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)

Interim Results Announcement 2017/2018

RESULTS

The board of Directors (the "Board") of New World Development Company Limited (新世界發展有限公司) (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2017 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT - UNAUDITED

		For the six months ended 31 December	
		2017	2016
	Note	**HK$m**	HK$m
Revenues	3	**27,935.4**	26,639.4
Cost of sales		**(17,749.0)**	(17,156.3)
Gross profit		**10,186.4**	9,483.1
Other income		**41.8**	254.6
Other gains, net		**1,144.7**	637.9
Selling and marketing expenses		**(442.0)**	(784.5)
Administrative and other operating expenses		**(3,945.0)**	(3,343.0)
Changes in fair value of investment properties		**7,167.9**	346.0
Operating profit	4	**14,153.8**	6,594.1
Financing income		**678.2**	856.5
Financing costs		**(1,007.6)**	(1,096.0)
		13,824.4	6,354.6
Share of results of			
Joint ventures		**1,357.1**	1,084.0
Associated companies		**546.7**	387.3
Profit before taxation		**15,728.2**	7,825.9
Taxation	5	**(3,097.7)**	(2,250.1)
Profit for the period		**12,630.5**	5,575.8
Attributable to:			
Shareholders of the Company		**11,269.9**	4,335.7
Holders of perpetual capital securities		**269.5**	129.3
Non-controlling interests		**1,091.1**	1,110.8
		12,630.5	5,575.8
Dividends		**1,413.9**	1,258.8
Earnings per share (HK$)	6		
Basic		**1.15**	0.46
Diluted		**1.14**	0.46

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

	For the six months ended 31 December	
	2017	2016
	HK$m	HK$m
Profit for the period	**12,630.5**	5,575.8
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefit obligation	**-**	(9.4)
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights	**3,357.9**	173.6
- deferred tax arising from revaluation thereof	**-**	(0.6)
Items that had been reclassified/may be reclassified subsequently to profit or loss		
Fair value changes of available-for-sale financial assets	**105.3**	153.5
Release of reserve upon disposal of available-for-sale financial assets	**(48.4)**	(15.6)
Release of reserves upon disposal of subsidiaries	**-**	(320.9)
Release of reserve upon restructuring of a joint venture	**-**	5.7
Release of reserves upon remeasurement of previously held equity interest in a joint venture	**-**	35.6
Release of reserve upon deregistration of subsidiaries	**(61.1)**	(15.3)
Share of other comprehensive income of joint ventures and associated companies	**763.2**	(1,003.0)
Cash flow hedges	**41.8**	248.5
Translation differences	**4,206.9**	(4,319.7)
Other comprehensive income for the period	**8,365.6**	(5,067.6)
Total comprehensive income for the period	**20,996.1**	508.2
Attributable to:		
Shareholders of the Company	**18,944.1**	(79.9)
Holders of perpetual capital securities	**269.5**	129.3
Non-controlling interests	**1,782.5**	458.8
	20,996.1	508.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	**As at 31 December 2017 HK$m**	As at 30 June 2017 HK$m
ASSETS			
Non-current assets			
Investment properties		**133,547.6**	105,760.4
Property, plant and equipment		**29,216.0**	30,807.8
Land use rights		**1,111.5**	1,715.0
Intangible concession rights		**11,912.7**	11,841.9
Intangible assets		**4,040.0**	3,423.8
Interests in joint ventures		**50,839.4**	49,317.4
Interests in associated companies		**27,717.4**	26,401.8
Available-for-sale financial assets		**7,763.6**	6,540.9
Held-to-maturity investments		**45.2**	44.4
Financial assets at fair value through profit or loss		**381.7**	574.5
Derivative financial instruments		**28.5**	9.8
Properties for development		**18,167.1**	18,284.1
Deferred tax assets		**648.6**	740.9
Other non-current assets		**3,906.1**	2,612.6
		289,325.4	258,075.3
Current assets			
Properties under development		**46,124.1**	48,530.0
Properties held for sale		**34,245.8**	34,530.9
Inventories		**733.2**	756.1
Debtors, prepayments and contract assets	7	**28,542.2**	27,864.4
Financial assets at fair value through profit or loss		**0.1**	0.1
Derivative financial instruments		**216.0**	62.3
Restricted bank balances		**29.0**	120.5
Cash and bank balances		**65,432.3**	66,986.0
		175,322.7	178,850.3
Non-current assets classified as assets held for sale	8	**3,488.4**	130.7
		178,811.1	178,981.0
Total assets		**468,136.5**	437,056.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	**As at 31 December 2017 HK$m**	As at 30 June 2017 HK$m
EQUITY			
Share capital		**76,160.7**	73,233.6
Reserves		**128,811.7**	112,857.6
Shareholders' funds		**204,972.4**	186,091.2
Perpetual capital securities		**9,453.3**	9,451.8
Non-controlling interests		**25,449.9**	25,401.5
Total equity		**239,875.6**	220,944.5
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**127,129.5**	125,895.3
Deferred tax liabilities		**9,347.1**	9,327.2
Derivative financial instruments		**485.5**	631.3
Other non-current liabilities		**655.7**	757.4
		137,617.8	136,611.2
Current liabilities			
Creditors, accrued charges and contract liabilities	9	**61,610.1**	50,735.2
Current portion of long-term borrowings		**12,809.2**	14,857.9
Derivative financial instruments		**-**	36.1
Short-term borrowings		**6,804.9**	6,366.7
Current tax payable		**8,615.8**	7,504.7
		89,840.0	79,500.6
Liabilities directly associated with non-current assets classified as assets held for sale	8	**803.1**	-
		90,643.1	79,500.6
Total liabilities		**228,260.9**	216,111.8
Total equity and liabilities		**468,136.5**	437,056.3

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") for the six months ended 31 December 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"). The Interim Financial Statements should be read in conjunction with the 30 June 2017 annual financial statements.

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

(a) Adoption of amendments to standards

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

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

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

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

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

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

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

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

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

Control of the good or service is transferred over time if the Group's performance:
• provides all of the benefits received and consumed simultaneously by the customer;
• creates or enhances an asset that the customer controls as the Group performs; or
• does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:
• direct measurements of the value transferred by the Group to the customer; or
• the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

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

1. **Basis of preparation and accounting policies (Continued)**

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

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

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

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

(i) HKFRS 16 "Leases"

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

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

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

2. **Change in accounting policy**

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

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

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

Presentation of contract assets and liabilities

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

• Contract liabilities for progress billing recognised in relation to property development activities were previously presented as deposits received on sale of properties within creditors and accrued charges.

• Contract liabilities in relation to prepayments from customers and customer loyalty programme under department stores operation were previously presented as other creditors and accrued charges within creditors and accrued charges.

• Contract liabilities recognised in relation to contracting activities were previously presented as amounts due to customers for contract work within creditors and accrued charges.

• Contract assets recognised in relation to contracting activities were previously presented as amounts due from customers for contract work within debtors and prepayment.

2. Change in accounting policy (Continued)

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

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

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

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

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

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

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

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

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

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

2. **Change in accounting policy (Continued)**

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

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

2. Change in accounting policy (Continued)

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

	As at 31 December 2017		
	Without the early adoption of HKFRS 15 HK$m	Effects of the early adoption of HKFRS 15 HK$m	As reported HK$m
Condensed consolidated statement of financial position (extract)			
Interests in joint ventures	**50,824.2**	**15.2**	**50,839.4**
Deferred tax assets	**691.8**	**(43.2)**	**648.6**
Properties under development	**46,738.7**	**(614.6)**	**46,124.1**
Debtors, prepayments and contract assets	**28,328.8**	**213.4**	**28,542.2**
- Trade debtors, deposits, prepayments and other debtors	**28,079.9**	**(71.8)**	**28,008.1**
- Amounts due from customers for contract work	**248.9**	**(248.9)**	**-**
- Contract assets	**-**	**534.1**	**534.1**
Retained profits	**112,513.3**	**351.4**	**112,864.7**
Non-controlling interests	**25,417.8**	**32.1**	**25,449.9**
Deferred tax liabilities	**9,346.5**	**0.6**	**9,347.1**
Creditors, accrued charges and contract liabilities	**62,536.0**	**(925.9)**	**61,610.1**
- Trade creditors, other creditors and accrued charges	**39,462.4**	**(290.5)**	**39,171.9**
- Amounts due to customers for contract work	**2,396.7**	**(2,396.7)**	**-**
- Deposits received on sale of properties	**20,676.9**	**(20,676.9)**	**-**
- Contract liabilities	**-**	**22,438.2**	**22,438.2**
Current tax payable	**8,503.2**	**112.6**	**8,615.8**

	Six months ended 31 December 2017		
	Without the early adoption of HKFRS 15 HK$m	Effects of the early adoption of HKFRS 15 HK$m	As reported HK$m
Condensed consolidated income statement (extract)			
Revenues	**27,695.8**	**239.6**	**27,935.4**
Cost of sales	**17,519.0**	**230.0**	**17,749.0**
Selling and marketing expenses	**557.2**	**(115.2)**	**442.0**
Share of results of joint ventures	**1,344.4**	**12.7**	**1,357.1**
Taxation	**3,064.9**	**32.8**	**3,097.7**
Non-controlling interests	**1,086.2**	**4.9**	**1,091.1**

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

3. Revenues and segment information

Revenues recognised during the period are as follows:

	For the six months ended 31 December	
	2017	2016
	HK$m	HK$m
Revenues		
Property sales	**9,893.6**	13,019.6
Rental	**1,344.3**	1,184.4
Contracting	**6,531.8**	4,704.3
Provision of services	**5,947.7**	3,798.3
Infrastructure operations	**1,352.6**	1,256.3
Hotel operations	**755.3**	754.7
Department store operations	**1,772.8**	1,720.4
Others	**337.3**	201.4
Total	**27,935.4**	26,639.4

The Executive Committee of the Company, being the chief operating decision-maker, determines and reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are determined based on the 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 telecommunications, media and technology and other strategic businesses) segments.

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

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

3. Revenues and segment information (Continued)

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

3. Revenues and segment information (Continued)

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

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

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

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

Notes:

a. For the six months ended 31 December 2016, Newton Resources Ltd, an associated company, recognised an impairment of its assets for which the Group shared an impairment loss of HK$204.0 million included in the segment result of service segment.

b. Non-current assets represented non-current assets other than financial instruments (financial instruments include interests in joint ventures and associated companies), deferred tax assets and retirement benefit assets.

c. For the six months ended 31 December 2017, others segment included net exchange gain of HK$287.0 million (2016: net exchange loss of HK$467.7 million). For the six months ended 31 December 2016, the infrastructure segment included gain on restructuring of SUEZ NWS Limited of HK$454.3 million.

d. For the six months ended 31 December 2016, the amount in the service segment included gain on remeasuring NWS Transport Services Limited at fair value upon further acquisition as a subsidiary of HK$327.1 million and after completion of the acquisition, NWS Transport Services Limited and its subsidiaries became indirect subsidiaries of the Company.

e. For the six months ended 31 December 2017, the operating profit before depreciation and amortisation, changes in fair value of investment properties and other gains, net and after net exchange difference amounted to HK$7,306.7 million, of which HK$1,580.4 million was attributable to Hong Kong and HK$5,726.3 million was attributable to Mainland China and others.

4. Operating profit

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

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

5. Taxation

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

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

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

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

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

6. Earnings per share

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

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

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

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

7. Trade debtors

Aging analysis of trade debtors is as follows:

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

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

8. Non-current assets classified as assets held for sale/ liabilities directly associated with non-current assets classified as assets held for sale

Non-current assets classified as assets held for sale

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

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

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

9. Trade creditors

Aging analysis of trade creditors is as follows:

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

10. Pledge of assets

As at 31 December 2017, the assets with an aggregated amount of HK$63,305.8 million (30 June 2017: HK$62,283.5 million) were pledged as securities for certain banking facilities of the Group.

11. Financial guarantee and contingent liabilities

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

12. Event subsequent to period end

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

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

INTERIM DIVIDEND

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

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

BOOK CLOSE DATES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

Month	**Number of shares bought back**	**Price Paid per share**		**Aggregate consideration (before expenses)**
		Highest (HK$)	**Lowest (HK$)**	**(HK$)**
September 2017	4,000,000	11.24	11.02	44,473,440
October 2017	2,000,000	11.96	11.80	23,801,960
November 2017	1,797,000	11.80	11.70	21,144,660
December 2017	1,663,000	10.98	10.88	18,200,660
	9,460,000			107,620,720

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

REVIEW OF INTERIM RESULTS

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

CORPORATE GOVERNANCE CODE

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

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

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

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

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

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

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

MAJOR ACQUISITION AND DISPOSAL

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

LIQUIDITY AND CAPITAL RESOURCES

Net Debt

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

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

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

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

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

	HK$m
Within one year	**17,922.4**
In the second year	**22,133.8**
In the third to fifth year	**86,195.6**
After the fifth year	**17,537.5**
	143,789.3

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

Business Review

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

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

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

In 1HFY2018, the Group underlying profit amounted to HK$4,198.6 million. In 1HFY2017, the Group underlying profit amounted to HK$5,001.3 million, which included NWS Holding Limited one-off disposal gain from NWS Kwai Chung Logistic Centre, with an attributable contribution of HK$1,333.9 million to the Group.

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

Hong Kong property development

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

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

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

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

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

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

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

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

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

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

Hong Kong property investment and others

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong landbank

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

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

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

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

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

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

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

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

Mainland China property development

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

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

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

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

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

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

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

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

1HFY2018 project completion in Mainland China — Development property

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

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

Project/ GFA sq m	Commercial	Total (excluding carpark)	Total (including carpark)
Shenyang New World Garden 2D1	**7,911**	**7,911**	**100,705**
Guangzhou Covent Garden District 1 1C2	**-**	**-**	**22,086**
Guangzhou Covent Garden District 1 1E	**-**	**-**	**38,139**
Total	**7,911**	**7,911**	**160,930**

FY2018 estimated project completion in Mainland China — Development property

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

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

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

Mainland China property investment and others

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

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

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

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

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

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

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

Mainland China landbank

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

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

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

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

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

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

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

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

Hotel

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

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

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

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

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

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

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

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

Infrastructure

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

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

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

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

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

Service

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

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

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

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

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

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

Department stores

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

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

Outlook

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

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

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

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

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

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

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

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

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

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

Dr. Cheng Kar-Shun, Henry
Chairman

Hong Kong, 27 February 2018

As at the date of this announcement, (a) the Executive Directors of the Company are Dr. CHENG Kar-Shun, Henry, Dr. CHENG Chi-Kong, Adrian, 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.