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 2016/2017

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 2017 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2017

	Note	**2017** **HK$m**	2016 HK$m
Revenues	2	**56,628.8**	59,570.0
Cost of sales		**(38,413.2)**	(41,047.6)
Gross profit		**18,215.6**	18,522.4
Other income		**528.8**	923.5
Other gains, net		**428.6**	6,454.1
Selling and marketing expenses		**(1,376.6)**	(1,768.8)
Administrative and other operating expenses		**(7,408.9)**	(7,855.2)
Changes in fair value of investment properties		**1,363.8**	307.3
Operating profit	3	**11,751.3**	16,583.3
Financing income		**1,705.9**	1,399.0
Financing costs		**(2,152.0)**	(1,935.7)
		11,305.2	16,046.6
Share of results of			
Joint ventures		**2,029.7**	1,678.4
Associated companies		**1,895.4**	982.1
Profit before taxation		**15,230.3**	18,707.1
Taxation	4	**(4,755.6)**	(6,423.7)
Profit for the year		**10,474.7**	12,283.4
Attributable to:			
Shareholders of the Company		**7,675.7**	8,666.3
Holders of perpetual capital securities		**395.9**	-
Non-controlling interests		**2,403.1**	3,617.1
		10,474.7	12,283.4
Interim dividend of HK$0.13 per share (2016: HK$0.13)		**1,258.8**	1,204.7
Final dividend of HK$0.33 per share (2016: HK$0.31)		**3,244.7**	2,911.8
Earnings per share	5		
Basic		**HK$0.80**	HK$0.95
Diluted		**HK$0.80**	HK$0.95

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	2017 **HK$m**	2016 HK$m
Profit for the year	**10,474.7**	12,283.4
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	**554.9**	20.1
- deferred tax arising from revaluation thereof	**(92.2)**	(5.0)
Remeasurement of post employment benefit obligation	**24.0**	(15.1)
Items that had been reclassified/may be reclassified subsequently to profit or loss		
Fair value changes of available-for-sale financial assets	**501.6**	(1,074.9)
Release of investment revaluation deficit to the consolidated income statement upon impairment of available-for-sale financial assets	**60.2**	670.4
Release of reserve upon disposal of available-for-sale financial assets	**73.5**	(422.5)
- deferred tax arising from release of reserve upon disposal thereof	**-**	106.5
Release of reserve upon disposal of subsidiaries	**(35.4)**	(980.3)
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 a subsidiary	**(15.3)**	-
Release of reserves upon disposal of interests in joint ventures and partial disposal of interest in an associated company	**(135.4)**	(4.0)
Share of other comprehensive income of joint ventures and associated companies	**(344.4)**	(1,864.7)
Cash flow hedges	**253.8**	(147.0)
Translation differences	**(1,576.8)**	(4,079.9)
Other comprehensive income for the year	**(690.2)**	(7,796.4)
Total comprehensive income for the year	**9,784.5**	4,487.0
Attributable to:		
Shareholders of the Company	**7,145.2**	2,853.8
Holders of perpetual capital securities	**395.9**	-
Non-controlling interests	**2,243.4**	1,633.2
	9,784.5	4,487.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	**2017 HK$m**	2016 HK$m
ASSETS			
Non-current assets			
Investment properties		**105,760.4**	86,597.0
Property, plant and equipment		**30,807.8**	23,872.5
Land use rights		**1,715.0**	1,932.2
Intangible concession rights		**11,841.9**	12,906.4
Intangible assets		**3,423.8**	2,702.3
Interests in joint ventures		**49,317.4**	50,353.0
Interests in associated companies		**26,401.8**	19,057.0
Available-for-sale financial assets		**6,540.9**	10,079.2
Held-to-maturity investments		**44.4**	42.9
Financial assets at fair value through profit or loss		**574.5**	695.1
Derivative financial instruments		**9.8**	81.4
Properties for development		**18,284.1**	18,556.9
Deferred tax assets		**740.9**	684.9
Other non-current assets		**2,612.6**	5,610.1
		258,075.3	233,170.9
Current assets			
Properties under development		**48,530.0**	50,755.0
Properties held for sale		**34,530.9**	21,163.2
Inventories		**756.1**	665.7
Debtors and prepayments	6	**27,864.4**	25,481.1
Available-for-sale financial assets		**-**	1,799.8
Financial assets at fair value through profit or loss		**0.1**	0.1
Derivative financial instruments		**62.3**	19.3
Restricted bank balances		**120.5**	205.7
Cash and bank balances		**66,986.0**	54,965.1
		178,850.3	155,055.0
Non-current assets classified as assets held for sale	7	**130.7**	3,882.7
		178,981.0	158,937.7
Total assets		**437,056.3**	392,108.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	**2017 HK$m**	2016 HK$m
EQUITY			
Share capital		**73,233.6**	69,599.8
Reserves		**112,857.6**	109,973.6
Shareholders' funds		**186,091.2**	179,573.4
Perpetual capital securities		**9,451.8**	-
Non-controlling interests		**25,401.5**	21,321.9
Total equity		**220,944.5**	200,895.3
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**125,895.3**	114,842.4
Deferred tax liabilities		**9,327.2**	8,453.2
Derivative financial instruments		**631.3**	794.0
Other non-current liabilities		**757.4**	601.2
		136,611.2	124,690.8
Current liabilities			
Creditors and accrued charges	8	**50,735.2**	38,190.9
Current portion of long-term borrowings		**14,857.9**	16,828.1
Derivative financial instruments		**36.1**	186.0
Short-term borrowings		**6,366.7**	3,261.6
Current tax payable		**7,504.7**	7,972.6
		79,500.6	66,439.2
Liabilities directly associated with non-current assets classified as assets held for sale	7	**-**	83.3
		79,500.6	66,522.5
Total liabilities		**216,111.8**	191,213.3
Total equity and liabilities		**437,056.3**	392,108.6

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 new standard and amendments to standards

The Group has adopted the following new standard and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year ended 30 June 2017:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvement Project	Annual Improvements 2012 – 2014 Cycle

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

(b) 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 2017 or later periods but which the Group has not early adopted:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
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 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
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
Annual Improvement Project	Annual Improvements 2014 – 2016 Cycle

The Group has already commenced an assessment of the likely impact of adopting the above new standards, amendments to standards and interpretations, in which the preliminary assessment of HKFRS 15 and HKFRS 16 is detailed below. The Group will continue to assess the impact in more details.

(i) HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identity the contract(s) with a customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligations are identified.

1. Basis of preparation (Continued)

(i) HKFRS 15 "Revenue from Contracts with Customers" (Continued)

The Group is currently assessing the effects of applying the new standard on the consolidated financial statements and has identified the following areas that are likely to be affected:

Under HKFRS 15, revenue from sale of properties is recognised when or as a performance obligation by transferring the properties to the customers is satisfied. A property is transferred when or as the customer obtains control of that property. Depending on the terms of the contracts and the laws that apply to the contracts, control of the properties may transfer over time or at a point in time. The Group anticipates that the timing of the recognition of revenue in respect of sale of properties may be changed.

At this stage, the Group is not able to estimate the impact of the new standard on the consolidated financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

(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 statements of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to consolidated income statements in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

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

The Group has already commenced an assessment of the impact of 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. Revenues and segment information

Revenues recognised during the year are as follows:

	2017 **HK$m**	2016 HK$m
Revenues		
Property sales	**25,968.0**	28,527.9
Rental	**2,410.9**	2,492.3
Contracting	**11,201.0**	12,198.2
Provision of services	**9,354.5**	7,705.3
Infrastructure operations	**2,410.6**	2,444.0
Hotel operations	**1,422.2**	1,762.3
Department store operations	**3,389.0**	3,550.2
Others	**472.6**	889.8
Total	**56,628.8**	59,570.0

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. 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 telecommunication, media and technology and other strategic businesses) segments. The telecommunication business was sold in March 2016.

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.

2. 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$m (Note b)	Consolidated HK$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 (Note a)	**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 c)	**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**

2. 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$m (Note b)	Consolidated HK$m
2016								
Total revenues	28,721.3	2,695.6	28,450.9	2,444.0	1,771.1	3,552.5	982.7	68,618.1
Inter-segment	(193.4)	(203.3)	(8,547.4)	-	(8.8)	(2.3)	(92.9)	(9,048.1)
Revenues - external	28,527.9	2,492.3	19,903.5	2,444.0	1,762.3	3,550.2	889.8	59,570.0
Segment results	7,215.3	1,408.2	976.3	1,092.5	(116.5)	205.0	342.5	11,123.3
Other gains, net	6,711.9	0.6	101.4	(331.9)	1,341.3	(106.9)	(1,262.3)	6,454.1
Changes in fair value of investment properties	-	(1,109.3)	1,416.6	-	-	-	-	307.3
Unallocated corporate expenses								(1,301.4)
Operating profit								16,583.3
Financing income								1,399.0
Financing costs								(1,935.7)
								16,046.6
Share of results of								
Joint ventures	(85.9)	385.3	58.3	1,526.0	(86.8)	-	(118.5)	1,678.4
Associated companies (Note a)	242.4	20.3	106.9	603.3	-	-	9.2	982.1
Profit before taxation								18,707.1
Taxation								(6,423.7)
Profit for the year								12,283.4
Segment assets	109,285.1	89,474.0	15,318.7	14,569.6	14,613.8	5,599.9	17,881.1	266,742.2
Interests in joint ventures	13,178.9	11,772.6	5,127.8	12,605.9	5,934.3	-	1,733.5	50,353.0
Interests in associated companies	994.5	2,790.4	7,767.9	7,271.6	1.1	-	231.5	19,057.0
Unallocated assets								55,956.4
Total assets								392,108.6
Segment liabilities	21,143.7	1,269.6	10,204.5	673.1	356.1	3,745.2	1,483.2	38,875.4
Unallocated liabilities								152,337.9
Total liabilities								191,213.3
Additions to non-current assets (Note c)	8,654.5	4,260.3	373.9	165.1	3,851.7	165.2	699.7	18,170.4
Depreciation and amortisation	80.4	25.4	214.8	830.8	399.2	352.6	26.0	1,929.2
Impairment charge and provision	-	-	-	-	-	30.1	699.8	729.9

2. Revenues and segment information (continued)

	Revenues HK$m	Non-current assets (Note c) HK$m
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**
2016		
Hong Kong	33,721.9	84,282.1
Mainland China	24,772.5	61,885.2
Others	1,075.6	400.0
	59,570.0	146,567.3

Notes :

(a) For the year ended 30 June 2017, the amount in the service segment included share of gain on disposal of the entire interest in Tricor Holdings Limited of HK$932.8 million, and share of an impairment loss in Newton Resources Ltd of HK$204.0 million.

For the year ended 30 June 2016, the amount in the service segment included an impairment loss of HK$200.0 million made for the Group's interest in Tharisa plc, a listed associated company.

(b) The amount in the others segment included net exchange loss of HK$433.3 million for the year ended 30 June 2017 (2016: HK$1,306.7 million).

(c) Non-current assets represent non-current assets other than financial instruments, interests in joint ventures, interests in associated companies and deferred tax assets.

(d) For the year ended 30 June 2017, the operating profit before depreciation and amortisation, changes in fair value of investment properties and other gains, net and after net exchange difference amounted to HK$11,478.1 million, of which HK$3,909.4 million was attributable to Hong Kong and HK$7,568.7 million was attributable to Mainland China and others.

3. Operating profit

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

	2017 HK$m	2016 HK$m
Write back of provision for loans and other receivables	**124.8**	210.4
Write back of provision for property, plant and equipment	**-**	567.3
Gain on partial disposal of interests in subsidiaries and remeasurement of retained interest at fair value after reclassification to a joint venture	**-**	40.0
Gain on deemed disposal of interests in joint ventures	**546.9**	-
Loss on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	**(34.3)**	-
Gain/(loss) on remeasurement of previously held interests of joint ventures at fair value upon further acquisition to become subsidiaries	**374.2**	(40.5)
Gain on remeasurement of previously held interest of an associated company at fair value upon further acquisition to become a subsidiary	**-**	18.2
Net loss on fair value of financial assets at fair value through profit or loss	**(236.7)**	(154.0)
Net gain/(loss) on disposal of		
Available-for-sale financial assets	**110.2**	413.3
Non-current assets classified as assets held for sale	**244.2**	784.9
Financial assets at fair value through profit or loss	**69.2**	9.8
Investment properties, property, plant and equipment and intangible concession rights and their related assets and liabilities	**167.8**	207.2
Subsidiaries, joint ventures and associated companies	**80.7**	7,021.4
Perpetual securities	**(116.4)**	-
Cost of inventories sold	**(19,706.7)**	(22,058.8)
Cost of services rendered	**(17,239.4)**	(17,227.1)
Depreciation and amortisation	**(1,952.5)**	(1,929.2)
Impairment loss on		
Available-for-sale financial assets	**(139.2)**	(692.4)
Intangible assets	**(48.4)**	-
Loans and other receivables	**(231.3)**	(7.4)
Property, plant and equipment	**(49.8)**	(30.1)
Net exchange losses	**(433.3)**	(1,894.0)

4. Taxation

	2017 HK$m	2016 HK$m
Current taxation		
Hong Kong profits tax	**704.1**	925.3
Mainland China and overseas taxation	**1,606.3**	3,301.4
Mainland China land appreciation tax	**2,085.5**	2,093.7
Deferred taxation		
Valuation of investment properties	**246.3**	60.5
Other temporary differences	**113.4**	42.8
	4,755.6	6,423.7

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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% (2016: 12% to 25%).

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

Share of results of joint ventures and associated companies is stated after deducting the share of taxation of joint ventures and associated companies of HK$779.5 million and HK$263.0 million (2016: HK$646.0 million and HK$254.2 million) respectively.

5. Earnings per share

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

	2017 HK$m	2016 HK$m
Profit attributable to shareholders of the Company	**7,675.7**	8,666.3
Adjustment on the effect of dilution in the results of subsidiaries	**-**	(3.9)
Profit for calculating diluted earnings per share	**7,675.7**	8,662.4

	Number of shares (million) 2017	2016
Weighted average number of shares for calculating basic earnings per share	**9,553.2**	9,146.3
Effect of dilutive potential ordinary shares upon the exercise of share options	**10.9**	0.1
Weighted average number of shares for calculating diluted earnings per share	**9,564.1**	9,146.4

Diluted earnings per share for the year ended 30 June 2017 and 30 June 2016 assumed the effect of exercise of share options outstanding during the year since it would have a dilutive effect.

6. Trade debtors

Aging analysis of trade debtors based on invoice date is as follows:

	2017 HK$m	2016 HK$m
Current to 30 days	**2,441.8**	2,274.7
31 to 60 days	**341.5**	260.7
Over 60 days	**378.6**	669.8
	3,161.9	3,205.2

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.

7. 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

	2017 HK$m	2016 HK$m
Property, plant and equipment	**-**	116.7
Investment properties	**130.7**	-
Assets of a subsidiary classified as held for sale (Note)	**-**	3,766.0
	130.7	3,882.7

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

	2017 HK$m	2016 HK$m
Liabilities of a subsidiary classified as held for sale (Note)	**-**	83.3
	-	83.3

Note:

On 20 June 2016, an agreement was entered into by NWS Holdings Limited ("NWSH"), a subsidiary of the Group in respect of the disposal of its indirect wholly owned subsidiary, Shine Fame Holdings Limited ("Shine Fame", an investment holding company which holds the entire interest in the property where NWS Kwai Chung Logistics Centre is situated) and the assignment of debt at an aggregate cash consideration of HK$3.75 billion. All the conditions precedent to the sale and purchase agreement had been fulfilled and completion of the disposal took place on 31 August 2016, and resulted in a gain of approximately HK$77.8 million.

As at 30 June 2016, the assets and liabilities of Shine Fame were reclassified to assets held for sale and liabilities directly associated with assets held for sale.

8. Trade creditors

Aging analysis of trade creditors based on invoice date is as follows:

	2017	2016
	HK$m	HK$m
Current to 30 days	**6,098.0**	5,496.4
31 to 60 days	**875.7**	894.3
Over 60 days	**1,720.2**	1,589.4
	8,693.9	7,980.1

9. Pledge of assets

As at 30 June 2017, the assets with an aggregated amount of HK$62,283.5 million (2016: HK$71,775.7 million) were pledged as securities for certain banking facilities of the Group.

10. Contingent liabilities

The Group's financial guarantee contracts as at 30 June 2017 amounted to HK$8,948.2 million (2016: HK$8,209.1 million).

DIVIDENDS

The Directors have resolved to recommend a final dividend for the year ended 30 June 2017 of HK$0.33 per share (2016: HK$0.31 per share) to shareholders whose names appear on the register of members of the Company on 24 November 2017. Together with the interim dividend of HK$0.13 per share (2016: HK$0.13 per share), the total dividend for the financial year ended 30 June 2017 is HK$0.46 per share (2016: HK$0.44 per share).

The Directors propose that shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend arrangement is subject to (1) the approval of the proposed final dividend at the annual general meeting to be held on 21 November 2017 ("2017 AGM"); and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal. A circular containing the details of the scrip dividend arrangement will be despatched to shareholders together with the form of election for scrip dividend on or about 28 November 2017. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to shareholders on or about 29 December 2017.

BOOK CLOSE DATES FOR 2017 AGM

Book close dates (both days inclusive)	:	14 November 2017 to 21 November 2017
Latest time to lodge transfers with Share Registrar	:	4:30 p.m. on Monday, 13 November 2017
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, 24 November 2017
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

Rosy Unicorn Limited, an indirect subsidiary of the Company, redeemed the US$500.0 million (equivalent to approximately HK$3,885.0 million) 6.5% guaranteed bonds due 2017 (listed on the Singapore Exchange Securities Trading Limited) issued by it upon maturity on 9 February 2017.

New World China Land Limited purchased US$324.6 million (equivalent to approximately HK$2,522.1 million) in principal amount of its 5.375% notes due 2019 for an aggregate consideration of US$341.6 million (equivalent to approximately HK$2,654.2 million) before expenses on 13 January 2017 by way of an invitation to the noteholders to tender the notes for purchase. The purchased notes were redeemed on 23 January 2017.

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

EMPLOYEES

At 30 June 2017, about 44,000 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 ("Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. 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 2017.

The financial data in respect of this results announcement of the Group's results for the year ended 30 June 2017 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 2017, 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 provision A.6.4.

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 about 44,000, 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.

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 2017 and 30 June 2016 included in this preliminary announcement of annual results of 2016/2017 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 2016 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 2017 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 18 August 2016, Sky Treasure Development Limited, a company indirectly owned as to 30% by the Company and 70% by Chow Tai Fook Enterprises Limited ("CTF") was awarded a tender by the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone to acquire the land use rights of plots of land (for a term of 40 years) at Guiwan Area, Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone, Shenzhen, Guangdong Province, the PRC for the development of a financial and commercial complex at a consideration of RMB4,207.2 million (equivalent to approximately HK$4,835.9 million).

2. On 5 October 2016, NWSH, The Bank of East Asia, Limited ("BEA") and East Asia Secretaries (BVI) Limited ("East Asia Secretaries") and Trivium Investment Limited ("Trivium") entered into a share purchase agreement for the sale of all the issued shares of Tricor Holdings Limited ("Tricor"), an associated company of the Group, held by East Asia Secretaries to Trivium at a consideration of approximately HK$6.5 billion (the "Disposal"). Tricor was 24.39% owned by NWSH and 75.61% owned by BEA, in each case through East Asia Secretaries. The Disposal was completed on 31 March 2017.

3. On 19 October 2016, Natal Global Limited, an indirect wholly owned subsidiary of NWSH entered into an agreement with the then other shareholders of Goshawk Aviation Limited and Goshawk Management Holdings (Cayman) Limited (collectively the "Goshawk Group", both were associated companies prior to completion of further acquisition), and under which NWSH acquired an additional 10% equity interest in Goshawk Group and related shareholder loans at an aggregate consideration of approximately HK$788.0 million. Upon completion of the transactions the equity interest of NWSH in the Goshawk Group was increased from 40% to 50% and joint control was obtained and this investment was accounted for as a joint venture.

4. On 1 November 2016, the shareholders of Sino-French Holdings (Hong Kong) Limited, a then 50% joint venture of NWSH and now known as SUEZ NWS Limited ("SNL"), entered into an agreement to restructure and expand the scope of operations of SNL by injecting cash and their respective waste and wastewater treatment businesses in Greater China into SNL. The transaction was completed in December 2016. Gain arising from the restructuring amounted to approximately HK$454.3 million was recognised by NWSH. NWSH ceased its joint control and owns 42% interest in SNL upon completion of the restructuring. Thereafter, the investment in SNL was accounted for as an associated company.

5. On 15 November 2016, NWS Service Management Limited, ("NWS Service", an indirect wholly owned subsidiary of NWSH) and Enrich Group Limited ("Enrich" a direct wholly owned subsidiary of CTF) entered into a sale and purchase agreement for NWS Service to purchase the remaining 50% equity interest in NWS Transport Services Limited ("NWST", a then joint venture owned as to 50% by each NWS Service and Enrich) from Enrich at a consideration of approximately HK$1,467.5 million (including adjustment to the consideration upon completion). NWST and its subsidiaries are principally engaged in the provision of public bus, ferry and travel related services in Hong Kong. Completion of the acquisition took place on 30 December 2016. Thereafter NWST and its subsidiaries became indirect wholly owned subsidiaries of NWSH. A remeasurement gain of HK$327.1 million was recognised.

6. On 8 December 2016, through bundled public tenders put up by China Merchants Shekou Industrial Zone Holdings Co Ltd ("CMSIZ"), (i) Triumphant Ally Investments Limited, (a 51% indirect subsidiary of the Company and a joint venture vehicle with CMSIZ) acquired the entire equity interests in both Gao Li Enterprises Limited and Ever Reliance Enterprises Limited ("Acquisition") which hold two plots of land in Prince Bay, Shekou, Nanshan District, Shenzhen, Guangdong Province, the PRC for the development of long-term commercial properties held for investment purposes; and (ii) Guangzhou Xinpei Investment Co., Ltd (an indirect wholly owned subsidiary of the Company) successfully bid the capital injection ("Capital Injection"), representing 49% equity interest, in each of Shenzhen City Prince Bay Shangding Properties Co., Ltd. and Shenzhen City Prince Bay Lewan Properties Co., Ltd. (both companies hold two plots of land in Prince Bay, Shekou, Nanshan District, Shenzhen, Guangdong Province, the PRC for the development of a mixture of commercial/office/service apartment properties held for sale purposes) at aggregate bidding price of approximately RMB8,889.5 million (equivalent to approximately HK$10,217.8 million). The total capital commitment of the Group amounted to approximately RMB10,030.6 million (equivalent to approximately HK$11,529.4 million). The completion of the Acquisition and the Capital Injection took place on 15 February 2017 and 17 February 2017 respectively.

LIQUIDITY AND CAPITAL RESOURCES

Net Debt

	FY2017 HK$m	FY2016 HK$m
Consolidated net debt	**76,870.2**	77,048.8
NWSH (stock code: 0659)	**3,229.3**	6,141.2
NWDS – net cash and bank balances (stock code: 0825)	**(869.5)**	(207.0)
Net debt (exclude listed subsidiaries)	**74,510.4**	71,114.6

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 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 2017, the translation of non-current assets and liabilities of subsidiaries, associated companies and joint ventures with functional currency other than Hong Kong Dollar to Hong Kong Dollar by using exchange rates at that day resulted a loss of HK$1,942.3 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 2017, the Group had outstanding derivative instruments in the amounts of HK$5,800.0 million and US$600.0 million (equivalent to approximately HK$4,662.0 million). As at 30 June 2017, the Group had outstanding foreign currency swaps and forward contracts in the amounts of HK$7,553.6 million, to hedge for certain foreign currency exposure of the Group. Fuel price swap contracts are also used to hedge against the upside risk of fuel prices of the Group's transport business in the Service segment.

During the year, the Group had issued 5.75% guaranteed senior perpetual capital securities in the aggregate principal amount of US$1,200.0 million (equivalent to approximately HK$9,324.0 million). The net proceeds is used for financing the development projects, land bank expansion and other general working capital purposes.

During the year, HK$700.0 million 3.50% notes due 2024 were issued at a price of 97.260% of the principal amount, HK$1,150.0 million 4.00% notes due 2029 were issued at a price of 98.122% of the principal amount and US$600.0 million (equivalent to approximately HK$4,662.0 million) 4.75% notes due 2027 were issued at a price of 100% of the principal amount.

During the year, US$500.0 million (equivalent to approximately HK$3,885.0 million) 6.500% fixed rate bond was fully redeemed upon maturity on 9 February 2017 and US$324.6 million (equivalent to approximately HK$2,522.1 million) out of US$900.0 million 5.375% fixed rate notes were also redeemed on 23 January 2017 by the Group.

During the year, China Evergrande Group (formerly known as "Evergrande Real Estate Group Limited") had fully redeemed US$900.0 million (equivalent to approximately HK$6,993.0 million) of the 9% perpetual securities from the Group.

As at 30 June 2017, the Group's cash and bank balances (including restricted bank balances) stood at HK$67,106.5 million (2016: HK$55,170.8 million) and the consolidated net debt amounted to HK$76,870.2 million (2016: HK$77,048.8 million). The net debt to equity ratio was 34.8%, a decrease of 3.6 percentage points as compared with FY2016.

As at 30 June 2017, the Group's long-term bank loans, other loans and fixed rate bonds and notes payable amounted to HK$139,395.5 million. Short-term bank and other loans as at 30 June 2017 were HK$4,581.2 million. The maturity of bank loans, other loans, and fixed rate bonds and notes payable as at 30 June 2017 was as follows:

	HK$m
Within one year	**19,439.2**
In the second year	**15,260.9**
In the third to fifth year	**85,060.6**
After the fifth year	**24,216.0**
	143,976.7

Equity of the Group as at 30 June 2017 increased to HK$220,944.5 million against HK$200,895.3 million as at 30 June 2016.

Business Review

In FY2017, the Group's profit attributable to shareholders of the Company amounted to HK$7,675.7 million, drop 11.4%, which was mainly due to the decrease in other gains. The Group's underlying profit amounted to HK$7,133.3 million, up 26.5%. (Underlying profit in FY2016 after stripping out the one-off disposal gain of five projects in Mainland China.)

Hong Kong Property Development and Property Investment

The volatility of the global capital markets in early 2016 and the uncertainty over the interest rate hikes in the United States (U.S.) have discouraged homebuyers, and in turn led to the stagnation of transaction in first-hand residential units in Hong Kong. Some developers managed to boost the market sentiment by adopting aggressive pricing and offering various incentives. Starting from the third quarter of 2016, the transaction volume of primary residential properties in Hong Kong recorded a substantial growth under the support of stable local demands and capital inflows from the Mainland China. According to the Hong Kong Rating and Valuation Department, the total transaction volume of first-hand residential units in the second half of 2016 was 11,160 records with an aggregate worth of approximately HK$119.3 billion, representing a year-on-year increase of 37.9% and 55.0% respectively. The growth momentum continued into 2017.

In view of transactions at record-breaking prices repeating one after another, some analysts had expected that the Hong Kong SAR Government would adopt even more stringent administrative measures to regulate the property market. During the year under review, the Hong Kong SAR Government and the Hong Kong Monetary Authority successively rolled out different policies, which included making the fourth adjustment to the stamp duty for residential property transactions; raising the stamp duty for residential property transactions by non-first-time buyers to a uniform rate of 15% with immediate effect; increasing risk-weight floor of banks for approving new mortgages from 15% to 25%, and requiring banks to lower the loan to value ratio cap by 10% in the case of multiple mortgages.

The relevant regulatory policies failed to realise substantial adjustments to the property prices and the transaction volume as expected, mainly attributable to the fact that some of the measures continuously undermined the purchasing power of potential buyers who have genuine demand for properties, and the objectives of the policies as well as the plans for future housing supply were unable to effectively stem the upward momentum of property prices and meet the housing expectations of the public, and further gave rise to a preemptive buying spree. In addition, some of the measures have increased the trade-up costs for existing property owners that caused the public to shy away from property trade-up, undermined the liquidity in the secondary market, indirectly drew the majority of potential buyers to the primary market which has become more price-competitive. According to the Hong Kong Rating and Valuation Department, the transaction volume of the secondary market dropped 68.9% from the high level of 122,000 records in 2010 to 38,000 records in 2016.

It is generally expected that the various demand control measures launched cannot reverse the rising trend of the property market. The key to a sound and stable development in the market is the government's transparency of future policies on the supply of land and housing. Furthermore, having anticipated the start of the U.S. interest rate hike cycle, the market expects Hong Kong will follow suit in an orderly fashion based on the actual conditions of Hong Kong's financial regime. The stress test as performed by the local banks on each mortgage application using an assumption of a 3% increase in interest rate shall be a cushion against the risks of interest-rate hikes in the future.

During the year under review, the Group's attributable contracted sales in Hong Kong amounted to HK$15.6 billion, which exceeded FY2017 sales target of HK$10 billion. It was mainly made up of the attributable contracted sales of residential units including SKYPARK in Mong Kok, THE PAVILIA BAY in Tsuen Wan, MOUNT PAVILIA in Clear Water Bay, BOHEMIAN HOUSE in Western District, Double Cove Summit in Ma On Shan, as well as residential units of projects completed in previous financial years such as The Masterpiece in Tsim Sha Tsui and THE PAVILIA HILL in North Point.

The Group's revenue and segment contributions from property development in Hong Kong during the year under review, including joint-development projects, amounted to HK$8,538.1 million and HK$2,277.1 million, respectively. The contribution from property sales was mainly attributable to the sales of residential units including SKYPARK in Mong Kok, Double Cove Summit in Ma On Shan and BOHEMIAN HOUSE in Western District, as well as residential units of projects completed in previous financial years such as The Masterpiece in Tsim Sha Tsui and THE PAVILIA HILL in North Point.

The Group is committed to offering unique lifestyle and ambience with craftsmanship of The Artisanal Movement under the brand name of New World, and strive to bring homebuyers top-notch experience. In January 2017, the Group launched THE PAVILIA BAY, a brand new residential project in Tsuen Wan with huge success. In response to the popular quest for discerned residential housing style, the Group engaged top-tier international superyacht designer Philippe Briand to create the BLUE PAVILION, a meticulously designed crossover clubhouse with distinctive superyacht features, being the first of its kind in Hong Kong. The project offers a total of 983 residential units, with 951 units sold as at mid-September 2017.

In May 2017, the Group launched another major residential project MOUNT PAVILIA in Clear Water Bay through public tender which is a sculpture park with the theme of Home and Family, presenting a perfect expression of the Artisanal Living concept. The project comprises of 21 residential towers and 6 residential apartments, providing 680 low-density residential units. The clubhouse WHITE YARD CLUB and the creative cultural art museum WHITE YARD GALLERY of the project are designed by world-renowned architect Minsuk Cho, characterised by their exquisite streamline exterior and unique brick walls succeed in creating the ambience of an art museum for the residents. The project was well-received by the market and 159 units were sold as at mid-September 2017.

The Group has been paying close attention to market conditions and the needs of homebuyers, and actively reviews the momentum for new project launch to ensure that flexible product mix is being offered timely in response to the demand and voice of customers. The Group plans to launch the ARTISAN HOUSE in Sai Ying Pun, THE PARKVILLE in Tuen Mun, Park Reach and Tong Yan San Tsuen project in Yuen Long in the near future. Together with the unsold units of launched projects as at mid-September, over 1,300 units will be launched to the market.

Affected by the decrease in visitor arrivals from Mainland China and the change of their spending and travel patterns, Hong Kong's retail market remained in a stage of structural adjustment over the past three years. Some shopping mall landlords have pursued aggressive changes and initiated tenant mix optimisation. They have adopted an experience-oriented business model featuring mass-market product brands and specialty food and beverage services, attracting the young and middle class visitors as well as local consumers who pursue unique cultural experiences.

Rent adjustment of street shops at prime locations has gathered pace in line with market consolidation. Abandoning their dependence on segments such as luxury goods, medicines and cosmetics in the past, some landlords were willing to offer reasonable market rates to revitalise tenant mix. However, it is expected that the adjustment cycle in certain districts where street shops are more concentrated will be stretched longer. According to the Census and Statistics Department, the decline in Hong Kong retail sales index had narrowed in the second half of 2016 and the first two months of 2017, and stabilised in the second quarter. The improving retail segment has provided support to the rental performance of retail shops to some extent.

For offices, the on-going business expansion and setting up of new offices in Hong Kong by Mainland China financial institutions has provided concrete support of the leasing market of Grade A offices in the core area of Central, where demand has already outstripped supply. The overall vacancy rate in the first half of 2017 stood at a low level of 1.9% and the rental rates have rebounded to the historical high in 2008. Given the rising leasing costs and limited choice in the market, some multinational enterprises opted to set their foothold outside the core area of Central.

Given the wider choice of floor area, competitive rental rates and convenient locations, certain newly completed prime office buildings outside the core area of Central succeeded in drawing companies to move in. For instance, certain sizable financial institutions have relocated their offices to Tsim Sha Tsui while some of the law firms have moved to Island East, giving rise to the impressive performance of the Grade A office leasing market in these districts. In addition, some companies are also actively identifying new development opportunities in new areas in order to enjoy the first-mover advantages. For example, Cheung Sha Wan, used to be a traditional industrial and commercial hotspot, is expected to transform into a brand new integrated commercial zone in Kowloon upon completion of a number of projects comprising commercial buildings and hotels in the future.

During the year under review, although the retail market has not yet regained its full growth momentum, the Group's gross rental income in Hong Kong amounted to HK$1,576.2 million. Excluding the effect from the contract expiry of 2 MacDonnell Road and the disposal of certain floor area of Chevalier Commercial Centre in Kowloon Bay during the year under review, the Group's gross rental income in Hong Kong grew by 4.2% year-on-year, attributable to the satisfactory occupancy rates of the key leasing properties.

Hong Kong K11, which is located in the traditional core retail and tourism district in Tsim Sha Tsui, recorded an occupancy rate of 99% during the year under review, with an average monthly footfall of approximately 1.5 million. In December 2016, Hong Kong K11 launched its revolutionary K11 Natural, a first-ever dining and retail zone in the theme of nature and art in Hong Kong. It covers nearly 9,000 sq ft, accommodating brands that promote nature, wellness and craftsmanship, 11 of which are debut brands in Hong Kong, including 3 new tenants that used to operate as online shops. From conception to tenant mix, K11 Natural aims at revolutionising the norms of retail concept and is well received by the public.

Located in the centre of Tsuen Wan, D•PARK, being "The World's First Multiple Intelligence Kids Mall" with excellent location and diversified tenant mix, has successfully established itself as the new hotspot of family leisure and shopping activities in the Western New Territories. During the year under review, it recorded an occupancy rate of 96% with an average monthly footfall of approximately 3.3 million.

Located at the core area of Tsim Sha Tsui waterfront in Kowloon, Victoria Dockside (formerly known as the New World Centre redevelopment project) will become a new global landmark. This integrated commercial development project with a GFA of 3 million sq ft will offer Grade A offices, an ultra-luxury hotel Rosewood Hong Kong, and Rosewood Residences, and premier art, design and leisure experiences with unmatched views of Victoria Harbour and Hong Kong Island. Positioned to become a new global art and design district, Victoria Dockside's first-rate design is enhanced by its premier location on the Tsim Sha Tsui waterfront and near some of the most important cultural institutions in the city. This project is progressing well and set to fully open in 2019. The first phase, the 273-meter high tower was first leading to complete. The office portion will be started to handover and commenced operation in the fourth quarter of 2017.

Located at Nelson Street in Mong Kok, The FOREST represents a new concept in retail by seamlessly integrating a shopping mall with nature, sports, and culture. Inspired by the peculiar and irregular architecture of Daikanyama, a neighbourhood in Tokyo, the three-storey mall covers an area of over 50,000 sq ft. Much of the space is dedicated to plant life and greenery, while the high glass ceiling brings the outdoors inside that creates the unique shopping experience. With its excellent location, a diverse range of tenants, and a commitment to fostering sports culture, The FOREST aspires to stand out as a new destination allowing visitors to share, interact, and explore.

For office buildings, benefited from the low vacancy rate at prime locations of Central, New World Tower and Manning House, the Group's two Grade-A office buildings at the core area of Central, reported strong occupancy rate and rental performance. In particular, the office units of New World Tower recorded an occupancy rate of 99%.

Hong Kong Land Bank

In recent years, there has been a growing trend for property developers from Mainland China commencing businesses in Hong Kong. They actively identify land resources in Hong Kong and the scale of land acquisitions is growing at a rapid pace. For instance, in the first half of 2017, a large number of residential land lots sold by the government through tenders were acquired by property developers from Mainland China, at a total consideration over HK$40 billion. In order to gain a presence in a new market, Mainland China developers placed relatively aggressive bids in land auctions, pushing the winning bids of several projects beyond the valuation levels anticipated by the market.

In view of the situation that some property developers funded their land acquisitions by obtaining a relatively high-leveraged financing, in June 2017, the Hong Kong Monetary Authority rolled out new measures to lower the ceilings for loan to land cost ratio, loan to construction cost ratio and the loan to expected property value upon completion ratio to 40%, 80% and 50% respectively. The newly enforced caps will be included as part of the authority's regulatory requirements, subject to further adjustments if necessary. The market expects that the new measures might change the developers' approach in land acquisitions, for instance, placing bids which are not as aggressive as before or increasing the number of partners in joint development projects to mitigate the impacts of such policies.

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

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

The Group is optimistic about the development of Kowloon West District and is committed to creating a "New World Ecosystem for Emerging Industries" in that area. During the year under review, two projects, namely King Lam Street project and Cheung Shun Street project, both located in Cheung Sha Wan, Kowloon, were acquired through public tenders. Together with the bid won for the Wing Hong Street project, Cheung Sha Wan, Kowloon in August 2017, the Group currently has three non-residential projects that plans to develop into grade A offices in that area with a total GFA approximately 1.9 million sq ft.

Date of tender won	**Project**	**Key usage**	**Group interest**	**Total GFA (sq ft)**
15 February 2017	King Lam Street, Cheung Sha Wan, Kowloon (New Kowloon Inland Lot No. 6505)	Grade A office	100%	**998,210**
10 May 2017	Cheung Shun Street, Cheung Sha Wan, Kowloon (New Kowloon Inland Lot No. 6582)	Grade A office	100%	**538,759**
16 August 2017	Wing Hong Street, Cheung Sha Wan, Kowloon (New Kowloon Inland Lot No. 6572)	Grade A office	100%	**370,962**
Total				**1,907,931**

The Group has been vigorously conducting the acquisition of sizeable old buildings for redevelopment. Acquisition procedures for the joint redevelopment project at 4A-4P Seymour Road in Mid-levels in which the Group has a 35% attributable interest were completed during the year under review. The Group has an attributable total GFA of approximately 165,300 sq ft.

The land premium required for converting the land usage of the Group's wholly-owned project at Nos. 27–29 Tonkin Street, Cheung Sha Wan, Kowloon from industrial to residential/commercial was duly settled during the year under review with attributable GFA is approximately 232,800 sq ft.

In connection with the joint redevelopment project at 74 Waterloo Road in which the Group holds 51% stake, acquisition procedures were completed. This project is expected to provide an attributable GFA of approximately 48,400 sq ft.

Besides, the Group added four projects in the Kowloon East to its portfolio during the year under review, of which, two industrial projects located in Tsun Yip Street, Kwun Tong; one industrial project together with one non-residential project located in Luk Hop Street, San Po Kong , providing an attributable GFA of approximately 328,300 sq ft in aggregate.

As at 30 June 2017, the Group had a land bank in Hong Kong for immediate development with an attributable total GFA of around 10 million sq ft of which approximately 4.7 million sq ft is for residential purpose. Meanwhile, the Group had an agricultural land bank in the New Territories with a total site area of approximately 17 million sq ft pending for land use conversion.

Land bank by district	**Attributable total GFA (sq ft)**
Central and Western District	**262,833**
Eastern District	**716,820**
Yau Tsim Mong District, Kowloon City District, Kwun Tong District, Sham Shui Po District and Wong Tai Sin District	**5,644,920**
Tsuen Wan District, Yuen Long District and Tuen Mun District	**742,978**
Sha Tin District and Sai Kung District	**2,729,794**
Islands District	**95,000**
Total*	**10,192,345**

**Two post FY2017 events, the tender bid of Cheung Sha Wan Wing Hong Street project and the agricultural land use conversion of Yuen Long Lung Tin Tsuen Phase 3 project, are not included, with total attributable GFA 492,100 sq ft*

Agricultural land bank by district	**Total site area (sq ft)**	**Attributable site area (sq ft)**
Yuen Long District	**12,953,037**	**11,954,227**
Fanling District	**2,651,833**	**2,297,175**
Sha Tin District and Tai Po District	**1,973,569**	**1,973,569**
Sai Kung District	**1,357,898**	**1,160,791**
Tuen Mun District	**19,207**	**19,207**
Total	**18,955,544**	**17,404,969**

Property Development and Property Investment in Mainland China

In recent years, the Central Government has been implementing measures to raise the threshold for home purchase, control leverage and increase supply while insisting on the residential feature of housing and stabilising the property market. Adhering to the positioning of "houses are built to be inhabited, not for speculation" mentioned by President Xi Jinping at the 2016 Central Economic Work Conference, the Central Government has gradually implemented a series of extended measures under the principle of segmented regulation and city-specific policies.

In March 2017, Premier Li Keqiang put forward two key directions in the Report on the Work of the Government of PRC during the plenary sessions of National People's Congress and the Chinese People's Political Consultative Conference. The first direction is to strengthen the segmented regulations on real estate market and reasonably increase the residential land supply in cities with upward pressure on housing price. The second direction is to introduce city-specific policies for the purpose of destocking. Currently, the housing inventory level remains high in third- and fourth-tier cities against the home purchase demand of local residents and migrants.

Under the abovementioned directions, the Central Government has tightened its regulatory measures by introducing restrictions on home purchase, lending, pricing, sales and conversion of commercial properties for residential use, in first-tier cities and some hotspots while adopting stringent financial regulations governing real estate and implementing policies to curb investments and speculative demand. The Central Government has also implemented various measures to reduce housing inventory to those high inventory level's second-tier cities, third- and fourth-tier cities. As at July 2017, measures such as restrictions on lending have been implemented in 52 cities and a total of 120 policies on restrictions of housing purchase and 162 policies on restrictions of lending were launched. Transaction volume and pricing of properties in different cities showed different degree of adjustments. It is expected that region-specific and city-specific policies on housing regulation will prevail and lay a solid foundation for steady development in the long run.

For commercial properties, online shopping has achieved rapid development in recent years. In November 2016, the State Council released the "Opinions on Promoting the Innovative Transformation of Offline Retail Sector". In this circular, specific measures such as streamlining its structure and relieving the enterprise tax burden were proposed with emphasis on strengthening the supervision system for online and offline integration in order to promote fair competition and encourage physical business operations.

In light of economic transformation, emergence of new consumer groups and consumption patterns, increased spending by the middle class and integration of online and offline consumption in Mainland China, developers of commercial properties have regarded consumer preferences and market trends as their operational focus. Landlords and business operators actively respond to market changes by increasing the weighting of such experience-oriented segments including food & beverages and lifestyle and adapting to the new consumption concept of one-stop-shop. Meanwhile, leveraging on the resource strength of traditional business operators together with the convenience of online information distribution, they transform their business model from sale of goods to promotion of lifestyle with a view to meeting the needs of different social groups in pursuit of quality and ideal of life.

The Group's privatisation of New World China Land Limited ("NWCL") was completed during the year under review. Following the official delisting of its shares from the Hong Kong Stock Exchange on 4 August 2016, NWCL has become an indirect wholly-owned subsidiary of the Group, and will continue to manage all the Group's property projects in Mainland China.

During the year under review, the revenue and segment results from property development in Mainland China, including joint-development projects, amounted to HK$17,429.9 million and HK$5,229.7 million, respectively. The contribution from property development in Mainland China was mainly attributable to the sales of the projects located in Shenzhen, Guangzhou, Shenyang, Langfang, Foshan and Zhaoqing.

Overall contracted property sales in Mainland China in FY2017 reached 897,000 sq m in GFA and RMB16.2 billion in gross sales proceeds, exceeding the original sales target of RMB16.0 billion. In particular, South region had the largest contribution which was amounted to 33%. The average selling price of overall residential sales recorded is RMB18,741 per sq m. For investment properties, the Group's gross rental income in Mainland China amounted to HK$834.7 million during the year under review and the occupancy rates of key leasing projects achieved a satisfactory result.

Mainland China Land Bank

The Group is optimistic about the economic prospect of Mainland China and remains fully confident in the country's development. As the Group's property flagship in Mainland China, NWCL holds the business development in Mainland China in high regard, and will, under the leadership of its new management team, continue to strategically invest in key cities and develop iconic projects with great potential in order to provide a quality and healthy living environment for the residents.

In August 2016, the Group and Chow Tai Fook Enterprises Limited ("CTF") were awarded a tender by the Authority of Qianhai to acquire the land use rights of Plots T201-0092 in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen, at a consideration of RMB4,207.2 million. The project is undertaken by a joint venture owned as to 30% and 70% respectively by NWCL and a wholly owned subsidiary of CTF.

T201-0092 is located in Guiwan area, the core financial business district in Qianhai, Shenzhen, and designated for commercial use with total GFA of 176,300 sq m. It is the intention of the Group to develop a financial and commercial complex on the land. Pursuant to the terms of the tender, among other things, GFA of not less than 45,000 sq m but not more than 55,000 sq m of the office premises and GFA of not more than 1,000 sq m of the commercial premises to be developed on the parcel of land shall be sold alone-off to a foreign financial institution listed in Fortune 500 in 2015 as its regional headquarter or functional headquarter. The Group is in proactive negotiation with potential buyers.

Following the successful acquisition of the commercial land site in Qianhai Guiwan Area, Shenzhen in August 2016, the Group was awarded another important project situated at a prime location in a major city. On 8 December 2016, the Group made joint-development arrangements with China Merchants Shekou Industrial Zone Holdings Co Ltd in respect of the development of four premium sites in Prince Bay, Shenzhen.

The four parcels of land have an aggregate GFA of 367,236 sq m. Two sites with GFA of 207,556 sq m, in which the Group holds 51% interests, will be developed into commercial properties held for long-term investment. The remaining two sites with GFA of 159,680 sq m, in which the Group holds 49% interests, will be developed into commercial properties, offices and serviced apartments for sale.

The project is well-supported by comprehensive facilities in and around Prince Bay, a location in Shenzhen's Qianhai Shekou Free Trade Zone with intrinsic advantages for its position as a base port for world-class cruisers in tandem with the national Belt and Road strategy. It will be developed into a seaport gateway connecting Shenzhen with Hong Kong and the rest of the world to facilitate rapid development of modernised service industries in western Shenzhen and will ultimately contribute to the internationalisation of Shenzhen and other cities within the Guangdong-Hong Kong-Macau region.

As at 30 June 2017, the Group had a land bank in Mainland China excluding carpark for immediate development with total GFA of approximately 8.2 million sq m, of which approximately 5.1 million sq m is residential usage.

The major projects of development property had a land bank excluding carpark with total GFA of approximately 6.5 million sq m, of which approximately 3.8 million sq m is residential usage, spreading across eight cities including Guangzhou, Foshan, Shenzhen, Wuhan, Ningbo, Beijing, Langfang and Shenyang, of which, 40% are located in Southern region.

Land bank by location	**Total GFA excluding carpark (sq m)**	**Total GFA including carpark (sq m)**
Southern region	**2,679,718**	3,295,229
Central region	**1,498,310**	2,027,317
Eastern region	**735,750**	1,149,045
Northern region	**716,276**	1,195,298
North-eastern region	**2,607,211**	3,285,565
Total	**8,237,265**	**10,952,454**

Land bank by type	Total GFA excluding carpark (sq m)	Total GFA including carpark (sq m)
Major projects (Eight cities including Guangzhou, Foshan, Shenzhen, Wuhan, Ningbo, Beijing, Langfang and Shenyang)	**6,532,471**	**8,723,439**
Other projects	**1,704,794**	**2,229,015**
Total	**8,237,265**	**10,952,454**

During the year under review, the completed development property projects excluding carpark in Mainland China amounted to a GFA of 819,033 sq m, up 38%, of which, 83% is residential. In FY2018, it is expected that the GFA will increase by 45% to 1,185,785 sq m, of which, 86% is residential.

FY2017 project completion in Mainland China — Development property

Project/ GFA sq m	Residential	Commercial	Office	Total (excluding carpark)	Total (including carpark)
Guangzhou Covent Garden District 1 1C1	**119,302**	-	-	**119,302**	**119,302**
Guangzhou Foshan Canton First Estate CF-19B	**49,074**	-	-	**49,074**	**73,938**
Wuhan Guanggu New World Site A	-	-	**34,859**	**34,859**	**34,859**
Yiyang New World Scenic Heights Phase 1B	**18,731**	-	-	**18,731**	**18,731**
Langfang New World Centre A	**32,733**	**48,099**	-	**80,832**	**80,832**
Langfang New World Centre C2	**63,319**	**490**	-	**63,809**	**79,597**
Langfang New World Garen District 1	**95,071**	**5,721**	-	**100,792**	**126,798**
Beijing Yuzhuang Project West District	**102,917**	-	-	**102,917**	**127,751**
Shenyang New World Garden Phase 1 West District A	-	-	**40,061**	**40,061**	**49,589**
Shenyang New World Garden Phase 2D1	**107,858**	-	-	**107,858**	**107,858**
Anshan New World Garden Phase 3B	**87,530**	**13,268**	-	**100,798**	**100,798**
Total	**676,535**	**67,578**	**74,920**	**819,033**	**920,053**

FY2017 project completion in Mainland China — Investment property and hotel

Project/ GFA sq m	Commercial	Office	Hotel	Total (excluding carpark)	Total (including carpark)
Guangzhou Covent Garden District 1 1C1	-	-	-	-	**22,314**
Wuhan Guanggu New World Site A	**56,730**	**94,089**	**70,216**	**221,035**	**290,513**
Shenyang New World Garden Phase 1 West District A	**3,862**	-	-	**3,862**	**3,862**
Shenyang New World Garden Phase 2D1	**6,908**	-	-	**6,908**	**6,908**
Anshan New World Garden Phase 3B	-	-	-	-	**37,449**
Total	**67,500**	**94,089**	**70,216**	**231,805**	**361,046**

FY2018 estimated project completion in Mainland China — Development property

Project/ GFA sq m	Residential	Commercial	Office	Hotel	Total (excluding carpark)	Total (including carpark)
Guangzhou Covent Garden District 1 1C2	106,872	-	-	-	106,872	106,872
Guangzhou Covent Garden District 1 1E	61,097	-	-	-	61,097	61,097
Guangzhou Dongyi Garden Phase 5	24,297	-	-	-	24,297	24,297
Guangzhou Foshan Canton First Estate CF-20 Phase 1	80,499	-	-	-	80,499	80,499
Guangzhou Foshan Canton First Estate CF-20 Phase 2	36,350	-	-	-	36,350	36,350
Guangzhou Foshan Canton First Estate CF-27A	23,377	-	-	-	23,377	35,869
Wuhan Hanxi land parcel B	260,407	-	-	-	260,407	326,042
Changsha La Ville New World Phase 3B	35,016	25,996	30,568	-	91,580	123,605
Yiyang New World Scenic Heights Phase 1D	14,192	-	-	-	14,192	14,192
Jinan New World Sunshine Garden District BC	-	5,697	37,162	19,545	62,404	80,837
Langfang New World Garden District 2	75,718	8,029	-	-	83,747	109,641
Langfang New World Centre District A	-	-	-	40,192	40,192	84,244
Shenyang New World Garden 2D - 1	139,264	-	-	-	139,264	139,264
Shenyang New World Garden 2D - 2	161,507	-	-	-	161,507	161,507
Total	1,018,596	39,722	67,730	59,737	1,185,785	1,384,316

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

Project/ GFA sq m	Commercial	Office	Hotel	Total (excluding carpark)	Total (including carpark)
Guangzhou Covent Garden District 1 1C2	-	-	-	-	22,072
Guangzhou Covent Garden District 1 1E	-	-	-	-	38,154
Guangzhou Covent Garden Commercial #1	6,067	-	-	6,067	7,101
Guangzhou Dongyi Garden Phase 5	-	-	-	-	12,770
Shenyang New World Garden 2D - 1	2,070	-	-	2,070	94,864
Shenyang New World Garden 2D - 2	7,097	-	-	7,097	93,745
Total	15,234	-	-	15,234	268,706

Business Developments in Major Cities in Mainland China

Southern Region

Located at the heart of Guangzhou's central business district ("CBD"), the Guangzhou Central Park-view is currently the largest international community in Zhujiang New Town. The Canton Mansion, a luxury residential complex comprising commercial facility, namely "The Canton Place", an international clubhouse, namely "The Canton Club" and a serviced apartment, namely "The Canton Residence", provides a living and social platform for the upper-class businessmen and households in Southern China region. During the year under review, units of Central Park-view were nearly sold out. Leasing of the project is satisfactory as "The Canton Place" has created a cluster with different varieties, meeting the demands from the affluent residents and the general public. "The Canton Residence" has generated robust rental income, consolidating its leading position in the luxury apartment market in Guangzhou.

Situated in the CBD of Baiyun New Town and the hub of three metro lines, Guangzhou Park Paradise is a top-notch urban complex in Northern Guangzhou that comprises apartments, five-star Hotel, shopping mall, a central park, a fitness centre and educational facilities, enjoying a spectacular panoramic view of the Guangzhou cityscape. During the year under review, the residential and parking portion of Guangzhou Honor New World were launched for sales with overwhelming market response.

Situated at the confluence of three tributaries, Guangzhou Covent Garden is a large-scale residential community at the heart of White Swan Lake district. Canton Bay with a sizable garden of 60,000 sq m is developed along the riverside. During the year under review, all the 667 apartments launched were sold out. Riverfront apartments with two to four bedrooms have recently launched, winning positive response from the market.

Located at the CBD axis of Foshan and Guangzhou, Canton First Estate enjoys the convenient transportation networks offered by the Guangfo Line and the Foshan Metro Line. The adjacent Foshan West Railway Station provides a fast and direct link to Hong Kong. The project, comprising residential buildings, serviced apartments, a golf course, as well as a recreational centre and an exhibition hall, is a refined international ecological community. During the year under review, the launch of Park View and Seascape Villas was well-received by the market. Given the sales prices of the units are significantly higher than those neighborhood projects, Canton First Estate sets a rising trend for the value of the properties in the district.

Shenzhen New World Signature Hill is situated at the villa area of Jiangangshan Mountain, recognised as the "Backyard of Qianhai", and boasts a natural environment encompassing six hills, two rivers, three parks and one lake. The project is developed in two phases, offering a total of 184 residential units in townhouses and apartments with over 90% sold.

Shenzhen Yi Shan Garden Phase III "The Hillswood" is situated at the mid-level of Wutong Mountain and enjoys the benefits offered by the full-fledged ancillary facilities in the CBD of Yantian. The project offers a total of 978 residential units in five residential buildings with 98% sold.

Central Region

Wuhan New World • Times is an urban ecological complex with an area of 600,000 sq m, comprising an office complex with an area of approximately 260,000 sq m, an artistic clubhouse with an area of approximately 30,000 sq m, a contemporary art gallery with an area of approximately 6,000 sq m as well as high-end low-density residences with an area of approximately 230,000 sq m. All units in Phase II of the residential portion were sold out shortly after the sales launch.

Guanggu New World is situated at Guanshan Avenue, the main thoroughfare of Wuhan Guanggu, and enjoys convenient transportation. The project is an integrated complex comprising a five-star hotel, Grade-A offices, high-end shopping mall, fully furnished business apartments and residential area with a planned area of more than 200 mu. Residential units launched were almost sold out and pre-leasing of the office units is satisfactory. Also, K11 Art Mall is expected to open soon.

Wuhan New World International Trade Tower is situated at the centre of Wuhan financial district abundant with banks, international hotels and office premises. Wuhan New World International Trade Tower consists of two blocks (i.e. Tower I and Tower II) with an aggregate GFA of more than 154,000 sq m. Being one of the first batch of Super Grade-A office buildings in Wuhan, the project succeeded in attracting leases from the Fortune 500 companies and government embassies and agencies of various countries. It has maintained relatively high rental rates and occupancy rate for more than 20 years and still serves as a benchmark for Wuhan office premises.

Being the most representative project of the Group in the city center of Wuhan, Wuhan New World Centre is a large scale multi-functional and multi-cultural complex comprising Grade-A office buildings, a five-star hotel, a modern shopping mall, high-rise blocks of residential units and serviced apartments as well as a pedestrian zone. Office premises completed earlier have all been sold. Extension of the shopping mall with an area of 36,000 sq m and an office building with an area of 54,000 sq m are under way.

Eastern Region

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. Shanghai K11, featuring green design and all-round art, successfully attracts aficionados of fashion, culture and lifestyle, and has become the most diversified trend-setter in Mainland China. During the year under review, the average monthly footfall was over 800,000.

Ningbo New World, the Group's large-scale, mixed-use project situated at the main urban district of Ningbo, has a site area of approximately 100,000 sq m and an aggregate GFA of approximately 800,000 sq m. Being a key construction project in Ningbo, Ningbo New World will vigorously promote the construction of the city's Three-Rivers and Six-Shores Waterside core district and build up new reputation and create new landscape for Ningbo. The project comprises a K11 art shopping mall, a hotel, office buildings, high-end residences, international leisure and business avenues and central art garden.

Ning Zhu Zun Fu, the residential portion of Ningbo New World, introduces a future lifestyle and redefines the new living standards of the area owing to its urban core location and the availability of comprehensive services. The project has recorded impressive sales since its launch at the end of March 2017 and set a number of new records in Ningbo's high-end luxury residential market. In response to market demand, Ningbo New World will continue to launch Grade-A offices and premium shopping malls in addition to quality residential projects.

Northern Region

Situated in the Yuhe area of Shunyi District in Beijing, Beijing New World • Li Zun is a high-end villa project with an area of 206,000 sq m developed by the Group. The project has two phases, namely the Eastern Zone and the Western Zone. The Eastern Zone provides 81 French-style detached villas, a paragon of luxurious villa in the central villa area, of which, over 70% 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, over 60% were sold.

Situated at No.5 Chongwai Avenue, the heart of Dongcheng District in Beijing, Beijing New View Garden Commercial Centre developed by the Group is a high-end office project with an area of 34,000 sq m. The project commenced construction in January 2017, and is expected to be completed by the end of 2019.

Langfang New World Centre, situated in the CBD of Zhou Ge Zhuang, Langfang, is a large-scale commercial complex with an area of 440,000 sq m. In particular, District B comprises commercial streets and apartments. The commercial portion recorded an occupancy rate of 100%. Over 80% of the total 289 apartments have been sold. Nevertheless, the residential units in District C were all sold out.

Langfang New World Garden is a large-scale residential project with an area of 367,000 sq m, which is situated at Jianta, Langfang, of which, District 1 comprises high-rise residential buildings with an area of 95,000 sq m, which were sold out shortly after launch. District 3 comprises houses and high-rise residential buildings with an area of 92,000 sq m, over 60% of which have been sold.

North-eastern Region

Shenyang New World Garden, lying on the bank of Hun River, is located in a key development district aligning to the idea of "one river and two shores" established under “Strategic Planning for Revitalisation and Development of Shenyang”. It is also one of the largest residential real estate development projects on the north bank of Hun River. New World • The Riverfront, the high-rise residential building under Shenyang New World Garden Phase II D, had launched a total of 2,024 units for sale, of which approximately 87% were sold. Shenyang New World • The Masterpiece Crescent, the villa portion under Shenyang New World Garden Phase II B, a total of 84 units were launched for sale, of which 82% were sold.

Situated at the heart of the Taiyuan Street, the key commercial circle of Shenyang, Shenyang New World • The Elite, being phase I of Shenyang New World Taiyuan Street Urban Complex, offers finely-furnished apartments with a GFA ranging from 67 to 178 sq m. Quality ancillary facilities including subway, shopping malls, parks and schools are available within one kilometer radius. The project launched a total of 460 units for sale, of which approximately 50% were sold.

Shenyang New World・The Bayside, the townhouse project under Shenyang New World Garden Phase II E, is the Group’s brand-new residential project to be developed into a top-notch townhouse community. The project was awarded the “Provincial Two-star Green Building Design Label Certificate” for the first-of-its-kind innovative art garden and landscape garage, and was the first awardee of such accolade in recent years in Liaoning, drawing attention from the industry and market.

Shenyang New World Centre is located at the north bank of Hun River, the southernmost part of Jinlang, adjacent to the central business district. This project comprises Shenyang New World Expo, a 5-star hotel, office buildings, K11 Art Mall and serviced apartments, making it an iconic landmark in Shenyang City. Shaped like a flying roc, the Shenyang New World Expo officially commenced operation with a soft opening in March 2017. Other projects are being developed as originally planned.

Hotel Operations

The current geo-political landscape and the stabilising exchange rate of RMB as a result of the Central Government's continuous efforts to promote the internationalisation of RMB contributed to the surge of business visitor arrivals from Mainland China. The commencement of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect boosted economic activities between China and Hong Kong. The increasingly frequent visits to Hong Kong by the business travelers of Mainland China companies provide solid support for the performance of those luxury hotels that are targeting business guests. According to Hong Kong Tourism Board, overnight visitors from Mainland China for the period from January to June in 2017 recorded a year-on-year growth of 5.4% while those from Northern Asia, who have long been the supporters of high-end hotels in Hong Kong, also recorded a year-on-year growth of 16.7% in the same period.

Although overall occupancy rate of hotels in Hong Kong recorded satisfactory performance as the number of overnight visitors improved, however, the potential for raising room rates has been narrowed as a result of the maturing of the on-line room reservation platform, and the improved transparency on hotel room rates and market information, boosting travel activities but at the same time bringing keener price competition to the hotel market.

The Group's premium hotel projects in Hong Kong with primary focus in servicing business guests is 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 76.3% after the completion of the room renovation. Adjacent to the Hong Kong Convention and Exhibition Centre, Renaissance Hong Kong Harbour View Hotel continued to enjoy the benefits from the persistent growth in conferences and exhibitions, the average occupancy rate grew to 83.7%. Furthermore, the Hyatt Regency Hong Kong, located in a prime spot of Tsim Sha Tsui, Kowloon, achieved an average occupancy rate of 91.3% during the year under review.

For hotel operation in Mainland China, the continue rising of per capita income of the Chinese residents, coupled with the benefits arising from the bold steps taken by the Chinese government in modernising transportation infrastructure and upgrading the tourist attractions, have made the fast-growing domestic travelers to replace the international overnight visitors as the main pillar for the hotel operation in Mainland China. However, oversupply of hotel rooms in the market and the ever-rising staff costs have affected the performance of hotel operations. Besides, the slowdown of economic activities in individual regions and the on-going government policy of discouraging spending on luxurious merchandise also added uncertainties to the overall hotel operations.

In Mainland China, average occupancy rates of hotels in first-tier cities recorded notable improvement. In Beijing, the three hotels of different classes operated by the Group have all recorded satisfactory performance with average occupancy rates ranging from 76.0% to 88.2% in June 2017.

As at 30 June 2017, the Group had a total of 17 hotel properties in Hong Kong, Mainland China and Southeast Asia, providing over 7,700 guest rooms.

Infrastructure and service

Infrastructure segment maintained its growth momentum in FY2017, bolstered by the robust performance of the Roads and Aviation business.

Traffic volume of NWS Holdings Limited's (NWSH) road portfolio grew by 11% in FY2017 reflecting the trend of increasing vehicle ownership resulting from ongoing urbanisation in Mainland China.

Fuelled by the increase in long haul trucks traffic during FY2017, toll revenue of Hangzhou Ring Road rose by 4% even though local traffic control measures imposed during the G20 Summit and the diversion of passenger cars to a competing viaduct which opened in August 2016 that led to a 7% traffic drop. Contribution from Hangzhou Ring Road was also boosted by the full-year effect of the full acquisition in January 2016.

All of the NWSH's expressways in the Pearl River Delta Region registered traffic flow increases during FY2017. Meanwhile, average daily traffic flow of Tangjin Expressway (Tianjin North Section) grew by 12% in FY2017. Following the road expansion works, approval has been granted to extend the concession rights for a further 11 years to 2039.

In FY2017, NWSH disposed of its concession rights in Shenzhen-Huizhou Roadway (Huizhou Section) in Guangdong and Yulin Shinan-Dajiangkou Roadway in Guangxi for a net disposal gain.

Environment business fell as the profitability of the coal-fired power plants suffered from rising coal price during FY2017 and the average 7% reduction in coal-fired benchmark on-grid tariff since January 2016.

The restructuring of SUEZ NWS Limited ("SUEZ NWS") during FY2017 allowed NWSH to expand its environmental businesses from primarily water and wastewater projects to broadened portfolio comprising also waste treatment and design, engineering and procurement. Henceforth, SUEZ NWS can capture growth opportunities from a full spectrum of environmental services in Greater China.

The third production line of the hazardous waste incineration plant in the Shanghai Chemical Industrial Park commenced operation in March 2017. It provides an annual treatment capacity of 120,000 tonnes and is one of the world's largest hazardous waste-to-energy plants.

To meet the growing water demand in Macau, SUEZ NWS has recently embarked upon the construction of a new water plant in Seac Pai Van. Upon completion in 2019, SUEZ NWS's total daily treatment capacity in Macau will increase by 130,000 m^3 to 520,000 m^3. In the meantime, a water tariff increase in Macau was approved in June 2017.

Chongqing Derun Environment Co., Ltd. ("Derun Environment") continued to provide positive contribution in FY2017, although its results were impacted by retrospective VAT expenses on wastewater treatment business dating back to July 2015. During FY2017, Derun Environment secured several land remediation contracts in Shanghai, laying a solid foundation for growth in this niche market.

Logistics business recorded a drop in FY2017 which reflected the disposal of NWS Kwai Chung Logistics Centre in 2016.

Contribution from ATL Logistics Centre dropped in FY2017 in the absence of the one-off rental adjustment from a major tenant renewal in FY2016. Excluding this one-off rental adjustment, its average rental grew modestly by 5% while occupancy rate remained steady at 97.1%.

China United International Rail Containers Co., Limited ("CUIRC") delivered satisfactory growth in FY2017. Benefitting from the increasing trend of containerised break-bulk cargoes service that commenced in January 2015, its throughput increased steadfastly by 23% to 2,529,000 TEUs in FY2017. To meet the growing demand, new terminals in Tianjin and Urumqi commenced operation in January and June 2017 respectively with annual handling capacity of 300,000 TEUs each.

Contribution from aviation business increased in FY2017 primarily due to the expansion of aircraft fleet size of Goshawk Aviation Limited ("Goshawk") and the increase of NWSH's shareholding in Goshawk from 40% to 50% since October 2016.

Goshawk continues its fleet expansion plan by focusing on commercial aircraft that are young, in demand, fuel efficient and equipped with modern technology and by maintaining a diversified customer base. As at 30 June 2017, Goshawk's fleet which comprised of 84 aircraft in operation (having grown from 68 aircraft as at 30 June 2016) were leased out to 35 airlines in 27 countries. Its total assets on book have reached US$3.5 billion. Together with the planned delivery of another 27 aircraft, the overall portfolio size of Goshawk has increased to 111 aircraft at present. Goshawk is therefore in a prime position to generate stable income and recurring cash flows for NWSH.

The second commercial aircraft leasing platform, Bauhinia Aviation Capital Limited, a joint venture with CTF and Aviation Capital Group LLC, owns and manages a fleet size of six aircraft as at 30 June 2017.

Service segment recorded a decrease in contribution in FY2017, mainly due to the decline from the Facilities Management business as its performance was negatively impacted by Free Duty's subdued business and the initial operating loss relating to Gleneagles Hong Kong Hospital ("GHK").

The performance of Free Duty in FY2017 remained suppressed as tourist spending remained weak with no notable improvement in land border visitor arrivals. Profit margins were under pressure posed by rising operating costs.

GHK, in which NWSH has 40% interest, commenced operations on 21 March 2017. The hospital is fully equipped and staffed to provide a wide range of clinical services covering more than 35 specialties and subspecialties. Initial operating loss was recorded as anticipated in FY2017 as GHK remained in its start-up phase.

To further capture the growing demand for healthcare services in Mainland China, NWSH subscribed for 20% of the enlarged issued share capital of UMP Healthcare China Limited and established Healthcare Assets Management Limited ("Healthcare Assets", a 50/50 joint venture with CTF) to serve as an investment platform for investing in healthcare facilities in Mainland China, with primary focus on clinics and medical centres offering primary healthcare. Healthcare Assets completed the acquisition of four clinics located in Beijing and Shanghai in March 2017.

Construction business grew strongly in FY2017, reflecting the continuous improvement in gross profit through effective project management. As at 30 June 2017, the gross value of contracts on hand for the construction business was approximately HK$87.6 billion and the remaining works to be completed amounted to approximately HK$54.7 billion.

Department store

In the past few years, retail markets of the Mainland China experienced extensive adjustments primarily due to the increasing popularity of e-commerce, changing shopping behavior of customers and rising operating cost, in turn leading to a slowdown of growth in sales of large-scale offline retailers, and even a negative growth since 2015.

In response to the structural changes in the department store sector, operators proactively consolidated both online and offline marketing, diversified product portfolio and promoted experiential consumption projects, so as to enhance the consumption experience of customers and maintain their brand awareness in the market. In the meantime, operators also strived to reorganise the network positioning of stores by reducing points of sales in order to control operating cost and improve efficiency.

In light of the slowdown of expanding internet traffic as well as the stabilising number of internet users, coupled with the rising operating cost due to intensified competition on online platforms, the growing momentum of e-commerce market experienced changes. Offline retail markets gradually regained vitality since 2017. The market anticipated that an equilibrium between online and offline consumption would be attained, in turn bringing an optimistic outlook for the department store sector. In addition, some operators offered brand-new products through more direct and in-depth cooperation with brand owners, or establishment of self-developed brands and exclusive brands, contributing to a unique competitive edge of the industry.

The newly appointed management team of New World Department Store China Limited ("NWDS") will actively promote consumer-oriented business reforms and innovative management to provide consumers with sophisticated and high quality shopping experience.

In FY2017, the commission income from concessionaire sales was the major income contributor to NWDS, accounting for 48.7% of the total revenue. Proceeds from direct sales and rental income accounted for 31.8% and 19.1% of the total revenue respectively. The remaining 0.4% was derived from management and consultancy fees. By region, the Northern China Region contributed the most to the revenue of NWDS, amounting to 46.4% of total revenue, followed by the South Eastern China Region and the Central Western China Region, which accounted for 33.4% and 20.2% of the total revenue respectively.

As at 30 June 2017, NWDS operated and managed a total of 37 stores and two shopping malls spreading across 21 cities in Mainland China with total GFA of over 1.5 million sq m.

Outlook

Having experienced the financial turmoil stemmed from the US subprime mortgage crisis and the economic structural adjustment as the result of the sovereign debt default risk in the Eurozone, the world is still feeling the impact of the deep-rooted imbalance arising from the variance in pace of economic development among different economies. Complicated geo-political situation, escalating protectionism, weakening conventional growth momentum and the lack of new economic growth points exert unexpected downward pressure on the global economy which remains vulnerable even nowadays.

As the International Monetary Fund ("IMF") pointed on a positive note in its World Economic Outlook released in April 2017, global economic activity is picking up and has come to a turning point. It also warned that certain factors might contribute to the support for a zero-sum policy in politics. The rise of protectionism and the relevant policies might mar the international trade relations and multi-lateral cooperation, slowing down the progress of economic recovery.

The economic performance in the US has regained momentum in recent years. However, under the protectionist banner of "America First", the Trump administration exited the Trans-Pacific Partnership and renegotiated the terms of the North American Free Trade Agreement, highlighting the conflicts among the trading partners. The Summit of the G20 Finance Ministers held in March 2017 accentuated the disagreement between the US and other leading economies in maintaining a neutral position on the issues of free trade and protectionism. As a result, the summit did not undertake in its communiqué to reject protectionism and support free trade, against a usual practice existing for years.

US president Donald Trump claimed that the US was determined to achieve an economic growth of 3% to 4% per annum. The reform packages proposed by the new administration, details of which remain unclear, have added market volatility owing to the uncertainty of the relevant policies. As Janet Yellen, the chair of US Federal Reserve, put it, it would be amazing for the economy to achieve such growth target in view of the substantial challenges lying ahead. She opined that extensive and pragmatic reform measures had to be introduced in various aspects. Having made upward adjustment to the US economic growth on one occasion, IMF readjusted in April 2017 its forecast for the US economic growth to be achieved this year and the next by scaling back from 2.3% and 2.5% respectively to 2.1%.

China, being the world's second largest economy, is growing at a medium-to-high rate instead of the rapid growth in the past. Faced with the insufficient organic impetus to economic growth and the build-up of financial risks, the Central Government has been maintaining the overall fundamental of going forward amid stability by implementing such measures as prudent fiscal and monetary policies, active promotion of deleveraging in economy, enhancement of reform and opening up, as well as step-up efforts in phasing out excessive and outdated capacity, with the aim of materialising a healthy economic development in the long run. During the first half of 2017, IMF has made two upward adjustments to the forecast for China's economic growth, with the latest being up from 6.6% to 6.7%.

In coping with the latest development of the global economy, President Xi Jinping proposed his "Belt and Road Initiative" in 2013 to promote the building of a cooperation platform and the sharing of cooperation outcome as a solution to the problems currently threatening the economies around the globe and in the region. Over the past four years, over 100 countries and international organisations around the globe have shown solid support for and active participation in the initiative. The Chinese government has all along been adamant that protectionism and trade war will only aggravate the economic problems, and leading the world economy out of predicament has become a matter of urgency. The interests among nations should be considered from a broader perspective and cooperation is encouraged by taking the opportunities arising.

Apart from being an international financial hub, Hong Kong is also an important gateway in the landscape of China's opening up. Hong Kong's economy may suffer from the impact of changes in the development of the world while it will benefit from China's macro-economic development strategies. It is expected that the Sino-US trade relations and the process of US balance sheet reduction will be two key factors affecting the economic development of Hong Kong for some time in future.

Regarding the interest rate movement in the US, Janet Yellen, the chair of US Federal Reserve, mentioned that interest rates would be raised at a gradual pace for the years to come and one-off substantial adjustment is not necessary. The US enacted 2 rate hikes in 2017 with the Fed Funds rate being increased to 1.25%. The market expects that the US economy will see one more rate hike this year that will have only limited impact on Hong Kong's economy, financial system and property market.

The development of Hong Kong's property market has become a subject of high concern in recent years. Mrs. Carrie Lam, the new Chief Executive of HKSAR, pinpointed land supply as the core problem. She added that her two predecessors had already introduced various control measures on demand which proved effective but failed to reverse the soaring trend of the property market. The new administration would formulate medium and long term policies to rebuild the long term policies to help households in different income groups onto housing ladder with opportunities to buy their own property by increasing land and housing supply. The new administration is expected to strive to balance the housing development between the public and private sectors and provide more assistance for the first-time homebuyers who are permanent Hong Kong residents. It will also rationalise the structural problem of inadequate land supply in Hong Kong one way or the other, thereby setting a new starting point for the market to materialise a more lasting and healthier development.

For the property sector in the Mainland China, the Central Government insists that the nature of housing is for people to live in. Segmented regulation and city-specific policy will remain the central theme of the housing policy for a period of time in the future. During the second half of the year, adjustment to market development in a prudent manner is expected to continue with more refined and precise policies, further enhancing financial and land policies as well as setting a steadier and healthier trend for the market. Under the on-going market regulation, developers will step up their efforts to achieve diversification. The competitiveness of sizable enterprises with diversified operations will grow even stronger.

The Group will continue to closely monitor market changes as well as carefully devise and timely adjust its strategies, so as to prepare itself to capitalise on the opportunities arising in future. In this subversive era, the Artisanal Movement fully demonstrates the craftsmanship of New World. The vision and analysis of big data allows the Group to have a better understanding of the preference and tendency of stakeholders. Fully leveraging on various new technologies and a prospective way of thinking, our professional teams have demonstrated, in a way that respects tradition and innovation, a brand new flexible business ecosystem across a wide spectrum within the corporate. The Group takes pride in successfully connecting with its clients through services and products.

In terms of property sales, quality residential projects featuring different lifestyles and concepts will be launched in a timely fashion. The Group will actively organise the marketing initiative for MOUNT PAVILIA at Clear Water Bay, ARTISAN HOUSE at Sai Ying Pun, THE PARKVILLE at Tuen Mun, PARK REACH and Tong Yan San Tsuen project at Yuen Long.

For the landbank in Hong Kong, the Group will carefully identify and select development opportunities suitable for the Group with reference to future market supply and the consumption preference of homebuyers. To secure unique land resources of premium quality to support sustainable development, the Group will continue to adopt a three-prong approach, namely land auction and tender, old building acquisition and agricultural land usage conversion. When it comes to the increasing number of developers from Mainland China commencing business in Hong Kong, the Group keeps open-minded and will explore the possibility of joint development taking into account the flexibility offered under the development conditions of different projects.

For property leasing in Hong Kong, investment property portfolio with defensive characteristics generates impressive recurrent income for the Group. Projects like K11 and D•PARK with the innovative business concept of offering unique experience succeed in attracting the major consumer group under the latest consumption models and creating value for the Group's business. As the catalyst for the Group, the development of Victoria Dockside, a new landmark located in the core area of Tsim Sha Tsui waterfront, is under way according to the plans and set to fully open in 2019. The project will become the Group's new growth driver of recurrent income.

For property development and leasing in Mainland China, the Group privatised NWCL and further consolidated its resources and enhanced synergy between operations in Hong Kong and China, optimising its assets and projects as well as the property business in Mainland China. The Group is optimistic about the economic prospect of Mainland China and NWCL will continue to invest strategically in key cities and develop key projects with considerable potential. Moreover, the Group will further expand the K11 brand into Mainland China.

The Group's financial position is stable. As at 30 June 2017, cash on hand, bank balance and the undrawn bank facilities amounted to HK$97.2 billion, which provides sufficient development resources for the Group. In fact, the Group has a strong working relationship with the major local and multi-national 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 return on investment.

The Group will continue to enhance the brand value of New World, adhere to its key strategy of structure and asset optimisation, maximise synergy effect among various components, strengthen New World's leading position in the market, create value and secure the best interest of stakeholders.

Dr. Cheng Kar-Shun, Henry
Chairman

Hong Kong, 21 September 2017

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, Ms. KI Man-Fung, Leonie, Mr. CHENG Chi-Heng, Ms. CHENG Chi-Man, Sonia and Mr. AU Tak-Cheong; (b) the Non-executive Directors of the Company are Mr. DOO Wai-Hoi, William and Mr. CHENG Kar-Shing, Peter; 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 and Mr. LIANG Cheung-Biu, Thomas.