新世界發展有限公司
New World Development Company Limited
(incorporated in Hong Kong with limited liability)
(Hong Kong Stock Code: 0017)

Annual Results Announcement 2017/2018

RESULTS

The board of directors (the "Board") of New World Development Company Limited (新世界發展有限公司) (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2018 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2018

	Note	**2018 HK$m**	2017 HK$m
Revenues	3	**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		**137.3**	528.8
Other gains, net		**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		**15,367.1**	1,363.8
Operating profit	4	**30,975.3**	11,751.3
Financing income		**1,475.2**	1,705.9
Financing costs		**(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	5	**(6,272.4)**	(4,755.6)
Profit for the year		**27,081.2**	10,474.7
Attributable to:			
Shareholders of the Company		**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
Interim dividend of HK$0.14 per share (2017: HK$0.13)		**1,414.1**	1,258.8
Final dividend of HK$0.34 per share (2017: HK$0.33)		**3,470.4**	3,244.7
Earnings per share	6		
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		**149,727.7**	105,760.4
Property, plant and equipment		**29,940.2**	30,807.8
Land use rights		**1,064.0**	1,715.0
Intangible concession rights		**11,403.5**	11,841.9
Intangible assets		**3,782.0**	3,423.8
Interests in joint ventures		**49,135.8**	49,317.4
Interests in associated companies		**24,708.2**	26,401.8
Available-for-sale financial assets		**11,778.8**	6,540.9
Held-to-maturity investments		**46.0**	44.4
Financial assets at fair value through profit or loss		**684.3**	574.5
Derivative financial instruments		**88.6**	9.8
Properties for development		**19,656.2**	18,284.1
Deferred tax assets		**749.3**	740.9
Other non-current assets		**6,635.1**	2,612.6
		309,399.7	258,075.3
Current assets			
Properties under development		**37,171.0**	48,530.0
Properties held for sale		**42,301.2**	34,530.9
Inventories		**831.5**	756.1
Debtors, prepayments and contract assets	7	**25,519.6**	27,864.4
Financial assets at fair value through profit or loss		**-**	0.1
Derivative financial instruments		**19.5**	62.3
Restricted bank balances		**67.7**	120.5
Cash and bank balances		**63,388.4**	66,986.0
		169,298.9	178,850.3
Non-current assets classified as assets held for sale	8	**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		**77,525.9**	73,233.6
Reserves		**138,724.0**	112,857.6
Shareholders' funds		**216,249.9**	186,091.2
Perpetual capital securities		**9,451.8**	9,451.8
Non-controlling interests		**29,480.2**	25,401.5
Total equity		**255,181.9**	220,944.5
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**120,123.6**	125,895.3
Deferred tax liabilities		**10,287.9**	9,327.2
Derivative financial instruments		**365.6**	631.3
Other non-current liabilities		**806.5**	757.4
		131,583.6	136,611.2
Current liabilities			
Creditors, accrued charges and contract liabilities	9	**65,059.0**	50,735.2
Current portion of long-term borrowings		**11,851.5**	14,857.9
Derivative financial instruments		**-**	36.1
Short-term borrowings		**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	8	**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

Notes:

1. **Basis of preparation**

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

(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.

(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 2 below.

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

1. **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.

(i) 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 statement of other 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.

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, such changes in fair value and accumulated fair value adjustments upon disposal are included in the consolidated income statement; while for investments that are measured at FVOCI, both changes in fair value and accumulated fair value adjustments upon disposal are included in statement of other comprehensive income. 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 the part of the fair value change that is due to changes in its own credit risk in statement of other 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.

1. Basis of preparation (Continued)

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

(i) HKFRS 9 "Financial Instruments" (Continued)

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.

(ii) HKFRS 16 "Leases"

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the statements of financial position for lessees. The Group is a lessee of certain premises and properties which are currently classified as operating leases. HKFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee, almost all leases should be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. As for the financial performance impact in the consolidated 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 the other new standards, amendments to standards and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

2. Change in accounting policy

As explained in Note 1(b) above, the Group has early adopted HKFRS 15 from 1 July 2017, which resulted in changes in accounting policies and adjustments to the amounts recognised in the 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 work within creditors and accrued charges.
- Contract assets recognised in relation to contracting activities were previously presented as amounts due from customers for contract work within debtors and prepayment.

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.

2. Change in accounting policy (Continued)

Accounting for property development activities (Continued)

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

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

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

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

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

Accounting for department stores operation

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

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

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs only incurred if the contract is obtained, if recoverable, are capitalised as contract 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

2. 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**

	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**

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

3. 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.

3. 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**
Revenue 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**
Revenue 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**

3. **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

3. **Revenues and segment information (Continued)**

	Revenues HK$m	Non-current assets (Note d) HK$m
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) For the year ended 30 June 2018, the segment results of the infrastructure segment included gain on partial disposal and remeasurement of interests in Beijing Capital International Airport Co., Ltd., an associated company of the Group prior to partial disposal, of HK$783.8 million and HK$1,095.5 million respectively.

(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.

4. Operating profit

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

	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	**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		
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
Non-current assets classified as assets held for sale	-	244.2
Perpetual securities	-	(116.4)
Subsidiaries, joint ventures and associated companies	**2,671.1**	80.7
Cost of inventories sold	**(16,203.6)**	(19,706.7)
Cost of services rendered	**(21,978.3)**	(17,239.4)
Depreciation and amortisation	**(2,483.5)**	(1,952.5)
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 loss	**(64.3)**	(433.3)

5. 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		
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.

6. 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 for the year ended 30 June 2018 has been calculated taking into account the dilutive effect of potential exercise of share options outstanding during the year (2017: same).

7. Trade debtors

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

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.

8. 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 of a subsidiary in Mainland China classified as held for sale	**1,880.7**	-
	2,756.2	130.7

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

	2018 HK$m	2017 HK$m
Liabilities of a subsidiary in Mainland China classified as held for sale	**8.8**	-

9. Trade creditors

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

10. Pledge of assets

As at 30 June 2018, the assets with an aggregate amount of HK$61,190.9 million (2017: HK$62,283.5 million) were pledged as securities for certain banking facilities of the Group.

11. Contingent liabilities

The Group’s financial guarantee contracts as at 30 June 2018 amounted to HK$10,474.3 million (2017: HK$8,948.2 million).

DIVIDENDS

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.

BOOK CLOSE DATES FOR 2018 AGM

Book close dates (both days inclusive)	:	13 November 2018 to 20 November 2018
Latest time to lodge transfers with Share Registrar	:	4:30 p.m. on Monday, 12 November 2018
Address of Share Registrar	:	Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

RECORD DATE FOR PROPOSED FINAL DIVIDEND

Record date and latest time to lodge transfers with Share Registrar	:	4:30 p.m. on Friday, 23 November 2018
Address of Share Registrar	:	Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company bought back a total of 11,460,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the "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 HK$	**Lowest 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.

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.

AUDIT COMMITTEE AND REVIEW OF RESULTS

The Audit Committee was established in accordance with requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the purposes of reviewing and providing supervision over 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 has reviewed the framework and policy of risk management, the system of internal control and the financial statements for the year ended 30 June 2018.

The financial data in respect of this results announcement of the Group's results for the year ended 30 June 2018 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor on this results announcement.

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.

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

The financial information relating to the years ended 30 June 2018 and 30 June 2017 included in this preliminary announcement of annual results of 2017/2018 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company had delivered the financial statements for the year ended 30 June 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 30 June 2018 in due course.

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

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 was reduced from approximately 23.86% to approximately 12.79%.

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**
	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.

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 interest, 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.

Segment performance	**FY2018**		FY2017	
(HK$ million)	**Revenues**	**Segment results***	Revenues	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.

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*

<u>Hong Kong Property Development and Property Investment</u>

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 the 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 neighborhood 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 for 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 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 part 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 conversion 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 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 revenue from 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**
Northeastern 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, hotels and others

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 No.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, hotels and others

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 No.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

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

As at 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**
Northeastern 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 neighborhood 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 capitalizing 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 4th quarter 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 was essentially sold, winning overwhelming responses from the market.

Wuhan Guanggu New World, a benchmark complex is situated at Guanshan Avenue, 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 recognized 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 Hong Kong Harbour View Hotel continued to enjoy the benefits from the growing number of conferences and exhibitions, with the average occupancy rate rising to 87.1%. 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 segment 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 ("SUEZ NWS") and Chongqing Derun Environment Co., Ltd. ("Derun Environment") contributed to the overall growth of the environment business.

The enlarged portfolio of SUEZ NWS 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 ("CUIRC") 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 lessors 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 its 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.

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 (US) and other nations in political, military and economic terms has been more frequent. On 6 July 2018, China and the US started to levy punitive tariffs on each other, sparkling imminent escalation of trade war. As the midterm elections in the US to be held in November 2018 draw near, the US Government has achieved favorable political bargaining chips through dealing with Asian geopolitics and US-China trade war. With its strong economy, the United States 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 US-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-US 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 US 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 US 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 favorable 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 normalization 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 normalization 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 favorable 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 the 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 behavior 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 optimizing stakeholders' interests and maximizing their value.

Dr. Cheng Kar-Shun, Henry
Chairman

Hong Kong, 20 September 2018

As at the date of this announcement, (a) the Executive Directors of the Company are 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 and Mr. SO Chung-Keung, Alfred; (b) the Non-executive Directors of the Company are Mr. DOO Wai-Hoi, William, Mr. CHENG Kar-Shing, Peter and Ms. KI Man-Fung, Leonie; and (c) the Independent Non-executive Directors of the Company are Mr. YEUNG Ping-Leung, Howard, Mr. CHA Mou-Sing, Payson (alternate director to Mr. CHA Mou-Sing, Payson: Mr. CHA Mou-Zing, Victor), Mr. HO Hau-Hay, Hamilton, Mr. LEE Luen-Wai, John, Mr. LIANG Cheung-Biu, Thomas and Mr. IP Yuk-Keung.