK$7.8.

(4) These debentures are jointly-held by Mr. Ip Yuk-Keung and his spouse, all of which were issued in US$ and had been translated into HK$ using the rate of US$1.0=HK$7.8.

(3) NWD Finance (BVI) Limited ("NWD Finance")

Name	Amount of debentures issued in US$ by NWD Finance				Approximate % to the total amount of debentures in issue as at 30 June 2018
	Personal interests US$	Family interests US$	Corporate interests US$	Total 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.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(C) Long position in debentures (continued)

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

Name	Amount of debentures issued by NWD (MTN) Personal interests HK$	Family interests HK$	Corporate interests HK$	Total HK$	Approximate % to the total amount of debentures in issue as at 30 June 2018
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 30 June 2018, none of the Directors or chief executive had or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

At 30 June 2018, the Group had given financial assistance and guarantees to its joint ventures and associated companies (collectively "affiliated companies") as set out below:

	2018 **HK$m**	2017 HK$m
Amounts due by affiliated companies (note)	**37,045.5**	33,537.0
Guarantees given for affiliated companies in respect of banking and other credit facilities	**5,996.4**	5,932.3
Commitments to capital injections and loan contributions	**2,977.6**	1,689.5
	46,019.5	41,158.8

Note:

The advances were unsecured and were interest free except for an aggregate amount of HK$13,189.0 million (2017: HK$9,453.3 million) which carried interest ranging from 0.9% above HIBOR to 12.2% above LIBOR per annum (2017: from 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 interests in those affiliated companies as at 30 June 2018 are presented as follows:

	Combined statement of financial position **HK$m**	**Group's attributable interests** **HK$m**
Non-current assets	**136,667.2**	**66,264.4**
Current assets	**54,651.0**	**21,473.7**
Current liabilities	**(47,788.1)**	**(21,053.8)**
Total assets less current liabilities	**143,530.1**	**66,684.3**
Non-current liabilities	**(111,865.9)**	**(50,294.0)**
Net assets	**31,664.2**	**16,390.3**

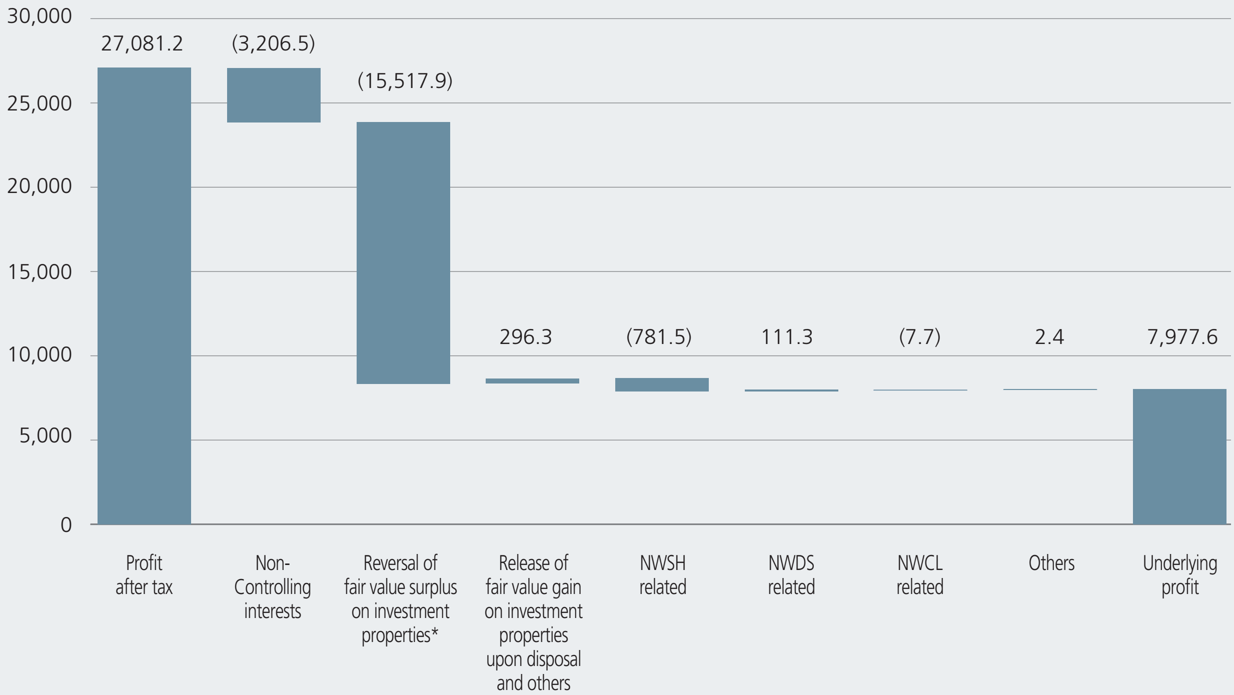
The combined statement of financial position of the affiliated companies was prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 30 June 2018.

In FY2018, the Group recorded consolidated revenue of HK$60,688.7 million, while profit attributable to shareholders of the Company amounted to HK$23,338.1 million, increased by 7.2% and 204.1% respectively.

Despite the growth in individual segments, the significant improvement in changes in fair value of investment properties that attributed to Victoria Dockside and the enhancement of the flagship properties in Hong Kong especially in the office sector, together with the increase in other gains, net, the profit attributable to shareholders of the Company recorded a satisfactory growth.

The Group's underlying profit amounted to HK$7,977.6 million, increased by 11.8%. The deduction was mainly on the changes in fair value of investment properties, non-controlling shareholder's interests, together with the disposal and revaluation of the shares in Beijing Capital International Airport Co., Ltd. ("BCIA") under NWS Holdings Limited ("NWSH"). In FY2017, the Group's underlying profit amounted to HK$7,133.3 million.

UNDERLYING PROFIT BREAKDOWN (HK$M)



* Included share of changes in fair value of investment properties of joint ventures and associated companies

The Group adopted HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") from 1 July 2017 which replaces HKAS 18 Revenue ("HKAS 18") and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

In prior years, under HKAS 18, the Group accounted for property development activities when significant risks and rewards of ownership of properties have been transferred to the customers. The Group recognised revenue from sale of properties upon the later of the sale and purchase agreement and the issue of occupation permit by the relevant government authorities when the risks and rewards of ownership of the property had been transferred to the customers.

Under HKFRS 15, revenue from sale of properties (including pre-sale) is recognised when or as the control of the asset is transferred to the customer. Revenue from sale of properties is generally recognised upon the legal assignment is completed when the customer has the ability to direct the use of the property. This change of accounting policy resulted in the Group's recognition of revenue from sale of properties being recognised later than the time recognised under the previous accounting policy.

EBITDA* of the Group for FY2018 by Region is as follows:

EBITDA (HK$m)	Under HKFRS 15				Under HKAS 18			
	Hong Kong		Mainland China and other regions		Hong Kong		Mainland China and other regions	
Property related	3,864.6	87%	7,284.1	77%	10,147.2	95%	6,966.2	76%
Others	585.9	13%	2,159.4	23%	585.9	5%	2,164.2	24%
Total	4,450.5	100%	9,443.5	100%	10,733.1	100%	9,130.4	100%
EBITDA (%)	32%		68%		54%		46%	

* EBITDA: operating profit before depreciation and amortisation, changes in fair value of investment properties and other gains, net and after net exchange difference

Total segment results (including share of results of joint ventures and associated companies but excluding changes in fair value in investment properties) amounted to HK$15,844.6 million, increased by 12.4%.

REVENUE – ANALYSED BY BUSINESS SEGMENT

	FY2018 HK$m	FY2017 HK$m
Property development	**23,380.8**	25,968.0
Property investment	**3,109.9**	2,410.9
Service	**25,911.7**	20,743.0
Infrastructure	**2,814.6**	2,410.6
Hotel operations	**1,479.0**	1,426.5
Department stores	**3,670.9**	3,389.0
Others	**321.8**	280.8
Total	**60,688.7**	56,628.8

REVENUE – GEOGRAPHIC CONTRIBUTION (PROPERTY RELATED SEGMENT)

	FY2018 HK$m	FY2017 HK$m
Property development		
Hong Kong	**7,141.0**	8,538.1
Mainland China	**16,239.8**	17,429.9
Total	**23,380.8**	25,968.0

	FY2018 HK$m	FY2017 HK$m
Property investment		
Hong Kong	**1,835.9**	1,576.2
Mainland China	**1,274.0**	834.7
Total	**3,109.9**	2,410.9

	FY2018 HK$m	FY2017 HK$m
Hotel operations		
Hong Kong	**608.8**	573.9
Mainland China	**606.8**	633.8
Southeast Asia	**263.4**	218.8
Total	**1,479.0**	1,426.5

Property development segment recorded 10.0% decrease in revenue, it was mainly due to the differences in project mix between FY2018 and FY2017.

In FY2017, SKYPARK, BOHEMIAN HOUSE and Double Cove Summit had driven the revenues of Hong Kong property development segment. In Mainland China, the key contributor was the Signature Hill, the luxury project in Shenzhen, together with the projects located in Guangzhou, Langfang and Shenyang.

In FY2018, Hong Kong property development segment was mainly rely on the contribution from MOUNT PAVILIA and the inventory sales. In Mainland China, a series of project in Guangzhou project, and the projects located in Changsha, Langfang, Beijing, Shenyang and Wuhan were the key contributors.

The property investment segment reported an increase in revenue by 29.0%. It was mainly due to 1) the commencement of operation in K11 ATELIER at Victoria Dockside and THE FOREST in Mong Kok; 2) the commencement in operations of Wuhan Guanggu K11; and 3) the Group has optimised its internal structure and individual projects have been converted from joint ventures to subsidiaries after the completion of the privatisation of NWCL. In fact, the overall occupancy of the key projects in the Hong Kong and Mainland China Investment portfolio have recorded a satisfactory results that help to improve the overall rental income performance.

Revenue from the service segment increased by 24.9%, it was mainly due to NWSH acquired further 50% interest in NWS Transport Service Limited (“NWST”) in December 2016 and since then, and NWST has become a wholly owned subsidiary of NWSH from a JV company. Nonetheless, the improved contribution from contracting, Hong Kong Convention and Exhibition Centre, together with the new healthcare & wellness business also provided a positive effect to the segment.

Revenue from infrastructure segment increased by 16.8%. The performance of major business remains stable especially the increase in contribution from road business which was benefited by the growth in traffic volume.

Hotel operations segment recorded an increase of 3.7% in revenue, it was due to the improved contribution from the hotels in Hong Kong and Southeast Asia. Decrease in the contribution from the hotels in Mainland China was mainly due to the disposal of two Shanghai Hotels in the year under review.

Revenue from the department store segment recorded an increase of 8.3% which was benefited by the improvement in sales and rental income.

Meanwhile, the 14.6% revenue increase in Others segment was mainly due to the improved contribution from NWTMT and the new investment project.

ANALYSIS OF SEGMENT RESULTS

	FY2018 HK$m	FY2017 HK$m
Property development	**9,475.5**	7,506.8
Property investment	**1,923.3**	1,770.6
Service	**858.4**	1,186.0
Infrastructure	**3,801.4**	3,313.0
Hotel operations	**(76.5)**	(113.8)
Department stores	**232.4**	220.0
Others	**(369.9)**	207.8
Total	**15,844.6**	14,090.4

SEGMENT RESULTS – GEOGRAPHIC CONTRIBUTION (PROPERTY RELATED SEGMENT)

	FY2018 HK$m	FY2017 HK$m
Property development		
Hong Kong	**2,864.5**	2,277.1
Mainland China	**6,611.0**	5,229.7
Total	**9,475.5**	7,506.8

	FY2018 HK$m	FY2017 HK$m
Property investment		
Hong Kong	**1,160.9**	1,169.5
Mainland China	**762.4**	601.1
Total	**1,923.3**	1,770.6

	FY2018 HK$m	FY2017 HK$m
Hotel operations		
Hong Kong	**68.9**	87.3
Mainland China	**(180.1)**	(289.2)
Southeast Asia	**34.7**	88.1
Total	**(76.5)**	(113.8)

Property development
Segment results of property development for FY2018 amounted to HK$9,475.5 million, increased by 26.2%.

Segment results derived from Hong Kong increased by 25.8%, it was mainly attributable to the increase in gross profit margin of the residential projects, from 27% in FY2017 to 40% in FY2018. The incurrence of marketing expenses that relate to the pre-sale of property projects were also reduced during the year under review.

The contributions derived from Hong Kong segment was mainly attributable to residential projects including MOUNT PAVILIA, The Masterpiece, THE PAVILIA HILL, PARK VILLA and the Double Cove series.

During the year, the Group's attributable contracted sales in Hong Kong amounted to HK$24.7 billion, outperforming the HK$10 billion sales target and reaching a new height for the Group, being mainly contributions from the residential projects including MOUNT PAVILIA, ARTISAN HOUSE, FLEUR PAVILIA, THE PARKVILLE, PARK HILLCREST, PARK VILLA, THE PAVILIA BAY, The Masterpiece and the Double Cove series.

Under the current development schedule of the projects, THE PAVILIA BAY, ARTISAN HOUSE, THE PARKVILLE, FLEUR PAVILIA, PARK HILLCREST and PARK REACH will be handed over to purchasers in FY2019 and hence results from those sales together with the unrecognise portion from MOUNT PAVILIA will be recognised for in the same fiscal year.

Project	**Total No. of units**	**No. of units sold as at 2 Sept 2018**	Total contracted sales proceeds HK$bn
THE PAVILIA BAY	**983**	**978**	10.0
FLEUR PAVILA	**611**	**474**	11.2
MOUNT PAVILIA	**680**	**594***	14.9*
ARTISAN HOUSE	**250**	**241**	2.1
THE PARKVILLE	**100**	**100**	0.9
PARK HILLCREST	**123**	**123**	0.9
Total	**2,747**	**2,510**	40.0

* Sales booked in FY2018: 218 units, total contracted sales proceeds HK$4.4 bn

Segment results derived from Mainland China increased by 26.4% to HK$6,611.0 million, reflecting the increase in overall gross profit margin of the residential projects, from 30.0% in FY2017 to 41% in FY2018. The contribution was mainly attributable to the sales of Guangzhou Covent Garden, Guangzhou Foshan Canton First Estate, Shenzhen New World Signature Hill, Wuhan New World • Times, Changsha La Ville New World, Langfang New World Garden, Beijing New World • Li Zun and Shenyang New World Garden. Of which, the gross profit margin of the key projects located in the Greater Bay Area was 54.6%.

During the year under review, overall property contracted sales in Mainland China reached 798,734 sq m in GFA and RMB16.26 billion in gross sales proceeds, achieving the FY2018 sales target of RMB16 billion. The average selling price of overall residential contracted sales is RMB22,667 per sq m, an increase of 20.9%. The major contributors were Ning Zhu Zun Fu of Ningbo New World, Shenyang New World Garden, Guangzhou Foshan Canton First Estate, Wuhan New World • Times, Wuhan New World Guanggu, Beijing New World • Li Zun, Langfang New World Garden, Shenzhen New World Signature Hill and Guangzhou Park Paradise.

As for the geographical distribution of contracted sales proceeds, Southern region being the largest contributor, accounted for 26.0%, followed by Central region and Eastern region, accounting for 24.4% and 18.4%, respectively.

Property investment
Segment contributions from property investment amounted to HK$1,923.3 million for FY2018, increased by 8.6%.

Investment property in Hong Kong achieved an overall satisfactory performance. The growth in contribution from key properties including K11 Hong Kong, New World Tower, Telford Plaza, Pearl City and KOHO, together with the commencement of operation in K11 ATELIER at Victoria Dockside and THE FOREST in Mong Kok. Of which, the occupancy of K11 ATELIER has already surpassed 70% in FY2018 and the latest per square foot rental rate has reached HK$110. The decent performance of the abovementioned key properties mitigated the negative effects from the pre-opening expenses incurred from Victoria Dockside, and the renovation expenses of selected projects.

The development of Victoria Dockside, a new global landmark located at the core area of Tsim Sha Tsui waterfront in Kowloon, was progressing well and the project will grand open in the third quarter in 2019.

Segment results in property investment derived from Mainland China increased by 26.8%, it was mainly due to improved contribution from the flagship projects including Wuhan International Trade Towers, Shanghai Hong Kong New World Tower & K11 Shanghai, and the commercial clusters plus serviced apartment in Central Park-view in Guangzhou. Of which, the contribution from Wuhan International Trade Towers increased by 24.3%. In addition, the Group has optimised its internal structure and individual projects have been converted from joint ventures to subsidiaries after the completion of the privatisation of NWCL, which also provide a positive effect on the segment results derived from Mainland China.

Service
The service segment recorded a decrease of 27.6% to HK$858.4 million for FY2018.

Enthused by the upbeat property market sentiments, the construction business sustained its healthy growth momentum although the impact could not mitigate the underperformance of the facilities management segment as Free Duty experienced its first ever annual loss as new contract commenced in mid-August 2017 subject to much higher concession fee while GHK Hospital incurred initial operating losses during its ramp-up stage. Nevertheless, the decrease in contribution from transportation business led by the declining fare revenue and escalating operating expenses affected the segment results.

Infrastructure
In FY2018, the infrastructure segment reported contribution of HK$3,801.4 million, increased by 14.7%.

Contribution from road business rose by 32% in FY2018. Discounting the exchange factor, the contribution would have increased by 10% in line with the overall traffic volume growth of 10% as NWSH’s road portfolio continued to benefit from rising vehicle ownership and urbanisation in Mainland China. Most of the NWSH’s expressways in the Pearl River Delta Region continued to register an increase in both traffic volume and toll revenue.

The enlarged portfolio of SNL established after the restructuring in FY2017 continued to provide a broader income base to NWSH, with provision of services ranging from water and wastewater projects, waste treatment to design, engineering and procurement. Derun Environment performed satisfactorily delivered organic growth in both water and waste-to-energy businesses.

Nevertheless, the aviation business still attained double-digit growth from the steadfast expansion of Goshawk. In FY2018, Goshawk’s fleet size grew from 84 to 105 aircraft, while the customer base comprised of 43 airlines in 29 countries.

Hotel operations
In FY2018, the hotel operations segment recorded loss of HK$76.5 million, the drop was narrowed year-on-year.

The performance in Hong Kong recorded a satisfactory results, which mainly due to the increase in contribution from Grand Hyatt Hong Kong after the overhaul, the enhanced contribution was also recorded in Renaissance Harbour View Hotel, Wan Chai, Hyatt Regency, Tsim Sha Tsui and Hyatt Regency, Sha Tin. Of which, Grand Hyatt Hong Kong achieved the average room rate at HK$3,290 and average occupancy of 83.2% in FY2018, increased by 5.0% and 6.9 percentage points respectively. However, the pre-opening expenses of Rosewood Hong Kong, which is targeted to commencement operations in the first quarter of 2019, has mitigated the growth of the contribution of other key hotels and led to a decrease of 21.1% in Hong Kong portion.

In Mainland China, despite the impact of rising operating costs, the slowdown of economic activities in individual regions and the pre-opening expenses incurred, the loss of the Group's hotel operations in Mainland China was narrowed due to the improved operations performance together with effective cost saving measures.

Department stores

In FY2018, segment contributions from the department stores amounted to HK$232.4 million, increased by 5.6%. Despite the competition from e-commerce and shopping malls, together with the increasingly diverse consumer demands and rising operating cost, through the implementation of a series of cost control measures and the unique new operations strategies to connect with the evolving business environment, NWDS enhanced its overall operation performance.

Others

In FY2018, other businesses reported segment loss of HK$369.9 million, decreased by 278.0%, which was mainly due to the Group's investment in a perpetual security was fully redeemed by the issuer in FY2017, as the results, interest income from the abovementioned investment no longer exist in FY2018. Nevertheless, the dividend income received also recorded a drop.

Other gains

Net other gains were increased by 864.4% to HK$4,133.4 million in FY2018.

In FY2017, the key attributes include the gain on deemed disposal of SNL and the remeasurement of previously held interests upon completion of acquiring further 50% interest in NWST by NWSH in December 2016.

In FY2018, the key attributes include 1) the disposal of subsidiaries, which is mainly related to two hotels in Shanghai, Tonkin street residential development project and carparks in Hong Kong; 2) gain on partial disposal and remeasurement of interests in BCIA, an associated company of the Group prior to partial disposal and 3) reversal of other payables.

Changes in fair value of investment properties

The Group reported a fair-value change of HK$15,367.1 million in FY2018 for its investment properties which is benefited by the robust office market outlook with continuous low vacancy rate recorded together with the rebound in Hong Kong retail market.

For the Group's investment property portfolio, over 90% of the contribution were recorded in Hong Kong segment and the increase was mainly attributable to Victoria Dockside together with the enhancement of the flagship properties in Hong Kong especially in office sector.

Taxation

Taxation for FY2018 amounted to HK$6,272.4 million, increased by 31.9%, it was mainly due to the increase in taxation in Mainland China and overseas, together with Land Appreciation Tax in Mainland China.

LIQUIDITY AND CAPITAL RESOURCES

Net Debt

	FY2018 HK$m	FY2017 HK$m
Consolidated net debt	**74,859.0**	76,870.2
NWSH (Stock Code: 0659)	**3,518.0**	3,229.3
NWDS – net cash and bank balances (Stock Code: 0825)	**(703.6)**	(869.5)
Net debt (exclude listed subsidiaries)	**72,044.6**	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 attributed to those projects. The Renminbi currency exposure of the Group is mainly derived from the translation of non-current assets and liabilities of the subsidiaries, associated companies and joint ventures in Mainland China with functional currency of Renminbi and the Renminbi deposits held for future development costs to be expended to Hong Kong Dollar. As at 30 June 2018, 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$4,832.6 million is 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 30 June 2018, the Group had outstanding derivative instruments in the amounts of HK$10,100.0 million and US$600.0 million (equivalent to approximately HK$4,662.0 million) and had outstanding foreign currency swaps and forward contracts in the amounts of HK$7,948.7 million. 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.

A wholly-owned subsidiary of the Group redeemed the RMB3,000.0 million (equivalent to approximately HK$3,614.5 million) 5.5% bonds due 2018 (stock code: 85914) at principal amount upon maturity on 6 February 2018.

As at 30 June 2018, the Group's cash and bank balances (including restricted bank balances) stood at HK$63,456.1 million (2017: HK$67,106.5 million) and the consolidated net debt amounted to HK$74,859.0 million (2017: HK$76,870.2 million). The net debt to equity ratio was 29.3%, a decrease of 5.5 percentage points as compared with FY2017.

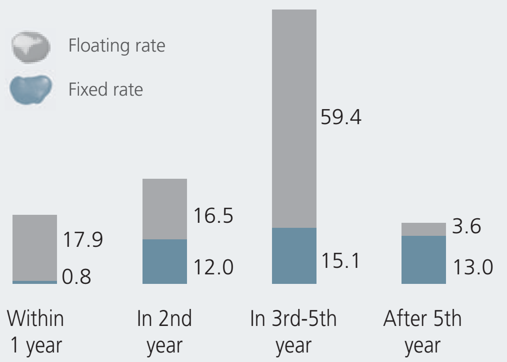
As at 30 June 2018, the Group's long-term bank loans, other loans and fixed rate bonds and notes payable amounted to HK$131,454.1 million. Short-term bank and other loans as at 30 June 2018 were HK$6,861.0 million. The maturity of bank loans, other loans, and fixed rate bonds and notes payable as at 30 June 2018 was as follows:

	HK$m
Within one year	**18,712.5**
In the second year	**28,454.3**
In the third to fifth year	**74,521.6**
After the fifth year	**16,626.7**
Total	**138,315.1**

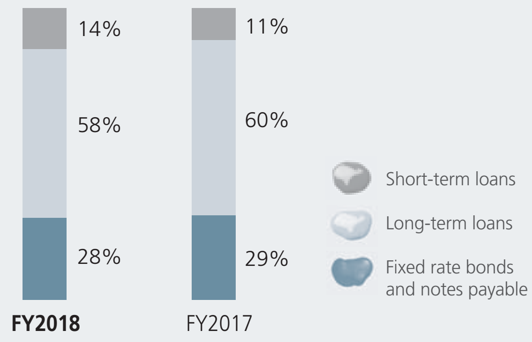
Equity of the Group as at 30 June 2018 increased to HK$255,181.9 million against HK$220,944.5 million as at 30 June 2017.

It is expected that equity raising is not necessary for the Group in the foreseeable future.

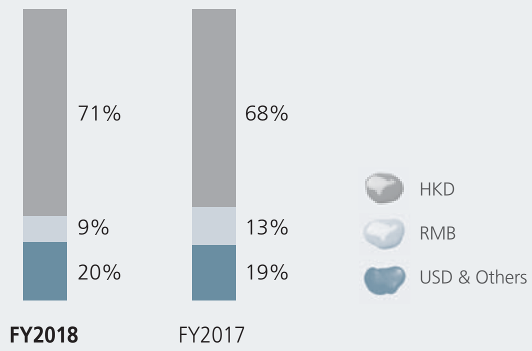
Floating/Fixed Rate and Maturity Profile of Borrowings as at 30 June 2018 (HK$b)



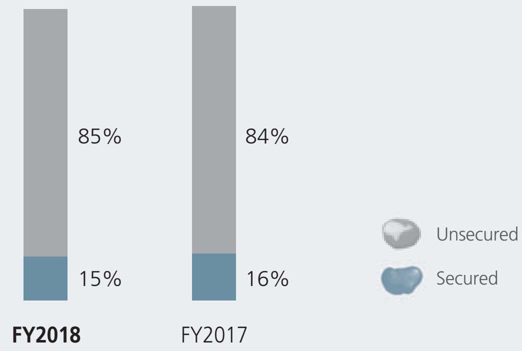
Source of Borrowings



Currency Profile of Borrowings



Nature of Debts



Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited
The consolidated financial statements of New World Development Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 128 to 238, which comprise:

- the consolidated statement of financial position as at 30 June 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS OF OPINION

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

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

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties held by the Group and its joint ventures and associated companies;
- Recoverability of properties for/under development and properties held for sale held by the Group and its joint ventures; and
- Impairment of the Group's interests in joint ventures and associated companies.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties held by the Group and its joint ventures and associated companies	
Refer to notes 6(b), 7 and 17 to the consolidated financial statements. As at 30 June 2018, the investment properties held by the Group and its joint ventures and associated companies were significant to the Group and were stated at fair value. Changes in fair value were recognised in the consolidated income statement. Independent external valuers were engaged to determine the fair value of investment properties held by the Group and its joint ventures and associated companies as at 30 June 2018. For completed investment properties, fair value was generally derived by the income capitalisation method and where appropriate, by direct comparison method. Income capitalisation method was based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates and prevailing market rents. Direct comparison method was based on comparable market transactions, as adjusted by the property-specific qualitative factors. For investment properties under construction, fair value was derived using the residual method by deducting development costs together with developer's profit and risk margins from the estimated capital value of the proposed development assuming completed as at the date of valuation. We focused on this area due to the fact that there are significant judgements and estimates involved in the valuation of investment properties.	Our procedures in relation to the valuation of investment properties included: • We assessed the competence, capability and objectivity of the independent external valuers; • We obtained the valuation reports and met the independent external valuers to discuss the valuation methodologies and key assumptions; • We involved our in-house valuation experts and assessed the valuation methodologies and the reasonableness of the key assumptions used in the valuation of investment properties, based on our knowledge of the property industry, research evidence of capitalisation rates, prevailing market rents and comparable market transactions for similar properties, where applicable; and • We tested, on a sample basis, the data used in the valuation of investment properties, including rental rates from existing tenancies and estimated cost to complete, by agreeing them to the underlying agreements with the tenants and approved budgets, respectively. We also compared the estimated developer's profit and risk margins to historical records, where appropriate. Based on the procedures performed, we found the methodologies used in preparing the valuations were appropriate and the key assumptions were supportable in light of available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

Recoverability of properties for/under development and properties held for sale held by the Group and its joint ventures

Refer to notes 6(c) and 29 to the consolidated financial statements.

As at 30 June 2018, the carrying values of the Group's properties for development, properties under development and properties held for sale amounted to HK$19,656.2 million, HK$37,171.0 million and HK$42,301.2 million respectively. The Group also has significant property development projects for sale held by its joint ventures.

Management assessed the recoverability of the property portfolios held for sale by the Group and its joint ventures based on estimates of the net realisable values of the underlying properties. These involve the estimation of selling prices of the properties based on current market prices of properties of comparable locations and conditions and the construction costs to complete the properties for/under development based on the existing development plans. Management concluded that the current level of provision for the properties for/under development and properties held for sale as at 30 June 2018 was appropriate.

If the estimated net realisable values of the underlying properties were significantly different from their carrying values as a result of changes in market conditions and/or significant variation in the budgeted development costs, material reversal or impairment provision for properties for/under development and properties held for sale may result. Accordingly, the existence of significant estimates warrants specific audit focus and attention on this area.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's assessment of recoverability of properties for/under development and properties held for sale included:

- We evaluated and tested the operating effectiveness of key controls around the property development cycle with particular focus on, but not limited to, controls over cost budgeting for estimated costs to completion, where applicable;

- We evaluated management's assessment on the recoverability of property portfolios, with particular focus on properties with relatively low gross profit margins or those with cost exceeding the net realisable value; and

- We assessed the reasonableness of key assumptions and estimates in management's assessment including:

  (i) For the estimated selling prices, we compared, on a sample basis, to the contracted selling prices of the underlying properties or current market prices of properties of comparable locations and conditions, where applicable; and

  (ii) For the estimated costs to completion, we assessed the reasonableness of the latest budgets of total construction costs and tested, on a sample basis, the construction costs to committed contracts and other supporting documentation.

Based on the procedures performed, we found the key assumptions in the recoverability assessment were supportable in light of available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of the Group's interests in joint ventures and associated companies	
Refer to notes 6(d), 22 and 23 to the consolidated financial statements. As at 30 June 2018, the carrying values of the Group's interests in joint ventures and associated companies amounted to HK$49,135.8 million and HK$24,708.2 million respectively. Management reviewed regularly whether there are any indicators of impairment of the investments by reference to the requirements under HKAS 28 (2011) "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets". For investments where impairment indicators exist, management estimated the recoverable amounts of those investments, being higher of value in use or fair value less costs of disposal. The value in use is determined based on the discounted cash flow projections. Significant judgements are required to determine the key assumptions used in the discounted cash flow models, such as revenue growth, unit price and discount rates. Independent external valuers were also involved in certain value in use assessments, where management considered necessary. Based on the results of these impairment assessments, impairment losses were recognised for the underlying assets of certain joint ventures and the Group's share of such impairment losses, in aggregate, of HK$600 million, which have been included in the Group's share of results of joint ventures for the year ended 30 June 2018 and the Group considered no further impairment is required in respect of the carrying values of the Group's interests in joint ventures and associated companies. The Group has certain associated companies, whose assets principally included available-for-sale financial assets and loans and receivables. Management carried out impairment assessments on the underlying available-for-sale financial assets and loans and receivables held by these associated companies. Based on the results of the impairment assessments, management concluded that no impairment provision is needed. As the impairment assessment involves significant judgements and estimates, we regard this as a key audit matter.	Our procedures in assessing the management's judgement for the impairment assessments of the Group's interests in joint ventures and associated companies included: • We evaluated the competence, capabilities and objectivity of the independent external valuers, where applicable; • With the support of our in-house valuation experts, we assessed the appropriateness of the valuation methodology and the reasonableness of the key assumptions adopted in the cash flow projections; • We assessed the reasonableness of the discount rates applied by the management in the discounted cash flow models by comparing to external market data and publicly available information; • We checked the key assumptions to external market data or other supporting evidence where available; • We performed sensitivity analysis on the key assumptions adopted in the impairment assessments to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts; and • We evaluated management's assessments on impairment of underlying available-for-sale financial assets and the recoverability assessment on underlying loans and receivables held by the Group's associated companies which take into account the repayment histories of the borrowers, credit worthiness, value of the pledged assets and subsequent settlement of loans and receivables, if applicable. Based on the procedures performed, we found management's impairment assessments relating to the Group's interests in joint ventures and associated companies were supported by available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ho Chi Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 September 2018

Consolidated Income Statement

For the year ended 30 June 2018

	Note	**2018 HK$m**	2017 HK$m
Revenues	7	**60,688.7**	56,628.8
Cost of sales		**(40,125.3)**	(38,413.2)
Gross profit		**20,563.4**	18,215.6
Other income	8	**137.3**	528.8
Other gains, net	9	**4,133.4**	428.6
Selling and marketing expenses		**(1,083.8)**	(1,376.6)
Administrative and other operating expenses		**(8,142.1)**	(7,408.9)
Changes in fair value of investment properties	17	**15,367.1**	1,363.8
Operating profit	10	**30,975.3**	11,751.3
Financing income		**1,475.2**	1,705.9
Financing costs	11	**(2,179.5)**	(2,152.0)
		30,271.0	11,305.2
Share of results of			
Joint ventures		**1,886.2**	2,029.7
Associated companies		**1,196.4**	1,895.4
Profit before taxation		**33,353.6**	15,230.3
Taxation	12	**(6,272.4)**	(4,755.6)
Profit for the year		**27,081.2**	10,474.7
Attributable to:			
Shareholders of the Company	39	**23,338.1**	7,675.7
Holders of perpetual capital securities		**536.6**	395.9
Non-controlling interests		**3,206.5**	2,403.1
		27,081.2	10,474.7
Earnings per share	13		
Basic		**HK$2.34**	HK$0.80
Diluted		**HK$2.33**	HK$0.80

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	2018 HK$m	2017 HK$m
Profit for the year	**27,081.2**	10,474.7
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights	**3,539.5**	554.9
— deferred tax arising from revaluation thereof	**(4.0)**	(92.2)
Remeasurement of post employment benefit obligation	**24.7**	24.0
Items that had been reclassified/may be reclassified subsequently to profit or loss		
Fair value changes of available-for-sale financial assets	**(846.9)**	501.6
Release of investment revaluation deficit to the consolidated income statement upon impairment of available-for-sale financial assets	**7.1**	60.2
Release of reserve upon disposal of available-for-sale financial assets	**(78.9)**	73.5
Release of reserve upon disposal of subsidiaries	**(155.9)**	(35.4)
Release of reserve upon deemed disposal of interests in joint ventures	**–**	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	**(60.6)**	(15.3)
Release of reserve upon return of registered capital of a subsidiary	**(22.5)**	–
Release of reserves upon disposal of interests in joint ventures and associated companies	**36.3**	(135.4)
Release of reserves upon reclassification of an associated company to an available-for-sale financial asset	**53.6**	–
Share of other comprehensive income of joint ventures and associated companies	**872.3**	(344.4)
Cash flow hedges	**83.9**	253.8
Translation differences	**3,964.4**	(1,576.8)
Other comprehensive income for the year	**7,413.0**	(690.2)
Total comprehensive income for the year	**34,494.2**	9,784.5
Attributable to:		
Shareholders of the Company	**30,454.8**	7,145.2
Holders of perpetual capital securities	**536.6**	395.9
Non-controlling interests	**3,502.8**	2,243.4
	34,494.2	9,784.5

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	**2018 HK$m**	2017 HK$m
Assets			
Non-current assets			
Investment properties	17	**149,727.7**	105,760.4
Property, plant and equipment	18	**29,940.2**	30,807.8
Land use rights	19	**1,064.0**	1,715.0
Intangible concession rights	20	**11,403.5**	11,841.9
Intangible assets	21	**3,782.0**	3,423.8
Interests in joint ventures	22	**49,135.8**	49,317.4
Interests in associated companies	23	**24,708.2**	26,401.8
Available-for-sale financial assets	24	**11,778.8**	6,540.9
Held-to-maturity investments	25	**46.0**	44.4
Financial assets at fair value through profit or loss	32	**684.3**	574.5
Derivative financial instruments	26	**88.6**	9.8
Properties for development		**19,656.2**	18,284.1
Deferred tax assets	27	**749.3**	740.9
Other non-current assets	28	**6,635.1**	2,612.6
		309,399.7	258,075.3
Current assets			
Properties under development	29	**37,171.0**	48,530.0
Properties held for sale		**42,301.2**	34,530.9
Inventories	30	**831.5**	756.1
Debtors, prepayments and contract assets	31	**25,519.6**	27,864.4
Financial assets at fair value through profit or loss	32	**–**	0.1
Derivative financial instruments	26	**19.5**	62.3
Restricted bank balances	33	**67.7**	120.5
Cash and bank balances	33	**63,388.4**	66,986.0
		169,298.9	178,850.3
Non-current assets classified as assets held for sale	35	**2,756.2**	130.7
		172,055.1	178,981.0
Total assets		**481,454.8**	437,056.3

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 HK$m	2017 HK$m
Equity			
Share capital	36	**77,525.9**	73,233.6
Reserves	39	**138,724.0**	112,857.6
Shareholders' funds		**216,249.9**	186,091.2
Perpetual capital securities	37	**9,451.8**	9,451.8
Non-controlling interests	38	**29,480.2**	25,401.5
Total equity		**255,181.9**	220,944.5
Liabilities			
Non-current liabilities			
Long-term borrowings	40	**120,123.6**	125,895.3
Deferred tax liabilities	27	**10,287.9**	9,327.2
Derivative financial instruments	26	**365.6**	631.3
Other non-current liabilities	41	**806.5**	757.4
		131,583.6	136,611.2
Current liabilities			
Creditors, accrued charges and contract liabilities	42	**65,059.0**	50,735.2
Current portion of long-term borrowings	40	**11,851.5**	14,857.9
Derivative financial instruments	26	**–**	36.1
Short-term borrowings	40	**8,777.6**	6,366.7
Current tax payable		**8,992.4**	7,504.7
		94,680.5	79,500.6
Liabilities directly associated with non-current assets classified as assets held for sale	35	**8.8**	–
		94,689.3	79,500.6
Total liabilities		**226,272.9**	216,111.8
Total equity and liabilities		**481,454.8**	437,056.3

Dr. Cheng Kar-Shun, Henry
Director

Dr. Cheng Chi-Kong, Adrian
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Share capital HK$m	Retained profits HK$m	Other reserves HK$m	Share-holders' funds HK$m	Perpetual capital securities HK$m	Non-controlling interests HK$m	Total HK$m
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 4)	–	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
Profit for the year	–	23,338.1	–	23,338.1	536.6	3,206.5	27,081.2
Other comprehensive income							
Fair value changes of available-for-sale financial assets	–	–	(432.6)	(432.6)	–	(414.3)	(846.9)
Release of reserve upon disposal of available-for-sale financial assets	–	–	(72.3)	(72.3)	–	(6.6)	(78.9)
Release of investment revaluation deficit to the consolidated income statement upon impairment of available-for-sale financial assets	–	–	7.1	7.1	–	–	7.1
Release of reserve upon disposal of subsidiaries	–	–	(163.0)	(163.0)	–	7.1	(155.9)
Release of reserve upon deregistration of subsidiaries	–	–	(27.9)	(27.9)	–	(32.7)	(60.6)
Release of reserve upon return of registered capital of a subsidiary	–	–	(9.8)	(9.8)	–	(12.7)	(22.5)
Release of reserves upon disposal of interests in joint ventures and associated companies	–	–	18.2	18.2	–	18.1	36.3
Release of reserves upon reclassification of an associated company to an available-for-sale financial asset	–	–	32.8	32.8	–	20.8	53.6
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	–	–	3,521.9	3,521.9	–	13.6	3,535.5
Share of other comprehensive income of joint ventures and associated companies	–	(4.8)	586.3	581.5	–	290.8	872.3
Remeasurement of post employment benefit obligation	–	15.1	–	15.1	–	9.6	24.7
Cash flow hedges	–	–	51.3	51.3	–	32.6	83.9
Translation differences	–	–	3,594.4	3,594.4	–	370.0	3,964.4
Other comprehensive income for the year	–	10.3	7,106.4	7,116.7	–	296.3	7,413.0
Total comprehensive income for the year	–	23,348.4	7,106.4	30,454.8	536.6	3,502.8	34,494.2
Transactions with owners							
Contributions by/(distributions to) owners							
Dividends	–	(4,660.4)	–	(4,660.4)	–	(2,250.4)	(6,910.8)
Contributions from non-controlling interests	–	–	–	–	–	140.5	140.5
Issue of new shares as scrip dividends	3,802.1	–	–	3,802.1	–	–	3,802.1
Issue of new shares upon exercise of share options	490.2	–	–	490.2	–	–	490.2
Employees' share-based payments	–	–	57.2	57.2	–	–	57.2
Share options lapsed	–	47.3	(47.3)	–	–	–	–
Distribution to perpetual capital securities holders	–	–	–	–	(536.6)	–	(536.6)
Buyback of shares	–	(130.9)	–	(130.9)	–	–	(130.9)
Transfer of reserves	–	139.1	(139.1)	–	–	–	–
Repayment of capital to a non-controlling shareholder	–	–	–	–	–	(40.4)	(40.4)
	4,292.3	(4,604.9)	(129.2)	(441.8)	(536.6)	(2,150.3)	(3,128.7)
Changes in ownership interests in subsidiaries							
Acquisition of subsidiaries	–	–	–	–	–	2,570.1	2,570.1
Acquisition of additional interests in subsidiaries	–	59.0	–	59.0	–	(152.0)	(93.0)
Deemed disposal of interests in subsidiaries	–	(164.9)	–	(164.9)	–	280.9	116.0
	–	(105.9)	–	(105.9)	–	2,699.0	2,593.1
Total transactions with owners	4,292.3	(4,710.8)	(129.2)	(547.7)	(536.6)	548.7	(535.6)
At 30 June 2018	77,525.9	123,585.9	15,138.1	216,249.9	9,451.8	29,480.2	255,181.9

	Share capital HK$m	Retained profits HK$m	Other reserves HK$m	Share-holders' funds HK$m	Perpetual capital securities HK$m	Non-controlling interests HK$m	Total HK$m
At 1 July 2016	69,599.8	101,296.6	8,677.0	179,573.4	–	21,321.9	200,895.3
Profit for the year	–	7,675.7	–	7,675.7	395.9	2,403.1	10,474.7
Other comprehensive income							
Fair value changes of available-for-sale financial assets	–	–	432.9	432.9	–	68.7	501.6
Release of reserve upon disposal of available-for-sale financial assets	–	–	79.3	79.3	–	(5.8)	73.5
Release of investment revaluation deficit to the consolidated income statement upon impairment of available-for-sale financial assets	–	–	54.1	54.1	–	6.1	60.2
Release of reserve upon disposal of subsidiaries	–	–	(34.5)	(34.5)	–	(0.9)	(35.4)
Release of reserve upon deemed disposal of interests in joint ventures	–	–	3.5	3.5	–	2.2	5.7
Release of reserves upon remeasurement of previously held equity interest in a joint venture	–	–	21.9	21.9	–	13.7	35.6
Release of reserve upon deregistration of a subsidiary	–	–	(9.4)	(9.4)	–	(5.9)	(15.3)
Release of reserves upon disposal of interests in joint ventures and associated companies	–	–	(82.8)	(82.8)	–	(52.6)	(135.4)
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	–	–	462.3	462.3	–	0.4	462.7
Share of other comprehensive income of joint ventures and associated companies	–	(4.5)	(177.2)	(181.7)	–	(162.7)	(344.4)
Remeasurement of post employment benefit obligation	–	15.1	(0.7)	14.4	–	9.6	24.0
Cash flow hedges	–	–	155.7	155.7	–	98.1	253.8
Translation differences	–	–	(1,446.2)	(1,446.2)	–	(130.6)	(1,576.8)
Other comprehensive income for the year	–	10.6	(541.1)	(530.5)	–	(159.7)	(690.2)
Total comprehensive income for the year	–	7,686.3	(541.1)	7,145.2	395.9	2,243.4	9,784.5
Transactions with owners							
Contributions by/(distributions to) owners							
Dividends	–	(4,171.1)	–	(4,171.1)	–	(1,077.0)	(5,248.1)
Contributions from non-controlling interests	–	–	–	–	–	2,847.3	2,847.3
Issue of new shares as scrip dividends	3,426.0	–	–	3,426.0	–	–	3,426.0
Issue of new shares upon exercise of share options	207.8	–	–	207.8	–	–	207.8
Employees' share-based payments	–	–	53.3	53.3	–	3.3	56.6
Share options lapsed	–	29.2	(29.2)	–	–	–	–
Issuance of perpetual capital securities	–	–	–	–	9,324.0	–	9,324.0
Distribution to perpetual capital securities holders	–	–	–	–	(268.1)	–	(268.1)
Transaction costs in relation to the issuance of perpetual capital securities	–	(111.7)	–	(111.7)	–	–	(111.7)
Transfer of reserves	–	(0.9)	0.9	–	–	–	–
Repayment of capital to a non-controlling shareholder	–	–	–	–	–	(19.3)	(19.3)
	3,633.8	(4,254.5)	25.0	(595.7)	9,055.9	1,754.3	10,214.5
Changes in ownership interests in subsidiaries							
Acquisition of additional interests in subsidiaries	–	(40.8)	–	(40.8)	–	(246.1)	(286.9)
Deemed disposal of interests in subsidiaries	–	9.1	–	9.1	–	328.0	337.1
	–	(31.7)	–	(31.7)	–	81.9	50.2
Total transactions with owners	3,633.8	(4,286.2)	25.0	(627.4)	9,055.9	1,836.2	10,264.7
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

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 HK$m	2017 HK$m
Cash flows from operating activities			
Net cash generated from operations	46(a)	**12,978.1**	8,432.4
Hong Kong profits tax paid		**(544.0)**	(591.0)
Mainland China and overseas taxation paid		**(4,758.4)**	(4,685.1)
Net cash from operating activities		**7,675.7**	3,156.3
Cash flows from investing activities			
Interest received		**1,246.7**	831.9
Dividends received from			
Joint ventures		**2,267.5**	1,735.2
Associated companies		**643.9**	2,104.5
Available-for-sale financial assets, perpetual securities and financial assets at fair value through profit or loss		**137.3**	690.5
Additions of investment properties, property, plant and equipment and intangible concession rights		**(9,969.9)**	(16,158.2)
Increase in interests in joint ventures		**(2,469.2)**	(3,477.8)
Increase in interests in associated companies		**(587.0)**	(8,292.2)
Increase in long-term loans and receivables and deposit paid for a proposed commercial development project		**(684.1)**	(1,278.8)
Decrease/(increase) in short-term bank deposits maturing after more than three months		**4,374.8**	(4,542.3)
Acquisition of subsidiaries (net of cash and cash equivalents)	46(d)	**339.2**	(1,169.5)
Purchase of available-for-sale financial assets and financial assets at fair value through profit or loss		**(4,276.1)**	(1,683.7)
Proceeds from disposal of			
Associated companies		**2,428.0**	512.5
Available-for-sale financial assets, perpetual securities and financial assets at fair value through profit or loss		**883.9**	7,702.3
Investment properties, property, plant and equipment, land use rights and intangible concession rights		**1,232.0**	864.8
Joint ventures		**–**	197.1
Non-current assets classified as assets held for sale		**75.9**	4,031.1
Subsidiaries (net of cash and cash equivalents)	46(f)	**11,176.7**	5,847.5
Net cash from/(used in) investing activities		**6,819.6**	(12,085.1)

	Note	2018 HK$m	2017 HK$m
Cash flows from financing activities			
Issue of fixed rate bonds and notes payable, net of transaction costs		–	6,415.9
Redemption of fixed rate bonds and notes payable		**(3,614.5)**	(6,539.0)
Drawdown of bank and other loans		**18,977.6**	34,319.0
Repayment of bank and other loans		**(21,377.7)**	(23,073.7)
(Decrease)/increase in loans from non-controlling shareholders		**(777.3)**	430.7
Decrease in restricted bank balances		**52.8**	85.2
Increase in interests in subsidiaries		**(133.4)**	(306.3)
Issue of shares		**490.2**	207.8
Contributions from non-controlling interests		**130.2**	2,847.3
Interest paid		**(4,264.1)**	(4,914.7)
Dividends paid to shareholders of the Company		**(858.3)**	(745.1)
Dividends paid to non-controlling shareholders		**(2,134.4)**	(739.8)
Proceeds from perpetual capital securities, net of transaction costs	37	–	9,212.3
Distribution to holders of perpetual capital securities		**(536.6)**	(268.1)
Buyback of shares		**(130.9)**	–
Net cash (used in)/from financing activities		**(14,176.4)**	16,931.5
Net increase in cash and cash equivalents		**318.9**	8,002.7
Cash and cash equivalents at beginning of the year		**61,763.6**	54,297.5
Translation differences		**514.8**	(536.6)
Cash and cash equivalents at end of the year		**62,597.3**	61,763.6
Analysis of cash and cash equivalents			
Cash at banks and on hand	33	**35,027.8**	32,115.5
Short-term bank deposits maturing within three months	33	**27,513.0**	29,648.1
Cash and bank balances of a subsidiary reclassified as non-current assets classified as assets held for sale		**56.5**	–
		62,597.3	61,763.6

Notes to the Financial Statements

1 GENERAL INFORMATION

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

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

These consolidated financial statements have been approved by the Board of Directors on 20 September 2018.

2 BASIS OF PREPARATION

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

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6 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 ended 30 June 2018:

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

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

2 BASIS OF PREPARATION (CONTINUED)

(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 on or after 1 January 2018.

The Group has elected to early adopt HKFRS 15 for the year ended 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 4 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 goods or services 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 goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, the control of the goods or services may be transferred over time or at a point in time.

Control of the goods or services 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.

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 acquisition cost and subsequently amortised when the related revenue is recognised.

Please refer to the accounting policy in relation to revenue recognition in note 3(y).

2 BASIS OF PREPARATION (CONTINUED)

(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 19	Employee Benefits
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 Amendments	Annual Improvements to HKFRSs 2014–2016 Cycle and Annual Improvements to HKFRSs 2015–2017 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 9 and HKFRS 16 is detailed below.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the multiple classification and measurement models in HKAS 39 Financial Instruments: Recognition and Measurement with a single model that has three classification categories: amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL").

Classification of debt assets will be driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if (i) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (ii) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value and their gains and losses will either be recorded in consolidated income statement or consolidated statement of comprehensive income. For investment in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

2 BASIS OF PREPARATION (CONTINUED)

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

HKFRS 9 "Financial Instruments" (continued)

Certain financial assets of the Group that are currently classified as available-for-sale equity securities will be classified and measured as FVOCI or as FVPL under the new standard. Under the prevailing accounting policies, changes in fair value of available-for-sale financial assets are recognised in other comprehensive income, and upon disposal, the accumulated fair value adjustments are included in the consolidated income statement. Upon adoption of HKFRS 9, for investments that are measured as FVPL, changes in fair value are included in the consolidated income statement; while for investments that are measured at FVOCI, changes in fair value are included in consolidated statement of comprehensive income and accumulated fair value adjustments will not be transferred to the consolidated income statement upon disposal. As a result, depending on the classification of and timing of disposal of the investments, there may be impact on the profit or loss of the Group.

For financial liabilities that are measured under the fair value option, the Group will need to recognise a part of the fair value change that is due to changes in its own credit risk in consolidated statement of comprehensive income rather than consolidated income statement.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. The Group does not expect a significant impact on the accounting for hedging relationship.

A new expected credit loss ("ECL") impairment model has been introduced which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how the Group measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for trade debtors and contract assets that do not have a significant financing component. On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade debtors and contract assets with no significant financing components), unless the assets are considered credit impaired. The Group expects to apply the simplified approach to recognise lifetime ECL for its trade debtors and contract assets and considers the remaining financial assets have low credit risk and hence expects to recognise 12-month ECL.

The new accounting standard will be effective for the year ending 30 June 2019. As allowed in the transitional provisions in HKFRS 9 (2014), comparative figures will not be restated.

The Group will continue to assess its impact in more details.

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 consolidated 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 income statement, straight-line depreciation expense on the right-of-use asset and the interest expenses on the financial 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 financial 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 right-of-use assets and financial liabilities primarily arising from leases of premises and properties in relation to the Group's various businesses. The Group will continue to assess the impact in more details.

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

2 BASIS OF PREPARATION (CONTINUED)

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

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

3 PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

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

(i) Subsidiaries

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

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

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

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

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the carrying amount for the purposes of subsequently accounting for the retained interest as associated companies, joint ventures or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(ii) Joint arrangements

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

(1) Joint ventures

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

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

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

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

Equity joint ventures/joint ventures in wholly foreign owned enterprises are joint ventures in respect of which the capital contribution ratios of the venturers are defined in the joint venture contracts and the profit sharing ratios and share of net assets of the venturers are in proportion to the capital contribution ratios.

(b) Co-operative joint ventures

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

(c) Companies limited by shares

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

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

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(ii) Joint arrangements (continued)

(2) Joint operations

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

(iii) Associated companies

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

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

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

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

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

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

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

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

(iv) Transactions with non-controlling interests

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Intangible assets

(i) Goodwill

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

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

(ii) Trademarks

Separately acquired trademarks are initially recognised at initial cost. Trademarks acquired in a business combination are recognised at fair value at the date of acquisition. Trademarks have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives.

(iii) Operating right

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

(iv) Intangible concession rights

The Group has entered into various service arrangements ("Service Concessions") with local government authorities for its participation in the development, financing, operation and maintenance of various infrastructures for public services, such as toll roads and bridges, power plants and water treatment plants (the "Infrastructures"). The Group carries out the construction or upgrade work of Infrastructures from the granting authorities in exchange for the right to operate the Infrastructures concerned and the right to change users of the respective Infrastructures. The fees collected during the operating periods are attributable to the Group. The relevant Infrastructures are required to be returned to the local government authorities upon the expiry of the operating rights without significant compensation to the Group.

The Group applies the intangible asset model to account for the Infrastructures where they are paid by the users of the Infrastructures and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. The consideration to be received during the construction or the upgrade period is classified as contract assets and reclassified as intangible concession rights upon completion.

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

(d) Land use rights

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

(e) Investment properties

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

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

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional qualified valuers on an open market value basis at the end of each reporting period. Changes in fair value are recognised in the consolidated income statement.

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

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

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to properties for/under development. The property's deemed cost for subsequent accounting as properties for/under development is its fair value at the date of change in use.

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

For a transfer from properties for/under development or property held for sale to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in the consolidated income statement. Transfers to investment properties shall be made when, and only when, there is a change in use. The inception of an operating lease to another party is generally an evidence of a change in use. A change in use has occurred is based on an assessment of all relevant facts and circumstances. The relevant facts include but not limited to the Group's business plan, financial resources and legal requirements.

(f) Property, plant and equipment

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

(i) Assets under construction

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

(ii) Depreciation

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

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

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

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

(iii) Gain or loss on disposal

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

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

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

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

(h) Investments

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

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

The Group classifies financial assets held for trading and those designated as at fair value through profit or loss at inception under certain circumstances as financial assets at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. They are presented as current assets if they are expected to be settled within 12 months after the end of the reporting period; otherwise, they are classified as non-current.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Investments (continued)

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

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

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

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

(i) Derivative financial instruments

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Properties for/under development

Properties for/under development comprise leasehold land and land use rights, development expenditure and borrowing costs capitalised, and are carried at the lower of cost and net realisable value. Net realisable value takes into account the proceeds ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to complete. Upon completion, the properties are transferred to properties held for sale. Properties under development included in the current assets are expected to be realised in, or is intended for sale in the Group's normal operating cycle.

(l) Properties held for sale

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

(m) Inventories

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

(n) Contracts in progress

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

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

For fixed price construction service contract, the Group make reference to the progress towards complete satisfaction of that performance obligation to determine the appropriate amount to recognise in a given period. The progress is measured by reference to the contract costs incurred up to the end of the reporting period as a proportion of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract and costs not attributable to progress are excluded from contract costs in determining the progress.

If the value of the services provided exceed the net payments received, a contract asset is recognised. If the payment exceed the value of the services provided, a contract liability is recognised.

(o) Trade and other debtors

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

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(p) Contract related assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in profit or loss exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in profit or loss.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(q) Cash and cash equivalents

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

(r) Share capital

Ordinary shares are classified as equity.

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

(s) Perpetual capital securities

Perpetual capital securities with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

(t) Trade and other payables

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

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(u) Provisions

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

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

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

(v) Contingent liabilities and contingent assets

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

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(w) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(x) Borrowings

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

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

(y) Revenue recognition

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

Revenue is recognised when it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Rental

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition (continued)

(ii) Property sales

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred 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.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(iii) Construction revenue

Revenue from construction service contract is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation using input method.

(iv) Service fees

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

(v) Infrastructure operations

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

(vi) Sales of goods

Income from sales of goods is recognised at a point in time when the goods are delivered to customers and title has passed.

(vii) Fare revenue

Fare revenue from bus and ferry services is recognised at a point in time when the services are rendered.

(viii) Hotel operations

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

(ix) Department store operations

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.

(x) Interest

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition (continued)

(xi) Dividend

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

(z) Leases

(i) Finance leases

Leases that transfer to the Group, as lessee, substantially all the risks and rewards of ownership of assets are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of minimum lease payments. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities, as creditors, accrued charges and contract liabilities. The finance charges are charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

(ii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(aa) Borrowing cost

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

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

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

(ab) Employee benefits

(i) Employee leave entitlements

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

(ii) Bonus plans

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

(iii) Defined contribution plans

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ab) Employee benefits (continued)

(iv) Defined benefit plans

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

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the consolidated income statement.

(v) Share-based compensation

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

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

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

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

(ac) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of fair value gain or loss. For example, translation differences on financial assets and liabilities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets are included in equity.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ac) Foreign currencies (Continued)

(iii) Group companies

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

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

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

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

(4) on the disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the translation differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate ruling at the end of the reporting period.

(ad) Insurance contracts

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. If the carrying amount of the relevant insurance liabilities is less than the best estimate of the expenditure required to settle the relevant insurance liabilities at the end of the reporting period, the Group recognises the entire difference in profit or loss. These estimates are recognised only when the outflow is probable and the estimates can be reliably measured.

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

(ae) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors of the Company has appointed an Executive Committee which assess the financial performance and position of the Group, and makes strategic decisions. The Executive Committee, which has been identified as being the chief operating decision-maker, consists of executive directors of the Company.

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

(af) Dividend distribution

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

4 CHANGE IN ACCOUNTING POLICY

As explained in note 2(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 consolidated 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 terminologies 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 works within creditors and accrued charges.

- Contract assets recognised in relation to contracting activities were previously presented as amounts due from customers for contract works within debtors and prepayment.

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.

4 CHANGE IN ACCOUNTING POLICY (CONTINUED)

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 acquisition cost and subsequently amortised when the related revenue is recognised.

(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
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 works	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 works	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

4 CHANGE IN ACCOUNTING POLICY (CONTINUED)

(b) The amount by each financial statement line item affected in the current year 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 30 June 2018		
	Without the early adoption of HKFRS 15 HK$m	Effects of the early adoption of HKFRS 15 HK$m	As reported HK$m
Consolidated statement of financial position (extract)			
Interests in joint ventures	**49,055.3**	**80.5**	**49,135.8**
Deferred tax assets	**766.5**	**(17.2)**	**749.3**
Properties under development	**37,494.8**	**(323.8)**	**37,171.0**
Properties held for sale	**29,582.8**	**12,718.4**	**42,301.2**
Debtors, prepayments and contract assets	**33,404.0**	**(7,884.4)**	**25,519.6**
— Trade debtors, deposits, prepayments and other debtors	**33,035.6**	**(8,837.0)**	**24,198.6**
— Amounts due from customers for contract works	**368.4**	**(368.4)**	**–**
— Contract assets	**–**	**1,321.0**	**1,321.0**
Retained profits	**127,225.6**	**(3,639.7)**	**123,585.9**
Non-controlling interests	**30,622.4**	**(1,142.2)**	**29,480.2**
Deferred tax liabilities	**10,288.7**	**(0.8)**	**10,287.9**
Creditors, accrued charges and contract liabilities	**54,986.5**	**10,072.5**	**65,059.0**
— Trade creditors, other creditors and accrued charges	**39,795.1**	**(279.3)**	**39,515.8**
— Amounts due to customers for contract works	**2,626.3**	**(2,626.3)**	**–**
— Deposits received on sale of properties	**12,565.1**	**(12,565.1)**	**–**
— Contract liabilities	**–**	**25,543.2**	**25,543.2**
Current tax payable	**9,708.7**	**(716.3)**	**8,992.4**

4 CHANGE IN ACCOUNTING POLICY (CONTINUED)

(b) (continued)

	For the year ended 30 June 2018		
	Without the early adoption of HKFRS 15 HK$m	Effects of the early adoption of HKFRS 15 HK$m	As reported HK$m
Consolidated income statement (extract)			
Revenues	**80,242.2**	**(19,553.5)**	**60,688.7**
Cost of sales	**52,858.0**	**(12,732.7)**	**40,125.3**
Selling and marketing expenses	**1,935.1**	**(851.3)**	**1,083.8**
Share of results of joint ventures	**1,806.9**	**79.3**	**1,886.2**
Taxation	**7,101.9**	**(829.5)**	**6,272.4**
Non-controlling interests	**4,375.9**	**(1,169.4)**	**3,206.5**
Consolidated statement of cash flows (extract)			
Net cash generated from operations			
Operating profit before working capital changes	**19,847.7**	**(5,969.5)**	**13,878.2**
Changes in working capital:			
— Decrease/(increase) in properties for/under development and properties held for sale	**2,743.2**	**(12,754.2)**	**(10,011.0)**
— (Increase)/decrease in debtors, prepayments and contract assets and long-term prepayments and deposits	**(12,811.9)**	**8,042.6**	**(4,769.3)**
— Increase in creditors, accrued charges and contract liabilities	**3,271.9**	**10,681.1**	**13,953.0**

The early adoption of HKFRS 15 has no impact to the investing and financing activities on the consolidated statement of cash flows.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group has centralised treasury function for all of its subsidiaries except for listed subsidiaries which arrange their financial and treasury affairs on a stand-alone basis and in a manner consistent with the overall policies of the Group.

(a) Market risk

(i) Foreign exchange risk

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

The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into foreign exchange forward contracts and foreign exchange swaps to reduce the exposure should the need arises.

At 30 June 2018, the Group's entities with functional currency of Hong Kong dollar had aggregate United States dollar net monetary liabilities of HK$12,175.4 million (2017: HK$3,825.5 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there are no significant foreign exchange risk with respect to the United States dollar.

At 30 June 2018, the Group's entities with functional currency of Hong Kong dollar had aggregate Renminbi net monetary assets of HK$3,064.8 million (2017: HK$690.8 million). If Hong Kong dollar had strengthened/weakened by 5% (2017: 5%) against Renminbi with all other variables unchanged, the Group's profit before taxation would have been HK$153.2 million (2017: HK$34.5 million) lower/higher.

At 30 June 2018, the Group's entities with functional currency of Renminbi had aggregate United States dollar net monetary assets of HK$188.3 million (2017: HK$253.9 million). If Renminbi had strengthened/weakened by 5% (2017: 5%) against United States dollar with all other variables unchanged, the Group's profit before taxation would have been HK$9.4 million (2017: HK$12.7 million) lower/higher.

At 30 June 2018, the Group's entities with functional currency of Renminbi had aggregate Hong Kong dollar net monetary liabilities of HK$423.1 million (2017: net monetary assets of HK$87.4 million). If Renminbi had strengthened/weakened by 5% (2017: 5%) against Hong Kong dollar with all other variables unchanged, the Group's profit before taxation would have been HK$21.2 million higher/lower (2017: HK$4.4 million lower/higher).

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period from the end of the reporting period until the end of next reporting period. There are no other significant monetary balances held by group companies at 30 June 2018 and 2017 that are denominated in a non-functional currency. Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include deposits at bank and amounts due from joint ventures and associated companies. The Group's floating rate borrowings will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. The Group's borrowings issued at fixed rates exposed the Group to fair value interest rate risk.

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

If interest rates had been 100 basis points (2017: 100 basis points) higher/lower with all other variables held constant, the Group's profit before taxation would have been HK$231.4 million higher or HK$233.9 million lower respectively (2017: HK$259.3 million lower or HK$256.8 million higher). The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points (2017: 100 basis points) increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of next reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. As a consequence, they are included in the calculation of profit before taxation sensitivities.

(iii) Price risk

The Group is exposed to securities price risk arising from the listed and unlisted investments held by the Group. Gains or losses arising from changes in the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are dealt with in equity and the consolidated income statement respectively. The performance of the Group's listed and unlisted investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans. The Group is also exposed to other price risk arising from fair value of certain interest rate swaps which is determined based on the in-house indexes of banks. Changes in fair value of these interest rate swaps are dealt with in the consolidated income statement. The Group is not exposed to commodity price risk.

At 30 June 2018, if the price of listed and unlisted investments in available-for-sale financial assets had been 25% (2017: 25%) higher with all other variables held constant, the Group's investment revaluation reserve would have been HK$2,944.7 million (2017: HK$1,635.1 million) higher. If the price of listed and unlisted investments in available-for-sale financial assets had been 25% (2017: 25%) lower with all other variables held constant, the Group's profit before taxation and investment revaluation reserve would have been HK$370.0 million and HK$2,574.7 million (2017: HK$345.0 million and HK$1,290.1 million) lower respectively. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

At 30 June 2018, if the price of listed and unlisted investments in financial assets at fair value through profit or loss had been 25% (2017: 25%) higher/lower with all other variables held constant, the Group's profit before taxation would have been HK$171.1 million (2017: HK$143.6 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(b) Credit risk

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

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

In respect of credit exposures to the mortgage loans receivable, similar to other financial institutions, credit assessments are part of the normal process before approving loans to applicants. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. At the end of each reporting period, the Group reviews the recoverable amount of each individual receivable to ensure that adequate provisions for impairment are made for irrecoverable amounts, if any.

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

The Group provides guarantees to banks in connection with certain property purchasers' borrowing of mortgage loans to finance their purchase of the properties until the issuance of the official property title transfer certificates by the relevant authority in the Mainland China. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the purchaser's deposit and sell the property to recover any amounts paid by the Group to the bank. Therefore the Group's credit risk is significantly reduced. Nevertheless, the net realisable values of the relevant properties are subject to the fluctuation of the property market in general, the Group assesses at the end of each reporting period the liabilities based on the current estimates of future cash flows. As at 30 June 2018 and 2017, no provision on the above guarantees to banks had been made in the consolidated financial statements.

(c) Liquidity risk

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

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

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(c) Liquidity risk (continued)

Non-derivative financial liabilities:

	Carrying amount HK$m	Total contractual undiscounted cash flow HK$m	Within 1 year or on demand HK$m	Over 1 year but within 5 years HK$m	After 5 years HK$m
At 30 June 2018					
Creditors and accrued charges	**35,790.6**	**35,790.6**	**33,749.4**	**2,036.2**	**5.0**
Short-term borrowings	**8,777.6**	**8,955.1**	**8,955.1**	**–**	**–**
Long-term borrowings	**131,975.1**	**144,098.7**	**15,737.8**	**111,024.2**	**17,336.7**
At 30 June 2017					
Creditors and accrued charges	27,874.1	27,874.1	25,889.3	1,975.8	9.0
Short-term borrowings	6,366.7	6,499.3	6,499.3	–	–
Long-term borrowings	140,753.2	157,920.5	18,803.4	112,190.9	26,926.2

Derivative financial liabilities:

	Total contractual undiscounted cash flow HK$m	Within 1 year or on demand HK$m	Over 1 year but within 5 years HK$m	After 5 years HK$m
At 30 June 2018				
Derivative financial instruments (net settled)	**152.5**	**91.3**	**11.3**	**49.9**
At 30 June 2017				
Derivative financial instruments (net settled)	298.9	139.0	126.7	33.2

There are no gross settled derivative financial liabilities as at 30 June 2018.

(d) Capital management

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

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

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

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(d) Capital management (continued)

The gearing ratios at 30 June 2018 and 2017 were as follows:

	2018 **HK$m**	2017 HK$m
Consolidated total borrowings (excluding loans from non-controlling shareholders)	**138,315.1**	143,976.7
Less: cash and bank balances	**(63,456.1)**	(67,106.5)
Consolidated net debt	**74,859.0**	76,870.2
Total equity	**255,181.9**	220,944.5
Gearing ratio	**29.3%**	34.8%

(e) Fair value estimation

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

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

Management determined the fair value of these available-for-sale financial assets within level 2 and level 3 as follows:

- For investments in investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate;
- For investments in unlisted equity and debt securities with recent transactions, management determined the fair value at the end of reporting period with reference to recent transaction prices of these financial assets; and
- For investments in unlisted equity and debt securities without recent transactions, management has established fair values of these investments by using appropriate valuation techniques. Independent external valuer has been involved in determining the fair value, where appropriate.

The carrying amounts of the financial instruments of the Group are as follows. See note 17 for disclosure relating to the investment properties which are measured at fair value.

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.

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 carrying amounts of mortgage loans receivables, which carry interest rates with reference to bank's lending rates, approximate their fair values that are determined based on the discounted cash flow projections with reference to the lending rates from financial institutions.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(e) Fair value estimation (continued)

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2018:

	Level 1 HK$m	**Level 2 HK$m**	**Level 3 HK$m**	**Total HK$m**
Available-for-sale financial assets	**4,158.8**	**1,907.4**	**5,712.6**	**11,778.8**
Financial assets at fair value through profit or loss	**–**	**–**	**684.3**	**684.3**
Derivative financial instruments				
Derivative financial assets	**–**	**108.1**	**–**	**108.1**
	4,158.8	**2,015.5**	**6,396.9**	**12,571.2**
Derivative financial instruments				
Derivative financial liabilities	**–**	**(352.5)**	**(13.1)**	**(365.6)**

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.

The following table presents the changes in level 3 instruments for the year ended 30 June 2018:

	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	**2,780.4**	**452.6**	**–**	**–**
Transfer from level 2 instruments	**352.5**	**–**	**–**	**–**
Net gain/(loss) recognised in the consolidated statement of comprehensive income/income statement	**144.2**	**(109.4)**	**80.5**	**5.8**
Disposals	**(124.4)**	**(233.4)**	**(139.3)**	**–**
At 30 June 2018	**5,712.6**	**684.3**	**–**	**(13.1)**

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(e) Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the year ended 30 June 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 2016	9,688.6	695.1	58.8	(122.1)
Acquisition of subsidiaries	7.3	–	–	–
Additions	187.8	90.2	–	–
Net gain/(loss) recognised in the consolidated statement of comprehensive income/income statement	10.5	(172.2)	–	5.7
Reclassification	(54.2)	–	–	–
Disposals	(7,280.1)	(38.6)	–	97.5
At 30 June 2017	2,559.9	574.5	58.8	(18.9)

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

	2018 Fair value HK$m	2017 Fair value HK$m	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs**
Property investment industry	**1,803.0**	1,716.1	Net asset value (note 1)	N/A	N/A
Others	**3,909.6**	843.8		note 2	
	5,712.6	2,559.9			

Notes:

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

2 Given majority of the level 3 instruments were newly acquired by the Group within six months from the end of reporting period, the fair value is determined primarily based on the purchase price paid by the Group and taking into account of the analysis of the investees' financial position and results, risk profile, prospects, industry trend and other factors, it is not practical to quote a range of key unobservable inputs.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Revenue recognition

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 when the buyer obtains control of the completed property. 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.

(b) Valuation of investment properties

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

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

At 30 June 2018, if the market value of investment properties had been 5% (2017: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK$7,486.4 million (2017: HK$5,288.0 million) higher/lower.

(c) Recoverability of properties for/under development and properties held for sale

The Group assesses the carrying amounts of properties for/under development and properties held for sale according to their estimated net realisable value based on the realisability of these properties, taking into account construction costs to completion based on the existing development plans and the estimation of selling prices of the properties of comparable locations and conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of significant estimates.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Impairment of interests in joint ventures and associated companies

The Group determines whether interests in joint ventures and associated companies are impaired by regularly review whether there are any indicators of impairment of the investments by reference to the requirements under HKAS 28 (2011) "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets".

For investments where impairment indicators exist, management estimated the recoverable amounts of the investments, being higher of fair value less costs of disposal and value in use. The value in use of the underlying businesses is determined based on the discounted cash flow projections. Significant judgements are required to determine the key assumptions used in the discounted cash flow models, such as revenue growth, unit price and discount rates. Independent external valuers were also involved in the fair value and value in use assessments, where appropriate. For the strategic investment funds held by the Group's associated companies, management carried out impairment assessments of available-for-sale financial assets and loans and receivables held by these associated companies. Based on the results of these impairment assessments, impairment losses were recognised for the underlying assets of those joint ventures and the Group's share of such impairment losses, in aggregate, of HK$600.0 million, which have been included in the Group's share of results of joint ventures for the year ended 30 June 2018 (2017: nil).

(e) Impairment of assets

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in note 21.

The Group determines whether an available-for-sale financial asset is impaired by evaluating whether there is significant or prolonged decline in the fair value below its cost.

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

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

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

(g) Estimate of revenue for construction contracts

For revenue from construction work that is recognised over time, the Group recognised such 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. In making the above estimation, the Group conducts periodic review on the budgets and makes reference to past experience and work of internal quantity surveyors.

(h) Estimated volume of infrastructures of public services

The amortisation for intangible concession rights and impairment assessment of infrastructures for public services using discounted cash flow model are affected by the estimated volume for public services, such as toll roads. Management performs annual reviews to assess the appropriateness of estimated volume by making reference to independent professional studies, if necessary.

The traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads and the existence of other means of transportation. The growth of the traffic flow is also highly tied to the future economic and transportation network development of the area in which the infrastructures serve. The growth in future traffic flow projected by the management is highly dependent on the realisation of the aforementioned factors.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Distinction between property development projects, investment properties and owner-occupied properties

When the Group determines whether a property qualifies as an investment property, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process. Properties for/under development and properties held for sale are assets under development and held for sale in the ordinary course of business. The Group shall reclassifies a property when, and only when, there is evidence of a change in use.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold or leased out separately, the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

7 REVENUES AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	2018 HK$m	2017 HK$m
Revenues		
Property sales	**23,380.8**	25,968.0
Rental	**3,109.9**	2,410.9
Contracting	**15,488.2**	11,201.0
Provision of services	**10,423.5**	9,354.5
Infrastructure operations	**2,814.6**	2,410.6
Hotel operations	**1,479.0**	1,422.2
Department store operations	**3,670.9**	3,389.0
Others	**321.8**	472.6
Total	**60,688.7**	56,628.8

The Executive Committee of the Company, being the chief operating decision-maker, determines and reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are determined based on the afore-mentioned internal reporting and are reviewed occasionally. 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 effect of unallocated corporate expenses. In addition, financing income, financing costs and taxation are not allocated to segments.

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

7 REVENUES AND SEGMENT INFORMATION (CONTINUED)

	Property development HK$m	Property investment HK$m	Service HK$m	Infra-structure HK$m	Hotel operations HK$m	Department stores HK$m	Others HK$m	Consolidated HK$m
2018								
Total revenues	23,949.6	3,312.5	34,449.0	2,814.6	1,479.0	3,671.3	450.0	70,126.0
Inter-segment	(568.8)	(202.6)	(8,537.3)	–	–	(0.4)	(128.2)	(9,437.3)
Revenues – external	23,380.8	3,109.9	25,911.7	2,814.6	1,479.0	3,670.9	321.8	60,688.7
Revenues from contracts with customers:								
— Recognised at a point in time	22,783.8	–	7,763.3	2,814.6	544.6	3,670.9	216.4	37,793.6
— Recognised over time	597.0	–	18,148.4	–	934.4	–	105.4	19,785.2
	23,380.8	–	25,911.7	2,814.6	1,479.0	3,670.9	321.8	57,578.8
Revenues from other source:								
— Rental income	–	3,109.9	–	–	–	–	–	3,109.9
	23,380.8	3,109.9	25,911.7	2,814.6	1,479.0	3,670.9	321.8	60,688.7
Segment results	9,164.0	1,628.0	645.5	1,309.1	(109.3)	233.0	(179.4)	12,690.9
Other gains, net (note (a))	1,804.6	364.6	(38.7)	1,959.8	216.4	(153.5)	(19.8)	4,133.4
Changes in fair value of investment properties	–	15,273.5	93.6	–	–	–	–	15,367.1
Unallocated corporate expenses								(1,216.1)
Operating profit								30,975.3
Financing income								1,475.2
Financing costs								(2,179.5)
								30,271.0
Share of results of								
Joint ventures (note (b))	264.7	451.0	152.8	1,183.4	32.8	–	(198.5)	1,886.2
Associated companies	46.8	373.2	60.1	708.9	–	(0.6)	8.0	1,196.4
Profit before taxation								33,353.6
Taxation								(6,272.4)
Profit for the year								27,081.2
Segment assets	113,922.6	156,462.2	22,982.2	18,000.8	15,824.5	5,093.5	11,011.5	343,297.3
Interests in joint ventures	14,835.6	10,639.1	3,511.8	11,668.2	5,622.5	–	2,858.6	49,135.8
Interests in associated companies	6,360.3	4,412.5	5,618.0	8,084.6	–	1.6	231.2	24,708.2
Unallocated assets								64,313.5
Total assets								481,454.8
Segment liabilities	42,945.1	2,947.4	13,440.7	781.0	477.5	3,443.6	1,839.0	65,874.3
Unallocated liabilities								160,398.6
Total liabilities								226,272.9
Additions to non-current assets (note (d))	4,989.4	15,336.5	829.7	23.7	2,692.2	659.1	109.5	24,640.1
Depreciation and amortisation	71.8	31.2	787.6	904.2	362.5	280.6	45.6	2,483.5
Impairment charge and provision	–	–	80.4	–	–	153.0	303.2	536.6

7 REVENUES AND SEGMENT INFORMATION (CONTINUED)

	Property development HK$m	Property investment HK$m	Service HK$m (note (c))	Infra-structure HK$m	Hotel operations HK$m	Department stores HK$m	Others HK$m	Consolidated HK$m
2017								
Total revenues	26,134.1	2,585.9	30,249.4	2,410.6	1,422.2	3,391.1	564.4	66,757.7
Inter-segment	(166.1)	(175.0)	(9,693.9)	–	–	(2.1)	(91.8)	(10,128.9)
Revenues – external	25,968.0	2,410.9	20,555.5	2,410.6	1,422.2	3,389.0	472.6	56,628.8
Segment results	7,419.6	1,377.7	774.9	1,166.6	(52.0)	220.0	225.5	11,132.3
Other gains, net	(40.8)	213.5	314.3	663.3	–	(97.7)	(624.0)	428.6
Changes in fair value of investment properties	–	1,246.7	117.1	–	–	–	–	1,363.8
Unallocated corporate expenses								(1,173.4)
Operating profit								11,751.3
Financing income								1,705.9
Financing costs								(2,152.0)
								11,305.2
Share of results of								
Joint ventures	(26.3)	428.8	269.9	1,546.3	(27.4)	–	(161.6)	2,029.7
Associated companies	113.5	167.9	983.2	600.1	–	–	30.7	1,895.4
Profit before taxation								15,230.3
Taxation								(4,755.6)
Profit for the year								10,474.7
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
Additions to non-current assets (note (d))	2,845.8	14,295.1	5,301.2	37.6	2,963.6	164.5	919.1	26,526.9
Depreciation and amortisation	58.5	31.6	390.8	822.1	276.3	294.1	79.1	1,952.5
Impairment charge and provision	101.2	–	34.1	–	–	90.3	243.1	468.7

7 REVENUES AND SEGMENT INFORMATION (CONTINUED)

	Revenues HK$m	Non-current assets HK$m (note (d))
2018		
Hong Kong	**33,397.2**	**132,470.3**
Mainland China	**26,234.0**	**82,742.2**
Others	**1,057.5**	**1,385.3**
	60,688.7	**216,597.8**
2017		
Hong Kong	29,978.6	97,141.0
Mainland China	25,958.8	74,391.1
Others	691.4	300.9
	56,628.8	171,833.0

Notes:

(a) On 11 January 2018, Fortland Ventures Limited (an indirect wholly owned subsidiary of NWS Holdings Limited ("NWSH"), a 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 share (the "Placing"). Closing of the Placing took place on 16 January 2018 and thereafter, the NWSH's interest in BCIA's total issued H shares reduced from approximately 23.86% to approximately 12.79%. A gain on disposal under the Placing of HK$783.8 million was recognised during the year. 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 interest 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 HK$1,095.5 million was recognised during the year.

(b) For the year ended 30 June 2018, the share of results of joint ventures in the infrastructure segment included share of impairment losses for the underlying assets for Guangzhou City Nansha Port Expressway of HK$300.0 million, share of impairment losses for the underlying assets for Guangzhou Dongxin Expressway of HK$100.0 million and share of impairment losses for the underlying assets for Guodian Chengdu Jintang Power Generation Co., Ltd of HK$200.0 million.

(c) For the year ended 30 June 2017, the segment results of the service segment included gain on disposal of the entire interest in Tricor Holdings Limited of HK$932.8 million, and losses in relation to the Group's interest in Newton Resources Ltd including share of impairment loss of HK$204.0 million, loss on partial disposal of HK$52.3 million and loss on remeasurement of HK$34.3 million.

(d) Non-current assets represent non-current assets other than financial instruments, interests in joint ventures, interests in associated companies and deferred tax assets.

(e) For the year ended 30 June 2018, 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$13,894.0 million, of which HK$4,450.5 million was attributable to Hong Kong and HK$9,443.5 million was attributable to Mainland China and others.

8 OTHER INCOME

	2018 HK$m	2017 HK$m
Dividend income from available-for-sale financial assets, perpetual securities and financial assets at fair value through profit or loss	**137.3**	528.8

9 OTHER GAINS, NET

	2018 HK$m	2017 HK$m
Gain/(loss) on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company (note 7(a))	**1,095.5**	(34.3)
Gain on deemed disposal of interests in joint ventures	**–**	546.9
Gain on remeasurement of previously held interests of joint ventures at fair value upon further acquisition to become subsidiaries	**–**	374.2
Net gain/(loss) on fair value of financial assets at fair value through profit or loss	**91.3**	(236.7)
Net gain/(loss) on disposal of		
Associated companies (note 7(a))	**850.1**	74.2
Available-for-sale financial assets	**114.9**	110.2
Financial assets at fair value through profit or loss	**7.8**	69.2
Investment properties, property, plant and equipment and intangible concession rights	**232.4**	167.8
Joint ventures	**–**	133.7
Non-current assets classified as assets held for sale	**–**	244.2
Perpetual securities	**–**	(116.4)
Subsidiaries (note (a))	**1,821.0**	(127.2)
Write back of provision for loans and other receivables	**90.3**	124.8
Reversal of other payables	**431.0**	–
Impairment loss on		
Available-for-sale financial assets	**(27.3)**	(139.2)
Intangible assets	**(192.9)**	(48.4)
Loans and other receivables	**(220.3)**	(231.3)
Property, plant and equipment	**(96.1)**	(49.8)
Net exchange losses	**(64.3)**	(433.3)
	4,133.4	428.6

Notes:

(a) The subsidiaries being disposed during the year were mainly engaged in property development, property investment and hotel operations.

10 OPERATING PROFIT

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

	2018 HK$m	2017 HK$m
Gross rental income from investment properties	**3,018.3**	2,244.4
Outgoings	**(921.1)**	(629.5)
	2,097.2	1,614.9
Cost of inventories sold	**(16,203.6)**	(19,706.7)
Cost of services rendered	**(21,978.3)**	(17,239.4)
Depreciation of property, plant and equipment	**(1,503.4)**	(1,035.3)
Amortisation		
Land use rights	**(50.5)**	(64.4)
Intangible concession rights	**(877.8)**	(802.2)
Intangible assets	**(51.8)**	(50.6)
Operating lease rental expense		
Land and buildings	**(1,524.3)**	(1,258.6)
Staff costs (note 15(a))	**(8,812.2)**	(6,810.7)
Auditors' remuneration		
Audit services	**(64.1)**	(59.2)
Non-audit services	**(8.8)**	(8.6)

11 FINANCING COSTS

	2018 HK$m	2017 HK$m
Interest on bank loans and overdrafts	**3,059.1**	2,897.9
Interest on fixed rate bonds and notes payable	**2,105.5**	2,335.1
Interest on loans from non-controlling shareholders	**27.5**	19.0
Total borrowing costs incurred	**5,192.1**	5,252.0
Capitalised as (note):		
Cost of properties for/under development	**(1,851.2)**	(2,319.4)
Cost of assets under construction and investment properties under development	**(1,161.4)**	(780.6)
	2,179.5	2,152.0

Note:

To the extent funds are borrowed generally and used for the purpose of financing certain properties for/under development, assets under construction and investment properties under development, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation is 3.9% (2017: 3.6%) per annum.

12 TAXATION

	2018 HK$m	2017 HK$m
Current taxation		
Hong Kong profits tax	**751.9**	704.1
Mainland China and overseas taxation	**2,370.3**	1,606.3
Mainland China land appreciation tax	**3,187.1**	2,085.5
Deferred taxation (note 27)		
Valuation of investment properties	**206.8**	246.3
Other temporary differences	**(243.7)**	113.4
	6,272.4	4,755.6

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2017: 12% to 25%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2017: 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$626.0 million and HK$161.3 million (2017: HK$779.5 million and HK$263.0 million) respectively.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2018 HK$m	2017 HK$m
Profit before taxation and share of results of joint ventures and associated companies	**30,271.0**	11,305.2
Calculated at a taxation rate of 16.5% (2017: 16.5%)	**4,994.7**	1,865.4
Effect of different taxation rates in other countries	**941.6**	742.8
Income not subject to taxation	**(3,131.4)**	(1,200.2)
Expenses not deductible for taxation purposes	**903.8**	955.6
Tax losses not recognised	**311.9**	374.9
Temporary differences not recognised	**40.1**	400.2
Utilisation of previously unrecognised tax losses	**(56.0)**	(67.0)
Deferred taxation on undistributed profits	**201.4**	292.6
Recognition of previously unrecognised temporary differences	**8.7**	2.5
Recognition of previously unrecognised tax losses	**(124.3)**	(125.8)
Over-provision in prior years	**(210.7)**	(44.5)
Land appreciation tax deductible for calculation of income tax purposes	**(796.5)**	(521.1)
Others	**2.0**	(5.3)
	3,085.3	2,670.1
Mainland China land appreciation tax	**3,187.1**	2,085.5
Taxation charge	**6,272.4**	4,755.6

13 EARNINGS PER SHARE

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

	2018 HK$m	2017 HK$m
Profit attributable to shareholders of the Company for calculating basic earnings per share	**23,338.1**	7,675.7
Adjustment on the effect of dilution in the results of subsidiaries	**(2.1)**	–
Profit attributable to shareholders of the Company for calculating diluted earnings per share	**23,336.0**	7,675.7

	Number of shares (million) 2018	 2017
Weighted average number of shares for calculating basic earnings per share	**9,974.0**	9,553.2
Effect of dilutive potential ordinary shares upon the exercise of share options	**24.7**	10.9
Weighted average number of shares for calculating diluted earnings per share	**9,998.7**	9,564.1

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (2017: Same).

14 DIVIDENDS

	2018 HK$m	2017 HK$m
Interim dividend of HK$0.14 (2017: HK$0.13) per share	**1,414.1**	1,258.8
Final dividend proposed of HK$0.34 (2017: HK$0.33) per share	**3,470.4**	3,244.7
	4,884.5	4,503.5
Of which the following were settled by the issue of scrip:		
Interim dividend	**1,175.4**	1,056.3
Final dividend	**#**	2,626.7

Full amount had been set aside from retained profits for the 2018 proposed final dividend on the basis that all shareholders would elect to receive cash being the alternative to their entitlements to the scrip dividends.

At a meeting held on 20 September 2018, the Directors recommended a final dividend of HK$0.34 per share. This proposed dividend was not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2019.

15 STAFF COSTS

(a) Staff costs

	2018 HK$m	2017 HK$m
Wages, salaries and other benefits	**10,180.0**	8,283.8
Pension costs – defined benefit plans	**24.0**	4.0
Pension costs – defined contribution plans	**353.6**	296.2
Share options (note (b))	**57.2**	56.6
	10,614.8	8,640.6
Less: Amounts capitalised in investment properties under development, assets under construction and properties for/under development	**(1,802.6)**	(1,829.9)
	8,812.2	6,810.7

Staff costs include directors' remuneration.

(b) Share options

During the year, the Company and its subsidiary, NWSH, operate share option schemes whereby options may be granted to eligible employees and directors, to subscribe for shares of the Company and NWSH respectively.

Details of share options are as follows:

Grantor	Date of grant	Exercise price HK$	At 1 July 2017	Granted	Exercised	Lapsed/ cancelled	At 30 June 2018	Number of share options exercisable as at 30 June 2018	Note
The Company	22 January 2014 to 3 July 2017	7.2 to 10.4	129,691,419	53,450,000	(53,197,038)	(4,658,690)	125,285,691	63,522,436	(i)
	Weighted average exercise price of each category (HK$)	–	8.486	10.036	9.214	9.187	8.812	8.427	
NWSH	9 March 2015	14.120	49,455,830	–	(8,214,363)	(74)	41,241,393	41,241,393	(ii)
	Weighted average exercise price of each category (HK$)	–	14.120	–	14.120	14.120	14.120	14.120	

15 STAFF COSTS (CONTINUED)

(b) Share options (continued)

Notes:

(i) A share option scheme was adopted by the Company on 24 November 2006 and amended on 13 March 2012 which will be valid and effective for a period of ten years from the date of adoption. On 22 January 2014, 27 October 2014, 7 July 2015, 9 March 2016 and 10 June 2016, 30,100,000, 34,400,000, 20,100,000, 20,200,000 and 68,037,928 share options were granted to Directors and certain eligible participants at the exercise price of HK$10.400, HK$9.510, HK$9.976, HK$7.200 and HK$7.540 per share respectively.

A 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 3 July 2017, 53,450,000 share options were granted to Directors and certain eligible participants at the exercise price of HK$10.036 per share.

The share options granted on 22 January 2014 were divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.

The share options granted on 27 October 2014 were divided into 4 tranches exercisable from 27 October 2014, 27 October 2015, 27 October 2016 and 27 October 2017 respectively to 26 October 2018.

The share options granted on 7 July 2015 were divided into 4 tranches exercisable from 7 July 2015, 7 July 2016, 7 July 2017 and 7 July 2018 respectively to 6 July 2019.

The share options granted on 9 March 2016 were divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

The share options granted on 10 June 2016 were divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

The share options granted on 3 July 2017 were divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.

For the year ended 30 June 2018, the weighted average share price at the time of exercise was HK$11.571 per share (2017: HK$10.128 per share).

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

On 9 March 2015, 55,470,000 share options were granted to directors and certain eligible participants at the exercise price of HK$14.160 per share, which represents the average closing price of NWSH's shares in the daily quotations sheets of the Hong Kong Stock Exchange for the five trading days immediately preceding 9 March 2015. Such share options will expire on 8 March 2020.

Pursuant to the Share Option Scheme, the number of unexercised share options and the exercise price may be subject to adjustment in case of alteration in the capital structure of NWSH. Due to the distribution of dividends of NWSH in scrip form, several adjustments had been made to the number and the exercise price of outstanding share options in accordance with the Share Option Scheme in prior years. With effect from 15 May 2017, the exercise price per share for the share options granted was adjusted to HK$14.120.

The share options were vested according to the Share Option Scheme and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date.

(iii) 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.

15 STAFF COSTS (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 4 directors (2017: 3 directors) whose emoluments are reflected in the analysis shown in Note 16(a). The emoluments to the remaining 1 (2017: 2) individual during the year are as follows:

	2018 HK$m	2017 HK$m
Salaries and other emoluments	**15.5**	31.7
Employer's contributions to retirement benefit schemes	**0.6**	1.2
Share options	**0.7**	0.2
	16.8	33.1

The emoluments of the individuals fell within the following bands:

	Number of individuals	
	2018	2017
Emolument band (HK$)		
15,500,001–16,000,000	**–**	1
16,500,001–17,000,000	**1**	–
17,000,001–17,500,000	**–**	1
	1	2

(d) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in note 16(a) and note 15(c) respectively, the emoluments of the senior management whose profiles are included in Directors' Profile/Senior Management Profile sections of this report fell within the following bands:

	Number of individuals	
	2018	2017
Emolument band (HK$)		
5,000,001–5,500,000	**–**	3
5,500,001–6,000,000	**2**	–
11,500,001–12,000,000	**–**	1
	2	4

16 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Name of Directors	As director (note(i)) Fees HK$m	Salaries HK$m	Discretionary bonuses HK$m	Estimated money value of other benefits (note (iii)) HK$m	Employer's contribution to a retirement benefit scheme HK$m	As management (note (ii)) HK$m	Total HK$m
Year ended 30 June 2018							
Dr. Cheng Kar-Shun, Henry	1.7	–	–	3.1	–	52.5	57.3
Mr. Doo Wai-Hoi, William	0.3	–	–	0.1	–	–	0.4
Dr. Cheng Chi-Kong, Adrian	0.5	–	–	2.6	–	36.1	39.2
Mr. Yeung Ping-Leung, Howard	0.6	–	–	0.2	–	–	0.8
Mr. Cha Mou-Sing, Payson	0.7	–	–	0.2	–	–	0.9
Mr. Cheng Kar-Shing, Peter	0.4	7.3	1.6	0.2	0.7	–	10.2
Mr. Ho Hau-Hay, Hamilton	0.7	–	–	0.2	–	–	0.9
Mr. Lee Luen-Wai, John	0.7	–	–	0.2	–	–	0.9
Mr. Liang Cheung-Biu, Thomas	0.6	–	–	0.2	–	–	0.8
Mr. Ip Yuk-Keung	0.1	–	–	–	–	–	0.1
Ms. Ki Man-Fung, Leonie	0.3	–	–	0.8	–	7.8	8.9
Mr. Cheng Chi-Heng	0.3	–	–	0.2	–	2.2	2.7
Ms. Cheng Chi-Man, Sonia	0.3	–	–	0.8	–	14.8	15.9
Mr. Au Tak-Cheong	0.5	–	–	0.3	–	8.6	9.4
Mr. Sitt Nam-Hoi	0.1	–	–	0.3	–	13.6	14.0
Mr. So Chung-Keung, Alfred	0.1	–	–	0.5	–	16.8	17.4
Total	7.9	7.3	1.6	9.9	0.7	152.4	179.8

16 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

Name of Directors	As director (note(i)) Fees HK$m	Salaries HK$m	Discretionary bonuses HK$m	Estimated money value of other benefits (note (iii)) HK$m	Employer's contribution to a retirement benefit scheme HK$m	As management (note (ii)) HK$m	Total HK$m
Year ended 30 June 2017							
Dr. Cheng Kar-Shun, Henry	1.5	–	–	3.7	–	50.0	55.2
Mr. Doo Wai-Hoi, William	0.3	–	–	0.2	–	–	0.5
Dr. Cheng Chi-Kong, Adrian	0.5	–	–	2.1	–	30.6	33.2
Mr. Yeung Ping-Leung, Howard	0.7	–	–	0.1	–	–	0.8
Mr. Cha Mou-Sing, Payson	0.8	–	–	0.1	–	–	0.9
Mr. Cheng Kar-Shing, Peter	0.3	7.0	1.6	0.1	0.7	–	9.7
Mr. Ho Hau-Hay, Hamilton	0.7	–	–	0.1	–	–	0.8
Mr. Lee Luen-Wai, John	0.8	–	–	0.1	–	–	0.9
Mr. Liang Cheung-Biu, Thomas	0.6	–	–	0.1	–	–	0.7
Ms. Ki Man-Fung, Leonie	0.4	–	–	0.8	–	7.2	8.4
Mr. Cheng Chi-Heng	0.4	–	–	0.1	–	2.1	2.6
Mr. Chen Guanzhan	0.4	–	–	0.9	–	5.4	6.7
Ms. Cheng Chi-Man, Sonia	0.4	–	–	0.8	–	12.7	13.9
Mr. Au Tak-Cheong	0.5	–	–	0.5	–	7.9	8.9
Total	8.3	7.0	1.6	9.7	0.7	115.9	143.2

Notes:

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

(ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.

(iii) Other benefits represented share options. The value of the share options granted to the directors of the Company under the share option schemes of the Company and its subsidiaries represents the fair value of these options charged to the consolidated income statement for the year in accordance with HKFRS 2.

(iv) No director waived or agreed to waive any emoluments during the year.

16 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

On 10 April 2017, a master services agreement (the "Mr. Doo MSA") was entered into between the Company and Mr. Doo Wai-Hoi, William, Non-executive Vice-chairman ("Mr. Doo") for a term of three years commencing from 1 July 2017 up to and including 30 June 2020 in respect of the provision of the operational and rental services by companies owned by Mr. Doo to the Group, and vice versa. Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Mr. Doo MSA will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules). The Mr. Doo MSA and the annual caps set for each of the three financial years ending 30 June 2020 were approved by the independent shareholders of the Company on 26 May 2017. For the year ended 30 June 2018, the aggregate amount of the transactions amounted to approximately HK$1,728.3 million (2017: HK$1,419.7 million).

On 27 October 2017, New World Development (China) Limited ("NWD (China)"), an indirectly wholly owned subsidiary of the Group, entered into a Sales and Purchase Agreement with Oriental Triumph Inc. ("Oriental Triumph"), a wholly owned company of Mr. Doo, with regards to the sales of the entire issue share capital of Ramada Property Ltd., which together with its subsidiaries own and operate the Shanghai Ramada Plaza, New World Shanghai Hotel and pentahotel Shanghai, from NWD (China) to Oriental Triumph, at a consideration of RMB1.85 billion (equivalent to approximately HK$2.2 billion), subject to customary closing adjustment, which was completed on 28 March 2018.

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

17 INVESTMENT PROPERTIES

	2018 HK$m	2017 HK$m
Completed investment properties	**86,254.8**	61,936.3
Investment properties under development	**63,472.9**	43,824.1
	149,727.7	105,760.4

	Completed investment properties HK$m	**Investment properties under development HK$m**	**Total HK$m**
At 1 July 2017	**61,936.3**	**43,824.1**	**105,760.4**
Translation differences	**1,042.2**	**441.3**	**1,483.5**
Acquisition of subsidiaries	**7,083.5**	**–**	**7,083.5**
Disposal of subsidiaries	**(539.6)**	**–**	**(539.6)**
Additions	**387.5**	**6,761.4**	**7,148.9**
Transfer between investment properties, property, plant and equipment and land use rights	**134.5**	**7,255.0**	**7,389.5**
Transfer between investment properties, properties under development and properties held for sale	**79.6**	**7,712.5**	**7,792.1**
Transfer between investment properties and non-current assets classified as assets held for sale	**(252.5)**	**(568.2)**	**(820.7)**
Disposals	**(937.0)**	**–**	**(937.0)**
Changes in fair value	**4,586.9**	**10,780.2**	**15,367.1**
Transfer upon completion	**12,733.4**	**(12,733.4)**	**–**
At 30 June 2018	**86,254.8**	**63,472.9**	**149,727.7**

17 INVESTMENT PROPERTIES (CONTINUED)

	Completed investment properties HK$m	Investment properties under development HK$m	Total HK$m
At 1 July 2016	53,385.3	33,211.7	86,597.0
Translation differences	(362.5)	(115.1)	(477.6)
Acquisition of a subsidiary	1,800.9	–	1,800.9
Disposal of subsidiaries	(297.1)	–	(297.1)
Additions	740.1	11,833.9	12,574.0
Transfer between investment properties, property, plant and equipment and land use rights	1,487.2	–	1,487.2
Transfer between investment properties, properties under development and properties held for sale	3,368.9	69.2	3,438.1
Transfer between investment properties and non-current assets classified as assets held for sale	(130.7)	–	(130.7)
Disposals	(595.2)	–	(595.2)
Changes in fair value	2,330.7	(966.9)	1,363.8
Transfer upon completion	208.7	(208.7)	–
At 30 June 2017	61,936.3	43,824.1	105,760.4

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, Savills Valuation and Professional Services Limited, and Knight Frank Petty Limited, independent qualified valuers, who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 30 June 2018 on an open market value basis. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuation performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the Audit Committee. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department verifies all major inputs to the independent valuation reports; assesses property valuation movements when compared to the prior year valuation reports; and holds discussions with the independent valuers.

Valuation techniques

Fair value of completed investment properties for commercial, residential and carparks in Hong Kong and Mainland China is generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of commercial properties and carpark under development is generally derived using the residual method and wherever appropriate, by direct comparison method. Residual method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

As at 30 June 2018 and 2017, all investment properties are included in level 3 in the fair value hierarchy.

17 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (Continued)
There were no changes to the valuation techniques during the year and there were no transfers among the fair value hierarchy during the year.

Information about fair value measurements using significant unobservable inputs:

	2018 Fair value HK$m	Valuation techniques	Range of significant unobservable inputs: Prevailing market rent per month	Unit price	Capitalisation rate
Completed investment properties					
Hong Kong					
Commercial	**45,399.8**	Income capitalisation	HK$23 – HK$400 per square feet	N/A	1.5% – 5.3%
Carparks	**2,862.0**	Income capitalisation	HK$2,730 – HK$6,500 per carpark space	N/A	3.5% – 4.2%
Mainland China and others					
Commercial	**29,166.0**	Income capitalisation	HK$13 – HK$261 per square metre	N/A	2.0% – 12.0%
	260.6	Direct comparison	N/A	HK$19,000 – HK$21,000 per square metre	N/A
Carparks	**6,757.2**	Direct comparison	N/A	HK$143,000 – HK$690,000 per carpark space	N/A
Residential	**1,809.2**	Income capitalisation	HK$121 – HK$214 per square metre	N/A	4.25% – 15.0%
Total	**86,254.8**				

	2018 Fair value HK$m	Valuation techniques	Range of significant unobservable inputs: Unit price	Estimated developer's profit and risk margins
Investment properties under development				
Commercial	**55,975.2**	Residual	HK$2,130 – HK$63,000 per square feet	0.8% – 15.0%
	6,666.7	Direct comparison	HK$29,000 per square metre	N/A
Carparks	**831.0**	Residual	HK$226,000 – HK$381,000 per carpark space	0.5% – 0.7%
Total	**63,472.9**			

17 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (Continued)

	2017 Fair value HK$m	Valuation techniques	Range of significant unobservable inputs: Prevailing market rent per month	Unit price	Capitalisation rate
Completed investment properties					
Hong Kong					
Commercial	31,379.2	Income capitalisation	HK$22 – HK$400 per square feet	N/A	1.5%–5.3%
Carparks	2,441.0	Income capitalisation	HK$2,400 – HK$6,700 per carpark space	N/A	4.3%-4.5%
Mainland China					
Commercial	17,299.1	Income capitalisation	HK$28 – HK$325 per square metre	N/A	2.0%-9.0%
	3,272.1	Direct comparison	N/A	HK$11,700 – HK$24,100 per square metre	N/A
Carparks	5,856.9	Direct comparison	N/A	HK$75,000– HK$517,000 per carpark space	N/A
Residential	1,688.0	Income capitalisation	HK$115 – HK$207 per square metre	N/A	4.3%-15.0%
Total	61,936.3				

	2017 Fair value HK$m	Valuation techniques	Range of significant unobservable inputs: Unit price	Estimated developer's profit and risk margins
Investment properties under development				
Commercial	35,441.0	Residual	HK$1,300 – HK$60,000 per square feet	0.5%-15.0%
	6,356.3	Direct comparison	HK$28,000 per square metre	N/A
Carparks	2,026.8	Residual	HK$218,000 – HK$264,000 per carpark space	0.5%-2.8%
Total	43,824.1			

Prevailing market rents are estimated based on independent valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation rates and developer's profit and risk margins are estimated by independent valuers based on the risk profile of the properties being valued and the market conditions. The lower the rates and the margins, the higher the fair value.

At 30 June 2018, the aggregate fair value of completed investment properties and investment properties under development pledged as securities for the Group's borrowings amounted to HK$44,509.6 million (2017: HK$29,169.8 million) and HK$7,800.0 million (2017: HK$5,440.0 million) respectively.

18 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$m	Buildings HK$m	Others (note (a)) HK$m	Assets under construction HK$m	Total HK$m
Cost					
At 1 July 2017	2,284.9	11,226.1	11,621.1	13,468.8	38,600.9
Translation differences	–	219.7	362.8	157.3	739.8
Acquisition of subsidiaries	–	53.4	59.6	2.7	115.7
Additions	–	397.9	1,009.0	2,384.4	3,791.3
Transfer between property, plant and equipment, land use rights and investment properties	(298.1)	(33.3)	(85.6)	(3,642.3)	(4,059.3)
Transfer between property, plant and equipment, and properties for/under development	265.0	810.9	–	–	1,075.9
Transfer between property, plant and equipment and non-current assets classified as assets held for sale	–	–	(1.9)	–	(1.9)
Transfer upon completion	–	2,114.1	165.3	(2,279.4)	–
Disposal of subsidiaries	–	(813.4)	(874.3)	–	(1,687.7)
Disposals	–	(15.9)	(303.2)	–	(319.1)
At 30 June 2018	2,251.8	13,959.5	11,952.8	10,091.5	38,255.6
Accumulated depreciation and impairment					
At 1 July 2017	102.1	2,112.4	5,578.6	–	7,793.1
Translation differences	–	118.5	294.0	–	412.5
Transfer between property, plant and equipment, land use rights and investment properties	(159.3)	(10.6)	(4.4)	–	(174.3)
Transfer between property, plant and equipment and non-current assets classified as assets held for sale	–	–	(0.3)	–	(0.3)
Depreciation	171.6	323.6	1,008.2	–	1,503.4
Impairment	–	–	96.1	–	96.1
Disposal of subsidiaries	–	(387.6)	(670.0)	–	(1,057.6)
Disposals	–	(7.1)	(250.4)	–	(257.5)
At 30 June 2018	114.4	2,149.2	6,051.8	–	8,315.4
Net book value (note (b)) At 30 June 2018	2,137.4	11,810.3	5,901.0	10,091.5	29,940.2

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land HK$m	Buildings HK$m	Others (note (a)) HK$m	Assets under construction HK$m	Total HK$m
Cost					
At 1 July 2016	2,379.8	10,921.3	7,664.3	10,500.7	31,466.1
Translation differences	–	(131.5)	(65.0)	(62.1)	(258.6)
Acquisition of subsidiaries	–	1,083.6	2,891.6	192.5	4,167.7
Additions	–	99.9	1,274.9	2,991.0	4,365.8
Transfer between property, plant and equipment and investment properties	(94.9)	(1,203.7)	(38.2)	–	(1,336.8)
Transfer between property, plant and equipment, properties for/under development and properties held for sale	–	540.3	–	–	540.3
Transfer upon completion	–	–	153.3	(153.3)	–
Disposals	–	(83.8)	(259.8)	–	(343.6)
At 30 June 2017	2,284.9	11,226.1	11,621.1	13,468.8	38,600.9
Accumulated depreciation and impairment					
At 1 July 2016	103.2	2,434.8	5,055.6	–	7,593.6
Translation differences	–	(49.2)	(27.4)	–	(76.6)
Transfer between property, plant and equipment and investment properties	(18.5)	(489.0)	(29.2)	–	(536.7)
Depreciation	17.4	258.8	759.1	–	1,035.3
Impairment	–	–	49.8	–	49.8
Disposals	–	(43.0)	(229.3)	–	(272.3)
At 30 June 2017	102.1	2,112.4	5,578.6	–	7,793.1
Net book value (note (b)) At 30 June 2017	2,182.8	9,113.7	6,042.5	13,468.8	30,807.8

Notes:

(a) Others mainly represented leasehold improvements for department stores, plant and machinery, buses, vessels, motor vehicles, furniture and fixtures, office equipment and computer.

(b) As at 30 June 2018, the aggregate net book value of property, plant and equipment pledged as securities for the Group's borrowings amounted to HK$6,649.7 million (2017: HK$6,836.4 million).

19 LAND USE RIGHTS

	2018 HK$m	2017 HK$m
At beginning of the year	**1,715.0**	1,932.2
Translation differences	**62.7**	(34.7)
Transfer between land use rights and properties under development	**–**	14.6
Transfer between land use rights, property, plant and equipment and investment properties	**35.0**	(132.2)
Disposals	**(1.0)**	(0.5)
Disposal of subsidiaries	**(697.2)**	–
Amortisation	**(50.5)**	(64.4)
At end of the year	**1,064.0**	1,715.0

Interests in land use rights represent prepaid operating lease payments.

As at 30 June 2018, the aggregate net book value of land use rights pledged as securities for the Group's borrowings amounted to HK$128.6 million (2017: HK$270.8 million).

20 INTANGIBLE CONCESSION RIGHTS

	2018 HK$m	2017 HK$m
Cost		
At beginning of the year	**16,528.9**	16,945.2
Translation differences	**657.7**	(324.7)
Additions	**3.5**	–
Disposals	**–**	(91.6)
At end of the year	**17,190.1**	16,528.9
Accumulated amortisation and impairment		
At beginning of the year	**4,687.0**	4,038.8
Translation differences	**221.8**	(92.4)
Amortisation	**877.8**	802.2
Disposals	**–**	(61.6)
At end of the year	**5,786.6**	4,687.0
Net book value At end of the year	**11,403.5**	11,841.9

As at 30 June 2018, no intangible concession rights pledged as securities of the Group's borrowings (2017: aggregate net book value of HK$11,697.8 million).

21 INTANGIBLE ASSETS

	Goodwill HK$m	Trademarks HK$m	Operating right and others HK$m	Total HK$m
Cost				
At 1 July 2017	**3,222.9**	**73.6**	**705.5**	**4,002.0**
Translation differences	**68.1**	**–**	**–**	**68.1**
Acquisition of subsidiaries	**488.6**	**–**	**54.1**	**542.7**
Disposal of subsidiaries	**(40.5)**	**–**	**–**	**(40.5)**
At 30 June 2018	**3,739.1**	**73.6**	**759.6**	**4,572.3**
Accumulated amortisation and impairment				
At 1 July 2017	**287.3**	**3.9**	**287.0**	**578.2**
Translation differences	**(1.3)**	**–**	**–**	**(1.3)**
Amortisation	**–**	**5.3**	**46.5**	**51.8**
Impairment	**192.9**	**–**	**–**	**192.9**
Disposal of subsidiaries	**(31.3)**	**–**	**–**	**(31.3)**
At 30 June 2018	**447.6**	**9.2**	**333.5**	**790.3**
Net book value				
At 30 June 2018	**3,291.5**	**64.4**	**426.1**	**3,782.0**

	Goodwill HK$m	Trademarks HK$m	Operating right and others HK$m	Total HK$m
Cost				
At 1 July 2016	2,579.4	–	636.3	3,215.7
Translation differences	(30.1)	–	–	(30.1)
Acquisition of subsidiaries	707.8	73.6	69.2	850.6
Amount written off	(34.2)	–	–	(34.2)
At 30 June 2017	3,222.9	73.6	705.5	4,002.0
Accumulated amortisation and impairment				
At 1 July 2016	273.1	–	240.3	513.4
Amortisation	–	3.9	46.7	50.6
Impairment	14.2	–	–	14.2
At 30 June 2017	287.3	3.9	287.0	578.2
Net book value				
At 30 June 2017	2,935.6	69.7	418.5	3,423.8

21 INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill
An operating segment level summary of the goodwill allocation is presented below:

	2018		
	Hong Kong HK$m	**Mainland China HK$m**	**Total HK$m**
Property development	**2.5**	**–**	**2.5**
Property investment	**–**	**270.7**	**270.7**
Service and infrastructure	**1,342.7**	**–**	**1,342.7**
Department stores	**–**	**1,478.4**	**1,478.4**
Others	**197.2**	**–**	**197.2**
	1,542.4	**1,749.1**	**3,291.5**

	2017		
	Hong Kong HK$m	Mainland China HK$m	Total HK$m
Property development	2.5	–	2.5
Property investment	–	257.6	257.6
Service and infrastructure	1,211.9	–	1,211.9
Hotel operations	–	9.2	9.2
Department stores	–	1,046.7	1,046.7
Others	407.7	–	407.7
	1,622.1	1,313.5	2,935.6

Goodwill is allocated to the Group's cash generating units identified according to country of operation and business segment.

For the purpose of impairment test for goodwill, the recoverable amount of the business unit is determined based on either fair value less costs of disposal or value in use calculations whichever is higher. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management best estimates and past experience.

For the segment of property investment, growth rates are determined by considering both internal and external factors relating to the relevant segments. Discount rate used also reflect specific risks relating to the relevant segment, which was 12.4% (2017: 12.4%).

For the segment of service and infrastructure, goodwill amounted to HK$849.3 million (2017: HK$849.3 million) was determined based on the fair value less costs of disposal. Goodwill amounted to HK$362.6 million (2017: HK$362.6 million) was determined based on value in use calculations, among which, annual growth rates being 3.0-11.0% (2017: 0.0-7.0%) for the first five years and terminal growth rate of 2.0% (2017: 2.0%) are determined by considering both internal and external factors relating to the relevant segment. Discount rate used also reflect specific risks relating to the relevant segment, which was 8.5% (2017: 8.5%).

21 INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill (Continued)
For the segment of department stores, the recoverable amount is determined based on fair value less cost of disposal. The estimated long-term growth rate of 5.0% (2017: 5.0%) is determined by considering both internal and external factors relating to the relevant segment. Discount rate used is post-tax and reflect specific risks relating to the relevant segment, which was 12.4% (2017: 12.4%).

For the segment of others, annual growth rates of 3.0-5.5% (2017: 3.0-5.5%) for the first five years and terminal growth rate of 3.0% (2017: 3.0%) of a business unit are determined by considering both internal and external factors relating to the relevant segment. Discount rate used is post-tax and reflect specific risks relating to the relevant segment, which was 10.4% (2017: 11.1%).

22 INTERESTS IN JOINT VENTURES

	2018 HK$m	2017 HK$m
Equity joint ventures/joint ventures in wholly foreign owned enterprises		
Group's share of net assets	**5,019.4**	7,041.2
Goodwill on acquisition	**2.2**	2.2
Amounts receivable less provision (note (a))	**3,359.4**	2,892.4
	8,381.0	9,935.8
Co-operative joint ventures		
Cost of investments less provision	**5,366.3**	5,228.8
Share of undistributed post-acquisition results	**1,846.0**	2,077.9
Amounts receivable less provision (note (a))	**6,624.0**	6,207.7
	13,836.3	13,514.4
Companies limited by shares		
Group's share of net assets	**7,109.2**	7,376.8
Goodwill on acquisition	**1,330.4**	1,330.4
Amounts receivable less provision (note (a))	**18,478.9**	17,160.0
	26,918.5	25,867.2
	49,135.8	49,317.4

22 INTERESTS IN JOINT VENTURES (CONTINUED)

Notes:

(a) Amounts receivable less provisions are analysed as follows:

	2018 HK$m	2017 HK$m
Interest bearing		
Fixed rates (note (i))	**664.1**	661.2
Floating rates (note (ii))	**10,535.5**	6,772.4
Non-interest bearing	**17,262.7**	18,826.5
	28,462.3	26,260.1

note (i) Carry interest rates ranging from 8.5% to 10.0% (2017: 8.5% to 10.0%) per annum.

note (ii) Carry interest rates ranging from 0.9% over Hong Kong interbank offered rates ("HIBOR") to 1.0% over Hong Kong prime rate (2017: 2.0% over HIBOR to People's Bank of China rate) per annum.

The amounts are unsecured. Their carrying amounts are not materially different from their fair values.

The amounts receivable form part of the Group's interests in joint ventures.

(b) There is no joint venture that is individually material to the Group. The Group's share of results of the joint ventures are as follows:

	2018 HK$m	2017 HK$m
For the year ended 30 June		
Profit for the year	**1,886.2**	2,029.7
Other comprehensive income for the year	**375.6**	(307.0)
Total comprehensive income for the year	**2,261.8**	1,722.7

(c) Management regularly reviews whether there are any indications of impairments of the Group's interests in joint ventures based on value in use calculations, as detailed in note 6(d). The Group shared impairment loss amounted to HK$600.0 million for the Group's interests in joint ventures for the year ended 30 June 2018 (2017: nil).

(d) Details of principal joint ventures are stated in note 50.

23 INTERESTS IN ASSOCIATED COMPANIES

	2018 HK$m	2017 HK$m
Group's share of net assets		
Hong Kong listed shares	**2,303.2**	4,118.5
Overseas listed shares	**1,050.5**	1,069.9
Unlisted shares	**16,605.5**	16,435.3
	19,959.2	21,623.7
Goodwill	**396.2**	721.7
Amounts receivable less provision (note (a))	**4,352.8**	4,056.4
	24,708.2	26,401.8
Market value of listed shares (note (b))	**1,995.1**	6,822.5

Notes:

(a) Amounts receivable less provision are analysed as follows:

	2018 HK$m	2017 HK$m
Interest bearing		
Fixed rate (note (i))	**109.7**	109.7
Floating rate (note (ii))	**1,600.0**	1,600.0
Non-interest bearing	**2,643.1**	2,346.7
	4,352.8	4,056.4

note (i) Carry interest rate of 8.0% (2017: 8.0%) per annum.

note (ii) Carry interest rate of 1.3% over HIBOR (2017: 1.3% over HIBOR) per annum.

The amounts were unsecured and not repayable within 12 months. Their carrying amounts were not materially different from their fair values.

The amounts receivable form part of the Group's interests in associated companies.

(b) The market value of the Group's listed associated companies in Hong Kong and overseas amounted to HK$1,995.1 million (2017: HK$6,822.5 million). Management regularly reviews whether there are any indications of impairments of the Group's interests in associated companies based on value in use calculations, as detailed in note 6(d). The Group shared no impairment loss (2017: HK$204.0 million) for the Group's interests in associated companies for the year ended 30 June 2018.

(c) There is no associated company that is individually material to the Group. The Group's share of results of the associated companies are as follows:

	2018 HK$m	2017 HK$m
For the year ended 30 June		
Profit for the year	**1,196.4**	1,895.4
Other comprehensive income for the year	**496.7**	(37.4)
Total comprehensive income for the year	**1,693.1**	1,858.0

(d) Details of principal associated companies are stated in note 51.

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK$m	2017 HK$m
Non-current		
Equity securities		
Unlisted shares and investments, at fair value (note (a))	**6,699.4**	3,113.7
Listed shares, at market value		
Hong Kong	**3,881.4**	2,188.4
Overseas	**43.2**	130.3
Debt securities		
Unlisted investments, at fair value (note (a))	**920.6**	868.7
Listed debentures in Hong Kong, at market value	**234.2**	239.8
	11,778.8	6,540.9

Notes:

(a) Unlisted investments are stated at fair values which are either estimated using back-solve method and calibration technique, or assessed the reasonableness with reference to market comparables, with the assistance of external valuers.

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

	2018 HK$m	2017 HK$m
Hong Kong dollar	**5,966.0**	3,969.8
United States dollar	**4,489.8**	1,709.8
Renminbi	**1,272.8**	795.8
Others	**50.2**	65.5
	11,778.8	6,540.9

25 HELD-TO-MATURITY INVESTMENTS

	2018 HK$m	2017 HK$m
Debt securities		
Unlisted debentures	**46.0**	44.4

26 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 HK$m	2017 HK$m
Non-current assets		
Foreign currency and interest rate swaps	**88.6**	9.8
Current assets		
Foreign currency forward contracts and fuel price swaps	**19.5**	3.5
Others	**–**	58.8
	19.5	62.3
	108.1	72.1
Current liabilities		
Foreign currency forward contracts, foreign currency and fuel price swaps	**–**	(36.1)
Non-current liabilities		
Foreign currency and interest rate swaps	**(365.6)**	(631.3)
	(365.6)	(667.4)

The total notional principal amounts of the outstanding derivative financial instruments as at 30 June 2018 was HK$22,710.7 million (2017: HK$18,385.5 million).

27 DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	2018 HK$m	2017 HK$m
Deferred tax assets	**749.3**	740.9
Deferred tax liabilities	**(10,287.9)**	(9,327.2)
	(9,538.6)	(8,586.3)
At beginning of the year	**(8,586.3)**	(7,768.3)
Adjustment on adoption of HKFRS 15 (note 4)	**(34.2)**	–
Restated balance at beginning of the year	**(8,620.5)**	(7,768.3)
Translation differences	**(176.4)**	211.4
Acquisition of subsidiaries	**(889.9)**	(587.4)
Disposal of subsidiaries	**107.6**	4.5
Transferred to current tax payable	**7.7**	5.4
Credited/(charged) to consolidated income statement	**36.9**	(359.7)
Charged to reserves	**(4.0)**	(92.2)
At end of the year	**(9,538.6)**	(8,586.3)

27 DEFERRED TAXATION (CONTINUED)

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year was as follows:

Deferred tax assets

	Provisions		Accelerated accounting depreciation		Tax losses		Unrealised intra-group profit		Other items		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$m	HK$m	**HK$m**	HK$m	**HK$m**	HK$m	**HK$m**	HK$m	**HK$m**	HK$m	**HK$m**	HK$m
At beginning of the year	**14.0**	13.9	**15.5**	11.3	**461.0**	372.1	**51.3**	40.4	**208.5**	215.4	**750.3**	653.1
Adjustment on adoption of HKFRS 15 (note 4)	**–**	–	**–**	–	**(33.3)**	–	**–**	–	**–**	–	**(33.3)**	–
Restated balance at beginning of the year	**14.0**	13.9	**15.5**	11.3	**427.7**	372.1	**51.3**	40.4	**208.5**	215.4	**717.0**	653.1
Translation differences	**0.5**	(0.3)	**0.4**	3.7	**4.2**	(9.6)	**–**	–	**7.2**	(5.9)	**12.3**	(12.1)
Acquisition of subsidiaries	**–**	–	**–**	–	**–**	0.5	**–**	–	**–**	–	**–**	0.5
Disposal of subsidiaries	**–**	–	**–**	–	**(23.2)**	–	**–**	–	**–**	–	**(23.2)**	–
(Charged)/credited to consolidated income statement	**(0.6)**	0.4	**8.8**	0.5	**(14.3)**	98.0	**32.6**	10.9	**(24.4)**	(1.0)	**2.1**	108.8
At end of the year	**13.9**	14.0	**24.7**	15.5	**394.4**	461.0	**83.9**	51.3	**191.3**	208.5	**708.2**	750.3

Deferred tax liabilities

	Accelerated tax depreciation		Valuation of properties		Fair value adjustments of properties on acquisitions		Amortisation of intangible concession rights		Undistributed profits of subsidiaries, joint ventures and associated companies		Other items		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$m	HK$m	**HK$m**	HK$m	**HK$m**	HK$m	**HK$m**	HK$m	**HK$m**	HK$m	**HK$m**	HK$m	**HK$m**	HK$m
At beginning of the year	**(3,284.6)**	(2,649.4)	**(1,773.8)**	(1,453.7)	**(1,352.2)**	(1,370.3)	**(1,744.3)**	(1,883.8)	**(1,015.7)**	(873.3)	**(166.0)**	(190.9)	**(9,336.6)**	(8,421.4)
Adjustment on adoption of HKFRS 15 (note 4)	**(0.9)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(0.9)**	–
Restated balance at beginning of the year	**(3,285.5)**	(2,649.4)	**(1,773.8)**	(1,453.7)	**(1,352.2)**	(1,370.3)	**(1,744.3)**	(1,883.8)	**(1,015.7)**	(873.3)	**(166.0)**	(190.9)	**(9,337.5)**	(8,421.4)
Translation differences	**(21.6)**	25.6	**(24.8)**	18.4	**(50.1)**	22.5	**(70.4)**	35.1	**(17.8)**	111.6	**(4.0)**	10.3	**(188.7)**	223.5
Acquisition of subsidiaries	**(17.2)**	(521.2)	**(887.6)**	–	**–**	(66.7)	**–**	–	**–**	–	**14.9**	–	**(889.9)**	(587.9)
Disposal of subsidiaries	**31.5**	–	**46.4**	–	**51.5**	4.5	**–**	–	**1.4**	–	**–**	–	**130.8**	4.5
Transferred to current tax payable	**–**	–	**–**	–	**–**	–	**–**	–	**7.7**	5.4	**–**	–	**7.7**	5.4
Credited/(charged) to consolidated income statement	**76.6**	(139.6)	**(206.8)**	(246.3)	**114.5**	57.8	**124.8**	104.4	**(65.9)**	(259.4)	**(8.4)**	14.6	**34.8**	(468.5)
Charged to reserves	**–**	–	**(4.0)**	(92.2)	**–**	–	**–**	–	**–**	–	**–**	–	**(4.0)**	(92.2)
At end of the year	**(3,216.2)**	(3,284.6)	**(2,850.6)**	(1,773.8)	**(1,236.3)**	(1,352.2)	**(1,689.9)**	(1,744.3)	**(1,090.3)**	(1,015.7)	**(163.5)**	(166.0)	**(10,246.8)**	(9,336.6)

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$15,125.4 million (2017: HK$16,052.7 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK$4,620.9 million (2017: HK$4,392.1 million) which will expire at various dates up to and including 2023 (2017: 2022).

27 DEFERRED TAXATION (CONTINUED)

Deferred tax liabilities (Continued)
For the investment properties that are located outside Hong Kong, they are held by certain subsidiaries with a business model to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale, the presumption is rebutted and related deferred tax continues to be determined based on recovery of use. For the remaining investment properties, the tax consequence is on the presumption that they are recovered entirely by sale.

As at 30 June 2018, the aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax liabilities have not been recognised totalled approximately HK$11.0 billion (2017: HK$7.1 billion), as the directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

28 OTHER NON-CURRENT ASSETS

	2018 HK$m	2017 HK$m
Long-term loans and receivables (note (a))	**4,344.7**	1,452.7
Long-term prepayments and deposits	**1,266.2**	1,159.9
Deposit paid for a proposed commercial development project	**1,024.2**	–
	6,635.1	2,612.6

Notes:

(a)

	2018 HK$m	2017 HK$m
Mortgage loans receivable (note (i))	**4,462.2**	1,483.4
Mortgage loans receivable within one year included in debtors, prepayments and contract assets	**(147.4)**	(65.7)
Other receivables	**29.9**	35.0
	4,344.7	1,452.7

note (i) Mortgage loans receivables are advances to purchasers of development projects of the Group in Hong Kong and are secured by first or second mortgages on the related properties. The balance included first mortgage loans of HK$3,768.9 million (2017: HK$1,193.9 million).

The mortgage loans receivables are repayable by monthly instalments with various tenors not more than 30 years (2017: not more than 30 years) at the balance sheet date and carrying interest at rates with reference to banks' lending rates.

During the year ended 30 June 2018, the cash inflow in relation to the repayment of mortgage loans by the property purchasers amounted to HK$340.1 million (2017: HK$84.0 million).

29 PROPERTIES UNDER DEVELOPMENT

	2018 HK$m	2017 HK$m
Properties under development		
Expected to be completed after 12 months	**22,286.8**	30,256.7
Expected to be completed within 12 months	**14,884.2**	18,273.3
	37,171.0	48,530.0

At 30 June 2018, the aggregate carrying value of properties under development pledged as securities for the Group's borrowings amounted to HK$2,035.3 million (2017: HK$8,808.5 million).

30 INVENTORIES

	2018 HK$m	2017 HK$m
Raw materials	**121.7**	27.3
Finished goods	**709.8**	728.8
	831.5	756.1

31 DEBTORS, PREPAYMENTS AND CONTRACT ASSETS

	2018 HK$m	2017 HK$m
Trade debtors (note (a))	**3,456.0**	3,161.9
Amounts due from customers for contract works (note 34)	**–**	547.2
Retention receivable for contract works	**1,723.2**	1,246.8
Contract assets (note (e))	**1,321.0**	–
Prepayment for purchase of land and land preparatory costs	**1,105.0**	1,066.4
Deposits, prepayments and other debtors (note (g))	**13,684.0**	18,621.6
Amounts due from associated companies (note (h))	**51.3**	88.1
Amounts due from joint ventures (note (i))	**4,179.1**	3,132.4
	25,519.6	27,864.4

Notes:

(a) The Group has different credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Sales proceeds receivable from sale of properties and retention receivable in respect of construction and engineering services are settled in accordance with the terms of respective contracts.

31 DEBTORS, PREPAYMENTS AND CONTRACT ASSETS (CONTINUED)

Notes: (continued)

(a) (continued)

Aging analysis of trade debtors based on invoice date is as follows:

	2018 HK$m	2017 HK$m
Current to 30 days	**2,675.8**	2,441.8
31 to 60 days	**282.7**	341.5
Over 60 days	**497.5**	378.6
	3,456.0	3,161.9

There is no concentration of credit risk with respect to trade debtors as the customer bases are widely dispersed in different sectors and industries.

(b) At 30 June 2018, trade debtors of HK$848.8 million (2017: HK$800.6 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade debtors is as follows:

	2018 HK$m	2017 HK$m
Current to 30 days	**456.9**	197.5
31 to 60 days	**74.8**	254.5
Over 60 days	**317.1**	348.6
	848.8	800.6

At 30 June 2018, trade debtors of HK$72.0 million (2017: HK$57.2 million) were impaired. The aging analysis of these debtors is as follows:

	2018 HK$m	2017 HK$m
Current to 30 days	**–**	–
31 to 60 days	**–**	–
Over 60 days	**72.0**	57.2
	72.0	57.2

(c) Movements on the provision for impairment of trade debtors are as follows:

	2018 HK$m	2017 HK$m
At beginning of the year	**57.2**	64.4
Translation differences	**0.9**	(0.7)
Increase in provision recognised in consolidated income statement	**17.1**	12.9
Amounts recovered	**(1.0)**	(1.1)
Written off during the year	**(2.2)**	(18.3)
At end of the year	**72.0**	57.2

31 DEBTORS, PREPAYMENTS AND CONTRACT ASSETS (CONTINUED)

Notes: (continued)

(d) The carrying amounts of the debtors, prepayments and contract assets, which approximate their fair values, are denominated in the following currencies:

	2018 HK$m	2017 HK$m
Hong Kong dollar	**12,961.3**	10,786.1
Renminbi	**7,778.5**	13,493.5
United States dollar	**4,658.6**	3,378.3
Others	**121.2**	206.5
	25,519.6	27,864.4

(e) The Group has recognised the following revenue-related contract assets:

	At 30 June 2018 HK$m	At 1 July 2017 HK$m
Contract acquisition cost related to property sales (note (i))	**952.6**	237.3
Contract assets related to construction services (note (ii))	**368.4**	547.2
	1,321.0	784.5

note (i) Contract acquisition cost related to property sales consists of sales commissions incurred directly attributable to obtaining contract.

note (ii) Contract assets related to construction services consist of unbilled amount resulting from construction when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer.

(f) Except for certain collaterals held as securities for other debtors, the Group does not hold other collateral as securities for the debtors and prepayments. The maximum exposure to credit risk at the end of the reporting period is the carrying value mentioned above.

(g) As at 30 June 2018, the balances included the current portion of consideration receivable of HK$64.3 million (2017: HK$7,178.0 million) in relation to the disposal of subsidiaries.

(h) As at 30 June 2018, the amounts due from associated companies of the Group are interest free, unsecured and repayable on demand.

(i) As at 30 June 2018, the amounts due from joint ventures of the Group are interest free, unsecured and repayable on demand except for an aggregate amount of HK$279.7 million (2017: HK$310.0 million) due from joint ventures which carries interest at London Interbank Offered Rate ("LIBOR") plus a margin of 12.2% (2017: 10.0% to LIBOR plus a margin of 12.2%) per annum.

32 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$m	2017 HK$m
Non-current		
Unlisted equity securities, at fair value	**684.3**	574.5
Current		
Unlisted equity securities, at fair value	**–**	0.1
	684.3	574.6
Representing:		
Held for trading	**–**	0.1
Designated as financial assets at fair value through profit or loss	**684.3**	574.5
	684.3	574.6

The financial assets at fair value through profit or loss are denominated in the following currencies:

	2018 HK$m	2017 HK$m
United States dollar	**641.3**	481.3
Renminbi	**27.2**	77.5
Others	**15.8**	15.8
	684.3	574.6

33 CASH AND BANK BALANCES

	2018 HK$m	2017 HK$m
Cash at banks and on hand	**35,027.8**	32,115.5
Bank deposits – unrestricted and maturing within three months	**27,513.0**	29,648.1
	62,540.8	61,763.6
Bank deposits – unrestricted and maturing after more than three months	**847.6**	5,222.4
	63,388.4	66,986.0
Bank deposits – restricted	**67.7**	120.5
	63,456.1	67,106.5

The effective interest rates on bank deposits range from 0.02% to 5.00% (2017: 0.0083% to 4.9%) per annum and these deposits have maturities ranging from 2 to 365 days (2017: 3 to 365 days).

As at 30 June 2018, the aggregate carrying value of restricted bank deposits pledged as securities for the Group's borrowing amounted to HK$67.7 million (2017: HK$60.2 million).

33 CASH AND BANK BALANCES (CONTINUED)

The carrying amounts of the cash and bank balances are denominated in the following currencies:

	2018 HK$m	2017 HK$m
Renminbi	**35,722.7**	26,333.3
Hong Kong dollar	**15,418.2**	19,174.6
United States dollar	**12,020.9**	21,205.1
Others	**294.3**	393.5
	63,456.1	67,106.5

The conversion of Renminbi denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the Mainland China are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

34 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	2018 HK$m	2017 HK$m
Contract assets related to construction service (note 31(e))	**368.4**	–
Amounts due from customers for contract works (note 31)	**–**	547.2
Contract liabilities related to construction service (note 42(b))	**(2,626.3)**	–
Amounts due to customers for contract works (note 42)	**–**	(2,297.3)
	(2,257.9)	(1,750.1)

As at 30 June 2017, the net amount due to customers for contract works recognised under HKAS11 represented contract costs incurred plus attributable profits less foreseeable losses amounted to HK$12,807.0 million, netted off with progress payments received and receivable amounted to HK$14,557.1 million.

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

Non-current assets classified as assets held for sale

	2018 HK$m	2017 HK$m
Investment properties	**875.5**	130.7
Properties for/under development and other assets classified as held for sale (note)	**1,880.7**	–
	2,756.2	130.7

35 NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE (CONTINUED)

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

	2018 HK$m	2017 HK$m
Liabilities classified as held for sale (note)	**8.8**	–
	8.8	–

Note:

On 1 August 2017, an agreement was entered into by NWCL in respect of the disposal of its 85% owned subsidiary, Xin Zhong Real Estate Yangzhou Company Limited ("Xin Zhong", engaged in the property development in Yangzhou, PRC). The transaction has not yet been completed as at year end and legal procedures are still in progress.

As at 30 June 2018, the assets and liabilities of Xin Zhong were reclassified to assets held for sale and liabilities directly associated with assets held for sale.

36 SHARE CAPITAL

	2018		2017	
	Number of shares (million)	**HK$m**	Number of shares (million)	HK$m
Issued and fully paid:				
At beginning of the year	**9,815.2**	**73,233.6**	9,388.4	69,599.8
Issue of new shares as scrip dividends (note (a))	**357.2**	**3,802.1**	402.4	3,426.0
Buyback of shares (note (b))	**(11.5)**	**–**	–	–
Issue of new shares upon exercise of share options	**53.2**	**490.2**	24.4	207.8
At end of the year	**10,214.1**	**77,525.9**	9,815.2	73,233.6

Notes:

(a) Issue of new shares as scrip dividends

During the year ended 30 June 2018, 246,520,387 and 110,705,802 new shares were issued by the Company at HK$10.6552 and HK$10.6172 per share respectively for the settlement of 2017 final scrip dividends and 2018 interim scrip dividends.

(b) Buyback of shares

During the year ended 30 June 2018, the Company bought back and cancelled a total of 11,460,000 shares at an aggregate cost of HK$130,537,760 on the Hong Kong Stock Exchange at share price ranging from HK$10.88 to HK$11.96.

During the year ended 30 June 2018, the Company bought back its shares through the Hong Kong Stock Exchange as follows:

		Price per share		Aggregate consideration
Month	Number of shares	Highest HK$	Lowest HK$	(excluding expenses) 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
June 2018	2,000,000	11.50	11.28	22.9
	11,460,000			130.5

37 PERPETUAL CAPITAL SECURITIES

On 6 October 2016, a wholly owned subsidiary of the Company (the "Issuer") issued US$1,200.0 million 5.75% perpetual capital securities with the aggregate net proceeds after transaction cost of HK$9,212.3 million.

The perpetual capital securities issued by the Issuer are guaranteed by the Company. There is no maturity of the securities and the payments of distribution can be deferred at the discretion of the Issuer, and there is no limit as to the number of times of deferral of distribution. The perpetual capital securities are callable. When the Company elects to declare dividends to its ordinary shareholders, the Issuer shall make distribution to the holders of perpetual capital securities at the distribution rate as defined in the subscription agreement.

38 NON-CONTROLLING INTERESTS

The total non-controlling interests as at 30 June 2018 is HK$29,480.2 million (2017: HK$25,401.5 million), of which HK$19,435.6 million (2017: HK$18,834.1 million) is attributable to NWSH. The total comprehensive income attributable to non-controlling interests for the year ended 30 June 2018 is HK$3,502.8 million (2017: HK$2,243.4 million), of which HK$2,573.9 million (2017: HK$1,974.3 million) is attributable to NWSH. The non-controlling interests in respect of other subsidiaries are not material to the Group.

Set out below is the summarised financial information for NWSH which is a subsidiary with material non-controlling interest to the Group.

Summarised consolidated statement of financial position of NWSH as at 30 June 2018 and 2017 are as follows:

	2018 **HK$m**	2017 HK$m
Non-current assets	**55,507.4**	55,001.3
Current assets	**19,267.2**	20,724.6
Assets held for sale	**3,364.0**	–
Total assets	**78,138.6**	75,725.9
Current liabilities	**(12,995.0)**	(14,328.8)
Non-current liabilities	**(11,806.7)**	(12,122.1)
Liabilities directly associated with assets held for sale	**(3,213.1)**	–
Net assets	**50,123.8**	49,275.0
Non-controlling interests	**(173.8)**	(217.9)
Net assets after non-controlling interests	**49,950.0**	49,057.1

38 NON-CONTROLLING INTERESTS (CONTINUED)

Summarised consolidated statement of comprehensive income of NWSH for the year ended 30 June 2018 and 2017 are as follows:

	2018 HK$m	2017 HK$m
Revenues	**35,114.8**	31,385.0
Profit before taxation	**6,865.6**	6,330.4
Taxation	**(745.0)**	(685.2)
Profit for the year	**6,120.6**	5,645.2
Other comprehensive income for the year	**265.5**	(330.2)
Total comprehensive income for the year	**6,386.1**	5,315.0
Non-controlling interests	**(39.3)**	(8.6)
Total comprehensive income after non-controlling interests	**6,346.8**	5,306.4
Dividends paid to non-controlling interests	**43.0**	10.9

Summarised consolidated statement of cash flows of NWSH for the year ended 30 June 2018 and 2017 are as follows:

	2018 HK$m	2017 HK$m
Net cash from operation activities	**4,428.8**	2,958.3
Net cash from investing activities	**1,506.9**	2,403.6
Net cash used in financing activities	**(5,114.5)**	(7,742.5)
Net increase/(decrease) in cash and cash equivalents	**821.2**	(2,380.6)
Translation differences	**38.7**	(75.5)
Cash and cash equivalents at beginning of the year	**6,436.8**	8,892.9
Cash and cash equivalents at end of the year	**7,296.7**	6,436.8

The information above represents balances before inter-company eliminations, reclassification of assets and remeasurement of assets on Group level.

39 RESERVES

	Property revaluation reserve HK$m	Investment revaluation reserve HK$m	General reserve HK$m	Employees' share-based compensation reserve HK$m	Exchange reserve HK$m	Retained profits HK$m	Total HK$m
At 30 June 2017	4,198.7	1,966.3	991.2	260.4	744.3	104,696.7	112,857.6
Adjustment on adoption of HKFRS 15, net of taxation (note 4)	–	–	–	–	–	251.6	251.6
Restated balance as at 1 July 2017	4,198.7	1,966.3	991.2	260.4	744.3	104,948.3	113,109.2
Fair value changes of available-for-sale financial assets	–	(432.6)	–	–	–	–	(432.6)
Release of reserve upon disposal of available-for-sale financial assets	–	(72.3)	–	–	–	–	(72.3)
Release of investment revaluation deficit to the consolidated income statement upon impairment of available-for-sale financial assets	–	7.1	–	–	–	–	7.1
Employees' share-based payments	–	–	–	57.2	–	–	57.2
Share options lapsed	–	–	–	(47.3)	–	47.3	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	59.0	59.0
Deemed disposal of interests in subsidiaries	–	–	–	–	–	(164.9)	(164.9)
Release of reserve upon reclassification of an associated company to an available-for-sale financial asset	–	–	(4.6)	–	37.4	–	32.8
Release of reserve upon deregistration of subsidiaries	–	–	–	–	(27.9)	–	(27.9)
Release of reserve upon return of registered capital of a subsidiary	–	–	–	–	(9.8)	–	(9.8)
Release of reserves upon disposal of interests in joint ventures and associated companies	–	–	(4.1)	–	22.3	–	18.2
Release of reserve upon disposal of subsidiaries	–	–	–	–	(163.0)	–	(163.0)
Profit attributable to shareholders	–	–	–	–	–	23,338.1	23,338.1
Share of other comprehensive income of joint ventures and associated companies	–	(0.4)	10.1	–	576.6	(4.8)	581.5
Cash flow hedges	–	–	51.3	–	–	–	51.3
Remeasurement of post employment benefit obligation	–	–	–	–	–	15.1	15.1
Transfer of reserves	(163.8)	–	24.7	–	–	139.1	–
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	3,521.9	–	–	–	–	–	3,521.9
Translation differences	–	–	–	–	3,594.4	–	3,594.4
2017 final dividend	–	–	–	–	–	(3,246.3)	(3,246.3)
2018 interim dividend	–	–	–	–	–	(1,414.1)	(1,414.1)
Buyback of shares	–	–	–	–	–	(130.9)	(130.9)
At 30 June 2018	7,556.8	1,468.1	1,068.6	270.3	4,774.3	123,585.9	138,724.0

39 RESERVES (CONTINUED)

	Property revaluation reserve HK$m	Investment revaluation reserve HK$m	General reserve HK$m	Employees' share-based compensation reserve HK$m	Exchange reserve HK$m	Retained profits HK$m	Total HK$m
At 1 July 2016	3,736.4	1,395.4	798.1	236.3	2,510.8	101,296.6	109,973.6
Fair value changes of available-for-sale financial assets	–	432.9	–	–	–	–	432.9
Release of reserve upon disposal of available-for-sale financial assets	–	79.3	–	–	–	–	79.3
Release of investment revaluation deficit to the consolidated income statement upon impairment of available-for-sale financial assets	–	54.1	–	–	–	–	54.1
Employees' share-based payments	–	–	–	53.3	–	–	53.3
Share options lapsed	–	–	–	(29.2)	–	29.2	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(40.8)	(40.8)
Release of reserves upon disposal of subsidiaries	–	–	–	–	(34.5)	–	(34.5)
Release of reserve upon deemed disposal of interests in joint ventures	–	–	–	–	3.5	–	3.5
Release of reserves upon remeasurement of previously held equity interest in a joint venture	–	–	29.6	–	(7.7)	–	21.9
Release of reserve upon deregistration of a subsidiary	–	–	–	–	(9.4)	–	(9.4)
Release of reserves upon disposal of interests in joint ventures and associated companies	–	–	(13.2)	–	(69.6)	–	(82.8)
Deemed disposal of interests in subsidiaries	–	–	–	–	–	9.1	9.1
Profit attributable to shareholders	–	–	–	–	–	7,675.7	7,675.7
Share of other comprehensive income of joint ventures and associated companies	–	4.6	20.8	–	(202.6)	(4.5)	(181.7)
Cash flow hedges	–	–	155.7	–	–	–	155.7
Remeasurement of post employment benefit obligation	–	–	(0.7)	–	–	15.1	14.4
Transfer of reserves	–	–	0.9	–	–	(0.9)	–
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	462.3	–	–	–	–	–	462.3
Translation differences	–	–	–	–	(1,446.2)	–	(1,446.2)
2016 final dividend	–	–	–	–	–	(2,912.3)	(2,912.3)
2017 interim dividend	–	–	–	–	–	(1,258.8)	(1,258.8)
Transaction costs in relation to the issuance of perpetual capital securities	–	–	–	–	–	(111.7)	(111.7)
At 30 June 2017	4,198.7	1,966.3	991.2	260.4	744.3	104,696.7	112,857.6

39 RESERVES (CONTINUED)

Note:

Effect on net transfer to the non-controlling interests of the Group:

	2018 HK$m	2017 HK$m
Total comprehensive income for the year attributable to the shareholders of the Company	**30,454.8**	7,145.2
Transfer between shareholders' funds and non-controlling interests		
Acquisition of additional interests in subsidiaries	**59.0**	(40.8)
Deemed disposal of interests in subsidiaries	**(164.9)**	9.1
Net transfer to the non-controlling interests	**(105.9)**	(31.7)
Total comprehensive income for the year attributable to the shareholders of the Company and net transfer to the non-controlling interests	**30,348.9**	7,113.5

40 BORROWINGS

	2018 HK$m	2017 HK$m
Long-term borrowings		
Secured bank loans	**18,134.4**	19,703.3
Unsecured bank loans	**70,754.0**	73,594.4
Other secured loans	**2,976.2**	2,873.6
Other unsecured loans	**1,309.5**	1,264.4
Fixed rate bonds and notes payable	**38,280.0**	41,959.7
Loans from non-controlling shareholders (note (b))	**521.0**	1,357.8
	131,975.1	140,753.2
Current portion of long-term borrowings	**(11,851.5)**	(14,857.9)
	120,123.6	125,895.3
Short-term borrowings		
Unsecured bank loans	**6,856.0**	4,576.3
Other unsecured loans	**5.0**	5.0
Loans from non-controlling shareholders (note (b))	**1,916.6**	1,785.4
	8,777.6	6,366.7
Current portion of long-term borrowings	**11,851.5**	14,857.9
	20,629.1	21,224.6
Total borrowings	**140,752.7**	147,119.9

40 BORROWINGS (CONTINUED)

Notes:

(a) Bank loans, other loans and fixed rate bonds and notes payable are repayable as follows:

	Bank loans		Other loans		Fixed rate bonds and notes payable	
	2018 HK$m	2017 HK$m	**2018 HK$m**	2017 HK$m	**2018 HK$m**	2017 HK$m
Within one year	**18,707.5**	15,721.4	**5.0**	5.0	**–**	3,712.8
In the second year	**16,931.1**	15,260.9	**1,309.7**	–	**10,213.5**	–
In the third to fifth year	**56,515.8**	63,560.2	**2,976.0**	4,138.0	**15,029.8**	17,362.4
After the fifth year	**3,590.0**	3,331.5	**–**	–	**13,036.7**	20,884.5
	95,744.4	97,874.0	**4,290.7**	4,143.0	**38,280.0**	41,959.7

(b) Loans from non-controlling shareholders

Except for the loans of HK$380.7 million (2017: HK$367.6 million) and the loans of HK$42.1 million (2017: HK$90.0 million) that are interest bearing at 4.75% (2017: 4.75%) per annum and interest bearing at 2.0% (2017: 2.0%) per annum respectively, the remaining loans are interest free. All the loans from non-controlling shareholders are unsecured. A total amount of HK$521.0 million (2017: HK$1,357.8 million) is not repayable within the next 12 months and the remaining balances have no specific repayment term. The loans of HK$558.9 million that are interest bearing at 2.2% over HIBOR per annum were fully repaid during the year.

(c) Effective interest rates

	2018				2017			
	Hong Kong dollar	**Renminbi**	**United States dollar**	**Others**	Hong Kong dollar	Renminbi	United States dollar	Others
Bank loans	**2.2%**	**5.1%**	**4.1%**	**2.6%**	1.9%	5.2%	2.2%	2.6%
Fixed rate bonds and notes payable	**5.3%**	**–**	**5.4%**	**–**	5.3%	5.5%	5.4%	–
Loans from non-controlling shareholders	**2.0%**	**4.8%**	**–**	**–**	2.8%	4.8%	–	–
Other secured loans	**–**	**6.2%**	**–**	**–**	–	6.5%	–	–
Other unsecured loans	**3.0%**	**6.0%**	**–**	**–**	3.0%	6.3%	–	–

(d) Carrying amounts and fair values of the borrowings

The fair value of the fixed rate bonds and notes payable at the end of the reporting period is HK$40,111.5 million (2017: HK$44,610.9 million). The carrying amounts of other borrowings approximate their fair values.

(e) Currencies

The carrying amounts of the borrowings are denominated in the following currencies:

	2018 HK$m	2017 HK$m
Hong Kong dollar	**100,185.1**	99,788.5
United States dollar	**28,182.5**	28,148.1
Renminbi	**12,237.5**	19,048.6
Others	**147.6**	134.7
	140,752.7	147,119.9

40 BORROWINGS (CONTINUED)

Notes: (continued)

(f) The contractual repricing dates or maturity dates (whichever is earlier) of the interest-bearing borrowings are as follows:

	Bank loans HK$m	Other loans HK$m	Loans from non-controlling shareholders HK$m	Fixed rate bonds and notes payable HK$m	Total HK$m
2018					
Within five years	**92,154.4**	**4,290.7**	**422.9**	**25,243.3**	**122,111.3**
After the fifth year	**3,590.0**	**–**	**–**	**13,036.7**	**16,626.7**
	95,744.4	**4,290.7**	**422.9**	**38,280.0**	**138,738.0**
2017					
Within five years	97,874.0	4,143.0	1,016.5	21,211.2	124,244.7
After the fifth year	–	–	–	20,748.5	20,748.5
	97,874.0	4,143.0	1,016.5	41,959.7	144,993.2

41 OTHER NON-CURRENT LIABILITIES

	2018 HK$m	2017 HK$m
Deferred income	**170.6**	180.4
Provision for long service payments	**44.2**	30.8
Long-term accounts payable	**591.7**	546.2
	806.5	757.4

42 CREDITORS, ACCRUED CHARGES AND CONTRACT LIABILITIES

	2018 HK$m	2017 HK$m
Trade creditors (note (a))	**13,040.9**	8,693.9
Amounts due to customers for contract works (note 34)	**–**	2,297.3
Deposits received on sale of properties	**–**	15,175.4
Contract liabilities (note (b))	**25,543.2**	–
Amounts due to joint ventures (note (e))	**1,813.6**	1,369.7
Amounts due to associated companies (note (e))	**2,431.3**	2,334.2
Other creditors and accrued charges	**22,230.0**	20,864.7
	65,059.0	50,735.2

42 CREDITORS, ACCRUED CHARGES AND CONTRACT LIABILITIES (CONTINUED)

Notes:

(a) Aging analysis of trade creditors based on invoice date is as follows:

	2018 HK$m	2017 HK$m
Current to 30 days	**9,974.4**	6,098.0
31 to 60 days	**366.5**	875.7
Over 60 days	**2,700.0**	1,720.2
	13,040.9	8,693.9

(b) The Group has recognised the following revenue-related contract liabilities:

	At 30 June 2018 HK$m	At 1 July 2017 HK$m
Contract liabilities related to property sales (note)	**22,583.9**	14,533.4
Contract liabilities related to construction services (note)	**2,626.3**	2,297.3
Contract liabilities related to department store operations	**333.0**	330.3
	25,543.2	17,161.0

Note:

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties and construction services.

(c) The following table shows the amount of the revenue recognised in the current reporting period relates to contract liability balance at the beginning of the year and the amount relates to performance obligations that were satisfied in a prior year.

	2018 HK$m
Revenue recognised that was included in the contract liability balance at the beginning of the year	
— Property sales	**9,558.4**
— Construction services	**2,162.2**
— Department store operations	**191.4**
	11,912.0
Revenue recognised from performance obligations satisfied/partially satisfied in previous periods	
— Construction services	**190.9**

(d) The following table shows the amount unsatisfied performance obligations resulting from property sales, construction services and department store operations for contracts with an original expected duration of one year or more:

	2018 HK$m
Expected to be recognised within one year	**58,485.0**
Expected to be recognised after one year	**11,422.4**
	69,907.4

For all other contracts with an original expected duration of one year or less or are billed based on time incurred, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

42 CREDITORS, ACCRUED CHARGES AND CONTRACT LIABILITIES (CONTINUED)

Notes: (continued)

(e) The amounts payable are interest free, unsecured and have no fixed terms of repayment.

(f) The carrying amounts of creditors and accrued charges, which approximate their fair values, are denominated in the following currencies:

	2018 HK$m	2017 HK$m
Hong Kong dollar	**34,051.0**	22,303.1
Renminbi	**29,895.8**	27,447.1
United States dollars	**709.4**	519.0
Macau Pataca	**189.1**	199.6
Others	**213.7**	266.4
	65,059.0	50,735.2

43 FINANCIAL INSTRUMENTS BY CATEGORY

In accordance with HKFRS 7, the financial assets and financial liabilities of the Group as shown in the consolidated statements of financial position are classified as follows:

(a) Financial assets at fair value through profit or loss and derivative financial instruments are categorised as financial assets/financial liabilities at fair value through profit or loss and carried at fair value;

(b) Available-for-sale financial assets are categorised as available-for-sale financial assets and carried at fair value;

(c) Held-to-maturity investments are categorised as held-to-maturity investments and carried at amortised cost using the effective interest method;

(d) Long-term loans and receivables, long-term deposits, restricted bank balances, trade and other debtors, and cash and bank balances are categorised as loans and receivables and carried at amortised cost using the effective interest method; and

(e) Borrowings, trade and other creditors are categorised as financial liabilities and carried at amortised cost using the effective interest method.

44 COMMITMENTS

(a) Operating lease receivable

The future minimum rental receivable under non-cancellable operating leases are as follows:

	2018 HK$m	2017 HK$m
In the first year	**3,196.6**	1,953.5
In the second to fifth year	**4,343.2**	2,789.2
After the fifth year	**1,974.9**	614.2
	9,514.7	5,356.9

The Group’s operating leases are for terms ranging from 1 to 16 years (2017: 1 to 17 years).

44 COMMITMENTS (CONTINUED)

(b) Other commitments

(i) Capital expenditure contracted for at the end of the year but not yet provided for is as follows:

	2018 HK$m	2017 HK$m
Contracted but not provided for		
Property, plant and equipment	**957.5**	1,235.3
Investment properties	**5,271.5**	3,530.4
Joint ventures and associated companies	**2,977.6**	1,689.5
Other investments	**1,702.5**	1,153.1
	10,909.1	7,608.3

The Group's share of capital commitments of the joint ventures not included above are as follows:

	2018 HK$m	2017 HK$m
Contracted but not provided for	**9,703.7**	3,789.5

(ii) Future aggregate lease payments under non-cancellable operating leases are as follows:

	2018 HK$m	2017 HK$m
Land and buildings		
In the first year	**1,202.3**	918.4
In the second to fifth year	**3,903.9**	3,241.1
After the fifth year	**3,283.2**	3,028.0
	8,389.4	7,187.5

The Group leases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms ranging from 1 to 19 years (2017: 1 to 17 years). Certain of these leases have escalation clauses and renewal rights.

(iii) The Group was awarded a contract for the design, construction, financing and management of a proposed commercial development, of which the Group was granted a lease in respect of the development for a term up to 2066. The development cost is estimated at approximately HK$20 billion. The Group will pay the higher of a guaranteed rent or revenue rent which represents 20% of the gross revenue derived from the development (subject to subsequent adjustment to 30%) throughout the lease term.

45 FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

	2018 HK$m	2017 HK$m
Financial guarantee contracts:		
Mortgage facilities for certain purchasers of properties	**4,477.9**	3,015.9
Guarantees for credit facilities granted to		
Joint ventures	**4,171.6**	3,994.1
Associated companies	**1,824.8**	1,938.2
	10,474.3	8,948.2

46 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2018 HK$m	2017 HK$m
Operating profit	**30,975.3**	11,751.3
Depreciation	**1,503.4**	1,035.3
Amortisation	**980.1**	917.2
Changes in fair value of investment properties	**(15,367.1)**	(1,363.8)
Write back of provision for loans and other receivables	**(90.3)**	(124.8)
Reversal of other payables	**(431.0)**	–
Gain on deemed disposal of interests in joint ventures	**–**	(546.9)
(Gain)/loss on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	**(1,095.5)**	34.3
Gain on remeasurement of previously held interest of joint ventures at fair value upon further acquisition to become subsidiaries	**–**	(374.2)
Net (gain)/loss on fair value of financial assets at fair value through profit or loss	**(91.3)**	236.7
Net (gain)/loss on disposal of		
Associated companies	**(850.1)**	(74.2)
Available-for-sale financial assets	**(114.9)**	(110.2)
Financial assets at fair value through profit or loss	**(7.8)**	(69.2)
Investment properties, property, plant and equipment and intangible concession rights	**(232.4)**	(167.8)
Joint ventures	**–**	(133.7)
Non-current assets classified as assets held for sale	**–**	(244.2)
Perpetual securities	**–**	116.4
Subsidiaries	**(1,821.0)**	127.2
Impairment loss on		
Available-for-sale financial assets	**27.3**	139.2
Intangible assets	**192.9**	48.4
Loans and other receivables	**220.3**	231.3
Property, plant and equipment	**96.1**	49.8
Dividend income from available-for-sale financial assets, perpetual securities and financial assets at fair value through profit or loss	**(137.3)**	(528.8)
Share options expenses	**57.2**	56.6
Net exchange losses	**64.3**	433.3
Operating profit before working capital changes	**13,878.2**	11,439.2
Increase in inventories	**(72.8)**	(4.2)
Increase in properties for/under development and properties held for sale	**(10,011.0)**	(14,282.3)
Increase in debtors, prepayments and contract assets and long-term prepayments and deposits	**(4,769.3)**	(1,753.2)
Increase in creditors, accrued charges and contract liabilities	**13,953.0**	13,032.9
Net cash generated from operations	**12,978.1**	8,432.4

46 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities is as follow:

	Borrowings		
	Long-term borrowings HK$m	Short-term borrowings HK$m	Total HK$m
At 1 July 2017	**140,753.2**	**6,366.7**	**147,119.9**
Changes from cash flows			
Proceeds from new borrowings	**13,631.5**	**5,546.0**	**19,177.5**
Repayment of borrowings	**(22,762.7)**	**(3,206.7)**	**(25,969.4)**
Other changes			
Acquisition of subsidiaries	**272.3**	**–**	**272.3**
Disposal of subsidiaries	**(586.5)**	**–**	**(586.5)**
Translation differences	**166.3**	**63.6**	**229.9**
Amortisation of front-end fee	**501.0**	**8.0**	**509.0**
At 30 June 2018	**131,975.1**	**8,777.6**	**140,752.7**

(c) Acquisition of subsidiaries

	2018 HK$m	2017 HK$m
Net assets acquired		
Investment properties	**7,083.5**	1,800.9
Property, plant and equipment	**115.7**	4,167.7
Intangible assets, other than goodwill	**54.1**	142.8
Deferred tax assets	**–**	0.5
Other non-current assets	**22.5**	–
Properties held for sale	**–**	70.7
Available-for-sale financial assets	**–**	7.3
Inventories	**4.1**	86.2
Debtors, prepayments and contract assets	**112.2**	575.6
Cash and bank balances	**468.0**	699.0
Creditors, accrued charges and contract liabilities	**(1,325.8)**	(787.8)
Current tax payable	**(500.3)**	(85.6)
Deferred tax liabilities	**(889.9)**	(587.9)
Other non-current liabilities	**(0.8)**	(57.6)
Borrowings	**(272.3)**	(589.3)
Net assets	**4,871.0**	5,442.5
Interests originally held by the Group as a joint venture	**(2,660.7)**	(3,751.8)
Non-controlling interests	**(2,570.1)**	–
	(359.8)	1,690.7
Goodwill on acquisition	**488.6**	707.8
Gain on remeasurement of previously held interests of joint ventures at fair value upon further acquisition to become subsidiaries	**–**	(374.2)
Cash consideration	**128.8**	2,024.3

46 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries

	2018 HK$m	2017 HK$m
Cash consideration	**(128.8)**	(2,024.3)
Cash consideration to be paid	**–**	155.8
Cash and cash equivalents acquired	**468.0**	699.0
	339.2	(1,169.5)

(e) Disposal of subsidiaries

	2018 HK$m	2017 HK$m
Net assets disposed		
Investment properties	**539.6**	297.1
Property, plant and equipment	**630.1**	–
Land use rights	**697.2**	–
Goodwill	**9.2**	–
Deferred tax assets	**23.2**	–
Properties for development	**27.3**	40.4
Properties under development	**1,892.0**	717.0
Properties held for sales	**–**	8.0
Inventories	**1.5**	–
Debtors, prepayments and contract assets	**638.6**	211.2
Cash and bank balances	**65.5**	206.6
Creditors, accrued charges and contract liabilities	**(844.5)**	(882.1)
Current tax payable	**(20.9)**	(6.5)
Borrowings	**(586.5)**	(11.3)
Deferred tax liabilities	**(130.8)**	(4.5)
Net assets	**2,941.5**	575.9
Release of reserve upon disposal	**(155.9)**	(35.4)
Net gain/(loss) on disposal of subsidiaries	**1,821.0**	(127.2)
Cash consideration	**4,606.6**	413.3

46 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(f) Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries

	2018 HK$m	2017 HK$m
Cash consideration	**4,606.6**	413.3
Cash consideration received for disposal in prior year	**6,635.6**	5,640.8
Cash and cash equivalents disposed	**(65.5)**	(206.6)
	11,176.7	5,847.5

47 RELATED PARTY TRANSACTIONS

In addition to those disclosed in other sections of the consolidated financial statements, the following significant related party transactions have been entered into by the Group during the year:

	2018 HK$m	2017 HK$m
Joint ventures		
Provision of construction work services (note (a))	**915.7**	1,129.9
Interest income (note (b))	**237.5**	177.0
Rental expenses (note (c))	**216.8**	237.3
Management services fee income (note (d))	**52.2**	97.3

	2018 HK$m	2017 HK$m
Related companies (note (i))		
Provision of construction work services (note (a))	**48.0**	24.6
Rental income (note (c))	**157.2**	144.9
Concessionaires commissions (note (e))	**79.0**	67.4
Sales of goods, prepaid shopping cards and vouchers (note (f))	**34.5**	22.3
Engineering and mechanical services (note (g))	**1,433.1**	1,300.6
Management fee expenses (note (h))	**64.9**	58.9

47 RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

(a) Revenue from provision of construction work services is principally charged in accordance with relevant contracts.

(b) Interest income is charged at interest rates as specified in note 22(a) on the outstanding amounts.

(c) Rental income and expenses are charged in accordance with respective tenancy agreements.

(d) Management services fee income is charged in accordance with the terms of respective management service agreements.

(e) The income is charged in accordance with concessionaire counter agreements with Chow Tai Fook Jewellery Group Limited ("CTFJ") and its subsidiaries (collectively "CTFJ Group"). The commission is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

(f) This represents the amounts received in respect of the sales of goods, prepaid shopping cards and vouchers to the Group as payment of purchase of goods and settlement of the relevant value CTF and its subsidiaries (collectively "CTF Group"), CTFJ Group and companies owned by Mr. Doo.

(g) Engineering and mechanical services are charged in accordance with relevant contracts.

(h) Management fee expenses are charged at rates in accordance with relevant contracts.

(j) Related companies are subsidiaries and joint ventures of CTF Group, CTFJ Group and companies owned by Mr. Doo.

(j) The balances with joint ventures and associated companies are disclosed in notes 22, 23, 31 and 42.

(k) No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 16 and note (l).

(l) 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, 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"). The Disposal was completed on 28 March 2018.

(m) On 29 September 2017, CTF, Healthcare Ventures Holdings Limited ("Healthcare Ventures", a direct wholly owned subsidiary of CTF), New World Strategic Investment Limited ("New World Strategic", a direct wholly owned subsidiary of NWD), Smart Future Investments Limited ("Smart Future", an indirect wholly owned subsidiary of New World Strategic), NWS Service Management Limited ("NWS Service", a direct wholly owned subsidiary of the Company), Dynamic Ally Limited ("Dynamic Ally", an indirect wholly owned subsidiary of NWS Service) and Healthcare Assets Management Limited ("Healthcare Assets") entered into an amended and restated joint venture agreement to regulate the respective rights and obligations of Healthcare Ventures, Smart Future and Dynamic Ally towards the management of Healthcare Assets, following the subscription of shares in Healthcare Assets by Smart Future. Upon completion of the subscription, the entire issued share capital of Healthcare Assets is owned as to 30%, 40% and 30% by Healthcare Ventures, Smart Future and Dynamic Ally respectively. The Group ceased its joint control in Healthcare Assets. Accordingly, the investment in Healthcare Assets was thereafter accounted for as an associated company. Pursuant to the amended and restated joint venture agreement, Healthcare Ventures, Smart Future and Dynamic Ally intend to invest an aggregate amount of up to HK$780 million in Healthcare Assets.

48 COMPANY STATEMENT OF FINANCIAL POSITION

	2018 **HK$m**	2017 HK$m
Assets		
Non-current assets		
Investment property	**153.0**	130.0
Property, plant and equipment	**8.1**	9.5
Interests in subsidiaries	**69,168.3**	48,567.9
Interests in joint ventures	**1,440.4**	1,087.5
Interests in associated companies	**7.4**	7.4
Available-for-sale financial assets	**3.3**	3.4
Deferred tax assets	**55.4**	55.4
	70,835.9	49,861.1
Current assets		
Properties held for sale	**1,012.1**	1,110.0
Debtors, prepayments and contract assets	**173.8**	214.9
Amounts receivable from subsidiaries	**73,363.1**	82,500.1
Cash and bank balances	**496.6**	1,730.4
	75,045.6	85,555.4
Total assets	**145,881.5**	135,416.5
Equity		
Share capital	**77,525.9**	73,233.6
Reserves (note)	**24,335.3**	23,335.8
Total equity	**101,861.2**	96,569.4
Liabilities		
Current liabilities		
Creditors, accrued charges and contract liabilities	**473.1**	369.5
Amounts payable to subsidiaries	**43,547.2**	38,477.6
Total liabilities	**44,020.3**	38,847.1
Total equity and liabilities	**145,881.5**	135,416.5

Dr. Cheng Kar-Shun, Henry
Director

Dr. Cheng Chi-Kong, Adrian
Director

48 COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

Note:

Reserves

	Investment revaluation reserve HK$m	**Employees' share-based compensation reserve HK$m**	**Retained profits HK$m**	**Total HK$m**
At 1 July 2017	**(6.8)**	**184.2**	**23,158.4**	**23,335.8**
Employees' share-based payment	**–**	**57.2**	**–**	**57.2**
Share options lapsed	**–**	**(47.3)**	**47.3**	**–**
Buyback of shares	**–**	**–**	**(130.9)**	**(130.9)**
Fair value changes of available-for-sale financial assets	**(0.1)**	**–**	**–**	**(0.1)**
Release of investment revaluation deficit to income statement upon impairment of available-for-sale financial assets	**7.1**	**–**	**–**	**7.1**
Profit for the year	**–**	**–**	**5,726.6**	**5,726.6**
2017 final dividend	**–**	**–**	**(3,246.3)**	**(3,246.3)**
2018 interim dividend	**–**	**–**	**(1,414.1)**	**(1,414.1)**
At 30 June 2018	**0.2**	**194.1**	**24,141.0**	**24,335.3**

	Investment revaluation reserve HK$m	Employees' share-based compensation reserve HK$m	Retained profits HK$m	Total HK$m
At 1 July 2016	(6.7)	165.3	21,344.3	21,502.9
Employees' share-based payment	–	48.1	–	48.1
Share options lapsed	–	(29.2)	29.2	–
Fair value changes of available-for-sale financial assets	(0.1)	–	–	(0.1)
Profit for the year	–	–	5,956.0	5,956.0
2016 final dividend	–	–	(2,912.3)	(2,912.3)
2017 interim dividend	–	–	(1,258.8)	(1,258.8)
At 30 June 2017	(6.8)	184.2	23,158.4	23,335.8

49 PRINCIPAL SUBSIDIARIES

As at 30 June 2018

	Share capital issued#			
	Number of shares	**Issued and paid up share capital HK$**	**Attributable interest to the Group (%)**	**Principal activities**
Incorporated and operate in Hong Kong				
Ace Island Limited	1	1	100	Property investment
Addlight Investments Limited	9,998 2[1]	9,998 2	63 63	Property development
Adwin Top Limited	2	2	100	Property investment
All Speed Investment Limited	2	2	100	Property investment
Anway Limited	1	1	61	Duty free operation and general trading
Billion Huge (International) Limited	950,001	950,001	100	Investment holding
Billion Park Investment Limited	1,000,000	1,000,000	80	Investment holding
Billionoble Investment Limited	4,998 2[1]	4,998 2	61 61	Investment holding
Bonson Holdings Limited	1	1	100	Property investment
Bounty Gain Limited	1	1	61	Investment holding
Bright Moon Company, Limited	100,000	1,000,000	75	Property investment
Cheer Best Enterprises Limited	2	2	100	Property investment
Cheering Step Investments Limited	1	1	61	Investment holding
Cheong Sing Company Limited	10,000	10,000	100	Property investment
Cheong Yin Company Limited	30,000	3,000,000	100	Property investment
Chi Lam Investment Company Limited	7,000	700,000	100	Investment holding
Chinese Future Limited	1,300,000,000	1,300,000,000	61	Investment holding
CiF Solutions Limited	10 160,000[1]	1,000 16,000,000	61 61	Provision of information technology solutions
Citybus Limited	37,500,000	376,295,750	61	Provision of franchised and non-franchised bus services
Come City Limited	2	2	100	Property investment
Discovery Park Commercial Services Limited	2	2	100	Property management
DP Properties Limited	4,000	1,000	100	Property investment
Dynamic Ally Limited	1	1	61	Investment holding
Easywin Enterprises Corporation Limited	2,000	200,000	100	Investment holding
Fook Hang Trading Company Limited	100	10,000	85	Property development
Fook Hong Enterprises Company, Limited	10,000	1,000,000	100	Property investment
Fortune Kingdom Development Limited	2	2	100	Property development
Fortune Land Development Limited	1	1	100	Property investment
Full Asset Enterprises Limited	1	1	100	Property investment
Good Sense Development Limited	1	1	100	Property investment
Grace Crystal Limited	1	1	61	Investment holding
Grace Sky Creation Limited	10,000	10,000	100	Investment holding
Gracejoy Investments Limited	1	1	100	Property development
Grand Express International Limited	1	1	61	Investment holding
Guidetone Investments Limited	100,000	100,000	80	Property investment

49 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2018

	Share capital issued#			
	Number of shares	Issued and paid up share capital HK$	Attributable interest to the Group (%)	Principal activities
Incorporated and operate in Hong Kong (continued)				
Happy Champion Limited	2	2	100	Investment holding
Head Step Limited	2	2	100	Hotel operation
Healthcare Assets Management Limited	10	20,177,194	58	Healthcare
Highness Land Investment Company Limited	10	100	60	Property investment
Hip Hing Builders Company Limited	40,000 10,000[1]	40,000,000 10,000,000	61 61	Construction
Hip Hing Construction Company Limited	400,000 600,000[1]	40,000,000 60,000,000	61 61	Construction and civil engineering
Hip Hing Engineering Company Limited	2,000,000	200,000,000	61	Building construction
Hip Seng Builders Limited	20,000	20,000,000	61	Construction
Hip Seng Construction Company Limited	1	1	61	Construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3 1[1]	3 1	61 61	Management of Hong Kong Convention and Exhibition Centre ("HKCEC")
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	61	Investment holding
Hong Kong Island Development Limited	33,400,000	167,000,000	100	Property investment
Hong Kong Jing-Guang Development Limited	100,000	1,000,000	82	Investment holding
Hong Kong Multiple Intelligence Education Company Limited	1	1	100	Provision of training courses
Honour Shares Limited	100	100	100	Investment holding
Housing Finance Limited	2	2	100	Financial services
Istaron Limited	4	4	100	Investment holding
Jade Gain Enterprises Limited	100	100	70	Property investment
Join Base Development Limited	1	1	100	Property investment
Joint Profit Limited	2	2	100	Property investment
K11 (China) Limited	1	1	100	Investment holding
K11 Concepts Limited	1	1	100	Provision of property management consultancy services
K11 Cultural & Creation Company Limited	1	1	100	Cultural & Creation
K11 Sales & E-Commerce Company Limited	1	1	100	Retail & Corporate Sales
Kin Kiu Enterprises, Limited	10,000	10,000,000	100	Investment holding
King Lee Investment Company Limited	300	300,000	100	Investment holding
Kiu Lok Property Services (China) Limited	2 2[1]	2 2	61 61	Property agency management and consultancy
La Tune Limited	2	200	100	Property investment
Land Chain Limited	2	2	100	Property investment
Land Source Investment Limited	2	2	100	Property investment

49 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2018

	Share capital issued#			
	Number of shares	Issued and paid up share capital HK$	Attributable interest to the Group (%)	Principal activities
Incorporated and operate in Hong Kong (continued)				
Lingal Limited	1,800 200[1]	1,800 200	100 –	Investment holding
Legarleon Finance Limited	4,400,000	44,000,000	100	Financing
Login SCM Hong Kong Limited	1	1	100	Supply chain management
Lucrative Venture Limited	1,500,000	15,000,000	100	Property development
Magic Sign Limited	2	2	100	Property development
Million Noble Investments Limited	1	1	100	Investment holding
Million World Development Limited	100	100	100	Property investment
New Advent Limited	1	1	61	Property investment
New World China Construction Limited	1	1	100	Investment holding
New World Construction Company Limited	1	1	61	Construction
New World Construction Management Company Limited	1	1	61	Construction
New World Department Store (Investment) Limited	3	410,045,794	75	Investment holding
New World Department Stores Limited	2	2	75	Provision of management services to department stores
New World Development (China) Limited	2	4	100	Investment holding
New World Dynamics Holdings Limited	100	100	70	Sales of LED lighting products and systems
New World Facade Engineering Company Limited	1	1	61	Facade operation
New World Finance Company Limited	200,000	20,000,000	100	Financial services
New World-Guangdong Highway Investments Co. Limited	999,900 100[1]	99,990,000 10,000	61 81	Investment holding
New World Hotels (Holdings) Limited	576,000,000	510,795,731	100	Investment holding
New World Loyalty Programme Limited	1	1	100	Loyalty programme
New World Port Investments Limited	2	2	61	Investment holding
New World Project Management (China) Limited	1	1	100	Project management
New World Property Management Company Limited	1	1	100	Property management
New World Real Estate Agency Limited	2	2	100	Estate agency
New World Tower Company Limited	2	20	100	Property investment
New World (Xiamen) Port Investments Limited	2	2	61	Investment holding
NW Project Management (HK) Limited	1	1	100	Project management
NW Project Management Limited	2	2	100	Project management
NWS (Finance) Limited	2	2	61	Financial services
NWS Holdings (Finance) Limited	1	1	61	Financing
NWS Hong Kong Investment Limited	1	1	61	Investment holding

49 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2018

	Share capital issued# Number of shares	Share capital issued# Issued and paid up share capital HK$	Attributable interest to the Group (%)	Principal activities
Incorporated and operate in Hong Kong (continued)				
NWS Ports Management (Tianjin) Limited	1	1	61	Investment holding
Pacific Great Investment Limited	50,000,000	50,000,000	100	Investment holding
Paterson Plaza Properties Limited	10,000	10,000	100	Property investment
Pearls Limited	100	100	92	Property development
Peterson Investment Company Limited	10,000	10,000	100	Property investment
Pine Harvest Limited	1	1	80	Property development
Polytown Company Limited	2 100,000[1]	20 1,000,000	61 61	Property investment, operation, marketing, promotion and management of HKCEC
Polyworth Limited	10	10	92	Property development
Pontiff Company Limited	10,000,000	10,000,000	100	Property development
Pridemax Limited	2	2	100	Property investment
Profit Now Limited	1	1	61	Investment holding
Queen's Land Investment Limited	1,000	1,000	100	Property development
Realray Investments Limited	2	2	100	Property investment
Regent Star Investment Limited	1,000	1,000	100	Property development
Richglows Limited	2	2	100	Property investment
Riviera Quin International Limited	10,000	10,000	51	Investment holding
Riviera Hexa International Limited	10,000	10,000	51	Investment holding
Rosy Page Lmited	15,000,000	15,000,000	100	Property development
Roxy Limited	1	1	100	Construction and operation of Skycity
Scienward Fashion and Luxury Limited	10,000	10,000	75	Investment holding and fashion trading
Scienward Sports and Casual Limited	100	100	75	Provision of management services
Seaworthy Investments Limited	1	1	100	Property investment
Silver Grow Investment Limited	1	1	75	Investment holding
Silver Rich Holdings Limited	2	2	85	Property development
Silver World H.K. Development Limited	1	1	100	Investment holding
Sky Connection Limited	100	100	61	Duty free operation and general trading
Speed Star Development Limited	2	2	100	Property investment
Spotview Development Limited	10	10	100	Financial services
Super Memory Limited	2	2	100	Property investment
Super Record Limited	1	1	100	Property investment
Super Value Development Limited	10,000	10,000	100	Property investment
Tao Yun Company Limited	2	20	100	Property investment
Top Flash Investments Limited	10,000	10,000	100	Property investment

49 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2018

	Share capital issued# Number of shares	Share capital issued# Issued and paid up share capital HK$	Attributable interest to the Group (%)	Principal activities
Incorporated and operate in Hong Kong (continued)				
True Hope Investment Limited	299,999,998	299,999,998	61	Investment holding
	2[1]	2	61	
Twinic International Limited	1	1	61	Investment holding
Ultimate Vantage Limited	100	100	80	Property development
Up Fair Limited	2	2	100	Property development
Urban Parking Limited	15,000,000	15,000,000	61	Carpark management
Vibro Construction Company Limited	1,630,000	163,000,000	61	Civil engineering
	20,000[1]	2,000,000	61	
Vibro (H.K.) Limited	20,000,004	60,328,449	61	Piling, ground investigation and civil engineering
Waygent Investment Limited	2	2	100	Property investment
Winpo Development Limited	2	2	100	Property investment
Wisemec Enterprises Limited	2	2	61	Investment holding
World Empire Property Limited	2	2	100	Property investment

	Share capital issued# Number of shares	Share capital issued# Par value per share	Attributable interest to the Group (%)	Principal activities
Incorporated in the Cayman Islands				
Chinese Future Corporation	1,000,000	US$0.01	61	Investment holding
Incorporated in the Cayman Islands and operate in Hong Kong				
New World China Land Limited	8,702,292,242	HK$0.1	100	Investment holding
New World Department Store China Limited	1,686,145,000	HK$0.1	75	Investment holding
New World TMT Limited	952,180,007	HK$1	100	Investment holding
NWS Service Management Limited	1,323,943,165	HK$0.1	61	Investment holding
Incorporated and operates in the Philippines				
New World International Development Philippines, Inc	6,988,016	Peso100	62	Hotel operation
Incorporated and operates in Malaysia				
Taipan Eagle Sdn. Bhd.	1,000,000	MYR1	71	Property development

Represented ordinary share capital, unless otherwise stated

1 Non-voting deferred shares

49 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2018

	Registered/ fully paid capital	Attributable interest[e] to the Group (%)	Principal activities
Incorporated and operate in the PRC			
Anshan New World Department Store Co., Ltd.	RMB25,000,000[W]	75	Department store operation
Beijing Chong Yu Real Estate Development Co., Ltd.	US$171,840,000[W]	100	Property investment and development
Beijing Dongfang Huamei Real Estate Development Co., Ltd.	RMB200,000,000[E]	75	Land development
Beijing Lingal Real Estates Development Co., Ltd.	US$13,000,000[W]	100	Property investment
Beijing New World Huamei Real Estate Development Co., Ltd.	RMB748,000,000[E]	75	Property development
Beijing New World Liying Department Store Co., Ltd.	RMB18,000,000[W]	75	Department store operation
Beijing New World Qianzi Department Store Co., Ltd.	HK$60,000,000[W]	75	Department store operation
Beijing New World Trendy Department Store Co., Ltd.	RMB25,000,000[W]	75	Department store operation
Beijing NW Project Management Consultancy Services Limited	RMB1,000,000[W]	100	Project management and consultancy
Beijing Xintong Media & Advertising Co., Ltd.	RMB100,000,000[E]	83	Provision of advertising and media related services
Beijing Yixi New World Department Store Co., Ltd.	RMB65,000,000[W]	75	Department store operation
Changsha New World Trendy Plaza Co., Ltd.	RMB60,000,000[W]	75	Department store operation
Chaoming (Chongqing) Investment Company Limited	US$78,000,000[W]	61	Investment holding
Chengdu New World Department Store Co., Ltd.	RMB70,000,000[W]	75	Department store operation
Chongqing New World Department Store Co., Ltd.	RMB100,000,000[W]	75	Department store operation
Dalian New World Plaza International Co., Ltd.	RMB58,000,000[E]	88	Property investment and development
Dalian New World Tower Co., Ltd.	US$197,324,700[W]	100	Property investment and development
Foshan International Country Club Company Ltd.	US$52,923,600[C]	85	Golf club operation
Foshan Da Hao Hu Real Estate Development Co., Ltd.	RMB1,364,500,500[W]	85	Property development
Guangdong Xin Chuan Co., Ltd.	RMB714,853,600[W]	61	Investment holding
Guangzhou Fong Chuen-New World Property Development Ltd.	RMB330,000,000[C]	100	Property development
Guangzhou Jixian Zhuang New World City Garden Development Limited	US$24,000,000[C]	100	Property development
Guangzhou Metropolitan Properties Co., Ltd.	HK$140,000,000[W]	100	Property investment
Guangzhou New World Properties Development Co., Ltd.	HK$220,000,000[W]	100	Property investment
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	RMB200,000,000[C]	100	Property development
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	RMB244,000,000[C]	100	Property development
Guangzhou Xin Sui Tourism Centre Ltd.	HK$350,000,000[W]	100	Property development
Guangzhou Xin Yi Development Limited	HK$286,000,000[C]	90	Property investment and development
Guangzhou Xinpei Enterprises Management Co., Ltd.	RMB50,000,000[W]	100	Investment holding
Guangzhou Xinpei Investment Co. Ltd.	RMB200,000,000[W]	100	Investment holding
Guangzhou Yao Ce Enterprises Management Consultancy Co. Ltd.	RMB10,000,000[W]	100	Investment holding

49 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2018

	Registered/ fully paid capital	Attributable interest[ø] to the Group (%)	Principal activities
Incorporated and operate in the PRC (continued)			
Guangzhou Yibo Real Estate Development Co., Ltd.	RMB392,500,000[W]	100	Property development
Guangzhou Yong Pei Properties Development Co., Ltd.	RMB2,300,000,000[W]	100	Property development
Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.	US$320,590,000[E]	61	Operation of toll road
Harbin New World Department Store Co., Ltd.	RMB126,000,000[W]	75	Department store operation
Huamei Wealth (Beijing) Technology Co., Ltd.	RMB640,000,000[W]	100	Property investment
Hunan Fortune Lake Property Development Co., Ltd.	RMB255,724,318[W]	100	Property development
Hunan Success New Century Investment Company Limited	RMB980,000,000[E]	95	Property development
Jiangsu New World Department Store Co., Ltd.	RMB16,000,000[W]	75	Department store operation
Jinan New World Sunshine Development Ltd.	US$69,980,000[W]	100	Property development
K11 Concepts (Beijing) Limited	RMB8,000,000[W]	100	Business consultancy
K11 Concepts (Shanghai) Limited	RMB16,000,000[W]	100	Business consultancy
Langfang New World Properties Development Co., Ltd.	US$145,300,000[W]	100	Property development
Langfang Xin Zhong Properties Development Co., Ltd.	US$98,200,000[W]	100	Property development
Lanzhou New World Department Store Co., Ltd.	RMB30,000,000[W]	75	Department store operation
Login SCM (Shenzhen) Co. Ltd.	RMB50,000,000[W]	100	Supply chain management
Mianyang New World Department Store Co., Ltd.	RMB14,000,000[W]	75	Department store operation
Nanjing New World Real Estate Co., Ltd.	US$45,339,518[W]	100	Property investment
New World Anderson (Tianjin) Development Co., Ltd.	US$5,500,000[W]	100	Property investment
New World (Anshan) Property Development Co., Ltd.	RMB1,420,000,000[W]	100	Property development
New World (China) Investment Limited	US$130,000,000[W]	100	Investment holding
New World China Land Investments Company Limited	US$80,000,000[W]	100	Investment holding
New World Department Store (China) Co., Ltd.	RMB50,000,000[W]	75	Department store operation
New World Department Stores Investment (China) Co., Ltd.	US$150,000,000[W]	75	Investment holding
New World Development (Wuhan) Co., Ltd	US$128,500,000[W]	100	Property investment and development
New World Dynamics (Shenzhen) Company Limited	RMB18,880,000[W]	70	Sales of LED lighting products and systems
New World Goodtrade (Wuhan) Limited	US$219,500,000[W]	100	Property investment and development
New World HHC Construction Limited	RMB53,000,000[W]	100	Construction
New World New Land Real Estate (Wuhan) Co., Ltd.	US$590,900,000[W]	100	Property development
New World Project Management (Shenzhen) Limited	RMB10,000,000[W]	100	Project management
New World (Shenyang) Property Development Limited	RMB5,647,800,000[W]	100	Property investment and development
New World Strategic (Beijing) Investment Consultancy Limited	US$2,400,000[W]	100	Investment consultancy

49 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2018

	Registered/ fully paid capital	Attributable interest[α] to the Group (%)	Principal activities
Incorporated and operate in the PRC (continued)			
Ningbo Firm Success Consulting Development Co., Ltd.	US$5,000,000[W]	75	Investment holding and provision of consultancy services
Peak Moral High Commercial Development (Shanghai) Co., Ltd.	US$40,000,000[W]	75	Property investment and shopping mall operation
Scienward Fashion and Luxury (Shanghai) Co., Ltd.	US$6,460,000[W]	75	Fashion retailing and trading
Shang Ji Properties (Shenzhen) Co. Ltd.	RMB150,000,000[W]	51	Property development
Shang Shun Properties (Shenzhen) Co. Ltd.	RMB130,000,000[W]	51	Property development
Shanghai Luxba Trading Ltd.	US$7,150,000[W]	75	Properties investment and fashion trading
Shanghai New World Caixuan Department Store Co., Ltd.	RMB30,000,000[W]	75	Department store operation
Shanghai New World Caizi Department Store Co., Ltd.	RMB50,000,000[W]	75	Department store operation
Shanghai New World Department Store Co., Ltd.	RMB18,000,000[W]	75	Department store operation
Shanghai New World Huiya Department Store Co., Ltd.	RMB240,000,000[W]	75	Department store operation
Shanghai New World Huiyan Department Store Co., Ltd	RMB85,000,000[W]	75	Property investment and shopping mall operation
Shanghai New World Huiying Department Store Co., Ltd.	RMB93,970,000[W]	75	Department store operation
Shanghai New World Huizi Department Store Co., Ltd	RMB5,000,000[W]	75	Department store operation
Shanghai New World Xinying Department Store Co., Ltd.	HK$100,000,000[W]	75	Department store operation
Shanghai Trio Property Development Co., Ltd.	US$81,000,000[W]	100	Property investment
Shanxi Xinda Highways Ltd.	RMB49,000,000[C]	37[α]	Operation of toll road
Shanxi Xinhuang Highways Ltd.	RMB56,000,000[C]	37[α]	Operation of toll road
Shenyang New World Department Store Ltd.	RMB30,000,000[W]	75	Property investment and department store operation
Shenyang New World Xin Hui Properties Co., Ltd.	RMB501,520,000[W]	100	Property development
Shenyang Trendy Property Company Limited	RMB27,880,000[W]	75	Property investment
Shenzhen New World Xianglong Network Technology Company Limited	RMB447,708,674[C]	100	Exploration of wireless telecommunication network
Shenzhen Top One Real Estate Development Co., Ltd.	HK$150,000,000[C]	100	Property development
Shenzhen Topping Real Estate Development Co., Ltd.	HK$294,000,000[W]	100	Property development
Tang Shan New World Property Development Co., Ltd.	US$162,000,000[W]	100	Property development
Tianjin New World Department Store Co., Ltd.	US$5,000,000[W]	75	Department store operation

49 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2018

	Registered/ fully paid capital	Attributable interest[ø] to the Group (%)	Principal activities
Incorporated and operate in the PRC (continued)			
Tianjin New World Properties Development Co., Ltd.	US$91,000,000[W]	100	Property development
Tianjin New World Trendy Plaza Co., Ltd.	RMB30,000,000[W]	75	Department store operation
Tianjin Xin Guang Development Co., Ltd.	US$4,500,000[W]	100	Property investment
Wuhan New Eagle Enterprises Co., Limited	US$2,830,000[W]	100	Property investment
Wuhan New World Caixuan Department Store Co., Ltd.	RMB75,000,000[W]	75	Department store operation
Wuhan New World Department Store Co., Ltd.	US$15,630,000[W]	75	Property investment and department store operation
Wuhan New World Trendy Department Store Co., Ltd.	RMB80,000,000[W]	75	Department store operation
Wuhan New World Trendy Plaza Co., Ltd.	RMB50,000,000[W]	75	Department store operation
Wuhan Xinhan Development Co., Ltd.	US$16,000,000[C]	100	Property development
Wuzhou Xinwu Highways Limited	RMB72,000,000[C]	32[α]	Operation of toll road
Xiamen NWS Management Consultancy Limited	US$500,000[W]	61	Management consultation
Xi'an New World Department Store Co., Ltd.	RMB40,000,000[W]	75	Department store operation
Yantai New World Department Store Co., Ltd	RMB80,000,000[W]	75	Department store operation
Yunnan New World Department Store Co., Ltd.	RMB10,000,000[W]	75	Department store operation
Zhaoqing New World Property Development Limited	US$16,500,000[W]	100	Property development
Zhengzhou New World Department Store Co., Ltd.	RMB50,000,000[W]	75	Department store operation
Incorporated and operate in Macau			
Hip Hing Engineering (Macau) Company Limited	MOP100,000	61	Construction
Vibro (Macau) Limited	MOP1,000,000	61	Foundation works

α The Group indirectly holds equity interest in these subsidiaries through non-wholly owned subsidiaries, and has control over each of these subsidiaries

ø Profit or cash sharing percentage was adopted for certain PRC entities

W Registered as wholly foreign owned enterprise under PRC law

E Registered as sino-foreign equity joint venture under PRC law

C Registered as sino-foreign co-operative joint venture under PRC law

49 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2018

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated in Bermuda and operates in Hong Kong				
NWS Holdings Limited	3,896,506,451	HK$1	61	Investment holding
Incorporated in the British Virgin Islands				
Allied Win Investments Limited	1	US$1	100	Investment holding
Beauty Ocean Limited	1	US$1	61	Investment holding
Brilliant Alpha Investment Limited	1	US$1	100	Investment holding
Crown Success Limited	100	US$1	100	Investment holding
Eagle Eyes Development Limited	1	US$1	100	Investment holding
Ease Kind Development Limited	1	US$1	100	Property development
Esteemed Sino Limited	1	US$1	100	Investment holding
Ever Brisk Limited	1	US$1	100	Investment holding
Ever Reliance Enterprises Limited	1	US$1	51	Investment holding
Fine Reputation Incorporated	10,000	US$1	100	Investment holding
Flying Gravity Limited	1	US$1	61	Investment holding
Fortland Ventures Limited	1	US$1	61	Investment holding
Fortune Star Worldwide Limited	100	US$1	100	Investment holding
Fotoland Limited	1	US$1	100	Investment holding
Gao Li Enterprises Limited	1	US$1	51	Investment holding
Gigantic Global Limited	2	US$1	100	Investment holding
Goodtrade Enterprises Limited	1	US$1	100	Investment holding
Gravy Train Investments Limited	1	US$1	61	Investment holding
HH Holdings Corporation	600,000	HK$1	61	Investment holding
Hing Loong Limited	20,010,000	US$1	100	Investment holding
Ideal Global International Limited	1	US$1	61	Investment holding
K11 Group Limited	1	HK$1	100	Investment holding
K11 Investment Company Limited	1	US$1	100	Investment holding
Kee Shing Investments Limited	1,000	US$1	100	Investment holding
Keen Link Enterprises Limited	1	US$1	100	Investment holding
Lotsgain Limited	100	US$1	100	Investment holding

49 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2018

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated in the British Virgin Islands (continued)				
Login SCM (BVI) Limited	1	US$1	100	Investment holding
Magic Chance Limited	1	US$1	100	Investment holding
Moscan Developments Limited	1	US$1	61	Investment holding
Natal Global Limited	1	US$1	61	Investment holding
New World China Construction (BVI) Limited	1	US$1	100	Investment holding
New World Project Management (BVI) Limited	1	US$1	100	Investment holding
New World Hotels Corporation Limited	1	US$1	100	Investment holding
NWS CON Limited	1	HK$1	61	Investment holding
NWS Construction Limited	190,000 8,125[R] 6,791[S]	US$0.1 US$0.1 US$0.1	61 – –	Investment holding
NWS Infrastructure Bridges Limited	1	US$1	61	Investment holding
NWS Infrastructure Power Limited	1	US$1	61	Investment holding
NWS Infrastructure Water Limited	1	US$1	61	Investment holding
Penta Enterprises Limited	1	US$1	100	Investment holding
Pure Cosmos Limited	1	US$1	61	Investment holding
Radiant Glow Limited	1	US$1	100	Investment holding
Right Choice International Limited	200	US$1	52	Property investment
Right Heart Associates Limited	4	US$1	61	Investment holding
Righteous Corporation	1	US$1	61	Investment holding
Sparkling Rainbow Limited	1	US$1	100	Investment holding
Steadfast International Limited	2	US$1	100	Investment holding
Stockfield Limited	1	US$1	61	Investment holding
Superb Wealthy Group Limited	1	US$1	100	Financing
Sweet Prospects Enterprises Limited	1	US$1	100	Investment holding
Total Partner Holdings Limited	1	US$1	100	Investment holding
Triumphant Ally Investments Limited	100	US$1	51	Investment holding
True Blue Developments Limited	1	US$1	100	Investment holding
Winner World Group Limited	10	US$1	100	Investment holding

49 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2018

	Share capital issued#		Attributable interest to the Group	
	Number of shares	Par value per share	(%)	Principal activities
Incorporated in the British Virgin Islands and operate in Hong Kong				
Bellwood Group Limited	100	US$1	61	Investment holding
Best Star (BVI) Investments Limited	1	US$1	61	Investment holding
China Sincere Limited	1	–	75	Financing
Citiplus Investment Limited	1	US$1	100	Investment holding
Creative Profit Group Limited	1	US$1	61	Investment holding
Economic Velocity Limited	1	US$1	61	Investment holding
Fita International Limited	1	–	100	Bond issuer
Great Start Group Corporation	1	US$1	61	Investment holding
Hetro Limited	101	US$1	61	Investment holding
Lucky Strong Limited	1	US$1	61	Investment holding
New World Capital Finance Limited	1	US$1	100	Bond issuer
New World First Bus Services Limited	200,000,000	HK$1	61	Provision of franchised bus services
New World First Ferry Services Limited	1	US$1	61	Provision of ferry services
New World Strategic Investment Limited	1	US$1	100	Investment holding
Noonday Limited	100	US$1	61	Investment holding
NWD Finance (BVI) Limited	1	US$1	100	Bond issuer
NWD (MTN) Limited	1	US$1	100	Bond issuer
NWS Financial Management Services Limited	1	US$1	61	Investment holding
NWS Infrastructure Management Limited	2	US$1	61	Investment holding
NWS Infrastructure Roads Limited	1	US$1	61	Investment holding
NWS Ports Management Limited	2	US$1	61	Investment holding
NWS Transport Services Limited	500,000,016	HK$1	61	Investment holding
Park New Astor Hotel Limited	101	US$1	100	Property investment
South Scarlet Limited	1	US$1	100	Hotel operation
Well Metro Group Limited	14,000	US$1	75	Investment holding
Incorporated in the British Virgin Islands and operates in the PRC				
Nacaro Developments Limited	2	US$1	100	Property Investment
Incorporated and operates in Thailand				
Emerald Bay Resort Co., Ltd.	7,380,000	THB100	100	Hotel operation

\# Represented ordinary share capital, unless otherwise stated

R Redeemable, non-convertible and non-voting A preference shares

S Redeemable, non-convertible and non-voting B preference shares

50 PRINCIPAL JOINT VENTURES

As at 30 June 2018

	Registered/ fully paid capital	Attributable interest[Ω] to the Group (%)	Principal activities
Equity joint ventures			
Incorporated and operate in the PRC			
China United International Rail Containers Co., Limited	RMB4,200,000,000	18	Operation of rail container terminals and related business
Chongqing Suyu Business Development Company Limited	RMB650,000,000	31	Investment holding
Guangzhou Oriental Power Co., Ltd.	RMB990,000,000	15	Generation and supply of electricity
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB613,361,800	21	Wholesale, assembling and storage of fuel
Guodian Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	21	Generation and supply of electricity
Co-operative joint ventures			
Incorporated and operate in the PRC			
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	RMB580,000,000	15	Operation of toll road
Beijing Chong Wen • New World Properties Development Co., Ltd.	US$225,400,000	70[s]	Property investment, development and hotel operation
Beijing Xin Kang Real Estate Development Co., Ltd.	US$12,000,000	70[s]	Property investment
Beijing Xin Lian Hotel Co., Ltd.	US$12,000,000	55[s]	Hotel operation
China New World Electronics Ltd.	US$57,200,000	70[s]	Property investment and development
Guangzhou Northring Freeway Company Limited	US$19,255,000	40[s]	Operation of toll road
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	31	Investment holding
Huizhou New World Housing Development Limited	RMB80,000,000	62[s]	Property development
Tianjin Xinzhan Expressway Company Limited	RMB2,539,100,000	37[@s]	Operation of toll road
Wuhan Wuxin Hotel Co., Ltd.	US$49,750,000	60[s]	Hotel operation

50 PRINCIPAL JOINT VENTURES (CONTINUED)

As at 30 June 2018

	Registered/ fully paid capital	Attributable interest[Ω] to the Group (%)	Principal activities
Wholly foreign owned enterprises			
Incorporated and operate in the PRC			
Guangzhou Bosson Real Estate Co., Ltd.	RMB50,003,000	62[s]	Property development
Guangzhou Hemsell Real Estate Development Co., Ltd.	RMB79,597,000	62[s]	Property development
Guangzhou Shengpei Enterprises Co. Ltd.	RMB500,000,000	40	Property development
Ningbo Gong Tai Properties Co., Ltd.	RMB235,000,000	49	Property development
Ningbo Xin Li Real Estate Co., Ltd.	US$856,000,000	49	Property development
Wuhan New World Hotel Properties Co., Ltd.	RMB83,507,110	60[s]	Property investment

Ω Percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures

@ Represented cash sharing ratio

s The Group through its subsidiaries holds more than 50% interests in these joint ventures. These joint ventures are considered as subsidiary undertakings under the Hong Kong Companies Ordinance (Cap. 622). However, under the respective contractual agreements, the Group does not control these joint ventures as the decisions about relevant activities require the unanimous consent of the parties sharing the control.

50 PRINCIPAL JOINT VENTURES (CONTINUED)

As at 30 June 2018

	Share capital issued[#]			
	Number of shares	Issued and paid up share capital HK$	Attributable interest to the Group (%)	Principal activities
Companies limited by shares				
Incorporated and operate in Hong Kong				
ATL Logistics Centre Hong Kong Limited	100,000'A' 20,000'B'[2] 54,918[1]	100,000 20,000 54,918	34[&] 49 100	Operation of cargo handling and storage facilities
Calpella Limited	2	20	50	Property investment
China Aerospace New World Technology Limited	30,000,000	165,000,000	50	Investment holding
Chow Tai Fook Qianhai Investments Company Limited	700	700	29	Shopping mall operation
Earning Yield Limited	1	1	51[&]	Property development
Eminent Elite Limited	1	1	49	Investment holding
First Star Development Limited	100	100	31	Property development
Gain Path Investments Limited	1	1	40	Investment holding
GH Hotel Company Limited	1,001	64,109,750	50	Hotel operation
Global Perfect Development Limited	1,000,000	1,000,000	50	Investment holding
Golden Kent International Limited	1	1	40	Property development
Great TST Limited	2	863,878,691	50	Hotel operation
Hotelier Finance Limited	1	1	50	Financing
Loyalton Limited	2	20	50	Property investment
New World Harbourview Hotel Company Limited	1,001	109,109,750	50	Hotel operation
Supertime Holdings Limited	100	100	31	Property development
Tate's Cairn Tunnel Investment Holdings Company Limited	1,100,000	1,100,000	18	Investment holding
Wincon International Limited	300,000,000	300,000,000	31	Investment holding
Wise Come Development Limited	30	30	50	Property investment

50 PRINCIPAL JOINT VENTURES (CONTINUED)

As at 30 June 2018

	Share capital issued[#]			
	Number of shares	**Par value per share**	**Attributable interest to the Group (%)**	**Principal activities**
Incorporated in the British Virgin Islands and operate in the PRC				
Holicon Holdings Limited	2	US$1	50	Property Investment
Jaidan Profits Limited	2	US$1	50	Property Investment
Jorvik International Limited	2	US$1	50	Property Investment
Orwin Enterprises Limited	2	US$1	50	Property Investment
Incorporated in the British Virgin Islands				
Blaze Flourish Holdings Limited	1	US$1	40	Investment holding
DP World New World Limited	2,000	US$1	31	Investment holding
Great Hotels Holdings Limited	6	US$1	50	Investment holding
Group Program Limited	1	US$1	40	Loyalty programme
Landso Investment Limited	100	–	35	Investment holding
Newfoundworld Investment Holdings Limited	5	US$1	20	Investment holding
Silverway Global Limited	2	US$1	31	Investment holding
Silvery Yield Development Limited	100	US$1	49	Investment holding
Success Concept Investments Limited	1,000	US$1	55[&]	Investment holding
Unite Profit Holdings Limited	100	US$1	40	Investment holding
Incorporated and operates in the Netherlands				
Hyva I B.V.	19,000	EUR1	31	Manufacturing and supply of components used in hydraulic loading and unloading systems
Incorporated in the Cayman Islands and operate globally				
Goshawk Aviation Limited	362,026,264[***]	US$0.001	31	Commercial aircraft leasing
Goshawk Management Holdings (Cayman) Limited	100	US$1	31	Commercial aircraft leasing management
Incorporated and operates in Singapore				
FEC Skyline Pte. Ltd.	4,000,000	–	30	Property development

[#] Represented ordinary share capital, unless otherwise stated

[1] Non-voting deferred shares

[2] Non-voting preference shares

[***] Preference shares

[&] The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these joint ventures

51 PRINCIPAL ASSOCIATED COMPANIES

As at 30 June 2018

	Share capital issued#			
	Number of shares	**Issued and paid up share capital HK$**	**Attributable interest to the Group (%)**	**Principal activities**
Incorporated and operate in Hong Kong				
Conduit Road Development Limited	100	10,000	30	Property development
Ever Light Limited	1,000	1,000	40	Property investment
GHK Hospital Limited	10	10	24	Healthcare
Joy Fortune Investments Limited	10,000	10,000	31	Investment holding
Pure Jade Limited	1,000,000	1,000,000	27	Property investment
Quon Hing Concrete Company Limited	200,000	20,000,000	31	Production and sales of ready-mixed concrete
Ranex Investments Limited	100	100	10^	Property investment
Shougang Concord International Enterprises Company Limited	18,963,723,510	7,576,945,623	6^	Investment holding
Shun Tak Centre Limited	1,000'A' 450'B' 550'C'	100,000 4,500 5,500	45 100 –	Property investment
Sky Treasure Development Limited	10	10	30	Investment holding
Incorporated in Hong Kong and operates in Hong Kong, Macau and Mainland China				
SUEZ NWS Limited	20,256,429	5,134,005,207	26	Investment holding and operation of water, wastewater and waste management business

51 PRINCIPAL ASSOCIATED COMPANIES (CONTINUED)

As at 30 June 2018

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated in the British Virgin Islands				
VMS Private Investment Partners II Limited	2,500* 1,745**	US$0.01 US$0.01	– 61^^	Securities investment
Incorporated in the British Virgin Islands and operates in Hong Kong				
VMS Private Investment Partners III Limited	1,500* 611**	US$0.01 US$0.01	– 61^^	Securities investment
Incorporated in Bermuda and operates in Hong Kong				
Wai Kee Holdings Limited	793,124,034	HK$0.1	17	Construction
Incorporated in the Cayman Islands and operates in Hong Kong and Mainland China				
UMP Healthcare China Limited	100	US$0.01	12	Healthcare
Incorporated in the Cyprus and operates in South Africa				
Tharisa plc	260,240,839	US$0.001	10^	Platinum group metals and chrome mining, processing and trading

51 PRINCIPAL ASSOCIATED COMPANIES (CONTINUED)

As at 30 June 2018

	Registered/ fully paid capital	Attributable interest[Ω] to the Group (%)	Principal activities
Incorporated and operate in the PRC			
Chongqing Silian Optoelectronics Science And Technology Co., Ltd.	RMB500,000,000	12	Manufacturing and sale of sapphire substrate and wafer, LED packaging and application
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	24	Operation of gasoline station
Hubei Suiyuenan Expressway Co., Ltd.	RMB1,770,000,000	18	Operation of toll road
Shenzhen City Prince Bay Lewan Properties Co. Ltd.	RMB2,119,052,550	49	Property development
Shenzhen City Prince Bay Shangding Properties Co. Ltd.	RMB2,007,909,020	49	Property development
Shenzhen Tiande Property Development Co. Ltd.	RMB4,400,000,000	30	Property development
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	11^	Operation of container terminal
Xiamen Container Terminal Group Co., Ltd.	RMB2,436,604,228	12^	Operation of container terminals
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	15	Operation of toll road

Represented ordinary share capital, unless otherwise stated

Ω Percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures

* Voting, non-participating, non-redeemable management shares

** Non-voting, redeemable participating shares

^ The directors of the Company considered the Group has significant influence over these companies through its representatives on the board of directors of each of these companies

^^ The directors of the Company considered the Group has significant influence over these companies through its representative on the investment committee which governs the relevant activities

Five-year Financial Summary

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June

	2018 HK$m	2017 HK$m	2016 HK$m	2015 HK$m	2014 HK$m
Revenues	**60,688.7**	56,628.8	59,570.0	55,245.0	56,501.1
Operating profit	**30,975.3**	11,751.3	16,583.3	27,970.9	16,823.1
Net financing costs	**(704.3)**	(446.1)	(536.7)	(491.7)	(843.6)
Share of results of joint ventures and associated companies	**3,082.6**	3,925.1	2,660.5	3,657.3	3,096.5
Profit before taxation	**33,353.6**	15,230.3	18,707.1	31,136.5	19,076.0
Taxation	**(6,272.4)**	(4,755.6)	(6,423.7)	(4,264.4)	(5,738.2)
Profit for the year	**27,081.2**	10,474.7	12,283.4	26,872.1	13,337.8
Holders of perpetual capital securities	**(536.6)**	(395.9)	–	–	–
Non-controlling interests	**(3,206.5)**	(2,403.1)	(3,617.1)	(7,760.1)	(3,612.4)
Profit attributable to shareholders of the Company	**23,338.1**	7,675.7	8,666.3	19,112.0	9,725.4
Dividend per share (HK$)					
Interim	**0.14**	0.13	0.13	0.12	0.12
Final	**0.34**	0.33	0.31	0.30	0.30
Full year	**0.48**	0.46	0.44	0.42	0.42
Earnings per share (HK$)					
Basic	**2.34**	0.80	0.95	2.17	1.37
Diluted	**2.33**	0.80	0.95	2.17	1.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

	2018 HK$m	2017 HK$m	2016 HK$m	2015 HK$m	2014 HK$m
Assets					
Investment properties, property, plant and equipment and land use rights and intangible concession rights	**192,135.4**	150,125.1	125,308.1	129,250.0	113,634.5
Intangible assets	**3,782.0**	3,423.8	2,702.3	2,864.1	4,662.5
Interests in joint ventures, associated companies, other investments and other non-current assets	**113,482.3**	104,526.4	105,160.5	104,068.9	95,739.3
Current assets	**172,055.1**	178,981.0	158,937.7	161,747.7	155,191.1
Total assets	**481,454.8**	437,056.3	392,108.6	397,930.7	369,227.4
Equity					
Share capital	**77,525.9**	73,233.6	69,599.8	66,711.6	63,761.3
Reserves	**138,724.0**	112,857.6	109,973.6	112,207.0	96,047.0
Shareholders' funds	**216,249.9**	186,091.2	179,573.4	178,918.6	159,808.3
Perpetual capital securities	**9,451.8**	9,451.8	–	–	–
Non-controlling interests	**29,480.2**	25,401.5	21,321.9	43,439.4	40,468.2
Total equity	**255,181.9**	220,944.5	200,895.3	222,358.0	200,276.5
Current liabilities	**94,689.3**	79,500.6	66,522.5	81,003.1	70,070.5
Non-current liabilities	**131,583.6**	136,611.2	124,690.8	94,569.6	98,880.4
Total equity and liabilities	**481,454.8**	437,056.3	392,108.6	397,930.7	369,227.4

Risk Factors

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

A RISKS RELATING TO PROPERTY DEVELOPMENT, SALES, INVESTMENTS AND HOTEL OPERATIONS

1 As projects of the Group are primarily located in Hong Kong and Mainland China, the Group's businesses and prospects are principally dependent on the performance of property market in Hong Kong and Mainland China. The property market in Hong Kong and Mainland China are affected by a number of factors, including changes in social, political, economic and legal environment, as well as changes in the government's policies and regulations. The Group is also susceptible to changes in consumer confidence, consumption spending, and changes in consumption preferences. Other factors beyond the Group's control, including personal and family disposable income levels and mortgage market condition etc., may also affect the demand for properties. Any adverse changes, price control on property or rental value and restrictions on the development of property market imposed by the relevant governments in the locations where the Group operates may have material adverse impacts on its businesses, financial condition, results of operations and growth prospects.

2 Under the influence of government policies and present economic trend of Hong Kong, Mainland China and the world, property markets in Hong Kong and Mainland China have witnessed volatility in recent years. In future, any economic downturn or financial turmoil in Hong Kong, Mainland China and the global economies, or the government to implement further property market cooling measures or extend the scope, application and rate level of the existing measures, may have a material adverse impact on the Group's potential purchasers or tenants, which will in turn lead to a decrease in the general market demand for the Group's properties and its property price or rental rate.

3 The Group's results of operations may fluctuate according to the progress of property development and the timing of its property sales. Revenue from sale of properties (including pre-sale) is recognised when or as the control of the asset is transferred to the customer. Revenue from sale of properties is generally recognised upon the legal assignment is completed when the customer has the ability to direct the use of the property. The Group's revenue and results may vary from one period to another depending on the number of properties completed in a specific period, or the time and capital required for the completion of construction projects. The timing of its property sales is dependent on the lead time required for the Group to obtain the requisite government approvals, which is beyond the control of the Group.

4 The Group is subject to fine or sanctions if it does not pay land premiums or does not develop properties according to terms of land grant documents. If the land is repossessed, the Group will not be able to continue its property development on forfeited land, recover the costs incurred for initial acquisition of the repossessed land nor recover development cost and other costs incurred up to the date of the repossession. Any violation of the terms of land grant contracts may restrict or prevent a developer in participating in future land bidding opportunities.

5 The real estate sector in Hong Kong and Mainland China are regulated by the respective governments. In general, developers must comply with requirements mandated by the applicable laws and regulations, which include policies and procedures established by the local governments for implementation thereof. Developers, in particular, must obtain relevant permits, licenses, certificates and other approvals at various stages of property development. The grant of relevant permits, licenses, certificates and other approvals is dependent on whether certain conditions set by the relevant authorities are fulfilled by the developers or projects as they are often subject to governmental discretions and new laws, regulations, and changes in policies.

6 The Group cannot assure that it will not encounter impediments in fulfilling the conditions or meeting the particular process requirements in order to obtain the required approvals, or will acquire occupation of the land parcels, in relation to its property development project, or can perform its obligations under the land grant contract including the commencement and completion of the development in future. There can be no assurance that the Group's businesses will be in compliance with new laws, regulations or policies which come into effect from time to time relating to the particular process related to the granting of the approvals or generally applicable to the overall real estate sector. When the Group fails to obtain the relevant approvals, fulfill the conditions or acquire the land parcels, the relevant projects may not proceed as scheduled or at all.

A RISKS RELATING TO PROPERTY DEVELOPMENT, SALES, INVESTMENTS AND HOTEL OPERATIONS (CONTINUED)

7 For some of the Group's development sites in Hong Kong, where agricultural land parcels are converted into residential or commercial uses, approvals from various government authorities would be required. The lengthy and complicated approval procedures imply that government policies and efficiency of approval directly affect the addition to land reserve. The Group cannot guarantee that such land use conversion will be approved, or that the Group can precisely grasp the land use and timeframe of such conversion. Meanwhile, the addition to the Group's land reserve are susceptible to regulatory requirements or restrictions that acquisition of land in Hong Kong, Mainland China and overseas market may subject to, and the demand-supply dynamics together with the price level.

8 A portion of the Group's revenue is derived from its hotel operations. Since hotel guests are short-term occupants of hotel rooms, they are generally not committed to contracts of medium-term or long-term rental payment. Consequently, a hotel's occupancy rate and room rate are subject to a high degree of fluctuations due to factors including seasonality, social stability, politics, natural hazards, disease and economic condition as well as the nature of hotel business. In addition, a portion of the Group's revenue from hotel operations is attributable to catering services, including banqueting services. Typically, demand for banqueting services increases on holidays, festivals and the propitious dates on the Chinese lunar calendar. Although corresponding measures have been taken to cope with the seasonal fluctuations of the hotel business, such measures may be ineffective. Therefore, any comparison of our results of operations between various interims in a financial year may not be meaningful and shall not be relied upon as an indicator for the Group's performance.

9 The Group's property value and rental value are affected by numerous factors. Property values and rental levels are impacted by external economic and market conditions including but not limited to the state of local economy, fluctuations in general supply and demand, change in consumption behaviors, stock markets performance, financial volatility, which may indirectly affect the Group's investment properties performance. The Group's rental income may experience more frequent adjustments resulting from competition arising from oversupply in retail and office areas. The Group's investment properties may need to be renovated, repaired and re-let on periodic basis, which may not be possible to renew leases or re-let spaces when existing leases expire. Investment properties are non-current assets, which may limit the ability of the Group to monetise property assets timely.

10 A significant amount of fixed costs are involved in operating investment properties and hotels of the Group, including maintenance costs as well as employees, staff salaries and expenses. These fixed costs may constrain the Group's ability to respond to adverse market conditions by minimising costs. Where property leasing or hotel industry experiences downturns, or the number of maintenance or renovation increases, such costs may adversely affect the Group's businesses, financial condition, results of operations and growth prospects.

11 The growth of global online travel or hotel platforms has created opportunities for hotel operators or asset owners in terms of tapping into new clients and promotion in new markets. However, the abovementioned new trends may increase the cost of agency commissions and the rising competition for customer loyalty. Also, it may limit the growth potential of room rate due to keen competition among those platforms, potential risk of last minute order change and high accessibility of information of customers, such situations may adversely affect the Group's hotel contribution and results of operations.

12 Substantially all of the Group's business operations are in Mainland China and substantially all of our revenue is derived from its operations in Mainland China. Accordingly, the Group results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in Mainland China. The economy of Mainland China differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. Mainland China's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the Central government has implemented measures emphasising market forces for economic reform, the reduction of State ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a portion of productive assets in Mainland China is still owned by the Central Government. The Central Government continues to play a significant role in regulating the development of industries. It also exercises significant control over Mainland China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in Mainland China and, in turn, the Group's business. While the Chinese economy has experienced significant growth in the past 20 years, growth has been uneven across both geographic regions and the various sectors of the economy, growth rates have begun to stabilised recently. The Group cannot predict whether its results of operations and financial condition could be materially and adversely affected by changes in economic conditions in Mainland China, or the monetary policies, interest rate policies, tax regulations or policies and regulations of the Central Government.

A RISKS RELATING TO PROPERTY DEVELOPMENT, SALES, INVESTMENTS AND HOTEL OPERATIONS (CONTINUED)

13 A significant portion of the Group's property development operations is concentrated in Guangdong-Hong Kong-Macao Bay Area. The Group expect that Guangdong-Hong Kong-Macao Bay Area will still continue to account for a significant portion of our property development operations in the near future. If the Guangdong-Hong Kong-Macao Bay Area experiences any adverse economic conditions, such as an economic downturn, natural disaster, contagious disease outbreak or terrorist attack, or if the local governmental authorities adopt regulations that place additional restrictions or burdens on the Group or on the property management industry in general, our business, financial condition and results of operations could be materially and adversely affected.

14 The rapid economic growth and infrastructure development in Hong Kong and Mainland China in recent years have uplifted the costs of construction materials and wages of workers. In addition, in view of the improvement of general living standards in Hong Kong and Mainland China and recent policies of the Central Government of Mainland China to increase the wages of workers from rural areas, the Group expects that labour costs may continue to increase in the foreseeable future. Other than the higher labour costs, the rising labour demand and in turn more intensified competition for construction workers in regions where the Group operates, such as the growing shortage of construction and service workers in Hong Kong, has made it increasingly difficult for the Group to hire sufficient well-skilled labour for its property development projects and investment properties, hindering its property development business. Increasing cost of construction materials and labour are expected to raise contractors' fee quotes in our new property development projects. In addition, the Group usually commences pre-sales of properties prior to their completion. In the event that the construction materials and labour costs surge subsequent to the pre-sales, such increases in costs may not be passed on to buyers of the properties. Escalating labour shortage and/or significant increase in costs of labour or construction materials without corresponding reduction of other costs to offset such increases or pass on such increases to the buyers or tenants of our properties may adversely and materially affect the Group's businesses, financial condition, results of operations and growth prospects.

B RISK RELATING TO FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

1 The following factors may lower the level of turnover and profit of the Group, while the Group cannot guarantee that the turnover and profit level will be sustained or improved. The Group may not be able to sustain similar patterns or levels of turnover or profit in the future:

I change in the mix of turnover contributions, such as income from property development, rental income from investment properties and income from hotels;

II new market entrants and intensified price competition among existing market players;

III unfavourable government policies affecting consumer sentiments;

IV failure to achieve target sales volumes and prices;

V failure to achieve target rentals, daily room rates and occupancy rates;

VI decrease in the fair value of investment properties;

VII our costs may not decrease in tandem with a reduction in turnover to be derived from properties, as most of the expenses associated with owning and maintaining the Group's properties are fairly fixed (including land cost, development cost, administration cost, and selling and distribution marketing cost); and

VIII failure to negotiate volume discounts with suppliers on favourable terms.

2 The Group's finance costs and interest expenses fluctuate with changes in interest rates. In Hong Kong, the Group's borrowings include amounts denominated in Hong Kong dollar. The interest rates on some of our outstanding Hong Kong dollar denominated borrowings are benchmarked to the Hong Kong interbank offered rates ("HIBOR") for Hong Kong dollar. We cannot assure that the benchmark interest rate will not increase in the future, which would increase our financing costs and interest expenses. In Mainland China, the Group's borrowings also include amounts denominated in RMB. The People's Bank of China adjusts its benchmark lending rates from time to time in response to domestic and global economic changes. The Group cannot guarantee that the People's Bank of China will not raise such lending rates in future. In addition, as the Group also borrows from overseas banks and other financial institutions, the availability of sufficient capital in the capital market directly affects the cost of borrowing in relation to the currencies the Group borrows. The Group may also be affected by changes in the prevailing interest rate of the global credit market. Any increase in interest rate in connection with the currencies the Group borrows will increase the Group's finance costs and customers' mortgage interest rates and may adversely and materially affect the Group's businesses, financial condition, results of operations and growth prospects.

B RISK RELATING TO FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (CONTINUED)

3 Fluctuations in the Group's results of operations may also be induced by other factors, including changes in market demand for the Group's properties. In addition, the periodicity of the property market also has an impact on the optimal timing for land acquisition as well as the planning of development and sales of properties. As results of operations in relation to property development activities are susceptible to significant fluctuations, comparison of the Group's results of operations and cash flow position among periods may not be an effective indicator of the Group's financial performance in any particular period.

4 The Group is required to reassess the fair value of its investment properties at every balance sheet date to which financial statements are made up. Pursuant to HKFRS, investment properties are stated at their fair value, and the variation in their changes should be taken to the consolidated income statement of the financial period in which it is incurred. Based on the appraisal conducted by independent property valuers, the Group recognises the aggregate market value of investment properties at fair value and the related deferred tax in the consolidated statement of financial position, while the variation in changes in fair value and the related deferred tax of investment properties are recognised in the consolidated income statement. Therefore, the assumptions made in appraising investment properties would change under changing market conditions, including lower weighted average capital ratio. Notwithstanding any variations in fair value gains and losses are not cash items and will not increase or decrease cash and cash equivalent. The amount of revaluation adjustment has been and will continually be subject to changes in market conditions. As such, there can be no assurance that changes in market conditions will continue to generate gains from fair value changes in investment properties at similar level or at all, or there will be no decline in the fair value of the Group's investment properties. Changes in fair value of investment properties are recognised in the income statement, any significant change in investment properties value may overwhelmingly affect the Group's results, which may not be able to reflect the Group's operation and cash flow performance. If the property market in the region where the Group operates slows down, the fair value of the Group's investment properties may decline.

5 Properties developed by the Group for sales in Mainland China are subject to Land Appreciation Tax ("LAT"). Pursuant to Mainland China relevant tax laws and regulations, prior to the fulfillment of the conditions on the settlement of LAT, the Group makes provisions for the payable amount of LAT from time to time. Provisions for LAT are made on the Group's own estimates based on, among other things, the amount of deductible items before taxation which is subject to final confirmation by the relevant tax authorities upon settlement of LAT. At the same time, the Group prepays a portion of such provisions to Mainland China tax authorities according to relevant regulations. The Group cannot assure that the relevant PRC tax authorities will agree with the amount of LAT determined by the Group. If the relevant tax authorities determine that its LAT exceed the LAT prepayments and provisions, and seek to collect that excess amount, the Group's cash flow, results of operations and financial position may be adversely affected. As there are uncertainties as to whether Mainland China tax authorities will apply the LAT collection retrospectively to properties sold before the enforcement of LAT, any payment as a result of the enforcement of LAT collection may significantly restrict the Group's cash flow position, its ability to finance its land acquisitions and to execute its business plans.

6 The results of the Group are presented in Hong Kong dollar, but its various subsidiaries, associated companies and joint ventures may receive turnover and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, joint ventures and associated companies and also on the repatriation of earnings, equity investments and loans may therefore impact the Group's businesses. Exchange rate of Hong Kong dollar against RMB, the USD or other foreign currencies is affected by, among other things, changes in the political and economic environment of the issuing jurisdictions of the currencies. The exchange rate of RMB against Hong Kong dollar, the USD or other currencies may be re-valued, and may be permitted to enter a full or limited free float. Such situation may result in appreciation or depreciation in RMB against Hong Kong dollar, the USD or other foreign currencies. Continual fluctuations in the exchange rate of the Hong Kong dollar against RMB or other currencies may materially and adversely affect the Group's businesses, financial condition, results of operations and growth prospects.

B RISK RELATING TO FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (CONTINUED)

7 In April 2013, State Administration of Foreign Exchange ("SAFE") issued the Operation Guidelines for the Administration of Foreign Debt (the "Guidelines"), which became effective on 13 May 2013. The Guidelines stipulate that, amongst other things, (i) with respect to real estate enterprises with foreign investment who obtained approval certificates from commercial authorities and registered with the Ministry of Commerce on or after 1 June 2007, the branches of SAFE will no longer process the foreign debt registrations for such enterprises, (ii) with respect to real estate enterprises with foreign investment established prior to 1 June 2007, such enterprises may borrow foreign debt in accordance with the relevant provisions in the Guidelines, but the amount of foreign debt shall not exceed the surplus between the enterprise's total investment amount and its registered capital (the "Surplus"); in the event that the enterprise increases its registered capital, and the Surplus after the increase of registered capital is less than the Surplus before the increase of registered capital, then the amount of foreign debt of such enterprise shall not exceed the Surplus after the increase of registered capital, and (iii) in the event that the registered capital of a real estate enterprise with foreign investment is not paid in full, or such real estate enterprise with foreign investment does not obtain State-owned land use right certificate(s), or the capital for real estate projects to be developed is less than 35% of the total investment amount of such projects, such real estate enterprise with foreign investment is prohibited from borrowing foreign debt, and the branches of SAFE will not process the foreign debt registrations for such enterprises. The Guidelines therefore restrict the ability of the Group subsidiaries in Mainland China that are real estate enterprises with foreign investment to raise funds offshore for the purpose of injecting such funds into the enterprises by way of shareholder loans. The Group cannot assure that the Central Government will not issue any new policy that will further restrict the ability of the Group in allocating its funds in Mainland China.

8 The Group maintains a certain level of indebtedness to finance its operation. The Group's indebtedness could have an adverse effect on it, for example, by:

I requiring the Group to maintain certain financial ratios;

II requiring the Group to dedicate a large portion of its cash flow to repay interest and debt, thereby reducing the availability of its cash flow to expand its business;

III increasing the Group's vulnerability to adverse economic or industry conditions;

IV limiting the Group's flexibility in planning or responding to the changes in its business or the industry in which it operates;

V limiting the Group's ability to raise additional debt or equity capital in the future or increasing the cost of such funding;

VI restricting the Group from making strategic acquisitions or taking advantage of business opportunities;

VII increasing the difficulty of the Group to meet its obligations in relation to its debt; and

VIII increasing the cost of borrowings of the Group.

9 The Group is principally engaged in property development business. As such business operation requires substantial capital input, the Group will still need to obtain financing from financial institutions. When the credit market contracts or tightens, the Group cannot assure that there will be sufficient borrowings or that it can refinance. During property development and property construction period, the risks that the Group faces also include financing for developments may not be available on favorable terms and long-term financing may not be available. Its business development will be adversely affected to a certain extent.

10 In the future, the Group may from time to time incur other substantial indebtedness, intensifying the risks induced by its indebtedness. The Group's ability to generate sufficient cash to satisfy its outstanding and future debt obligations will depend on the Group's operating performance in future, which will be affected by, among other things, the prevailing economic conditions, governmental regulations, the demand for properties in the region where the Group's business operates and other factors, many of which are beyond the Group's control. The Group may not generate sufficient cash flow to pay its anticipated operating expenses and to service its debts. In this case, the Group will have to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of the Group's assets, restructuring or refinancing, or seeking equity capital. These strategies may not be implemented on satisfactory terms, or at all. Even they are implemented, they may result in an adverse effect on the Group's businesses, financial conditions and results of operations. In addition, if the Group fails to fulfill its payment obligations, comply with any actual covenants or required financial ratios, or breach any restrictive covenants, it may result in a default under the terms of such borrowing. If an event of default occurs, the loan borrower is entitled to request the Group to repay in full or part of its outstanding indebtedness on an accelerated basis.

B RISK RELATING TO FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (CONTINUED)

11 The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued new standards, amendments to standards and interpretations which are mandatory for accounting periods beginning on or after 1 July 2018 or later periods, including HKFRS 9 "Financial Instruments" and HKFRS 16 "Leases". Under HKFRS 9, certain financial assets of the Group that are currently classified as available-for-sale equity securities will be classified and measured as fair value through other comprehensive income and fair value through profit or loss. Depending on the classification of and timing of disposal of the investments, there may be impact on the profit or loss of the Group. The Group will need to recognise part of the fair value change of financial liabilities that is due to changes in its own credit risk in consolidated statement of comprehensive income rather than consolidated income statement. A new expected credit loss ("ECL") impairment model has been introduced which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The Group expects to apply the simplified approach to recognise lifetime ECL for its trade debtors and contract assets and considers the remaining financial assets have low credit risk and hence expects to recognise 12-month ECL. Under HKFRS 16, it 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). As for the financial performance impact in the consolidated income statement, straight-line depreciation expense on the right-of-use asset and the interest expenses on the financial 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 financial 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.

C OTHER RISKS

1 An outbreak of any epidemics in the region where the Group operates may result in material disruptions in the Group's and its tenants' businesses. Natural disasters or other catastrophic events, such as earthquake, flood or severe weather conditions, could, depending on its magnitude, significantly disrupt the Group's business operations or result in significant economic downturn in the affected regions. The Group cannot assure that there will be no occurrence of earthquakes or other natural hazards in the area where it operates, which may result in severe destruction of the Group's property development projects, assets, cash flow from infrastructure and facilities.

2 The Group is subject to extensive and increasingly stringent environmental protection laws, regulations and decrees that impose fine for violation of such laws, regulations or decrees and provide for the shutdown by the government authorities of any construction sites not in compliance with government orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing global awareness of environmental issues and the Group may sometimes be expected to meet a standard which is more stringent than the requirement of the prevailing environmental laws and regulations and may cause negative impacts on the costs and operations of its projects. The Group has adopted various environmental protection measures, including conducting environmental assessment on the Group's property construction project and hiring contractors with good environmental protection and safety track records, and required them to comply with the relevant regulations or laws on environmental protection and safety, whereas such measure may be ineffective. In addition, the Group cannot assure that more stringent environmental projection regulations will not be imposed in the future. If the Group fails to comply with the prevailing environmental laws or regulations, or fails to meet public expectations in relation to environmental matters, the Group's reputation may be damaged or may be required to pay fines or take remedial actions, in which case suspension of operation may be required in the Group's subsidiaries.

3 The Group considers the intellectual property rights as crucial business assets, key to customer loyalty and essential to the Group's future growth. The success of the Group's business depends substantially upon the continued ability to use its brand, trade names and trademarks to increase brand recognition and to further develop its brand. The unauthorized reproduction of the Group trade names or trademarks could diminish the value of the Group brand and our market reputation and competitive advantages. The Group relies on a combination of trademarks, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights. Nevertheless, these afford limited protection and preventing unauthorized use of proprietary information can be difficult and expensive. In addition, enforceability, scope and validity of laws governing intellectual property rights in Mainland China are uncertain and still evolving, and could involve substantial risk to us. If the Group were unable to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on its business, financial condition and results of operations.

C OTHER RISKS (CONTINUED)

4 The development of, and future trends in Hong Kong and Mainland China property industries have been the focus of numerous media reports. As a leading property developer in Hong Kong and Mainland China, information about the Group or its projects appears frequently in various media outlets. Some of these media reports contain inaccurate information about the projects of the Group and the Group. There can be no assurance that there will not be false, inaccurate or adverse media reports about the Group or its projects in the future. In particular, the Group may be required to respond or take defensive and remedial actions with regard to such inaccurate or adverse media reports, which may adversely divert its resources and management's attention and may materially and adversely impact its business operations. Moreover, there can be no assurance as to the appropriateness, accuracy, completeness or reliability of any media reports regarding the Group. The Group disclaims any media reports containing information that is inconsistent or conflicts with the information contained in its annual report and circulars. Investors should not rely on such information in making a decision as to invest in the Group's shares and/or its listed securities, and should rely only on the official public information from the Group included in its annual report and corporate announcement.

5 The Group has insurance in place in relation to its various development projects, including third-party and earthquake insurances. In general, such insurances do not cover wars, riots, terrorism and natural disaster, any of which case would result in an unpredictable amount of losses and have negative impacts on the Group's businesses and cash flow to a certain extent. Properties could suffer from physical damage by fire or other causes, the Group may be exposed to potential risks associated with public liability claims, resulting in losses which may not be fully compensated for by insurance proceeds, in turn affecting the Group's financial condition.

6 Certain businesses of the Group are operated under concession rights, including the Hong Kong Convention and Exhibition Centre, public bus services, public ferry services, operations of duty-free shops and toll roads etc. The Group cannot assure that such concession rights can be renewed upon their expiry, and the conditions could be worse off than the existing ones even if renewals are approved.

7 Notwithstanding the appropriate measures adopted to protect the Group's computer system and information, the Group cannot assure that there will be no occurrence of unlawful break-ins or misuse with rapid technological advancement, which may affect its businesses to a certain extent.

8 The International Accounting Standards Board has from time to time issued new and revised International Financial Reporting Standards ("IFRS"). As accounting standards continue to develop, the International Accounting Standards Board may in the future issue more new and revised IFRS and the Group may be required to adopt new accounting policies which might or could have a significant impact on the Group's businesses, financial condition, results of operations or growth prospects.

9 To balance and minimise risks associated with cyclical nature of property development or generally, the Group is committed to enhancing its business portfolio and initialising its innovative strategies, but no assurance that all stakeholders would favour the Group's strategies and new ventures that may be made by the Group.

10 Image of the Group may be affected by possible oppositions or protests during property development, delayed handover of residential units and quality issues.

11 The Group observes a number of other environmental, social and governance ("ESG") related risks which could have a material impact on the Group's ability to achieve its objectives and goals, including:

- Quality issues in products and services, as well as business and financial failures of key suppliers, contractors and customers
- Environmental and waste management issues, pollution, climate change impacts and disruptions to the Group's assets and operations
- Bribery, corruption, fraud, extortion and money laundering
- Significant leakage of sensitive and confidential information
- Health and safety (such as safety incidents of both employees and supply chain partners)

D MAJOR RISK FACTOR ON SUBSIDIARIES

New World China Land Limited ("NWCL")

1 NWCL's property development business is highly susceptible to the prevailing condition and performance of Mainland China property market which is heavily regulated by the Central and Local Governments. In response to the domestic and international market volatility, the Central Government will, from time to time adjust its monetary and economic policies to monitoring the rate of growth of Chinese economy and economies of local areas within Mainland China. Such policies and regulations would have significant impact on Mainland China property market where NWCL operates.

2 Economic conditions in Mainland China are sensitive to global economic conditions, and it is impossible to predict how Chinese economy will develop in the future and whether it might slow down due to the global crisis or experience a financial crisis in a manner and scale similar to that in the United States and the European countries. As the real estate industry is sensitive to macroeconomic trends, real estate prices tend to fluctuate along with the change of macroeconomic conditions. Furthermore, the recent breakout of U.S.-China trade war would inevitably slow down the economic growth of Mainland China. There are still many uncertainties and the magnitude of impact is unpredictable. The escalation of trade war may further increase the volatility of real estate prices.

3 These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, the Mainland China market and consumption capacity in this market, which may lead to a decline in the general demand for NWCL's products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets and in Mainland China may negatively affect the liquidity of NWCL. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, the business, financial condition and results of operations of NWCL may be adversely affected.

4 NWCL's property development operations face competition from both international and local property developers with respect to factors such as location, facilities and supporting infrastructure, services and pricing. NWCL competes with both local and international companies in capturing new business opportunities in Mainland China. In addition, some local companies have extensive local knowledge and business relationships and/or a longer operational track record in the relevant local markets than NWCL while international companies are able to capitalise on their overseas experience to compete in Mainland China market. Intensified competition between property developers may result in increased costs for land acquisition and an oversupply of properties, both of which may adversely affect NWCL's business and financial conditions.

5 Property development companies in Mainland China, including Mainland China subsidiaries of NWCL, are subject to extensive governmental regulation in most aspects of their operations, including those relating to the acquisition of land use rights, resettlement and clearance of land, the approval of property development proposals and pre-sales. There can be no assurance that these regulations will not change in the future in a manner which could adversely affect NWCL's business or results of operations. In addition, the Central Government is presently strengthening its regulation and control of the development of properties. While enforcement of these and other regulations are beneficial to the entire property development industry, it is possible that certain individual regulations could adversely affect property development companies, including NWCL. As regulations continue to develop, prevailing industry practices may not comply with such regulations.

6 The Central Government has in the past imposed restrictions on foreign investments in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. Such restriction may affect NWCL's ability to make further investments in NWCL's subsidiaries in Mainland China and as a result may limit its business growth and have a material adverse effect on its business, financial condition and results of operations.

7 The fiscal and other measures adopted by the Central Government from time to time may limit NWCL's flexibility and ability to use bank loans to finance its property developments and therefore may require NWCL to maintain a relatively high level of internally-sourced cash. In recent years, the Central Government has tightened the requirements in relation to grant of state-owned land use rights by way of tender, auction and listing for sale and raised the minimum down payment of land premium several times up to 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after a land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of the signing of the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. Such change of policy may constrain NWCL's cash otherwise available for additional land acquisitions and construction works.

D MAJOR RISK FACTOR ON SUBSIDIARIES (CONTINUED)

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

8 Under Mainland China tax laws and regulations, NWCL's properties developed for sale are subject to LAT, which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws, with certain exemptions available for the sale of eligible ordinary residential properties if the appreciation does not exceed 20% of the total amount of deductible items as defined in the relevant tax laws. NWCL shall prepay LAT as required by Mainland China local tax authorities if the income is derived from the transfer of properties before the settlement of LAT upon completion of the development project, or the conditions on the settlement of LAT for the development project are not fulfilled.

9 Effective from 1 May 2016, the Central Government rolled out the pilot program for the nationwide replacement of the business tax with the value-added tax ("VAT") (the "Replacement"), covering the sectors of construction, real estate, financial services and consumer services. 11% VAT rate is applied to the leasing services of real estate, sales of real estate and transfer of land use rights. Pursuant to the relevant provisions of VAT, the applicable VAT rate for eligible taxpayers shall be 5%. Upon the Replacement, the cash flow, expenses and income of NWCL may be affected.

10 A significant portion of NWCL's operation is in Mainland China and majority of NWCL's income and expenditures are transacted in RMB. RMB is not freely convertible. The Central Government regulates the conversion between RMB and foreign currencies, and there is significant restriction on the remittance of RMB into and outside Mainland China. The value of RMB is subject to changes in the Central Government policies and to international economic and political developments. Therefore there is no assurance that the exchange rate of RMB will remain stable against foreign currencies in the market and fluctuations in exchange rates may adversely affect the value, translated into Hong Kong dollar, of NWCL's net assets, earnings and any declared dividends.

11 In recent years, the Central Government has promulgated administrative measures to gradually liberalise the control over cross-border remittance of RMB where payment of current account items, including profit distributions, interest payments and expenditure from trade may be made in foreign currencies without prior approval, but subject to certain procedural requirements. However strict foreign exchange controls continue to implement in respect of capital account transactions including repayment of loan principal and return on direct capital investments and investments in negotiable securities. Such exchange controls may impact the distribution plans of NWCL's subsidiaries in Mainland China to the Group.

12 NWCL's property development business requires substantial capital investment. NWCL will require additional financing to fund working capital and capital expenditure, to support the future growth of its business and/or to refinance existing debts obligations. NWCL's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in NWCL, success of its businesses, provisions of tax and securities laws that may be applicable to NWCL's efforts to raise capital and political and economic conditions in Mainland China. In addition, a substantial portion of NWCL's borrowings are linked to benchmark lending rates published by the People Bank of China. The People Bank of China has adjusted the benchmark one-year lending rate a number of times in the past in response to the changing Mainland China and global financial and economic conditions. As such, NWCL is exposed to foreign currency exchange risk, interest rate risk, credit risk and liquidity risk.

13 The rapid economic growth and infrastructure development in Mainland China in recent years have uplifted the costs of construction materials and wages of workers. In addition, in view of the improvement of general living standards in Mainland China and policies of the Central Government to increase the wages of workers from rural areas, NWCL expects that labour costs may continue to increase in the foreseeable future. Increasing cost of construction materials and labour are expected to raise contractors' fee quotes in our new property development projects. In addition, NWCL usually commences pre-sales of properties prior to their completion. In the event that the construction materials and labour costs surge subsequent to the pre-sales, such increases in costs may not be passed on to buyers of the properties. Escalating labour shortage and/or significant increase in costs of labour or construction materials without corresponding reduction of other costs to offset such increases or pass on such increases to the buyers or tenants of NWCL's properties may adversely and materially affect NWCL's businesses, financial condition, results of operations and growth prospects.

D MAJOR RISK FACTOR ON SUBSIDIARIES (CONTINUED)

New World Department Store China Limited ("NWDS")

1 According to information published by the National Bureau of Statistics of China, the gross domestic product of Mainland China grew 6.9% year-on-year to RMB82.7122 trillion in 2017; the expansion was 0.2 percentage points higher than that of 2016. As the first time since 2010 that registered expedited economic growth, the number indicates that the Chinese economy is somehow stabilizing. However, the situation of the domestic retail market has remained severe for a few reasons: the Mainland China retail market is relatively mature; the U.S.-China trade war has begun; and the retail environment of the society is at its low ebb at present.

2 As consumption upgrade in Mainland China continues in 2018, consumer demands will become even more sophisticated and fragmented. The generation born after the 1980s and the 1990s gradually becomes the main force behind consumption upgrade. Characterized by their pursuits for stylishness, personality and material enjoyment, this demographic tends to overspend. Their consumption demand is manifested in an emphasis on personality and a focus on experience. Alongside the additional growth in consumption on branded fashion, cosmetics, sports and entertainment products, the market will also maintain rapid growth in service consumption related to culture, entertainment and health. The spending structure on goods is shifting towards enjoyment. As such, the ever-sophisticating consumption market is on one hand creating challenges for business development, operation and innovation of retailers, and on the other, prompting retailers to invest more to meet the demand for customer experience. Through active strategy adjustment, the consumption trend of constant demand for novelty and emphases on experiences and digitization can be addressed.

At the same time, fragmented consumption is emerging in the consumption patterns of many young people. With the widespread of the mobile internet and the integration of online and offline consumption, fragmented consumption and refined markets are becoming more and more popular. The nature of fragmented consumption ambiance is to enable consumption anywhere, any time – from crafting the consumption ambiance, stimulating the desire to spend to closing with payment, the entire consumption cycle is now more seamless and convenient than ever. Fragmented consumption can be seen as yet another layer of the consumption market. This emerging business model can refine the market, which matches consumers' requirement in fragmented consumption. In future, this new type of consumption habit will become an important segment in the entertainment and recreation categories of the business sector, as well as that of the consumption market at large.

3 New supply for the overall retail property market in Mainland China is expected to further increase alongside more intensified homogenized competition. The total supply of retail properties in 17 major cities in Mainland China is expected to see the entrance of 7.9 million sq m of new projects in 2018. Amongst these new comers, some 900 shopping malls are expected to enter the market in 2018. According to the forecast of market research, the overall growth of shopping malls is demonstrating year-on-year expansion. First-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen, have maintained their advantageous positions. However, as the development of core commercial precincts reaches its full capacity, it is only an irresistible trend for shopping malls to descend to second- and third-tier cities.

Meanwhile, the momentum to expand has been prominent in the Mainland China retail industry in recent years, resulting in oversupply of retail space in certain commercial precincts. With the pressure of closures and openings running side by side, the overall vacancy rate of shopping malls in Beijing, Shanghai, Guangzhou and Shenzhen is trending up and the room for sustaining survival is becoming smaller. The gap in operation performance of shopping malls in core and non-core business districts is gradually widening. As observed from the vacancy rate of shopping malls in first- and second-tier cities, the total number of shopping malls are approaching their full take-up capacity and the speed of their development has far exceeded the actual spending levels. From this, vicious competition caused by oversupply, homogenization of shopping malls, and unfavorable competition in leasing offers are also curtailing the room for survival for the department store sector.

The influx of shopping malls in the market has overloaded the expansion capacity of brand owners, intensifying the competition amongst retailers and increasing the difficulty for business development. In addition, brand owners prefer shopping malls to traditional department stores. As such, brand introduction is becoming increasingly difficult for department stores.

4 As economy development in Mainland China enters a new era, there are now more restrictions on the resource environment, and the demographic dividend of China has vanished. The "high cost era" has stealthily arrived. Costs on land, raw materials, labour, talents, energy, environmental conservation, capital, logistics, intellectual property and transactions are all on the rise. With cost increase across the board, companies are left with eroded room for profit, which would in turn limit industrial growth and pose challenges to many industries and companies.

D MAJOR RISK FACTOR ON SUBSIDIARIES (CONTINUED)

New World Department Store China Limited ("NWDS") (continued)

5 Bringing more state-of-the-art technologies and substantial capital with them, online retailers are quickly eroding the turf of offline retail and attempting to identify new volume addition by setting up offline retail. They are also leveraging on the consumption data accumulated online and technology to empower physical retail. For example, Alibaba and Suning are not only holding shares of each other but also investing in physical businesses such as Intime and Bailian; after forming a strategic alliance, Tencent and JD.com are both investing in traditional brick-and-mortar retailers such as Wanda and Yonghui Superstores. E-commerce giants are actively seizing the offline retail market by integrating online and offline channels. These include the Hema Fresh Supermarket of Alibaba, Yonghui Super Species, as well as unmanned shelves and unmanned convenience stores such as Xingbianli and Bingobox, etc. As the new outlets of the retail industry, these new species are mushrooming and more varied shopping ambiances are created, bringing consumers more diversified consumption experiences. All these are gradually overthrowing traditional retail categories. Traditional department stores should respond to these changes and actively seek transformation to keep abreast of new consumption trends and customer demands.

6 The traditional retail sector is now transforming towards the smart and technology-oriented direction. In future, the retail sector must innovate in technology and reform to become smart shopping malls. Technological innovation will definitely become a main driving force for transformation in the advancement of the retail sector. There are two aspects in the innovative technologies of the retail industry. The first one is about convenient services, i.e. technology that can improve the customer's experience, such as mobile payment, smart parking, online ordering, smart fitting, etc. These technologies are integral to the industry and their lacking or lagging would affect the consumer's experience. The second type of technologies improves a company's operational efficiency and facilitates supply chain upgrade and refined management. Mobile office, digitization, big data AI and other technologies are examples of this type. Without these, companies can hardly adapt to the competition under the new circumstances.

NWS Holdings Limited ("NWSH")

1 **Global economy** – NWSH is exposed to the development of the global economy as well as the industries and geographical markets in which it operates. As a result, NWSH's financial condition and results of operations may be influenced by the general state of the global economy or the general state of a specific market or economy. Any significant decrease in the level of economic growth in the global or regional or a specific economy and any form of protectionism such as trade war could adversely affect NWSH's financial condition or results of operations.

2 **Currency fluctuations** – The results of NWSH are presented in Hong Kong dollar, but its various subsidiaries, associated companies and joint ventures may receive revenue and incur expenses in other currencies such as RMB, the major currency denominated in the infrastructure projects in Mainland China. Any currency fluctuations on translation of the accounts of these subsidiaries, associated companies and joint ventures and also on the repatriation of earnings, equity investments and loans may have an impact on NWSH's financial condition and results of operations.

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

4 **Impact on changes of government policies and legislation, concession, franchise and license terms** – NWSH operates and manages certain concession and franchise businesses such as roads, environmental projects, public transport and facilities management. There can be no assurance that these concessions, franchises and license agreements can be renewed or, if renewed, that the terms of such concessions, franchises and license agreements will not be less favourable than those currently obtained by NWSH. Also, any changes in government policies and legislations such as tax regulations and concession requirements, and the implementation of new schemes such as Municipal Solid Waste Charging Scheme may affect NWSH's financial condition and results of operations.

5 **Social and political unrest, terrorist attack, natural disasters and cyber security** – Social and political unrest, and terrorist attacks occurred in many places around the world in recent years. There is no assurance that there will not be social and political unrest, or terrorist attack in places where NWSH operates, and if these events take place, they may have a negative impact on NWSH's financial condition and results of operations. Natural disasters and extreme weather events caused by global climate change are not uncommon. The occurrence of these events may disrupt NWSH's business and adversely affect NWSH's financial condition and results of operations.

With the advent of information technology and its increased application, the frequency and intensity of cyber-attacks are on the rise. NWSH's critical information assets are exposed to risk of damage or unauthorized access in the digital world. Any system breakdown or breach in security may have adverse impact on the integrity, accuracy and confidentiality of NWSH's data and information.

D MAJOR RISK FACTOR ON SUBSIDIARIES (CONTINUED)

NWS Holdings Limited ("NWSH") (continued)

6 **Tariff and service fee determination** – Tariffs and fees charged by NWSH for its toll roads, environmental projects and rail container terminal network are set by the various government authorities. Factors that these government authorities take into account when considering rate changes may include construction costs, prospective recovery periods of investment, loan repayment terms, inflation rates, operating and maintenance costs, affordability and usage. Reductions in or cessation of tariffs and fees charged by NWSH's projects may adversely affect NWSH's operating results.

A Infrastructure Division

1 **Roads** – NWSH invests in and operates a wide range of roads and related projects in Mainland China. Revenue from NWSH's toll roads is principally dependent upon the number and types of vehicles using such roads and their applicable toll regimes. Traffic volume is directly and indirectly affected by a number of factors, such as the availability, quality, proximity and toll rate differentials of alternative roads, competition from new roads and other means of transport, fall-behind-schedule development in the peripheral areas such as the opening of connecting interchanges, fuel prices and suspension of operation due to material accidents. NWSH's operating results may also be affected by capital expenditure requirements for ongoing repair, maintenance, renewal and expansion of the toll roads.

2 **Environment** – NWSH engages in environmental business in Greater China by providing water and wastewater treatment, waste treatment, renewable resource recycling and utilisation, environmental remediation as well as related design, engineering and procurement services. These projects are subject to extensive and stringent environmental protection laws and regulations, violations of which may result in fines and penalties such as suspension of operation. NWSH's reputation may be damaged if it fails to meet public expectations for water safety and compliance with environmental legislations.

The operation of NWSH's power plants in Mainland China may be adversely affected by many factors, such as reduced demand in electricity, changes in fuel prices, supply and quality, downtimes caused by system upgrades and overhaul works and the impact of on-grid renewable energy.

3 **Logistics** – NWSH engages in the operation of a logistics centre, container terminal ports and a pivotal rail container terminal network. The operation of these logistics facilities in Mainland China and Hong Kong may be adversely affected by many factors, such as the breakdown of shore cranes and other machinery, inclement weather, the lack of adjoining land for expansion and the general downturn of the logistics sector. In addition, these facilities outsource various internal operations and trucking services to contractors. The failure or inefficient operations of such contractors, labour shortages and labour disputes could disrupt operation. The performance of the outsourced contractors is closely monitored to ensure their service quality. Cargo handling charges, service fees and rental incomes received by the logistics centre and facilities may be adversely affected by many factors, such as increase in warehouse supply, availability of alternative facilities, slowdown in the domestic and international trade and changes in government policies.

Similarly, container terminals' charges, tariffs and throughputs are affected by many competitive and trade factors including rate competitiveness, service levels, availability of competing terminals and trade trends. Container terminals tariffs are subject to government authorities' antitrust investigation which may cause tariff adjustments.

4 **Aviation** – NWSH's commercial aircraft leasing business has seen increasing competition in the sale and lease back market of commercial aircraft which has consequently reduced profit margins for leasing companies, leading to higher aircraft purchase values, and therefore higher exposure for leasing companies. The business model relies on the airline customers to honour their payments and other obligations under their existing or future leases. The business may be adversely affected by factors such as disruptions in the aviation industry, global economic downturn, fluctuation of financial market and oil prices, as well as geopolitical uncertainties. The aircraft asset value may be affected by various factors such as market demand fluctuations and changes in technology.

D MAJOR RISK FACTOR ON SUBSIDIARIES (CONTINUED)

B Services Division

1 **Facilities Management** – NWSH's facilities management of Hong Kong Convention and Exhibition Centre may be adversely affected by factors such as space constraints, fierce competition from other exhibition venues in Hong Kong, Shanghai, Shenzhen and other major Asian cities, continuous increase in operating costs, inadequate supply of skilled service staff and the changing needs for trade shows and exhibitions. NWSH continues to explore new exhibition themes and attract international exhibitions and conferences to Hong Kong during off peak seasons.

NWSH's duty free business may be adversely affected by changes in government policies relating to domestic and cross-border duties on liquor and tobacco. Revenue of NWSH's duty free business is dependent upon the volume and spending power of cross border tourists and travellers, any significant changes in travel policies may affect the footfall in the retail outlets and cause fluctuations in NWSH's revenue.

NWSH's healthcare business, especially the Gleneagles Hong Kong Hospital ("GHK"), is subject to extensive government regulations and media and public scrutiny. Any failure to comply with laws and regulations and safety/care requirements could adversely affect NWSH's business and results, and tarnish NWSH's corporate image. Additionally, doctors and other medical professionals, together with NWSH, could become the subject of claims, complaints and regulatory investigations arising from service failures or medical disputes.

2 **Construction & Transport** – NWSH's government projects are affected by government investment plans and its ability to secure funding approvals from the legislature. Its private sector projects may be adversely affected by the downturn and slowdown in any of the industries served by NWSH's construction business, leading to a decrease in potential construction projects as well as project delays or cancellations. The general economic environment such as mortgage and interest rates, inflations, demographic trends, rivalry among competitors and subcontractors, supply of skilled labour and material prices may also influence the performance and growth of NWSH's construction business. The recent concern of the public about the quality of certain infrastructure projects carried out by other contractors may cause negative impacts on the construction industry as a whole, possibly resulting in higher cost and slower progress. With the increasing concern over the number of fatal accidents and the accident rate of the construction industry, the Labour Department is actively reviewing the penalty levels of occupation safety and health legislation with a view to strengthening its deterrent effect, including studying whether it is appropriate to increase the maximum fines by pegging them to the financial means of those convicted.

NWSH's transport business could be affected by fluctuations in fuel costs, elasticity of fares, competition from other means of transport, labour shortages, strikes and collective actions of labour unions and serious traffic accidents. Given Hong Kong's heavy reliance on public transport, any fare increase proposals to offset rising overheads and costs would invariably attract strong public objections and negative publicity.

3 **Strategic Investments** – NWSH invests in the stock and capital markets through investments in shares, private equities and pre-IPO financing of companies in a variety of businesses and industries. These investments are affected by factors particular to the specific industries as well as external and global factors, including but not limited to the performance of global financial markets which are generally sensitive to economic conditions, investment sentiment and fluctuations in interest rates.

Corporate Governance Report

All along, the Company is committed to maintain a high standard of corporate governance practices to safeguard the interests of its shareholders and enhance the performance of the Group. From time to time, the board of Directors (the "Board") reviews and improves its corporate governance practices in order to ensure that the Group is under the leadership of an effective board so as to optimise return for its shareholders.

CORPORATE GOVERNANCE CODE

Throughout the year ended 30 June 2018, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, with the exception of code 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 on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules in respect of their dealings in the securities of the Company. Instead of following the Model Code strictly, the Board has established its own guidelines which are not on no less exacting terms than the Model Code. Such deviation from the CG Code is considered necessary, mainly because of the huge size of employees of the Group which is over 45,000 and the Group's diversified businesses. For these reasons, to follow the exact guidelines of the Model Code will cause immense administrative burden to the Company in processing written notifications from the relevant employees when they deal in the securities of the Company, which can be avoided under the Company's own guidelines.

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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for securities transactions by its Directors.

Specific enquiries have been made with all Directors who confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 June 2018.

BOARD OF DIRECTORS

Composition

With effect from 1 June 2018, Mr. Sitt Nam-Hoi and Mr. So Chung-Keung, Alfred were appointed as Executive Directors, Mr. Ip Yuk-Keung was appointed as an Independent Non-executive Director, Ms. Ki Man-Fung, Leonie was re-designated from Executive Director to Non-executive Director and was appointed as an adviser (the "Board Changes"). Currently, the Board comprises a total of 16 Directors, being seven Executive Directors, three Non-executive Directors and six Independent Non-executive Directors. The number of Independent Non-executive Directors represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules. The biographies of the Directors are set out from pages 52 to 60 of this annual report.

All Directors have entered into formal letters of appointment with the Company, each for a term of three years, subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles of Association").

Article 103(A) of the Articles of Association provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Also, pursuant to Article 94 of the Articles of Association, any Director appointed to fill a casual vacancy or as an addition to the Board is subject to re-election at the next following general meeting or next following annual general meeting of the Company respectively.

Independence of Independent Non-executive Directors

The Company has received annual confirmation of independence from all Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all Independent Non-executive Directors are independent in accordance with the Listing Rules.

BOARD OF DIRECTORS (CONTINUED)

Role of the Board

The Board oversees the management, businesses, strategic directions and financial performance of the Group. It is collectively responsible for the management and operation of the Company. The Board is the ultimate decision making body of the Company except for matters requiring the approval of the shareholders in accordance with the Articles of Association, the Listing Rules or other applicable laws and regulations.

Day-to-day businesses of the Company are delegated to the management team which works under the leadership and supervision of the Executive Vice-chairman & General Manager and the Executive Committee of the Board as discussed in sections below.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties of the Company including:

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

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

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

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

(e) to review the Company's compliance with Appendix 14 of the Listing Rules (Corporate Governance Code and Corporate Governance Report).

Board Meetings

Regular Board meetings are held at least four times a year with at least 14 days' notices and additional meetings with reasonable notices are held as and when the Board considers appropriate. The Company Secretary assists the Chairman in preparing agenda for each meeting. Draft agenda for each Board meeting is circulated to all Directors to enable them to include other matters into the agenda. Agenda accompanying board papers are sent to all Directors at least three days before each regular Board meeting. Board decisions are voted upon at the Board meetings. The Company Secretary records all matters considered by the Board, decisions reached and any concerns raised or dissenting views expressed by the Directors. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

Directors' Training

Each newly appointed Director is provided with the necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statues, laws, rules and regulations. From time to time, the Company Secretary also provides the Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements.

In addition, all Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

BOARD OF DIRECTORS (CONTINUED)

Directors' Training (continued)

All Directors are encouraged to participate in continuous professional development activities to develop and refresh their knowledge and skills. From time to time, the Company has arranged in-house trainings for the Directors in the form of seminars and reading materials. A summary of training received by the Directors for the year ended 30 June 2018 according to the records provided by the Directors is as follows:

	Type of Continuous Professional Development	
Name of Directors	**Training on corporate governance, regulatory development and other relevant topics**	**Attending corporate events or visits**
Executive Directors		
Dr. Cheng Kar-Shun, Henry	✓	–
Dr. Cheng Chi-Kong, Adrian	✓	✓
Mr. Cheng Chi-Heng	✓	–
Ms. Cheng Chi-Man, Sonia	✓	–
Mr. Au Tak-Cheong	✓	✓
Mr. Sitt Nam-Hoi*	✓	✓
Mr. So Chung-Keung, Alfred*	✓	✓
Non-executive Directors		
Mr. Doo Wai-Hoi, William	✓	–
Mr. Cheng Kar-Shing, Peter	✓	–
Ms. Ki Man-Fung, Leonie#	✓	✓
Independent Non-executive Directors		
Mr. Yeung Ping-Leung, Howard	✓	–
Mr. Cha Mou-Sing, Payson	✓	–
Mr. Cha Mou-Zing, Victor *(Alternate Director to Mr. Cha Mou-Sing, Payson)*	✓	–
Mr. Ho Hau-Hay, Hamilton	✓	–
Mr. Lee Luen-Wai, John	✓	✓
Mr. Liang Cheung-Biu, Thomas	✓	✓
Mr. Ip Yuk-Keung*	✓	–

* appointed as Director on 1 June 2018

\# re-designated from Executive Director to Non-executive Director on 1 June 2018

CHAIRMAN, EXECUTIVE VICE-CHAIRMAN & GENERAL MANAGER AND OTHER EXECUTIVE DIRECTORS

Dr. Cheng Kar-Shun, Henry, the Chairman, has led the Board and ensured that the Board works effectively and that all important issues are discussed in a timely manner. Dr. Cheng Chi-Kong, Adrian, the Executive Vice-chairman & General Manager oversees the Company's day-to-day businesses and the implementation of major strategies and policies of the Company. Each of the other Executive Directors takes up different responsibilities according to their own expertise. The responsibilities of the Chairman, the Executive Vice-chairman & General Manager and the other Executive Directors are clearly set out in their respective letters of appointment. The positions of the Chairman and the Executive Vice-chairman & General Manager are held by separate individuals so as to maintain an effective segregation of duties.

NON-EXECUTIVE DIRECTORS

Non-executive Directors (including the Independent Non-executive Directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Company. They have the same duties of care and skill and fiduciary duties as the Executive Directors. Each Non-executive Director has entered into a letter of appointment with the Company for a fixed term of three years, subject to retirement by rotation in accordance with the Articles of Association.

BOARD COMMITTEES

The Board currently has four committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. All the Board committees are empowered by the Board under their own terms of reference which have been posted on HKEx's website and/or the Company's website.

Executive Committee
Members:

Executive Directors	Dr. Cheng Kar-Shun, Henry *(Chairman)* Dr. Cheng Chi-Kong, Adrian Mr. Cheng Chi-Heng Ms. Cheng Chi-Man, Sonia Mr. Au Tak-Cheong Mr. Sitt Nam-Hoi* Mr. So Chung-Keung, Alfred*

* appointed as Director on 1 June 2018

The Board has delegated to the Executive Committee comprising all Executive Directors with authority and responsibility for handling the management functions and day-to-day operations of the Company, while reserving certain key matters such as the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee shall monitor the execution of the Company's strategic plans and the operations of all business units of the Company, and manage and develop generally the businesses of the Company. The Executive Committee meets regularly as and when necessary.

Audit Committee
Members:

Independent Non-executive Directors	Mr. Lee Luen-Wai, John *(Chairman)* Mr. Cha Mou-Sing, Payson Mr. Yeung Ping-Leung, Howard Mr. Ho Hau-Hay, Hamilton Mr. Liang Cheung-Biu, Thomas Mr. Ip Yuk-Keung*

* became member on 1 June 2018

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process and risk management (including but not limited to business, operation as well as environmental, social and governance related risks) and internal control systems. The Audit Committee is empowered to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. It also reviews the internal audit programme and ensures the internal audit function is adequately resourced and effective.

BOARD COMMITTEES (CONTINUED)

Audit Committee (continued)
During the year, the Audit Committee met twice and reviewed the audited financial statements of the Company for the year ended 30 June 2017 and the unaudited interim financial statements of the Company for the six months ended 31 December 2017 with recommendations to the Board for approval, reviewed reports on risk management and internal control systems of the Group, and discussed with the management and the external auditors of the accounting policies and practices which may affect the Group and the financial reporting matters. Furthermore, the Audit Committee reviewed the framework and policy of risk management, the system of internal control and the financial statements for the year ended 30 June 2018 of the Company with recommendation to the Board for approval.

Remuneration Committee
Members:

Independent Non-executive Directors	Mr. Ho Hau-Hay, Hamilton *(Chairman)* Mr. Yeung Ping-Leung, Howard Mr. Cha Mou-Sing, Payson Mr. Lee Luen-Wai, John
Executive Director	Dr. Cheng Kar-Shun, Henry

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure on the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for the Company for approval by the Board. It shall also make recommendations to the Board on the remuneration packages of individual Executive Director and senior management.

During the year, the Remuneration Committee met once and reviewed the remuneration policy of the Company, including that for the Directors and senior management of the Company. The remuneration for the Executive Directors comprises basic salary, pensions and discretionary bonus. Share options have been granted to all Directors and senior management to subscribe for shares in the Company under the Company's share option scheme. In addition, a Director has been granted options under share option scheme of a listed subsidiary of the Group to subscribe for shares in that listed subsidiary. Details of the remuneration paid to the Directors and members of senior management for the financial year ended 30 June 2018 are disclosed in the notes to the financial statements.

Nomination Committee
Members:

Executive Director	Dr. Cheng Kar-Shun, Henry *(Chairman)*
Independent Non-executive Directors	Mr. Lee Luen-Wai, John Mr. Liang Cheung-Biu, Thomas Mr. Ip Yuk-Keung*

* became member on 1 June 2018

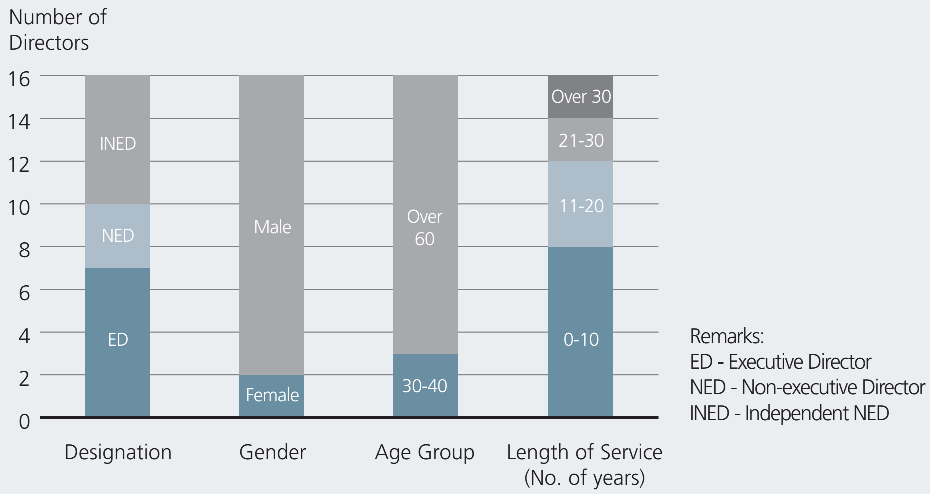
The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. During the year, the Nomination Committee met once and reviewed the structure, size and composition of the Board and considered that the Board consists of a diverse mix of members appropriate to the requirements of the businesses of the Company. The Nomination Committee also recommended to the Board on the Board Changes.

The Board adopted a Board Diversity Policy (the "Policy") in August 2013 which sets out the approach by the Company to achieve diversity on the Board. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining its competitive advantage and supporting its sustainable development. In determining an optimum composition of the Board, the Company will consider all aspects of diversity and will also take into account factors based on its own business model and specific needs from time to time. Board members' appointment will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, skills, regional and industry experience and expertise, cultural and educational background, and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

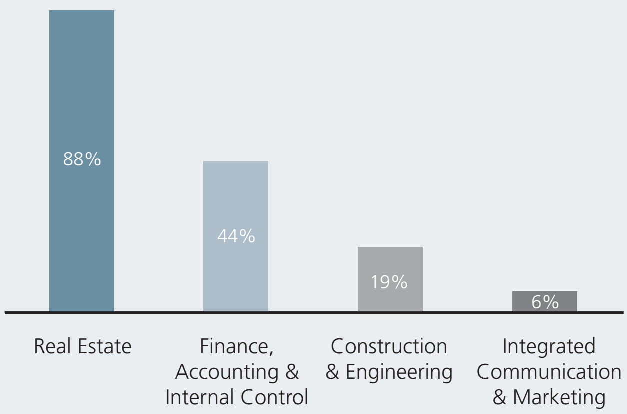
BOARD COMMITTEES (CONTINUED)

Nomination Committee (continued)
The Board consists of 16 members coming from diverse professional backgrounds, of which more than one-third are Independent Non-executive Directors. The Board considers the Board composition during the year and as at the date of this report has provided a good balance of skills and experience appropriate to its business needs, and will continue to review its composition from time to time taking into account of the Group's business development requirements. The diversity mix of the Board is summarised in the following charts:

Diversity Mix



Areas of Experience



ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
	Number of Meetings Attended/ Eligible to attend for the year ended 30 June 2018				
Executive Directors					
Dr. Cheng Kar-Shun, Henry	**4/4**	–	**1/1**	**1/1**	**0/1**
Dr. Cheng Chi-Kong, Adrian	**4/4**	–	–	–	**1/1**
Mr. Cheng Chi-Heng	**3/4**	–	–	–	**1/1**
Ms. Cheng Chi-Man, Sonia	**4/4**	–	–	–	**1/1**
Mr. Au Tak-Cheong	**3/4**	–	–	–	**1/1**
Mr. Sitt Nam-Hoi*	**0/0**	–	–	–	**0/0**
Mr. So Chung-Keung, Alfred*	**0/0**	–	–	–	**0/0**
Non-executive Directors					
Mr. Doo Wai-Hoi, William	**4/4**	–	–	–	**1/1**
Mr. Cheng Kar-Shing, Peter	**4/4**	–	–	–	**1/1**
Ms. Ki Man-Fung, Leonie**	**4/4**	–	–	–	**1/1**
Independent Non-executive Directors					
Mr. Yeung Ping-Leung, Howard	**4/4**	**2/2**	**0/1**	–	**1/1**
Mr. Cha Mou-Sing, Payson	**4/4**	**1/2**	**1/1**	–	**0/1**
Mr. Ho Hau-Hay, Hamilton	**4/4**	**2/2**	**1/1**	–	**1/1**
Mr. Lee Luen-Wai, John	**4/4**	**2/2**	**1/1**	**1/1**	**1/1**
Mr. Liang Cheung-Biu, Thomas	**4/4**	**2/2**	–	**1/1**	**1/1**
Mr. Ip Yuk-Keung#	**0/0**	**0/0**	–	**0/0**	**0/0**

* appointed as Director on 1 June 2018
** re-designated from Executive Director to Non-executive Director on 1 June 2018
# appointed as Director and became member of Audit Committee and Nomination Committee on 1 June 2018

AUDITORS' REMUNERATION

During the year ended 30 June 2018, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Type of services	**Fee paid/payable for the year ended 30 June**	
	2018 HK$m	2017 HK$m
Audit services	**64.1**	59.2
Non-audit services	**8.8**	8.6
Total	**72.9**	67.8

Non-audit services include merger and acquisition related due diligence, taxation and services on system enhancement.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board, supported by the finance and accounts department, is responsible for the preparation of the financial statements of the Company and the Group. The Board has prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation. The Directors have not been aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company and the Group regarding its reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible to oversee the Company's risk management and internal control systems on an ongoing basis. Risk Management Committee has been set up under the Audit Committee and a risk management policy has been adopted since 2016. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The procedures are designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Risk Management Committee has assisted the Audit Committee in deciding the Group's risk level and risk appetite, considering the Group's risk management strategies and giving guidelines where appropriate, and ensuring the soundness and effectiveness of the Group's risk management and internal control systems. It covers all the material controls, including environmental, social and governance related risks, financial, operational and compliance controls.

An internal audit department has been established to conduct internal audit of the Company and its subsidiaries, joint ventures and associated companies. The internal audit department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that all key risks (including but not limited to business, operation as well as environmental, social and governance related risks) are identified and managed, and to ensure that the risk management and internal control measures are carried out appropriately and functioning as intended. Major audit findings and recommendations are reported to the Audit Committee, which in turn reports to the Board. The implementation of the agreed actions in response to the identified audit issues are tracked and followed up regularly, and the status is reported to the Audit Committee.

The Audit Committee receives the report from the internal audit department and takes such report into consideration when it makes recommendation to the Board for approval of the half-yearly or annual results of the Group.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. The biography of the Company Secretary is set out on page 61 of this annual report.

CONSTITUTIONAL DOCUMENTS

No change has been made to the Company's Articles of Association during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group will issue a standalone Sustainability Report ("SR") in December 2018 on the Company's website (http://www.nwd.com.hk/sustainability/en/publication.html) and the Stock Exchange's website. The SR will be prepared in accordance with the Core option of the Global Reporting Initiative ("GRI") Sustainability Reporting Standards, as well as the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange, which will provide an overview of the Group's efforts and performance in pursuing corporate sustainability. Please refer to the "Corporate Sustainability" section in this annual report for a summary of the SR.

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting ("EGM") and Putting Forward Proposals at Shareholders' Meetings
Shareholders representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can deposit a written request to convene an EGM at the registered office of the Company for the attention of the Company Secretary. Such requisition, signed by the shareholders concerned, must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM on a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months after the date on which the Directors become subject to the requirement to call a meeting.

To put forward proposals at the shareholders' meeting, a request in writing must be made by:

(i) shareholders representing at least 2.5% of the total voting rights of all shareholders of the Company having the right to vote at the shareholders' meeting; or

(ii) at least 50 shareholders of the Company having the right to vote at the meeting,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution at annual general meeting, and not less than seven days before the meeting in the case of requiring circulation of statement. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement.

If a shareholder of the Company intends to propose a person other than a Director of the Company for election as a Director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a written notice by that person of his/her willingness to be elected as a Director together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later than seven days prior to the date of such general meeting.

Detailed procedures can be found in the following documents which are available on the Company's website:

- "Procedures for Shareholders to convene Extraordinary General Meetings and putting forward proposals at General Meetings"; and

- "Procedures for Shareholders to propose a person for election as a Director".

Enquiries to the Board
Enquiries may be put to the Board through the Company's Investor Relations Department at 30/F., New World Tower, 18 Queen's Road Central, Hong Kong (email: ir@nwd.com.hk).

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman, other members of the Board and the external auditor attend the annual general meeting to meet the shareholders. The Directors will answer questions raised by the shareholders on the performance of the Group. The Company holds press and analysts conferences at least twice a year following the release of interim and full year results announcements at which the Executive Directors and senior management of the Company are available to answer questions regarding the performance of the Group. Our corporate website which contains corporate information, interim and annual reports, announcements and circulars issued by the Group as well as the recent developments of the Group enables the Company's shareholders to have timely and updated information of the Group. Shareholders can refer to the "Shareholders' Communication Policy" posted on the Company's website for more details.

EMPHASISE INVESTOR RELATIONS

To ensure that the investors have a comprehensive and thorough understanding of the Group with the establishment of timely and effective two-way communications, the management and investor relations team of the Group participates in different international conferences and arranges local and overseas roadshows on a regular basis to elaborate the Group's business development and market movement to investors in different locations. We also show our key projects in both Mainland China and Hong Kong to the investor communities via various kinds of site visits and reverse roadshows. The "Investor Relations" section is set out on pages 62 and 63 of this annual report.

Principal Projects Summary

PROJECT SUMMARY — HOTEL

No.	Name of Hotels	Total Number of Rooms As at 30 June 2018
	Hong Kong	
1	Renaissance Harbour View Hotel	861
2	Grand Hyatt Hong Kong	542
3	Hyatt Regency Hong Kong, Sha Tin	562
4	Hyatt Regency Hong Kong, Tsim Sha Tsui	381
5	Novotel Citygate Hong Kong	440
6	pentahotel Hong Kong, Kowloon	695
	Subtotal	**3,481**
	Mainland China	
7	pentahotel Beijing	307
8	New World Shunde Hotel	370
9	New World Wuhan Hotel	327
10	New World Beijing Hotel	309
11	Rosewood Beijing	283
	Subtotal	**1,596**
	Southeast Asia	
12	New World Makati Hotel, The Philippines	584
13	New World Saigon Hotel, Vietnam	533
14	Renaissance Riverside Hotel Saigon, Vietnam	336
15	Rosewood Phuket, Thailand	71
	Subtotal	**1,524**
	Grand total	**6,601**
	To be opened in FY2019	
16	Rosewood Hong Kong	599

Remark: The Group disposed pentahotel Shanghai and New World Shanghai Hotel in March 2018

PROJECT SUMMARY – MAJOR PROPERTY DEVELOPMENT PROJECTS IN HONG KONG

No.	Name of Property Development Projects	Site Area (sq ft)	Total GFA (sq ft)	The Group's Interest
	Central and Western District			
1	23 Babington Path, Mid-levels	13,294	66,470	10.00%
2	ARTISAN HOUSE, 1 Sai Yuen Lane, Western District	7,812	90,913	100.00%
3	4A-4P Seymour Road, Mid-levels	52,466	472,186	35.00%
	Eastern District			
4	FLEUR PAVILIA, 1 Kai Yuen Street, North Point	72,000	573,301	40.00%
	Yau Tsim Mong District			
5	74 Waterloo Road, Ho Man Tin	11,256	94,972	51.00%
	Kowloon City District and Kwun Tong District			
6	Kowloon City Road / Sheung Heung Road, Ma Tau Kok (2)	14,897	111,730	100.00%
7	Yau Tong Redevelopment Project, Kowloon East	810,454	3,992,604	10.88%
8	43-45 Tsun Yip Street, Kwun Tong	9,169	100,840	100.00%
9	46 Tsun Yip Street, Kwun Tong	5,530	60,830	100.00%
	Sham Shui Po District			
10	New Kowloon Inland Lot No. 6582, Cheung Shun Street, Cheung Sha Wan (3)	44,897	524,766	100.00%
11	New Kowloon Inland Lot No. 6572, Wing Hong Street, Cheung Sha Wan	30,925	363,094	100.00%
	Sha Tin District and Sai Kung District			
12	Tai Wai Station Property Development, STTL No. 520, Sha Tin (2)	521,107	2,050,327	100.00%
13	DD221, Sha Ha, Sai Kung	618,220	927,330	76.00%
	Tsuen Wan District			
14	THE PAVILIA BAY, West Rail Tsuen Wan West Station (TW6), TWTL No. 402, Tsuen Wan (2)	148,586	675,021	80.00%
	Yuen Long District and Tuen Mun District			
15	PARK HILLCREST, Lot No.2131 in DD121, Tong Yan San Tsuen (Phase 1 - Site A), Yuen Long	78,502	78,502	100.00%
16	THE PARKVILLE, No.76-92 Tuen Mun Heung Sze Wui Road, Tuen Mun	8,000	84,046	100.00%
17	Park Reach, YLTL 527, Tai Tong Road, Yuen Long	6,131	21,453	20.97%
18	YLTL 524, Tai Tong Road, Yuen Long	48,933	171,265	20.97%
19	Lung Tin Tsuen (Phase 3), Yuen Long	24,230	121,148	100.00%
20	Lung Tin Tsuen (Phase 2), Yuen Long	88,157	440,785	100.00%
21	Tong Yan San Tsuen (Phase 3), Yuen Long	88,658	88,658	100.00%
22	Tong Yan San Tsuen (Phase 4), Yuen Long	193,591	193,591	100.00%
23	Sha Po North, Yuen Long	TBC	373,240	34.81%
24	DD110, Kam Tin, Yuen Long	170,577	68,231	100.00%
	Grand Total		**11,745,303**	

Remarks:
(1) P=Planning; D=Demolition; SP=Site Preparation; F=Site Formation / Foundation; S=Superstructure; C=Completed (OP Issued); LE=Land Exchange; NA=Not Applicable; TBC=To be confirmed
(2) Property in which the Group is entitled to a share of development profits in accordance with the terms and conditions of the respective development agreements
(3) Others include public carpark, but exclude government accommodations (i.e., children care centre and elderly care centre)

Residential (sq ft)	Retail (sq ft)	Office (sq ft)	Industrial (sq ft)	Others (sq ft)	Total Attributable GFA (sq ft)	Stage of Completion[1]
6,647					6,647	C
82,934	7,979				90,913	C
165,265					165,265	F
229,320					229,320	S
43,051	5,385				48,436	F
111,730					111,730	S
423,683	10,793				434,476	LE
			100,840		100,840	S
			60,830		60,830	F
	152	488,256		36,358	524,766	F
	5,234	357,860			363,094	SP
2,050,327					2,050,327	S
704,770					704,770	P
540,017					540,017	C
78,502					78,502	S
70,106	13,940				84,046	C
4,014	485				4,499	S
35,914					35,914	S
121,148					121,148	F
440,785					440,785	LE
88,658					88,658	LE
193,591					193,591	NA
129,925					129,925	NA
68,231					68,231	LE
5,588,618	**43,968**	**846,116**	**161,670**	**36,358**	**6,676,730**	

PROJECT SUMMARY – MAJOR PROPERTY INVESTMENT AND OTHER PROJECTS IN HONG KONG

No.	Name of Property Investment and Other Projects	Total GFA (sq ft)	Total Attributable GFA (sq ft)
	Completed		
	Hong Kong Island		
1	Manning House, Central	110,040	110,040
2	New World Tower, Central	640,135	640,135
3	Shun Tak Centre, Shopping Arcade, Sheung Wan	214,336	96,451
4	Hong Kong Convention and Exhibition Centre, Shopping Arcade, Wan Chai	87,999	87,999
5	Grand Hyatt Hong Kong	524,928	262,464
6	Renaissance Harbour View Hotel	544,518	272,259
7	Pearl City, Causeway Bay - Ground Floor to 4th Floor	53,691	21,476
	Pearl City, Causeway Bay - Ground Floor to Basement	24,682	24,682
8	EIGHT KWAI FONG, Happy Valley	65,150	57,965
9	Methodist House, Wan Chai [(1)]	40,813	40,405
	Kowloon		
10	K11 ATELIER of Victoria Dockside, Tsim Sha Tsui	435,145	435,145
	Rosewood Hotel & Rosewood Residences of Victoria Dockside, Tsim Sha Tsui	1,105,644	1,105,644
11	Telford Plaza, Kowloon Bay [(1)]	335,960	335,960
12	K11, Tsim Sha Tsui [(1)]	335,939	334,259
	Hyatt Regency Hong Kong, Tsim Sha Tsui	277,877	138,939
13	pentahotel Hong Kong, Kowloon	285,601	285,601
14	KOHO, Kwun Tong	204,514	204,514
15	THE FOREST, Mong Kok [(1)]	53,337	26,669
	New Territories		
16	ATL Logistic Centre, Kwai Chung	9,329,000	3,190,518
17	D•PARK, Tsuen Wan	466,400	466,400
18	PopCorn II, Tseung Kwan O [(1)]	125,730	88,011
19	Hyatt Regency Hong Kong, Sha Tin [(1)]	538,000	538,000
20	Citygate, Tung Chung [(4)]	659,003	131,801
	Novotel Citygate Hong Kong	236,758	47,352
21	PARK SIGNATURE, Yuen Long	24,155	24,155
	Grand Total	**16,719,355**	**8,966,844**
	To be completed/ Under development/ Alteration and additional work [(5)]		
22	Remaining portion of Victoria Dockside, Tsim Sha Tsui [(6)]	1,536,076	1,536,076
23	TCTL 11, Tung Chung	474,617	94,923
24	704-730 King's Road, North Point	487,500	487,500
25	9 Luk Hop Street, San Po Kong	65,787	65,787
26	21 Luk Hop Street, San Po Kong	100,800	100,800
27	New Kowloon Inland Lot No. 6505, King Lam Street, Cheung Sha Wan	998,210	998,210
28	SKYCITY Project [(1)]	3,767,389	3,767,389

Remarks:

(1) Properties in which the Group has development interests: other parties provide the land whilst the Group finances the construction costs and occasionally land costs, and is entitled to a share of the rental income or a share of the development profits in accordance with the terms and conditions of the respective joint development agreements after completion

(2) Meeting rooms

(3) Logistics centre

(4) Including Tung Chung Crescent

(5) GFA breakdown by usage of the project to be completed/ under development/ alteration and additional work is to be determined

(6) Including 12 Salisbury Road

Retail (sq ft)	Office (sq ft)	Hotel (sq ft)	Residential (sq ft)	Others (sq ft)	Total Number of Carpark	Land Lease Expiry
63,383	46,657					2843
77,948	562,187				385	2863
96,451					85	2055
69,173				18,826[2]	1,070	2060
		262,464				2060
		272,259				2060
21,476						2868
24,682						2868
			57,965			2079
	40,405					2084
	435,145					2052
		1,105,644				2052
335,960					136	2047
334,259					240	2057
		138,939				2057
		285,601				2057
1,567	202,947				28	2047
26,669					7	2062
				3,190,518[3]		2047
466,400					1,000	2047
88,011					50	2047
		538,000			100	2047
99,697	32,104				1,231	2047
		47,352			7	2047
24,155						2058
1,729,831	**1,319,445**	**2,650,259**	**57,965**	**3,209,344**	**4,339**	
						2052
						2063
						2083/2088/2090
						2047
						2047
						2067
						2066

PROJECT SUMMARY — DEVELOPMENT PROPERTY PROJECTS IN MAINLAND CHINA*

A. Major Projects

No.	Region	Name of Property Development Projects	Accounting Classification	The Group's Interest	Total GFA (excl. carpark and others) (sq m)
		Major Projects			
1	Guangzhou	Guangzhou Covent Garden Remaining Phases	Subsidiary	100%	347,384
2	Guangzhou	Guangzhou Park Paradise Phase 3B	Subsidiary	100%	63,494
	Guangzhou	Guangzhou Park Paradise Phase 5A	Subsidiary	100%	206,481
	Guangzhou	Guangzhou Park Paradise Phase 5B	Subsidiary	100%	42,369
	Guangzhou	Guangzhou Park Paradise Remaining Phases	Subsidiary	100%	112,372
3	Guangzhou	Guangzhou Dong Yi Garden Phase 5	Subsidiary	100%	23,015
4	Guangzhou	Guangzhou Zengcheng Comprehensive Development Project	Subsidiary	100%	266,722
5	Foshan	Canton First Estate CF-20 Phase 2	Subsidiary	85%	34,683
	Foshan	Canton First Estate CF-29	Subsidiary	85%	
	Foshan	Canton First Estate CF-27A	Subsidiary	85%	
	Foshan	Canton First Estate CF-27B	Subsidiary	85%	30,212
	Foshan	Canton First Estate CF-30	Subsidiary	85%	21,274
	Foshan	Canton First Estate CF-31	Subsidiary	85%	44,076
	Foshan	Canton First Estate Remaining Phases	Subsidiary	85%	791,842
6	Shenzhen	Shenzhen Qianhai Project	Associated company	30%	176,300
7	Shenzhen	Shenzhen Prince Bay Project DY04-01	Subsidiary	51%	122,749
	Shenzhen	Shenzhen Prince Bay Project DY04-04	Subsidiary	51%	96,307
8	Shenzhen	Shenzhen Prince Bay Project DY02-02	Associated company	49%	79,840
	Shenzhen	Shenzhen Prince Bay Project DY02-04	Associated company	49%	79,840
9	Wuhan	Wuhan New World Centre Phase 3	Subsidiary	100%	91,728
10	Wuhan	Wuhan New World • Times Phase 1	Subsidiary	100%	39,631
	Wuhan	Wuhan New World • Times Phase 2	Subsidiary	100%	296,187

Remark:
(1) TBC= To be confirmed
* Certain property development projects will be classified as investment properties upon completion.

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)	Development status	Expected completion date[1]
317,727	29,657			52,519	Planning completed	Jun-2022
			63,494	17,304	Under development	Dec-2019
128,298	78,183			118,720	Under development	Sept-2018
42,369				10,860	Planning completed	Apr-2021
87,339	25,033			15,518	Under planning	TBC
23,015				14,211	Under development	Oct-2018
93,274	12,005	134,804	26,639	122,005	Under planning	TBC
34,683				1,682	Under development	Jul-2018
				39,276	Under development	Sept-2018
				12,492	Under development	Sept-2018
30,212				487	Under development	Jun-2020
21,274				526	Under development	Jun-2020
44,076					Under development	Jun-2020
706,951			84,891	252,100	Under planning	TBC
	27,940	148,360		3,800	Under development	Dec-2021
	98,000	24,749		2,751	Planning completed	Dec-2020
	96,307			193	Planning completed	Dec-2020
	25,000	54,840		160	Under development	Nov-2020
55,000	24,840			160	Under development	Feb-2021
	32,294	59,434		49,241	Under development	May-2019
39,631				73,946	Under development	Dec-2019
	31,950	264,237		114,200	Under planning	Jun-2023

PROJECT SUMMARY — DEVELOPMENT PROPERTY PROJECTS IN MAINLAND CHINA* (CONTINUED)

A. Major Projects (continued)

No.	Region	Name of Property Development Projects	Accounting Classification	The Group's Interest	Total GFA (excl. carpark and others) (sq m)
		Major Projects			
11	Ningbo	Ningbo New World Plaza Land No.7-10	Joint venture	49%	164,555
	Ningbo	Ningbo New World Plaza Land No.11	Joint venture	49%	67,753
	Ningbo	Ningbo New World Plaza Land No.5	Joint venture	49%	150,092
	Ningbo	Ningbo New World Plaza Land No.4	Joint venture	49%	47,374
	Ningbo	Ningbo New World Plaza Land No.6	Joint venture	49%	14,345
	Ningbo	Ningbo New World Plaza Land No.1-4	Joint venture	49%	92,467
	Ningbo	Ningbo New World Plaza Land No.12	Joint venture	49%	20,446
12	Beijing	Beijing New View Commercial Centre	Joint venture	70%	21,294
	Beijing	Beijing New View Commercial Centre Remaining Phases	Joint venture	70%	16,400
13	Beijing	Beijing Xin Yu Commercial Centre	Joint venture	70%	60,925
	Beijing	Beijing Xin Yu Commercial Centre Remaining Phases	Joint venture	70%	431,314
14	Langfang	Langfang New World Centre District A	Subsidiary	100%	40,192
15	Langfang	Langfang New World Garden District 2	Subsidiary	100%	75,609
16	Shenyang	Shenyang New World Garden Phase 2D2	Subsidiary	100%	172,599
	Shenyang	Shenyang New World Garden Phase 2E	Subsidiary	100%	97,665
	Shenyang	Shenyang New World Garden Phase 2C1	Subsidiary	100%	207,751
	Shenyang	Shenyang New World Garden Phase 2C2	Subsidiary	100%	225,970
	Shenyang	Shenyang New World Garden Phase XB	Subsidiary	100%	51,849
	Shenyang	Shenyang New World Garden Phase XC	Subsidiary	100%	68,368
17	Shenyang	Shenyang New World Commercial Centre Phase 2	Subsidiary	100%	76,671
18	Shenyang	Shenyang New World Centre	Subsidiary	100%	575,992
		Subtotal of Major Projects			**5,646,137**

Remark:
(1) TBC= To be confirmed
* Certain property development projects will be classified as investment properties upon completion.

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)	Development status	Expected completion date[1]
138,582	25,973			104,970	Under development	Sept-2020
	9,702	58,051		22,257	Under development	May-2019
	1,602	93,933	54,557	21,727	Under development	Jun-2020
		47,374		22,493	Planning completed	TBC
	14,345			22,676	Planning completed	TBC
	92,467			47,100	Planning completed	TBC
	8,085	12,361		25,982	Under development	May-2019
	9,063	12,231		13,513	Under development	Jan-2020
	1,960	14,440		5,420	Under planning	TBC
	60,925			48,689	Under planning	May-2023
236,590	194,724			319,340	Under planning	TBC
			40,192	33,651	Under development	Sept-2018
68,360	7,249			23,378	Under development	Aug-2018
169,778	2,821			86,648	Under development	Aug-2018
97,665				40,878	Under development	Oct-2018
187,858	19,893			61,477	Under development	Aug-2020
212,853	13,117			56,210	Planning completed	Aug-2022
43,457	8,392			12,616	Planning completed	Apr-2022
55,622	12,746			9,137	Planning completed	Apr-2022
	25,266	51,405		19,354	Under development	Oct-2018
287,086		189,231	99,675		Under development	May-2021
3,121,700	**989,539**	**1,165,450**	**369,448**	**1,899,667**		

PROJECT SUMMARY — DEVELOPMENT PROPERTY PROJECTS IN MAINLAND CHINA* (CONTINUED)

B. Other Projects

No.	Region	Name of Property Development Projects	Accounting Classification	The Group's Interest	Total GFA (excl. carpark and others) (sq m)
		Other Projects			
1	Huizhou	Huizhou Changhuyuan Phase 4	Joint venture	63%	69,769
2	Changsha	Changsha La Ville New World Phase 4A	Subsidiary	95%	82,340
	Changsha	Changsha La Ville New World Phase 4B	Subsidiary	95%	239,675
	Changsha	Changsha La Ville New World Phase 4C	Subsidiary	95%	72,378
3	Yiyang	Yiyang New World Scenic Heights Phase 1D	Subsidiary	100%	14,111
	Yiyang	Yiyang New World Scenic Heights Phase 1E	Subsidiary	100%	21,656
	Yiyang	Yiyang New World Scenic Heights Phase 1F	Subsidiary	100%	17,846
	Yiyang	Yiyang New World Scenic Heights Phase 1G	Subsidiary	100%	11,019
	Yiyang	Yiyang New World Scenic Heights Phase 2A	Subsidiary	100%	56,897
	Yiyang	Yiyang New World Scenic Heights Phase 2B	Subsidiary	100%	14,360
	Yiyang	Yiyang New World Scenic Heights Phase 2C	Subsidiary	100%	112,968
	Yiyang	Yiyang New World Scenic Heights Remaining Phases	Subsidiary	100%	138,305
4	Jinan	Jinan New World Sunshine Garden District BC	Subsidiary	100%	62,404
5	Anshan	Anshan New World Garden Phase 1B1	Subsidiary	100%	78,357
	Anshan	Anshan New World Garden Phase 1B2 and B3	Subsidiary	100%	174,484
6	Anshan	Anshan New World • The Grandiose Phase 1B	Subsidiary	100%	44,789
	Anshan	Anshan New World • The Grandiose Phase 2	Subsidiary	100%	189,000
		Subtotal of Other Projects			**1,400,358**
		Grand Total			**7,046,495**

Remark:
(1) TBC= To be confirmed
* Certain property development projects will be classified as investment properties upon completion.

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)	Development status	Expected completion date[1]
62,329	7,440			20,535	Under development	May-2022
81,102	1,238			31,853	Under development	Jun-2020
231,549	8,126			102,701	Planning completed	Oct-2021
65,025	7,353			22,539	Under planning	Mar-2022
14,111					Under development	Sept-2018
20,517	1,139			2,988	Under development	Sept-2018
17,846					Under development	May-2020
11,019					Under development	Dec-2019
	56,897			10,978	Planning completed	Jun-2022
14,360				38	Planning completed	Jul-2020
106,390	6,578			22,278	Planning completed	Mar-2021
138,305				48,980	Under planning	Jan-2023
	5,697	37,162	19,545	18,433	Under development	Mar-2019
63,885	14,472			19,425	Under development	Jun-2019
151,515	22,969			46,831	Planning completed	Jun-2021
44,789					Planning completed	Jun-2024
189,000					Under planning	TBC
1,211,742	**131,909**	**37,162**	**19,545**	**347,579**		
4,333,442	**1,121,448**	**1,202,612**	**388,993**	**2,247,246**		

PROJECT SUMMARY — MAJOR PROPERTY INVESTMENT AND OTHER PROJECTS IN MAINLAND CHINA

No.	Region	Name of Property Investment and Other Projects	Accounting Classification	The Group's Interest	Total GFA (excl. carpark and others) (sq m)
		Completed			
1	Guangzhou	Guangzhou Covent Garden	Subsidiary	100%	23,752
2	Guangzhou	Guangzhou Park Paradise	Subsidiary	100%	36,356
	Guangzhou	Guangzhou Park Paradise Area 6	Subsidiary	100%	
3	Guangzhou	Guangzhou Xintang New World Garden	Joint venture	63%	27,463
4	Guangzhou	Guangzhou Central Park-view Area L4	Subsidiary	91%	
	Guangzhou	Guangzhou Central Park-view Area L8	Subsidiary	91%	54,513
	Guangzhou	Guangzhou Central Park-view Area L13	Subsidiary	91%	2,061
5	Guangzhou	Guangzhou New World Oriental Garden Phase 1	Subsidiary	100%	25,336
	Guangzhou	Guangzhou New World Oriental Garden Phase 2	Subsidiary	100%	660
	Guangzhou	Guangzhou New World Oriental Garden Land No. 5	Subsidiary	100%	
6	Guangzhou	Guangzhou Dong Yi Garden Phase 2	Subsidiary	100%	7,366
	Guangzhou	Guangzhou Dong Yi Garden Phase 3	Subsidiary	100%	
	Guangzhou	Guangzhou Dong Yi Garden Phase 4	Subsidiary	100%	667
7	Foshan	Canton First Estate CF19A	Subsidiary	85%	11,043
8	Shenzhen	Shenzhen New World Yi Shan Garden	Subsidiary	100%	
9	Shenzhen	Shenzhen New World Signature Hill	Subsidiary	100%	
10	Huizhou	Huizhou Changhuyuan Phase 1	Joint venture	63%	303
	Huizhou	Huizhou Changhuyuan Phase 2A	Joint venture	63%	
	Huizhou	Huizhou Changhuyuan Phase 2B	Joint venture	63%	
	Huizhou	Huizhou Changhuyuan Phase 3	Joint venture	63%	51
11	Zhaoqing	Zhaoqing New World Garden	Subsidiary	100%	15,062
12	Shunde	Shunde New World Centre	Joint venture	42%	33,577
13	Shunde	New World Shunde Hotel	Joint venture	37%	36,524

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)
	23,752			65,569
22,112	14,244			36,005
				4,898
	27,463			42,537
				17,829
29,869	24,644			22,183
	2,061			25,057
	25,336			744
	660			151
				5,405
	7,366			494
				1,921
	667			1,429
	11,043			4,695
				38,925
				8,017
	303			6,952
				30
				223
	51			11,885
	15,062			
	33,577			14,940
			36,524	

PROJECT SUMMARY — MAJOR PROPERTY INVESTMENT AND OTHER PROJECTS IN MAINLAND CHINA (CONTINUED)

No.	Region	Name of Property Investment and Other Projects	Accounting Classification	The Group's Interest	Total GFA (excl. carpark and others) (sq m)
		Completed			
14	Haikou	Haikou New World Garden Phase 3	Subsidiary	100%	
15	Wuhan	Wuhan Guanggu New World A	Subsidiary	100%	140,485
	Wuhan	Wuhan Guanggu New World B	Subsidiary	100%	2,521
16	Wuhan	Wuhan New World International Trade Tower 1	Subsidiary	100%	104,556
17	Wuhan	Wuhan New World International Trade Tower 2	Subsidiary	100%	10,005
18	Wuhan	Wuhan New World Centre	Subsidiary	100%	48,270
19	Wuhan	Wuhan K11 Gourmet Tower	Subsidiary	100%	10,367
20	Wuhan	New World Wuhan Hotel	Joint venture	60%	29,974
21	Changsha	Changsha La Ville New World Phase 1	Subsidiary	95%	
22	Nanjing	Nanjing New World Centre	Subsidiary	100%	41,712
23	Beijing	Beijing New World Centre Phase 1	Joint venture	70%	74,032
24	Beijing	Beijing New World Centre Phase 2	Subsidiary	100%	47,345
25	Beijing	Beijing Zhengren Building	Subsidiary	100%	
26	Beijing	Beijing New World Garden	Subsidiary	100%	
27	Beijing	Beijing Xin Yang Commercial Building	Subsidiary	100%	
28	Beijing	Beijing Xin Cheng Commercial Building	Subsidiary	100%	
29	Beijing	Beijing Xin Yi Garden	Joint venture	70%	
30	Beijing	Beijing New View Garden	Joint venture	70%	
31	Beijing	Beijing Xin Yu Garden	Joint venture	70%	3,603
32	Beijing	Beijing Xin Kang Garden	Joint venture	70%	12,010
33	Beijing	Beijing Baoding Building Shopping Arcade	Subsidiary	100%	40,286
34	Beijing	pentahotel Beijing	Joint venture	55%	23,988
35	Beijing	New World Beijing Hotel	Joint venture	70%	53,998
36	Beijing	Rosewood Beijing	Subsidiary	82%	143,000

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)
				4,286
		81,771	58,714	22,188
	2,521			
		104,556		17,272
		10,005		
	45,766	2,504		27,894
	10,367			10,580
		563	29,411	5,639
				4,694
	41,712			11,082
	74,032			19,956
	47,345			28,948
				16,415
				43,195
				3,439
				8,051
				43,708
				11,398
	3,603			21,197
	12,010			28,185
	40,286			22,000
			23,988	
			53,998	
			143,000	

PROJECT SUMMARY — MAJOR PROPERTY INVESTMENT AND OTHER PROJECTS IN MAINLAND CHINA (CONTINUED)

No.	Region	Name of Property Investment and Other Projects	Accounting Classification	The Group's Interest	Total GFA (excl. carpark and others) (sq m)
		Completed			
37	Tianjin	Tianjin Xin An New World Plaza	Subsidiary	100%	87,053
38	Tianjin	Tianjin Xin Hui Hua Ting	Subsidiary	100%	25,876
39	Langfang	Langfang New World Centre B	Subsidiary	100%	7,016
40	Tangshan	Tangshan New World Centre Phase 2	Subsidiary	100%	86,061
41	Jinan	Jinan New World Sunshine Garden East 2	Subsidiary	100%	
	Jinan	Jinan New World Sunshine Garden West	Subsidiary	100%	4,971
42	Shenyang	Shenyang New World Garden Phase 1AB	Subsidiary	100%	
	Shenyang	Shenyang New World Garden Phase 1D	Subsidiary	100%	
	Shenyang	Shenyang New World Garden Phase 1E	Subsidiary	100%	5,673
	Shenyang	Shenyang New World Garden Phase 1XA	Subsidiary	100%	5,862
	Shenyang	Shenyang New World Garden Phase 2A	Subsidiary	100%	4,601
	Shenyang	Shenyang New World Garden Phase 2B	Subsidiary	100%	
	Shenyang	Shenyang New World Garden Phase 2D1	Subsidiary	100%	7,911
	Shenyang	Shenyang New World Garden Phase 2D2	Subsidiary	100%	3,938
	Shenyang	Shenyang New World Garden Commercial Building	Subsidiary	100%	
43	Shenyang	Shenyang New World Commercial Centre Phase 1	Subsidiary	100%	
44	Shenyang	Shenyang New World Centre (1)	Subsidiary	100%	
45	Anshan	Anshan New World Garden	Subsidiary	100%	4,789
46	Dalian	Dalian New World Plaza - Manhattan Tower	Subsidiary	88%	49,413
47	Dalian	Dalian New World Tower - The Galleria and Hotel	Subsidiary	100%	82,401
		Grand Total			**1,436,451**

Remark:
(1) Including convention centre

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)
	80,439	6,614		11,284
	25,876			
	7,016			
	37,776	48,285		
				10,425
	4,971			
				5,500
				10,372
	5,673			22,517
	3,859	2,003		
	4,601			155,807
				56,104
	7,911			57,543
	3,938			
				753
				8,710
				237,934
	4,789			133,183
	49,413			19,783
	29,153		53,248	21,915
51,981	**729,286**	**256,301**	**398,883**	**1,411,846**

PROJECT SUMMARY — INFRASTRUCTURE PROJECTS

No.	Name of Projects	Gross Length	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Operation Date	Year of Expiry(1)
	Roads					
R1	Guangzhou City Northern Ring Road	**22.0 km**	CJV	65.3	Jan-1994	2023
R2	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)		CJV	25.0		2030
	Section I	**8.6 km**			Dec-1999	
	Section II	**49.6 km**			Dec-1999	
R3	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)	**27.0 km**	CJV	15.0	Dec-2005	2032
R4	Guangzhou-Zhaoqing Expressway		CJV	25.0		2031
	Phase I	**48.0 km**			Sept-2002	
	Phase II	**5.4 km**			Sept-2010	
R5	Shenzhen-Huizhou Expressway (Huizhou Section)	**34.7 km**	CJV	33.3	Jun-1993	2023
R6	Guangzhou Dongxin Expressway	**46.2 km**	Equity	45.9	Dec-2010	2035
R7	Guangzhou City Nansha Port Expressway	**72.4 km**	Equity	22.5	Dec-2004	2030
R8	Guangdong E-serve United Co., Ltd.	**N/A**	Equity	1.4	Jan-2013	N/A
R9	Hangzhou Ring Road	**103.4 km**	Equity	100.0	Jan-2005	2029
R10	Roadway No. 321 (Wuzhou Section)		CJV	52.0		2022
	Phase I	**8.7 km**			Mar-1997	
	Phase II	**4.3 km**			Dec-1998	
R11	Shanxi Taiyuan — Gujiao Roadway (Taiyuan Section)	**23.2 km**	CJV	60.0+	Jul-2000	2025
R12	Shanxi Taiyuan — Gujiao Roadway (Gujiao Section)	**36.0 km**	CJV	60.0+	Apr-1999	2025
R13	Roadway No. 309 (Changzhi Section)	**22.2 km**	CJV	60.0+	Jul-2000	2023
R14	Taiyuan — Changzhi Roadway (Changzhi Section)	**18.3 km**	CJV	60.0+	Aug-2000	2023
R15	Tangjin Expressway (Tianjin North Section)		CJV	60.0#		2039
	Section I	**43.5 km**			Dec-1998	
	Section II	**17.2 km**			Dec-2000	
R16	Suiyuenan Expressway	**98.1 km**	EJV	30.0	Mar-2010	2040
R17	Tate's Cairn Tunnel	**4.0 km**	Equity	29.5	Jun-1991	2018Δ
	Total Length	**692.8 km**				

Notes:
+ Cash sharing ratio of 90% for the first 12 years from the operation date and thereafter 60%
# Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%
Δ Concession rights ended on 10 July 2018
(1) Project or JV expiry date
CJV = Co-operative Joint Venture (profit sharing percentage)
EJV = Equity Joint Venture (percentage of equity interest)

PROJECT SUMMARY — INFRASTRUCTURE PROJECTS (CONTINUED)

No.	Name of Projects	Capacity/Installed Capacity	No. of Projects	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Operation Date	Year of Expiry[(1)]
	Environment						
E1	SUEZ NWS Limited	**Water and wastewater (including industrial) treatment: 9.12 million m³/day**	35	Equity	42.0	May-1985#	N/A
		Sludge treatment: 2,140 tonnes/day	4				
		Waste collection and treatment: 9,250 tonnes/day	11				
		Industrial and municipal waste incineration: 750,800 tonnes/year	8				
		Landfill and landfill restoration: 96 million m³ (excluding landfill restoration)	9				
		Total	67				
E2	Chongqing Derun Environment Co., Ltd.	**N/A**		Equity	12.6	Oct-2014#	N/A
E3	Chongqing Silian Optoelectronics Science & Technology Co., Ltd.	**N/A**		EJV	20.0	Jul-2008	N/A
E4	Zhujiang Power Station — Phase II	**620 MW**		EJV	25.0	Apr-1996	2020
E5	Chengdu Jintang Power Plant	**1,200 MW**		Equity	35.0	Jun-2007	2040
E6	Guangzhou Fuel Company	**Coal Pier: 7 million tonnes/year**		EJV	35.0	Jan-2008	2033
	Water and wastewater treatment	**9,120,000 m³/day**					
	Sludge treatment	**2,140 tonnes/day**					
	Waste collection and treatment	**9,250 tonnes/day**					
	Waste incineration	**750,800 tonnes/year**					
	Landfill	**96 million m³**					
	Power plants installed capacity	**1,820 MW**					
	Coal pier handling capacity	**7 million tonnes/year**					

Notes:
Date of incorporation
(1) Project or JV expiry date
CJV = Co-operative Joint Venture (profit sharing percentage)
EJV = Equity Joint Venture (percentage of equity interest)

PROJECT SUMMARY — INFRASTRUCTURE PROJECTS (CONTINUED)

No.	Name of Projects	Investment Scope/ Leasable Area/ Handling Capacity	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Operation Date	Year of Expiry[1]
	Logistics					
L1	China United International Rail Containers Co., Limited	**Pivotal rail container terminal network**	EJV	30.0	Kunming: Jan-2008 Chongqing: Dec-2009 Chengdu: Mar-2010 Zhengzhou: Apr-2010 Dalian: Jul-2010 Qingdao: Aug-2010 Wuhan: Aug-2010 Xian: Dec-2010 Tianjin: Jan-2017 Urumqi: Jun-2017	2057
L2	ATL Logistics Centre	**5,900,000 sq ft leasable area**	Equity	56.0	Phase I: Feb-1987 Phase II: Mar-1988 Phase III: Feb-1992 Phase IV: Jan-1994 Phase V: Nov-1994	2047
L3	Xiamen Container Terminal Group Co., Ltd.	**9,100,000 TEUs p.a.**	EJV	20.0	Dec-2013	2063
L4	Tianjin Orient Container Terminals Co., Ltd.	**1,400,000 TEUs p.a.**	Equity	24.5	Jan-1999	2027
L5	Tianjin Five Continents International Container Terminal Co., Ltd.	**1,500,000 TEUs p.a.**	EJV	18.0	Nov-2005	2035

Notes:
(1) Project or JV expiry date
CJV = Co-operative Joint Venture (profit sharing percentage)
EJV = Equity Joint Venture (percentage of equity interest)

PROJECT SUMMARY — INFRASTRUCTURE PROJECTS (CONTINUED)

No.	Name of Projects	Facility/ No. of Aircraft	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Operation Date	Year of Expiry[(1)]
	Aviation					
A1	Goshawk Aviation Limited	**No. of Aircraft Owned: 105**	Equity	50.0	Oct-2013#	N/A
A2	Bauhinia Aviation Capital Limited	**No. of Aircraft Owned: 6**	Equity	50.0	Mar-2016	N/A
A3	Beijing Capital International Airport Co., Ltd.	**3 runways and 3 terminals (total floor area: 1.41 million sq m)**	Equity	5.6	Oct-1999#	N/A

Notes:
\# Date of incorporation
(1) Project or JV expiry date
CJV = Co-operative Joint Venture (profit sharing percentage)
EJV = Equity Joint Venture (percentage of equity interest)

Glossary of Terms

GENERAL TERMS

FY	Fiscal year, 1 July to 30 June
Group	NWD and its subsidiaries
HIBOR	Hong Kong Interbank Offered Rate
HK	Hong Kong
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
HK$b	billion of Hong Kong Dollars
HK$m	million of Hong Kong Dollars
HKEx or Stock Exchange	The Stock Exchange of Hong Kong Limited
LIBOR	London Interbank Offered Rate
Listing Rules	Rules Governing the Listing of Securities on the HKEx
Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan for the purposes of this annual report
N/A or n/a	not applicable
New World or NWD or New World Development or Company	New World Development Company Limited (新世界發展有限公司)
NWCL or New World China Land	New World China Land Limited
NWDS or New World Department Stores	New World Department Store China Limited
NWSH or NWS Holdings	NWS Holdings Limited
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
TBC	To be confirmed
US	The United States of America
US$ or USD	United States dollar(s), the lawful currency of US
MOP	Macau Pataca, the lawful currency of Macau
EUR	Euro, the official currency of Eurozone
THB	Thailand Baht, the official currency of Thailand
Peso	Philippine Peso, the official currency of the Philippines
MYR	Malaysian Ringgit, the official currency of Malaysia

FINANCIAL TERMS

EBITDA	Operating profit before depreciation and amortisation, change in fair value of investment properties and other gains, net and after net exchange difference
Gearing Ratio	Net Debt divided by total equity
Net Debt	The aggregate of bank loans, other loans and fixed rate bonds and notes payable less cash and bank balances
Total Debt	Net Debt plus cash and bank balances
HKFRS	Hong Kong Financial Reporting Standards
HKAS	Hong Kong Accounting Standards

TECHNICAL TERMS

CJV	Co-operative joint venture
EJV	Equity joint venture
JV	Joint venture
WFOE	Wholly foreign owned enterprise

MEASUREMENTS

km	kilometre(s)
m^3	cubic metre
MW	megawatt(s), equal to 1,000kW
sq ft	square feet
sq m	square metre
TEU or TEUs	Twenty-Foot Container Equivalent Unit

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