New World Development Company Limited

(Stock Code: 0017)

The Artisanal Movement

2017 Annual Report

I M A G I N A T I O N

Aspiration. Boundless. Cultivation.

CRAFTSMANSHIP

Artistry. Creation. Humanised.

BESPOKE

Encounter. Indulgence. Peculiar.

ABOUT THE ARTISANAL MOVEMENT

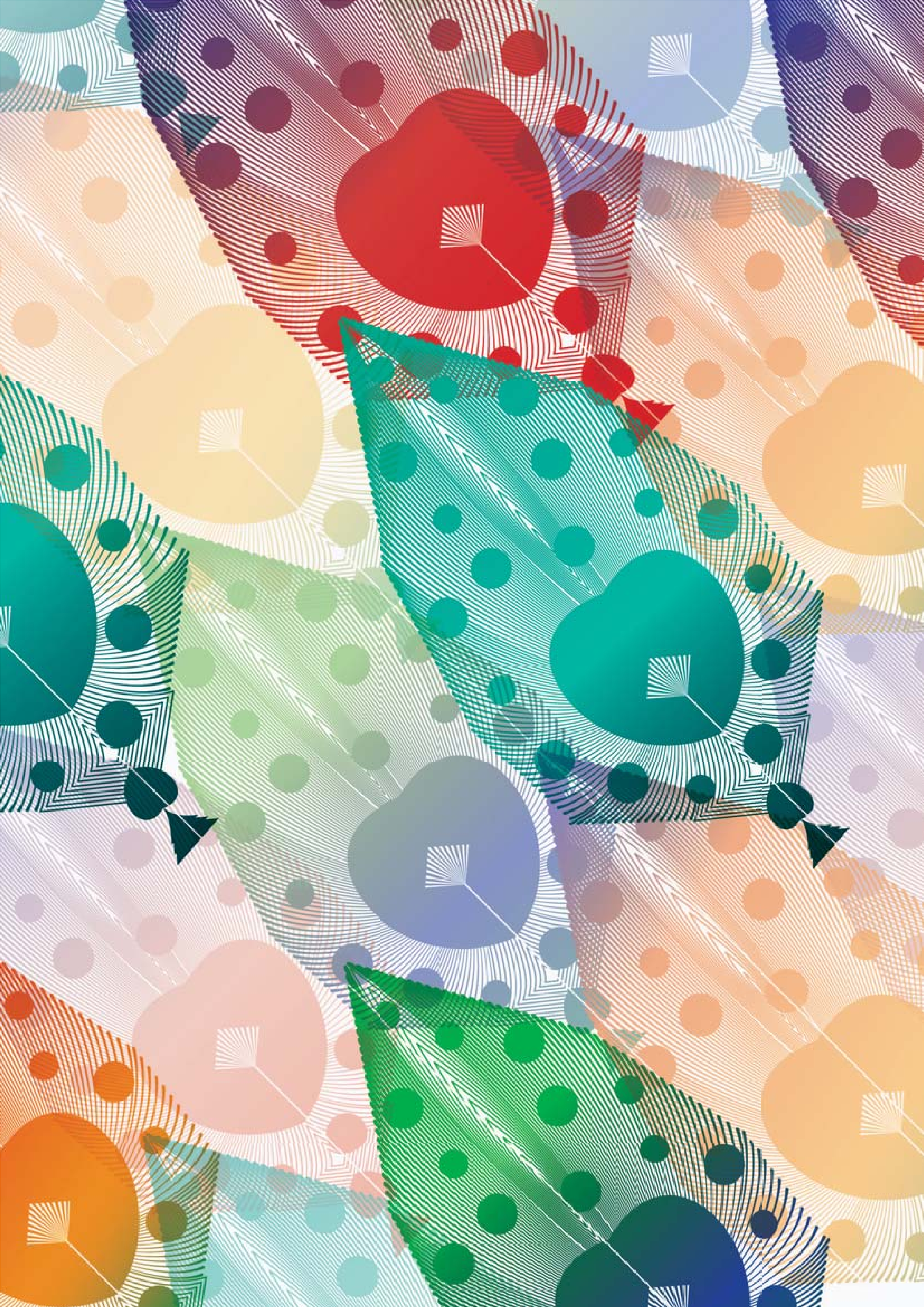
The Artisanal Movement, branding personality of the New World Group, is a journey of expanding one's imagination, not only limited to design and aesthetics, but also amassing a modern living culture through our persistence in delivering bespoke craftsmanship manifested by originality.

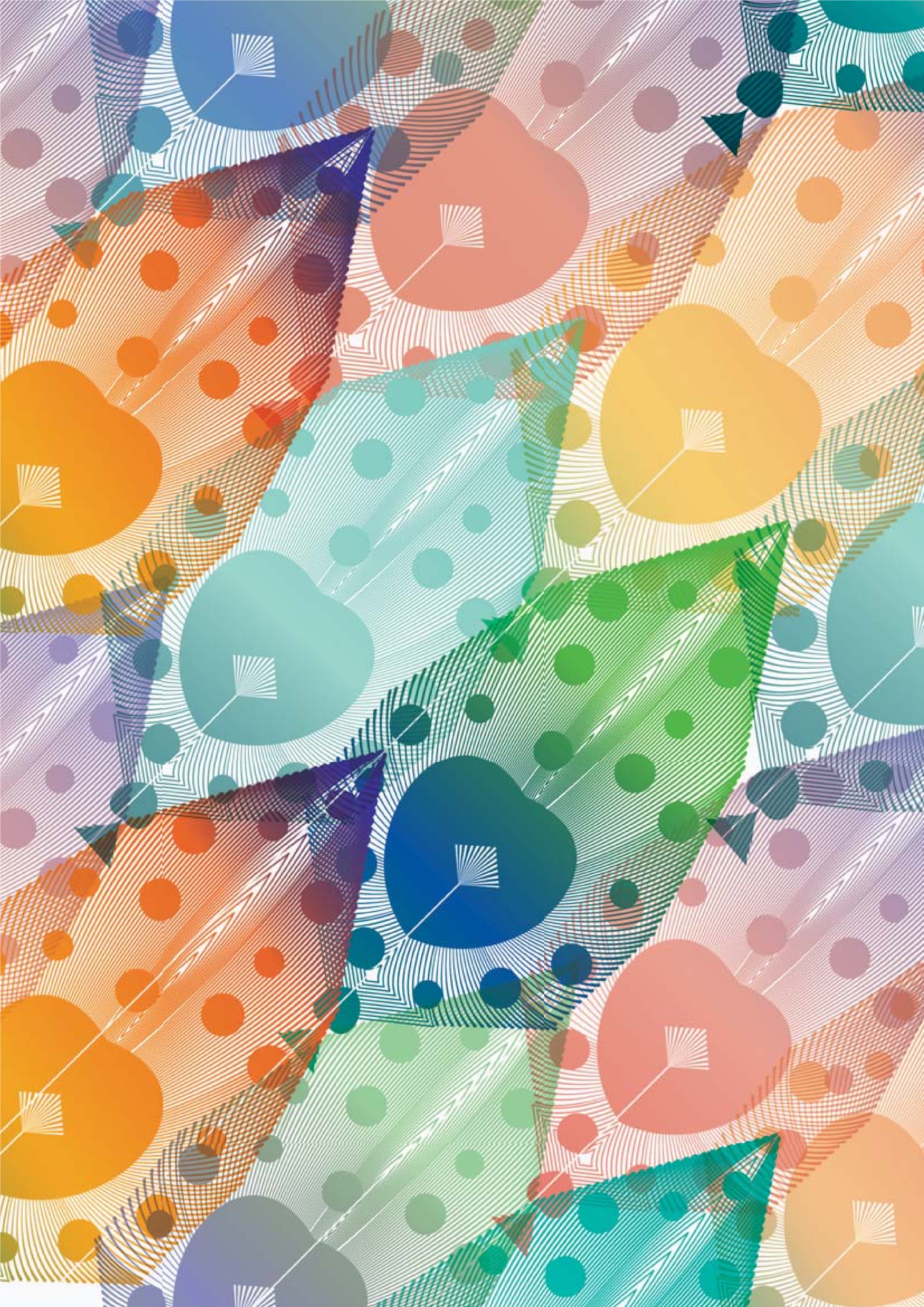
Backed by a strong belief in "WE CREATE, WE ARE ARTISANS", we believe that every individual is an artisan that seeks to go beyond conventional boundaries and develop new ideas that ensure a bespoke, one-of-a-kind customer experience.

We collect, curate and source the best objects around the world. In line with the motto of "COLLECT, CONNECT, COLLIDE", The team continues to seek and collect the most exquisite art collection pieces, ensuring that every item is imbued with a rich heritage and cultural inheritance.

H E R I T A G E

Aesthetics. Culture. Legacy.





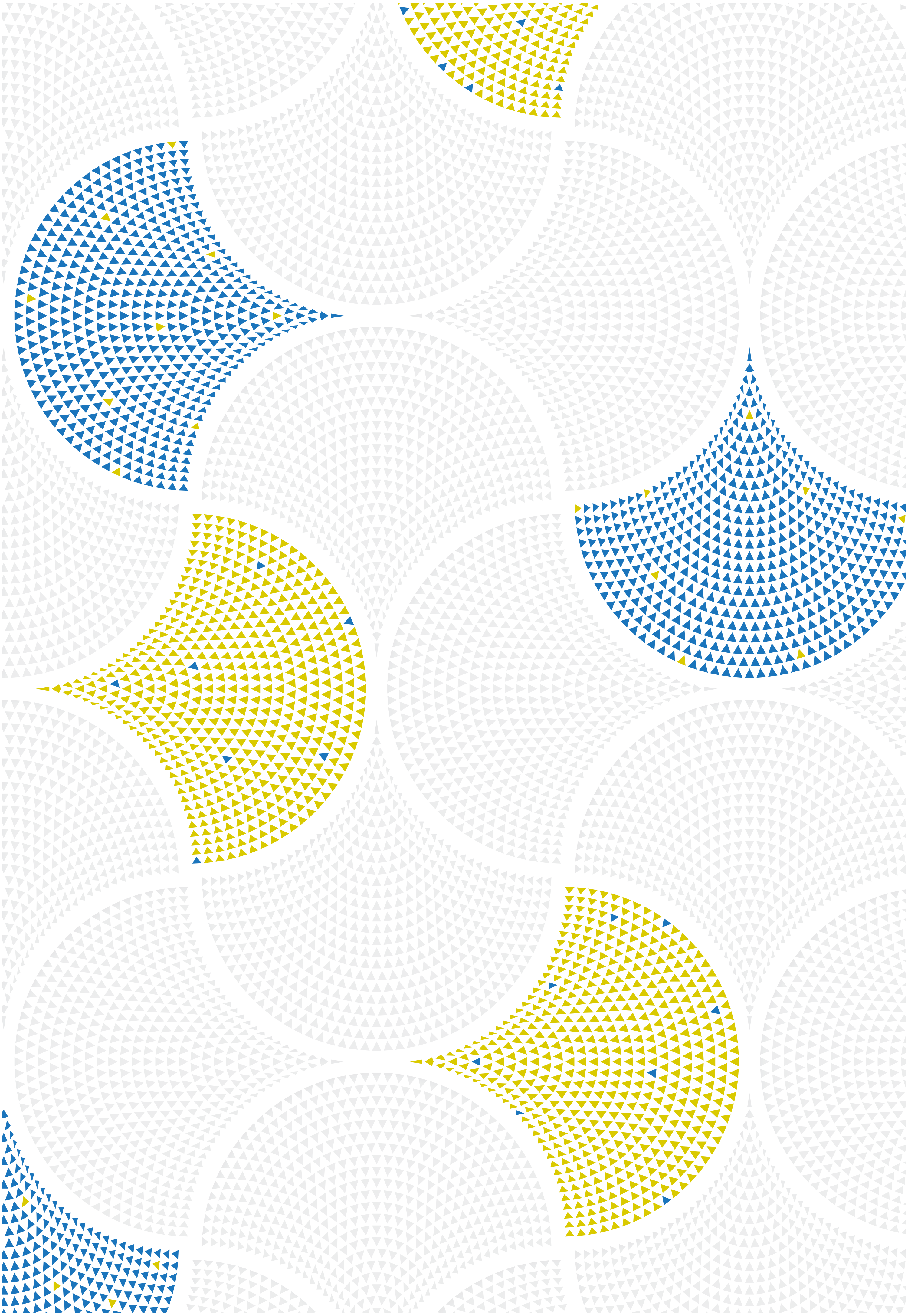
C O N

T E M

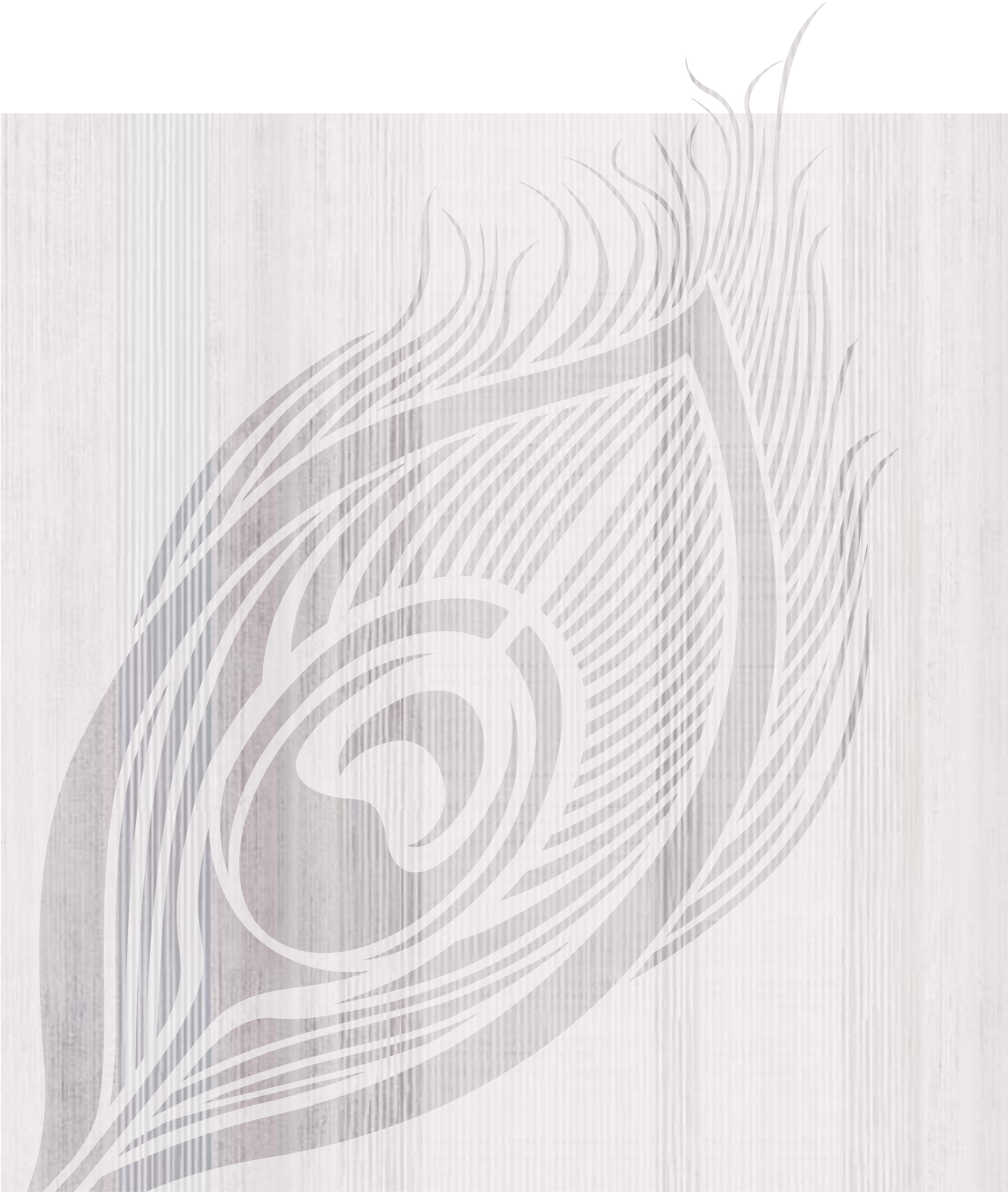
Innovation. Provocative. Visionary.

P O R

A R Y




K11
BURBERRY



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WUHAN
GUANGGU
K11

NEW WORLD COMPLEX

MAINLAND CHINA

SKYPARK

HONG KONG

GRAND HYATT HONG KONG

Hong Kong

CORPORATE STRUCTURE

New World Development Company Limited

(HK stock code: 0017)

PROPERTY DEVELOPMENT & INVESTMENT IN HONG KONG

New World China Land Limited

(Wholly owned subsidiary**)

PROPERTY DEVELOPMENT & INVESTMENT IN MAINLAND CHINA

NWS Holdings Limited (61%)*

(HK stock code: 0659)

INFRASTRUCTURE & SERVICE IN HONG KONG AND MAINLAND CHINA

New World Department Store China Limited (72%)*

(HK stock code: 0825)

DEPARTMENT STORE IN MAINLAND CHINA

* The percentage of interest held by the Group as at 30 June 2017

** NWCL has become the Group's indirect wholly owned subsidiary after the completion of privatisation on 3 August 2016

	FY2017 HK$m	FY2016 HK$m
Revenues	**56,628.8**	59,570.0
Segment results (include share of results of joint ventures and associated companies (excluding changes in fair value of investment properties))	**14,090.4**	13,997.5
Changes in fair value of investment properties	**1,363.8**	307.3
Profit attributable to shareholders of the Company	**7,675.7**	8,666.3
Dividend per share (HK$)		
Interim	**0.13**	0.13
Final	**0.33**	0.31
Full-year	**0.46**	0.44

For the year ended 30 June 2017, the Group's EBITDA amounted to HK$11,478.1 million, of which HK$3,909.4 million (representing 34%) was attributable to operations in Hong Kong and HK$7,568.7 million (representing 66%) was attributable to operations in Mainland China and other regions.

Meanwhile, within the Group's EBITDA, of which HK$9,445.1 million (representing 82%) was attributable to property related operations and HK$2,033.0 million (representing 18%) was attributable to other operations.

	As at 30 June 2017 HK$m	As at 30 June 2016 HK$m
Total assets	**437,056.3**	392,108.6
Net debt[(1)]	**76,870.2**	77,048.8
Gearing ratio[(2)] (%)	**34.8**	38.4

Remarks:

(1) Net debt: The aggregate of bank loans, other loans and fixed rate bonds and other borrowings less cash and bank balances

(2) Gearing ratio: Net debt divided by total equity

The year 2017

MARKS THE 20TH ANNIVERSARY OF THE HANDOVER OF HONG KONG TO THE MOTHERLAND

whose on-going rapid development has provided solid back-up and invaluable opportunities

for Hong Kong.

TO OUR SHAREHOLDERS,

Sustainable development of an enterprise is the primary concern of its decision makers. The rapid changes in economic direction, industry structure, technology trends and social circumstance will have unprecedented impact on the enterprise. It might be incidental for an enterprise to survive these challenges. However, it is hardly from mere luck for it to attain new levels against this backdrop, it relies on the vision and execution capabilities of the decision makers.

"We often look so long and so regretfully upon the closed door that we do not see the one which was opened for us", said Alexander Graham Bell, the renowned entrepreneur credited with patenting the world's first practical telephone. In some cases, traditional industries tend to rest on their laurels and do not bother preparing themselves for catching up with the latest innovative, technological and social development as well as further development in other potential areas. Not until the industry structure experiences adjustment do they find themselves in a situation between a rock and a hard place.

Today's business environment is complicated and ever-changing. Life cycle for a business has become even shorter. Whether or not an enterprise can differentiate itself from the peers and establish a solid base for sustainable development depends on its ability to take advantage of the current situation, implement reform to optimise its own vitality through innovative thinking and new resources, effectively handle the transition from old to new, continuously seek breakthroughs and new momentum while adhering to its own corporate culture, and realise its vision to the fullest extent.

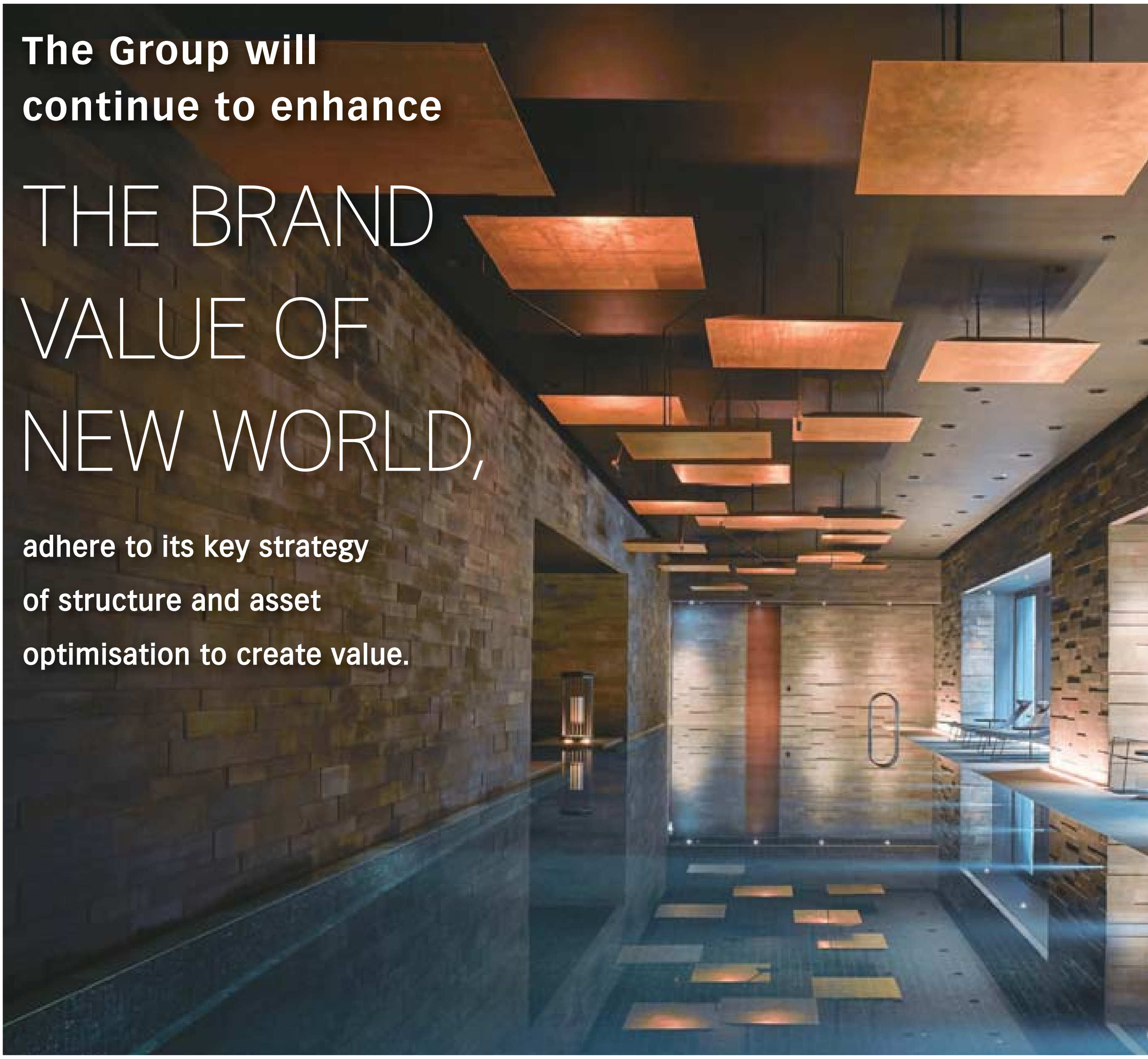
Since its establishment in 1970, the New World Group has been upholding the belief in and passion for providing the

market with quality services and products. Its bold quests for innovation and flexible application of technologies translate into the unique living experience and lifestyle offered to the stakeholders under the brand of New World.

The year 2017 marks the 20th anniversary of the handover of Hong Kong to the motherland whose on-going rapid development has provided solid back-up and invaluable opportunities for Hong Kong. The Central Government will continue to support Hong Kong in playing an important role in the implementation of such major development strategies as the Belt and Road initiative, the construction of the Guangdong-Hong Kong-Macau Bay Area and the internationalisation of Renminbi, providing an endless stream of new impetuses and opportunities for the local economy and its development.

The New World Group has high expectations on the future development of Hong Kong and Mainland China. The Group will continue to streamline its business and organisation structure, take on future challenges proactively and optimistically, leveraging on its sustainable corporate culture as well as innovative thinking and operation philosophy, capitalise on opportunities, contribute to the motherland, serve the community and create value for shareholders.

Dr. Cheng Kar-Shun, Henry
Chairman
Hong Kong, 21 September 2017



HONG KONG PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT

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

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

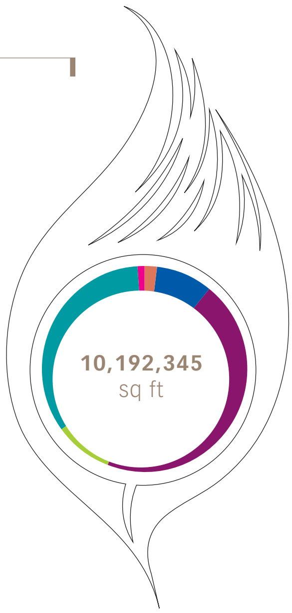
The relevant regulatory policies failed to realise substantial adjustments to the property prices and the transaction volume as expected, mainly attributable to the fact that some of the measures continuously undermined the purchasing power of potential buyers who have genuine demand for properties,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

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

Hong Kong landbank attributable GFA

As at 30 June 2017

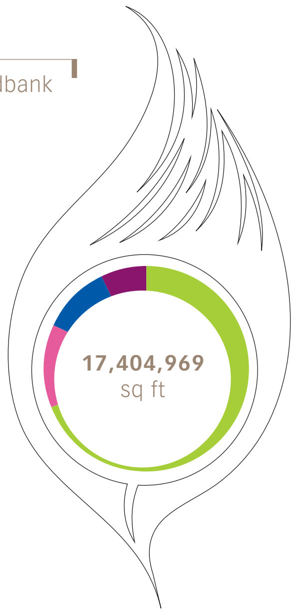
- 3% Central and Western District
- 7% Eastern District
- 55% Yau Tsim Mong District, Kowloon City District, Kwun Tong District, Sham Shui Po District and Wong Tai Sin District
- 7% Tsuen Wan District, Yuen Long District and Tuen Mun District
- 27% Sha Tin District and Sai Kung District
- 1% Others



Hong Kong agricultural landbank attributable land area

As at 30 June 2017

- 69% Yuen Long District and Tuen Mun District
- 13% North District
- 11% Sha Tin District and Tai Po District
- 7% Sai Kung District



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

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

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

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

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

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

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

In Harmony With Greatness

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

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

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

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

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

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

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

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

Picnic

In Aurora

Dreams

HONG KONG LANDBANK

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

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

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

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

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

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

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

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

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

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

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

Serenity Above The City

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

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

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

PROPERTY DEVELOPMENT AND PROPERTY INVESTMENT IN MAINLAND CHINA

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

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

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

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

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

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

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

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

MAINLAND CHINA LANDBANK

The Group is optimistic about the economic prospect of Mainland China and remains fully confident in the country's development. As the Group's property flagship in Mainland China, NWCL holds the business development in Mainland

Embrace A World of Living Nature

China in high regard, and will, under the leadership of its new management team, continue to strategically invest in key cities and develop iconic projects with great potential in order to provide a quality and healthy living environment for the residents.

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

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

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

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

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

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

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

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

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

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

FY2017 Project completion in Mainland China — Development property

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

FY2017 Project completion in Mainland China — Investment property and hotel

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

FY2018 Estimated project completion in Mainland China — Development property

Project/GFA sq m	Residential	Commercial	Office	Hotel	Total (excluding carpark)	Total (including carpark)
Guangzhou Covent Garden District 1 1C2	106,872				106,872	106,872
Guangzhou Covent Garden District 1 1E	61,097				61,097	61,097
Guangzhou Dongyi Garden Phase 5	24,297				24,297	24,297
Guangzhou Foshan Canton First Estate CF-20 Phase 1	80,499				80,499	80,499
Guangzhou Foshan Canton First Estate CF-20 Phase 2	36,350				36,350	36,350
Guangzhou Foshan Canton First Estate CF-27A	23,377				23,377	35,869
Wuhan Hanxi Site B	260,407				260,407	326,042
Changsha La Ville New World Phase 3B	35,016	25,996	30,568		91,580	123,605
Yiyang New World Scenic Heights Phase 1D	14,192				14,192	14,192
Jinan New World Sunshine Garden District BC		5,697	37,162	19,545	62,404	80,837
Langfang New World Garden District 2	75,718	8,029			83,747	109,641
Langfang New World Centre District A				40,192	40,192	84,244
Shenyang New World Garden 2D1	139,264				139,264	139,264
Shenyang New World Garden 2D2	161,507				161,507	161,507
Total	**1,018,596**	**39,722**	**67,730**	**59,737**	**1,185,785**	**1,384,316**

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

Project/GFA sq m	Commercial	Total (excluding carpark)	Total (including carpark)
Guangzhou Covent Garden District 1 1C2			22,072
Guangzhou Covent Garden District 1 1E			38,154
Guangzhou Covent Garden Commercial #1	6,067	6,067	7,101
Guangzhou Dongyi Garden Phase 5			12,770
Shenyang New World Garden 2D1	2,070	2,070	94,864
Shenyang New World Garden 2D2	7,097	7,097	93,745
Total	**15,234**	**15,234**	**268,706**

BUSINESS DEVELOPMENTS IN MAJOR CITIES IN MAINLAND CHINA

Southern Region

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

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

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

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

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

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

Central Region

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

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

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

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

Eastern Region

Shanghai Hong Kong New World Tower is situated in the prime business area of Shanghai Huaihai Middle Road. It comprises offices, K11 Art Mall and K11 Club, Shanghai's first clubhouse for senior executives inside an office building. Shanghai K11, featuring green design and all-round art, successfully attracts aficionados of fashion, culture and lifestyle, and has become the most diversified trend-setter in Mainland China. During the year under review, the average monthly footfall was over 800,000.

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

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

Northern Region

Situated in the Yuhe area of Shunyi District in Beijing, Beijing New World • Li Zun is a high-end villa project with an area of 206,000 sq m developed by the Group. The project has two phases, namely the Eastern Zone and the Western Zone. The Eastern Zone provides 81 French-style detached villas, a paragon of luxurious villa in the central villa area, of which, over 70% were sold. The Western Zone provides 227 French-style detached villas and townhouses characterised by the unique structure of "one villa with three gardens", of which, over 60% were sold.

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

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

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

North-eastern Region

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

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

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

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

HOTEL OPERATIONS

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

Although overall occupancy rate of hotels in Hong Kong recorded satisfactory performance as the number of overnight visitors improved, however, the potential for raising room

rates has been narrowed as a result of the maturing of the on-line room reservation platform, and the improved transparency on hotel room rates and market information, boosting travel activities but at the same time bringing keener price competition to the hotel market.

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

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

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

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

INFRASTRUCTURE AND SERVICE

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

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

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

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

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

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

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

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

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

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

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

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

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

Romancing The Landscape

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

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

The second commercial aircraft leasing platform, Bauhinia Aviation Capital Limited, a joint venture with CTF and Aviation Capital Group LLC, owns and manages a fleet size of 6 aircraft as at 30 June 2017.

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

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

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

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

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

DEPARTMENT STORE

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

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

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

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

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

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

OUTLOOK

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

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

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

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

China, being the world's second largest economy, is growing at a medium-to-high rate instead of the rapid growth in the past. Faced with the insufficient organic impetus to economic

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

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

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

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

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

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

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

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

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

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

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

The Group's financial position is stable. As at 30 June 2017, cash on hand, bank balance and the undrawn bank facilities amounted to HK$97.2 billion, which provides sufficient development resources for the Group. In fact, the Group has a strong working relationship with the major local and multi-national banks and the financing channels are diversified. It is expected that equity raising is not necessary in the foreseeable future. In addition, the Group will actively consider different ways, such as share buyback, to enhance shareholder's return on investment.

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

Dr. Cheng Chi-Kong, Adrian
Executive Vice-chairman & General Manager
Hong Kong, 21 September 2017

In FY2017, NWD recorded consolidated revenue of HK$56,628.8 million, while profit attributable to shareholders of the Company amounted to HK$7,675.7 million, decreased 4.9% and 11.4% respectively.

Despite the growth in individual segments, the improvement in changes in fair value of investment properties and the narrowed decline in net exchange loss that led by the RMB depreciation, the profit attributable to shareholders of the Company recorded a drop, mainly due to 1) the contributions from Service and Others segments down 16.7% and 59.4% respectively; and 2) decrease in other gains.

The Group's underlying profit amounted to HK$7,133.3 million, up 26.5% (Underlying profit in FY2016 has stripped out the disposal gain of 5 projects in Mainland China).

Total segment results (including share of results of joint ventures and associated companies but excluding changes in fair value in investment properties) amounted to HK$14,090.4 million, up 0.6%.

Within the Group's EBITDA, of which HK$9,445.1 million (representing 82%) was attributable to property related operations and HK$2,033.0 million (representing 18%) was attributable to other operations.

REVENUE — ANALYSED BY BUSINESS SEGMENT

	FY2017 HK$m	FY2016 HK$m
Property development	**25,968.0**	28,527.9
Property investment	**2,410.9**	2,492.3
Service	**20,555.5**	19,903.5
Infrastructure	**2,410.6**	2,444.0
Hotel operations	**1,422.2**	1,762.3
Department stores	**3,389.0**	3,550.2
Others	**472.6**	889.8
Total	**56,628.8**	59,570.0

REVENUE — GEOGRAPHIC CONTRIBUTION (PROPERTY RELATED SEGMENT)

	FY2017 HK$m	FY2016 HK$m
Property development		
Hong Kong	**8,538.1**	12,941.9
Mainland China	**17,429.9**	15,586.0
Total	**25,968.0**	28,527.9

	FY2017 HK$m	FY2016 HK$m
Property investment		
Hong Kong	**1,576.2**	1,573.2
Mainland China	**834.7**	919.1
Total	**2,410.9**	2,492.3

	FY2017 HK$m	FY2016 HK$m
Hotel operations		
Hong Kong	**573.9**	559.1
Mainland China	**629.5**	968.9
Southeast Asia	**218.8**	234.3
Total	**1,422.2**	1,762.3

Property development segment recorded 9.0% decrease in revenue, it was mainly due to the differences in project mix between FY2017 and FY2016. In FY2016, THE PAVILIA HILL, the luxury project, had driven the revenues of Hong Kong property development segment. Compare with FY2017, major contributors in Hong Kong development property included SKYPARK, BOHEMIAN HOUSE and Double Cove Summit. The abovementioned differences led to the 34% drop in the revenue of Hong Kong development property. The revenue from the development property segment in Mainland China was comparatively stable. Shenzhen New World Yi Shan Garden, Shenzhen New World Signature Hill, Guangzhou Park Paradise, Guangzhou Central Park-view, Guangzhou Covent Garden, Shenyang New World Garden and Langfang projects were the key contributors.

The property investment segment also reported a decrease in revenue by 3.3%. It was mainly due to 1) the contract expiry of 2 MacDonnell Road and the disposal of certain floor area in Chevalier Commercial Centre in Hong Kong; 2) the disposal of serviced apartment in Shanghai Belvedere Service Apartments and the office of Wuhan New World Centre in Mainland China; and 3) the drop in occupancy in Wuhan New World International Trade Towers due to tenant renewal adversely affected the contribution to the segment.

In Hong Kong, if stripping out the effect from 2 MacDonnell Road and Chevalier Commercial Centre that the contract had expired and certain area had been disposed respectively during the year under review, the Group's gross rental income in Hong Kong up 4.2% year-on-year, with the sound performance of the key leasing properties in occupancy.

Revenue from the service segment increased 3.3%, it was mainly due to the fact that NWSH acquired further 50% interest in NWS Transport Service Limited ("NWST") in December 2016 and since then, NWST has become a wholly owned subsidiary of NWSH from a JV company.

Revenue from infrastructure segment decreased 1.4%. The performance of major business remains stable.

Hotel operations segment recorded a decrease of 19.3% in revenue, it was due to the disposals of the hotel management business and a hotel in Guiyang.

Meanwhile, the 46.9% revenue decrease in Others segment was due to the disposal of telecommunication business in FY2016.

ANALYSIS OF SEGMENT RESULTS

	FY2017 HK$m	FY2016 HK$m
Property development	**7,506.8**	7,371.8
Property investment	**1,770.6**	1,829.2
Service	**1,264.8**	1,519.1
Infrastructure	**3,313.0**	3,042.5
Hotel operations	**(79.4)**	(203.3)
Department stores	**220.0**	205.0
Others	**94.6**	233.2
Total	**14,090.4**	13,997.5

SEGMENT RESULTS — GEOGRAPHIC CONTRIBUTION (PROPERTY RELATED SEGMENT)

	FY2017 HK$m	FY2016 HK$m
Property development		
Hong Kong	**2,277.1**	2,978.6
Mainland China	**5,229.7**	4,393.2
Total	**7,506.8**	7,371.8

	FY2017 HK$m	FY2016 HK$m
Property investment		
Hong Kong	**1,169.5**	1,114.8
Mainland China	**601.1**	714.4
Total	**1,770.6**	1,829.2

	FY2017 HK$m	FY2016 HK$m
Hotel operations		
Hong Kong	**87.6**	86.1
Mainland China	**(254.8)**	(388.5)
Southeast Asia	**87.8**	99.1
Total	**(79.4)**	(203.3)

Property development

Segment results of property development for FY2017 amounted to HK$7,506.8 million, up 1.8%.

Segment results derived from Hong Kong decreased by 23.6%, it was mainly attributable to variations in the mix of recognised property sales, as well as the incurrence of marketing expenses that relate to the pre-sale of property projects of which the corresponding property sales revenue will be recognised in subsequent years. Segment results in FY2017 comprised mainly contributions from SKYPARK, THE BOHEMIAN HOUSE, Double Cove Summit, together with the sales of unsold residential units in previous years.

During the year under review, the Group's attributable contracted sales in Hong Kong amounted to HK$15.6 billion, which had surpassed the original HK$10.0 billion sales target for FY2017, it was mainly due to the overwhelming sales progress in THE PAVILIA BAY. Since the first launch in January 2017, 96% of the residential units were sold in FY2017.

Segment results derived from Mainland China increased by 19.0% year-on-year, reflecting the recognition of sales revenue for projects with a higher overall gross profit margin. The residential projects majorly located in Guangzhou and Shenzhen enjoyed a higher overall gross profit margin, while the gross profit margin of serval projects such as Shengyang New World Garden and Langfang New World were also improved year-on-year.

The Group's had successfully privatised NWCL and a series of internal enhancement measures are now pro-actively implemented. The China property business performance will further uplift with the Board of the Company, together with our new management team, led by Mr. Alfred So, Ms. Echo Huang and Mr. Raymond Chan, striving for the excellence and the Group's synergy in place.

During the year under review, overall contracted property sales in Mainland China recorded RMB16.2 billion, which had surpassed the original RMB16.0 billion sales target. In particular, 32.9% are contributed from Southern region, followed by 21.7% from North-eastern region and 17.8% from Northern region. The overall residential average selling price achieved was RMB18,741 per sq m.

Property investment

Segment contributions from property investment amounted to HK$1,770.6 million for FY2017, decreased 3.2%.

Investment property in Hong Kong achieved a satisfactory performance. The full operations of D • PARK after major overhaul together with the outstanding occupancy of the major properties mitigated the effect from the contract expiry of 2 MacDonnell Road, the negative rental reversions on ground floor shops and the disposal of certain area in Chevalier Commercial Centre. Segment results derived from Hong Kong increased 4.9%.

Segment results in property investment derived from Mainland China decreased 15.9%, it was mainly due to the disposal of serviced apartment in Shanghai Belvedere Service Apartments and the office of Wuhan New World Centre. The drop in occupancy in Wuhan New World International Trade Towers due to tenant renewal adversely affected the contribution to the segment.

Service

The service segment recorded a contribution of HK$1,264.8 million for FY2017, decreased 16.7%.

The construction business recorded notable growth benefited from the satisfactory business outlook. In addition, the improved performance of strategic investment business also provided a support to the segment.

Nevertheless, growth of the service segment was partially offset by the disposal of NWS Kwai Chung Logistics Centre and the pre-opening expenses incurred from Gleneagles Hong Kong Hospital, as well as the results of Free Duty had also been affected by a slowdown in arrivals of inbound Mainland China tourists and the corresponding decline in visitors' spending.

Infrastructure

In FY2017, the infrastructure segment reported contribution of HK$3,313.0 million, up 8.9%.

All of the NWSH's expressways in the Pearl River Delta Region registered increase in traffic flow during FY2017. Contribution from Hangzhou Ring Road was also boosted by the full-year effect of its full acquisition in January 2016. In addition, contribution from aviation business increased in FY2017 primarily due to the expansion of aircraft fleet size under Goshawk Aviation Limited ("Goshawk") and the acquisition which increased NWSH's shareholding in Goshawk from 40% to 50% since October 2016.

Hotel operations

In FY2017, the hotel operations segment recorded loss of HK$79.4 million, the drop was narrowed year-on-year.

The limited supply of new hotel provides an optimistic operating environment for the Group's premium hotels in Hong Kong targeted at business travelers. The performance in Hong Kong recorded a satisfactory results, which mainly due to the increase in contribution from Grand Hyatt Hong Kong after the overhaul in guest rooms and the enhanced performance in Hyatt Regency, Tsim Sha Tsui and Hyatt Regency, Sha Tin.

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

Department stores

In FY2017, segment contributions from the department stores amounted to HK$220.0 million, increased 7.3%. Despite the competition from e-commerce and shopping malls, together with the increasingly diverse consumer demands and rising operating costs in the context of slower economic growth in China, that had continued to affect the business environment of the department store sector in Mainland China, through the strategy of "one store one policies" and the implementation of a series of cost control measures, NWDS enhanced its overall operating contribution.

Others

In FY2017, other businesses reported segment contributions of HK$94.6 million, decreased 59.4%, which was mainly attributable to the drop in dividend income received.

Other gains

Net other gains decreased 84.7% to HK$954.1 million in FY2017.

In prior year, the disposal of five projects by NWCL contributed substantially to net other gains. During the year under review, the key attributes include the gain on deemed disposal of SNL and the remeasurement of previously held interests upon completion of acquiring further 50% interest in NWST by NWSH in December 2016.

Changes in fair value of investment properties

The Group reported a fair-value change of HK$1,363.8 million in FY2017 for its investment properties despite numerous unfavourable factors denting the overall performance of Hong Kong's retail market during the year under review.

Taxation

Taxation for FY2017 amounted to HK$4,755.6 million, decreased 26.0%. The Mainland China and overseas tax incurred in the projects in Mainland China is the key component.

LIQUIDITY AND CAPITAL RESOURCES

Net Debt FY2017

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

The Group's debts were primarily denominated in Hong Kong dollar and Renminbi. In respect of the Group's operations in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging of Renminbi attributed to those projects. The Renminbi exposure of the Group is mainly derived from the translation of non-current assets and liabilities of the subsidiaries, associated companies and joint ventures in Mainland China with functional currency of Renminbi and the Renminbi deposits held for future development costs to be expended to Hong Kong Dollar. As at 30 June 2017, the translation of non-current assets and liabilities of subsidiaries, associated companies and joint ventures with functional currency other than Hong Kong Dollar to Hong Kong Dollar by using exchange rates at that day resulted a loss of HK$1,942.3 million is recognised in equity. Apart from this, the Group does not have any material foreign exchange exposure.

The Group's borrowings were mainly arranged on a floating rate basis. The Group used interest rate swaps and foreign currency swaps and forward contracts to hedge part of the Group's underlying interest rate and foreign exchange exposure. As at 30 June 2017, the Group had outstanding derivative instruments in the amounts of HK$5,800.0 million and US$600.0 million (equivalent to approximately HK$4,662.0 million). As at 30 June 2017, the Group had outstanding foreign currency swaps and forward contracts in the amounts of HK$7,553.6 million, to hedge for certain foreign currency exposure of the Group. Fuel price swap contracts are also used to hedge against the upside risk of fuel prices of the Group's transport business in the Service segment.

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

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

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

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

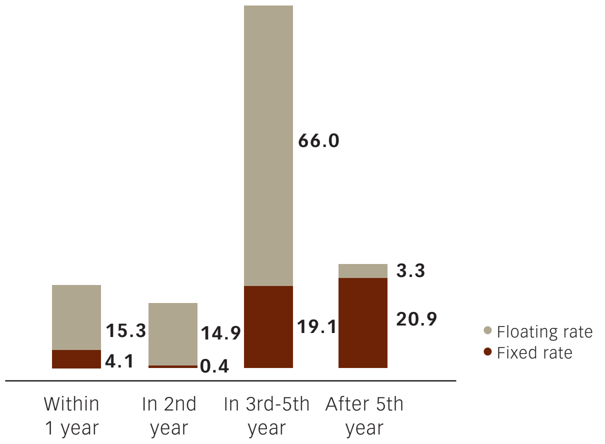
As at 30 June 2017, the Group's cash and bank balances (including restricted bank balances) stood at HK$67,106.5 million (2016: HK$55,170.8 million) and the consolidated net debt amounted to HK$76,870.2 million (2016: HK$77,048.8 million). The net debt to equity ratio was 34.8%, a decrease of 3.6 percentage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

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

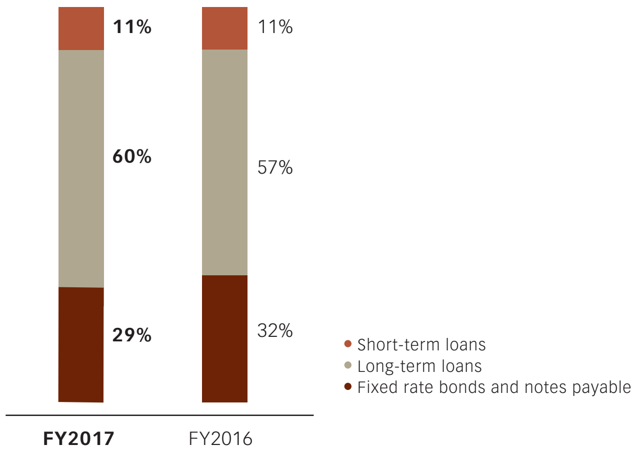
	HK$m
Within one year	19,439.2
In the second year	15,260.9
In the third to fifth year	85,060.6
After the fifth year	24,216.0
	143,976.7

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

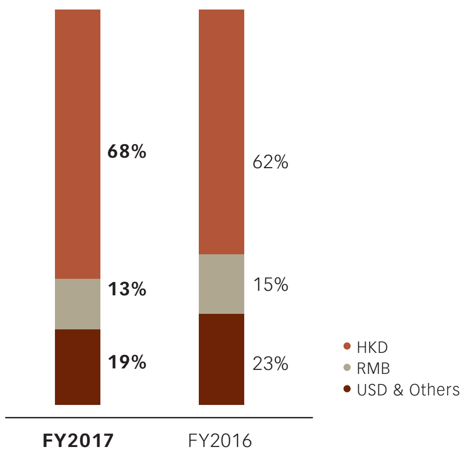
Floating/Fixed Rate and Maturity Profile of Borrowings as at 30 June 2017 (HK$ Billion)



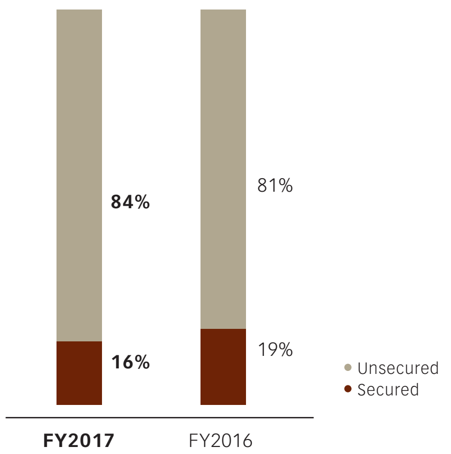
Source of Borrowings



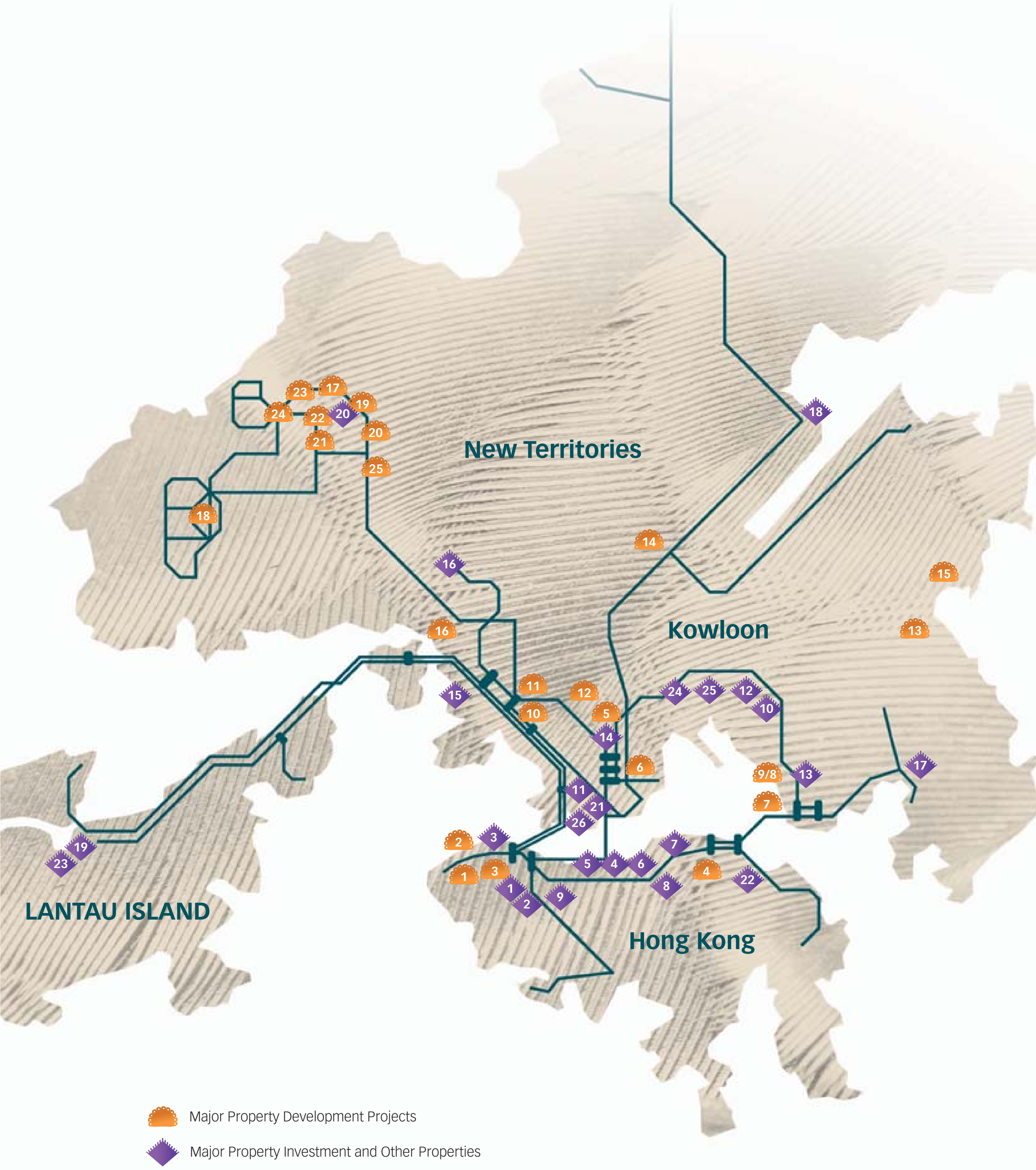
Currency Profile of Borrowings



Nature of Debts



MAJOR PROPERTY PROJECTS IN HONG KONG

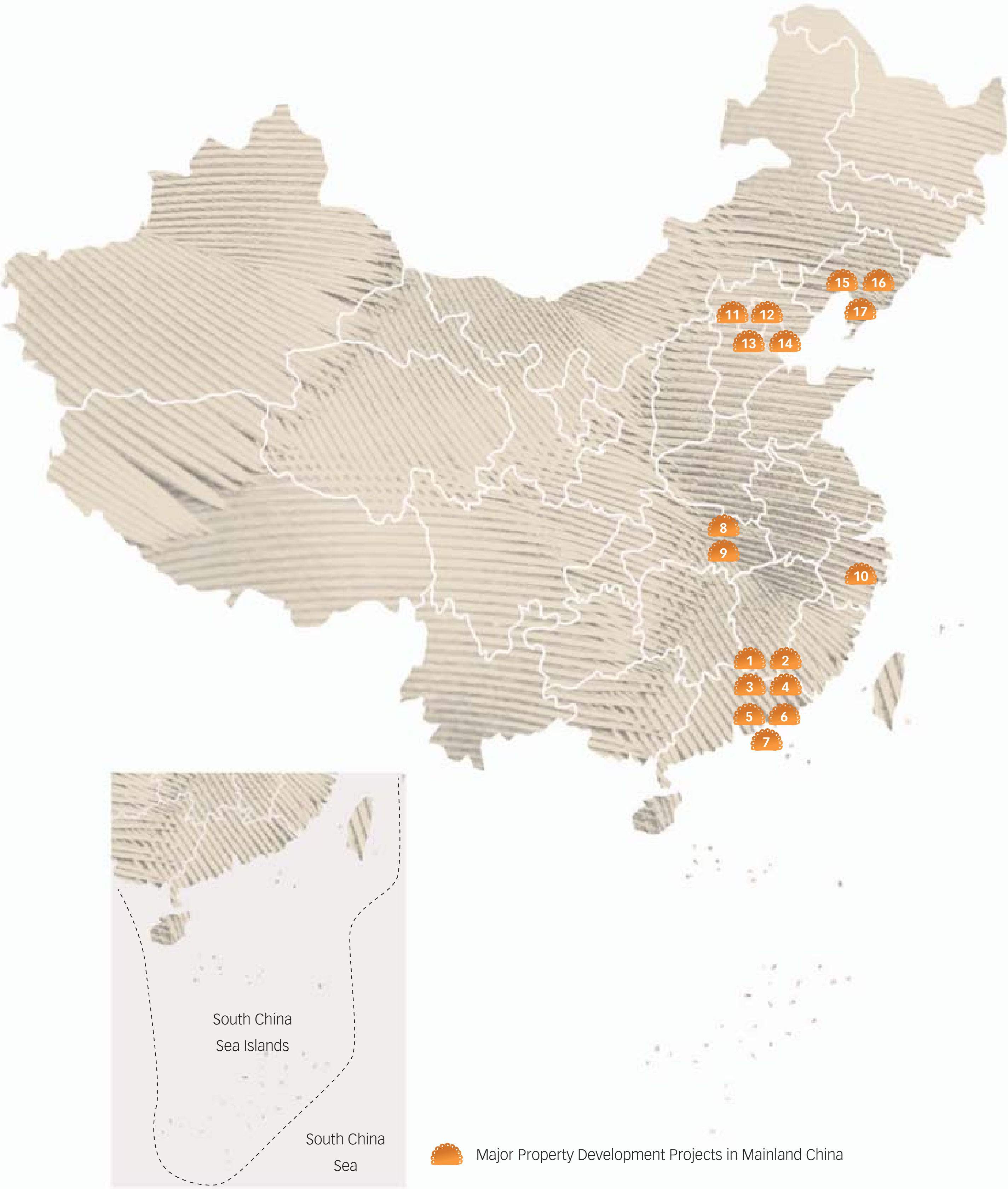


No.	Major Property Development Projects in Hong Kong
1	23 Babington Path, Mid-Levels
2	ARTISAN HOUSE, 1–17 Sai Yuen Lane, Western District
3	4A–4P Seymour Road, Mid-levels
4	FLEUR PAVILIA, Upper & Lower Kai Yuen Lane and 5 Kai Yuen Street, North Point
5	74 Waterloo Road, Ho Man Tin
6	Kowloon City Road/ Sheung Heung Road Project, Ma Tau Kok
7	Yau Tong Redevelopment Project, Kowloon East
8	Project A, Tsun Yip Street, Kwun Tong
9	Project B, Tsun Yip Street, Kwun Tong
10	New Kowloon Inland Lot No. 6582, Cheung Shun Street project, Cheung Sha Wan
11	New Kowloon Inland Lot No. 6505, King Lam Street project, Cheung Sha Wan
12	Nos. 27–29 Tonkin Street, Cheung Sha Wan
13	MOUNT PAVILIA, 663 Clear Water Bay Road, Sai Kung
14	Tai Wai Station Property Development, STTL No. 520, Sha Tin
15	DD221, Sha Ha, Sai Kung
16	THE PAVILIA BAY, West Rail Tsuen Wan West Station (TW6), TWTL No. 402, Tsuen Wan
17	Lot No. 2131 in DD121, Tong Yan San Tsuen (Phase 1 — Site A), Yuen Long
18	THE PARK VILLE, No. 76–92 Tuen Mun Heung Sze Wui Road, Tuen Mun
19	Park Reach, YLTL 527, Tai Tong Road, Yuen Long
20	YLTL 524, Tai Tong Road, Yuen Long
21	Lung Tin Tsuen (Phase 3), Yuen Long
22	Lung Tin Tsuen (Phase 2), Yuen Long
23	Tong Yan San Tsuen (Phase 3), Yuen Long
24	Tong Yan San Tsuen (Phase 4), Yuen Long
25	Sha Po North, Yuen Long

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

* Wing Hong Street, Cheung Sha Wan, Kowloon (New Kowloon Inland Lot No. 6572), which was acquired in August 2017, is not included in the list of major development project

MAJOR PROPERTY PROJECTS IN MAINLAND CHINA



No.	Major Property Development Projects in Mainland China
1	Guangzhou Covent Garden Phase III Remaining Portion
	Guangzhou Covent Garden Remaining Phases
2	Guangzhou Park Paradise Phase 3B
	Guangzhou Park Paradise Phase 5A
	Guangzhou Park Paradise Phase 5B
	Guangzhou Park Paradise Remaining Phases
3	Guangzhou Dong Yi Garden Phase 5
4	Canton First Estate CF-20
	Canton First Estate CF-27A
	Canton First Estate CF-27B
	Canton First Estate CF-29
	Canton First Estate Remaining Phases
5	Shenzhen Qianhai Project
6	Shenzhen Prince Bay Project DY04-01
	Shenzhen Prince Bay Project DY04-04
7	Shenzhen Prince Bay Project DY02-02
	Shenzhen Prince Bay Project DY02-04
8	Wuhan New World Centre Phase 3
9	Wuhan New World • Times Phase 1
	Wuhan New World • Times Phase 2
10	Ningbo New World Plaza Land No.7-10
	Ningbo New World Plaza Land No.11
	Ningbo New World Plaza Land No.5
	Ningbo New World Plaza Land No.4
	Ningbo New World Plaza Land No.6
	Ningbo New World Plaza Land No.1-4
	Ningbo New World Plaza Land No.12
11	Beijing New View Garden Commercial Centre
	Beijing New View Garden Commercial Centre Remaining Phases
12	Beijing Xin Yu Garden Commercial Centre
	Beijing Xin Yu Garden Commercial Centre Remaining Phases
13	Langfang New World Centre District A
14	Langfang New World Garden District 2
15	Shenyang New World Garden Phase 2D1
	Shenyang New World Garden Phase 2D2
	Shenyang New World Garden Phase 2E
	Shenyang New World Garden Phase 2C1
	Shenyang New World Garden Phase 2C2
	Shenyang New World Garden Phase XB
	Shenyang New World Garden Phase XC
16	Shenyang New World Commercial Centre Phase 2
17	Shenyang New World Centre

DIRECTORS' PROFILE

Dr. Cheng Kar-Shun, Henry
GBM, GBS (Aged 70)

Appointed as Director in October 1972, Executive Director in 1973, became Managing Director from 1989 and Chairman from March 2012. Dr. Cheng is a member of the Remuneration Committee and the chairman of the Nomination Committee and Executive Committee of the Board of Directors of the Company. Dr. Cheng is the chairman and executive director of NWS Holdings Limited and Chow Tai Fook Jewellery Group Limited, the chairman and non-executive director of New World Department Store China Limited, Newton Resources Ltd and FSE Engineering Holdings Limited, the vice-chairman and non-executive director of i-CABLE Communications Limited, an independent non-executive director of HKR International Limited and Hang Seng Bank Limited, and a non-executive director of SJM Holdings Limited, all of them are listed public companies in Hong Kong. He is the chairman and managing director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He was the chairman and executive director of International Entertainment Corporation, a listed public company in Hong Kong, up to his resignation on 10 June 2017, and a non-executive director of Lifestyle International Holdings Limited, a listed public company in Hong Kong, up to his retirement on 4 May 2015. Dr. Cheng is also the chairman of New World Hotels (Holdings) Limited and a director of certain subsidiaries of the Group. He is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, all of them are substantial shareholders of the Company. Dr. Cheng is the chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of The People's Republic of China. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the father of Dr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia, the brother-in-law of Mr. Doo Wai-Hoi, William, the brother of Mr. Cheng Kar-Shing, Peter and the uncle of Mr. Cheng Chi-Heng.

Mr. Doo Wai-Hoi, William
JP (Aged 73)

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

Dr. Cheng Chi-Kong, Adrian
JP (Aged 37)

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

Mr. Yeung Ping-Leung, Howard
(Aged 60)

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

Mr. Cha Mou-Sing, Payson
JP (Aged 75)

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

Mr. Cheng Kar-Shing, Peter
(Aged 65)

Appointed as a Director in October 1994. Mr. Cheng is also an independent non-executive director of King Fook Holdings Limited, a listed public company in Hong Kong. He is an executive director of New World China Land Limited, a listed public company in Hong Kong until its delisting on 4 August 2016. He was an independent non-executive director of Symphony Holdings Limited, a listed public company in Hong Kong, up to his resignation on 15 December 2014. Also, he is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, all of them are substantial shareholders of the Company. Mr. Cheng is a director of New World Hotels (Holdings) Limited, NWS Service Management Limited and certain subsidiaries of the Group. Mr. Cheng is committed to community services and is serving as the chairman of Chow Tai Fook Charity Foundation, the chairman of Chow Tai Fook Medical Foundation Limited, the chairman of The Welfare Fund Limited, the vice-chairman of Hong Kong Economic Exchange and a director of Green Council. He is the University Assembly member of University of Macau. He is a Fellow of The Hong Kong Institution of Engineers, Hong Kong Institute of Arbitrators, Hong Kong Construction Arbitration Centre and The Chartered Institute of Arbitrators. He is a CEDR Accredited Mediator and on the lists of the Mediators of Hong Kong Mediation Accreditation Association Limited, Hong Kong International Arbitration Centre, Hong Kong Mediation Centre and Financial Dispute Resolution Centre. He is on the Panel of Arbitrators of South China International Economic and Trade Arbitration Commission/Shenzhen Court of International Arbitration and an Arbitrator of Huizhou Arbitration Commission as well as a Member of Society of Construction Law Hong Kong. Mr. Cheng is the brother of Dr. Cheng Kar-Shun, Henry, the brother-in-law of Mr. Doo Wai-Hoi, William, the father of Mr. Cheng Chi-Heng, and the uncle of Dr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia.

Mr. Cha Mou-Zing, Victor
(Alternate Director to
Mr. Cha Mou-Sing, Payson) (Aged 67)

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

Mr. Ho Hau-Hay, Hamilton
(Aged 66)

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

Mr. Lee Luen-Wai, John
BBS, JP (Aged 68)

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

Mr. Liang Cheung-Biu, Thomas
(Aged 70)

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

Ms. Ki Man-Fung, Leonie
GBS, JP (Aged 70)

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

Mr. Cheng Chi-Heng
(Aged 39)

Appointed as an Executive Director in June 2010. Mr. Cheng is a member of the Executive Committee of the Board of Directors of the Company. He also acts as director of certain subsidiaries of the Group. Mr. Cheng is an executive director of Chow Tai Fook Jewellery Group Limited, a listed public company in Hong Kong. He was a non-executive director of China Huishan Dairy Holdings Company Limited, a listed public company in Hong Kong, up to his resignation on 23 June 2015. Mr. Cheng is a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, both are substantial shareholders of the Company. Mr. Cheng worked in Yu Ming Investment Management Limited from 1999 to 2000 as a corporate finance executive. He obtained his Bachelor of Arts Degree majoring in Economics from the University of Western Ontario, Canada in 1999. He is the son of Mr. Cheng Kar-Shing, Peter, the nephew of Dr. Cheng Kar-Shun, Henry and Mr. Doo Wai-Hoi, William, and the cousin of Dr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia.

Ms. Cheng Chi-Man, Sonia
(Aged 36)

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

Mr. Au Tak-Cheong
(Aged 65)

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

Mr. Wong Man-Hoi
BSc(Eng)(Hon), LLB(Hon) (Aged 58)

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

Mr. Sitt Nam-Hoi
BA(Hons),
BArch(Distinction), HKIA,
Authorised Person (List 1)
(Aged 63)

Appointed as Head of Projects (Hong Kong) of the Company in February 2011. He is currently the senior director of the Project Management Department of the Company. Mr. Sitt is a Registered Architect and is responsible for overseeing all project management matters for all property development projects of the Group in Hong Kong. Before joining the Company, Mr. Sitt has been working in Buildings Department of the Government of the Hong Kong Special Administrative Region. He was the project director of a listed company in Hong Kong which he also worked for over 25 years. Mr. Sitt has extensive project management experience and participated in various significant projects in Hong Kong and the PRC.

Mr. Yeo Woon Melvin
BA (Aged 50)

Mr. Yeo joined the Company in June 2011 as sales and marketing director. He is currently the senior director of the Sales and Marketing Department of the Company, responsible for overseeing the overall sales and marketing plans for residential property projects of the Group in Hong Kong. Before joining the Company, Mr. Yeo worked for a listed company in Hong Kong for more than 18 years and acted as an associate director of its sales department. Mr. Yeo has extensive experiences in property industry and has over 25 years experiences in sales and marketing of properties.

Ms. Lo Pui-Ying
(Aged 67)

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

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

COMMUNICATION WITH STAKEHOLDERS

The Board places strong emphasis on corporate transparency and takes the initiatives to maintain close relations and regular communications with different stakeholders including institutional investors, analysts and credit rating agencies through the Investor Relations Department, allowing proper assessments on the development trend and growth potential of the Group by the market. Currently, the Group is the subject of researches carried out by several international investment banks and securities dealers, and reports on the Group are produced on a regular basis.

With the participation of the management, press conferences and analysts' briefings are organised on the date of results announcement to illustrate the Group's operation. Feedbacks from the public are directly reverted to the management to promote two-way communications between the Board and investors.

In addition, investor conferences, non-deal roadshows and visits to real estate projects are organised by the Group on a regular basis to ensure that investors have a thorough understanding towards the strategies and operations of the Group. In FY2017, the Investor Relations team met with over 800 people comprising institutional investors and analysts in Hong Kong, Mainland China and overseas.

ACCESS TO INFORMATION

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

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

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

MARKET RECOGNITIONS

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

The awards claimed by the Group include "Best Investor Relations Award" and "Best Innovation Award" in the inaugural Listed Enterprises Award from Bloomberg Businessweek Chinese; "Quamnet Outstanding Enterprise Awards 2016 — Outstanding Investor Relations 2016" from Quamnet, a leading financial website in Hong Kong, for the fifth consecutive year; "Best Investor Relations Team Hong Kong 2017" from the international financial magazine Capital Finance International; four awards from the renowned corporate governance publication Corporate Governance Asia in the "7th Asian Excellence Recognition Awards"; and 26 annual report awards in the "30th International ARC Awards" from MerComm, Inc.

MESSAGE FROM MANAGEMENT

Over the past years, we have been pursuing our corporate vision of building a better society through innovation and sustainable growth. Our unique brand personality, The Artisanal Movement, which encompasses "Imagination", "Bespoke", "Craftsmanship", "Heritage" and "Contemporary", inspires us to curate a modern living culture defined by these characteristics for the betterment of our society.

To achieve this vision, we have made collecting "Voice of Customers" a priority of New World Group. We have interviewed various stakeholders to identify material sustainability issues to the Group. We have gauged the interests of our customers in sustainability through annual satisfaction surveys and regular communications. By connecting our stakeholders with these opportunities, we hope to collide sustainability concepts, imagination and practical feedback to curate a one-of-a-kind "Artisanal Living" experience.

We have noticed our stakeholders across demographics aspire for a healthier community with lower environmental impact, improved community engagement, and more integration with technologies. This understanding motivates us to align our corporate vision with sustainability priorities in driving our businesses forward, i.e. to better the society by focusing on environmental protection, wellness, smart technologies, and caring for the community.

It has been a momentous year for the Group with various milestones achieved. We launched BEAM Plus pre-certified green residential projects in Hong Kong including MOUNT PAVILIA and SKYPARK. We pioneered healthy building design and achieved the world's first WELL Building Standard Gold Pre-certification in an ongoing commercial project in Hong Kong. We are increasingly adopting new technologies from property planning to operation stages through the promotion of Building Information Modelling (BIM) and the "Artisanal Living" mobile app for customers. We have been promoting whole-person, quality education from offering "Multiple Intelligence" (M.I.) learning at D • PARK to providing life coaching to the under-resourced youth through the New World Springboard Programme.

Talent grooming is integral to staying competitive in the fast-changing market. We will continue to nurture the entrepreneurial spirit in each of our artisans and encourage practical innovation. We also reinforced our sustainability governance by establishing a Sustainability Department in NWD to drive and coordinate relevant initiatives across business units.

By presenting sustainability highlights in this section, I look forward to your suggestions in creating long-term shared value for all stakeholders. We welcome you to jointly craft and elevate the "Artisanal Living" experience and aspire for a sustainable future.

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

REPORTING APPROACH

Scope of this Section

This section provides an overview of NWD's Environmental, Social and Governance ("ESG") performance during the reporting period of 1 July 2016 to 30 June 2017.

The reporting boundary includes NWD's businesses over which the Group has major financial control and those of environmental, social, and governance significance to the organisation and its stakeholders.

We have expanded the reporting scope this year to include our infrastructure and services, department stores, hotels and other businesses, in addition to our core property business.

Reporting Standards

This section is prepared in accordance with the requirements stipulated in the latest Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

To adopt a more integrated reporting approach and embed sustainability into our business strategy and decision-making process, we have made reference to the International Integrated Reporting Framework released by the International Integrated Reporting Council ("IIRC"). The Six Capitals Framework is applied in different parts of this section, through which we illustrate our interaction with the external environment as well as utilisation of resources and existing relationships to create values for stakeholders.

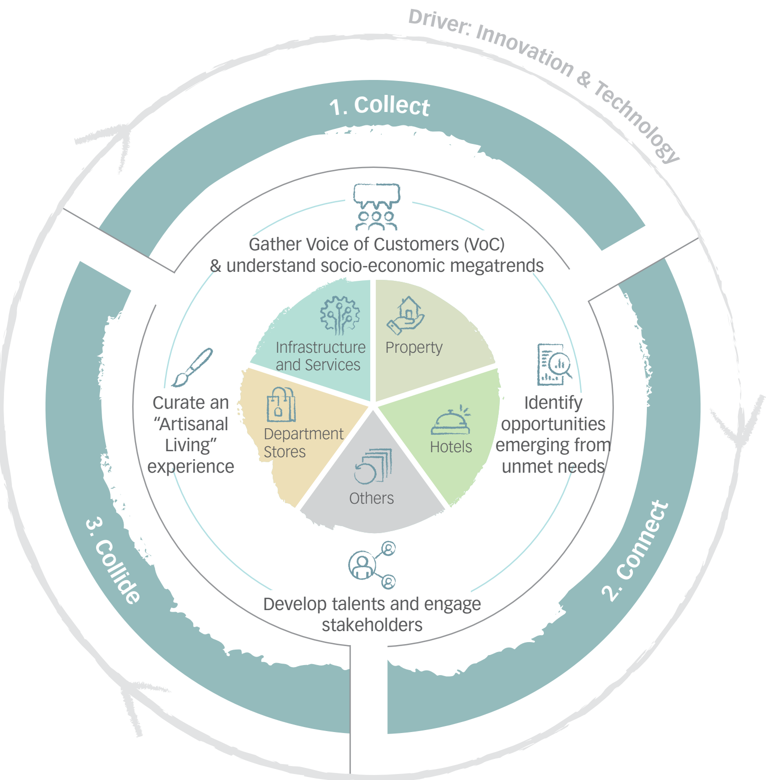
Hang Seng Corporate Sustainability Index Series Member 2016-2017

New World Development is a member of the Hang Seng Corporate Sustainability Index Series 2016–2017 and is listed on the Hong Kong Business Sustainability Index 2016

MANAGEMENT APPROACH

Value and Principles

Led by our vision of building a better society through innovation and sustainable growth, the Group is committed to curating an "Artisanal Living" experience for stakeholders. Through understanding socio-economic megatrends and collecting feedback from stakeholders, we identify opportunities from unmet needs and motivate our talents to unleash their innovation to meet these needs. Driven by innovation and enabled by technology, we provide **green, smart, caring and wellness-oriented offerings** in response to stakeholders' aspirations, creating shared values for our customers, our businesses, as well as our society.



Management Approach to Sustainability

The Group Sustainability Steering Committee, the Sustainability Department and the Group Green Taskforce work jointly to incorporate sustainability decisions into our daily business operations, in order to fulfil our sustainability commitment as a socially and environmentally responsible company.

The Group Sustainability Steering Committee is composed of members of the Group's management team and led by our Executive Vice-chairman and General Manager. It sets the strategic direction for the Group's sustainability initiatives, which aligns with the management approach and strategies to be implemented by the subsidiaries.

The NWD Sustainability Department was newly established during the reporting period to drive Group-wide ESG initiatives across NWD's businesses and functions according to the strategic direction set by the Group Sustainability Steering Committee and NWD's management.

The Group Green Taskforce, comprising members from NWD, NWCL, NWDS and NWSH, serves as a knowledge-exchange community which supports the sustainability initiatives.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

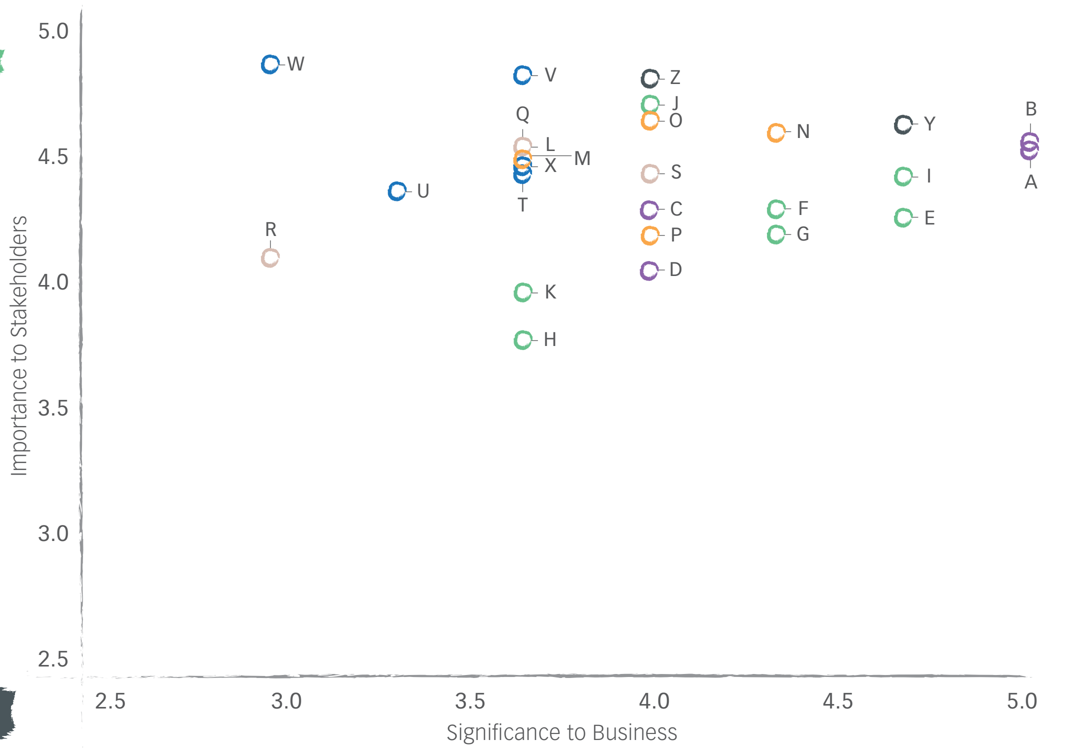
We maintain an ongoing dialogue with stakeholders and develop trust for transparent communication.

To gain holistic feedback on our approach to sustainability this year, we invited our business units to participate in the Group-wide stakeholder engagement exercise. Key internal and external stakeholders in Hong Kong and Mainland China were identified based on their importance to the Group's diverse businesses. Senior management of major business units, key internal departments, employees of different levels, customers, supply chain partners, social and green NGO partners, media, etc. were engaged.

A series of face-to-face interviews, focus group discussions and online surveys were conducted, followed by a quantitative survey which required stakeholders to rank a list of sustainability issues faced by the Group. This process was guided by the AA1000 Stakeholder Engagement Standard, an internationally-recognised framework, and was undertaken based on the principles of "inclusivity", "materiality" and "responsiveness". A third-party advisor was engaged to oversee the entire process and ensure credibility.

The stakeholder engagement process provided insights for the Group to conduct a quantitative materiality assessment through identifying, ranking and validating material issues. The materiality matrix illustrates the relative importance of each sustainability issue to our stakeholders and businesses. A total of 12 material issues were identified. The results will inform the Group's strategic planning and Risk Management Framework. The rest of this section will further demonstrate how these material issues are addressed.

Materiality Matrix



Materiality Ranking	Issues	Category	Index
1	Market presence	Economic	B
2	Economic performance	Economic	A
3	Customer safety and responsibility	Product responsibility	Y
4	Waste management	Environment	I
5	Use of materials	Environment	E
6	Employee engagement	Workplace practices	N
7	Energy and greenhouse gas emissions	Environment	F
8	Water use	Environment	G
9	Customer privacy	Product responsibility	Z
10	Sustainable buildings	Environment	J
11	Occupational health and safety	Workplace practices	O
12	The risks of child labour and forced labour in business operations	Human rights	S
13	Indirect economic impact	Economic	C
14	Diversity and equal opportunities	Workplace practices	P
15	Procurement practices/Supply chain management	Economic	D
16	Compliance	Society	V
17	Human rights and non-discrimination	Human rights	Q
18	Employment practices	Workplace practices	L
19	Employee development and succession planning	Workplace practices	M
20	Anti-competitive behaviour	Society	X
21	Community investment	Society	T
22	Environmental impact of transport	Environment	K
23	Biodiversity	Environment	H
24	Grievance mechanisms	Society	U
25	Anti-corruption	Society	W
26	Freedom of association and collective bargaining for employees	Human rights	R

INTELLECTUAL CAPITAL

Building Brand Equity through The Artisanal Movement

The Artisanal Movement advocates uniqueness, sustainability and wellness to create a new standard of living. The pursuit of quality and a socially responsible lifestyle are demonstrated through various projects:

- Mount Pavilia, selected as a finalist in the "Green Building Award 2016", is a BEAM Plus (Provisional) project. The project incorporates an organic farming area as well as an aquaponics-plus-hydroponics system. The hydroponics onsite grows vegetables and treats the wastewater to support the aquaponic system. Food waste will be collected from residents and restaurant tenants to produce fish pellets and support the aquaponic system. On the other hand, the property also generates electricity through its rooftop wind turbines and solar panels to power common areas and water heating system.

- Our commercial re-development project on King's Road has not only received BEAM Plus (Provisional Platinum) and LEED Platinum Pre-certification, but also achieved the world's first WELL Building Standard Gold-level Pre-Certification. The WELL Building Standard includes seven concepts concerning the wellness of building users: air, water, nourishment, light, fitness, comfort and mind. This demonstrates our care for the wellbeing of our stakeholders and our aspiration to curate an "Artisanal Living" experience that goes beyond green buildings.

- Remarkable customer experience is crafted by synergising art, people and nature at our Hong Kong K11 Art Mall. For example, "K11 Natural" is a 9,000-sq ft themed merchandise zone within the mall, aiming at promoting a healthy lifestyle through organic, local and natural products. Another example is "K11 Kulture Academy", a salon-style learning platform offered by K11 and partners including renowned artists, filmmakers and music writers to invigorate talents and nurture cultural creatives.

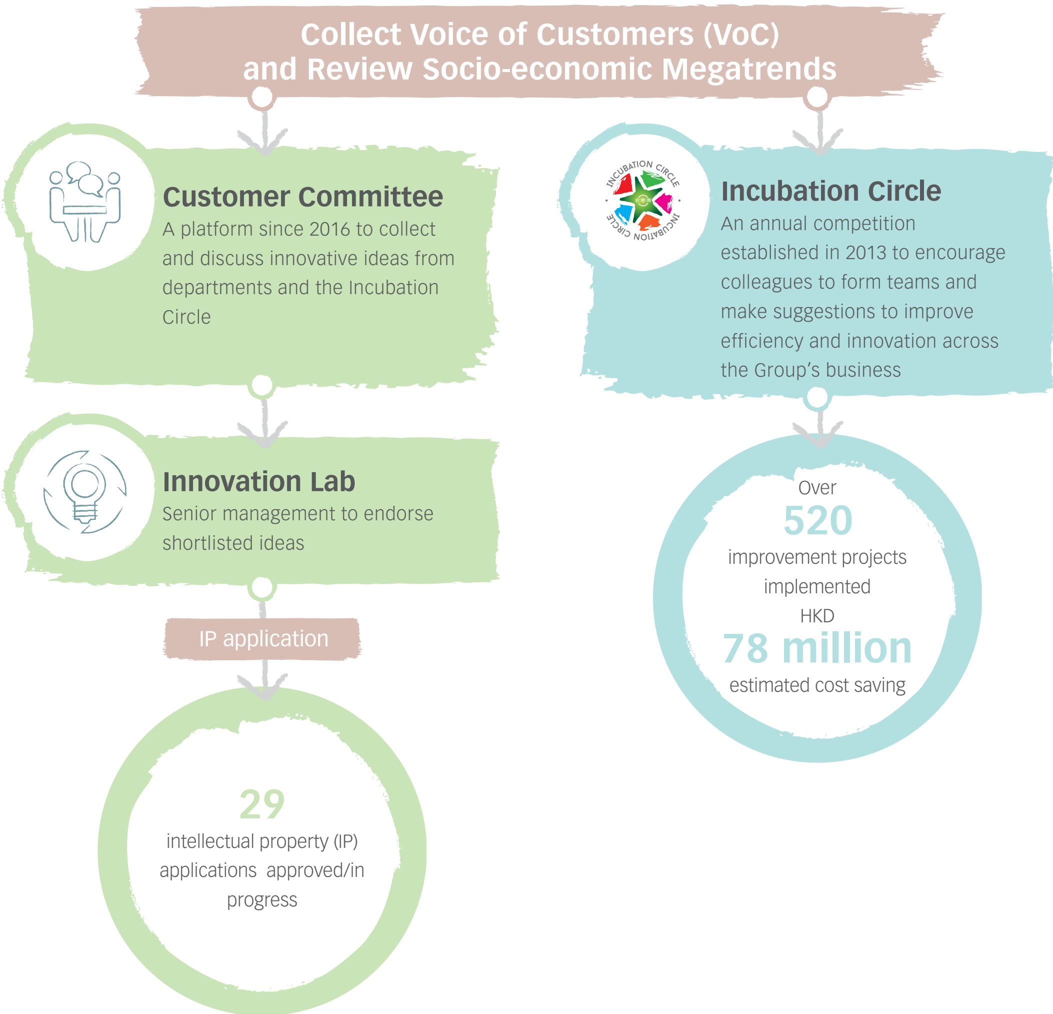
Capturing VoC is the first step that we take to create an exceptional customer experience. We embrace our policies and procedures on customer relationship management and welcome any constructive feedback from our customers for driving improvement and innovation. Customer feedback is collected through a variety of channels such as the VoC mobile app, surveys, New World CLUB events and internal taskforces. Enquiries and complaints are followed up and addressed in a timely manner. Constructive advice is adopted where practical to further enhance our products and services as well as reinforce the brand image to pave the way for providing unique values to our customers.

Sustaining Growth by Imagination and Innovation

Exceeding customer expectations is decisive for the success of the Group and we are determined to achieve this by incorporating imagination and innovation into the design and delivery of our products, services and solutions. Our quintessential Incubation Circle programme nurtures "intrapreneurs" and fosters imagination to create sustainable values for our customers. With an objective to engage our people to think outside the box, the programme helps collect, screen and implement novel ideas to optimise business processes and enhance our products and services. This year, a new category, "CHANCE", was added to engage all staff in generating ideas about setting up new businesses within the Group. Assessment of the proposed ideas is carried out by a panel of the Group's senior management based on a range of criteria, including the robustness of the business model and development strategy, to ensure real values are created and delivered to the Group and communities. More than 520 improvement projects have been implemented since the launch of the programme in 2013.

The Group places a strong emphasis on protecting intellectual property rights and adopts robust policies and procedures to prevent any infringement of intellectual property rights, including copyrights and patents. Employees are strongly encouraged to invent new solutions and be pioneers in embracing new technologies. With imagination and aspiration, our professionals have invented products that are both aesthetically designed and highly functional. 29 intellectual property (IP) rights have been granted or are under application through the process driven by our Customer Committee and Innovation Lab since 2016. Our patented product, a sliding screen "PANELRAMA®", allows residential occupants to flexibly partition, reorganise the interior areas and optimise the living space to suit multiple needs.

Process To Drive Innovation



Building Trust in Customer Relationships

The trust of our customers forms the foundation of our business success and brand heritage. To build trust with the community that we serve, we strive to protect our customers' health, safety and privacy through delivering safe and secure products and services.

Stringent procedures have been undertaken to monitor performance and deliver the promised quality. For example, in our property development projects, health and safety considerations are incorporated from design to after-sales care. Safe and quality materials are selected for construction. Projects during construction, upon completion and prior to handover are vetted for safety and quality to ensure good condition and performance.

The Group complies with data privacy laws and regulations and respects customer privacy. The Group also endeavours to build trusting relationships with its customers, tenants and communities by safeguarding personal data. We have implemented robust policies and procedures to prevent unauthorised access. Unauthorised use of customer data is strictly prohibited. Customer data are only accessible by authorised personnel within the Group on a need-to-know and need-to-use basis. The importance of data protection is also emphasised to all employees in our Staff Code of Conduct.

We believe that providing accurate and consistent information about our products and services to our customers helps them make informed decisions and facilitate trust-building with them. Our frontline personnel and business partners are required to provide accurate and complete information in marketing and sales and act with due skill, care and diligence. Correct labeling of our products is strictly observed to protect the interest of our customers.

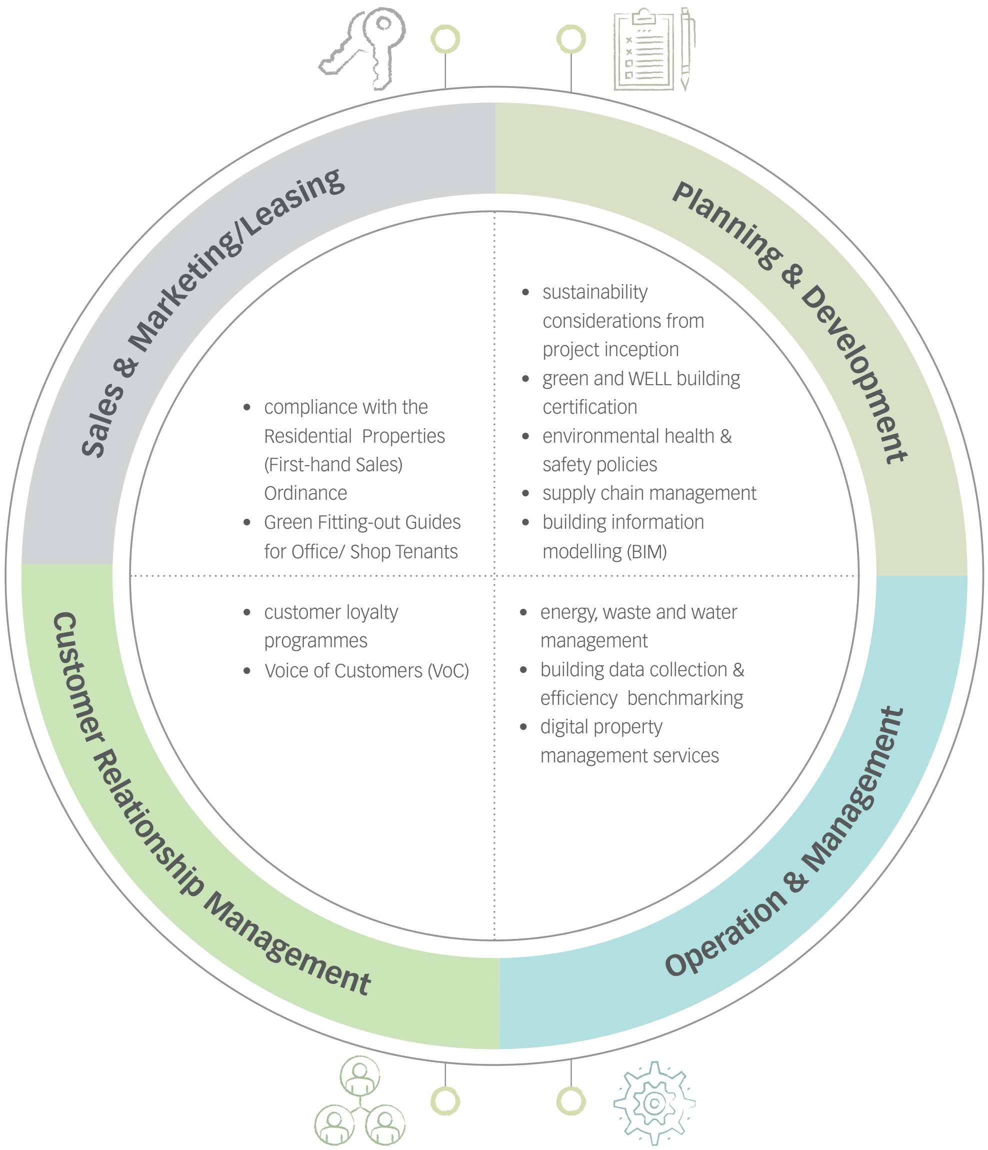
NATURAL CAPITAL

Commitment to Sustainable Property Development Lifecycle

We embrace technology, innovation and efficiency throughout the property development lifecycle. Considerable thoughts and efforts are invested in managing the environmental impact from design to after-sales. The latest developments are illustrated in the diagram below.

- Piloting Artisans 360, a virtual show flat web and mobile app platform, with 360-degree images of new flat units.
- Further promoting green tenancy by joining the "Hong Kong Green Shop Alliance" of the Hong Kong Green Building Council.

- Building Information Modelling (BIM) is being further promoted from planning through operation stages in both Hong Kong and Mainland projects, allowing more efficient use of resources including energy, water, and materials and more streamlined work processes.
- Eco-friendly design such as the "sponge city" concept is being rolled out to reduce water consumption and adapt to climate change impacts.



- Loyalty programmes have been set up to build trustworthy relationships with our customers and convey our commitment of sustainable operations.
- Gauging customers' interest in sustainability through surveys.

- A group-wide ESG data management system has been deployed to capture accurate operational information while "Eco-world", a real-time building energy monitoring system, is being piloted at more properties in Hong Kong and the mainland for operational efficiency.
- Launching digital property management services via the "Artisanal Living" mobile app for customers.

Community Planning

As a property developer and investor, we consider the long-term impact of our built environment to our customers, neighbourhood businesses, and the community. We attempt to understand the demographics, local business landscape, environmental sensitivities, and social needs in planning and development. This is particularly true for Mainland China projects – where possible, we echo the Government's policy direction and support the innovation and curation of a cultural lifestyle.

Sustainable Buildings

To preserve natural heritage, specific targets have been developed to reduce the environmental impact of new and existing buildings. All new buildings in Hong Kong will seek to achieve BEAM Plus (Gold) green building certification or above. During the reporting period, 93% of our ongoing Hong Kong project GFA has applied for BEAM Plus. Twelve projects in Mainland China, with more than one million sq m floor area, have obtained LEED Gold or Platinum Certifications or Pre-certifications. We have started to develop a set of internal "Green Building Design Guidelines" for Hong Kong residential projects while updating the China version for different property types to achieve consistency. Apart from green building certification, we also target to achieve WELL Building Standard to promote and curate a healthy lifestyle for our customers.

Leading the industry, the Group develops its own BIM approach and pilots application from project planning to operational stages. The three-dimensional models enable project teams to visualise designs, manage engineering processes, identify hidden defects and blind spots in advance and reduce abortive works, allowing for better management of environmental resources, costs, quality and health and safety risks. Tianjin Chow Tai Fook Finance Centre in Mainland China is an example where BIM was applied from planning to operation. The Group seeks to scale up the adoption of BIM in upcoming projects.

Minimising Greenhouse Gas and Air Emissions

As a signatory of the Hong Kong SAR Government's 4T's Charter, we pledged to reduce the energy consumption of selected existing buildings by 5% before 2020. In addition to enhancing building energy efficiency, our transport business has been upgrading its fleet to become more fuel-efficient. Currently, over 1,300 buses meet Euro V or above emission standard. Hybrid and electric buses are also being tested on the road to reduce roadside emissions.

Responsible Use of Materials

As part of our green building initiatives, we encourage using materials from responsible sources. For example, we prioritise timber that is certified to the Forest Stewardship Council (FSC) standard or equivalent. Our property construction projects aim to source at least 10% of local materials that are grown or manufactured within a radius of 800 km from the project sites in order to reduce the environmental impacts of transportation. Our hotels also offer amenities made of sustainable and natural materials.

Supporting Waste Reduction

At our construction sites, responsible practices are implemented to minimise environmental impacts. We adopt industry standards such as the Engineered Waste Management Plan and the BEAM Plus standard. An Inert Materials Transfer Programme that reuses inert construction waste as input materials and foundation filler materials for other construction projects has also been established. This reduces waste sent to landfill as well as project costs, as fresh sand need not be purchased and delivered to project sites.

Substantial efforts have been devoted to waste management and highly recognised by the public. For example, our Hong Kong K11 Art Mall attained the "Grand Award" of "Green Building Award 2016 (Existing Buildings Category – Facilities Management)" for its active engagement of tenants and neighbourhood businesses in recycling food waste and converting the waste into useful resources.

Our offices and shopping malls have echoed the Producer Responsibility Scheme of the Government and collected the regulated waste electrical and electronic equipment for proper treatment by ALBA IWS.

Water

We acknowledge the impacts of climate change and strive to build a more resilient city by incorporating the "sponge city" concept into our building design and water management, including our recent large-scale mixed-use projects in Guangzhou and Ningbo. Taking inspiration from our cultural heritage, features such as the ecological detention pond, rainwater garden and permeable pavements are adopted to improve urban drainage. For example, the Canton First Estate Project in Foshan, Guangdong can process up to 4.45 million cbm of rainwater and greywater each year and can withstand a once-every-50-year torrential rainstorm.

VALUE CHAIN

Managing our Suppliers

At New World Group, we consider our suppliers and contractors to be the essential parts in the design and delivery of products and services with superior quality, references to cultural heritage as well as innovation. As a responsible business, we have the obligation to be the driver for change by exerting a positive influence on our supply chain network.

With a wide spectrum of businesses, the Group's suppliers range from construction materials and the services of subcontracted workers, to buses and highly specialised vehicle parts; from food for hotels, to consumer goods for our retail businesses. We are committed to selecting local suppliers wherever possible, so as to support the local economy and create employment opportunities. To deliver differentiated products and services of top quality, all suppliers and contractors are required to adhere to the Group's Supplier Code of Conduct and follow our requirements on ethical conduct, labour practices, environmental conservation and legal compliance. New World Construction Company Limited (NWCON) has adopted an integrated management system for quality, environmental and health and safety that is certified to the ISO9001, ISO14001 and OHSAS18001. New vendors are required to complete a Supplier Sustainability Self-Assessment Questionnaire with information on their performance and track record on quality, environment and health and safety.

Systematic risk monitoring and management procedures are adopted to identify, minimise and mitigate supply chain-related risks, including those that are related to environmental, social and governance aspects. We are well aware of the importance of two-way communication with our supply chain partners and strive to nurture a mutually beneficial relationship that encourages exchange of ideas, knowledge sharing and higher industry standards. Our expectations are regularly communicated to our suppliers and contractors through various channels such as training, meetings and sharing sessions. Guidance and ongoing support are provided to our vendors and follow-up actions are taken in a timely manner.

We timely recognise and celebrate their outstanding performance to encourage continuous improvement. For example, NWSH has acknowledged the excellent performance of its key subcontractors and invited representatives of the subcontractors to share their success stories in business events.

Creating Synergy through Engaging Tenants

To strengthen the business ecosystems and create greater synergies in driving a modern taste of living, we devise solutions to help our tenants use our commercial premises in a more environmentally responsible way.

We are one of the founding members of the Hong Kong Green Shop Alliance, which was initiated by the Hong Kong Green Building Council (the "HKGBC"). The Alliance has been established to promote green building awareness and sustainable practices in the retail industry. More than 30 tenants from seven properties of NWD have participated in this meaningful endeavour. The participants have made a Green Shop Pledge and will implement green measures including responsible use of resources and waste management at their shops according to the checklist developed by the HKGBC.

In addition, the Hong Kong Convention and Exhibition Centre ("HKCEC") is the pioneer in Hong Kong to be certified to ISO20121 Event Sustainability Management System for its responsible use of resources and waste management.

SOCIAL AND RELATIONSHIP CAPITAL

Understanding our local communities, foreseeing their needs and delivering bespoke products and services are our top priorities. We take pride in our long standing heritage of community investment to improve social mobility, promote sports and healthy living, support local entrepreneurship and advocate art and culture.

Meeting Community Needs

D • PARK – "the World's First Multiple Intelligence (M.I.) Kids Mall" – is a 630,000-sq ft shopping mall with nearly 140 stores carefully selected for local families and an "M.I. Zone" with learning courses and interactive games to promote holistic brain and physical development of children. We have successfully integrated the M.I. theory developed by Harvard University of the United States, into our shopping mall, capturing opportunities that introduce quality "edutainment" and generate positive impact to our community.

Improving Social Mobility

The New World Springboard programme, funded by the New World Group Charity Foundation for the fifth year, has continued to offer long-term professional sports training and community exposure to local under-resourced youth. One of

the latest additions to the programme was the Teens Club, which provides life coaching to students aged 13 and above through activities such as workshops and corporate visits.

In 2017, NWSH collaborated with three NGOs in Hong Kong to launch the "NWS Career Navigator For Youth" programme for 10 secondary schools. Intended for a long term, the programme has already engaged about 400 students and 100 teachers in Tsuen Wan and Kwai Tsing Districts. The programme supports and instils inspiration into the youth regarding their future career path through workshops and mentorship. Outstanding participants are able to have an opportunity to shadow different types of jobs in the Group.

Promoting Sports and Healthy Living

The New World Harbour Race, one of Hong Kong's most iconic sports events, engaged a record number of 2,734 international and local swimmers in 2016. To inject new and exciting ideas into this heritage event, we invited members of the Hong Kong Swimming Team who competed in the Rio Olympics to join the charity category of the Race. Furthermore, 19 young swimmers from our New World Springboard programme took this opportunity to apply their skills gained from the training and completed the Race with encouraging results.

Sponsored by NWCL, the European Challenge Tour - Foshan Open 2016, as one of the most significant sports and sustainability events in Foshan and a crucial platform for cultural exchange between Guangdong and the world, successfully attracted a total of 126 golfers from 20 jurisdictions. We worked together with charitable organisations to engage participants through a charity walk, promoting conservation of the natural environment while supporting children with autism.

Supporting Local Entrepreneurship

Entrepreneurship has been a key driver for growth and development in Hong Kong's history. We are keen to play a role in fostering a start-up-friendly culture in Hong Kong by establishing Eureka Nova, a social enterprise that assists young entrepreneurs by providing a bespoke incubation programme and critical resources such as networking opportunities, office space and access to funding. Through our incubation platform, disruptive business solutions will be collected, passionate change-makers connected and bold ideas collided to create sustainable value for the community.

Advocating Art and Culture

The K11 Art Foundation ("KAF") is a registered not-for-profit organisation founded by Dr. Adrian Cheng in 2010 that incubates young contemporary artists and promotes public art education in Greater China. KAF focuses on engaging young emerging Chinese artists and connecting them with local, regional and international stages to gain greater public exposure. KAF has also forged partnerships with many prestigious art institutions for regional and international projects. For example, KAF partnered with the New Museum of New York City in Mainland China for the first time and presented "After us", a group art exhibition featuring both international and emerging Chinese artists.

HUMAN CAPITAL

Valuing Employee Care and Well-being

The Group's unique brand personality is not only demonstrated in our bespoke projects and services but also reflected in our people-centric human capital management strategy. We believe in the artisanal spirit in each employee and, collectively, they form the key to our success.

Fostering an Ideal Workplace

The Group is committed to providing a productive and inclusive working environment that embraces diversity and equality. Our Employee Handbook has incorporated the guidelines covering compensation and dismissal, recruitment and promotion, rest periods, equal opportunity, diversity, anti-discrimination, whistleblowing and benefits and welfare, such as medical insurance, Mandatory Provident Fund and discretionary bonus, to ensure compliance with relevant laws and regulations. We review our remuneration packages periodically to ensure our employees are assessed and rewarded based on their capabilities, responsibilities and performance.

A Group Human Rights Policy has been developed in line with the principles of the United Nations Global Compact to reaffirm our commitment to respecting and protecting the fundamental rights of our employees. We strictly prohibit the employment of child, forced, and other illegal forms of labour in our operations and expect our business partners to adhere to similar standards. The policy has been communicated to and strictly followed by all employees, who are encouraged to report any potential violation.

Health and Safety

Occupational health and safety is given a high priority. Relevant policies and procedures have been implemented and incorporated at operational level for all management, technicians and craftsmen in offices and at working sites. Health and safety management systems in line with internationally recognised standards and in full compliance with the related legislations and codes of practice have been adopted by our businesses. At our construction sites, we promote workplace safety awareness via campaigns, training, forums, internal surveys and incentive schemes. Feedback is solicited from frontline workers under our "We Hear Your Voice" campaign and through the NWCON Health and Safety Committee to enhance safety practices at construction sites.

Technologies such as BIM have been applied to simulate construction works for reduction of abortive works and safety risks.

Nurturing Talents and Instilling Imagination

Continuously investing in upskilling our people is a key to sustaining value creation for our customers and the communities. The Group and its business units have adopted talent appraisal metrics and assessment processes to identify leaders and learning needs among our employees. Inheriting a learning culture, we continue to train a workforce that supports our ongoing business growth.

Our comprehensive "NW TALENT" appraisal assessment mechanism allows a holistic and objective assessment of employee performance. In addition, our department store business conducts a rigorous 360-degree appraisal on senior management twice a year to ensure the leadership is adapted to the fast-changing retail market.

A well-established talent management system and talent grooming programmes are in place to identify and nurture promising staff and develop talent pipeline to realise their potential as New World Artisans. We have established a visionary and systematic 60-year talent pipeline for the development of talents from 5 to 65 years old, covering employees and their families, e.g. through tuition subsidies. A range of talent development initiatives tailored for all levels of employees are available, including the Group Management Trainee (MT) and Internship Programme, YoungSTAR Programme, Accelerating Management Talent Programme and Executive Management Programme.

New World University™ is our signature programme to promote boundless exposure, knowledge-sharing and peer-learning. To promote life-long learning, employees are not only offered with scholarships and education allowances, but also entitled to paid leave of up to three days annually for taking professional examinations.

Promoting Innovation and Creativity

Creative young minds are encouraged to apply to the Group MT and Internship Programme through various innovative channels which complement the traditional application route. This year, MT applicants were asked to use social media and virtual reality (VR) technology to demonstrate their artisanal spirit and innovation. They also had the opportunity to visit our K11 Art Mall, formulate business ideas for K11 and pitch them to a judging panel comprising senior executives.

New management approaches are in place to develop millennial employees with entrepreneurial opportunities and short-term rewards. For instance, our department store business encourages its employees to collaborate and become small business owners. A web platform has been established for promoting new small brands and merchandise and for tracking sales. Employees develop a stronger sense of belonging through co-owning small businesses and making joint decisions with senior management.

The New World DigiTalent Programme provides interactive training on design thinking, big data analytics and digital marketing with an aim to inspire the Group's employees and accelerate our technology transformation and drive business improvement.

We connect our employees to encourage communication, sharing and ideas exchange. Our innovative "HR • CONNECT" programme organises informal mixers, site visits and brainstorming sessions for our employees to broaden their network, contribute ideas and foster a collaborative culture.

CONTENT INDEX

New World Development Company Limited has complied with all "Comply or Explain" provisions on general disclosures in accordance with Hong Kong Exchange Main Board Listing Rule 13.91 and ESG Reporting Guide. During the reporting period, there were no non-compliance incidents or grievances about environmental protection, human rights, labour practices and product responsibility regulations that would have a significant impact on the Group. The following table provides an overview on the General Disclosures which are referred to the relevant paragraph(s) or other sections in this Annual Report.

Comply or Explain Provisions	Disclosure		Location of Disclosures
	Comply	Explain	
Aspect A1 Emissions	√		Natural Capital — Minimising Greenhouse Gas and Air Emissions and Supporting Waste Reduction
Aspect A2 Use of Resources	√		Natural Capital — Sustainable Buildings, Responsible Use of Materials and Water
Aspect A3 The Environment and Natural Resources	√		Natural Capital — Commitment to Sustainable Property Development Lifecycle and Sustainable Buildings
Aspect B1 Employment	√		Human Capital — Valuing Employee Care and Well-being
Aspect B2 Health and Safety	√		Value Chain — Managing our Suppliers Human Capital — Valuing Employee Care and Well-being and Health and Safety
Aspect B3 Development and Training	√		Human Capital — Nurturing Talents and Instilling Imagination and Promoting Innovation and Creativity
Aspect B4 Labour Standards	√		Human Capital — Valuing Employee Care and Well-being
Aspect B5 Supply Chain Management	√		Value Chain — Managing our Suppliers
Aspect B6 Product Responsibility	√		Intellectual Capital — Building Brand Equity through The Artisanal Movement, Sustaining Growth by Imagination and Innovation and Building Trust in Customer Relationships Value Chain — Creating Synergy through Engaging Tenants
Aspect B7 Anti-corruption	√		Corporate Governance Section in this Annual Report
Aspect B8 Community Investment	√		Social and Relationship Capital — Meeting Community Needs, Improving Social Mobility, Supporting Local Entrepreneurship, Promoting Sports and Healthy Living and Advocating Art and Culture

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Wong Man-Hoi

AUDITOR

PricewaterhouseCoopers

SOLICITORS

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

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

INFORMATION FOR INVESTORS

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

WEBSITE

www.nwd.com.hk

FINANCIAL SECTION CONTENTS

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and financial statements for the year ended 30 June 2017.

GROUP ACTIVITIES

The principal activities of the Company remain investment holding and property development and investment. The principal activities of the principal subsidiaries, joint ventures and associated companies are shown in notes 50, 51 and 52 to the financial statements on pages 182 to 196.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 30 June 2017 are set out in the consolidated income statement on page 104 of this annual report.

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

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

BUSINESS REVIEW

The business review of the Group for the year ended 30 June 2017 is set out in the sections headed “Executive Vice-chairman’s Report” on pages 12 to 35, “Management Discussion and Analysis” on pages 36 to 41, “Corporate Sustainability” on pages 56 to 67 and “Risk Factors” on pages 199 to 209 of this Annual Report.

SHARES ISSUED

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

1. As a result of the exercise of share options under the share option scheme of the Company, a total of 24,357,051 shares of the Company, fully paid, were issued for a total consideration of HK$207,832,692.

2. The Company declared final dividend for the year ended 30 June 2016 and interim dividend for the six months ended 31 December 2016 in cash (with scrip option) during the year. Accordingly, a total of 402,458,957 shares of the Company, fully paid, were issued for a total consideration of HK$3,425,963,843.

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

DEBENTURES ISSUED

Certain wholly owned subsidiaries of the Company had issued notes for the purpose of (unless specified below) financing the general working capital requirement of the Group during the year as follows:

1. On 6 October 2016, US$1,200.0 million (equivalent to approximately HK$9,324.0 million) in aggregate principal amount of 5.75% guaranteed senior perpetual capital securities were issued by NWD Finance (BVI) Limited and listed on the Stock Exchange at a price of 100.000% of the principal amount with net proceeds of US$1,186.1 million (equivalent to approximately HK$9,212.3 million);

2. On 23 January 2017, US$600.0 million (equivalent to approximately HK$4,662.0 million) 4.75% guaranteed notes due 2027 were issued by New World China Land Limited (“NWCL”) at a price of 100.000% of the principal amount with net proceeds of US$596.0 million (equivalent to approximately HK$4,630.9 million) for the main purpose of financing the purchase of US$324.6 million (equivalent to approximately HK$2,522.1 million) in principal amount of its 5.375% notes due 2019;

3. On 27 March 2017, HK$700.0 million 3.50% notes due 2024 were issued by NWD (MTN) Limited at a price of 97.260% of the principal amount with net proceeds of HK$680.8 million; and

4. On 27 March 2017, HK$1,150.0 million 4.00% notes due 2029 were issued by NWD (MTN) Limited at a price of 98.122% of the principal amount with net proceeds of HK$1,128.4 million.

Save as disclosed above, the Group has not issued any debenture during the year.

EQUITY-LINKED AGREEMENTS

Save for the share option schemes of the Group as set out on pages 85 to 94, no equity-linked agreements were entered into by the Group, or existed during the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2017, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$23,080.9 million (2016: HK$21,244.8 million).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 197 and 198.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

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

DONATIONS

The Group made charitable and other donations during the year of HK$92.9 million (2016: HK$424.7 million).

MAJOR ACQUISITION AND DISPOSAL

1. On 18 August 2016, Sky Treasure Development Limited, a company indirectly owned as to 30.0% by the Company and 70.0% by Chow Tai Fook Enterprises Limited ("CTF") was awarded a tender by the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone to acquire the land use rights of plots of land (for a term of 40 years) at Guiwan Area, Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone, Shenzhen, Guangdong Province, the PRC for the development of a financial and commercial complex at a consideration of RMB4,207.2 million (equivalent to approximately HK$4,835.9 million).

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

3. On 19 October 2016, Natal Global Limited, an indirect wholly owned subsidiary of NWSH entered into an agreement with the then other shareholders of Goshawk Aviation Limited and Goshawk Management Holdings (Cayman) Limited (collectively the "Goshawk Group", both were associated companies prior to completion of further acquisition), and under which NWSH acquired an additional 10.0% equity interest in Goshawk Group and related shareholder loans at an aggregate consideration of approximately HK$788.0 million. Upon completion of the transactions the equity interest of NWSH in the Goshawk Group was increased from 40.0% to 50.0% and joint control was obtained and this investment was accounted for as a joint venture.

4. On 1 November 2016, the shareholders of Sino-French Holdings (Hong Kong) Limited, a then 50.0% joint venture of NWSH and now known as SUEZ NWS Limited ("SNL"), entered into an agreement to restructure and expand the scope of operations of SNL by injecting cash and their respective waste and wastewater treatment businesses in Greater China into SNL. The transaction was completed in December 2016. Gain arising from the restructuring amounted to approximately HK$454.3 million was recognised by NWSH. NWSH ceased its joint control and owns 42.0% interest in SNL upon completion of the restructuring. Thereafter the investment in SNL was accounted for as an associated company.

MAJOR ACQUISITION AND DISPOSAL (CONTINUED)

5. On 15 November 2016, NWS Service Management Limited, ("NWS Service", an indirect wholly owned subsidiary of NWSH) and Enrich Group Limited ("Enrich" a direct wholly owned subsidiary of CTF) entered into a sale and purchase agreement for NWS Service to purchase the remaining 50.0% equity interest in NWS Transport Services Limited ("NWST", a then joint venture owned as to 50.0% by each NWS Service and Enrich) from Enrich at a consideration of approximately HK$1,467.5 million (including adjustment to the consideration upon completion). NWST and its subsidiaries are principally engaged in the provision of public bus, ferry and travel related services in Hong Kong. Completion of the acquisition took place on 30 December 2016. Thereafter NWST and its subsidiaries became indirect wholly owned subsidiaries of NWSH. A remeasurement gain of HK$327.1 million was recognised.

6. On 8 December 2016, through bundled public tenders put up by China Merchants Shekou Industrial Zone Holdings Co Ltd ("CMSIZ"), (i) Triumphant Ally Investments Limited (a 51.0% indirect subsidiary of the Company and a joint venture vehicle with CMSIZ) acquired the entire equity interests in Gao Li Enterprises Limited and Ever Reliance Enterprises Limited ("Acquisition") which hold two plots of land in Prince Bay, Shekou, Nanshan District, Shenzhen, Guangdong Province, the PRC for the development of long-term commercial properties held for investment purposes; and (ii) Guangzhou Xinpei Investment Co., Ltd (an indirect wholly owned subsidiary of the Company) successfully bid the capital injection ("Capital Injection"), representing 49.0% equity interest, in each of Shenzhen City Prince Bay Shangding Properties Co., Ltd. and Shenzhen City Prince Bay Lewan Properties Co., Ltd. (both companies hold two plots of land in Prince Bay, Shekou, Nanshan District, Shenzhen, Guangdong Province, the PRC for the development of a mixture of commercial/office/service apartment properties held for sale purposes) at aggregate minimum bidding price of approximately RMB8,889.5 million (equivalent to approximately HK$10,217.8 million). The total capital commitment of the Group amounted to approximately RMB10,030.6 million (equivalent to approximately HK$11,529.4 million). The completion of the Acquisition and the Capital Injection took place on 15 February 2017 and 17 February 2017 respectively.

CONNECTED TRANSACTIONS

Connected transactions of the Company during the year and up to the date of this report are set out on pages 77 to 84.

RULES 13.20 AND 13.22 OF THE LISTING RULES

The disclosure pursuant to Rules 13.20 and 13.22 of the Listing Rules is set out on page 97.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. Doo Wai-Hoi, William JP *(Non-executive Vice-chairman)*
Mr. Cheng Kar-Shing, Peter
Mr. Chen Guanzhan (re-designated on 1 March 2017 and resigned on 1 July 2017)

Independent Non-executive Directors

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

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Yeung Ping-Leung, Howard, Mr. Ho Hau-Hay, Hamilton, Mr. Lee Luen-Wai, John, Ms. Ki Man-Fung, Leonie and Mr. Cheng Chi-Heng shall retire by rotation and, being eligible, offer themselves for re-election.

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

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

AUDIT COMMITTEE

An Audit Committee has been established and the members of the Committee as at the date of this report are Mr. Lee Luen-Wai, John, Mr. Cha Mou-Sing, Payson, Mr. Yeung Ping-Leung, Howard, Mr. Ho Hau-Hay, Hamilton and Mr. Liang Cheung-Biu, Thomas. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and risk management and internal control systems.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" on pages 77 to 84 of this annual report and contracts amongst group companies, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company and the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, interests of the Directors in shares, underlying shares and debentures of the Company and its associated corporations which were recorded in the register to be kept by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") are set out on pages 85 to 96.

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of businesses	
Dr. Cheng Kar-Shun, Henry	Chow Tai Fook Enterprises Limited ("CTF") group of companies	Property investment and development, hotel operations, commercial aircraft leasing and healthcare investment Investment in transport services business (up to and including 29 December 2016)	Director
	FSE Holdings Limited group of companies	Property and carpark management and landscaping	Director and shareholder
	International Entertainment Corporation group of companies	Hotel operations	Director (resigned on 10 June 2017)
	Supreme Harvest Development Limited group of companies	Property investment and development	Director
	Silver City International Limited group of companies	Property investment and food and beverage operations	Director
	Sunshine Dragon Group Limited group of companies	Property investment	Director

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (CONTINUED)

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of businesses	
Mr. Doo Wai-Hoi, William	Amelia Gold Limited group of companies	Property investment	Director and shareholder
	Fortune Success Limited group of companies	Property investment	Director and shareholder
	FSE Holdings Limited group of companies	Property and carpark management and landscaping	Shareholder
	Fung Seng Enterprises Investment Company Limited group of companies	Property investment	Director and shareholder
	Fung Seng Enterprises Limited group of companies	Property investment and management	Director and shareholder
	Golden Wealth Investment Limited group of companies	Property investment and development	Director and shareholder
	Lifestyle International Holdings Limited group of companies	Department stores operations and property investment	Director
	Silver City International Limited group of companies	Property investment and food and beverage operations	Director and shareholder
	Silver Success Company Limited group of companies	Hotel operations	Director and shareholder
	Sunshine Dragon Group Limited group of companies	Property investment	Director and shareholder
Dr. Cheng Chi-Kong, Adrian	Cheung Hung Development (Holdings) Limited	Property investment and development	Director
	CTF group of companies	Property investment and development, hotel operations, commercial aircraft leasing and healthcare investment Investment in transport services business (up to and including 29 December 2016)	Director
	Grandhope Properties Limited	Property investment	Director and shareholder
	International Entertainment Corporation group of companies	Hotel operations	Director (resigned on 10 June 2017)
Mr. Cheng Kar-Shing, Peter	CTF group of companies	Property investment and development, hotel operations, commercial aircraft leasing and healthcare investment Investment in transport services business (up to and including 29 December 2016)	Director
	Long Vocation Investments Limited group of companies	Property investment	Director and shareholder
Mr. Cheng Chi-Heng	CTF group of companies	Property investment and development, hotel operations, commercial aircraft leasing and healthcare investment Investment in transport services business (up to and including 29 December 2016)	Director

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (CONTINUED)

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

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

Share option schemes of the Group are set out on pages 85 to 94.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2017, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares

Name	Number of shares held			Approximate % of shareholding
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTFH")(1)	–	4,342,126,172	4,342,126,172	44.24
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II")(2)	–	4,342,126,172	4,342,126,172	44.24
Chow Tai Fook Capital Limited ("CTFC")(3)	–	4,342,126,172	4,342,126,172	44.24
Chow Tai Fook (Holding) Limited ("CTFHL")(4)	–	4,342,126,172	4,342,126,172	44.24
Chow Tai Fook Enterprises Limited ("CTF")(5)	3,947,566,688	394,559,484	4,342,126,172	44.24

Notes:

(1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(3) CTFC holds 81.03% direct interest in CTFHL and is accordingly deemed to have an interest in the shares deemed to be interested by CTFHL.

(4) CTFHL holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.

(5) CTF together with its subsidiaries.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30 June 2017.

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On Behalf of the Board

Dr. Cheng Kar-Shun, Henry
Chairman
Hong Kong, 21 September 2017

CONNECTED TRANSACTIONS

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

On 25 July 1997, NWHH sold its entire interests in HPI to CTF Holdings Ltd. ("CTFH"), a company then controlled by Dr. Cheng Kar-Shun, Henry and Mr. Doo Wai-Hoi, William ("Mr. Doo"), and currently wholly owned by CTF. Under the sale, the Indemnity will continue. Arrangements have therefore been entered into whereby CTF will counter-indemnify the Company fully against any liability arising under the Indemnity in respect of the said lease obligations and guarantees of leases. It is presently estimated that the maximum liability of the Company under the Indemnity will be approximately US$3.3 million (equivalent to approximately HK$25.8 million) per annum. Up to the date of this report, no payment has ever been made by the Company or CTF under the Indemnity.

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

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

Upon expiry of its initial term, the Master Concessionaire Counter Agreement was automatically renewed for three years commencing from 1 July 2014.

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

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

For the year ended 30 June 2017, the aggregate amount of the transactions under the Master Concessionaire Counter Agreement amounted to approximately RMB59.3 million (equivalent to approximately HK$68.2 million), which is within the annual cap of RMB345.0 million (equivalent to approximately HK$396.6 million).

CONNECTED TRANSACTIONS (CONTINUED)

(3) On 11 April 2014, a master services agreement (the "Mr. Doo Master Services Agreement") was entered into between the Company and Mr. Doo for a term of three years commencing from 1 July 2014 in respect of the provision of certain operational and rental services which include contracting services, cleaning and landscaping services, facilities management services, property management services, security and guarding services and rental services, between members of the Group and members of the Services Group (being Mr. Doo and any company in the equity capital of which Mr. Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30.0% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers (the "Takeovers Code") as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary). Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Mr. Doo Master Services Agreement will be automatically renewed for a successive period of three years thereafter.

The Mr. Doo Master Services Agreement and the annual cap amounts payable by the Services Group to the Group, and vice versa, in respect of the transactions contemplated under the Mr. Doo Master Services Agreement for each of the three years ending 30 June 2017 were approved by the independent shareholders of the Company on 22 May 2014.

On 20 November 2015, Mr. Doo and the Company agreed to enter into a supplemental agreement to the Mr. Doo Master Services Agreement, with FSE Engineering Holdings Limited ("FSE Engineering") and FSE Management Company Limited ("FSE Management") joining in as parties, as a definitive agreement to better reflect the provision and receipt of the abovementioned operational and rental services by FSE Engineering and FSE Management, both of which are members of the Services Group.

On 10 April 2017, the Company and Mr. Doo entered into a new master services agreement (the "New Mr. Doo MSA") for a term of three years commencing from 1 July 2017 up to and including 30 June 2020 in respect of the provision of the aforesaid operational and rental services. Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the New Mr. Doo MSA will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules). On the same date, Mr. Doo, the Company, FSE Engineering and FSE Management entered into a termination agreement to terminate the Mr. Doo Master Services Agreement on the commencement date of the New Mr. Doo MSA. The New Mr. Doo MSA and the annual caps set for each of the three financial years ending 30 June 2020 were approved by the independent shareholders of the Company on 26 May 2017.

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

For the year ended 30 June 2017, the aggregate amount of the transactions under the Mr. Doo Master Services Agreement amounted to approximately HK$1,419.7 million, which is within the annual cap of HK$3,576.6 million.

CONNECTED TRANSACTIONS (CONTINUED)

(4) On 11 April 2014, the Company and CTF entered into a master services agreement (the "CTF Master Services Agreement") for a term of three years commencing from 1 July 2014, whereby each of the Company and CTF agreed to, and agreed to procure members of the Group or the CTF Services Group (being CTF, (a) any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company, and/or (b) any other company in the equity capital of which CTF and such other companies referred to in (a) above taken together are directly or indirectly interested so as to exercise or control the exercise of 30.0% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings or to control the composition of a majority of the board of directors, and any other company which is its subsidiary, but excluding members of the Group) (to the extent practicable) to engage relevant members of the CTF Services Group or the Group (as the case may be) to provide the relevant operational services, which include contracting services, general and rental services, project management and consultancy services, and hotel management and consultancy services, to members of the Group or the CTF Services Group (as the case may be) during the term of the CTF Master Services Agreement.

Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the CTF Master Services Agreement will be automatically renewed for a successive period of three years thereafter.

On 10 April 2017, in anticipation of the expiry of the initial term of the CTF Master Services Agreement, the Company and CTF entered into a new master services agreement (the "New CTF MSA") for a term of three years commencing from 1 July 2017 up to and including 30 June 2020 in respect of the provision of services including administrative services, contracting services, general and rental services, and project management and consultancy services. Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the New CTF MSA will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules). On the same date, the Company and CTF entered into a termination agreement to terminate the CTF Master Services Agreement on the commencement date of the New CTF MSA. Details of the New CTF MSA and the annual caps set for each of the three financial years ending 30 June 2020 were set out in the announcement of the Company dated 10 April 2017.

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

For the year ended 30 June 2017, the aggregate amount of the transactions under the CTF Master Services Agreement amounted to approximately HK$411.6 million, which is within the annual cap of HK$2,086.2 million.

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

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

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

For the year ended 30 June 2017, the aggregate amount of the transactions under the Master Leasing Agreement amounted to approximately HK$105.4 million, which is within the annual cap of HK$225.4 million.

CONNECTED TRANSACTIONS (CONTINUED)

(6) On 11 April 2014, NWDS, the Company and CTFJ entered into a master sales agreement (the "Master Sales Agreement") in relation to the sales transactions among members of the NWDS Group, members of the Group, members of the CTFJ Group and/or joint ventures jointly controlled by CTF and NWCL ("N/C JVs") in respect of the use of various cash equivalent gift coupons, gift cards and stored value shopping cards issued by the Group ("Shopping Vouchers"), prepaid shopping cards issued by the NWDS Group to the Group and/or CTFJ Group ("Prepaid Shopping Cards"), various joint name cards and/or joint name vouchers issued by the CTFJ Group and/or the NWDS Group ("Joint Name Vouchers") or other means acceptable to the NWDS Group as payment for purchases of goods at the department stores owned by the NWDS Group from time to time and the settlement of the relevant value represented by such Shopping Vouchers (with the shopping vouchers commissions and rebates), the Prepaid Shopping Cards (with the discounts, where applicable), the Joint Name Vouchers (with the joint name vouchers commissions) or by any other means acceptable to the NWDS Group among relevant members of the NWDS Group, the Group or the CTFJ Group; and the sale of goods by members of the Group, the CTFJ Group and/or N/C JVs to members of the NWDS Group.

The Master Sales Agreement has an initial term of three years commencing from 1 July 2014. Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Master Sales Agreement will be automatically renewed for a successive period of three years thereafter.

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

For the year ended 30 June 2017, the aggregate amount of the transactions under the Master Sales Agreement amounted to approximately RMB0.3 million (equivalent to approximately HK$0.3 million), which is within the annual cap of RMB102.4 million (equivalent to approximately HK$117.7 million).

The Master Sales Agreement was automatically renewed in accordance with its terms and conditions for three years from 1 July 2017 up to and including 30 June 2020. As the annual cap amount for the transactions under the Master Sales Agreement for each of the three financial years ending 30 June 2020 is de minimis, the renewal of the Master Sales Agreement is fully exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

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

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

The Master Purchase Agreement was automatically renewed in accordance with its terms and conditions for further three years from 1 July 2015 to 30 June 2018. Details of the renewal of the Master Purchase Agreement and the annual caps set for each of the three financial years ending 30 June 2018 were set out in the announcement of the Company dated 8 May 2015.

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

For the year ended 30 June 2017, the aggregate amount of the transactions under the Master Purchase Agreement amounted to approximately HK$6.3 million, which is within the annual cap of HK$207.1 million.

CONNECTED TRANSACTIONS (CONTINUED)

(8) On 3 July 2015, NWCL entered into a master hotel leasing agreement (the "Master Hotel Leasing Agreement") with CTF pursuant to which relevant members of the NWCL Group and relevant members of the CTF Group (i.e. CTF and its subsidiaries) may enter into definitive agreements in respect of the leasing of hotels and licensing of related licences to members of the CTF Group from members of the NWCL Group upon, and subject to, the terms and conditions in compliance with those of the Master Hotel Leasing Agreement as may be agreed between relevant members of the NWCL Group and the relevant members of the CTF Group.

The Master Hotel Leasing Agreement commenced on 3 July 2015 and shall continue up to and including 30 June 2025 which can be automatically renewed for a further term of 10 years, subject to compliance with the then relevant requirements of the rules of any stock exchange to which any of the parties to the Master Hotel Leasing Agreement is subject to, including, but not limited to, the Listing Rules.

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

For the year ended 30 June 2017, the aggregate amount of the transactions under the Master Hotel Leasing Agreement amounted to approximately HK$7.7 million, which is within the annual cap of HK$115.8 million.

On 10 April 2017, NWCL and CTF entered into a termination agreement to terminate the Master Hotel Leasing Agreement on the commencement date of the NWD Master Hotel Leasing Agreement (as defined below).

On 10 April 2017, the Company and CTF entered into a new master hotel leasing agreement (the "NWD Master Hotel Leasing Agreement") regarding the leasing of hotels and licensing of related licences to members of the CTF Group from members of the Group for a term of 10 years commencing from 1 July 2017 up to and including 30 June 2027. The NWD Master Hotel Leasing Agreement will be automatically renewed for a further term of 10 years upon expiration of the initial term subject to compliance with the relevant requirements under the Listing Rules. As the annual cap amount for the transactions under the NWD Master Hotel Leasing Agreement for each of the three financial years ending 30 June 2020 is de minimis, the entering into of the NWD Master Hotel Leasing Agreement is fully exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

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

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

CONNECTED TRANSACTIONS (CONTINUED)

(10) On 15 July 2016, Sun Matrix Holdings Limited (a wholly owned subsidiary of the Company) as purchaser entered into the following three inter-conditional sale and purchase agreements (the "Agreements") regarding the acquisition of the entire interest in Onwise Holdings Limited ("OH"), Glory Success Inc. ("GS"), Trafalgar Trading International Limited ("TT") and related shareholders' loans at a total cash consideration of HK$326.0 million (the "Acquisitions"):

(i) an agreement with King Choi Company Limited ("King Choi") as vendor and Cheung Hung Development (Holdings) Limited ("Cheung Hung") as King Choi's guarantor regarding the acquisition of the entire issued share capital of OH and related shareholder's loans at an aggregate cash consideration of HK$163.0 million;

(ii) an agreement with Eagle Step Investment Limited ("Eagle Step") as vendor and Mr. Ho Chi-Kin, Simon as Eagle Step's guarantor regarding the acquisition of the entire issued share capital of GS and related shareholder's loans at an aggregate cash consideration of HK$81.5 million; and

(iii) an agreement with King Host Development Limited ("King Host") as vendor and Mr. Ho David as King Host's guarantor regarding the acquisition of the entire issued share capital of TT and related shareholder's loans at an aggregate cash consideration of HK$81.5 million.

Each of OH, GS and TT owns 50.0%, 25.0% and 25.0% interest respectively in Broad Reach Company Limited ("Broad Reach") which is the registered owner of a vacant land situated at No. 21 Luk Hop Street, Kowloon. The Acquisitions are consistent with the core business strategies of the Group. Upon completion of the Acquisitions on 28 July 2016, OH, GS, TT and Broad Reach became indirect wholly owned subsidiaries of the Company.

For reasons stated above, CTF is a connected person of the Company. Therefore, King Choi is a connected person of the Company by virtue of being a wholly owned subsidiary of Cheung Hung which is an associate of CTF and the acquisition of OH constitutes a connected transaction for the Company under the Listing Rules. As Cheung Hung indirectly owned 50.0% interest in Broad Reach, the acquisitions of GS and TT also constitute connected transactions for the Company pursuant to Rule 14A.28 of the Listing Rules. Details of the Acquisitions were set out in the announcement of the Company dated 15 July 2016.

(11) On 18 August 2016, the Company and CTF were awarded a tender by 深圳市前海深港現代服務業合作區管理局 (Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone) to acquire the land use rights of Plots T201-0092, Block 01, Unit No.2, Guiwan Area, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen, Guangdong Province, the PRC (the "Land") at a consideration of RMB4,207.2 million (equivalent to approximately HK$4,835.9 million) for the development of a financial and commercial complex on the Land (the "Project"). Immediately thereafter on the same day, the Company and CTF entered into a heads of agreement ("Heads of Agreement") relating to the joint venture for the Project. Pursuant to the Heads of Agreement, Sky Treasure Development Limited (the "HK JV Company"), the issued shares of which are owned as to 70.0% and 30.0% by a wholly owned subsidiary of CTF and a wholly owned subsidiary of the Company (through NWCL) respectively, will establish a wholly foreign owned enterprise with limited liability in the PRC ("PRC JV Entity", together with the HK JV Company, the "Joint Venture Entities"). It is expected that the total investment in the PRC JV Entity will be RMB8.0 billion (equivalent to approximately HK$9.2 billion), of which RMB4.5 billion (equivalent to HK$5.2 billion) will be its registered capital. The total investment of the PRC JV Entity (other than any part for which bank financing is successfully obtained by the Joint Venture Entities) will respectively be contributed by CTF and the Company to the PRC JV Entity through the HK JV Company in the proportion of 70:30. Immediately after completion of the formation of the Joint Venture Entities, the effective interest of CTF and the Company in the PRC JV Entity will be 70.0% and 30.0% respectively. The Heads of Agreement sets out, among other things, the manner of formation of the Joint Venture Entities, the management of the Joint Venture Entities and certain rights and obligations of the shareholders of the Joint Venture Entities and their financial commitments to the Joint Venture Entities. Details of the Heads of Agreement were set out in the announcement of the Company dated 18 August 2016.

For reasons stated above, CTF is a connected person of the Company. Therefore, the entering into of the Heads of Agreement and the establishment of the joint venture thereunder constitute a connected transaction for the Company under the Listing Rules.

CONNECTED TRANSACTIONS (CONTINUED)

(12) On 5 October 2016, an agreement (the "Optimum Result Agreement") was entered into between Catchy Investments Limited ("Catchy", a wholly owned subsidiary of the Company) and Fortunate House Limited ("Fortunate House", a wholly owned subsidiary of FSE Engineering) pursuant to which Catchy agreed to sell and assign, and Fortunate House agreed to purchase and accept the assignment of, the entire issued share capital of Optimum Result Holdings Limited ("Optimum Result") and the entire amount of the unsecured and non-interest bearing shareholder's loan owing from Optimum Result to Catchy as at the date of completion of the Optimum Result Agreement ("Completion") at an aggregate cash consideration of HK$285.0 million (subject to adjustment).

The main asset of Optimum Result and its subsidiary is the property situate at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. Details of the Optimum Result Agreement were set out in the announcement of the Company dated 5 October 2016. Completion took place on 9 January 2017 and thereafter, Optimum Result and its subsidiary ceased to be subsidiaries of the Company. The consideration was adjusted to approximately HK$280.9 million by reference to the unaudited consolidated net tangible assets value of Optimum Result as at the date of Completion.

As FSE Engineering is a majority-controlled company (as defined in the Listing Rules) of Mr. Doo, FSE Engineering is therefore a connected person of the Company and the disposal contemplated under the Optimum Result Agreement constitutes a connected transaction for the Company under the Listing Rules.

(13) On 19 October 2016, (a) Natal Global Limited ("Natal Global", an indirect wholly owned subsidiary of NWSH), Zion Sky Holdings Limited ("Zion Sky", a direct wholly owned subsidiary of CTF), Investec Bank plc ("Investec") and GAL Partnership L.P. ("GAL") entered into an agreement (the "Goshawk SPA") pursuant to which, each of Natal Global and Zion Sky agreed to purchase (i) 50.0% of all the preference shares of par value of US$0.001 each in the capital of Goshawk Aviation Limited ("Goshawk") held by Investec, representing approximately 4.85% of its total issued share capital, and 50.0% of the shareholder loans advanced to Goshawk by Investec; and (ii) 50.0% of all the preference shares of par value of US$0.001 each in the capital of Goshawk held by GAL, representing approximately 5.15% of its total issued share capital, and 50.0% of the shareholder loans advanced to Goshawk by GAL, for an aggregate consideration of approximately US$88.4 million (equivalent to approximately HK$686.9 million) respectively; and (b) Pure Cosmos Limited ("Pure Cosmos", an indirect wholly owned subsidiary of NWSH), Zion Sky and Investec entered into an agreement (the "Manco SPA", together with the Goshawk SPA, the "Goshawk Agreements") pursuant to which, each of Pure Cosmos and Zion Sky agreed to purchase 50.0% of all the ordinary shares of par value of US$1.0 each in the capital of Goshawk Management Holdings (Cayman) Limited ("Manco") held by Investec, representing 10.0% of its total issued share capital, for a consideration of US$13.0 million (equivalent to approximately HK$101.0 million) respectively.

As at the date of signing of the Goshawk Agreements, Goshawk was held by Natal Global, Zion Sky, Investec and GAL in the proportion of approximately 40.0%, 40.0%, 9.71% and 10.29% respectively and Manco was held by Pure Cosmos, Zion Sky and Investec in the proportion of 40.0%, 40.0% and 20.0% respectively. Zion Sky was wholly owned by CTF and therefore a connected person of the Company. Accordingly, the acquisitions by Natal Global and Pure Cosmos pursuant to the Goshawk Agreements constitute connected transactions for the Company under the Listing Rules. Details of the Goshawk Agreements were set out in the announcement of the Company dated 24 October 2016.

Completion of the acquisitions under the Goshawk Agreements took place on 24 October 2016.

(14) On 15 November 2016, NWS Service Management Limited ("NWS Service", a company incorporated in the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of NWSH) and Enrich Group Limited ("Enrich Group", a direct wholly owned subsidiary of CTF) entered into an agreement (the "NWST SPA") pursuant to which Enrich Group conditionally agreed to dispose of and NWS Service conditionally agreed to purchase 250,000,008 shares ("Sale Shares") of par value of HK$1.0 each in the capital of NWS Transport Services Limited ("NWST"), representing 50.0% of its entire issued share capital, at a total consideration of HK$1.38 billion (subject to adjustment). Subsequently, the total consideration was adjusted to HK$1.47 billion in accordance with the NWST SPA.

As CTF is a connected person of the Company, the acquisition of the Sale Shares by NWS Service from Enrich Group as contemplated under the NWST SPA constitutes a discloseable and connected transaction for the Company under the Listing Rules. Details of the said acquisition were set out in the announcement of the Company dated 15 November 2016.

Completion of the acquisition of the Sale Shares by NWS Service from Enrich Group under the NWST SPA took place on 30 December 2016.

CONNECTED TRANSACTIONS (CONTINUED)

(15) On 8 December 2016, through bundled public tenders put up by China Merchants Shekou Industrial Zone Holdings Co Ltd ("CMSIZ"), (i) Triumphant Ally Investments Limited ("Triumphant Ally", a joint venture held as to 51.0% by Keen Link Enterprises Limited (an indirect wholly owned subsidiary of the Company) and 49.0% by Excel Steps Limited (an indirect wholly owned subsidiary of CMSIZ)) acquired the entire equity interests in Gao Li Enterprises Limited and Ever Reliance Enterprises Limited ("Acquisition") both of which hold two plots of land in Prince Bay, Shekou, Nanshan District, Shenzhen, Guangdong Province, the PRC for the development of long-term commercial properties held for investment purposes; and (ii) Guangzhou Xinpei Investment Co., Ltd (an indirect wholly owned subsidiary of the Company) successfully bid the capital injection ("Capital Injection"), representing 49.0% equity interest in each of Shenzhen City Prince Bay Shangding Properties Co., Ltd. and Shenzhen City Prince Bay Lewan Properties Co., Ltd. (both companies hold two plots of land in Prince Bay, Shekou, Nanshan District, Shenzhen, Guangdong Province, the PRC for the development of a mixture of commercial/office/service apartment properties held for sale purposes) with remaining 51.0% equity interest in both companies to be held by CMSIZ, at aggregate minimum bidding price of approximately RMB8,889.5 million (equivalent to approximately HK$10,217.8 million). The total capital commitment of the Group amounted to approximately RMB10,030.6 million (equivalent to approximately HK$11,529.4 million).

As CMSIZ is a substantial shareholder of Triumphant Ally before the bid, CMSIZ is a connected person of the Company. Accordingly, the Acquisition and the Capital Injection constitute discloseable and connected transactions for the Company under the Listing Rules. Details of the Acquisition and the Capital Injection were set out in the announcement of the Company dated 8 December 2016.

The completion of the Acquisition and the Capital Injection took place on 15 February 2017 and 17 February 2017 respectively.

The price and terms of the continuing connected transactions mentioned in paragraphs (2) to (8) above were determined in accordance with the pricing policies and guidelines as set out in the relevant announcements of the Company. These continuing connected transactions have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

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

(b) on normal commercial terms or better; and

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

The Company's auditor was engaged to report on the Group's continuing connected transactions stated in paragraphs (2) to (8) above in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the HKEx.

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests of the Directors in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO were as follows:

(A) Long position in shares

	Number of shares				Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests	Total	
New World Development Company Limited					
(Ordinary shares)					
Mr. Doo Wai-Hoi, William	–	12,966,143	22,476,681(1)	35,442,824	0.36
Mr. Cheng Kar-Shing, Peter	–	542,395	–	542,395	0.01
Mr. Ho Hau-Hay, Hamilton	–	–	878,353(2)	878,353	0.01
Mr. Liang Cheung-Biu, Thomas	10,429	–	–	10,429	0.00
Ms. Ki Man-Fung, Leonie	90,000	–	–	90,000	0.00
New World Department Store China Limited					
(Ordinary shares of HK$0.10 each)					
Ms. Ki Man-Fung, Leonie	20,000	–	–	20,000	0.00
Ms. Cheng Chi-Man, Sonia	92,000	–	–	92,000	0.01
NWS Holdings Limited					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar-Shun, Henry	18,349,571	–	12,000,000(3)	30,349,571	0.78
Mr. Doo Wai-Hoi, William	–	–	7,162,903(4)	7,162,903	0.18
Mr. Cheng Kar-Shing, Peter	320,097	–	6,463,227(5)	6,783,324	0.17
Ms. Ki Man-Fung, Leonie	15,000	–	–	15,000	0.00
Sun Legend Investments Limited					
(Ordinary shares)					
Mr. Cheng Kar-Shing, Peter	–	–	500(6)	500	50.00

Notes:

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

(2) These shares are beneficially owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.

(3) These shares are beneficially owned by a company which is wholly owned by Dr. Cheng Kar-Shun, Henry.

(4) These shares are beneficially owned by a company which is wholly owned by Mr. Doo Wai-Hoi, William.

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

(6) These shares are beneficially owned by a controlled corporation of Mr. Cheng Kar-Shing, Peter.

(B) Long position in underlying shares — share options

During the year ended 30 June 2017, certain Directors of the Company have interest in share options to subscribe for shares in the Company and certain of its subsidiaries. Details of such interests and summaries of share option schemes of the Company and its subsidiaries are shown below.

Share Option Schemes of the Company

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

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

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

Share Option Schemes of the Company (continued)

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

	2006 Scheme and 2016 Scheme
Purpose of the schemes	To reward directors and employees of the Group for past service or performance, to provide incentive, motivation or reward to eligible participants for increasing performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for or make contribution to the Group, to foster a sense of corporate identity and to allow the eligible participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.
Participants of the schemes	Eligible participant may be a person or an entity belonging to any of the following classes: (i) any employee (including directors) of the Group or any invested entity of the Group (the "Invested Entity"); (ii) any person seconded or nominated by the Group to represent the Group's interest in any of the Invested Entity or any other company or organisation; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (vi) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (vii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.
Total number of shares available for issue under the schemes and percentage of issued shares as at the date of this annual report	The Company had granted 425,987,928 share options of the Company under the 2006 Scheme up to the date of this report. No further share option was granted under the 2006 Scheme since the adoption of the 2016 Scheme on 22 November 2016. 53,450,000 share options were granted under the 2016 Scheme up to the date of this report. The total number of shares available for issue under the 2016 Scheme is 886,005,147 representing approximately 9.01% of the Company's total number of issued shares as at the date of this report.
Maximum entitlement of each participant under the schemes	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the total number of shares of the Company in issue.

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

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

Share Option Schemes of the Company (continued)

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

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

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

Share Option Schemes of the Company (continued)

Share options granted to Directors

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 1 July 2016	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2017	Exercise price per share HK$
Dr. Cheng Kar-Shun, Henry	10 June 2016	(1)	10,675,637	–	–	–	10,675,637	7.540
Mr. Doo Wai-Hoi, William	22 January 2014	(2)	532,982	–	–	–	532,982	9.756
Dr. Cheng Chi-Kong, Adrian	9 March 2016	(3)	4,500,000	–	–	–	4,500,000	7.200
	10 June 2016	(1)	3,736,471	–	–	–	3,736,471	7.540
Mr. Chen Guanzhan	10 June 2016	(1)	3,736,471	–	(1,868,000)(4)	–	1,868,471	7.540
Mr. Yeung Ping-Leung, Howard	10 June 2016	(1)	533,779	–	–	–	533,779	7.540
Mr. Cha Mou-Sing, Payson	10 June 2016	(1)	533,779	–	–	–	533,779	7.540
Mr. Cheng Kar-Shing, Peter	10 June 2016	(1)	533,779	–	–	–	533,779	7.540
Mr. Ho Hau-Hay, Hamilton	10 June 2016	(1)	533,779	–	–	–	533,779	7.540
Mr. Lee Luen-Wai, John	10 June 2016	(1)	533,779	–	–	–	533,779	7.540
Mr. Liang Cheung-Biu, Thomas	10 June 2016	(1)	533,779	–	–	–	533,779	7.540
Ms. Ki Man-Fung, Leonie	10 June 2016	(1)	3,202,688	–	(1,200,672)(5)	–	2,002,016	7.540
Mr. Cheng Chi-Heng	10 June 2016	(1)	533,779	–	–	–	533,779	7.540
Ms. Cheng Chi-Man, Sonia	10 June 2016	(1)	3,202,688	–	–	–	3,202,688	7.540
Mr. Au Tak-Cheong	22 January 2014	(2)	532,982	–	–	–	532,982	9.756
	10 June 2016	(1)	1,346,693	–	(330,000)(6)	–	1,016,693	7.540
			35,203,065	–	(3,398,672)	–	31,804,393	

Notes:

(1) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

(2) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.

(3) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

(4) The exercise dates were 2 March 2017, 8 March 2017 and 13 June 2017. On the trading date immediately before each of the exercise dates, the closing price per share was HK$10.2, HK$10.0 and HK$10.46 respectively.

(5) The exercise dates were 21 July 2016 and 15 June 2017. On the trading date immediately before each of the exercise dates, the closing price per share was HK$8.72 and HK$10.58 respectively.

(6) The exercise date was 23 February 2017. On the trading date immediately before the exercise date, the closing price per share was HK$9.78.

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

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

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

Share Option Schemes of the Company (continued)

Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options					Exercise price per share
		Balance as at 1 July 2016	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30 June 2017	HK$
16 November 2012	(1)	**6,324,673**	**–**	**–**	**(6,324,673)**	**–**	11.238
22 January 2014	(2)	**25,622,991**	**–**	**(6,910,000)**(7)	**(2,932,350)**	**15,780,641**	9.756
27 October 2014	(3)	**31,606,074**	**–**	**(3,321,755)**(8)	**(1,204,447)**	**27,079,872**	9.485
7 July 2015	(4)	**18,718,972**	**–**	**(1,300,558)**(9)	**(1,801,826)**	**15,616,588**	9.966
9 March 2016	(5)	**14,525,000**	**–**	**(2,200,000)**(10)	**(1,650,000)**	**10,675,000**	7.200
10 June 2016	(6)	**37,546,780**	**–**	**(7,226,066)**(11)	**(1,585,789)**	**28,734,925**	7.540
		134,344,490	**–**	**(20,958,379)**	**(15,499,085)**	**97,887,026**	

Notes:

(1) Divided into 4 tranches exercisable from 16 November 2012, 16 November 2013, 16 November 2014 and 16 November 2015 respectively to 15 November 2016.

(2) Divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.

(3) Divided into 4 tranches exercisable from 27 October 2014, 27 October 2015, 27 October 2016 and 27 October 2017 respectively to 26 October 2018.

(4) Divided into 4 tranches exercisable from 7 July 2015, 7 July 2016, 7 July 2017 and 7 July 2018 respectively to 6 July 2019.

(5) Divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

(6) Divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

(7) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$10.490.

(8) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$10.471.

(9) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$10.546.

(10) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$9.693.

(11) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$9.800.

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

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

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

Share Option Scheme of New World China Land Limited ("NWCL")

The share option scheme (the "NWCL 2011 Share Option Scheme") which was adopted by NWCL on 22 November 2011 was terminated on 4 August 2016 following the delisting of NWCL.

A summary of the NWCL 2011 Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

	NWCL 2011 Share Option Scheme
Purpose of the scheme	To provide an opportunity for the full-time or part-time employees, including directors, of NWCL Group to participate in the equity of NWCL as well as to motivate them to optimise their performance.
Participants of the scheme	Full-time or part-time employees, including directors, of NWCL Group.
Total number of shares available for issue under the scheme and percentage of issued shares of NWCL as at the date of this annual report	No further share option can be granted under the NWCL 2011 Share Option Scheme upon its termination on 4 August 2016.
Maximum entitlement of each participant under the scheme	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the shares in issue unless the same is approved by NWCL's shareholders in general meeting.
The period within which the shares must be taken up under an option	At any time during a period to be notified by NWCL's directors, which period not to exceed five years commencing on the expiry of one month after the date on which the option is accepted and expiring on a date not later than the last day of the five-year period.
The minimum period for which an option must be held before it can be exercised	One month.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.
The basis of determining the exercise price	The exercise price shall be determined by NWCL's directors, being at least the higher of: (a) the closing price of shares as stated in the HKEx's daily quotations sheet on the date of offer, which must be a business day; and (b) the average closing price of shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of offer.
The remaining life of the scheme	The NWCL 2011 Share Option Scheme was terminated by the shareholders of NWCL on 4 August 2016.

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

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

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

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

	NWSH Share Option Scheme
Purpose of the scheme	To reward directors and employees of NWSH and its subsidiaries ("NWSH Group") for their past service or performance; providing incentive and motivation or reward to eligible participants for optimising their performance or making contribution to NWSH Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to NWSH Group; and fostering a sense of corporate identity.
Participants of the scheme	Eligible participant may be a person or an entity belonging to any of the following classes: (i) any eligible employee; (ii) any non-executive director (including independent non-executive director) of NWSH Group or any invested entity of NWSH Group (the "Invested Entity"); (iii) any supplier of goods or services to any member of NWSH Group or any Invested Entity; (iv) any customer of any member of NWSH Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to NWSH Group or any Invested Entity; (vi) any shareholder of any member of NWSH Group or any Invested Entity or any holder of any securities issued by any member of NWSH Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of NWSH Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of NWSH Group or any Invested Entity in any area of business operation or development.
Total number of shares available for issue under the scheme and percentage of issued shares of NWSH as at the date of this annual report	NWSH had granted share options to certain eligible participants to subscribe for a total of 55,623,705 shares of NWSH under the NWSH Share Option Scheme, which include certain adjustments made pursuant to the rules of the NWSH Share Option Scheme, up to the date of this report. The total number of shares of NWSH available for issue under the NWSH Share Option Scheme is 284,347,597 representing approximately 7.31% of the total number of shares of NWSH as at the date of this report.
Maximum entitlement of each participant under the scheme	Unless approved by shareholders of NWSH, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the share capital of NWSH in issue.

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

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

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

	NWSH Share Option Scheme
The period within which the shares must be taken up under an option	At any time during a period as specified by NWSH's directors, however in any event the share options must be exercised within 10 years from the date of grant.
The minimum period for which an option must be held before it can be exercised	Any period as determined by NWSH's directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The basis of determining the exercise price	The exercise price is determined by NWSH's directors which must be at least the highest of: (i) the closing price of the shares as stated in the HKEx's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five dealing days immediately preceding the date of grant; and (iii) the nominal value of the shares.
The remaining life of the scheme	The NWSH Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 21 November 2011.

Share options granted to Director

Name	Date of grant	Exercisable period (Note)	Number of share options					Exercise price per share(2)
			Balance as at 1 July 2016	Granted during the year	Adjusted during the year(2)	Exercised during the year	Balance as at 30 June 2017	HK$
Dr. Cheng Kar-Shun, Henry	9 March 2015	(1)	7,412,058	–	8,681	–	7,420,739	14.120

Notes:

(1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

(2) NWSH declared final dividend for the year ended 30 June 2016 and interim dividend for the six months ended 31 December 2016 in scrip form (with cash option) during the year. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$14.137 to HK$14.126 on 29 December 2016, and further to HK$14.120 on 15 May 2017.

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

Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options						Exercise price per share(2)
		Balance as at 1 July 2016	Granted during the year	Adjusted during the year(2)	Exercised during the year(3)	Lapsed during the year	Balance as at 30 June 2017	HK$
9 March 2015	(1)	47,863,765	–	54,953	(4,995,960)	(887,667)	42,035,091	14.120

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

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

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

Share options granted to other eligible participants (continued)

Notes:

(1) 60.0% of the share options are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40.0% of the share options are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

(2) NWSH declared final dividend for the year ended 30 June 2016 and interim dividend for the six months ended 31 December 2016 in scrip form (with cash option) during the year. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$14.137 to HK$14.126 on 29 December 2016, and further to HK$14.120 on 15 May 2017.

(3) Of the 4,995,960 share options exercised during the year, (i) 551,000 share options were exercised at the exercise price of HK$14.126 per share. The weighted average closing price of the shares of NWSH immediately before the dates on which such share options were exercised was HK$14.434 per share; and (ii) 4,444,960 share options were exercised at the exercise price of HK$14.120 per share. The weighted average closing price of the shares of NWSH immediately before the dates on which such share options were exercised was HK$15.231 per share.

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

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

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

Share Option Scheme of New World Department Store China Limited ("NWDS")

On 12 June 2007, NWDS adopted a share option scheme (the "NWDS Share Option Scheme"). Under the NWDS Share Option Scheme, the directors of NWDS may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in NWDS. The NWDS Share Option Scheme expired on 12 June 2017.

Summary of the NWDS Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

	NWDS Share Option Scheme
Purpose of the scheme	The purpose of the NWDS Share Option Scheme is to attract and retain the best available personnel and to provide additional incentives to employees, directors, consultants, business associates and advisers of NWDS to promote the success of NWDS and its subsidiaries ("NWDS Group").
Participants of the scheme	The directors of NWDS may offer any employee (whether full-time or part-time), director, consultant, business associate or adviser of NWDS Group options to subscribe for shares of NWDS at a price calculated in accordance with the terms of the NWDS Share Option Scheme.
Total number of shares available for issue under the scheme and percentage of issued shares of NWDS as at the date of this annual report	No share option has been granted during the year under the NWDS Share Option Scheme up to the date of this report. No further share option can be granted under the NWDS Share Option Scheme upon its expiry on 12 June 2017.
Maximum entitlement of each participant under the scheme	Unless approved by shareholders of NWDS in the manner as set out in the NWDS Share Option Scheme, the total number of shares of NWDS issued and to be issued upon exercise of the options granted to each eligible person (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the relevant class of securities of NWDS in issue.
The period within which the shares must be taken up under an option	A period to commence not less than one year and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Not less than one year upon the grant of options by the directors of NWDS.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The amount payable for the acceptance of an option shall be the sum of HK$1.0 which shall be paid upon acceptance of the offer of such option. An offer of an option must be made by NWDS in writing on a business day and accepted in writing by the participant in such manner as the board of directors of NWDS may prescribe within 21 calendar days (from and including the date of the offer by NWDS) of the same being made and if not so accepted such offer shall lapse.
The basis of determining the exercise price	The exercise price is determined by the directors of NWDS and shall be not less than the higher of (i) the closing price of the shares as stated in the HKEx's daily quotations sheet on the date of grant of option; (ii) the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of grant of option; and (iii) the nominal value of the shares.
The remaining life of the scheme	The NWDS Share Option Scheme shall be valid and effective for a period not to exceed 10 years from the date of adoption. The NWDS Share Option Scheme which was adopted on 12 June 2007 expired on 12 June 2017.

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

(C) Long position in debentures

(1) Fita International Limited ("Fita")

Name	Amount of debentures in US$ issued by Fita				Approximate % to the total amount of debentures in issue as at 30 June 2017
	Personal interests US$	Family interests US$	Corporate interests US$	Total US$	
Mr. Doo Wai-Hoi, William	–	2,900,000	12,890,000[1]	15,790,000	2.11
Mr. Lee Luen-Wai, John	1,000,000	1,000,000	–	2,000,000	0.27
	1,000,000	3,900,000	12,890,000	17,790,000	

Note:

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

(2) NWCL

Name	Amount of debentures issued by NWCL				Approximate % to the total amount of debentures in issue as at 30 June 2017
	Personal interests RMB	Family interests RMB	Corporate interests RMB	Total RMB	
Mr. Doo Wai-Hoi, William	–	65,896,000[1]	1,142,041,200[2]	1,207,937,200	10.92
Mr. Cheng Kar-Shing, Peter	–	12,256,000[3]	16,000,000[4]	28,256,000	0.26
	–	78,152,000	1,158,041,200	1,236,193,200	

Notes:

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

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

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

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

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

(C) Long position in debentures (continued)

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

Name	Amount of debentures issued in US$ by NWD Finance				Approximate % to the total amount of debentures in issue as at 30 June 2017
	Personal interests US$	Family interests US$	Corporate interests US$	Total US$	
Mr. Doo Wai-Hoi, William	–	–	21,550,000[(1)]	21,550,000	1.80
Ms. Ki Man-Fung, Leonie	1,000,000	–	–	1,000,000	0.08
	1,000,000	–	21,550,000	22,550,000	

Note:

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

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

Name	Amount of debentures issued by NWD (MTN)				Approximate % to the total amount of debentures in issue as at 30 June 2017
	Personal interests HK$	Family interests HK$	Corporate interests HK$	Total HK$	
Mr. Doo Wai-Hoi, William	–	23,400,000[(1)]	156,000,000[(2)]	179,400,000	0.82
Ms. Ki Man-Fung, Leonie	11,800,000[(3)]	–	–	11,800,000	0.05
	11,800,000	23,400,000	156,000,000	191,200,000	

Notes:

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

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

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

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive had or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

At 30 June 2017, the Group had given financial assistance and guarantees to its joint ventures and associated companies (collectively "affiliated companies") as set out below:

	2017 HK$m	2016 HK$m
Amounts due by affiliated companies	**33,537.0**	27,866.9
Guarantees given for affiliated companies in respect of banking and other credit facilities	**5,932.3**	5,762.7
Commitments to capital injections and loan contributions	**1,689.5**	2,372.6
	41,158.8	36,002.2

(1) The advances were unsecured and were interest free except for an aggregate amount of HK$9,453.3 million (2016: HK$7,401.4 million) which carried interest ranging from 1.3% above HIBOR to 12.2% above LIBOR per annum (2016: from 1.3% above HIBOR to 10.0% per annum). The advances had no fixed repayment terms.

(2) Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interests in those affiliated companies as at 30 June 2017 are presented as follows:

	Combined statement of financial position HK$m	**Group's attributable interests HK$m**
Non-current assets	**175,581.4**	**70,672.1**
Current assets	**38,754.4**	**19,709.6**
Current liabilities	**(38,954.7)**	**(17,458.3)**
Total assets less current liabilities	**175,381.1**	**72,923.4**
Non-current liabilities	**(68,669.3)**	**(27,393.4)**
Net assets	**106,711.8**	**45,530.0**

The combined statement of financial position of the affiliated companies was prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 30 June 2017.

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of New World Development Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 196, which comprise:

- the consolidated statement of financial position as at 30 June 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS OF OPINION

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

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

Independence

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

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KEY AUDIT MATTERS

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties held by the Group and its joint ventures and associated companies	
Refer to notes 5(a), 6 and 16 to the consolidated financial statements. As at 30 June 2017, the investment properties held by the Group and its joint ventures and associated companies were significant to the Group and were stated at fair value. Changes in fair value were recognised in the consolidated income statement. Independent external valuers were engaged to determine the fair value of investment properties held by the Group and its joint ventures and associated companies as at 30 June 2017. For completed investment properties, fair value was generally derived by the income capitalisation method and where appropriate, by direct comparison method. Income capitalisation method was based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates and prevailing market rents. Direct comparison method was based on comparable market transactions, as adjusted by the property-specific qualitative factors. For investment properties under construction, fair value was derived using the residual method by deducting development costs together with developer's profit and risk margins from the estimated capital value of the proposed development assuming completed as at the date of valuation. We focused on this area due to the fact that there are significant judgements and estimates involved in the valuation of investment properties.	Our procedures in relation to the valuation of investment properties included: • We assessed the competence, capability and objectivity of the independent external valuers; • We obtained the valuation reports and met the independent external valuers to discuss the valuation methodologies and key assumptions; • We involved our in-house valuation experts and assessed the valuation methodologies and the reasonableness of the key assumptions used in the valuation of investment properties, based on our knowledge of the property industry, research evidence of capitalisation rates, prevailing market rents and comparable market transactions for similar properties, where applicable; and • We tested, on a sample basis, the data used in the valuation of investment properties, including rental rates from existing tenancies and estimated cost to complete, by agreeing them to the underlying agreements with the tenants and approved budgets, respectively. We also compared the estimated developer's profit and risk margins to historical records, where appropriate. Based on the procedures performed, we found the methodologies used in preparing the valuations were appropriate and the key assumptions were supportable in light of available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of properties for/under development and properties held for sale held by the Group and its joint ventures	
Refer to notes 5(b), 26 and 29 to the consolidated financial statements. As at 30 June 2017, the carrying values of the Group's properties for development, properties under development and properties held for sale amounted to HK$18,284.1 million, HK$48,530.0 million and HK$34,530.9 million respectively. The Group also has significant property development projects for sale held by its joint ventures. Management assessed the recoverability of the property portfolios held for sale by the Group and its joint ventures based on estimates of the net realisable values of the underlying properties. These involve the estimation of selling prices of the properties based on current market prices of properties of comparable locations and conditions and the construction costs to complete the properties for/under development based on the existing development plans. Management concluded that the current level of provision for the properties for/under development and properties held for sale as at 30 June 2017 was appropriate. If the estimated net realisable values of the underlying properties were significantly different from their carrying values as a result of changes in market conditions and/or significant variation in the budgeted development costs, material reversal or impairment provision for properties for/under development and properties held for sale may result. Accordingly, the existence of significant estimates warrants specific audit focus and attention on this area.	Our procedures in relation to management's assessment of recoverability of properties for/under development and properties held for sale included: • We evaluated and tested the operating effectiveness of key controls around the property development cycle with particular focus on, but not limited to, controls over cost budgeting for estimated costs to completion, where applicable; • We evaluated management's assessment on the recoverability of property portfolios, with particular focus on properties with relatively low gross profit margins or those with cost exceeding the net realisable value; and • We assessed the reasonableness of key assumptions and estimates in management's assessment including: (i) For the estimated selling prices, we compared, on a sample basis, to the contracted selling prices of the underlying properties or current market prices of properties of comparable locations and conditions, where applicable; and (ii) For the estimated costs to completion, we assessed the reasonableness of the latest budgets of total construction costs and tested, on a sample basis, the construction costs to committed contracts and other supporting documentation. Based on the procedures performed, we found the key assumptions in the recoverability assessment were supportable in light of available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of the Group's interests in joint ventures and associated companies	
Refer to notes 5(c), 21 and 22 to the consolidated financial statements. As at 30 June 2017, the carrying values of the Group's interests in joint ventures and associated companies amounted to HK$49,317.4 million and HK$26,401.8 million respectively. Management reviewed regularly whether there are any indicators of impairment of the investments by reference to the requirements under HKAS 36 "Impairment of Assets". For investments where impairment indicators exist, management estimated the recoverable amounts of the investments, being higher of fair value less costs of disposal and value in use. The value in use of the underlying businesses is determined based on the discounted cash flow projections. Significant judgements are required to determine the key assumptions used in the discounted cash flow models, such as revenue growth, unit price and discount rates. Independent external valuers were also involved in the fair value and value in use assessments, where appropriate. For the strategic investment funds held by the Group's associated companies, management carried out impairment assessments of available-for-sale financial assets and loans and receivables held by these associated companies. Based on the results of these impairment assessments, management concluded that no impairment provision is needed for the Group's interests in joint ventures and associated companies. As the impairment assessment involves significant assumptions and judgement, we regard this as a key audit matter.	Our procedures in assessing the management's judgement for the impairment assessments of the Group's interests in joint ventures and associated companies included: • We evaluated the competence, capabilities and objectivity of the independent external valuers; • With the support of our in-house valuation experts, we assessed the appropriateness of the valuation methodology and the reasonableness of the key assumptions adopted in the cash flow forecasts; • We agreed the key assumptions to external market data or other supporting evidence where available; • We assessed the reasonableness of the discount rate applied by the management in the discounted cash flow model with reference to weighted average cost of capital of comparable companies based on comparison with external market data and publicly available information; • We assessed the reasonableness of impairment assessment of available-for-sale financial assets and the recoverability assessment of the loans and receivables, taking into account the repayment history of the borrowers, credit worthiness and financial performance of the borrowers and their guarantors, value of the pledged assets and subsequent settlement of loans and receivables, if applicable; and • We performed sensitivity analysis on the key assumptions adopted in the impairment assessments to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts. Based on the procedures performed, we found the assumptions made by management were supported by available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ho Chiu Ping, Dennis.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 September 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2017

	Notes	2017 HK$m	2016 HK$m
Revenues	6	**56,628.8**	59,570.0
Cost of sales		**(38,413.2)**	(41,047.6)
Gross profit		**18,215.6**	18,522.4
Other income	7	**528.8**	923.5
Other gains, net	8	**428.6**	6,454.1
Selling and marketing expenses		**(1,376.6)**	(1,768.8)
Administrative and other operating expenses		**(7,408.9)**	(7,855.2)
Changes in fair value of investment properties	16	**1,363.8**	307.3
Operating profit	9	**11,751.3**	16,583.3
Financing income		**1,705.9**	1,399.0
Financing costs	10	**(2,152.0)**	(1,935.7)
		11,305.2	16,046.6
Share of results of			
Joint ventures		**2,029.7**	1,678.4
Associated companies		**1,895.4**	982.1
Profit before taxation		**15,230.3**	18,707.1
Taxation	11	**(4,755.6)**	(6,423.7)
Profit for the year		**10,474.7**	12,283.4
Attributable to:			
Shareholders of the Company	39	**7,675.7**	8,666.3
Holders of perpetual capital securities		**395.9**	–
Non-controlling interests		**2,403.1**	3,617.1
		10,474.7	12,283.4
Earnings per share	12		
Basic		**HK$0.80**	HK$0.95
Diluted		**HK$0.80**	HK$0.95

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	2017 HK$m	2016 HK$m
Profit for the year	**10,474.7**	12,283.4
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights	**554.9**	20.1
— deferred tax arising from revaluation thereof	**(92.2)**	(5.0)
Remeasurement of post employment benefit obligation	**24.0**	(15.1)
Items that had been reclassified/may be reclassified subsequently to profit or loss		
Fair value changes of available-for-sale financial assets	**501.6**	(1,074.9)
Release of investment revaluation deficit to the consolidated income statement upon impairment of available-for-sale financial assets	**60.2**	670.4
Release of reserve upon disposal of available-for-sale financial assets	**73.5**	(422.5)
— deferred tax arising from release of reserve upon disposal thereof	**–**	106.5
Release of reserve upon disposal of subsidiaries	**(35.4)**	(980.3)
Release of reserve upon deemed disposal of interests in joint ventures	**5.7**	–
Release of reserves upon remeasurement of previously held equity interest in a joint venture	**35.6**	–
Release of reserve upon deregistration of a subsidiary	**(15.3)**	–
Release of reserves upon disposal of interests in joint ventures and partial disposal of interest in an associated company	**(135.4)**	(4.0)
Share of other comprehensive income of joint ventures and associated companies	**(344.4)**	(1,864.7)
Cash flow hedges	**253.8**	(147.0)
Translation differences	**(1,576.8)**	(4,079.9)
Other comprehensive income for the year	**(690.2)**	(7,796.4)
Total comprehensive income for the year	**9,784.5**	4,487.0
Attributable to:		
Shareholders of the Company	**7,145.2**	2,853.8
Holders of perpetual capital securities	**395.9**	–
Non-controlling interests	**2,243.4**	1,633.2
	9,784.5	4,487.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	2017 HK$m	2016 HK$m
Assets			
Non-current assets			
Investment properties	16	**105,760.4**	86,597.0
Property, plant and equipment	17	**30,807.8**	23,872.5
Land use rights	18	**1,715.0**	1,932.2
Intangible concession rights	19	**11,841.9**	12,906.4
Intangible assets	20	**3,423.8**	2,702.3
Interests in joint ventures	21	**49,317.4**	50,353.0
Interests in associated companies	22	**26,401.8**	19,057.0
Available-for-sale financial assets	23	**6,540.9**	10,079.2
Held-to-maturity investments	24	**44.4**	42.9
Financial assets at fair value through profit or loss	32	**574.5**	695.1
Derivative financial instruments	25	**9.8**	81.4
Properties for development	26	**18,284.1**	18,556.9
Deferred tax assets	27	**740.9**	684.9
Other non-current assets	28	**2,612.6**	5,610.1
		258,075.3	233,170.9
Current assets			
Properties under development	29	**48,530.0**	50,755.0
Properties held for sale		**34,530.9**	21,163.2
Inventories	30	**756.1**	665.7
Debtors and prepayments	31	**27,864.4**	25,481.1
Available-for-sale financial assets	23	**–**	1,799.8
Financial assets at fair value through profit or loss	32	**0.1**	0.1
Derivative financial instruments	25	**62.3**	19.3
Restricted bank balances	33	**120.5**	205.7
Cash and bank balances	33	**66,986.0**	54,965.1
		178,850.3	155,055.0
Non-current assets classified as assets held for sale	35	**130.7**	3,882.7
		178,981.0	158,937.7
Total assets		**437,056.3**	392,108.6
Equity			
Share capital	36	**73,233.6**	69,599.8
Reserves	39	**112,857.6**	109,973.6
Shareholders' funds		**186,091.2**	179,573.4
Perpetual capital securities	37	**9,451.8**	–
Non-controlling interests	38	**25,401.5**	21,321.9
Total equity		**220,944.5**	200,895.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

	Notes	**2017 HK$m**	2016 HK$m
Liabilities			
Non-current liabilities			
Long-term borrowings	40	**125,895.3**	114,842.4
Deferred tax liabilities	27	**9,327.2**	8,453.2
Derivative financial instruments	25	**631.3**	794.0
Other non-current liabilities	41	**757.4**	601.2
		136,611.2	124,690.8
Current liabilities			
Creditors and accrued charges	42	**50,735.2**	38,190.9
Current portion of long-term borrowings	40	**14,857.9**	16,828.1
Derivative financial instruments	25	**36.1**	186.0
Short-term borrowings	40	**6,366.7**	3,261.6
Current tax payable		**7,504.7**	7,972.6
		79,500.6	66,439.2
Liabilities directly associated with non-current assets classified as assets held for sale	35	**–**	83.3
		79,500.6	66,522.5
Total liabilities		**216,111.8**	191,213.3
Total equity and liabilities		**437,056.3**	392,108.6

Dr. Cheng Kar-Shun, Henry
Director

Dr. Cheng Chi-Kong, Adrian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Share capital HK$m	Retained profits HK$m	Other reserves HK$m	Share-holders' funds HK$m	Perpetual capital securities HK$m	Non-controlling interests HK$m	Total HK$m
At 1 July 2016	69,599.8	101,296.6	8,677.0	179,573.4	–	21,321.9	200,895.3
Comprehensive income							
Profit for the year	–	7,675.7	–	7,675.7	395.9	2,403.1	10,474.7
Other comprehensive income							
Fair value changes of available-for-sale financial assets	–	–	432.9	432.9	–	68.7	501.6
Release of reserve upon disposal of available-for-sale financial assets	–	–	79.3	79.3	–	(5.8)	73.5
Release of investment revaluation deficit to the consolidated income statement upon impairment of available-for-sale financial assets	–	–	54.1	54.1	–	6.1	60.2
Release of reserve upon disposal of subsidiaries	–	–	(34.5)	(34.5)	–	(0.9)	(35.4)
Release of reserve upon deemed disposal of interests in joint ventures	–	–	3.5	3.5	–	2.2	5.7
Release of reserves upon remeasurement of previously held equity interest in a joint venture	–	–	21.9	21.9	–	13.7	35.6
Release of reserve upon deregistration of a subsidiary	–	–	(9.4)	(9.4)	–	(5.9)	(15.3)
Release of reserves upon disposal of interests in joint ventures and partial disposal of interest in an associated company	–	–	(82.8)	(82.8)	–	(52.6)	(135.4)
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	–	–	462.3	462.3	–	0.4	462.7
Share of other comprehensive income of joint ventures and associated companies	–	(4.5)	(177.2)	(181.7)	–	(162.7)	(344.4)
Remeasurement of post employment benefit obligation	–	15.1	(0.7)	14.4	–	9.6	24.0
Cash flow hedges	–	–	155.7	155.7	–	98.1	253.8
Translation differences	–	–	(1,446.2)	(1,446.2)	–	(130.6)	(1,576.8)
Other comprehensive income for the year	–	10.6	(541.1)	(530.5)	–	(159.7)	(690.2)
Total comprehensive income for the year	–	7,686.3	(541.1)	7,145.2	395.9	2,243.4	9,784.5
Transactions with owners							
Contributions by/(distributions to) owners							
Dividends	–	(4,171.1)	–	(4,171.1)	–	(1,077.0)	(5,248.1)
Contributions from non-controlling interests	–	–	–	–	–	2,847.3	2,847.3
Issue of new shares as scrip dividends	3,426.0	–	–	3,426.0	–	–	3,426.0
Issue of new shares upon exercise of share options	207.8	–	–	207.8	–	–	207.8
Employees' share-based payments	–	–	53.3	53.3	–	3.3	56.6
Share options lapsed	–	29.2	(29.2)	–	–	–	–
Issuance of perpetual capital securities	–	–	–	–	9,324.0	–	9,324.0
Distribution to perpetual capital securities holders	–	–	–	–	(268.1)	–	(268.1)
Transaction costs in relation to the issuance of perpetual capital securities	–	(111.7)	–	(111.7)	–	–	(111.7)
Transfer of reserves	–	(0.9)	0.9	–	–	–	–
Repayment of capital to a non-controlling shareholder	–	–	–	–	–	(19.3)	(19.3)
	3,633.8	(4,254.5)	25.0	(595.7)	9,055.9	1,754.3	10,214.5
Changes in ownership interests in subsidiaries							
Acquisition of additional interests in subsidiaries	–	(40.8)	–	(40.8)	–	(246.1)	(286.9)
Deemed disposal of interests in subsidiaries	–	9.1	–	9.1	–	328.0	337.1
	–	(31.7)	–	(31.7)	–	81.9	50.2
Total transactions with owners	3,633.8	(4,286.2)	25.0	(627.4)	9,055.9	1,836.2	10,264.7
At 30 June 2017	73,233.6	104,696.7	8,160.9	186,091.2	9,451.8	25,401.5	220,944.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 30 June 2017

	Share capital HK$m	Retained profits HK$m	Other reserves HK$m	Share-holders' funds HK$m	Non-controlling interests HK$m	Total HK$m
At 1 July 2015	66,711.6	98,427.6	13,779.4	178,918.6	43,439.4	222,358.0
Comprehensive income						
Profit for the year	–	8,666.3	–	8,666.3	3,617.1	12,283.4
Other comprehensive income						
Fair value changes of available-for-sale financial assets	–	–	(837.1)	(837.1)	(237.8)	(1,074.9)
Release of reserve upon disposal of available-for-sale financial assets, net of taxation	–	–	(286.0)	(286.0)	(30.0)	(316.0)
Release of investment revaluation deficit to the consolidated income statement upon impairment of an available-for-sale financial asset	–	–	411.1	411.1	259.3	670.4
Release of reserves upon disposal of subsidiaries	–	–	(771.9)	(771.9)	(208.4)	(980.3)
Release of reserve upon disposal of interest in a joint venture	–	–	(4.0)	(4.0)	–	(4.0)
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	–	–	10.9	10.9	4.2	15.1
Share of other comprehensive income of joint ventures and associated companies	–	(8.9)	(1,208.8)	(1,217.7)	(647.0)	(1,864.7)
Remeasurement of post employment benefit obligation	–	(8.0)	(1.4)	(9.4)	(5.7)	(15.1)
Cash flow hedges	–	–	(90.1)	(90.1)	(56.9)	(147.0)
Translation differences	–	–	(3,018.3)	(3,018.3)	(1,061.6)	(4,079.9)
Other comprehensive income for the year	–	(16.9)	(5,795.6)	(5,812.5)	(1,983.9)	(7,796.4)
Total comprehensive income for the year	–	8,649.4	(5,795.6)	2,853.8	1,633.2	4,487.0
Transactions with owners						
Contributions by/(distributions to) owners						
Dividends	–	(3,903.8)	–	(3,903.8)	(1,144.8)	(5,048.6)
Contributions from non-controlling interests	–	–	–	–	130.9	130.9
Issue of new shares as scrip dividends	2,884.6	–	–	2,884.6	–	2,884.6
Issue of new shares upon exercise of share options	3.6	–	–	3.6	–	3.6
Employees' share-based payments	–	–	77.7	77.7	11.6	89.3
Share options lapsed	–	307.6	(307.6)	–	–	–
Transfer of reserves	–	(33.3)	33.3	–	–	–
	2,888.2	(3,629.5)	(196.6)	(937.9)	(1,002.3)	(1,940.2)
Changes in ownership interests in subsidiaries						
Acquisition of subsidiaries	–	–	–	–	2.1	2.1
Disposal of subsidiaries	–	–	–	–	(236.5)	(236.5)
Acquisition of additional interests in subsidiaries	–	(2,117.8)	889.8	(1,228.0)	(22,829.2)	(24,057.2)
Deemed disposal of interests in subsidiaries	–	(33.1)	–	(33.1)	315.2	282.1
	–	(2,150.9)	889.8	(1,261.1)	(22,748.4)	(24,009.5)
Total transactions with owners	2,888.2	(5,780.4)	693.2	(2,199.0)	(23,750.7)	(25,949.7)
At 30 June 2016	69,599.8	101,296.6	8,677.0	179,573.4	21,321.9	200,895.3

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Notes	**2017 HK$m**	2016 HK$m
Cash flows from operating activities			
Net cash generated from operations	46(a)	**8,432.4**	12,364.6
Hong Kong profits tax paid		**(591.0)**	(1,202.7)
Mainland China and overseas taxation paid		**(4,685.1)**	(3,155.9)
Net cash from operating activities		**3,156.3**	8,006.0
Cash flows from investing activities			
Interest received		**831.9**	734.6
Dividends received from			
Joint ventures		**1,735.2**	1,491.3
Associated companies		**2,104.5**	615.3
Available-for-sale financial assets, perpetual securities and financial assets at fair value through profit or loss		**690.5**	693.9
Additions of investment properties, property, plant and equipment, intangible concession rights and intangible assets		**(16,158.2)**	(8,920.9)
Increase in interests in joint ventures		**(3,477.8)**	(2,578.4)
Increase in interests in associated companies		**(8,292.2)**	(1,678.9)
Increase in other non-current assets		**(1,278.8)**	(53.6)
Increase in short-term bank deposits maturing after more than three months		**(4,542.3)**	(23.9)
Acquisition of subsidiaries (net of cash and cash equivalents)	46(c)	**(1,169.5)**	(14.2)
Purchase of available-for-sale financial assets, perpetual securities and financial assets at fair value through profit or loss		**(1,683.7)**	(7,818.1)
Proceeds from disposal of			
Associated companies		**512.5**	33.8
Available-for-sale financial assets, perpetual securities and financial assets at fair value through profit or loss		**7,702.3**	1,508.0
Investment properties, property, plant and equipment and intangible concession rights and their related assets and liabilities		**864.8**	1,996.8
Joint ventures		**197.1**	189.5
Non-current assets classified as assets held for sale		**4,031.1**	2,894.2
Subsidiaries (net of cash and cash equivalents)	46(e)	**5,847.5**	11,538.6
Net cash (used in)/from investing activities		**(12,085.1)**	608.0
Cash flows from financing activities			
Issue of fixed rate bonds and notes payable, net of transaction costs		**6,415.9**	8,590.0
Redemption of fixed rate bonds and notes payable		**(6,539.0)**	–
Drawdown of bank and other loans		**34,319.0**	43,570.8
Repayment of bank and other loans		**(23,073.7)**	(31,776.6)
Increase/(decrease) in loans from non-controlling shareholders		**430.7**	(1,439.7)
Decrease/(increase) in restricted bank balances		**85.2**	(92.2)
Increase in interests in subsidiaries		**(306.3)**	(23,975.1)
Issue of shares		**207.8**	3.6
Contributions from non-controlling interests		**2,847.3**	130.9
Interest paid		**(4,914.7)**	(5,654.0)
Dividends paid to shareholders of the Company		**(745.1)**	(1,019.2)
Dividends paid to non-controlling shareholders		**(739.8)**	(863.0)
Proceeds from perpetual capital securities, net of transaction costs	37	**9,212.3**	–
Distribution to holders of perpetual capital securities		**(268.1)**	–
Net cash from/(used in) financing activities		**16,931.5**	(12,524.5)
Net increase/(decrease) in cash and cash equivalents		**8,002.7**	(3,910.5)
Cash and cash equivalents at beginning of the year		**54,297.5**	58,860.5
Translation differences		**(536.6)**	(652.5)
Cash and cash equivalents at end of the year		**61,763.6**	54,297.5
Analysis of cash and cash equivalents			
Cash at banks and on hand	33	**32,115.5**	30,129.1
Short-term bank deposits maturing within three months		**29,648.1**	24,155.9
Cash and bank balances of subsidiaries transferred to non-current assets classified as assets held for sale		**–**	12.5
		61,763.6	54,297.5

1 GENERAL INFORMATION

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

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

These consolidated financial statements have been approved by the Board of Directors on 21 September 2017.

2 BASIS OF PREPARATION

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

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 below.

(a) Adoption of new standard and amendments to standards

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

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

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

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

The following new standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 July 2017 or later periods but which the Group has not early adopted:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) — Interpretation 22	Foreign Currency Transactions and Advance Consideration
HK (IFRIC) — Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvement Project	Annual Improvements 2014–2016 Cycle

2 BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

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

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

(ii) HKFRS 16 "Leases"

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

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

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

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

The consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of section 380(6), the Company has departed from section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in notes 3(a)(ii) and 3(a)(iii). Those excluded subsidiary undertakings of the Group are disclosed in notes 51 and 52.

3 PRINCIPAL ACCOUNTING POLICIES

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

(a) Consolidation

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

(i) Subsidiaries

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

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

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

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(ii) Joint arrangements

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

(1) Joint ventures

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

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

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

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

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

(b) Co-operative joint ventures

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

(c) Companies limited by shares

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

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

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(ii) Joint arrangements (continued)

(2) Joint operations

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

(iii) Associated companies

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

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

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

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

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

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

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

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

(iv) Transactions with non-controlling interests

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Intangible assets

(i) Goodwill

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

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

(ii) Trademarks

Separately acquired trademarks are initially recognised at initial cost. Trademarks acquired in a business combination are recognised at fair value at the date of acquisition. Trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 14 years.

(iii) Operating right

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

(iv) Intangible concession rights

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

The Group applies the intangible asset model to account for the Infrastructures where they are paid by the users of the Infrastructures and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable.

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

(d) Land use rights

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

(e) Investment properties

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

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

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

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

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

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

(f) Property, plant and equipment

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

(i) Assets under construction

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

(ii) Depreciation

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

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

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

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

(iii) Gain or loss on disposal

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

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Investments

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of or expects to realise the investment within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Investments (continued)

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

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

(i) Derivative financial instruments

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

(j) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of financial assets (continued)

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

(k) Properties for/under development

Properties for/under development comprise leasehold land and land use rights, development expenditure and borrowing costs capitalised, and are carried at the lower of cost and net realisable value. Properties under development included in the current assets are expected to be realised in, or is intended for sale in the Group's normal operating cycle.

(l) Properties held for sale

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

(m) Inventories

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

(n) Contracts in progress

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

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

The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The Group presents the net contract position for each contract as an asset, the gross amount due from customers for contract works, for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included under current assets.

The Group presents the net contract position for each contract as a liability, the gross amount due to customers for contract works, for all contracts in progress for progress billings exceed costs incurred plus recognised profits (less recognised losses).

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(o) Trade and other debtors

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

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

(p) Cash and cash equivalents

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

(q) Share capital

Ordinary shares are classified as equity.

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

(r) Perpetual capital securities

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

(s) Trade payables

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

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

(t) Provisions

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(u) Contingent liabilities and contingent assets

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

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

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

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

(v) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(w) Borrowings

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

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition

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

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

(i) Rental

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

(ii) Property sales

Sale of properties is recognised when the risks and rewards of the properties are passed to the purchasers. Deposits and installments received on properties sold prior to their completion are included in current liabilities.

(iii) Construction revenue

Revenue from a fixed price construction service contract is recognised using the percentage of completion method when the contracts have progressed to a stage where an outcome can be estimated reliably. The revenue is measured by reference to the proportion of costs incurred for work performed to the end of the reporting period as compared to the estimated total costs to completion. Anticipated losses on contracts are fully provided when it is probable that total contract costs will exceed total contract revenue.

Revenue from a cost-plus construction service contract is recognised when the outcome can be estimated reliably. The revenue is recognised by reference to the recoverable costs incurred during the year plus the fee earned.

When the outcome of construction service contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

(iv) Service fees

Property and facilities management service fees, property letting agency fee and fare revenue from bus and ferry services are recognised when services are rendered.

(v) Infrastructure operations

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

(vi) Sales of goods

Income from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(vii) Hotel operations

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

(viii) Department store operations

Sale of goods and merchandise is recognised upon delivery of goods.

Income from concessionaire sale is recognised upon the sale of goods and merchandise by the relevant stores.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition (continued)

(ix) Interest

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

(x) Dividend

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

(y) Leases

(i) Finance leases

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

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

(ii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(z) Borrowing cost

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

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

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

(aa) Employee benefits

(i) Employee leave entitlements

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

(ii) Bonus plans

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(aa) Employee benefits (continued)

(iii) Defined contribution plans

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

(iv) Defined benefit plans

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

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

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

(v) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised.

On lapse of share options according to the plan, corresponding amount recognised in employees' share-based compensation reserve is transferred to retained profits.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ab) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the end of the reporting period are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on financial assets and liabilities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets are included in equity.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each consolidated statement of financial position presented are translated at the exchange rate ruling at the date of that consolidated statement of the financial position;

(2) income and expenses for each consolidated income statement are translated at the average exchange rate during the period covered by the consolidated income statement;

(3) all resulting exchange differences are recognised as a separate component of equity; and

(4) on the disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associated companies or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling at the end of the reporting period.

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ac) Insurance contracts

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. If the carrying amount of the relevant insurance liabilities less than the best estimate of the expenditure required to settle the relevant insurance liabilities at the end of the reporting period, the Group recognises the entire difference in profit or loss. These estimates are recognised only when the outflow is probable and the estimates can be reliably measured.

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers, guarantees provided to its related parties and tax indemnity provided to its non-wholly owned subsidiary as insurance contracts.

(ad) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the Board of Directors of the Company that makes strategic decisions.

Segment assets consist primarily of property, plant and equipment, land use rights, investment properties, intangible concession rights, intangible assets, available-for-sale financial assets, held-to-maturity investments, financial assets at fair value through profit or loss, properties for development, other non-current assets, properties under development, properties held for sale, inventories and receivables and exclude derivative financial instruments, deferred tax assets, restricted bank balances and cash and bank balances. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings.

(ae) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the financial period when the dividends are approved by the Company's shareholders/directors, where appropriate.

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group has centralised treasury function for all of its subsidiaries except for listed subsidiaries which arrange their financial and treasury affairs on a stand-alone basis and in a manner consistent with the overall policies of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group's operations are mainly in Hong Kong and Mainland China. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into foreign exchange forward contracts and foreign exchange swaps to reduce the exposure should the need arises.

At 30 June 2017, the Group's entities with functional currency of Hong Kong dollar had aggregate United States dollar net monetary liabilities of HK$3,825.5 million (2016: HK$25,301.7 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there are no significant foreign exchange risk with respect to the United States dollar.

At 30 June 2017, the Group's entities with functional currency of Hong Kong dollar had aggregate Renminbi net monetary assets of HK$690.8 million (2016: HK$1,841.3 million). If Hong Kong dollar had strengthened/weakened by 5% (2016: 5%) against Renminbi with all other variables unchanged, the Group's profit before taxation would have been HK$34.5 million (2016: HK$92.1 million) lower/higher.

At 30 June 2017, the Group's entities with functional currency of Renminbi had aggregate United States dollar net monetary assets of HK$253.9 million (2016: HK$743.1 million). If Renminbi had strengthened/weakened by 5% (2016: 5%) against United States dollar with all other variables unchanged, the Group's profit before taxation would have been HK$12.7 million (2016: HK$37.2 million) lower/higher.

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

At 30 June 2017, the Group's entities with functional currency of Renminbi had aggregate Hong Kong dollar net monetary assets of HK$87.4 million (2016: net monetary liabilities of HK$391.3 million). If Renminbi had strengthened/weakened by 5% (2016: 5%) against Hong Kong dollar with all other variables unchanged, the Group's profit before taxation would have been HK$4.4 million lower/higher (2016: HK$19.6 million higher/lower).

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period from the end of the reporting period until the end of next reporting period. There are no other significant monetary balances held by group companies at 30 June 2017 and 2016 that are denominated in a non-functional currency. Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include deposits at bank and amounts due from joint ventures and associated companies. The Group's floating rate borrowings will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. The Group's borrowings issued at fixed rates exposed the Group to fair value interest rate risk.

To mitigate the risk, the Group has maintained fixed and floating rate debts. To match with underlying risk faced by the Group, the level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates on profit or loss, interest cover and the cash flow cycles of the Group's businesses and investments.

If interest rates had been 100 basis points (2016: 100 basis points) higher/lower with all other variables held constant, the Group's profit before taxation would have been HK$259.3 million lower or HK$256.8 million higher respectively (2016: HK$126.6 million lower or HK$128.2 million higher). The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points (2016: 100 basis points) increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of next reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. As a consequence, they are included in the calculation of profit before taxation sensitivities.

(iii) Price risk

The Group is exposed to equity securities price risk arising from the listed and unlisted equity investments held by the Group. Gains or losses arising from changes in the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are dealt with in equity and the consolidated income statement respectively. The performance of the Group's listed and unlisted equity investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans. The Group is also exposed to other price risk arising from fair value of certain interest rate swaps which is determined based on the in-house indexes of banks. Changes in fair value of these interest rate swaps are dealt with in the consolidated income statement. The Group is not exposed to commodity price risk.

At 30 June 2017, if the price of listed and unlisted equity investments in available-for-sale financial assets had been 25% higher with all other variables held constant, the Group's investment revaluation reserve would have been HK$1,635.1 million (2016: HK$2,969.8 million) higher. If the price of listed and unlisted equity investments in available-for-sale financial assets had been 25% lower with all other variables held constant, the Group's profit before taxation and investment revaluation reserve would have been HK$345.0 million and HK$1,290.1 million (2016: HK$487.6 million and HK$2,482.2 million) lower respectively. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(a) Market risk (continued)

(iii) Price risk (continued)

At 30 June 2017, if the price of listed and unlisted equity investments in financial assets at fair value through profit or loss had been 25% higher/lower with all other variables held constant, the Group's profit before taxation would have been HK$143.6 million (2016: HK$173.8 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(b) Credit risk

The credit risk of the Group mainly arises from deposits with banks, trade and other debtors and balances receivable from investee companies, joint ventures, associated companies and debt securities. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses.

Bank deposits are mainly placed with high-credit-quality financial institutions. Trade debtors mainly include receivables from sale and lease of properties and other services. Loans receivable included in other non-current assets normally carry interest at rates with reference to prevailing market interest rate and are secured by collaterals. The Group carry out regular reviews and follow-up actions on any overdue amounts to minimise exposures to credit risk. There is no concentration of credit risk with respect to trade debtors from third party customers as the customer bases are widely dispersed in different sectors and industries.

In respect of credit exposures to the mortgage loans receivable, similar to other financial institutions, credit assessments are part of the normal process before approving loans to applicants. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. At the end of each reporting period, the Group reviews the recoverable amount of each individual receivable to ensure that adequate provisions for impairment are made for irrecoverable amounts, if any.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint ventures and associated companies through exercising control, joint control or significant influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis. Investment in debt securities are limited to financial institutions or investment counterparty with high quality.

The Group provides guarantees to banks in connection with certain property purchasers' borrowing of mortgage loans to finance their purchase of the properties until the issuance of the official property title transfer certificates by the relevant authority in the Mainland China. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the purchaser's deposit and sell the property to recover any amounts paid by the Group to the bank. Therefore the Group's credit risk is significantly reduced. Nevertheless, the net realisable values of the relevant properties are subject to the fluctuation of the property market in general, the Group assesses at the end of each reporting period the liabilities based on the current estimates of future cash flows. As at 30 June 2017 and 2016, no provision on the above guarantees to banks had been made in the consolidated financial statements.

(c) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintain adequate undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(c) Liquidity risk (continued)

Non-derivative financial liabilities:

	Carrying amount HK$m	Total contractual undiscounted cash flow HK$m	Within 1 year or on demand HK$m	Over 1 year but within 5 years HK$m	After 5 years HK$m
At 30 June 2017					
Creditors and accrued charges	**27,874.1**	**27,874.1**	**25,889.3**	**1,975.8**	**9.0**
Short-term borrowings	**6,366.7**	**6,499.3**	**6,499.3**	**–**	**–**
Long-term borrowings	**140,753.2**	**157,920.5**	**18,803.4**	**112,190.9**	**26,926.2**
At 30 June 2016					
Creditors and accrued charges	22,256.1	22,260.6	19,761.1	2,489.0	10.5
Short-term borrowings	3,261.6	3,336.8	3,336.8	–	–
Long-term borrowings	131,670.5	148,989.7	21,128.8	101,432.3	26,428.6

Derivative financial liabilities:

	Total contractual undiscounted cash flow HK$m	Within 1 year or on demand HK$m	Over 1 year but within 5 years HK$m	After 5 years HK$m
At 30 June 2017				
Derivative financial instruments (net settled)	**298.9**	**139.0**	**126.7**	**33.2**
At 30 June 2016				
Derivative financial instruments (net settled)	443.8	203.7	240.1	–

There are no gross settled derivative financial liabilities as at 30 June 2017.

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group generally obtains long-term financing to on-lend or contribute as equity to its subsidiaries, joint ventures and associated companies to meet their funding needs in order to provide more cost efficient financing. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue or repurchase shares, raise new debt financing or sell assets to reduce debt.

The Group monitors capital on the basis of the Group's gearing ratio and makes adjustments to it in light of changes in economic conditions and business strategies. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (excluding loans from non-controlling shareholders) less cash and bank balances.

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(d) Capital management (continued)

The gearing ratios at 30 June 2017 and 2016 were as follows:

	2017 **HK$m**	2016 HK$m
Consolidated total borrowings (excluding loans from non-controlling shareholders)	**143,976.7**	132,219.6
Less: cash and bank balances	**(67,106.5)**	(55,170.8)
Consolidated net debt	**76,870.2**	77,048.8
Total equity	**220,944.5**	200,895.3
Gearing ratio	**34.8%**	38.4%

(e) Fair value estimation

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

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

The carrying amounts of the financial instruments of the Group are as follows. See note 16 for disclosure relating to the investment properties which are measured at fair value.

Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. They are included in level 1.

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

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

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

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

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(e) Fair value estimation (continued)

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2016:

	Level 1 HK$m	Level 2 HK$m	Level 3 HK$m	Total HK$m
Available-for-sale financial assets	2,162.6	27.8	9,688.6	11,879.0
Financial assets at fair value through profit or loss	0.1	–	695.1	695.2
Derivative financial instruments				
Derivative financial assets	–	41.9	58.8	100.7
	2,162.7	69.7	10,442.5	12,674.9
Derivative financial instruments				
Derivative financial liabilities	–	(857.9)	(122.1)	(980.0)

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

The following table presents the changes in level 3 instruments for the year ended 30 June 2017:

	Available-for-sale financial assets HK$m	**Financial assets at fair value through profit or loss HK$m**	**Derivative financial assets HK$m**	**Derivative financial liabilities HK$m**
At 1 July 2016	**9,688.6**	**695.1**	**58.8**	**(122.1)**
Acquisition of subsidiaries	**7.3**	**–**	**–**	**–**
Additions	**187.8**	**90.2**	**–**	**–**
Net gain/(loss) recognised in the consolidated statement of comprehensive income/income statement	**10.5**	**(172.2)**	**–**	**5.7**
Reclassification	**(54.2)**	**–**	**–**	**–**
Disposals	**(7,280.1)**	**(38.6)**	**–**	**97.5**
At 30 June 2017	**2,559.9**	**574.5**	**58.8**	**(18.9)**

The following table presents the changes in level 3 instruments for the year ended 30 June 2016:

	Available-for-sale financial assets HK$m	Financial assets at fair value through profit or loss HK$m	Derivative financial assets HK$m	Derivative financial liabilities HK$m
At 1 July 2015	3,732.8	847.0	58.8	(30.1)
Additions	7,603.6	275.1	–	(97.5)
Net (loss)/gain recognised in the consolidated statement of comprehensive income/income statement	(433.2)	(137.6)	–	5.5
Reclassification	(443.0)	–	–	–
Disposals	(771.6)	(289.4)	–	–
At 30 June 2016	9,688.6	695.1	58.8	(122.1)

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONTINUED)

(e) Fair value estimation (continued)

The following unobservable inputs were used to determine the fair value of the available-for-sale financial assets included in level 3.

	2017 Fair value HK$m	2016 Fair value HK$m	**Valuation techniques**	**Unobservable inputs**	**Range of unobservable inputs**
Property development industry	–	7,079.2	Income approach	Expected rate of return	2016: 9.395%–10.341%
Property investment industry	**1,716.1**	1,735.9	Net asset value (note)	N/A	N/A
Others	**843.8**	873.5			
	2,559.9	9,688.6			

Note: The Group has determined that the reported net asset value represents fair value at the end of the reporting period.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

(a) Valuation of investment properties

The fair value of each completed investment property is individually determined at the end of each reporting period by independent valuers or by management based on a market value assessment. The valuers have relied on the capitalisation of income approach as their primary methods, supported by the direct comparison method. Management also determines fair value based on active market prices and adjusted if necessary for any difference in nature, location or conditions of the specific asset, and uses alternative valuation methods such as recent prices on less active markets. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

The fair value of investment properties under development is determined by reference to independent valuation. For the Group's majority of investment properties under development, their fair value reflects the expectations of market participants of the value of the properties when they are completed, less deductions for the costs required to complete the projects and appropriate adjustments for profit and risk. The valuation and all key assumptions used in the valuation should reflect market conditions at the end of each reporting period. The key assumptions include value of completed properties, period of development, outstanding construction costs, finance costs, other professional costs, risk associated with completing the projects and generating income after completion and investors' return as a percentage of value or cost.

At 30 June 2017, if the market value of investment properties had been 5% (2016: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK$5,288.0 million (2016: HK$4,329.9 million) higher/lower.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Recoverability of properties for/under development and properties held for sale

The Group assesses the carrying amounts of properties for/under development and properties held for sale according to their estimated net realisable value based on the realisability of these properties, taking into account construction costs to completion based on the existing development plans and the estimation of selling prices of the properties of comparable locations and conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of significant estimates.

(c) Impairment of interests in joint ventures and associated companies

The Group determines whether interests in joint ventures and associated companies are impaired by regularly review whether there are any indicators of impairment of the investments by reference to the requirements under HKAS 36 "Impairment of Assets".

For investments where impairment indicators exist, management estimated the recoverable amounts of the investments, being higher of fair value less costs of disposal and value in use. The value in use of the underlying businesses is determined based on the discounted cash flow projections. Significant judgements are required to determine the key assumptions used in the discounted cash flow models, such as revenue growth, unit price and discount rates. Independent external valuers were also involved in the fair value and value in use assessments, where appropriate. For the strategic investment funds held by the Group's associated companies, management carried out impairment assessments of available-for-sale financial assets and loans and receivables held by these associated companies. Based on the results of these impairment assessments, management concluded that no impairment provision is needed for the Group's interests in joint ventures and associated companies.

(d) Impairment of assets

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on value in use calculations. These calculations require the use of estimates which are subject to change of economic environment in future. Details are set out in note 20.

The Group determines whether an available-for-sale financial asset is impaired by evaluating whether there is significant or prolonged decline in the fair value below its cost.

The Group assesses whether there is objective evidence as stated in note 3(j) that deposits, loans and receivables are impaired. It recognises impairment based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

(e) Fair value of available-for-sale financial assets and financial assets at fair value through profit or loss

The fair value of available-for-sale financial assets and financial assets at fair value through profit or loss that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods (such as discounted cash flow model and option pricing models) and evaluates, among other factors, whether there is significant or prolonged decline in the fair value below the cost of an investment; and the financial health and short-term business outlook for the investee and historical price volatility of these investments. The key assumptions adopted on projected cashflow are based on management's best estimates.

(f) Estimate of revenue, costs and foreseeable loss of construction works

The Group recognises its contract revenue according to the percentage of completion of the individual contract of construction works. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by major contractors, suppliers or vendors involved and the experience of the management. Foreseeable loss will be provided when budgeted construction costs exceed budgeted construction income. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(g) Estimated volume of infrastructures of public services

The amortisation for intangible concession rights and impairment assessment of infrastructures for public services using discounted cash flow model are affected by the estimated volume for public services, such as toll roads and bridges. Management performs annual reviews to assess the appropriateness of estimated volume by making reference to independent professional studies, if necessary.

The traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads and the existence of other means of transportation. The growth of the traffic flow is also highly tied to the future economic and transportation network development of the area in which the infrastructures serve. The growth in future traffic flow projected by the management is highly dependent on the realisation of the aforementioned factors.

6 REVENUES AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

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

The Executive Committee of the Company, being the chief operating decision-maker, determines and reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are determined based on the afore-mentioned internal reporting. The Executive Committee considers the business from product and service perspectives, which comprises property development, property investment, service (including facilities management, construction & transport and strategic investments), infrastructure (including roads, environment, logistics and aviation), hotel operations, department stores and others (including telecommunication, media and technology and other strategic businesses) segments. The telecommunication business was sold in March 2016.

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

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

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

	Property development HK$m	Property investment HK$m	Service HK$m	Infra-structure HK$m	Hotel operations HK$m	Department stores HK$m	Others HK$m (note (b))	Consolidated HK$m
2017								
Total revenues	26,134.1	2,585.9	30,249.4	2,410.6	1,422.2	3,391.1	564.4	66,757.7
Inter-segment	(166.1)	(175.0)	(9,693.9)	–	–	(2.1)	(91.8)	(10,128.9)
Revenues — external	25,968.0	2,410.9	20,555.5	2,410.6	1,422.2	3,389.0	472.6	56,628.8
Segment results	7,419.6	1,377.7	774.9	1,166.6	(52.0)	220.0	225.5	11,132.3
Other gains, net	(40.8)	213.5	314.3	663.3	–	(97.7)	(624.0)	428.6
Changes in fair value of investment properties	–	1,246.7	117.1	–	–	–	–	1,363.8
Unallocated corporate expenses								(1,173.4)
Operating profit								11,751.3
Financing income								1,705.9
Financing costs								(2,152.0)
								11,305.2
Share of results of								
Joint ventures	(26.3)	428.8	269.9	1,546.3	(27.4)	–	(161.6)	2,029.7
Associated companies (note (a))	113.5	167.9	983.2	600.1	–	–	30.7	1,895.4
Profit before taxation								15,230.3
Taxation								(4,755.6)
Profit for the year								10,474.7
Segment assets	117,055.7	108,476.1	18,048.9	15,191.8	17,549.5	5,182.7	11,912.9	293,417.6
Interests in joint ventures	11,754.9	13,271.9	3,308.7	11,957.4	5,873.4	–	3,151.1	49,317.4
Interests in associated companies	5,979.4	3,996.0	6,819.9	9,373.1	–	–	233.4	26,401.8
Unallocated assets								67,919.5
Total assets								437,056.3
Segment liabilities	31,902.8	1,108.9	12,058.8	618.9	474.7	3,488.2	1,840.3	51,492.6
Unallocated liabilities								164,619.2
Total liabilities								216,111.8
Additions to non-current assets (note (c))	2,845.8	14,295.1	5,301.2	37.6	2,963.6	164.5	919.1	26,526.9
Depreciation and amortisation	58.5	31.6	390.8	822.1	276.3	294.1	79.1	1,952.5
Impairment charge and provision	101.2	–	34.1	–	–	90.3	243.1	468.7

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

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

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

	Revenues HK$m	Non-current assets HK$m (note (c))
2017		
Hong Kong	**29,978.6**	**97,141.0**
Mainland China	**25,958.8**	**74,391.1**
Others	**691.4**	**300.9**
	56,628.8	**171,833.0**
2016		
Hong Kong	33,721.9	84,282.1
Mainland China	24,772.5	61,885.2
Others	1,075.6	400.0
	59,570.0	146,567.3

Notes:

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

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

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

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

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

7 OTHER INCOME

	2017 HK$m	2016 HK$m
Dividend income from available-for-sale financial assets, perpetual securities and a financial asset at fair value through profit or loss	**528.8**	855.5
Others	**–**	68.0
	528.8	923.5

8 OTHER GAINS, NET

	2017 HK$m	2016 HK$m
Write back of provision for loans and other receivables	**124.8**	210.4
Write back of provision for property, plant and equipment	**–**	567.3
Gain on partial disposal of interests in subsidiaries and remeasurement of retained interest at fair value after reclassification to a joint venture	**–**	40.0
Gain on deemed disposal of interests in joint ventures (note (a))	**546.9**	–
Loss on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	**(34.3)**	–
Gain/(loss) on remeasurement of previously held interests of joint ventures at fair value upon further acquisition to become subsidiaries (note (b))	**374.2**	(40.5)
Gain on remeasurement of previously held interest of an associated company at fair value upon further acquisition to become a subsidiary	**–**	18.2
Net loss on fair value of financial assets at fair value through profit or loss	**(236.7)**	(154.0)
Net gain/(loss) on disposal of		
Associated companies	**74.2**	3.0
Available-for-sale financial assets	**110.2**	413.3
Financial assets at fair value through profit or loss	**69.2**	9.8
Investment properties, property, plant and equipment and intangible concession rights and their related assets and liabilities	**167.8**	207.2
Joint ventures	**133.7**	53.0
Non-current assets classified as assets held for sale	**244.2**	784.9
Perpetual securities	**(116.4)**	–
Subsidiaries	**(127.2)**	6,965.4
Impairment loss on		
Available-for-sale financial assets	**(139.2)**	(692.4)
Intangible assets	**(48.4)**	–
Loans and other receivables	**(231.3)**	(7.4)
Property, plant and equipment	**(49.8)**	(30.1)
Net exchange losses	**(433.3)**	(1,894.0)
	428.6	6,454.1

Notes:

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

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

9 OPERATING PROFIT

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

	2017 HK$m	2016 HK$m
Gross rental income from investment properties	**2,244.4**	2,335.6
Outgoings	**(629.5)**	(664.5)
	1,614.9	1,671.1
Cost of inventories sold	**(19,706.7)**	(22,058.8)
Cost of services rendered	**(17,239.4)**	(17,227.1)
Depreciation of property, plant and equipment (note 17)	**(1,035.3)**	(979.7)
Amortisation		
Land use rights (note 18)	**(64.4)**	(84.8)
Intangible concession rights (note 19)	**(802.2)**	(819.7)
Intangible assets (note 20)	**(50.6)**	(45.0)
Operating lease rental expense		
Land and buildings	**(1,258.6)**	(1,225.2)
Other equipment	**–**	(3.7)
Staff costs (note 14(a))	**(6,810.7)**	(6,077.1)
Auditors' remuneration		
Audit services	**(59.2)**	(66.5)
Non-audit services	**(8.6)**	(12.3)

10 FINANCING COSTS

	2017 HK$m	2016 HK$m
Interest on bank loans and overdrafts	**2,897.9**	3,440.9
Interest on fixed rate bonds and notes payable	**2,335.1**	2,296.3
Interest on loans from non-controlling shareholders	**19.0**	8.2
Total borrowing costs incurred	**5,252.0**	5,745.4
Capitalised as (note):		
Cost of properties for/under development	**(2,319.4)**	(3,212.3)
Cost of assets under construction and investment properties under development	**(780.6)**	(597.4)
	2,152.0	1,935.7

Note:

To the extent funds are borrowed generally and used for the purpose of financing certain properties for/under development, assets under construction and investment properties under development, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation is 3.6% (2016: 4.2%) per annum.

11 TAXATION

	2017 HK$m	2016 HK$m
Current taxation		
Hong Kong profits tax	**704.1**	925.3
Mainland China and overseas taxation	**1,606.3**	3,301.4
Mainland China land appreciation tax	**2,085.5**	2,093.7
Deferred taxation (note 27)		
Valuation of investment properties	**246.3**	60.5
Other temporary differences	**113.4**	42.8
	4,755.6	6,423.7

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

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

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

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

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2017 HK$m	2016 HK$m
Profit before taxation and share of results of joint ventures and associated companies	**11,305.2**	16,046.6
Calculated at a taxation rate of 16.5% (2016: 16.5%)	**1,865.4**	2,647.7
Effect of different taxation rates in other countries	**742.8**	1,205.5
Income not subject to taxation	**(1,200.2)**	(1,505.5)
Expenses not deductible for taxation purposes	**955.6**	1,938.4
Tax losses not recognised	**374.9**	514.7
Temporary differences not recognised	**400.2**	7.7
Utilisation of previously unrecognised tax losses	**(67.0)**	(234.0)
Deferred taxation on undistributed profits	**292.6**	262.0
Recognition of previously unrecognised temporary differences	**2.5**	–
Recognition of previously unrecognised tax losses	**(125.8)**	–
(Over)/under provision in prior years	**(44.5)**	10.6
Land appreciation tax deductible for calculation of income tax purposes	**(521.1)**	(523.4)
Others	**(5.3)**	6.3
	2,670.1	4,330.0
Mainland China land appreciation tax	**2,085.5**	2,093.7
Taxation charge	**4,755.6**	6,423.7

12 EARNINGS PER SHARE

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

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

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

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

13 DIVIDENDS

	2017 HK$m	2016 HK$m
Interim dividend of HK$0.13 (2016: HK$0.13) per share	**1,258.8**	1,204.7
Final dividend proposed of HK$0.33 (2016: HK$0.31) per share	**3,244.7**	2,911.8
	4,503.5	4,116.5
Of which the following were settled by the issue of scrip:		
Interim dividend	**1,056.3**	896.6
Final dividend	**#**	2,369.6

Full amount had been set aside from retained profits for the 2017 proposed final dividend on the basis that all shareholders would elect to receive cash being the alternative to their entitlements to the scrip dividends.

At a meeting held on 21 September 2017, the Directors recommended a final dividend of HK$0.33 per share. This proposed dividend was not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2018.

14 STAFF COSTS

(a) Staff costs

	2017 HK$m	2016 HK$m
Wages, salaries and other benefits	**6,453.9**	5,678.7
Pension costs — defined benefit plans	**4.0**	7.8
Pension costs — defined contribution plans	**296.2**	265.8
Share options (note (b))	**56.6**	124.8
	6,810.7	6,077.1

Staff costs include directors' remuneration.

14 STAFF COSTS (CONTINUED)

(b) Share options

During the year, the Company and its subsidiary, NWSH, operate share option schemes whereby options may be granted to eligible employees and directors, to subscribe for shares of the Company and NWSH respectively.

Details of share options are as follows:

Grantor	Date of grant	Exercise price HK$	At 1 July 2016	Adjusted	Exercised	Lapsed/ cancelled	At 30 June 2017	Number of share options exercisable as at 30 June 2017	Note
The Company	16 November 2012 to 10 June 2016	7.2 to 11.238	169,547,555	–	(24,357,051)	(15,499,085)	129,691,419	72,628,489	(i)
	Weighted average exercise price of each category (HK$)	–	8.619	–	8.533	9.865	8.486	8.788	
NWSH	9 March 2015	14.120	55,275,823	63,634	(4,995,960)	(887,667)	49,455,830	49,455,830	(ii)
	Weighted average exercise price of each category (HK$)	–	14.137	14.124	14.121	14.133	14.120	14.120	

Notes:

(i) A share option scheme was adopted by the Company on 24 November 2006 and amended on 13 March 2012 which will be valid and effective for a period of ten years from the date of adoption. On 16 November 2012, 22 January 2014, 27 October 2014, 7 July 2015, 9 March 2016 and 10 June 2016, 9,400,000, 30,100,000, 34,400,000, 20,100,000, 20,200,000 and 68,037,928 share options were granted to Directors and certain eligible participants at the exercise price of HK$11.996, HK$10.400, HK$9.510, HK$9.976, HK$7.200 and HK$7.540 per share respectively.

The share options granted on 16 November 2012 were divided into 4 tranches and exercisable from 16 November 2012, 16 November 2013, 16 November 2014 and 16 November 2015 respectively to 15 November 2016.

The share options granted on 22 January 2014 were divided into 4 tranches exercisable from 22 January 2014, 22 January 2015, 22 January 2016 and 22 January 2017 respectively to 21 January 2018.

The share options granted on 27 October 2014 were divided into 4 tranches exercisable from 27 October 2014, 27 October 2015, 27 October 2016 and 27 October 2017 respectively to 26 October 2018.

The share options granted on 7 July 2015 were divided into 4 tranches exercisable from 7 July 2015, 7 July 2016, 7 July 2017 and 7 July 2018 respectively to 6 July 2019.

The share options granted on 9 March 2016 were divided into 4 tranches exercisable from 9 March 2016, 9 March 2017, 9 March 2018 and 9 March 2019 respectively to 8 March 2020.

The share options granted on 10 June 2016 were divided into 4 tranches exercisable from 10 June 2016, 10 June 2017, 10 June 2018 and 10 June 2019 respectively to 9 June 2020.

For the year ended 30 June 2017, the weighted average share price at the time of exercise was HK$10.128 per share (2016: HK$8.066 per share).

(ii) The share option scheme of NWSH, which was adopted on 21 November 2011, is valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the share option scheme to subscribe for the shares of NWSH. The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme must not in aggregate exceed 10% of the share capital of NWSH in issue as at 21 November 2011, i.e. 3,388,900,598 shares.

On 9 March 2015, 55,470,000 share options were granted to directors and certain eligible participants at the exercise price of HK$14.160 per share, which represents the average closing price of NWSH's shares in the daily quotations sheets of the Hong Kong Stock Exchange for the five trading days immediately preceding 9 March 2015. Such share options will expire on 8 March 2020.

Pursuant to the scheme, the number of unexercised share options and the exercise price may be subject to adjustment in case of alteration in the capital structure of NWSH. NWSH declared the final dividend for the year ended 30 June 2016 and interim dividend for the six months ended 31 December 2016 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price in accordance with the scheme. With effect from 15 May 2017, the exercise price per share for the share options granted was adjusted to HK$14.120.

The share options will be vested according to the scheme and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date.

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

14 STAFF COSTS (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 3 directors (2016: 2 directors) whose emoluments are reflected in the analysis shown in Note 15(a). The emoluments to the remaining 2 (2016: 3) individuals during the year are as follows:

	2017 HK$m	2016 HK$m
Salaries and other emoluments	31.7	49.0
Employer's contributions to retirement benefit schemes	1.2	1.7
Share options	0.2	4.1
	33.1	54.8

The emoluments of the individuals fell within the following bands:

	Number of individuals	
	2017	2016
Emolument band (HK$)		
13,500,001–14,000,000	–	1
14,500,001–15,000,000	–	1
15,500,001–16,000,000	1	–
17,000,001–17,500,000	1	–
26,500,001–27,000,000	–	1
	2	3

(d) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in note 15(a) and note 14(c) respectively, the emoluments of the senior management whose profiles are included in Directors' Profile/Senior Management Profile sections of this report fell within the following bands:

	Number of individuals	
	2017	2016
Emolument band (HK$)		
4,000,001–4,500,000	–	2
4,500,001–5,000,000	–	1
5,000,001–5,500,000	3	–
9,000,001–9,500,000	–	1
11,500,001–12,000,000	1	–
	4	4

15 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Name of Directors	As director (note(i))					As management (note (ii))	Total
	Fees	Salaries	Discretionary bonuses	Estimated money value of other benefits (note (iii))	Employer's contribution to a retirement benefit scheme		
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Year ended 30 June 2017							
Dr. Cheng Kar-Shun, Henry	1.5	–	–	3.7	–	50.0	55.2
Mr. Doo Wai-Hoi, William	0.3	–	–	0.2	–	–	0.5
Dr. Cheng Chi-Kong, Adrian	0.5	–	–	2.1	–	30.6	33.2
Mr. Yeung Ping-Leung, Howard	0.7	–	–	0.1	–	–	0.8
Mr. Cha Mou-Sing, Payson	0.8	–	–	0.1	–	–	0.9
Mr. Cheng Kar-Shing, Peter	0.3	7.0	1.6	0.1	0.7	–	9.7
Mr. Ho Hau-Hay, Hamilton	0.7	–	–	0.1	–	–	0.8
Mr. Lee Luen-Wai, John	0.8	–	–	0.1	–	–	0.9
Mr. Liang Cheung-Biu, Thomas	0.6	–	–	0.1	–	–	0.7
Ms. Ki Man-Fung, Leonie	0.4	–	–	0.8	–	7.2	8.4
Mr. Cheng Chi-Heng	0.4	–	–	0.1	–	2.1	2.6
Mr. Chen Guanzhan	0.4	–	–	0.9	–	5.4	6.7
Ms. Cheng Chi-Man, Sonia	0.4	–	–	0.8	–	12.7	13.9
Mr. Au Tak-Cheong	0.5	–	–	0.5	–	7.9	8.9
Total	8.3	7.0	1.6	9.7	0.7	115.9	143.2

15 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

Name of Directors	As director (note(i)) Fees	Salaries	Discretionary bonuses	Estimated money value of other benefits (note (iii))	Employer's contribution to a retirement benefit scheme	As management (note (ii))	Total
	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m	HK$m
Year ended 30 June 2016							
Dr. Cheng Kar-Shun, Henry	1.4	–	–	4.2	–	53.3	58.9
Mr. Doo Wai-Hoi, William	0.3	–	–	0.2	–	–	0.5
Dr. Cheng Chi-Kong, Adrian	0.7	–	–	0.4	–	27.7	28.8
Mr. Yeung Ping-Leung, Howard	0.4	–	–	–	–	–	0.4
Mr. Cha Mou-Sing, Payson	0.4	–	–	–	–	–	0.4
Mr. Cheng Kar-Shing, Peter	0.5	6.9	1.2	–	0.7	–	9.3
Mr. Ho Hau-Hay, Hamilton	0.4	–	–	–	–	–	0.4
Mr. Lee Luen-Wai, John	0.7	–	–	–	–	–	0.7
Mr. Liang Cheung-Biu, Thomas	0.4	–	–	–	–	–	0.4
Ms. Ki Man-Fung, Leonie	0.3	–	–	–	–	7.0	7.3
Mr. Cheng Chi-Heng	0.3	–	–	–	–	2.0	2.3
Mr. Chen Guanzhan	0.3	–	–	0.1	–	6.7	7.1
Ms. Cheng Chi-Man, Sonia	0.6	–	–	–	–	11.9	12.5
Mr. Au Tak-Cheong	0.4	–	–	0.2	–	12.4	13.0
Total	7.1	6.9	1.2	5.1	0.7	121.0	142.0

Notes:

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

(ii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.

(iii) Other benefits represented share options. The value of the share options granted to the directors of the Company under the share option schemes of the Company and its subsidiaries represents the fair value of these options charged to the consolidated income statement for the year in accordance with HKFRS 2.

(iv) No director waived or agreed to waive any emoluments during the year.

(b) Directors' material interests in transactions, arrangements or contracts

On 11 April 2014, a master services agreement (the "Mr. Doo Master Services Agreement") was entered into between the Company and Mr. Doo Wai-Hoi, William, Non-executive Vice-chairman ("Mr. Doo") for a term of three years commencing from 1 July 2014 in respect of the provision of certain operational and rental services by companies owned by Mr. Doo to the Group, and vice versa. For the year ended 30 June 2017, the aggregate amount of the transactions amounted to approximately HK$1,419.7 million (2016: HK$1,725.1 million).

On 20 November 2015, Mr. Doo and the Company entered into a supplemental agreement to the Mr. Doo Master Services Agreement, with FSE Engineering Holdings Limited ("FSE Engineering") and FSE Management Company Limited ("FSE Management") joining in as parties, as a definitive agreement to better reflect the provision and receipt of the abovementioned operational and rental services by FSE Engineering and FSE Management.

On 10 April 2017, the Company and Mr. Doo entered into a new master services agreement (the "New Mr. Doo MSA") for a term of three years commencing from 1 July 2017 up to and including 30 June 2020 in respect of the provision of the aforesaid operational and rental services. Subject to compliance with the relevant requirements under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the New Mr. Doo MSA will be automatically renewed for a successive period of three years thereafter (or such other period permitted under the Listing Rules). On the same date, Mr. Doo, the Company, FSE Engineering and FSE Management entered into a termination agreement to terminate the Mr. Doo Master Services Agreement on the commencement date of the New Mr. Doo MSA. The New Mr. Doo MSA and the annual caps set for each of the three financial years ending 30 June 2020 were approved by the independent shareholders of the Company on 26 May 2017.

Save as mentioned above, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16 INVESTMENT PROPERTIES

	2017 HK$m	2016 HK$m
Completed investment properties	61,936.3	53,385.3
Investment properties under development	43,824.1	33,211.7
	105,760.4	86,597.0

	Completed investment properties HK$m	Investment properties under development HK$m	Total HK$m
At 1 July 2016	53,385.3	33,211.7	86,597.0
Translation differences	(362.5)	(115.1)	(477.6)
Acquisition of a subsidiary	1,800.9	–	1,800.9
Disposal of subsidiaries	(297.1)	–	(297.1)
Additions	740.1	11,833.9	12,574.0
Transfer between investment properties, property, plant and equipment and land use rights	1,487.2	–	1,487.2
Transfer between investment properties, properties under development and properties held for sale	3,368.9	69.2	3,438.1
Disposals	(595.2)	–	(595.2)
Changes in fair value	2,330.7	(966.9)	1,363.8
Transfer between investment properties and non-current assets classified as assets held for sale (note 35)	(130.7)	–	(130.7)
Reclassification	208.7	(208.7)	–
At 30 June 2017	61,936.3	43,824.1	105,760.4

	Completed investment properties HK$m	Investment properties under development HK$m	Total HK$m
At 1 July 2015	58,644.6	32,980.4	91,625.0
Translation differences	(1,395.7)	(346.0)	(1,741.7)
Disposal of subsidiaries	(1,321.9)	(1,440.9)	(2,762.8)
Additions	687.2	3,501.3	4,188.5
Transfer between investment properties, property, plant and equipment and land use rights	(672.9)	–	(672.9)
Transfer between investment properties, properties under development and properties held for sale	1,035.5	–	1,035.5
Disposals	(1,631.9)	–	(1,631.9)
Changes in fair value	1,449.8	(1,142.5)	307.3
Transfer between investment properties and non-current assets classified as assets held for sale (note 35)	(3,750.0)	–	(3,750.0)
Reclassification	340.6	(340.6)	–
At 30 June 2016	53,385.3	33,211.7	86,597.0

16 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, Savills Valuation and Professional Services Limited, and Knight Frank Petty Limited, independent qualified valuers, who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 30 June 2017 on an open market value basis. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuation performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the Audit Committee. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department verifies all major inputs to the independent valuation report; assesses property valuation movements when compared to the prior year valuation report; and holds discussions with the independent valuers.

Valuation techniques

Fair value of completed investment properties for commercial, residential and carparks in Hong Kong and Mainland China is generally derived using the income capitalisation method and wherever appropriate, by direct comparison method. Income capitalisation method is based on capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of commercial properties and carpark under development is generally derived using the residual method and wherever appropriate, by direct comparison method. Residual method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

As at 30 June 2017 and 2016, all investment properties are included in level 3 in the fair value hierarchy.

There were no changes to the valuation techniques during the year and there were no transfers among the fair value hierarchy during the year.

16 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (continued)

Information about fair value measurements using significant unobservable inputs:

	2017 Fair value HK$m	Valuation techniques	Range of significant unobservable inputs: Prevailing market rent per month	Unit price	Capitalisation rate
Completed investment properties					
Hong Kong					
Commercial	**31,379.2**	Income capitalisation	HK$22–HK$400 per square feet	N/A	1.5%–5.3%
Carparks	**2,441.0**	Income capitalisation	HK$2,400–HK$6,700 per carpark space	N/A	4.3%–4.5%
Mainland China					
Commercial	**17,299.1**	Income capitalisation	HK$28–HK$325 per square metre	N/A	2.0%–9.0%
	3,272.1	Direct comparison	N/A	HK$11,700–HK$24,100 per square metre	N/A
Carparks	**5,856.9**	Direct comparison	N/A	HK$75,000–HK$517,000 per carpark space	N/A
Residential	**1,688.0**	Income capitalisation	HK$115–HK$207 per square metre	N/A	4.3%–15.0%
Total	**61,936.3**				

	2017 Fair value HK$m	Valuation technique	Range of significant unobservable inputs: Unit price	Estimated developer's profit and risk margins
Investment properties under development				
Commercial	**35,441.0**	Residual	HK$1,300–HK$60,000 per square feet	0.5%–15.0%
	6,356.3	Direct comparison	HK$28,000 per square metre	N/A
Carparks	**2,026.8**	Residual	HK$218,000–HK$264,000 per carpark space	0.5%–2.8%
Total	**43,824.1**			

16 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (continued)

	2016 Fair value HK$m	Valuation techniques	Range of significant unobservable inputs: Prevailing market rent per month	Unit price	Capitalisation rate
Completed investment properties					
Hong Kong					
Commercial	30,520.1	Income capitalisation	HK$23–HK$480 per square feet	N/A	1.5%–5.4%
Carparks	1,579.1	Income capitalisation	HK$1,950–HK$6,000 per carpark space	N/A	4.5%–4.7%
Mainland China					
Commercial	14,784.2	Income capitalisation	HK$29–HK$268 per square metre	N/A	3.0%–9.0%
Carparks	4,973.1	Direct comparison	N/A	HK$76,000–HK$503,000 per carpark space	N/A
Residential	1,528.8	Income capitalisation	HK$116–HK$199 per square metre	N/A	4.8%–15.0%
Total	53,385.3				

	2016 Fair value HK$m	Valuation technique	Range of significant unobservable inputs: Unit price	Estimated developer's profit and risk margins
Investment properties under development				
Commercial	31,673.1	Residual	HK$1,750–HK$60,000 per square feet	5.0%–20.0%
Carparks	1,538.6	Residual	HK$152,000– HK$269,000 per carpark space	1.0%–5.0%
Total	33,211.7			

Prevailing market rents are estimated based on independent valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation rates and developer's profit and risk margins are estimated by independent valuers based on the risk profile of the properties being valued and the market conditions. The lower the rates and the margins, the higher the fair value.

At 30 June 2017, the aggregate fair value of completed investment properties and investment properties under development pledged as securities for the Group's borrowings amounted to HK$29,169.8 million (2016: HK$34,412.0 million) and HK$5,440.0 million (2016: HK$4,600.0 million) respectively.

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$m	Buildings HK$m	Others (note (a)) HK$m	Assets under construction HK$m	Total HK$m
Cost					
At 1 July 2016	2,379.8	10,921.3	7,664.3	10,500.7	31,466.1
Translation differences	–	(131.5)	(65.0)	(62.1)	(258.6)
Acquisition of subsidiaries	–	1,083.6	2,891.6	192.5	4,167.7
Additions	–	99.9	1,274.9	2,991.0	4,365.8
Transfer between property, plant and equipment and investment properties	(94.9)	(1,203.7)	(38.2)	–	(1,336.8)
Transfer between property, plant and equipment, properties for/under development and properties held for sale	–	540.3	–	–	540.3
Transfer upon completion	–	–	153.3	(153.3)	–
Disposals	–	(83.8)	(259.8)	–	(343.6)
At 30 June 2017	2,284.9	11,226.1	11,621.1	13,468.8	38,600.9
Accumulated depreciation and impairment					
At 1 July 2016	103.2	2,434.8	5,055.6	–	7,593.6
Translation differences	–	(49.2)	(27.4)	–	(76.6)
Transfer between property, plant and equipment and investment properties	(18.5)	(489.0)	(29.2)	–	(536.7)
Depreciation	17.4	258.8	759.1	–	1,035.3
Impairment	–	–	49.8	–	49.8
Disposals	–	(43.0)	(229.3)	–	(272.3)
At 30 June 2017	102.1	2,112.4	5,578.6	–	7,793.1
Net book value (note (b))					
At 30 June 2017	2,182.8	9,113.7	6,042.5	13,468.8	30,807.8

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land HK$m	Buildings HK$m	Others (note (a)) HK$m	Assets under construction HK$m	Total HK$m
Cost					
At 1 July 2015	2,416.2	10,991.6	11,462.5	6,649.5	31,519.8
Translation differences	–	(337.3)	(302.7)	(192.3)	(832.3)
Acquisition of subsidiaries	–	–	39.0	–	39.0
Additions	19.0	96.4	802.6	4,321.0	5,239.0
Transfer between property, plant and equipment and investment properties	–	744.4	(17.7)	–	726.7
Transfer between property, plant and equipment, properties for/under development and properties held for sale	–	27.5	–	284.5	312.0
Transfer upon completion	52.1	200.8	57.8	(310.7)	–
Disposal of subsidiaries	(12.7)	(694.5)	(4,161.2)	(251.3)	(5,119.7)
Disposals	(5.3)	(38.3)	(216.0)	–	(259.6)
Transfer between property, plant and equipment and non-current assets classified as assets held for sale (note 35)	(89.5)	(69.3)	–	–	(158.8)
At 30 June 2016	2,379.8	10,921.3	7,664.3	10,500.7	31,466.1
Accumulated depreciation and impairment					
At 1 July 2015	320.5	2,616.9	8,098.6	–	11,036.0
Translation differences	–	(79.4)	(164.6)	–	(244.0)
Transfer between property, plant and equipment and investment properties	–	(17.9)	(3.0)	–	(20.9)
Depreciation	22.8	339.9	617.0	–	979.7
(Written back of provision)/impairment	(213.4)	(353.9)	30.1	–	(537.2)
Disposal of subsidiaries	(4.7)	(35.1)	(3,347.9)	–	(3,387.7)
Disposals	(0.9)	(14.7)	(174.6)	–	(190.2)
Transfer between property, plant and equipment and non-current assets classified as assets held for sale (note 35)	(21.1)	(21.0)	–	–	(42.1)
At 30 June 2016	103.2	2,434.8	5,055.6	–	7,593.6
Net book value (note (b))					
At 30 June 2016	2,276.6	8,486.5	2,608.7	10,500.7	23,872.5

Notes:

(a) Others mainly represented leasehold improvements for department stores, plant and machinery, buses, vessels, motor vehicles, furniture and fixtures, office equipment and computer.

(b) As at 30 June 2017, the aggregate net book value of property, plant and equipment pledged as securities for the Group's borrowings amounted to HK$6,836.4 million (2016: HK$5,758.8 million).

18 LAND USE RIGHTS

	2017 HK$m	2016 HK$m
At beginning of the year	**1,932.2**	2,343.4
Translation differences	**(34.7)**	(171.2)
Transfer between land use rights and properties under development	**14.6**	–
Transfer between land use rights and investment properties	**(132.2)**	(54.6)
Disposals	**(0.5)**	–
Disposal of subsidiaries	**–**	(100.6)
Amortisation	**(64.4)**	(84.8)
At end of the year	**1,715.0**	1,932.2

Interests in land use rights represent prepaid operating lease payments.

As at 30 June 2017, the aggregate net book value of land use rights pledged as securities for the Group's borrowings amounted to HK$270.8 million (2016: HK$269.0 million).

19 INTANGIBLE CONCESSION RIGHTS

	2017 HK$m	2016 HK$m
Cost		
At beginning of the year	**16,945.2**	18,775.2
Translation differences	**(324.7)**	(1,308.4)
Additions	**–**	122.1
Disposals	**(91.6)**	(643.7)
At end of the year	**16,528.9**	16,945.2
Accumulated amortisation and impairment		
At beginning of the year	**4,038.8**	3,977.4
Translation differences	**(92.4)**	(382.3)
Amortisation	**802.2**	819.7
Disposals	**(61.6)**	(376.0)
At end of the year	**4,687.0**	4,038.8
Net book value		
At end of the year	**11,841.9**	12,906.4

As at 30 June 2017, the aggregate net book value of intangible concession rights pledged as securities of the Group's borrowings amounted to HK$11,697.8 million (2016: HK$12,695.6 million).

20 INTANGIBLE ASSETS

	Goodwill HK$m	Trademarks HK$m	Operating right and others HK$m	Total HK$m
Cost				
At 1 July 2016	**2,579.4**	**–**	**636.3**	**3,215.7**
Translation differences	**(30.1)**	**–**	**–**	**(30.1)**
Acquisition of subsidiaries	**707.8**	**73.6**	**69.2**	**850.6**
Amount written off	**(34.2)**	**–**	**–**	**(34.2)**
At 30 June 2017	**3,222.9**	**73.6**	**705.5**	**4,002.0**
Accumulated amortisation and impairment				
At 1 July 2016	**273.1**	**–**	**240.3**	**513.4**
Amortisation	**–**	**3.9**	**46.7**	**50.6**
Impairment	**14.2**	**–**	**–**	**14.2**
At 30 June 2017	**287.3**	**3.9**	**287.0**	**578.2**
Net book value				
At 30 June 2017	**2,935.6**	**69.7**	**418.5**	**3,423.8**

	Goodwill HK$m	Operating right and others HK$m	Total HK$m
Cost			
At 1 July 2015	2,697.0	635.5	3,332.5
Translation differences	(120.1)	–	(120.1)
Acquisition of a subsidiary	2.5	–	2.5
Addition	–	0.8	0.8
At 30 June 2016	2,579.4	636.3	3,215.7
Accumulated amortisation and impairment			
At 1 July 2015	273.1	195.3	468.4
Amortisation	–	45.0	45.0
At 30 June 2016	273.1	240.3	513.4
Net book value			
At 30 June 2016	2,306.3	396.0	2,702.3

20 INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill

An operating segment level summary of the goodwill allocation is presented below:

	2017		
	Hong Kong HK$m	**Mainland China HK$m**	**Total HK$m**
Property development	**2.5**	**–**	**2.5**
Property investment	**–**	**257.6**	**257.6**
Service and infrastructure	**1,211.9**	**–**	**1,211.9**
Hotel operations	**–**	**9.2**	**9.2**
Department stores	**–**	**1,046.7**	**1,046.7**
Others	**407.7**	**–**	**407.7**
	1,622.1	**1,313.5**	**2,935.6**

	2016		
	Hong Kong HK$m	Mainland China HK$m	Total HK$m
Property development	2.5	14.2	16.7
Property investment	–	263.4	263.4
Service and infrastructure	849.3	–	849.3
Hotel operations	–	9.2	9.2
Department stores	–	1,071.0	1,071.0
Others	96.7	–	96.7
	948.5	1,357.8	2,306.3

Goodwill is allocated to the Group's cash generating units identified according to country of operation and business segment.

For the purpose of impairment test for goodwill, the recoverable amount of the business unit is determined based on either fair value less costs of disposal or value in use calculations whichever is higher. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management best estimates and past experience.

For the segment of property investment, growth rates are determined by considering both internal and external factors relating to the relevant segments. Discount rate used also reflect specific risks relating to the relevant segment, which was 12.4% (2016: 12.7%).

For the segment of service and infrastructure, the recoverable amount of goodwill amounted to HK$849.3 million (2016: HK$849.3 million) was determined based on the fair value less costs of disposal. The recoverable amount of goodwill amounted to HK$362.6 million (2016: nil) was determined based on value in use calculations, among which, annual growth rates being 0-7.0% (2016: nil) for the first five years and terminal growth rate of 2.0% (2016: nil) are determined by considering both internal and external factors relating to the relevant segment. Discount rate used also reflect specific risks relating to the relevant segment, which was 8.5% (2016: nil).

For the segment of department stores, estimated long-term growth rate of 5.0% (2016: 5.0%) is determined by considering both internal and external factors relating to the relevant segment. Discount rate used is post-tax and reflect specific risks relating to the relevant segment, which was 12.4% (2016: 12.7%).

For the segment of others, annual growth rates of 3.0%–5.5% (2016: nil) for the first five years and terminal growth rate of 3.0% (2016: nil) of a business unit are determined by considering both internal and external factors relating to the relevant segment. Discount rate used is post-tax and reflect specific risks relating to the relevant segment, which was 11.1% (2016: nil).

21 INTERESTS IN JOINT VENTURES

	2017 HK$m	2016 HK$m
Equity joint ventures/joint ventures in wholly foreign owned enterprises		
Group's share of net assets	**7,041.2**	5,195.5
Goodwill on acquisition	**2.2**	2.2
Amounts receivable less provision (note (a))	**2,892.4**	2,843.2
	9,935.8	8,040.9
Co-operative joint ventures		
Cost of investment less provision	**5,228.8**	6,638.1
Share of undistributed post-acquisition results	**2,077.9**	2,121.1
Amounts receivable less provision (note (a))	**6,207.7**	5,321.7
	13,514.4	14,080.9
Companies limited by shares		
Group's share of net assets	**7,376.8**	11,573.7
Goodwill on acquisition	**1,330.4**	1,462.9
Amounts receivable less provision (note (a))	**17,160.0**	15,194.6
	25,867.2	28,231.2
	49,317.4	50,353.0

Notes:

(a) Amounts receivable less provisions are analysed as follows:

	2017 HK$m	2016 HK$m
Interest bearing		
Fixed rates (note (i))	**661.2**	1,944.3
Floating rates (note (ii))	**6,772.4**	3,475.1
Non-interest bearing	**18,826.5**	17,940.1
	26,260.1	23,359.5

(i) Carry interest rates ranging from 8.5% to 10.0% (2016: 8.5% to 10.0%) per annum.

(ii) Carry interest rates ranging from 2.0% over Hong Kong interbank offered rates ("HIBOR") to People's Bank of China rate (2016: 2.0% over HIBOR to People's Bank of China rate) per annum.

The amounts are unsecured. Their carrying amounts are not materially different from their fair values.

The amounts receivable form part of the Group's interests in joint ventures.

(b) There is no joint venture that is individually material to the Group. The Group's share of results of the joint ventures are as follows:

	2017 HK$m	2016 HK$m
For the year ended 30 June		
Profit for the year	**2,029.7**	1,678.4
Other comprehensive income for the year	**(307.0)**	(1,310.1)
Total comprehensive income for the year	**1,722.7**	368.3

(c) Management regularly reviews whether there are any indications of impairments of the Group's interests in joint ventures based on value in use calculations, as detailed in note 5(c). The Group shared no impairment loss (2016: an impairment loss of HK$177.6 million) for the Group's interests in joint ventures for the year ended 30 June 2017.

(d) Details of principal joint ventures are stated in note 51.

22 INTERESTS IN ASSOCIATED COMPANIES

	2017 HK$m	2016 HK$m
Group's share of net assets		
Hong Kong listed shares	**4,118.5**	5,107.2
Overseas listed shares	**1,069.9**	827.2
Unlisted shares	**16,435.3**	9,844.1
	21,623.7	15,778.5
Goodwill	**721.7**	735.7
Amounts receivable less provision (note (a))	**4,056.4**	2,542.8
	26,401.8	19,057.0
Market value of listed shares (note (b))	**6,822.5**	5,624.7

Notes:

(a) Amounts receivable less provision are analysed as follows:

	2017 HK$m	2016 HK$m
Interest bearing		
Fixed rate (note (i))	**109.7**	109.7
Floating rate (note (ii))	**1,600.0**	1,562.3
Non-interest bearing	**2,346.7**	870.8
	4,056.4	2,542.8

(i) Carry interest rate of 8.0% (2016: 8.0%) per annum.

(ii) Carry interest rate of 1.3% over HIBOR (2016: 1.3% over HIBOR) per annum.

The amounts were unsecured and not repayable within 12 months. Their carrying amounts were not materially different from their fair values.

The amounts receivable form part of the Group's interests in associated companies.

(b) The market value of the Group's listed associated companies in Hong Kong and overseas amounted to HK$6,822.5 million (2016: HK$5,624.7 million). Management regularly reviews whether there are any indications of impairments of the Group's interests in associated companies based on value in use calculations, as detailed in note 5(c). The Group shared an impairment loss of HK$204.0 million (2016: HK$200.0 million) for the Group's interests in associated companies for the year ended 30 June 2017.

(c) There is no associated company that is individually material to the Group. The Group's share of results of the associated companies are as follows:

	2017 HK$m	2016 HK$m
For the year ended 30 June		
Profit for the year	**1,895.4**	982.1
Other comprehensive income for the year	**(37.4)**	(554.6)
Total comprehensive income for the year	**1,858.0**	427.5

(d) Details of principal associated companies are stated in note 52.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$m	2016 HK$m
Non-current		
Equity securities		
Unlisted shares and investments, at fair value (notes (a))	**3,113.7**	2,607.2
Unlisted investment — perpetual securities, at fair value (note (b))	**–**	5,309.4
Listed shares, at market value		
Hong Kong	**2,188.4**	1,807.2
Overseas	**130.3**	111.1
Debt securities		
Unlisted investments, at fair value (notes (a))	**868.7**	–
Listed debentures in Hong Kong, at market value	**239.8**	244.3
	6,540.9	10,079.2
Current		
Equity securities		
Unlisted shares and investments, at fair value (note (a))	**–**	30.0
Unlisted investment — perpetual securities, at fair value (note (b))	**–**	1,769.8
	–	1,799.8
	6,540.9	11,879.0

Notes:

(a) Unlisted investments are stated at fair values which are either estimated using back-solve method and calibration technique, or assessed the reasonableness with reference to market comparables, with the assistance of external valuers.

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

(c) The available-for-sale financial assets are denominated in the following currencies:

	2017 HK$m	2016 HK$m
Hong Kong dollar	**3,969.8**	3,581.8
United States dollar	**1,709.8**	7,974.1
Renminbi	**795.8**	162.6
Korean won	**63.9**	113.6
Others	**1.6**	46.9
	6,540.9	11,879.0

24 HELD-TO-MATURITY INVESTMENTS

	2017 HK$m	2016 HK$m
Debt securities		
Unlisted debentures	**44.4**	42.9

25 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK$m	2016 HK$m
Non-current assets		
Foreign exchange swaps	**9.8**	41.9
Others	**–**	39.5
	9.8	81.4
Current assets		
Foreign forward contracts	**3.5**	–
Others	**58.8**	19.3
	62.3	19.3
	72.1	100.7
Current liabilities		
Foreign forward contracts, foreign exchange swaps and fuel price swaps	**(36.1)**	(88.4)
Others	**–**	(97.6)
	(36.1)	(186.0)
Non-current liabilities		
Foreign exchange swaps and interest rate swaps	**(631.3)**	(794.0)
	(667.4)	(980.0)

The total notional principal amounts of the outstanding derivative financial instruments as at 30 June 2017 was HK18,385.5 million (2016: HK$13,550.4 million).

26 PROPERTIES FOR DEVELOPMENT

At 30 June 2017, no properties for development is pledged as securities for the Group's borrowings (2016: HK$375.6 million).

27 DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	2017 HK$m	2016 HK$m
Deferred tax assets	**740.9**	684.9
Deferred tax liabilities	**(9,327.2)**	(8,453.2)
	(8,586.3)	(7,768.3)
At beginning of the year	**(7,768.3)**	(8,614.7)
Translation differences	**211.4**	377.8
Acquisition of subsidiaries	**(587.4)**	–
Disposal of subsidiaries	**4.5**	363.1
Written back upon disposal of intangible concession rights	**–**	33.8
Transfer to current tax payable	**5.4**	16.7
Transfer to non-current assets classified as assets held for sale (note 35)	**–**	56.8
Charged to consolidated income statement (note 11)	**(359.7)**	(103.3)
(Charged)/credited to reserves	**(92.2)**	101.5
At end of the year	**(8,586.3)**	(7,768.3)

27 DEFERRED TAXATION (CONTINUED)

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year was as follows:

Deferred tax assets

	Provisions		Accelerated accounting depreciation		Tax losses		Unrealised intra-group profit		Other items		Total	
	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m
At beginning of the year	13.9	20.0	11.3	1.4	372.1	473.5	40.4	71.1	215.4	242.9	653.1	808.9
Translation differences	(0.3)	(1.2)	3.7	–	(9.6)	(16.0)	–	–	(5.9)	(15.2)	(12.1)	(32.4)
Acquisition of subsidiaries	–	–	–	–	0.5	–	–	–	–	–	0.5	–
Transfer to liabilities directly associated with non-current assets classified as assets held for sale	–	–	–	–	–	(4.0)	–	–	–	–	–	(4.0)
Credited/(charged) to consolidated income statement	0.4	(4.9)	0.5	9.9	98.0	(81.4)	10.9	(30.7)	(1.0)	(12.3)	108.8	(119.4)
At end of the year	14.0	13.9	15.5	11.3	461.0	372.1	51.3	40.4	208.5	215.4	750.3	653.1

Deferred tax liabilities

	Accelerated tax depreciation		Valuation of properties		Fair value adjustments of properties on acquisitions		Amortisation of intangible concession rights		Undistributed profits of subsidiaries, joint ventures and associated companies		Other items		Total	
	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m
At beginning of the year	(2,649.4)	(2,704.4)	(1,453.7)	(1,609.3)	(1,370.3)	(1,869.3)	(1,883.8)	(2,143.4)	(873.3)	(808.6)	(190.9)	(288.6)	(8,421.4)	(9,423.6)
Translation differences	25.6	20.6	18.4	96.2	22.5	105.5	35.1	139.9	111.6	46.7	10.3	1.3	223.5	410.2
Acquisition of subsidiaries	(521.2)	–	–	–	(66.7)	–	–	–	–	–	–	–	(587.9)	–
Disposal of subsidiaries	–	(2.6)	–	124.9	4.5	177.9	–	–	–	62.9	–	–	4.5	363.1
Written back upon disposal of intangible concession rights	–	–	–	–	–	–	–	33.8	–	–	–	–	–	33.8
Transfer to current tax payable	–	–	–	–	–	–	–	–	5.4	16.7	–	–	5.4	16.7
Transfer to liabilities directly associated with non-current assets classified as assets held for sale	–	60.8	–	–	–	–	–	–	–	–	–	–	–	60.8
(Charged)/credited to consolidated income statement	(139.6)	(23.8)	(246.3)	(60.5)	57.8	215.6	104.4	85.9	(259.4)	(191.0)	14.6	(10.1)	(468.5)	16.1
(Charged)/credited to reserves	–	–	(92.2)	(5.0)	–	–	–	–	–	–	–	106.5	(92.2)	101.5
At end of the year	(3,284.6)	(2,649.4)	(1,773.8)	(1,453.7)	(1,352.2)	(1,370.3)	(1,744.3)	(1,883.8)	(1,015.7)	(873.3)	(166.0)	(190.9)	(9,336.6)	(8,421.4)

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$16,052.7 million (2016: HK$17,079.4 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK$4,392.1 million (2016: HK$4,641.1 million) which will expire at various dates up to and including 2022 (2016: 2021).

For the investment properties that are located outside Hong Kong, they are held by certain subsidiaries with a business model to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sale, the presumption is rebutted and related deferred tax continues to be determined based on recovery of use. For the remaining investment properties, the tax consequence is on the presumption that they are recovered entirely by sale.

As at 30 June 2017, the aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures for which deferred tax liabilities have not been recognised totalled approximately HK$7.1 billion (2016: HK$7.5 billion), as the directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

28 OTHER NON-CURRENT ASSETS

	2017 HK$m	2016 HK$m
Long-term loans and receivables (note (a))	**1,452.7**	4,213.8
Long-term prepayments and deposits	**1,159.9**	1,396.3
	2,612.6	5,610.1

Notes:

(a)

	2017 HK$m	2016 HK$m
Mortgage loans receivable (note (i))	**1,483.4**	292.4
Mortgage loans receivable within one year included in debtors and prepayments	**(65.7)**	(5.7)
Other loans	**–**	23.7
Other receivables (note (ii))	**35.0**	3,903.4
	1,452.7	4,213.8

(i) Mortgage loans receivable which are secured on properties and repayable by monthly instalments with various tenors not more than 30 years (2016: not more than 30 years) at the balance sheet date and carrying interest at rates with reference to banks' lending rates.

(ii) The balance as of 30 June 2016 mainly represents the non-current portion of consideration receivable from Evergrande of HK$3,853.4 million in relation to the disposal of subsidiaries. The amount was stated at its fair value using a discount rate of 12%. The consideration to be received was subject to adjustment based on the actual amount required by the Group to settle the obligations stipulated in the sales and purchase agreements. The total contracted consideration was RMB20,800.0 million (approximately to HK$25,106.1 million). The balance is reclassified to debtors and prepayments in that year.

29 PROPERTIES UNDER DEVELOPMENT

	2017 HK$m	2016 HK$m
Properties under development		
Expected to be completed and available for sale after more than 12 months	**30,256.7**	19,166.7
Expected to be completed and available for sale within 12 months	**18,273.3**	31,588.3
	48,530.0	50,755.0

At 30 June 2017, the aggregate carrying value of properties under development pledged as securities for the Group's borrowings amounted to HK$8,808.5 million (2016: HK$13,459.0 million).

30 INVENTORIES

	2017 HK$m	2016 HK$m
Raw materials	**27.3**	28.9
Finished goods	**728.8**	636.8
	756.1	665.7

31 DEBTORS AND PREPAYMENTS

	2017 HK$m	2016 HK$m
Trade debtors (note (a))	**3,161.9**	3,205.2
Amounts due from customers for contract work (note 34)	**547.2**	417.6
Retention receivable for contract work	**1,246.8**	1,115.8
Payment for purchase of land and land preparatory costs	**1,066.4**	3,027.6
Deposits, prepayments and other debtors (note (f))	**18,621.6**	15,750.3
Amounts due from associated companies (note (g))	**88.1**	1,433.1
Amounts due from joint ventures (note (h))	**3,132.4**	531.5
	27,864.4	25,481.1

Notes:

(a) The Group has different credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Sales proceeds receivable from sale of properties and retention receivable in respect of construction and engineering services are settled in accordance with the terms of respective contracts.

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

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

There is no concentration of credit risk with respect to trade debtors as the customer bases are widely dispersed in different sectors and industries.

(b) At 30 June 2017, trade debtors of HK$800.6 million (2016: HK$646.8 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade debtors is as follows:

	2017 HK$m	2016 HK$m
Current to 30 days	**197.5**	354.1
31 to 60 days	**254.5**	43.4
Over 60 days	**348.6**	249.3
	800.6	646.8

At 30 June 2017, trade debtors of HK$57.2 million (2016: HK$64.4 million) were impaired. The aging analysis of these debtors is as follows:

	2017 HK$m	2016 HK$m
Current to 30 days	**–**	–
31 to 60 days	**–**	–
Over 60 days	**57.2**	64.4
	57.2	64.4

31 DEBTORS AND PREPAYMENTS (CONTINUED)

Notes: (continued)

(c) Movements on the provision for impairment of trade debtors are as follows:

	2017 HK$m	2016 HK$m
At beginning of the year	**64.4**	56.6
Translation differences	**(0.7)**	(4.4)
Increase in provision recognised in consolidated income statement	**12.9**	31.7
Amounts recovered	**(1.1)**	(2.6)
Amounts written off during the year	**(18.3)**	(8.1)
Disposal of subsidiaries	**–**	(8.8)
At end of the year	**57.2**	64.4

(d) The carrying amounts of the debtors and prepayments, which approximate to their fair values, are denominated in the following currencies:

	2017 HK$m	2016 HK$m
Renminbi	**13,493.5**	14,572.1
Hong Kong dollar	**10,786.1**	8,234.3
United States dollar	**3,378.3**	2,067.1
Others	**206.5**	607.6
	27,864.4	25,481.1

(e) Except for certain collaterals held as securities for other debtors, the Group does not hold other collateral as securities for the debtors and prepayments. The maximum exposure to credit risk at the end of the reporting period is the carrying value mentioned above.

(f) As at 30 June 2017, the balances included the current portion of consideration receivable of HK$7,178.0 million (2016: HK$6,822.4 million) from Evergrande in relation to the disposal of subsidiaries.

(g) As at 30 June 2017, the amounts due from associated companies of the Group are interest free, unsecured and repayable on demand.

(h) As at 30 June 2017, the amounts due from joint ventures of the Group are interest free, unsecured and repayable on demand except for an aggregate amount of HK$310.0 million (2016: HK$310.0 million) due from joint ventures which bear interests ranging from 10.0% to London Interbank Offered Rate ("LIBOR") plus a margin of 12.2% (2016: 10.0% to LIBOR plus a margin of 12.2%) per annum.

32 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$m	2016 HK$m
Non-current		
Unlisted equity securities, at fair value	**574.5**	695.1
Current		
Unlisted equity securities, at fair value	**0.1**	0.1
	574.6	695.2
Representing:		
Held for trading	**0.1**	0.1
Designated as financial assets at fair value through profit or loss	**574.5**	695.1
	574.6	695.2

The financial assets at fair value through profit or loss are denominated in the following currencies:

	2017 HK$m	2016 HK$m
United States dollar	**481.3**	616.4
Renminbi	**77.5**	56.5
Others	**15.8**	22.3
	574.6	695.2

33 CASH AND BANK BALANCES

	2017 HK$m	2016 HK$m
Cash at banks and on hand	**32,115.5**	30,129.1
Bank deposits — unrestricted	**34,870.5**	24,836.0
	66,986.0	54,965.1
Bank deposits — restricted	**120.5**	205.7
	67,106.5	55,170.8

The effective interest rates on bank deposits range from 0.0083% to 4.9% (2016: 0.001% to 4.3%) per annum and these deposits have maturities ranging from 3 to 365 days (2016: 4 to 366 days).

The carrying amounts of the cash and bank balances are denominated in the following currencies:

	2017 HK$m	2016 HK$m
Renminbi	**26,333.3**	28,892.9
United States dollar	**21,205.1**	3,832.3
Hong Kong dollar	**19,174.6**	22,111.7
Others	**393.5**	333.9
	67,106.5	55,170.8

Restricted bank deposits of HK$60.2 million (2016: HK$205.7 million) are funds which are pledged to secure certain borrowings.

The conversion of Renminbi denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

34 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017 HK$m	2016 HK$m
Contract costs incurred plus attributable profits less foreseeable losses	**12,807.0**	8,736.8
Progress payments received and receivable	**(14,557.1)**	(9,911.5)
	(1,750.1)	(1,174.7)
Representing:		
Gross amounts due from customers for contract work (note 31)	**547.2**	417.6
Gross amounts due to customers for contract work (note 42)	**(2,297.3)**	(1,592.3)
	(1,750.1)	(1,174.7)

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

Non-current assets classified as assets held for sale

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

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

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

Note:

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

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

36 SHARE CAPITAL

	2017		2016	
	Number of shares (million)	**HK$m**	Number of shares (million)	HK$m
Issued and fully paid:				
At beginning of the year	**9,388.4**	**69,599.8**	8,996.9	66,711.6
Issue of new shares as scrip dividends (note)	**402.4**	**3,426.0**	391.0	2,884.6
Issue of new shares upon exercise of share options	**24.4**	**207.8**	0.5	3.6
At end of the year	**9,815.2**	**73,233.6**	9,388.4	69,599.8

Note:

During the year ended 30 June 2017, 288,766,086 and 113,692,871 new shares were issued by the Company at HK$8.2061 and HK$9.2910 per share respectively for the settlement of 2016 final scrip dividends and 2017 interim scrip dividends.

37 PERPETUAL CAPITAL SECURITIES

During the year ended 30 June 2017, a wholly owned subsidiary of the Company (the "Issuer") issued US$1,200.0 million 5.75% perpetual capital securities with the aggregate net proceeds after transaction cost of HK$9,212.3 million.

The perpetual capital securities issued by the Issuer are guaranteed by the Company. There is no maturity of the securities and the payments of distribution can be deferred at the discretion of the Issuer, and there is no limit as to the number of times of deferral of distribution. The perpetual capital securities are callable. When the Company elects to declare dividends to its ordinary shareholders, the Issuer shall make distribution to the holders of perpetual capital securities at the distribution rate as defined in the subscription agreement.

38 NON-CONTROLLING INTERESTS

The total non-controlling interests as at 30 June 2017 is HK$25,401.5 million (2016: HK$21,321.9 million), of which HK$18,834.1 million (2016: HK$17,579.7 million) is attributable to NWSH. The total comprehensive income attributable to non-controlling interests for the year ended 30 June 2017 is HK$2,243.4 million (2016: HK$1,633.2 million), of which HK$1,974.3 million (2016: HK$773.3 million) is attributable to NWSH. The non-controlling interests in respect of other subsidiaries are not material to the Group.

Set out below is the summarised financial information for NWSH which is a subsidiary with material non-controlling interest to the Group.

Summarised consolidated statement of financial position of NWSH as at 30 June 2017 and 2016 are as follows:

	2017 HK$m	2016 HK$m
Non-current assets	**55,001.3**	51,660.4
Current assets	**20,724.6**	24,024.6
Total assets	**75,725.9**	75,685.0
Current liabilities	**(14,328.8)**	(18,250.6)
Non-current liabilities	**(12,122.1)**	(11,576.0)
Net assets	**49,275.0**	45,858.4
Non-controlling interests	**(217.9)**	(239.5)
Net assets after non-controlling interests	**49,057.1**	45,618.9

38 NON-CONTROLLING INTERESTS (CONTINUED)

Summarised consolidated statement of comprehensive income of NWSH for the year ended 30 June 2017 and 2016 are as follows:

	2017 HK$m	2016 HK$m
Revenues	**31,385.0**	29,497.8
Profit before taxation	**6,330.4**	5,594.4
Taxation	**(685.2)**	(632.9)
Profit for the year	**5,645.2**	4,961.5
Other comprehensive income for the year	**(330.2)**	(2,854.3)
Total comprehensive income for the year	**5,315.0**	2,107.2
Non-controlling interests	**(8.6)**	(18.7)
Total comprehensive income after non-controlling interests	**5,306.4**	2,088.5
Dividends paid to non-controlling interests	**10.9**	113.2

Summarised consolidated statement of cash flows of NWSH for the year ended 30 June 2017 and 2016 are as follows:

	2017 HK$m	2016 HK$m
Net cash from operation activities	**2,958.3**	3,593.5
Net cash from/(used in) investing activities	**2,403.6**	(458.2)
Net cash used in financing activities	**(7,742.5)**	(4,158.0)
Net decrease in cash and cash equivalents	**(2,380.6)**	(1,022.7)
Translation differences	**(75.5)**	(490.1)
Cash and cash equivalents at beginning of the year	**8,892.9**	10,405.7
Cash and cash equivalents at end of the year	**6,436.8**	8,892.9

The information above represents balances before inter-company eliminations, reclassification of assets and remeasurement of assets on Group level.

39 RESERVES

	Property revaluation reserve HK$m	Investment revaluation reserve HK$m	General reserve HK$m	Employees' share-based compensation reserve HK$m	Exchange reserve HK$m	Retained profits HK$m	Total HK$m
At 1 July 2016	3,736.4	1,395.4	798.1	236.3	2,510.8	101,296.6	109,973.6
Fair value changes of available-for-sale financial assets	–	432.9	–	–	–	–	432.9
Release of reserve upon disposal of available-for-sale financial assets	–	79.3	–	–	–	–	79.3
Release of investment revaluation deficit to the consolidated income statement upon impairment of available-for-sale financial assets	–	54.1	–	–	–	–	54.1
Employees' share-based payments	–	–	–	53.3	–	–	53.3
Share options lapsed	–	–	–	(29.2)	–	29.2	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(40.8)	(40.8)
Release of reserves upon disposal of subsidiaries	–	–	–	–	(34.5)	–	(34.5)
Release of reserve upon deemed disposal of interests in joint ventures	–	–	–	–	3.5	–	3.5
Release of reserves upon remeasurement of previously held equity interest in a joint venture	–	–	29.6	–	(7.7)	–	21.9
Release of reserve upon deregistration of a subsidiary	–	–	–	–	(9.4)	–	(9.4)
Release of reserves upon disposal of interests in joint ventures and partial disposal of interest in an associated company	–	–	(13.2)	–	(69.6)	–	(82.8)
Deemed disposal of interests in subsidiaries	–	–	–	–	–	9.1	9.1
Profit attributable to shareholders	–	–	–	–	–	7,675.7	7,675.7
Share of other comprehensive income of joint ventures and associated companies	–	4.6	20.8	–	(202.6)	(4.5)	(181.7)
Cash flow hedges	–	–	155.7	–	–	–	155.7
Remeasurement of post employment benefit obligation	–	–	(0.7)	–	–	15.1	14.4
Transfer of reserves	–	–	0.9	–	–	(0.9)	–
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	462.3	–	–	–	–	–	462.3
Translation differences	–	–	–	–	(1,446.2)	–	(1,446.2)
2016 final dividend paid	–	–	–	–	–	(2,912.3)	(2,912.3)
2017 interim dividend paid	–	–	–	–	–	(1,258.8)	(1,258.8)
Transaction costs in relation to the issuance of perpetual capital securities	–	–	–	–	–	(111.7)	(111.7)
At 30 June 2017	4,198.7	1,966.3	991.2	260.4	744.3	104,696.7	112,857.6

39 RESERVES (CONTINUED)

	Property revaluation reserve HK$m	Investment revaluation reserve HK$m	General reserve HK$m	Employees' share-based compensation reserve HK$m	Exchange reserve HK$m	Retained profits HK$m	Total HK$m
At 1 July 2015	3,725.5	2,117.9	757.1	466.2	6,712.7	98,427.6	112,207.0
Fair value changes of available-for- sale financial assets	–	(837.1)	–	–	–	–	(837.1)
Release of reserve upon disposal of available-for-sale financial assets, net of taxation	–	(286.0)	–	–	–	–	(286.0)
Release of investment revaluation deficit to the consolidated income statement upon impairment of an available-for-sale financial asset	–	411.1	–	–	–	–	411.1
Employees' share-based payments	–	–	–	77.7	–	–	77.7
Share options lapsed	–	–	–	(307.6)	–	307.6	–
Acquisition of additional interests in subsidiaries	–	–	85.3	–	804.5	(2,117.8)	(1,228.0)
Release of reserves upon disposal of subsidiaries	–	–	–	–	(771.9)	–	(771.9)
Release of reserves upon disposal of interest in a joint venture	–	–	–	–	(4.0)	–	(4.0)
Deemed disposal of interests in subsidiaries	–	–	–	–	–	(33.1)	(33.1)
Profit attributable to shareholders	–	–	–	–	–	8,666.3	8,666.3
Share of other comprehensive income of joint ventures and associated companies	–	(10.5)	13.9	–	(1,212.2)	(8.9)	(1,217.7)
Cash flow hedges	–	–	(90.1)	–	–	–	(90.1)
Remeasurement of post employment benefit obligation	–	–	(1.4)	–	–	(8.0)	(9.4)
Transfer of reserves	–	–	33.3	–	–	(33.3)	–
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights, net of taxation	10.9	–	–	–	–	–	10.9
Translation differences	–	–	–	–	(3,018.3)	–	(3,018.3)
2015 final dividend paid	–	–	–	–	–	(2,699.1)	(2,699.1)
2016 interim dividend paid	–	–	–	–	–	(1,204.7)	(1,204.7)
At 30 June 2016	3,736.4	1,395.4	798.1	236.3	2,510.8	101,296.6	109,973.6

Note:

Effect on net transfer to the non-controlling interests of the Group for the year ended 30 June 2017:

	2017 HK$m	2016 HK$m
Total comprehensive income for the year attributable to the shareholders of the Company	**7,145.2**	2,853.8
Transfer between Shareholders' funds and non-controlling interests		
Acquisition of additional interests in subsidiaries	**(40.8)**	(1,228.0)
Deemed disposal of interests in subsidiaries	**9.1**	(33.1)
Net transfer to the non-controlling interests	**(31.7)**	(1,261.1)
Total comprehensive income for the year attributable to the shareholders of the Company and net transfer to the non-controlling interests	**7,113.5**	1,592.7

40 BORROWINGS

	2017 HK$m	2016 HK$m
Long-term borrowings		
Secured bank loans	**19,703.3**	22,130.9
Unsecured bank loans	**73,594.4**	62,580.7
Other secured loans	**2,873.6**	2,374.3
Other unsecured loans	**1,264.4**	1,625.7
Fixed rate bonds and notes payable	**41,959.7**	41,989.8
Loans from non-controlling shareholders (note (b))	**1,357.8**	969.1
	140,753.2	131,670.5
Current portion of long-term borrowings	**(14,857.9)**	(16,828.1)
	125,895.3	114,842.4
Short-term borrowings		
Secured bank loans	**–**	49.4
Unsecured bank loans	**4,576.3**	1,463.8
Other unsecured loans	**5.0**	5.0
Loans from non-controlling shareholders (note (b))	**1,785.4**	1,743.4
	6,366.7	3,261.6
Current portion of long-term borrowings	**14,857.9**	16,828.1
	21,224.6	20,089.7
Total borrowings	**147,119.9**	134,932.1

Notes:

(a) Bank loans, other loans and fixed rate bonds and notes payable are repayable as follows:

	Bank loans		Other loans		Fixed rate bonds and notes payable	
	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m	2017 HK$m	2016 HK$m
Within one year	**15,721.4**	14,152.6	**5.0**	344.2	**3,712.8**	3,849.5
In the second year	**15,260.9**	10,739.5	**–**	–	**–**	3,709.8
In the third to fifth year	**63,560.2**	59,483.8	**4,138.0**	3,660.8	**17,362.4**	18,480.8
After the fifth year	**3,331.5**	1,848.9	**–**	–	**20,884.5**	15,949.7
	97,874.0	86,224.8	**4,143.0**	4,005.0	**41,959.7**	41,989.8

(b) Loans from non-controlling shareholders

Except for the loans of HK$558.9 million (2016: HK$504.8 million), the loans of HK$367.6 million (2016: nil) and the loans of HK$90.0 million (2016: nil) that are interest bearing at 2.2% over HIBOR (2016: 2.2% over HIBOR) per annum, interest bearing at 4.75% (2016: nil) per annum and interest bearing at 2.0% (2016: nil) per annum respectively, the remaining loans are interest free. All the loans from non-controlling shareholders are unsecured. A total amount of HK$1,357.8 million (2016: HK$969.1 million) is not repayable within the next 12 months and the remaining balances have no specific repayment term.

(c) Effective interest rates

	2017				2016			
	Hong Kong dollar	Renminbi	United States dollar	Others	Hong Kong dollar	Renminbi	United States dollar	Others
Bank loans	**1.9%**	**5.2%**	**2.2%**	**2.6%**	2.1%	5.6%	2.1%	2.0%
Fixed rate bonds and notes payable	**5.3%**	**5.5%**	**5.4%**	**–**	5.6%	5.5%	5.6%	–
Loans from non-controlling shareholders	**2.8%**	**4.8%**	**–**	**–**	2.7%	–	–	–
Other secured loans	**–**	**6.5%**	**–**	**–**	–	6.5%	–	–
Other unsecured loans	**3.0%**	**6.3%**	**–**	**–**	3.0%	7.2%	–	–

(d) Carrying amounts and fair values of the borrowings

The fair value of the fixed rate bonds and notes payable at the end of the reporting period is HK$44,610.9 million (2016: HK$44,172.4 million). The carrying amounts of other borrowings approximate their fair values.

40 BORROWINGS (CONTINUED)

Notes: (continued)

(e) Currencies

The carrying amounts of the borrowings are denominated in the following currencies:

	2017 HK$m	2016 HK$m
Hong Kong dollar	**99,788.5**	84,170.8
United States dollar	**28,148.1**	30,528.0
Renminbi	**19,048.6**	20,106.6
Others	**134.7**	126.7
	147,119.9	134,932.1

(f) The contractual repricing dates or maturity dates (whichever is earlier) of the interest-bearing borrowings are as follows:

	Bank loans HK$m	Other loans HK$m	Loans from non-controlling shareholders HK$m	Fixed rate bonds and notes payable HK$m	Total HK$m
2017					
Within five years	**97,874.0**	**4,143.0**	**1,016.5**	**21,211.2**	**124,244.7**
After the fifth year	**–**	**–**	**–**	**20,748.5**	**20,748.5**
	97,874.0	**4,143.0**	**1,016.5**	**41,959.7**	**144,993.2**
2016					
Within five years	86,224.8	4,005.0	504.8	26,158.8	116,893.4
After the fifth year	–	–	–	15,831.0	15,831.0
	86,224.8	4,005.0	504.8	41,989.8	132,724.4

41 OTHER NON-CURRENT LIABILITIES

	2017 HK$m	2016 HK$m
Deferred income	**180.4**	14.8
Provision for long service payments	**30.8**	38.8
Long-term accounts payable	**546.2**	547.6
	757.4	601.2

42 CREDITORS AND ACCRUED CHARGES

	2017 HK$m	2016 HK$m
Trade creditors (note (a))	**8,693.9**	7,980.1
Amounts due to customers for contract work (note 34)	**2,297.3**	1,592.3
Deposits received on sale of properties	**15,175.4**	9,828.7
Amounts due to joint ventures (note (b))	**1,369.7**	1,897.7
Amounts due to associated companies (note (b))	**2,334.2**	180.3
Other creditors and accrued charges	**20,864.7**	16,711.8
	50,735.2	38,190.9

Notes:

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

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

(b) The amounts payable are interest free, unsecured and have no fixed terms of repayment.

(c) The carrying amounts of creditors and accrued charges, which approximate their fair values, are denominated in the following currencies:

	2017 HK$m	2016 HK$m
Renminbi	**27,447.1**	19,964.6
Hong Kong dollar	**22,303.1**	17,254.1
United States dollar	**519.0**	556.5
Macau Pataca	**199.6**	273.7
Others	**266.4**	142.0
	50,735.2	38,190.9

43 FINANCIAL INSTRUMENTS BY CATEGORY

In accordance with HKFRS 7, the financial assets and financial liabilities of the Group as shown in the consolidated statements of financial position are classified as follows:

(a) Financial assets at fair value through profit or loss and derivative financial instruments in assets are categorised as financial assets at fair value through profit or loss and carried at fair value;

(b) Available-for-sale financial assets are categorised as available-for-sale financial assets and carried at fair value;

(c) Held-to-maturity investments are categorised as held-to-maturity investments and carried at amortised cost using the effective interest method;

(d) Long-term receivables, long-term deposits, restricted bank deposits, trade and other debtors, and cash and bank balances are categorised as loans and receivables and carried at amortised cost using the effective interest method; and

(e) Borrowings, trade and other creditors are categorised as financial liabilities and carried at amortised cost using the effective interest method. Derivative financial instruments in liabilities are categorised as financial liabilities at fair value through profit or loss and carried at fair value.

44 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet provided is as follows:

	2017 HK$m	2016 HK$m
Contracted but not provided for		
Property, plant and equipment	**1,235.3**	1,166.5
Investment properties	**3,530.4**	6,741.7
Associated companies	**–**	437.7
Joint ventures	**1,689.5**	1,934.9
Other investments	**1,153.1**	1,200.5
	7,608.3	11,481.3

The Group's share of capital commitments of the joint ventures not included above are as follows:

	2017 HK$m	2016 HK$m
Contracted but not provided for	**3,789.5**	708.3

(b) Commitments under operating leases

The future aggregate lease payments under non-cancellable operating leases are as follows:

	2017 HK$m	2016 HK$m
Land and buildings		
In the first year	**918.4**	873.5
In the second to fifth year	**3,241.1**	3,056.3
After the fifth year	**3,028.0**	3,480.8
	7,187.5	7,410.6

The Group leases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms ranging from 1 to 17 years. Certain of these leases have escalation clauses and renewal rights.

(c) Operating lease receivable

The future minimum rental receivable under non-cancellable operating leases are as follows:

	2017 HK$m	2016 HK$m
In the first year	**1,953.5**	1,742.5
In the second to fifth year	**2,789.2**	2,729.2
After the fifth year	**614.2**	567.9
	5,356.9	5,039.6

The Group's operating leases are for terms ranging from 1 to 17 years.

45 FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

	2017 HK$m	2016 HK$m
Financial guarantee contracts:		
Mortgage facilities for certain purchasers of properties	**3,015.9**	2,428.4
Guarantees for credit facilities granted to		
Joint ventures	**3,994.1**	4,421.8
Associated companies	**1,938.2**	1,340.9
Others	**–**	18.0
	8,948.2	8,209.1

46 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash generated from operations

	2017 HK$m	2016 HK$m
Operating profit	**11,751.3**	16,583.3
Depreciation	**1,035.3**	979.7
Amortisation	**917.2**	949.5
Changes in fair value of investment properties	**(1,363.8)**	(307.3)
Write back of provision for loans and other receivables	**(124.8)**	(210.4)
Write back of provision of property, plant and equipment	**–**	(567.3)
Gain on partial disposal of interests in subsidiaries and remeasurement of retained interest at fair value after reclassification to a joint venture	**–**	(40.0)
Gain on deemed disposal of interests in joint ventures	**(546.9)**	–
Loss on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	**34.3**	–
Gain on remeasurement of previously held interest of an associated company at fair value upon further acquisition to become a subsidiary	**–**	(18.2)
(Gain)/loss on remeasurement of previously held interest of joint ventures at fair value upon further acquisition to become subsidiaries	**(374.2)**	40.5
Net loss on fair value of financial assets at fair value through profit or loss	**236.7**	154.0
Net (gain)/loss on disposal of		
Associated companies	**(74.2)**	(3.0)
Available-for-sale financial assets	**(110.2)**	(413.3)
Financial assets at fair value through profit or loss	**(69.2)**	(9.8)
Investment properties, property, plant and equipment and intangible concession rights and their related assets and liabilities	**(167.8)**	(207.2)
Joint ventures	**(133.7)**	(53.0)
Non-current assets classified as assets held for sale	**(244.2)**	(784.9)
Perpetual securities	**116.4**	–
Subsidiaries	**127.2**	(6,965.4)
Impairment loss on		
Available-for-sale financial assets	**139.2**	692.4
Intangible assets	**48.4**	–
Loans and other receivables	**231.3**	7.4
Property, plant and equipment	**49.8**	30.1
Dividend income from available-for-sale financial assets, perpetual securities and a financial asset at fair value through profit or loss	**(528.8)**	(855.5)
Share options expenses	**56.6**	124.8
Net exchange losses	**433.3**	1,894.0
Operating profit before working capital changes	**11,439.2**	11,020.4
(Increase)/decrease in inventories	**(4.2)**	42.6
Increase in properties for/under development and properties held for sale	**(14,282.3)**	(3,346.9)
(Increase)/decrease in debtors and prepayments	**(1,753.2)**	323.3
Increase in creditors and accrued charges	**13,032.9**	4,325.2
Net cash generated from operations	**8,432.4**	12,364.6

46 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Acquisition of subsidiaries

	2017 HK$m	2016 HK$m
Net assets acquired		
Investment properties	**1,800.9**	–
Property, plant and equipment	**4,167.7**	39.0
Intangible assets, other than goodwill	**142.8**	–
Deferred tax assets	**0.5**	–
Properties held for sale	**70.7**	–
Available-for-sale financial assets	**7.3**	–
Inventories	**86.2**	0.8
Debtors and prepayments	**575.6**	9.9
Cash and bank balances	**699.0**	1.3
Creditors and accrued charges	**(787.8)**	(18.4)
Current tax payable	**(85.6)**	(0.1)
Deferred tax liabilities	**(587.9)**	–
Other non-current liabilities	**(57.6)**	–
Borrowings	**(589.3)**	–
Non-controlling interests	**–**	(2.1)
Net assets	**5,442.5**	30.4
Interests originally held by the Group as a joint venture	**(3,751.8)**	(54.5)
Interests originally held by the Group as an associated company	**–**	15.0
	1,690.7	(9.1)
Goodwill on acquisition	**707.8**	2.5
(Gain)/loss on remeasurement of previously held interests of joint ventures at fair value upon further acquisition to become subsidiaries	**(374.2)**	40.5
Gain on remeasurement of previously held interest of an associated company at fair value upon further acquisition to become a subsidiary	**–**	(18.2)
Translation differences	**–**	(0.2)
Consideration	**2,024.3**	15.5

(c) Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries

	2017 HK$m	2016 HK$m
Cash consideration	**(2,024.3)**	(15.5)
Cash consideration to be paid	**155.8**	–
Cash and cash equivalents acquired	**699.0**	1.3
	(1,169.5)	(14.2)

46 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) Disposal of subsidiaries

	2017 HK$m	2016 HK$m
Net assets disposed		
Property, plant and equipment	–	1,732.0
Investment properties	**297.1**	2,762.8
Land use rights	–	100.6
Properties for development	**40.4**	10,108.6
Properties under development	**717.0**	5,004.2
Properties held for sales	**8.0**	1,296.1
Interests in joint ventures	–	1,092.7
Debtors and prepayments	**211.2**	823.7
Cash and bank balances	**206.6**	1,466.5
Creditors and accrued charges	**(882.1)**	(4,506.2)
Current tax payable	**(6.5)**	(94.0)
Borrowings	**(11.3)**	(1,531.9)
Deferred tax liabilities	**(4.5)**	(363.1)
Non-controlling interests	–	(236.5)
Net assets	**575.9**	17,655.5
Interest retained by the Group as a joint venture	–	(287.9)
Release of reserve upon disposal	**(35.4)**	(980.3)
Gain on partial disposal of interests in subsidiaries and remeasurement of retained interest at fair value after reclassification to a joint venture	–	40.0
Net (loss)/gain on disposal of subsidiaries	**(127.2)**	6,965.4
Consideration	**413.3**	23,392.7

(e) Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries

	2017 HK$m	2016 HK$m
Cash consideration	**413.3**	23,392.7
Consideration to be received (note)	–	(10,387.6)
Consideration received for disposal in prior year	**5,640.8**	–
Cash and cash equivalents disposed	**(206.6)**	(1,466.5)
	5,847.5	11,538.6

Note:

The balance in 30 June 2016 mainly represents the consideration to be received from Evergrande in relation to the disposal of subsidiaries (note 31(f)).

47 RELATED PARTY TRANSACTIONS

In addition to those disclosed in other sections of the consolidated financial statements, the following significant related party transactions have been entered into by the Group during the year:

	2017 HK$m	2016 HK$m
Joint ventures		
Provision of construction work services (note (a))	**1,129.9**	1,199.6
Interest income (note (b))	**177.0**	85.1
Rental expenses (note (c))	**237.3**	246.0
Management services fee income (note (d))	**97.3**	87.9

	2017 HK$m	2016 HK$m
Related companies (note (k))		
Provision of construction work services (note (a))	**24.6**	33.9
Rental income (note (c))	**144.9**	145.2
Concessionaires commissions (note (e))	**67.4**	76.1
Management services fee income (note (d))	**–**	221.1
Sales of goods, prepaid shopping cards and vouchers (note (f))	**22.3**	110.9
Purchase of goods (note (g))	**6.3**	10.9
Engineering and mechanical services (note (h))	**1,300.6**	1,768.6
Management fee expenses (note (i))	**58.9**	52.4
Accounts payable (note (j))	**2.3**	4.3

Notes:

(a) Revenue from provision of construction work services is principally charged in accordance with relevant contracts.

(b) Interest income is charged at interest rates as specified in note 21(a) on the outstanding amounts.

(c) Rental income and expenses are charged in accordance with respective tenancy agreements.

(d) Management services fee income is charged in accordance with the terms of respective management service agreements.

(e) The income is charged in accordance with concessionaire counter agreements with Chow Tai Fook Jewellery Group Limited ("CTFJ") and its subsidiaries (collectively "CTFJ Group"). The commission is mainly calculated by pre-determined percentages of gross sales value in accordance with respective agreements.

(f) This represents the amounts received in respect of the sales of goods, prepaid shopping cards and vouchers to CTF and its subsidiaries (collectively "CTF Group"), CTFJ Group and companies owned by Mr. Doo.

(g) This represents purchase of goods by means of presenting various cash equivalent gift coupons, gift cards and stored value shopping cards to CTFJ Group. Such fee is charged in accordance with the terms of the agreements.

(h) Engineering and mechanical services are charged in accordance with relevant contracts.

(i) Management fee expenses are charged at rates in accordance with relevant contracts.

(j) The accounts payable are unsecured, interest free and are repayable on demand.

(k) Related companies are subsidiaries and joint ventures of CTF Group, CTFJ Group and companies owned by Mr. Doo.

(l) The balances with joint ventures and associated companies are disclosed in notes 21, 22, 31 and 42.

(m) No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 15.

47 RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (continued)

(n) The further acquisition of NWST is disclosed in note 8(b).

(o) On 19 October 2016, Natal Global Limited ("Natal Global", an indirect wholly owned subsidiary of NWSH), Zion Sky Holdings Limited "Zion Sky", a directly wholly owned subsidiary of CTF), Investec Bank plc ("Investec") and GAL Partnership L.P. ("GAL") entered into a share purchase agreement, and pursuant to which, each of Natal Global and Zion Sky agreed to purchase (i) 50% of all the preference shares held by Investec, representing approximately 4.85% of total issued share capital of Goshawk (a then associated company of the group), and 50% of the shareholder loans advanced to Goshawk by Investec; and (ii) 50% of all the preference shares of Goshawk held by GAL, representing approximately 5.15% of total issued share capital of Goshawk, and 50% of the shareholder loans advanced to Goshawk by GAL, for an aggregate consideration of HK$788.0 million respectively.

On 19 October 2016, Pure Cosmos Limited ("Pure Cosmos", an indirect wholly owned subsidiary of NWSH), Zion Sky and Investec entered into a share purchase agreement, and pursuant to which, each of Pure Cosmos and Zion Sky agreed to purchase 50% of all ordinary shares of Manco held by Investec, representing 10% of Manco's total issued share capital for a consideration of HK$101.0 million respectively.

Completion of the above acquisitions took place on 24 October 2016 and upon completion, Natal Global owned 50% equity interest in Goshawk and Manco which were accounted for as joint ventures of the group.

(p) On 15 December 2016, CTF, Healthcare Venture Holdings Limited ("Healthcare Ventures", a direct wholly owned subsidiary of CTF), NWS Service, Dynamic Ally Limited ("Dynamic Ally", an indirect wholly owned subsidiary of NWSH) and Healthcare Assets Management Limited ("Healthcare Assets") entered into a joint venture agreement to regulate the respective rights and obligations of Healthcare Ventures and Dynamic Ally towards the management of Healthcare Assets. The entire issued share capital of Healthcare Assets is owned as to 50% by Healthcare Ventures and 50% by Dynamic Ally.

Pursuant to the Joint Venture Agreement, the initial total capital commitment of each of Healthcare Ventures and Dynamic Ally towards Healthcare Assets are HK$70.0 million. The Group's investment in Healthcare Assets is accounted for as its joint venture.

(q) On 18 August 2016, Sky Treasure Development Limited (a company indirectly owned as to 30.0% by the Company and 70.0% by CTF) was awarded a tender by the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone to acquire the land use rights of plots of land (for a term of 40 years) at Guiwan Area, Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone, Shenzhen, Guangdong Province, the PRC for the development of a financial and commercial complex at a consideration of RMB4,207.2 million (equivalent to approximately HK$4,835.9 million).

(r) On 5 October 2016, Catchy Investments Limited ("Catchy", a wholly owned subsidiary of the Company), entered into an agreement ("Optimum Result Agreement") with Fortunate House Limited ("Fortunate House", a wholly owned subsidiary of FSE Engineering) pursuant to which Catchy agreed to sell and assign, and Fortunate House agreed to purchase and accept the assignment of, the entire issued share capital of Optimum Result Holdings Limited ("Optimum Result") and the entire amount of the unsecured and non-interest bearing shareholder's loan owing from Optimum Result to Catchy as at the date of completion of the Optimum Result Agreement ("Completion") at an aggregate cash consideration of HK$285.0 million (subject to adjustment). The main asset of Optimum Result and its subsidiary is the property situate at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong. Completion took place on 9 January 2017 and thereafter, Optimum Result and its subsidiary ceased to be subsidiaries of the Company. The consideration was adjusted to approximately HK$280.9 million by reference to the unaudited consolidated net tangible assets value of Optimum Result as at the date of Completion.

48 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

49 COMPANY STATEMENT OF FINANCIAL POSITION

	2017 HK$m	2016 HK$m
Assets		
Non-current assets		
Investment property	**130.0**	107.0
Property, plant and equipment	**9.5**	13.0
Interests in subsidiaries	**48,567.9**	46,819.7
Interests in joint ventures	**1,087.5**	1,031.6
Interests in associated companies	**7.4**	18.2
Available-for-sale financial assets	**3.4**	3.5
Deferred tax assets	**55.4**	55.4
	49,861.1	48,048.4
Current assets		
Properties held for sale	**1,110.0**	1,229.3
Debtors and prepayments	**214.9**	180.2
Amounts receivable from subsidiaries	**82,500.1**	80,970.0
Cash and bank balances	**1,730.4**	295.2
	85,555.4	82,674.7
Total assets	**135,416.5**	130,723.1
Equity		
Share capital	**73,233.6**	69,599.8
Reserves (note)	**23,335.8**	21,502.9
Total equity	**96,569.4**	91,102.7
Liabilities		
Current liabilities		
Creditors and accrued charges	**369.5**	335.1
Amounts payable to subsidiaries	**38,477.6**	39,285.3
Total liabilities	**38,847.1**	39,620.4
Total equity and liabilities	**135,416.5**	130,723.1

Dr. Cheng Kar-Shun, Henry
Director

Dr. Cheng Chi-Kong, Adrian
Director

49 COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

Note:

Reserves

	Investment revaluation reserve HK$m	Employees' share-based compensation reserve HK$m	Retained profits HK$m	Total HK$m
At 1 July 2016	**(6.7)**	**165.3**	**21,344.3**	**21,502.9**
Employees' share-based payment	**–**	**48.1**	**–**	**48.1**
Share options lapsed	**–**	**(29.2)**	**29.2**	**–**
Fair value changes of available-for-sale financial assets	**(0.1)**	**–**	**–**	**(0.1)**
Profit for the year	**–**	**–**	**5,956.0**	**5,956.0**
2016 final dividend paid	**–**	**–**	**(2,912.3)**	**(2,912.3)**
2017 interim dividend paid	**–**	**–**	**(1,258.8)**	**(1,258.8)**
At 30 June 2017	**(6.8)**	**184.2**	**23,158.4**	**23,335.8**

	Investment revaluation reserve HK$m	Employees' share-based compensation reserve HK$m	Retained profits HK$m	Total HK$m
At 1 July 2015	(6.6)	394.4	20,962.5	21,350.3
Employees' share-based payment	–	71.3	–	71.3
Share options lapsed	–	(300.4)	300.4	–
Fair value changes of available-for-sale financial assets	(0.1)	–	–	(0.1)
Profit for the year	–	–	3,985.2	3,985.2
2015 final dividend paid	–	–	(2,699.1)	(2,699.1)
2016 interim dividend paid	–	–	(1,204.7)	(1,204.7)
At 30 June 2016	(6.7)	165.3	21,344.3	21,502.9

50 PRINCIPAL SUBSIDIARIES

As at 30 June 2017

	Share capital issued#		Attributable interest to the Group	Principal activities
	Number of shares	Issued and paid up share capital HK$	(%)	
Incorporated and operate in Hong Kong				
Ace Island Limited	1	1	100	Property investment
Addlight Investments Limited	9,998	9,998	63	Property development
	2[1]	2	63	
Adwin Top Limited	2	2	100	Property investment
All Speed Investment Limited	2	2	100	Property investment
Anway Limited	1	1	61	Duty free operation and general trading
Billion Huge (International) Limited	950,001	950,001	100	Investment holding
Billion Park Investment Limited	1,000,000	1,000,000	80	Investment holding
Billionoble Investment Limited	4,998	4,998	61	Investment holding
	2[1]	2	61	
Birkenshaw Limited	10,000	10,000	100	Property investment
Bounty Gain Limited	1	1	61	Investment holding
Bright Moon Company, Limited	100,000	1,000,000	75	Property investment
Cheer Best Enterprises Limited	2	2	100	Property investment
Cheering Step Investments Limited	1	1	61	Investment holding
Cheong Sing Company Limited	10,000	10,000	100	Property investment
Cheong Yin Company Limited	30,000	3,000,000	100	Property investment
Chi Lam Investment Company Limited	7,000	700,000	100	Investment holding
Chinese Future Limited	1,300,000,000	1,300,000,000	61	Investment holding
CiF Solutions Limited	10	1,000	61	Provision of information technology solutions
	160,000[1]	16,000,000	61	
Come City Limited	2	2	100	Property investment
Discovery Park Commercial Services Limited	2	2	100	Property management
DP Properties Limited	4,000	1,000	100	Property investment
Easywin Enterprises Corporation Limited	2,000	200,000	100	Investment holding
Fook Hang Trading Company Limited	100	10,000	85	Property development
Fook Hong Enterprises Company, Limited	10,000	1,000,000	100	Property investment
Fortune Kingdom Development Limited	2	2	100	Property development
Full Asset Enterprises Limited	1	1	100	Property investment
Good Sense Development Limited	1	1	100	Property investment
Grace Crystal Limited	1	1	61	Investment holding
Grace Sky Creation Limited	10,000	10,000	100	Investment holding
Gracejoy Investments Limited	1	1	100	Property development
Grand Express International Limited	1	1	61	Investment holding
Guidetone Investments Limited	100,000	100,000	80	Property investment
Happy Champion Limited	2	2	100	Investment holding
Head Step Limited	2	2	100	Hotel operation
Highness Land Investment Company Limited	10	100	60	Property investment
Hip Hing Builders Company Limited	40,000	40,000,000	61	Construction
	10,000[1]	10,000,000	61	
Hip Hing Construction Company Limited	400,000	40,000,000	61	Construction and civil engineering
	600,000[1]	60,000,000	61	
Hip Hing Engineering Company Limited	2,000,000	200,000,000	61	Building construction
Hip Seng Builders Limited	20,000	20,000,000	61	Construction
Hip Seng Construction Company Limited	1	1	61	Construction

50 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2017

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Issued and paid up share capital HK$		
Incorporated and operate in Hong Kong (continued)				
Hong Kong Convention and Exhibition Centre (Management) Limited	3 1[1]	3 1	61 61	Management of Hong Kong Convention and Exhibition Centre ("HKCEC")
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	61	Investment holding
Hong Kong Island Development Limited	33,400,000	167,000,000	100	Property investment
Hong Kong Jing-Guang Development Limited	100,000	1,000,000	82	Investment holding
Hong Kong Multiple Intelligence Education Company Limited	1	1	100	Provision of training courses
Honour Shares Limited	100	100	100	Investment holding
Housing Finance Limited	2	2	100	Financial services
Istaron Limited	4	4	100	Investment holding
Jade Gain Enterprises Limited	100	100	70	Property investment
Joint Profit Limited	2	2	100	Property investment
K11 (China) Limited	1	1	100	Investment holding
K11 Concepts Limited	1	1	100	Provision of property management consultancy services
K11 Cultural & Creation Company Limited	1	1	100	Cultural & Creation
K11 Sales & E-Commerce Company Limited	1	1	100	Retail & Corporate Sales
Kin Kiu Enterprises, Limited	10,000	10,000,000	100	Investment holding
King Lee Investment Company Limited	300	300,000	100	Investment holding
Kiu Lok Property Services (China) Limited	2 2[1]	2 2	61 61	Property agency management and consultancy
La Tune Limited	2	200	100	Property investment
Land Source Investment Limited	2	2	100	Property investment
Lingal Limited	1,800 200[1]	1,800 200	100 –	Investment holding
Legarleon Finance Limited	4,400,000	44,000,000	100	Financing
Lucrative Venture Limited	1,500,000	15,000,000	100	Property development
Magic Sign Limited	2	2	100	Property development
Million World Development Limited	100	100	100	Property investment
New Advent Limited	1	1	61	Property investment
New World Construction Company Limited	1	1	61	Construction
New World Construction Management Company Limited	1	1	61	Construction
New World Department Store (Investment) Limited	3	410,045,794	72	Investment holding
New World Department Stores Limited	2	2	72	Provision of management services to department stores
New World Development (China) Limited	2	4	100	Investment holding
New World Finance Company Limited	200,000	20,000,000	100	Financial services
New World-Guangdong Highway Investments Co. Limited	999,900 100[1]	99,990,000 10,000	61 81	Investment holding
New World Hotels (Holdings) Limited	576,000,000	510,795,731	100	Investment holding

50 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2017

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Issued and paid up share capital HK$		
Incorporated and operate in Hong Kong (continued)				
New World Loyalty Programme Limited	1	1	100	Loyalty programme
New World Nominee Limited	2	200	100	Nominee services
New World Port Investments Limited	2	2	61	Investment holding
New World Project Management (China) Limited	1	1	100	Project management
New World Property Management Company Limited	1	1	100	Property management
New World Real Estate Agency Limited	2	2	100	Estate agency
New World Tower Company Limited	2	20	100	Property investment
New World (Xiamen) Port Investments Limited	2	2	61	Investment holding
NW Project Management (HK) Limited	1	1	100	Project management
NW Project Management Limited	2	2	100	Project management
NWS (Finance) Limited	2	2	61	Financial services
NWS Holdings (Finance) Limited	1	1	61	Financing
NWS Hong Kong Investment Limited	1	1	61	Investment holding
NWS Ports Management (Tianjin) Limited	1	1	61	Investment holding
Pacific Great Investment Limited	50,000,000	50,000,000	100	Investment holding
Paterson Plaza Properties Limited	10,000	10,000	100	Property investment
Pearls Limited	100	100	92	Property development
Peterson Investment Company Limited	10,000	10,000	100	Property investment
Pine Harvest Limited	1	1	80	Property development
Polytown Company Limited	2	20	61	Property investment,
	100,000[1]	1,000,000	61	operation, marketing, promotion and management of HKCEC
Polyworth Limited	10	10	92	Property development
Pridemax Limited	2	2	100	Property investment
Profit Now Limited	1	1	61	Investment holding
Queen's Land Investment Limited	1,000	1,000	100	Property development
Realray Investments Limited	2	2	100	Property investment
Regent Star Investment Limited	1,000	1,000	100	Property development
Richglows Limited	2	2	100	Property investment
Riviera Quin International Limited	10,000	10,000	51	Investment holding
Riviera Hexa International Limited	10,000	10,000	51	Investment holding
Rosy Page Limited	15,000,000	15,000,000	100	Property development
Scienward Fashion and Luxury Limited	10,000	10,000	72	Investment holding and fashion trading
Scienward Sports and Casual Limited	100	100	72	Provision of management services
Silver Grow Investment Limited	1	1	72	Investment holding
Silver Rich Holdings Limited	2	2	85	Property development
Sky Connection Limited	100	100	61	Duty free operation and general trading
Speed Star Development Limited	2	2	100	Property investment
Spotview Development Limited	10	10	100	Financial services
Spring Yield Investments Limited	1	1	100	Property investment
Super Memory Limited	2	2	100	Property investment
Super Record Limited	1	1	100	Property investment
Super Value Development Limited	10,000	10,000	100	Property investment

50 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2017

	Share capital issued[#]		Attributable interest to the Group	Principal activities
	Number of shares	Issued and paid up share capital HK$	(%)	
Incorporated and operate in Hong Kong (continued)				
Tao Yun Company Limited	2	20	100	Property investment
Top Flash Investments Limited	10,000	10,000	100	Property investment
True Hope Investment Limited	299,999,998	299,999,998	61	Investment holding
	2[1]	2	61	
Twinic International Limited	1	1	61	Investment holding
Ultimate Vantage Limited	100	100	80	Property development
Up Fair Limited	2	2	100	Property development
Urban Parking Limited	15,000,000	15,000,000	61	Carpark management
Vibro Construction Company Limited	1,630,000	163,000,000	61	Civil engineering
	20,000[1]	2,000,000	61	
Vibro (H.K.) Limited	20,000,004	60,328,449	61	Piling, ground investigation and civil engineering
Waygent Investment Limited	2	2	100	Property investment
Winpo Development Limited	2	2	100	Property investment
Wisemec Enterprises Limited	2	2	61	Investment holding
World Empire Property Limited	2	2	100	Property investment

	Share capital issued[#]		Attributable interest to the Group	Principal activities
	Number of shares	Par value per share	(%)	
Incorporated in the Cayman Islands				
Chinese Future Corporation	1,000,000	US$0.01	61	Investment holding
Incorporated in the Cayman Islands and operate in Hong Kong				
New World China Land Limited	8,702,292,242	HK$0.1	100	Investment holding
New World Department Store China Limited	1,686,145,000	HK$0.1	72	Investment holding
New World TMT Limited	952,180,007	HK$1	100	Investment holding
NWS Service Management Limited	1,323,943,165	HK$0.1	61	Investment holding
Incorporated and operates in the Philippines				
New World International Development Philippines, Inc	6,988,016	Peso100	62	Hotel operation
Incorporated and operates in Malaysia				
Taipan Eagle Sdn. Bhd.	1,000,000	MYR1	71	Property development

[#] Represented ordinary share capital, unless otherwise stated

[1] Non-voting deferred shares

50 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2017

	Registered/ fully paid capital	Attributable interest[ø] to the Group (%)	Principal activities
Incorporated and operate in the PRC			
Anshan New World Department Store Co., Ltd.	RMB25,000,000[W]	72	Department store operation
Beijing Chong Yu Real Estate Development Co., Ltd.	US$171,840,000[W]	100	Property investment and development
Beijing Dongfang Huamei Real Estate Development Co., Ltd.	RMB200,000,000[E]	75	Land development
Beijing Lingal Real Estates Development Co., Ltd.	US$13,000,000[W]	100	Property investment
Beijing New World Liying Department Store Co., Ltd.	RMB18,000,000[W]	72	Department store operation
Beijing New World Qianzi Department Store Co., Ltd.	HK$60,000,000[W]	72	Department store operation
Beijing New World Trendy Department Store Co., Ltd.	RMB25,000,000[W]	72	Department store operation
Beijing NW Project Management Consultancy Services Limited	RMB1,000,000[W]	100	Project management and consultancy
Beijing Xintong Media & Advertising Co., Ltd.	RMB100,000,000[E]	83	Provision of advertising and media related services
Beijing Yixi New World Department Store Co., Ltd.	RMB65,000,000[W]	72	Department store operation
Changsha New World Trendy Plaza Co., Ltd.	RMB60,000,000[W]	72	Department store operation
Chaoming (Chongqing) Investment Company Limited	US$78,000,000[W]	61	Investment holding
Chengdu New World Department Store Co., Ltd.	RMB70,000,000[W]	72	Department store operation
Chongqing New World Department Store Co., Ltd.	RMB100,000,000[W]	72	Department store operation
Dalian New World Plaza International Co., Ltd.	RMB58,000,000[E]	88	Property investment and development
Dalian New World Tower Co., Ltd.	US$197,324,700[W]	100	Property investment and development
Foshan International Country Club Company Ltd.	US$52,923,600[C]	85	Golf club operation
Foshan Country Real Estate Development Co., Ltd.	RMB1,182,443,660[W]	85	Property development
Foshan Da Hao Hu Real Estate Development Co., Ltd.	RMB1,364,500,500[W]	85	Property development
Guangdong Xin Chuan Co., Ltd.	RMB714,853,600[W]	61	Investment holding
Guangzhou Fong Chuen-New World Property Development Ltd.	RMB330,000,000[C]	100	Property development
Guangzhou Jixian Zhuang New World City Garden Development Limited	US$24,000,000[C]	100	Property development
Guangzhou Metropolitan Properties Co., Ltd.	HK$140,000,000[W]	100	Property investment
Guangzhou New World Properties Development Co., Ltd.	HK$220,000,000[W]	100	Property investment
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	RMB200,000,000[C]	100	Property development
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	RMB244,000,000[C]	100	Property development
Guangzhou Xin Sui Tourism Centre Ltd.	HK$350,000,000[W]	100	Property development
Guangzhou Xin Yi Development Limited	HK$286,000,000[C]	90	Property investment and development
Guangzhou Xinpei Enterprise Management Co. Ltd.	RMB50,000,000[W]	100	Investment holding
Guangzhou Xinpei Investment Co. Ltd.	RMB200,000,000[W]	100	Investment holding
Guangzhou Yao Ce Enterprises Management Consultancy Co. Ltd.	RMB10,000,000[W]	100	Investment holding
Guangzhou Yibo Real Estate Development Co., Ltd.	RMB392,500,000[W]	100	Property development
Haikou New World Housing Development Ltd.	US$8,000,000[W]	100	Property development
Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.	US$320,590,000[E]	61	Operation of toll road
Harbin New World Department Store Co., Ltd.	RMB126,000,000[W]	72	Department store operation
Huamei Wealth (Beijing) Technology Co., Ltd.	RMB640,000,000[W]	100	Property investment
Hunan Fortune Lake Property Development Co., Ltd.	RMB255,724,318[W]	100	Property development

50 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2017

	Registered/ fully paid capital	Attributable interest[ø] to the Group (%)	Principal activities
Incorporated and operate in the PRC (continued)			
Hunan Success New Century Investment Company Limited	RMB980,000,000[E]	95	Property development
Jiangsu New World Department Store Co., Ltd.	RMB16,000,000[W]	72	Department store operation
Jinan New World Sunshine Development Ltd.	US$69,980,000[W]	100	Property development
K11 Business Services (Wuhan) Limited	RMB500,000[W]	100	Business services
K11 Concepts (Beijing) Limited	RMB8,000,000[W]	100	Business consultancy
K11 Concepts (Shanghai) Limited	RMB16,000,000[W]	100	Business consultancy
Langfang New World Properties Development Co., Ltd.	US$145,300,000[W]	100	Property development
Langfang Xin Zhong Properties Development Co., Ltd.	US$98,200,000[W]	100	Property development
Lanzhou New World Department Store Co., Ltd.	RMB30,000,000[W]	72	Department store operation
Mianyang New World Department Store Co., Ltd.	RMB14,000,000[W]	72	Department store operation
Nanjing New World Real Estate Co., Ltd.	US$45,339,518[W]	100	Property investment
New World Anderson (Tianjin) Development Co., Ltd.	US$5,500,000[W]	100	Property investment
New World (Anshan) Property Development Co., Ltd.	RMB1,420,000,000[W]	100	Property development
New World (China) Investment Limited	US$130,000,000[W]	100	Investment holding
New World China Land Investments Company Limited	US$80,000,000[W]	100	Investment holding
New World Department Store (China) Co., Ltd.	RMB50,000,000[W]	72	Department store operation
New World Department Stores Investment (China) Co., Ltd.	US$150,000,000[W]	72	Investment holding
New World Development (Wuhan) Co., Ltd	US$128,500,000[W]	100	Property investment and development
New World Goodtrade (Wuhan) Limited	US$219,500,000[W]	100	Property investment and development
New World New Land Real Estate (Wuhan) Co., Ltd.	US$590,900,000[W]	100	Property development
New World (Shenyang) Property Development Limited	RMB5,647,800,000[W]	100	Property investment and development
New World Strategic (Beijing) Investment Consultancy Limited	US$2,400,000[W]	100	Investment consultancy
Ningbo Firm Success Consulting Development Co., Ltd.	US$5,000,000[W]	72	Investment holding and provision of consultancy services
Peak Moral High Commercial Development (Shanghai) Co., Ltd.	US$40,000,000[W]	72	Property investment and shopping mall operation
Scienward Fashion and Luxury (Shanghai) Co., Ltd.	US$6,460,000[W]	72	Fashion retailing and trading
Shang Ji Properties (Shenzhen) Co. Ltd.	RMB50,000,000[W]	51	Property development
Shang Shun Properties (Shenzhen) Co. Ltd.	RMB40,000,000[W]	51	Property development
Shanghai Art Store Company Limited	RMB2,000,000[W]	100	Arts derivatives operation
Shanghai Luxba Trading Ltd.	US$7,150,000[W]	72	Properties investment and fashion trading
Shanghai New World Caixuan Department Store Co., Ltd.	RMB30,000,000[W]	72	Department store operation
Shanghai New World Caizi Department Store Co., Ltd.	RMB50,000,000[W]	72	Department store operation
Shanghai New World Department Store Co., Ltd.	RMB18,000,000[W]	72	Department store operation
Shanghai New World Huiya Department Store Co., Ltd.	RMB240,000,000[W]	72	Department store operation
Shanghai New World Huiyan Department Store Co., Ltd	RMB85,000,000[W]	72	Property investment and shopping mall operation
Shanghai New World Huiying Department Store Co., Ltd.	RMB93,970,000[W]	72	Department store operation
Shanghai New World Huizi Department Store Co., Ltd	RMB5,000,000[W]	72	Department store operation
Shanghai New World Xinying Department Store Co., Ltd.	HK$100,000,000[W]	72	Department store operation

50 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2017

	Registered/ fully paid capital	Attributable interest[ø] to the Group (%)	Principal activities
Incorporated and operate in the PRC (continued)			
Shanghai Nplus Catering Management Co., Ltd.	RMB16,000,000[W]	72	Catering
Shanghai Ramada Plaza Ltd.	US$42,000,000[W]	100	Property investment and hotel operation
Shanghai Trio Property Development Co., Ltd.	US$81,000,000[W]	100	Property investment
Shanxi Xinda Highways Ltd.	RMB49,000,000[C]	37[α]	Operation of toll road
Shanxi Xinhuang Highways Ltd.	RMB56,000,000[C]	37[α]	Operation of toll road
Shenyang New World Department Store Ltd.	RMB30,000,000[W]	72	Property investment and department store operation
Shenyang New World Xin Hui Properties Co., Ltd.	RMB501,520,000[W]	100	Property development
Shenyang Trendy Property Company Limited	RMB27,880,000[W]	72	Property investment
Shenzhen New World Xianglong Network Technology Company Limited	RMB447,708,674[C]	100	Exploration of wireless telecommunication network
Shenzhen Top One Real Estate Development Co., Ltd.	HK$150,000,000[W]	100	Property development
Shenzhen Topping Real Estate Development Co., Ltd.	HK$294,000,000[W]	100	Property development
Tang Shan New World Property Development Co., Ltd.	US$162,000,000[W]	100	Property development
Tianjin New World Department Store Co., Ltd.	US$5,000,000[W]	72	Department store operation
Tianjin New World Properties Development Co., Ltd.	US$91,000,000[W]	100	Property development
Tianjin New World Trendy Plaza Co., Ltd.	RMB30,000,000[W]	72	Department store operation
Tianjin Xin Guang Development Co., Ltd.	US$4,500,000[W]	100	Property investment
Wuhan New Eagle Enterprises Co., Limited	US$2,830,000[W]	100	Property investment
Wuhan New World Caixuan Department Store Co., Ltd.	RMB75,000,000[W]	72	Department store operation
Wuhan New World Department Store Co., Ltd.	US$15,630,000[W]	72	Property investment and department store operation
Wuhan New World Trendy Department Store Co., Ltd.	RMB80,000,000[W]	72	Department store operation
Wuhan New World Trendy Plaza Co., Ltd.	RMB50,000,000[W]	72	Department store operation
Wuhan Xinhan Development Co., Ltd.	US$16,000,000[C]	100	Property development
Wuzhou Xinwu Highways Limited	RMB72,000,000[C]	32[α]	Operation of toll road
Xiamen NWS Management Consultancy Limited	US$500,000[W]	61	Management consultation
Xi'an New World Department Store Co., Ltd.	RMB40,000,000[W]	72	Department store operation
Yancheng New World Department Store Co., Ltd.	HK$95,000,000[W]	72	Department store operation
Yantai New World Department Store Co., Ltd	RMB80,000,000[W]	72	Department store operation
Yunnan New World Department Store Co., Ltd.	RMB10,000,000[W]	72	Department store operation
Zhaoqing New World Property Development Limited	US$16,500,000[W]	100	Property development
Zhengzhou New World Department Store Co., Ltd.	RMB50,000,000[W]	72	Department store operation
Incorporated and operate in Macau			
Hip Hing Engineering (Macau) Company Limited	MOP100,000	61	Construction
Vibro (Macau) Limited	MOP1,000,000	61	Foundation works

α The Group indirectly holds equity interest in these subsidiaries through non-wholly owned subsidiaries, and has control over each of these subsidiaries

ø Profit or cash sharing percentage was adopted for certain PRC entities

W Registered as wholly foreign owned enterprise under PRC law

E Registered as sino-foreign equity joint venture under PRC law

C Registered as sino-foreign co-operative joint venture under PRC law

50 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2017

	Share capital issued#		Attributable interest to the Group	Principal activities
	Number of shares	Par value per share	(%)	
Incorporated in Bermuda and operates in Hong Kong				
NWS Holdings Limited	3,888,292,088	HK$1	61	Investment holding
Incorporated in the British Virgin Islands				
Beauty Ocean Limited	1	US$1	61	Investment holding
Brilliant Alpha Investment Limited	1	US$1	100	Investment holding
Crown Success Limited	100	US$1	100	Investment holding
Eagle Eyes Development Limited	1	US$1	100	Investment holding
Ease Kind Development Limited	1	US$1	100	Property development
Esteemed Sino Limited	1	US$1	100	Investment holding
Ever Brisk Limited	1	US$1	100	Investment holding
Ever Reliance Enterprises Limited	1	US$1	51	Investment holding
Fine Reputation Incorporated	10,000	US$1	100	Investment holding
Flying Gravity Limited	1	US$1	61	Investment holding
Fortland Ventures Limited	1	US$1	61	Investment holding
Fortune Star Worldwide Limited	100	US$1	100	Investment holding
Fotoland Limited	1	US$1	100	Investment holding
Gao Li Enterprises Limited	1	US$1	51	Investment holding
Gigantic Global Limited	2	US$1	100	Investment holding
Goodtrade Enterprises Limited	1	US$1	100	Investment holding
Gravy Train Investments Limited	1	US$1	61	Investment holding
HH Holdings Corporation	600,000	HK$1	61	Investment holding
Hing Loong Limited	20,010,000	US$1	100	Investment holding
Ideal Global International Limited	1	US$1	61	Investment holding
K11 Group Limited	1	HK$1	100	Investment holding
K11 Investment Company Limited	1	US$1	100	Investment holding
Kee Shing Investments Limited	1,000	US$1	100	Investment holding
Keen Link Enterprises Limited	1	US$1	100	Investment holding
Lotsgain Limited	100	US$1	100	Investment holding
Magic Chance Limited	1	US$1	100	Investment holding
Moscan Developments Limited	1	US$1	61	Investment holding
Natal Global Limited	1	US$1	61	Investment holding
New World China Finance (BVI) Limited	1	US$1	100	Financing
New World Project Management (BVI) Limited	1	US$1	100	Investment holding
New World Hotels Corporation Limited	1	US$1	100	Investment holding
NWS CON Limited	1	HK$1	61	Investment holding
NWS Construction Limited	190,000	US$0.1	61	Investment holding
	8,325[R]	US$0.1	–	
	6,797[S]	US$0.1	–	
NWS Infrastructure Bridges Limited	1	US$1	61	Investment holding
NWS Infrastructure Power Limited	1	US$1	61	Investment holding
NWS Infrastructure Water Limited	1	US$1	61	Investment holding
Penta Enterprises Limited	1	US$1	100	Investment holding
Pure Cosmos Limited	1	US$1	61	Investment holding
Radiant Glow Limited	1	US$1	100	Investment holding
Right Choice International Limited	200	US$1	52	Property investment
Right Heart Associates Limited	4	US$1	61	Investment holding
Righteous Corporation	1	US$1	61	Investment holding

50 PRINCIPAL SUBSIDIARIES (CONTINUED)

As at 30 June 2017

	Share capital issued#		Attributable interest to the Group	Principal activities
	Number of shares	Par value per share	(%)	
Incorporated in the British Virgin Islands (Continued)				
Sparkling Rainbow Limited	1	US$1	100	Investment holding
Steadfast International Limited	2	US$1	100	Investment holding
Stockfield Limited	1	US$1	61	Investment holding
Superb Wealthy Group Limited	1	US$1	100	Financing
Sweet Prospects Enterprises Limited	1	US$1	100	Investment holding
Total Partner Holdings Limited	1	US$1	100	Investment holding
Triumphant Ally Investments Limited	100	US$1	51	Investment holding
True Blue Developments Limited	1	US$1	100	Investment holding
Twin Glory Investments Limited	1	US$1	100	Investment holding
Vivid China Investment Limited	1	US$1	100	Investment
Winner World Group Limited	10	US$1	100	Investment holding
Incorporated in the British Virgin Islands and operate in Hong Kong				
Bellwood Group Limited	100	US$1	61	Investment holding
Best Star (BVI) Investments Limited	1	US$1	61	Investment holding
China Sincere Limited	1	–	72	Financing
Citiplus Investment Limited	1	US$1	100	Investment holding
Creative Profit Group Limited	1	US$1	61	Investment holding
Economic Velocity Limited	1	US$1	61	Investment holding
Fita International Limited	1	–	100	Bond issuer
Great Start Group Corporation	1	US$1	61	Investment holding
Hetro Limited	101	US$1	61	Investment holding
Lucky Strong Limited	1	US$1	61	Investment holding
New World Capital Finance Limited	1	US$1	100	Bond issuer
New World Strategic Investment Limited	1	US$1	100	Investment holding
Noonday Limited	100	US$1	61	Investment holding
NWD Finance (BVI) Limited	1	US$1	100	Bond issuer
NWD (MTN) Limited	1	US$1	100	Bond issuer
NWD Treasury Limited	1	US$1	100	Financing
NWS Financial Management Services Limited	1	US$1	61	Investment holding
NWS Infrastructure Management Limited	2	US$1	61	Investment holding
NWS Infrastructure Roads Limited	1	US$1	61	Investment holding
NWS Ports Management Limited	2	US$1	61	Investment holding
NWS Transport Services Limited	500,000,016	HK$1	61	Investment holding
Park New Astor Hotel Limited	101	US$1	100	Property investment
Sherson Limited	1	US$1	100	Investment holding
South Scarlet Limited	1	US$1	100	Hotel operation
Well Metro Group Limited	14,000	US$1	72	Investment holding
Incorporated in the British Virgin Islands and operates in the PRC				
Nacaro Developments Limited	2	US$1	100	Property Investment

\# Represented ordinary share capital, unless otherwise stated
R Redeemable, non-convertible and non-voting A preference shares
S Redeemable, non-convertible and non-voting B preference shares

51 PRINCIPAL JOINT VENTURES

As at 30 June 2017

	Registered/ fully paid capital	Attributable interest[Ω] to the Group (%)	Principal activities
Equity joint ventures			
Incorporated and operate in the PRC			
Beijing New World Huamei Real Estate Development Co., Ltd.	RMB748,000,000	75	Property development
China United International Rail Containers Co., Limited	RMB4,200,000,000	18	Operation of rail container terminals and related business
Chongqing Suyu Business Development Company Limited	RMB650,000,000	31	Investment holding
Guangzhou Oriental Power Co., Ltd.	RMB990,000,000	15	Generation and supply of electricity
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB613,361,800	21	Wholesale assembling and storage of fuel
Guodian Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	21	Generation and supply of electricity
Co-operative joint ventures			
Incorporated and operate in the PRC			
Beijing-Zhuhai Expressway Guangzhou–Zhuhai Section Company Limited	RMB580,000,000	15	Operation of toll road
Beijing Chong Wen-New World Properties Development Co., Ltd.	US$225,400,000	70[s]	Property investment, development and hotel operation
Beijing Xin Kang Real Estate Development Co., Ltd.	US$12,000,000	70[s]	Property investment
Beijing Xin Lian Hotel Co., Ltd.	US$12,000,000	55[s]	Hotel operation
China New World Electronics Ltd.	US$57,200,000	70[s]	Property investment and development
Guangzhou Northring Freeway Company Limited	US$19,255,000	40[s]	Operation of toll road
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	31	Investment holding
Huizhou New World Housing Development Limited	RMB80,000,000	62[s]	Property development
Tianjin Xinzhan Expressway Co., Ltd.	RMB2,539,100,000	37[Ωs]	Operation of toll road
Wuhan Wuxin Hotel Co., Ltd.	US$49,750,000	60[s]	Hotel operation
Wholly foreign owned enterprises			
Incorporated and operate in the PRC			
Guangzhou Bosson Real Estate Co., Ltd.	RMB50,003,000	62[s]	Property development
Guangzhou Hemsell Real Estate Development Co., Ltd.	RMB79,597,000	62[s]	Property development
Ningbo Gong Tai Properties Co., Ltd.	RMB235,000,000	49	Property development
Ningbo Xin Li Real Estate Co., Ltd.	US$827,925,905	49	Property development
Shanghai New World Huai Hai Property Development Co., Ltd.	US$108,500,000	50	Property investment
Wuhan New World Hotel Properties Co., Ltd.	RMB83,507,110	60[s]	Property investment

Ω Percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures

@ Represented cash sharing ratio

s The Group through its subsidiaries holds more than 50% interests in these joint ventures. These joint ventures are considered as subsidiary undertakings under the Hong Kong Companies Ordinance (Cap. 622). However, under the respective contractual agreements, the Group does not control these joint ventures as the decisions about relevant activities require the unanimous consent of the parties sharing the control.

51 PRINCIPAL JOINT VENTURES (CONTINUED)

As at 30 June 2017

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Issued and Paid up share capital HK$		
Companies limited by shares				
Incorporated and operate in Hong Kong				
ATL Logistics Centre Hong Kong Limited	100,000'A'	100,000	34&	Operation of cargo handling and storage facilities
	20,000'B'[2]	20,000	49	
	54,918[1]	54,918	100	
Austin Project Management Limited	1,000,000	1,000,000	50	Project management
Calpella Limited	2	20	50	Property investment
China Aerospace New World Technology Limited	30,000,000	165,000,000	50	Investment holding
Chow Tai Fook Qianhai Investments Company Limited	700	700	29	Shopping mall operation
Earning Yield Limited	1	1	51&	Property development
Eminent Elite Limited	1	1	49	Investment holding
First Star Development Limited	100	100	31	Property development
GH Hotel Company Limited	1,001	64,109,750	50	Hotel operation
Global Perfect Development Limited	1,000,000	1,000,000	50	Investment holding
Golden Kent International Limited	1	1	40	Property development
Grace Sign Limited	1,000	1,000	30	Property development
Great TST Limited	2	863,878,691	50	Hotel operation
Healthcare Assets Management Limited	2	2	31	Healthcare
Hotelier Finance Limited	1	1	50	Financing
Loyalton Limited	2	20	50	Property investment
New World Harbourview Hotel Company Limited	1,001	109,109,750	50	Hotel operation
Pacific Super Limited	1	1	51&	Property development
Supertime Holdings Limited	100	100	31	Property development
Tate's Cairn Tunnel Investment Holdings Company Limited	1,100,000	1,100,000	18	Investment holding
Wincon International Limited	300,000,000	300,000,000	31	Investment holding
Wise Come Development Limited	30	30	50	Property investment

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated in the British Virgin Islands and operate in the PRC				
Holicon Holdings Limited	2	US$1	50	Property Investment
Jaidan Profits Limited	2	US$1	50	Property Investment
Jorvik International Limited	2	US$1	50	Property Investment
Orwin Enterprises Limited	2	US$1	50	Property Investment

51 PRINCIPAL JOINT VENTURES (CONTINUED)

As at 30 June 2017

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated in the British Virgin Islands				
DP World New World Limited	2,000	US$1	31	Investment holding
Great Hotels Holdings Limited	6	US$1	50	Investment holding
Landso Investment Limited	100	US$1	35	Investment holding
Newfoundworld Investment Holdings Limited	5	US$1	20	Investment holding
Silverway Global Limited	2	US$1	31	Investment holding
Silvery Yield Development Limited	100	US$1	49	Investment holding
Success Concept Investments Limited	1,000	US$1	55&	Investment holding
Incorporated and operates in the Netherlands				
Hyva I B.V.	19,000	EUR1	31	Manufacturing and supply of components used in hydraulic loading and unloading systems
Incorporated in the Cayman Islands and operate globally				
Goshawk Aviation Limited	362,026,264***	US$0.001	31	Commercial aircraft leasing
Goshawk Management Holdings (Cayman) Limited	100	US$1	31	Commercial aircraft leasing management

Represented ordinary share capital, unless otherwise stated

1 Non-voting deferred shares

2 Non-voting preference shares

*** Preference shares

& The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these joint ventures

52 PRINCIPAL ASSOCIATED COMPANIES

As at 30 June 2017

	Share capital issued#		Attributable interest to the Group (%)	Principal activities
	Number of shares	Issued and paid up share capital HK$		
Incorporated and operate in Hong Kong				
Conduit Road Development Limited	100	10,000	30	Property development
Ever Light Limited	1,000	1,000	40	Property investment
GHK Hospital Limited	10	10	24	Healthcare
Joy Fortune Investments Limited	10,000	10,000	31	Investment holding
Pure Jade Limited	1,000,000	1,000,000	27	Property investment
Quon Hing Concrete Company Limited	200,000	20,000,000	31	Production and sales of ready-mixed concrete
Ranex Investments Limited	100	100	10^	Property investment
Shun Tak Centre Limited	1,000'A'	100,000	45	Property investment
	450'B'	4,500	100	
	550'C'	5,500	–	
Sky Treasure Development Limited	10	10	30	Investment holding
Incorporated in Hong Kong and operates in Hong Kong, Macau and Mainland China				
SUEZ NWS Limited (formerly Sino-French Holdings (Hong Kong) Limited)	20,256,429	5,134,005,207	26	Investment holding and operation of water, wastewater and waste management businesses

52 PRINCIPAL ASSOCIATED COMPANIES (CONTINUED)

As at 30 June 2017

	Share capital issued[#]		Attributable interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated in the British Virgin Islands				
VMS Private Investment Partners II Limited	2,500*	US$0.01	–	Securities investment
	2,466**	US$0.01	61^^	
Incorporated in the British Virgin Islands and operates in Hong Kong				
VMS Private Investment Partners III Limited	1,500*	US$0.01	–	Securities investment
	2,070**	US$0.01	61^^	
Incorporated in Bermuda and operates in Hong Kong				
Wai Kee Holdings Limited	793,124,034	HK$0.1	17	Construction
Incorporated in the Cayman Islands and operates in Hong Kong and Mainland China				
UMP Healthcare China Limited	100	US$0.01	12	Healthcare
Incorporated in the Cyprus and operates in South Africa				
Tharisa plc	256,981,571	US$0.001	10^	Platinum group metals and chrome mining, processing and trading

52 PRINCIPAL ASSOCIATED COMPANIES (CONTINUED)

As at 30 June 2017

	Registered/ fully paid capital	Attributable interest[Ω] to the Group (%)	Principal activities
Incorporated and operate in the PRC			
Chongqing Silian Optoelectronics Science And Technology Co., Ltd.	RMB500,000,000	12	Manufacturing and sale of sapphire substrate and wafer, LED packaging and application
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	24	Operation of gasoline station
Shenzhen City Prince Bay Lewan Properties Co. Ltd.	RMB2,089,052,550	49	Property development
Shenzhen City Prince Bay Shangding Properties Co. Ltd.	RMB1,977,909,020	49	Property development
Shenzhen Tiande Property Development Co. Ltd.	RMB4,400,000,000	30	Property development
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	11^	Operation of container terminal
Xiamen Container Terminal Group Co., Ltd.	RMB2,436,604,228	12^	Operation of container terminals
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	15	Operation of toll road

	Issued and fully paid capital[#]		Approximate interest to the Group (%)	Principal activities
	Number of shares	Par value per share		
Incorporated and operates in the PRC				
Beijing Capital International Airport Co., Ltd.	2,451,526,000 domestic shares	RMB1	–	Operation of an international airport
	1,879,364,000 H shares	RMB1	15^	

Represented ordinary share capital, unless otherwise stated

Ω Percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures

* Voting, non-participating, non-redeemable management shares

** Non-voting, redeemable participating shares

^ The directors of the Company considered the Group has significant influence over these companies through its representatives on the board of directors of each of these companies

^^ The directors of the Company considered the Group has significant influence over these companies through its representative on the investment committee which governs the daily financial, operational and investment decisions

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 30 June 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE

	2017 HK$m	2016 HK$m	2015 HK$m	2014 HK$m	2013 HK$m
Revenues	**56,628.8**	59,570.0	55,245.0	56,501.1	46,779.9
Operating profit	**11,751.3**	16,583.3	27,970.9	16,823.1	19,286.7
Net financing costs	**(446.1)**	(536.7)	(491.7)	(843.6)	(695.2)
Share of results of joint ventures and associated companies	**3,925.1**	2,660.5	3,657.3	3,096.5	4,719.7
Profit before taxation	**15,230.3**	18,707.1	31,136.5	19,076.0	23,311.2
Taxation	**(4,755.6)**	(6,423.7)	(4,264.4)	(5,738.2)	(4,794.8)
Profit for the year	**10,474.7**	12,283.4	26,872.1	13,337.8	18,516.4
Holders of perpetual capital securities	**(395.9)**	–	–	–	–
Non-controlling interests	**(2,403.1)**	(3,617.1)	(7,760.1)	(3,612.4)	(4,367.7)
Profit attributable to shareholders of the Company	**7,675.7**	8,666.3	19,112.0	9,725.4	14,148.7
Dividends per share (HK$)					
Interim	**0.13**	0.13	0.12	0.12	0.12
Final	**0.33**	0.31	0.30	0.30	0.30
Full year	**0.46**	0.44	0.42	0.42	0.42
Earnings per share (HK$)					(Adjusted)
Basic	**0.80**	0.95	2.17	1.37	2.14
Diluted	**0.80**	0.95	2.17	1.37	2.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

	2017 HK$m	2016 HK$m	2015 HK$m	2014 HK$m	2013 HK$m
Assets					
Investment properties, property, plant and equipment and land use rights and intangible concession rights	**150,125.1**	125,308.1	129,250.0	113,634.5	105,762.3
Intangible assets	**3,423.8**	2,702.3	2,864.1	4,662.5	4,139.3
Interests in joint ventures, associated companies, other investments and other non-current assets	**104,526.4**	105,160.5	104,068.9	95,739.3	96,148.5
Current assets	**178,981.0**	158,937.7	161,747.7	155,191.1	126,139.0
Total assets	**437,056.3**	392,108.6	397,930.7	369,227.4	332,189.1
Equity					
Share capital	**73,233.6**	69,599.8	66,711.6	63,761.3	6,311.6
Reserves	**112,857.6**	109,973.6	112,207.0	96,047.0	132,819.0
Shareholders' funds	**186,091.2**	179,573.4	178,918.6	159,808.3	139,130.6
Perpetual capital securities	**9,451.8**	–	–	–	–
Non-controlling interests	**25,401.5**	21,321.9	43,439.4	40,468.2	38,614.4
Total equity	**220,944.5**	200,895.3	222,358.0	200,276.5	177,745.0
Current liabilities	**79,500.6**	66,522.5	81,003.1	70,070.5	65,146.8
Non-current liabilities	**136,611.2**	124,690.8	94,569.6	98,880.4	89,297.3
Total equity and liabilities	**437,056.3**	392,108.6	397,930.7	369,227.4	332,189.1

RISK FACTORS

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

A. RISKS RELATING TO PROPERTY DEVELOPMENT, SALES, INVESTMENTS AND HOTEL OPERATIONS

1. As projects of the Group are primarily located in Hong Kong and the PRC, the Group's businesses and prospects are principally dependent on the performance of property market in Hong Kong and the PRC. The property market in Hong Kong and the PRC are affected by a number of factors, including changes in social, political, economic and legal environment, as well as changes in the government's policies and regulations. The Group is also susceptible to changes in consumer confidence, consumption spending, and changes in consumption preferences. Other factors beyond the Group's control, including personal and family disposable income levels and mortgage market condition etc., may also affect the demand for properties. Any adverse changes, price control on property or rental value and restrictions on the development of property market imposed by the relevant governments in the locations where the Group operates may have material adverse impacts on its businesses, financial condition, results of operations and growth prospects.

2. Under the influence of government policies and present economic trend of Hong Kong, the PRC and the world, property markets in Hong Kong and the PRC have witnessed volatility in recent years. In future, any economic downturn or financial turmoil in Hong Kong, the PRC and the global economies, or the government to implement further property market cooling measures or extend the scope, application and rate level of the existing measures, may have a material adverse impact on the Group's potential purchasers or tenants, which will in turn lead to a decrease in the general market demand for the Group's properties and its property price or rental rate.

3. The Group's results of operations may fluctuate according to the progress of property development and the timing of its property sales. Turnover from property sales is recognised on the date of the sale or on the date of issue of the relevant occupation permit, whilst the economic benefit and the risks and returns are respectively accrued to the Group and the purchasers. The Group's revenue and results may vary from one period to another depending on the number of properties completed in a specific period, or the time and capital required for the completion of construction projects. The timing of its property sales is dependent on the lead time required for the Group to obtain the requisite government approvals, which is beyond the control of the Group.

4. The Group is subject to fine or sanctions if it does not pay land premiums or does not develop properties according to terms of land grant documents. If the land is repossessed, the Group will not be able to continue its property development on forfeited land, recover the costs incurred for initial acquisition of the repossessed land nor recover development cost and other costs incurred up to the date of the repossession. Any violation of the terms of land grant contracts may restrict or prevent a developer in participating in future land bidding opportunities.

5. The real estate sector in Hong Kong and the PRC are regulated by the respective governments. In general, developers must comply with requirements mandated by the applicable laws and regulations, which include policies and procedures established by the local governments for implementation thereof. Developers, in particular, must obtain relevant permits, licenses, certificates and other approvals at various stages of property development. The grant of relevant permits, licenses, certificates and other approvals is dependent on whether certain conditions set by the relevant authorities are fulfilled by the developers or projects as they are often subject to governmental discretions and new laws, regulations, and changes in policies.

6. The Group cannot assure that it will not encounter impediments in fulfilling the conditions or meeting the particular process requirements in order to obtain the required approvals, or will acquire occupation of the land parcels, in relation to its property development project, or can perform its obligations under the land grant contract including the commencement and completion of the development in future. There can be no assurance that the Group's businesses will be in compliance with new laws, regulations or policies which come into effect from time to time relating to the particular process related to the granting of the approvals or generally applicable to the overall real estate sector. When the Group fails to obtain the relevant approvals, fulfill the conditions or acquire the land parcels, the relevant projects may not proceed as scheduled or at all.

A. RISKS RELATING TO PROPERTY DEVELOPMENT, SALES, INVESTMENTS AND HOTEL OPERATIONS (CONTINUED)

7. For some of the Group's development sites in Hong Kong, where agricultural land parcels are converted into residential or commercial uses, approvals from various government authorities would be required. The lengthy and complicated approval procedures imply that government policies and efficiency of approval directly affects the addition to land reserve. The Group cannot guarantee that such land use conversion will be approved, or that the Group can precisely grasp the land use and timeframe of such conversion. Meanwhile, the addition to the Group's land reserve are susceptible to regulatory requirements or restrictions that acquisition of land in Hong Kong, the PRC and overseas market may subject to, and the demand-supply dynamics together with the price level.

8. A portion of the Group's revenue is derived from its hotel operations. Since hotel guests are short-term occupants of hotel rooms, they are generally not committed to contracts of medium-term or long-term rental payment. Consequently, a hotel's occupancy rate and room rate are subject to a high degree of fluctuations due to factors including seasonality, social stability, politics, natural hazards, disease and economic condition as well as the nature of hotel business. In addition, a portion of the Group's revenue from hotel operations is attributable to catering services, including banqueting services. Typically, demand for banqueting services increases on holidays, festivals and the propitious dates on the Chinese lunar calendar. Although corresponding measures have been taken to cope with the seasonal fluctuations of the hotel business, such measures may be ineffective. Therefore, any comparison of our results of operations between various interims in a financial year may not be meaningful and shall not be relied upon as an indicator for the Group's performance.

9. The Group's property value and rental value are affected by numerous factors. Property values and rental levels are impacted by external economic and market conditions including but not limited to the state of local economy, fluctuations in general supply and demand, change in consumption behaviors, stock markets performance, financial volatility, which may indirectly affect the Group's investment properties performance. The Group's rental income may experience more frequent adjustments resulting from competition arising from oversupply in retail and office areas. The Group's investment properties may need to be renovated, repaired and re-let on periodic basis, which may not be possible to renew leases or re-let spaces when existing leases expire. Investment properties are non-current assets, which may limit the ability of the Group to monetise property assets timely.

10. A significant amount of fixed costs are involved in operating investment properties and hotels of the Group, including maintenance costs as well as employees and staff salaries and expenses. These fixed costs may constrain the Group's ability to respond to adverse market conditions by minimising costs. Where property leasing or the hotel industry experience downturns, or the number of maintenance or renovation increases, such costs may adversely affect the Group's businesses, financial condition, results of operations and growth prospects.

11. The rapid economic growth and infrastructure development in Hong Kong and the PRC in recent years have uplifted the costs of construction materials and wages of workers. In addition, in view of the improvement of general living standards in Hong Kong and the PRC and recent policies of the Central Government of the PRC to increase the wages of workers from rural areas, the Group expects that labour costs may continue to increase in the foreseeable future. Other than the higher labour costs, the rising labour demand and in turn more intensified competition for construction workers in regions where the Group operates, such as the growing shortage of construction and service workers in Hong Kong, has made it increasingly difficult for the Group to hire sufficient well-skilled labour for its property development projects and investment properties, hindering its property development business. Increasing cost of construction materials and labour are expected to raise contractors' fee quotes in our new property development projects. In addition, the Group usually commences pre-sales of properties prior to their completion. In the event that the construction materials and labour costs surge subsequent to the pre-sales, such increases in costs may not be passed on to buyers of the properties. Escalating labour shortage and/or significant increase in costs of labour or construction materials without corresponding reduction of other costs to offset such increases or pass on such increases to the buyers or tenants of our properties may adversely and materially affect the Group's businesses, financial condition, results of operations and growth prospects.

B. RISK RELATING TO FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

1. The following factors may lower the level of turnover and profit of the Group, while the Group cannot guarantee that the turnover and profit level will be sustained or improved. The Group may not be able to sustain similar patterns or levels of turnover or profit in the future:

    I. change in the mix of turnover contributions, such as income from property development, rental income from investment properties and income from hotels;

    II. new market entrants and intensified price competition among existing market players;

    III. unfavourable government policies affecting consumer sentiments;

    IV. failure to achieve target sales volumes and prices;

    V. failure to achieve target rentals, daily room rates and occupancy rates;

    VI. decrease in the fair value of investment properties;

    VII. our costs may not decrease in tandem with a reduction in turnover to be derived from properties, as most of the expenses associated with owning and maintaining the Group's properties are fairly fixed (including land cost, development cost, administration cost, and selling and distribution marketing cost); and

    VIII. failure to negotiate volume discounts with suppliers on favourable terms.

2. The Group's finance costs and interest expenses fluctuate with changes in interest rates. In Hong Kong, the Group's borrowings include amounts denominated in Hong Kong dollars. The interest rates on some of our outstanding Hong Kong dollar denominated borrowings are benchmarked to the Hong Kong interbank offered rates ("HIBOR") for Hong Kong dollars. We cannot assure that the benchmark interest rate will not increase in the future, which would increase our financing costs and interest expenses. In the PRC, the Group's borrowings also include amounts denominated in RMB. The People's Bank of China adjusts its benchmark lending rates from time to time in response to domestic and global economic changes. The Group cannot guarantee that the People's Bank of China will not raise such lending rates in future. In addition, as the Group also borrows from overseas banks and other financial institutions, the availability of sufficient capital in the capital market directly affects the cost of borrowing in relation to the currencies the Group borrows. The Group may also be affected by changes in the prevailing interest rate of the global credit market. Any increase in interest rate in connection with the currencies the Group borrows will increase the Group's finance costs and customers' mortgage interest rates and may adversely and materially affect the Group's businesses, financial condition, results of operations and growth prospects.

3. Fluctuations in the Group's results of operations may also be induced by other factors, including changes in market demand for the Group's properties. In addition, the periodicity of the property market also has an impact on the optimal timing for land acquisition as well as the planning of development and sales of properties. As results of operations in relation to property development activities are susceptible to significant fluctuations, comparison of the Group's results of operations and cash flow position among periods may not be an effective indicator of the Group's financial performance in any particular period.

4. The Group is required to reassess the fair value of its investment properties at every balance sheet date to which financial statements are made up. Pursuant to Hong Kong Financial Reporting Standards (HKFRS), investment properties are stated at their fair value, and the variation in their changes should be taken to the consolidated income statement of the financial period in which it is incurred. Based on the appraisal conducted by independent property valuers, the Group recognises the aggregate market value of investment properties at fair value and the related deferred tax in the consolidated statement of financial position, while the variation in changes in fair value and the related deferred tax of investment properties are recognised in the consolidated income statement. Therefore, the assumptions made in appraising investment properties would change under changing market conditions, including lower weighted average capital ratio. Notwithstanding any variations in profit, fair value gains and losses are not cash items and will not increase or decrease cash and cash equivalent. The amount of revaluation adjustment has been and will continually be subject to changes in market conditions. As such, there can be no assurance that changes in market conditions will continue to generate gains from fair value changes in investment properties at similar level or at all, or there will be no decline in the fair value of the Group's investment properties. Changes in fair value of investment properties are recognised in the income statement, any significant change in investment properties value may overwhelmingly affect the Group's results, which may not be able to reflect the Group's operating and cash flow performance. If a property market in the region where the Group operates slows down, the fair value of the Group's investment properties may decline.

B. RISK RELATING TO FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (CONTINUED)

5. Properties developed by the Group for sales in the PRC are subject to Land Appreciation Tax ("LAT"). Pursuant to the PRC relevant tax laws and regulations, prior to the fulfillment of the conditions on the settlement of LAT, the Group makes provisions for the payable amount of LAT from time to time. Provisions for LAT are made on the Group's own estimates based on, among other things, the amount of deductible items before taxation which is subject to final confirmation by the relevant tax authorities upon settlement of LAT. At the same time, the Group prepays a portion of such provisions to the PRC tax authorities according to relevant regulations. The Group cannot assure that the relevant PRC tax authorities will agree with the amount of LAT determined by the Group. If the relevant tax authorities determine that its LAT exceed the LAT prepayments and provisions, and seek to collect that excess amount, the Group's cash flow, results of operations and financial position may be adversely affected. As there are uncertainties as to whether the PRC tax authorities will apply the LAT collection retrospectively to properties sold before the enforcement of LAT, any payment as a result of the enforcement of LAT collection may significantly restrict the Group's cash flow position, its ability to finance its land acquisitions and to execute its business plans.

6. The results of the Group are presented in Hong Kong dollars, but its various subsidiaries, associated companies and joint ventures may receive turnover and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, joint ventures and associated companies and also on the repatriation of earnings, equity investments and loans may therefore impact on the Group's businesses. Exchange rate of Hong Kong dollar against RMB, USD or other foreign currencies are affected by, among other things, changes in the political and economic environment of the issuing jurisdictions of the currencies. The exchange rate of RMB against Hong Kong dollar, the USD or other currencies may be re-valued, and may be permitted to enter a full or limited free float. Such situation may result in appreciation or depreciation in RMB against Hong Kong dollar, the USD or other foreign currencies. Continual fluctuations in the exchange rate of the Hong Kong dollar against RMB or other currencies may materially and adversely affect the Group's businesses, financial condition, results of operations and growth prospects.

7. In April 2013, State Administration of Foreign Exchange ("SAFE") issued the Operation Guidelines for the Administration of Foreign Debt (the "Guidelines"), which became effective on 13 May 2013. The Guidelines stipulate that, amongst other things, (i) with respect to real estate enterprises with foreign investment who obtained approval certificates from commercial authorities and registered with the Ministry of Commerce on or after 1 June 2007, the branches of SAFE will no longer process the foreign debt registrations for such enterprises, (ii) with respect to real estate enterprises with foreign investment established prior to 1 June 2007, such enterprises may borrow foreign debt in accordance with the relevant provisions in the Guidelines, but the amount of foreign debt shall not exceed the surplus between the enterprise's total investment amount and its registered capital (the "Surplus"); in the event that the enterprise increases its registered capital, and the Surplus after the increase of registered capital is less than the Surplus before the increase of registered capital, then the amount of foreign debt of such enterprise shall not exceed the Surplus after the increase of registered capital, and (iii) in the event that the registered capital of a real estate enterprise with foreign investment is not paid in full, or such real estate enterprise with foreign investment does not obtain State-owned land use right certificate(s), or the capital for real estate projects to be developed is less than 35% of the total investment amount of such projects, such real estate enterprise with foreign investment is prohibited from borrowing foreign debt, and the branches of SAFE will not process the foreign debt registrations for such enterprises. The Guidelines therefore restrict the ability of our PRC subsidiaries that are real estate enterprises with foreign investment to raise funds offshore for the purpose of injecting such funds into the enterprises by way of shareholder loans. The Group cannot assure that the PRC Government will not issue any new policy that will further restrict the ability of the Group in allocating its funds in China.

B. RISK RELATING TO FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (CONTINUED)

8. The Group maintains a certain level of indebtedness to finance its operation. The Group's indebtedness could have an adverse effect on it, for example, by:

   I. requiring the Group to maintain certain financial ratios;

   II. requiring the Group to dedicate a large portion of its cash flow to repay interest and debt, thereby reducing the availability of its cash flow to expand its business;

   III. increasing the Group's vulnerability to adverse economic or industry conditions;

   IV. limiting the Group's flexibility in planning or responding to the changes in its business or the industry in which it operates;

   V. limiting the Group's ability to raise additional debt or equity capital in the future of increasing the cost of such funding;

   VI. restricting the Group from making strategic acquisitions or taking advantage of business opportunities;

   VII. increasing the difficulty of the Group to meet its obligations in relation to its debt; and

   VIII. increasing the cost of borrowings of the Group.

9. The Group is principally engaged in property development business. As such business operation requires substantial capital input, the Group will still need to obtain financing from financial institutions. When the credit market contracts or tightens, the Group cannot assure that there will be sufficient borrowings or that it can refinance. During property development and property construction period, the risks that the Group faces also include financing for developments may not be available on favorable terms and long-term financing may not be available. Its business development will be adversely affected to a certain extent.

10. In the future, the Group may from time to time incur other substantial indebtedness, intensifying the risks induced by its indebtedness. The Group's ability to generate sufficient cash to satisfy its outstanding and future debt obligations will depend on the Group's operating performance in future, which will be affected by, among other things, the prevailing economic conditions, governmental regulations, the demand for properties in the region where the Group's business operates and other factors, many of which are beyond the Group's control. The Group may not generate sufficient cash flow to pay its anticipated operating expenses and to service its debts. In this case, the Group will have to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of the Group's assets, restructuring or refinancing, or seeking equity capital. These strategies may not be implemented on satisfactory terms, or at all. Even they are implemented, they may result in an adverse effect on the Group's businesses, financial conditions and results of operations. In addition, if the Group fails to fulfill its payment obligations, comply with any actual covenants or required financial ratios, or breach any restrictive covenants, it may result in a default under the terms of such borrowing. If an event of default occurs, the loan borrower is entitled to request the Group to repay in full or part of its outstanding indebtedness on an accelerated basis.

11. The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued new standards, amendments to standards and interpretations which are mandatory for accounting periods beginning on or after 1 July 2017 or later periods, including HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 16 "Leases". Under HKFRS 15, revenue from sale of properties is recognised when or as a performance obligation by transferring the properties to the customers is satisfied. A property is transferred when or as the customer obtains control of that property. Depending on the terms of the contracts and the laws that apply to the contracts, control of the properties may transfer over time or at a point in time. The Group anticipates that the timing of the recognition of revenue in respect of sale of properties may be changed. Under HKFRS 16, it provides a new provision for the accounting treatment of leases when the Group is the lessee, almost all leases should be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). As for the financial performance impact in the consolidated 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.

C. OTHER RISKS

1. An outbreak of any epidemics in the region where the Group operates may result in material disruptions in the Group's and its tenants' businesses. Natural disasters or other catastrophic events, such as earthquake, flood or severe weather conditions, could, depending on its magnitude, significantly disrupt the Group's business operations or result in significant economic downturn in the affected regions. The Group cannot assure that there will be no occurrence of earthquakes or other natural hazards in the area where it operates, which may result in severe destruction of the Group's property development projects, assets, cash flow from infrastructure and facilities.

2. The Group is subject to extensive and increasingly stringent environmental protection laws, regulations and decrees that imposes fines for violation of such laws, regulations or decrees and provide for the shutdown by the government authorities of any construction sites not in compliance with government orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing global awareness of environmental issues and the Group may sometimes be expected to meet a standard which is more stringent than the requirement of the prevailing environmental laws and regulations and may cause negative impacts on the costs and operations of its projects. We have adopted various environmental protection measures, including conducting environmental assessment on the Group's property construction project and hiring contractors with good environmental protection and safety track records, and required them to comply with the relevant regulations or laws on environmental protection and safety, whereas such measure may be ineffective. In addition, the Group cannot assure that more stringent environmental projection regulations will not be imposed in the future. If the Group fails to comply with the prevailing environmental laws or regulations, or fails to meet public expectations in relation to environmental matters, the Group's reputation may be damaged or may be required to pay fines or take remedial actions, in which case suspension of operation may be required in the Group's subsidiaries.

3. The development of, and future trends in Hong Kong and the PRC property industries have been the focus of numerous media reports. As a leading property developer in Hong Kong and the PRC, information about the Group or its projects appears frequently in various media outlets. Some of these media reports contain inaccurate information about the projects of the Company and the Group. There can be no assurance that there will not be false, inaccurate or adverse media reports about the Group or its projects in the future. In particular, the Group may be required to respond or take defensive and remedial actions with regard to such inaccurate or adverse media reports, which may adversely divert its resources and our management's attention and may materially and adversely impact its business operations. Moreover, there can be no assurance as to the appropriateness, accuracy, completeness or reliability of any media reports regarding the Company. The Group disclaims any media reports contain information that is inconsistent or conflicts with the information contained in its annual report and circulars. Investors should not rely on such information in making a decision as to invest in the company's shares and/or its listed securities, and should rely only on the information included in its listing document.

4. The Group has insurance in place in relation to its various development projects, including third-party and earthquake insurances. In general, such insurances do not cover wars, riots, terrorism and acts of God, any of which case would result in an unpredictable amount of losses and have negative impacts on the Group's businesses and cash flow to a certain extent. Properties could suffer from physical damage by fire or other causes, the Group may be exposed to potential risks associated with public liability claims, resulting in losses which may not be fully compensated for by insurance proceeds, in turn affecting the Group's financial condition.

5. Certain businesses of the Group are operated under concession rights, including the Hong Kong Convention and Exhibition Centre, public bus services, public ferry services, operations of duty-free shops and toll roads etc. The Group cannot assure that such concession rights can be renewed upon their expiry, and the conditions could be worse off than the existing ones even if renewals are approved.

6. Notwithstanding the appropriate measures adopted to protect the Group's computer system and information, the Group cannot assure that there will be no occurrence of unlawful break-ins or misuse with rapid technological advancement, which may affect its businesses to a certain extent.

7. The International Accounting Standards Board has from time to time issued new and revised International Financial Reporting Standards ("IFRS"). As accounting standards continue to develop, the International Accounting Standards Board may in the future issue more new and revised IFRS and the Group may be required to adopt new accounting policies which might or could have a significant impact on the Group's businesses, financial condition, results of operations or growth prospects.

8. To balance and minimise risks associated with cyclical nature of property development or generally, the Group is committed to enhancing its business portfolio and initializing its innovative strategies, but no assurance that all stakeholders would favour the Group's strategies and new ventures that may be made by the Group.

9. Image of the Group may be affected by possible oppositions or protests during property development, delayed handover of residential units and quality issues.

D. MAJOR RISK FACTOR ON SUBSIDIARIES

New World China Land Limited ("NWCL")

1. NWCL's property development business is highly susceptible to the prevailing condition and performance of the PRC property market which is heavily regulated by the PRC central and local governments. In response to the domestic and international market volatility, the PRC Government will, from time to time adjust its monetary and economic policies to monitoring the rate of growth of the PRC economy and economies of local areas within the PRC. Such policies and regulations would have significant impact on the PRC property market where NWCL operates.

2. Economic conditions in the PRC are sensitive to global economic conditions, and it is impossible to predict how the PRC economy will develop in the future and whether it might slow down due to the global crisis or experience a financial crisis in a manner and scale similar to that in the United States and the European countries. As the real estate industry is sensitive to macroeconomic trends, real estate prices tend to fluctuate along with the change of macroeconomic conditions.

3. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, the Chinese market and consumption capacity in this market, which may lead to a decline in the general demand for NWCL's products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets and in China may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be adversely affected.

4. NWCL's property development operations face competition from both international and local property developers with respect to factors such as location, facilities and supporting infrastructure, services and pricing. NWCL competes with both local and international companies in capturing new business opportunities in the PRC. In addition, some local companies have extensive local knowledge and business relationships and/or a longer operational track record in the relevant local markets than NWCL while international companies are able to capitalise on their overseas experience to compete in the PRC markets. Intensified competition between property developers may result in increased costs for land acquisition and an over-supply of properties, both of which may adversely affect NWCL's business and financial conditions.

5. Property development companies in the PRC, including some of NWCL's PRC subsidiaries, are subject to extensive governmental regulation in most aspects of their operations, including those relating to the acquisition of land use rights, resettlement and clearance of land, the approval of property development proposals and pre-sales. There can be no assurance that these regulations will not change in the future in a manner which could adversely affect NWCL's business or results of operations. In addition, the PRC Government is presently strengthening its regulation and control of the development of properties. While enforcement of these and other regulations are beneficial to the entire property development industry, it is possible that certain individual regulations could adversely affect property development companies, including NWCL. As regulations continue to develop, prevailing industry practices may not comply with such regulations.

6. The PRC Government has in the past imposed restrictions on foreign investments in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. Such restriction may affect NWCL's ability to make further investments in NWCL's PRC subsidiaries and as a result may limit its business growth and have a material adverse effect on its business, financial condition and results of operations.

7. The fiscal and other measures adopted by the PRC Government from time to time may limit NWCL's flexibility and ability to use bank loans to finance its property developments and therefore may require NWCL to maintain a relatively high level of internally-sourced cash. In recent years, the PRC Government has tightened the requirements in relations to grant of state-owned land used rights by way of tender, auction and listing for sale and raised the minimum down payment of land premium several times up to 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after a land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of the signing of the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. Such change of policy may constrain NWCL's cash otherwise available for additional land acquisitions and construction works.

D. MAJOR RISK FACTOR ON SUBSIDIARIES (CONTINUED)

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

8. Under PRC tax laws and regulations, NWCL's properties developed for sale are subject to LAT, which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws, with certain exemptions available for the sale of eligible ordinary residential properties if the appreciation does not exceed 20% of the total amount of deductible items as defined in the relevant tax laws. NWCL shall prepay LAT as required by the PRC local tax authorities if the income is derived from the transfer of properties before the settlement of LAT upon completion of the development project, or the conditions on the settlement of LAT for the development project are not fulfilled.

9. Effective from 1 May 2016, the PRC government rolled out the pilot program for the nationwide replacement of the business tax with the value-added tax ("VAT") (the "Replacement"), covering the sectors of construction, real estate, financial services and consumer services. 11% VAT rate is applied to the leasing services of real estate, sales of real estate and transfer of land use rights. Pursuant to the relevant provisions of VAT, the applicable VAT rate for eligible taxpayers shall be 5%. Upon the Replacement, the cash flow, expenses and income of NWCL may be affected.

10. A significant portion of NWCL's operation is in the PRC and majority of NWCL's income and expenditures were transacted in Renminbi. Renminbi is not freely convertible. The PRC Government regulates the conversion between Renminbi and foreign currency, and there is significant restriction on the remittance of Renminbi into and outside the PRC. The value of Renminbi is subject to changes in PRC Government policies and to international economic and political developments. Therefore there is no assurance that the exchange rate of Renminbi will remain stable against foreign currencies in the market and fluctuations in exchange rates may adversely affect the value, translated into Hong Kong.

11. In recent years, the PRC Government has promulgated administrative measures to gradually liberalise the control over cross-border remittance of Renminbi where payment of current account items, including profit distributions, interest payments and expenditure from trade may be made in foreign currencies without prior approval, but subject to certain procedural requirements. However strict foreign exchange controls continue to implement in respect of capital account transactions including repayment of loan principal and return on direct capital investments and investments in negotiable securities. Such exchange controls may impact the distribution plans of NWCL's PRC subsidiaries to the Company.

12. NWCL's property development business required substantial capital investment. NWCL will require additional financing to fund working capital and capital expenditure, to support the future growth of its business and/or to refinance existing debts obligations. NWCL's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in NWCL, success of its businesses, provisions of tax and securities laws that may be applicable to NWCL's efforts to raise capital and political and economic conditions in the PRC. In additions, a substantial portion of NWCL's borrowings are linked to benchmark lending rates published by the PBOC. The PBOC has adjusted the benchmark one-year lending rate a number of times in the past in response to the changing PRC and global financial and economic conditions. As such, NWCL is exposed to foreign currency exchange risk, interest rate risk, credit risk and liquidity risk.

New World Department Store China Limited ("NWDS")

1. Macro-economic growth slows down. The year-on-year growth rate of GDP of 2016 was 6.7%, being the lowest in the last 26 years. That indicates the China economy has entered the "new norm" of maintaining steady growth against economic slowdown. Due to a relatively well-developed retail market in China, a single-digit growth rate will continue in the next few years, or even in the next decade.

2. Consumer demands become complicated. At present, the main consumer base in the China retail market is getting younger. Nearly one third of the PRC population were born during the 1980s and 90s.Becoming a major consumption force, they are noted for attitude of risk-taking, fondness towards consumption, preference over themed interior designs, and love for experience. These are manifested in consumption needs having emphasis on individuality and experience. As the consumption market becomes more complicated, retailers, facing bigger challenges in fund attraction, operation and innovation, are also driven to invest more to satisfy customers' expectation for experience.

D. MAJOR RISK FACTOR ON SUBSIDIARIES (CONTINUED)

New World Department Store China Limited ("NWDS") (continued)

3. New supply of retail properties in the overall Chinese retail market is expected to grow further, intensifying homogenous competition. The 2017 market will be embracing approximately 8 million square meters of newly launched projects. Amongst which, about 29% of the total supply will be accounted for by the four first-tier cities, namely Beijing, Shanghai, Guangzhou and Shenzhen, while other second-tier cities will take up about 71%. Four second-tier cities in the Mid-west, being Chengdu, Chongqing, Wuhan, and Changsha, will face the test of withstanding continuous and significant increase in property supply over the next three years.

4. The "high-cost era" has arrived quietly. First of all, the demographic dividend of China has already disappeared, going forward, labour costs will rise significantly. Secondly, rental costs will go up further as a direct result of the soaring property prices during the past two years. Thirdly, the cheap raw materials and energy that have supported the accelerated growth of China in the past three decades are almost completely depleted. The increase in raw material costs will directly affect expenses incurred by department stores, such as energy consumption. Fourthly, amid the government's growing attention to social security and the environment, the social costs and environmental costs for corporations will also go up in the future.

5. As the online dividend of e-commerce disappears, e-commerce giants direct their attention to the off-line and convenient store markets. By integrating online and offline operations, they are proactively establishing their presence in the offline retail market. In the future, versatile enterprises being capable of operating online or offline and satisfying consumers' diversified demands can easily become the big winners. Strong alliance forged through strong online and offline players will have a direct impact on the traditional retail market, as evidenced by Alibaba's investment in Intime Retail and Suning Commerce and its acquisition of Sanjiang Shopping, as well as in JD's investment on Yonghui Superstores and its collaboration with Walmart.

6. Retail is a labour-intensive industry and it is now becoming more and more technology-intensive. Technology is playing an increasingly important part in the survivability of the retail sector. New retail technologies introduced may substantially be categorised into two aspects. The first one involves technologies that improve service convenience and consumption experience, such as mobile payment, artificial intelligence, augmented reality/virtual reality experience, etc. The lack or delayed implementation of those technologies would impair consumer experience. The second category is applied to lift the operation and management efficiency at the corporate level, to facilitate upgrading of the supply chain, and to streamline management including mobile office, information-based application, big data, etc. Without such technologies, corporations would find it very difficult to adapt to and compete in the new landscape. The traditional retailers must thoroughly consider the premise of cost effectiveness when they adopt new technologies to meet market demands and to protect themselves from rapid market elimination.

NWS Holdings Limited ("NWSH")

1. **Global economy** — NWSH is exposed to the development of the global economy as well as the industries and geographical markets in which it operates. As a result, NWSH's financial condition and results of operations may be influenced by the general state of the global economy or the general state of a specific market or economy. Any significant decrease in the level of economic growth in the global or regional or a specific economy could adversely affect NWSH's financial condition or results of operations.

2. **Currency fluctuations** — The results of NWSH are presented in Hong Kong dollars, but its various subsidiaries, associated companies and joint ventures may receive revenue and incur expenses in other currencies. Any currency fluctuations on translation of the accounts of these subsidiaries, associated companies and joint ventures and also on the repatriation of earnings, equity investments and loans may have an impact on NWSH's financial condition and results of operations.

3. **Interest rate fluctuations** — NWSH's finance costs and interest expenses fluctuate with changes in interest rates. NWSH is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. NWSH may be affected by changes in the prevailing interest rate of the global credit market. Any increase in interest rate in connection with the currencies NWSH borrows will increase NWSH's finance costs and may adversely affect NWSH's businesses, financial condition, results of operations and growth prospects.

4. **Impact on changes of government policies and legislation, concession, franchise and license terms** — NWSH operates and manages certain concession and franchise businesses such as roads, environmental projects, logistics centres, public transport and facilities management. There can be no assurance that the concession, franchise and license agreements can be renewed or if renewed, that the terms of such concession, franchise and license agreements will not be less favourable than those currently obtained by NWSH. Also, any changes in the government policies and legislations such as tax regulations and concession requirements may affect NWSH's financial condition and results of operations.

D. MAJOR RISK FACTOR ON SUBSIDIARIES (CONTINUED)

NWS Holdings Limited ("NWSH") (continued)

5. **Social and political unrest, terrorist attack and cyber security** — Social and political unrest, terrorist attacks occurred in many places around the world in recent years. There is no assurance that there will not be social and political unrest, or terrorist attack in places where NWSH operates, and if these events take place, they may have a negative impact on NWSH's financial condition and results of operations. With the advent of information technology and its increased application, the frequency and intensity of cyber attacks are on the rise, NWSH's critical information assets are exposed to threats, damage or unauthorised access in the digital world. Any system breakdown or breach in security may have adverse impact on the integrity, accuracy and confidentiality of NWSH's data and information. Although the Group has established comprehensive information technology policy and procedures to mitigate the cyber security risks, there can be no assurance that future cyber attacks will not occur and adversely affect the Group's financial condition and results of operations.

6. **Tariff and service fee determination** — Tariffs and fees charged by NWSH's projects with respect to its toll roads, environmental projects and aeronautical service provided by its airport are set by various government authorities. Factors that these government authorities take into account when considering rate changes may include construction costs, prospective recovery period of investment, loan repayment terms, inflation rate, operating and maintenance costs, affordability and usage. Reductions in or cessation of tariffs and fees charged by NWSH's projects may adversely affect NWSH's operating results.

MAJOR RISK FACTORS ON DIFFERENT BUSINESS SEGMENTS OF NWSH

A. Infrastructure Division

1. **Roads** — NWSH invests in and operates a wide range of roads and related projects in Mainland China and Hong Kong. The operational risk of toll roads is generally low as long as an effective internal control system in toll collection is properly established and periodic maintenance is carried out appropriately. However, revenue from NWSH's toll roads is principally dependent upon the number and types of vehicles using such roads and their applicable toll regimes. The review on toll rates of all toll roads in Mainland China and the implementation of new policies by the Mainland China government may cast uncertainty on NWSH's roads business and operating results. Traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads, existence of new competing roads, other means of transport, fuel prices, taxation, environmental regulations and suspension of operation due to material accidents. NWSH's operating results may also be affected by capital expenditure requirements for the ongoing repair, maintenance, renewal and expansion of the toll roads.

2. **Environment** — NWSH engages in environmental business in the Greater China region by providing water and wastewater treatment, waste treatment, renewable resources recycling and utilisation, soil remediation as well as design, engineering and procurement services. These projects are subject to extensive and stringent environmental protection laws and regulations and violations of which may result in fines and penalties. Although NWSH has adopted high environmental protection standards, NWSH cannot assure that more stringent environmental protection regulations will not be imposed in future. If NWSH fails to comply with the relevant laws or regulations, NWSH may be fined while the operation of its environmental projects may have to be suspended. NWSH's reputation may be damaged if it fails to meet the public expectations in relation to the compliance of environmental legislations. Other factors such as pollution of water sources and natural disasters may also adversely affect the results of operations. The operation of NWSH's power plants in Mainland China may be adversely affected by many factors, such as reduced demand in electricity, changes in fuel price, supply and quality, the downtime caused by system upgrades and overhaul works, disruption of production processes and underperformance of the power plants, as well as impact of on-grid renewable energy.

3. **Logistics** — The operation of NWSH's logistics facilities in Mainland China and Hong Kong may be adversely affected by many factors, such as the breakdown of shore cranes, forklifts and other equipment, labour disputes, inclement weather, natural disasters, stricter government regulations, the lack of adjoining land for expansion, the shortage of qualified equipment operators and the general downturn of the logistics and transport sectors. In addition, the terminals outsource various internal operations and trucking services to contractors. The failure or inefficient operations of such contractors could disrupt the terminals operation. Cargo handling charges, logistics services fees and rental rates may be adversely affected by many factors, such as increase in warehouse supply, availability of alternative terminals and slowdown in domestic and international trade.

MAJOR RISK FACTORS ON DIFFERENT BUSINESS SEGMENTS OF NWSH (CONTINUED)

A. Infrastructure Division (continued)

4. **Aviation** — NWSH's commercial aircraft leasing business depends heavily on the willingness and/or ability of our airline customers to enter into new aircraft operating leases and to honour their payments and other obligations under their existing or future leases. The business may be adversely affected by factors such as disruptions in the aviation industry, global economic downturn, fluctuation of financial market and geopolitical uncertainties. The aircraft asset value may be affected by various factors such as changes in technology and market demand fluctuations.

   Aircraft movements and passenger volume handled by NWSH's airport project may be adversely affected by many factors, such as downturn in the domestic and global economies, airspace constraints for civil aviation, inclement weather, increase in airfares, competition from other airports and alternative modes of transport, as well as changes in regulations. Income from concessions and other non-aeronautical business received by NWSH's airport project may be adversely affected by many factors, such as changes in passenger volume and their consumption patterns, failure to renew concession contracts and competition from other new airports.

B. Services Division

1. **Facilities Management** — NWSH's facilities management of HKCEC may be adversely affected by factors such as limited expansion capacity, fierce competition from other exhibition venues across Hong Kong, Mainland China, Macau and Southeast Asian countries, continuous increase in operating costs and capital expenses, inadequate supply of skilled service staff and economic downturn.

   NWSH's duty free business has been and continues to be affected by changes in government policies relating to domestic and cross-border duties on liquor and tobacco. Furthermore, as a significant portion of the revenue of NWSH's duty free business is dependent upon tourists and travellers, any changes in travel policies may affect the footfall and cause fluctuations in NWSH's revenue.

   NWSH's healthcare business is subject to extensive government regulations and media and public scrutiny. Any failure to comply with the government laws and regulations could adversely affect NWSH's business and results of operations and hamper NWSH's corporate image. The healthcare business is also subject to competition from other healthcare services providers as well as the recruitment of qualified and skilled medical professionals. Doctors and other medical professionals, together with NWSH, could become the subject of claims, complaints and regulatory investigations arising from medical disputes brought by patients or customers, which may harm NWSH's business, results of operations, financial condition and reputation.

2. **Construction & Transport** — Factors such as general economic conditions, government investment plans and its ability to secure funding approvals from the Legislature, mortgage and interest rates, inflation, demographic trends, consumer confidence, competition among competitors and subcontractors, supply of suitably skilled labour, and material safety incidents may influence the performance and growth of NWSH's construction business. General economic downturn and slowdown in any of the industries served by NWSH's construction business will generally lead to a decrease in potential construction projects as well as delays in or cancellation of NWSH's ongoing projects, which will in turn adversely affect NWSH's financial condition and operating results.

   NWSH's transport business could be affected by fluctuations in fuel costs, elasticity of fares, competition from other means of transport, labour shortage, strikes and collective action of labour unions, serious traffic accidents and bad weather. Given the Hong Kong population's heavy reliance on public transport, any fare increase proposals to offset rising overheads and costs would likely meet with strong public objection and negative publicity.

3. **Strategic Investments** — NWSH invests in the stock and capital markets through investments in shares, private equity and pre-IPO financing of companies in a variety of businesses and industries. Although NWSH adopts prudent and pragmatic investment strategies, such investments are affected by factors particular to specific industries as well as external and global factors, including but not limited to the performance of global financial markets which are generally sensitive to economic conditions, investment sentiment and fluctuations in interest rates, which are beyond NWSH's control.

CORPORATE GOVERNANCE REPORT

All along, the Company is committed to maintain a high standard of corporate governance practices to safeguard the interests of its shareholders and enhance the performance of the Group. From time to time, the board of Directors (the "Board") reviews and improves its corporate governance practices in order to ensure that the Group is under the leadership of an effective board so as to optimise return for its shareholders.

CORPORATE GOVERNANCE CODE

Throughout the year ended 30 June 2017, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, with the exception of code provision A.6.4.

Code provision A.6.4 is in relation to guidelines for securities dealings by relevant employees. As required under code provision A.6.4, the Board should establish for its relevant employees written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules in respect of their dealings in the securities of the Company. Instead of following the Model Code strictly, the Board has established its own guidelines which are not on no less exacting terms than the Model Code. Such deviation from the CG Code is considered necessary, mainly because of the huge size of employees of the Group which is about 44,000 and the Group's diversified businesses. For these reasons, to follow the exact guidelines of the Model Code will cause immense administrative burden to the Company in processing written notifications from the relevant employees when they deal in the securities of the Company, which can be avoided under the Company's own guidelines.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for securities transactions by its Directors.

Specific enquiries have been made with all Directors who confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 June 2017.

BOARD OF DIRECTORS

Composition

Dr. Cheng Chi-Kong, Adrian was re-designated from the Executive Vice-chairman & Joint General Manager to Executive Vice-chairman & General Manager with effect from 1 March 2017. Mr. Chen Guanzhan was re-designated from Executive Director & Joint General Manager to Non-executive Director and was appointed as an adviser with effect from 1 March 2017, and subsequently resigned as Non-executive Director and adviser with effect from 1 July 2017. Currently, the Board comprises a total of 13 Directors, being six Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. The number of Independent Non-executive Directors represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules. The biographies of the Directors are set out from pages 46 to 52 of this annual report.

All Directors have entered into formal letters of appointment with the Company, each for a term of three years, subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles of Association").

Article 103(A) of the Articles of Association provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Also, pursuant to Article 94 of the Articles of Association, any Director appointed to fill a casual vacancy or as an addition to the Board is subject to re-election at the next following general meeting or next following annual general meeting of the Company respectively.

BOARD OF DIRECTORS (CONTINUED)

Independence of Independent Non-executive Directors

The Company has received annual confirmation of independence from all Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all Independent Non-executive Directors are independent in accordance with the Listing Rules.

Role of the Board

The Board oversees the management, businesses, strategic directions and financial performance of the Group. It is collectively responsible for the management and operation of the Company. The Board is the ultimate decision making body of the Company except for matters requiring the approval of the shareholders in accordance with the Articles of Association, the Listing Rules or other applicable laws and regulations.

Day-to-day businesses of the Company are delegated to the management team which works under the leadership and supervision of the Executive Vice-chairman & Joint General Manager (Executive Vice-chairman & General Manager from 1 March 2017), the Executive Director & Joint General Manager (up to 28 February 2017), and the Executive Committee of the Board as discussed in sections below.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties of the Company including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

(e) to review the Company's compliance with Appendix 14 of the Listing Rules (Corporate Governance Code and Corporate Governance Report).

Board Meetings

Regular Board meetings are held at least four times a year with at least 14 days' notices and additional meetings with reasonable notices are held as and when the Board considers appropriate. The Company Secretary assists the Chairman in preparing agenda for each meeting. Draft agenda for each Board meeting is circulated to all Directors to enable them to include other matters into the agenda. Agenda accompanying board papers are sent to all Directors at least three days before each regular Board meeting. Board decisions are voted upon at the Board meetings. The Company Secretary records all matters considered by the Board, decisions reached and any concerns raised or dissenting views expressed by the Directors. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

Directors' Training

Each newly appointed Director is provided with the necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statues, laws, rules and regulations. From time to time, the Company Secretary also provides the Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements.

In addition, all Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

BOARD OF DIRECTORS (CONTINUED)

Directors' Training (continued)

All Directors are encouraged to participate in continuous professional development activities to develop and refresh their knowledge and skills. From time to time, the Company has arranged in-house trainings for the Directors in the form of seminars and reading materials. A summary of training received by the Directors for the year ended 30 June 2017 according to the records provided by the Directors is as follows:

Name of Directors	Type of Continuous Professional Development	
	Training on corporate governance, regulatory development and other relevant topics	Attending corporate events or visits
Executive Directors		
Dr. Cheng Kar-Shun, Henry	✓	–
Dr. Cheng Chi-Kong, Adrian	✓	✓
Ms. Ki Man-Fung, Leonie	✓	✓
Mr. Cheng Chi-Heng	✓	–
Ms. Cheng Chi-Man, Sonia	✓	–
Mr. Au Tak-Cheong	✓	✓
Non-executive Directors		
Mr. Doo Wai-Hoi, William	✓	–
Mr. Cheng Kar-Shing, Peter	✓	–
Mr. Chen Guanzhan*	✓	✓
Independent Non-executive Directors		
Mr. Yeung Ping-Leung, Howard	✓	✓
Mr. Cha Mou-Sing, Payson	✓	–
Mr. Cha Mou-Zing, Victor *(alternate to Mr. Cha Mou-Sing, Payson)*	✓	–
Mr. Ho Hau-Hay, Hamilton	✓	–
Mr. Lee Luen-Wai, John	✓	✓
Mr. Liang Cheung-Biu, Thomas	✓	✓

* re-designated from Executive Director to Non-executive Director on 1 March 2017 and resigned as Director on 1 July 2017

CHAIRMAN AND EXECUTIVE DIRECTORS

Dr. Cheng Kar-Shun, Henry, the Chairman, has led the Board and ensured that the Board works effectively and that all important issues are discussed in a timely manner. For the period from 1 July 2016 to 28 February 2017, Dr. Cheng Chi-Kong, Adrian, the then Executive Vice-chairman & Joint General Manager and Mr. Chen Guanzhan, the then Executive Director & Joint General Manager, jointly managed the Company's day-to-day businesses and implement major strategies and policies of the Company. On 1 March 2017, Dr. Cheng Chi-Kong, Adrian and Mr. Chen Guanzhan were re-designated as the Executive Vice-chairman & General Manager and a Non-executive Director respectively. Thereafter, Dr. Cheng Chi-Kong, Adrian being the Executive Vice-chairman & General Manager oversees the Company's day-to-day businesses and the implementation of major strategies and policies of the Company.

Each of the other Executive Directors takes up different responsibilities according to their own expertise. The responsibilities of the Chairman, the Executive Vice-chairman & Joint General Manager (Executive Vice-chairman & General Manager from 1 March 2017), Executive Director & Joint General Manager (up to 28 February 2017) and the other Executive Directors are clearly set out in their respective letters of appointment. The positions of the Chairman, the Executive Vice-chairman & Joint General Manager/the Executive Vice-chairman & General Manager, and Executive Director & Joint General Manager are held by separate individuals so as to maintain an effective segregation of duties.

NON-EXECUTIVE DIRECTORS

Non-executive Directors (including the Independent Non-executive Directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Company. They have the same duties of care and skill and fiduciary duties as the Executive Directors. Each Non-executive Director has entered into a letter of appointment with the Company for a fixed term of three years, subject to retirement by rotation in accordance with the Articles of Association.

BOARD COMMITTEES

The Board currently has four committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. All the Board committees are empowered by the Board under their own terms of reference which have been posted on HKEx's website and/or the Company's website.

Executive Committee

Members:

Executive Directors	Dr. Cheng Kar-Shun, Henry *(Chairman)*
	Dr. Cheng Chi-Kong, Adrian
	Mr. Chen Guanzhan*
	Ms. Ki Man-Fung, Leonie
	Mr. Cheng Chi-Heng
	Ms. Cheng Chi-Man, Sonia
	Mr. Au Tak-Cheong

* re-designated as Non-executive Director on 1 March 2017 and resigned as Director on 1 July 2017

The Board has delegated to the Executive Committee comprising all Executive Directors with authority and responsibility for handling the management functions and day-to-day operations of the Company, while reserving certain key matters such as the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee shall monitor the execution of the Company's strategic plans and the operations of all business units of the Company, and manage and develop generally the businesses of the Company. The Executive Committee meets regularly as and when necessary.

Audit Committee

Members:

Independent Non-executive Directors	Mr. Cha Mou-Sing, Payson*
	Mr. Lee Luen-Wai, John**
	Mr. Yeung Ping-Leung, Howard
	Mr. Ho Hau-Hay, Hamilton
	Mr. Liang Cheung-Biu, Thomas

* ceased to be the chairman on 15 February 2017
** appointed as the chairman on 15 February 2017

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process，risk management and internal control systems. To align with the amendments made to the CG Code relating to risk management and internal control, the terms of reference of the Audit Committee was revised on 23 February 2016 and took effect on 1 July 2016.

During the year, the Audit Committee met twice and reviewed the audited financial statements of the Company for the year ended 30 June 2016 and the unaudited interim financial statements of the Company for the six months ended 31 December 2016 with recommendations to the Board for approval, reviewed reports on risk management and internal control systems of the Group, and discussed with the management and the external auditors of the accounting policies and practices which may affect the Group and the financial reporting matters. Furthermore, the Audit Committee reviewed the framework and policy of risk management, the system of internal control and the financial statements for the year ended 30 June 2017 of the Company with recommendation to the Board for approval.

BOARD COMMITTEES (CONTINUED)

Remuneration Committee

Members:

Independent Non-executive Directors	Mr. Ho Hau-Hay, Hamilton *(Chairman)* Mr. Yeung Ping-Leung, Howard Mr. Cha Mou-Sing, Payson Mr. Lee Luen-Wai, John
Executive Director	Dr. Cheng Kar-Shun, Henry

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure on the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for the Company for approval by the Board. It shall also make recommendations to the Board on the remuneration packages of individual Executive Director and senior management.

During the year, the Remuneration Committee met once and reviewed the remuneration policy of the Company, including that for the Directors and senior management of the Company. The remuneration for the Executive Directors comprises basic salary, pensions and discretionary bonus. Share options have been granted to all Directors and senior management to subscribe for shares in the Company under the Company's share option scheme. In addition, a Director has been granted options under share option scheme of a listed subsidiary of the Group to subscribe for shares in that subsidiary. Details of the remuneration paid to the Directors and members of senior management for the financial year ended 30 June 2017 are disclosed in the notes to the financial statements.

Nomination Committee

Members:

Executive Director	Dr. Cheng Kar-Shun, Henry *(Chairman)*
Independent Non-executive Directors	Mr. Lee Luen-Wai, John Mr. Liang Cheung-Biu, Thomas

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. During the year, the Nomination Committee met once and reviewed the structure, size and composition of the Board and considered that the Board consists of a diverse mix of members appropriate to the requirements of the businesses of the Company.

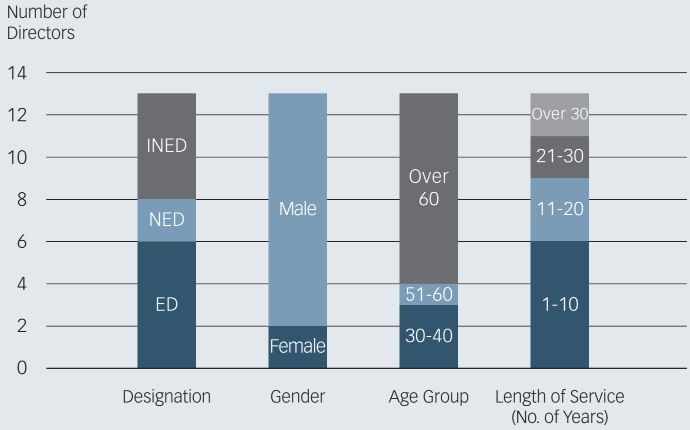
The Board adopted a Board Diversity Policy (the "Policy") in August 2013 which sets out the approach by the Company to achieve diversity on the Board. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining its competitive advantage and supporting its sustainable development. In determining an optimum composition of the Board, the Company will consider all aspects of diversity and will also take into account factors based on its own business model and specific needs from time to time. Board members' appointment will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, skills, regional and industry experience and expertise, cultural and educational background, and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (continued)

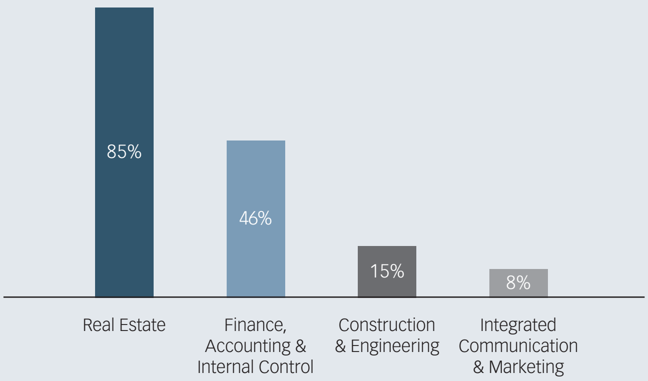
The Board consists of 14 members during the year and 13 members as at the date of this report, all coming from diverse professional backgrounds, of which more than one-third are Independent Non-executive Directors. The Board considers the Board composition during the year and as at the date of this report has provided a good balance of skills and experience appropriate to its business needs, and will continue to review its composition from time to time taking into account of the Group's business development requirements. The diversity mix of the Board at the date of this report is summarised in the following charts:

Diversity Mix



Remarks:
ED - Executive Director
NED - Non-executive Director
INED - Independent NED

Areas of Experience



ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meeting
	Number of Meetings Attended/ Eligible to attend for the year ended 30 June 2017					
Executive Directors						
Dr. Cheng Kar-Shun, Henry	3/5	–	1/1	0/1	1/1	1/2
Dr. Cheng Chi-Kong, Adrian	5/5	–	–	–	1/1	1/2
Ms. Ki Man-Fung, Leonie	5/5	–	–	–	1/1	2/2
Mr. Cheng Chi-Heng	5/5	–	–	–	1/1	1/2
Ms. Cheng Chi-Man, Sonia	5/5	–	–	–	1/1	1/2
Mr. Au Tak-Cheong	5/5	–	–	–	1/1	1/2
Non-executive Directors						
Mr. Doo Wai-Hoi, William	4/5	–	–	–	1/1	1/2
Mr. Cheng Kar-Shing, Peter	4/5	–	–	–	1/1	0/2
Mr. Chen Guanzhan*	3/5	–	–	–	1/1	2/2
Independent Non-executive Directors						
Mr. Yeung Ping-Leung, Howard	4/5	1/2	1/1	–	0/1	2/2
Mr. Cha Mou-Sing, Payson	4/5	1/2	1/1	–	0/1	0/2
Mr. Ho Hau-Hay, Hamilton	5/5	2/2	1/1	–	1/1	2/2
Mr. Lee Luen-Wai, John	5/5	2/2	1/1	1/1	1/1	1/2
Mr. Liang Cheung-Biu, Thomas	5/5	2/2	–	1/1	1/1	2/2

* re-designated from Executive Director to Non-executive Director on 1 March 2017 and resigned as Director on 1 July 2017

AUDITORS' REMUNERATION

During the year ended 30 June 2017, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Type of services	Fee paid/payable for the year ended 30 June	
	2017 HK$m	2016 HK$m
Audit services	**59.2**	66.5
Non-audit services	**8.6**	12.3
Total	**67.8**	78.8

Non-audit services include merger and acquisition related due diligence, taxation and services on system enhancement.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board, supported by the finance and accounts department, is responsible for the preparation of the financial statements of the Company and the Group. The Board has prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation. The Directors have not been aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company and the Group regarding its reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditor's Report from pages 98 to 103 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible to oversee the Company's risk management and internal control systems on an ongoing basis. Risk Management Committee has been set up under the Audit Committee and a risk management policy has been adopted since 2016. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

The Risk Management Committee has assisted the Audit Committee in deciding the Group's risk level and risk appetite, considering the Group's risk management strategies and giving guidelines where appropriate, and ensuring the soundness and effectiveness of the Group's risk management and internal control systems.

An internal audit department has been established to conduct internal audit of the Company and its subsidiaries, joint ventures and associated companies. The internal audit department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key business and operational risks are identified and managed, and to ensure that the risk management and internal control measures are carried out appropriately and functioning as intended. The internal audit department reports to the Board with its findings and makes recommendations to improve the risk management and internal control of the Group.

The Audit Committee also receives the report from the internal audit department and takes such report into consideration when it makes recommendation to the Board for approval of the half-yearly or annual results of the Group.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. The biography of the Company Secretary is set out on page 53 of this annual report.

CONSTITUTIONAL DOCUMENTS

No change has been made to the Company's Articles of Association during the year.

CORPORATE SUSTAINABILITY

Please refer to pages 56 to 67 of this annual report the "Corporate Sustainability" section which is prepared in accordance with the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange.

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting ("EGM") and Putting Forward Proposals at Shareholders' Meetings

Shareholders representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can deposit a written request to convene an EGM at the registered office of the Company for the attention of the Company Secretary. Such requisition, signed by the shareholders concerned, must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM on a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months after the date on which the Directors become subject to the requirement to call a meeting.

SHAREHOLDERS' RIGHTS (CONTINUED)

Convening Extraordinary General Meeting ("EGM") and Putting Forward Proposals at Shareholders' Meetings (continued)

To put forward proposals at the shareholders' meeting, a request in writing must be made by:

(i) shareholders representing at least 2.5% of the total voting rights of all shareholders of the Company having the right to vote at the shareholders' meeting; or

(ii) at least 50 shareholders of the Company having the right to vote at the meeting,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution at annual general meeting, and not less than seven days before the meeting in the case of requiring circulation of statement. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement.

If a shareholder of the Company intends to propose a person other than a Director of the Company for election as a Director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a written notice by that person of his/her willingness to be elected as a Director together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later than seven days prior to the date of such general meeting.

Detailed procedures can be found in the following documents which are available on the Company's website:

- "Procedures for Shareholders to convene Extraordinary General Meetings and putting forward proposals at General Meetings"; and

- "Procedures for Shareholders to propose a person for election as a Director".

Enquiries to the Board

Enquiries may be put to the Board through the Company's Investor Relations Department at 30/F., New World Tower, 18 Queen's Road Central, Hong Kong (email: ir@nwd.com.hk).

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman, other members of the Board and the external auditor attend the annual general meeting to meet the shareholders. The Directors will answer questions raised by the shareholders on the performance of the Group. The Company holds press and analysts conferences at least twice a year following the release of interim and full year results announcements at which the Executive Directors and senior management of the Company are available to answer questions regarding the performance of the Group. Our corporate website which contains corporate information, interim and annual reports, announcements and circulars issued by the Group as well as the recent developments of the Group enables the Company's shareholders to have timely and updated information of the Group. Shareholders can refer to the "Shareholders' Communication Policy" posted on the Company's website for more details.

EMPHASISE INVESTOR RELATIONS

To ensure that the investors have a comprehensive and thorough understanding of the Group, the Group participates in different international forums and overseas roadshows on a regular basis to elaborate the Group's business development plans to global investors. We also show our key development projects in both Mainland China and Hong Kong to the media and investors via site visits and meetings, and establish timely and effective two-way communications with media and investors. The "Investor Relations" Section is set out on pages 54 and 55 of this annual report.

PRINCIPAL PROJECTS SUMMARY

Project Summary — Hotel

No.	Name of Hotels	Total Number of Rooms As at 30 June 2017
	Hong Kong	
1	Renaissance Harbour View Hotel	861
2	Grand Hyatt Hong Kong	545
3	Hyatt Regency Hong Kong, Sha Tin	562
4	Hyatt Regency Hong Kong, Tsim Sha Tsui	381
5	Novotel Citygate Hong Kong	440
6	pentahotel Hong Kong, Kowloon	695
	Subtotal	**3,484**
	Mainland China	
7	pentahotel Beijing	307
8	pentahotel Shanghai	258
9	New World Shanghai Hotel	558
10	New World Shunde Hotel	370
11	New World Wuhan Hotel	325
12	New World Dalian Hotel	420
13	New World Beijing Hotel	309
14	Rosewood Beijing	283
	Subtotal	**2,830**
	Southeast Asia	
15	New World Makati Hotel, The Philippines	584
16	New World Saigon Hotel, Vietnam	533
17	Renaissance Riverside Hotel Saigon, Vietnam	336
	Subtotal	**1,453**
	Grand total	**7,767**
	To be opened in 2018	
18	Rosewood Hong Kong	597
19	Rosewood Phuket, Thailand	71

Project Summary — Major Property Development Projects in Hong Kong

No.	Name of Property Development Projects	Site Area (sq ft)	Total GFA (sq ft)	The Group Interest (%)
	Central and Western District			
1	23 Babington Path, Mid Levels	13,294	66,470	10.00%
2	ARTISAN HOUSE, 1–17 Sai Yuen Lane, Western District	7,812	90,921	100.00%
3	4A–4P Seymour Road, Mid-levels	52,466	472,186	35.00%
	Eastern District			
4	FLEUR PAVILIA, Upper & Lower Kai Yuen Lane and 5 Kai Yuen Street, North Point	72,000	573,301	40.00%
	Yau Tsim Mong District			
5	74 Waterloo Road, Ho Man Tin	11,256	94,972	51.00%
	Kowloon City District and Kwun Tong District			
6	Kowloon City Road/Sheung Heung Road Project, Ma Tau Kok (2)	14,897	111,730	100.00%
7	Yau Tong Redevelopment Project, Kowloon East	810,454	3,991,982	10.88%
8	Project A, Tsun Yip Street, Kwun Tong	9,169	100,840	100.00%
9	Project B, Tsun Yip Street, Kwun Tong	5,530	60,830	100.00%
	Sham Shui Po District			
10	New Kowloon Inland Lot No. 6582, Cheung Shun Street project, Cheung Sha Wan (3)	44,897	538,759	100.00%
11	New Kowloon Inland Lot No. 6505, King Lam Street project, Cheung Sha Wan	83,184	998,210	100.00%
12	Nos. 27–29 Tonkin Street, Cheung Sha Wan	25,870	232,836	100.00%
	Sha Tin District and Sai Kung District			
13	MOUNT PAVILIA, 663 Clear Water Bay Road, Sai Kung	719,035	1,078,517	63.00%
14	Tai Wai Station Property Development, STTL No. 520, Sha Tin (2)	521,107	2,050,328	100.00%
15	DD221, Sha Ha, Sai Kung	615,055	922,582	76.00%
	Tsuen Wan District			
16	THE PAVILIA BAY, West Rail Tsuen Wan West Station (TW6), TWTL No. 402, Tsuen Wan (2)	148,586	675,021	80.00%
	Yuen Long District and Tuen Mun District			
17	Lot No. 2131 in DD121, Tong Yan San Tsuen (Phase 1 — Site A), Yuen Long	78,502	78,502	100.00%
18	THE PARKVILLE, No. 76–92 Tuen Mun Heung Sze Wui Road, Tuen Mun	8,000	84,046	100.00%
19	Park Reach, YLTL 527, Tai Tong Road, Yuen Long	6,131	21,453	20.97%
20	YLTL 524, Tai Tong Road, Yuen Long	48,933	171,265	20.97%
21	Lung Tin Tsuen (Phase 3), Yuen Long	24,230	121,149	100.00%
22	Lung Tin Tsuen (Phase 2), Yuen Long	88,157	343,812	100.00%
23	Tong Yan San Tsuen (Phase 3), Yuen Long	88,658	88,658	100.00%
24	Tong Yan San Tsuen (Phase 4), Yuen Long	175,000	175,000	100.00%
25	Sha Po North, Yuen Long	TBC	373,240	34.81%
	Grand Total		13,516,610	

Remarks:
(1) P=Planning; D=Demolition; SP=Site Preparation; F=Site Formation/Foundation; S=Superstructure; LE=Land Exchange; C=Completion; NA=Not Applicable; TBC=To be confirmed
(2) Property in which the Group is entitled to a share of development profits in accordance with the terms and conditions of the respective development agreements
(3) Others including Government accommodation and a public vehicle park

Residential (sq ft)	Retail (sq ft)	Office (sq ft)	Industrial (sq ft)	Others (sq ft)	Total Attributable GFA (sq ft)	Stage of Completion [1]
6,647					6,647	S
82,851	8,070				90,921	S
165,265					165,265	D
229,320					229,320	S
43,051	5,385				48,436	D
111,730					111,730	F
423,682	10,725				434,407	D
			100,840		100,840	S
			60,830		60,830	D
		494,477		44,282	538,759	P
	38,062	960,148			998,210	P
194,032	38,804				232,836	F
665,917	13,549				679,466	C
2,050,328					2,050,328	F
701,162					701,162	P
540,017					540,017	S
78,502					78,502	F
70,106	13,940				84,046	S
4,014	485				4,499	S
35,914					35,914	F
121,149					121,149	LE
343,812					343,812	LE
88,658					88,658	LE
175,000					175,000	LE
129,925					129,925	NA
6,261,082	129,020	1,454,625	161,670	44,282	8,050,679	

Project Summary — Major Property Investment and Other Projects in Hong Kong

No.	Name of Property Investment and Other Projects	Total GFA (sq ft)	Total Attributable GFA (sq ft)
	Completed		
	Hong Kong Island		
1	Manning House, Central	110,040	110,040
2	New World Tower, Central	640,135	640,135
3	Shun Tak Centre, Shopping Arcade, Sheung Wan	214,336	96,451
4	Hong Kong Convention and Exhibition Centre, Shopping Arcade, Wan Chai	87,999	87,999
5	Grand Hyatt Hong Kong	524,928	262,464
6	Renaissance Harbour View Hotel	544,518	272,259
7	Pearl City, Causeway Bay — Ground Floor to 4th Floor	53,691	21,476
	Pearl City, Causeway Bay — Ground Floor to Basement	24,682	24,682
8	EIGHT KWAI FONG, Happy Valley	65,150	57,965
9	Methodist House, Wan Chai (1)	40,813	40,405
	Kowloon		
10	Telford Plaza, Kowloon Bay (1)	335,960	335,960
11	K11, Tsim Sha Tsui (1)	335,939	264,552
	Hyatt Regency Hong Kong, Tsim Sha Tsui	277,877	138,939
12	pentahotel Hong Kong, Kowloon	285,601	285,601
13	KOHO, Kwun Tong	204,514	204,514
14	The FOREST, Mong Kok	53,330	26,665
	New Territories		
15	ATL Logistic Centre, Kwai Chung	9,329,000	3,190,518
16	D•PARK, Tsuen Wan	466,400	466,400
17	PopCorn II, Tseung Kwan O (1)	125,730	88,011
18	Hyatt Regency Hong Kong, Sha Tin (1)	538,000	538,000
19	Citygate, Tung Chung	659,003	131,800
	Novotel Citygate Hong Kong	236,758	47,352
20	PARK SIGNATURE, Yuen Long	24,155	24,155
	Grand Total	15,178,559	7,356,343
	To be completed/Under development/Alteration and additional work (4)		
21	Victoria Dockside, Tsim Sha Tsui	2,951,444	2,951,444
22	704–730 King's Road, North Point	487,500	487,500
23	TCTL 11, Tung Chung	539,599	107,920
24	9 Luk Hop Street, San Po Kong	65,787	65,787
25	21 Luk Hop Street, San Po Kong	100,800	100,800
26	12 Salisbury Road, Tsim Sha Tsui	141,331	141,331

Remarks:
(1) Properties in which the Group has a development interests: other parties provide the land whilst the Group finances the construction costs and occasionally land costs, and is entitled to a share of the rental income or a share of the development profits in accordance with the terms and conditions of the respective joint development agreements after completion
(2) Meeting rooms
(3) Logistics centre
(4) GFA breakdown by usage of the project to be completed/under development/alteration and additional work is to be determined

Retail (sq ft)	Office (sq ft)	Hotel (sq ft)	Residential (sq ft)	Others (sq ft)	Total Number of Carpark	Land Lease Expiry
63,383	46,657					2843
77,948	562,187				385	2863
96,451					85	2055
69,173				18,826[2]	1,070	2060
		262,464				2060
		272,259				2060
21,476						2868
24,682						2868
			57,965			2079
	40,405					2084
335,960					136	2047
264,552					240	2057
		138,939				2057
		285,601				2057
1,567	202,947				28	2047
26,665					7	2062
				3,190,518[3]		2047
466,400					1,000	2047
88,011					50	2047
		538,000			100	2047
99,696	32,104				1,238	2047
		47,352				2047
24,155						2058
1,660,119	884,300	1,544,615	57,965	3,209,344	4,339	
						2052
						2083/2088/2090
						2063
						2047
						2047
						2052

Project Summary — Development Property Projects in Mainland China

A. MAJOR PROJECTS

No.	Region	Name of Property Development Projects	NWCL's Accounting Classification	NWCL's Attributable Interest	Total GFA (excl. carpark and others) (sq m)
		Major Projects			
1	Guangzhou	Guangzhou Covent Garden Phase III Remaining Portion	Subsidiary	100%	174,036
	Guangzhou	Guangzhou Covent Garden Remaining Phases	Subsidiary	100%	347,384
2	Guangzhou	Guangzhou Park Paradise Phase 3B	Subsidiary	100%	63,494
	Guangzhou	Guangzhou Park Paradise Phase 5A	Subsidiary	100%	206,481
	Guangzhou	Guangzhou Park Paradise Phase 5B	Subsidiary	100%	42,369
	Guangzhou	Guangzhou Park Paradise Remaining Phases	Subsidiary	100%	112,372
3	Guangzhou	Guangzhou Dong Yi Garden Phase 5	Subsidiary	100%	22,857
4	Foshan	Canton First Estate CF-20	Subsidiary	85%	114,162
	Foshan	Canton First Estate CF-27A	Subsidiary	85%	23,260
	Foshan	Canton First Estate CF-27B	Subsidiary	85%	30,212
	Foshan	Canton First Estate CF-29	Subsidiary	85%	72,595
	Foshan	Canton First Estate Remaining Phases	Subsidiary	85%	857,191
5	Shenzhen	Shenzhen Qianhai Project	Associated company	30%	176,300
6	Shenzhen	Shenzhen Prince Bay Project DY04-01	Subsidiary	51%	119,749
	Shenzhen	Shenzhen Prince Bay Project DY04-04	Subsidiary	51%	87,807
7	Shenzhen	Shenzhen Prince Bay Project DY02-02	Associated company	49%	79,840
	Shenzhen	Shenzhen Prince Bay Project DY02-04	Associated company	49%	79,840
8	Wuhan	Wuhan New World Centre Phase 3	Subsidiary	100%	91,728
9	Wuhan	Wuhan New World • Times Phase 1	Subsidiary	100%	237,028
	Wuhan	Wuhan New World • Times Phase 2	Subsidiary	100%	296,188
10	Ningbo	Ningbo New World Plaza Land No. 7–10	Joint venture	49%	163,624
	Ningbo	Ningbo New World Plaza Land No. 11	Joint venture	49%	67,753
	Ningbo	Ningbo New World Plaza Land No. 5	Joint venture	49%	136,737
	Ningbo	Ningbo New World Plaza Land No. 4	Joint venture	49%	36,698
	Ningbo	Ningbo New World Plaza Land No. 6	Joint venture	49%	13,184
	Ningbo	Ningbo New World Plaza Land No. 1–4	Joint venture	49%	82,977
	Ningbo	Ningbo New World Plaza Land No. 12	Joint venture	49%	20,446
11	Beijing	Beijing New View Garden Commercial Centre	Joint venture	70%	21,294
	Beijing	Beijing New View Garden Commercial Centre Remaining Phases	Joint venture	70%	16,400
12	Beijing	Beijing Xin Yu Garden Commercial Centre	Joint venture	70%	60,925
	Beijing	Beijing Xin Yu Garden Commercial Centre Remaining Phases	Joint venture	70%	431,314
13	Langfang	Langfang New World Centre District A	Subsidiary	100%	40,192
14	Langfang	Langfang New World Garden District 2	Subsidiary	100%	83,747
15	Shenyang	Shenyang New World Garden Phase 2D1	Subsidiary	100%	140,848
	Shenyang	Shenyang New World Garden Phase 2D2	Subsidiary	100%	215,948
	Shenyang	Shenyang New World Garden Phase 2E	Subsidiary	100%	97,665
	Shenyang	Shenyang New World Garden Phase 2C1	Subsidiary	100%	206,958
	Shenyang	Shenyang New World Garden Phase 2C2	Subsidiary	100%	224,879
	Shenyang	Shenyang New World Garden Phase XB	Subsidiary	100%	51,849
	Shenyang	Shenyang New World Garden Phase XC	Subsidiary	100%	68,368
16	Shenyang	Shenyang New World Commercial Centre Phase 2	Subsidiary	100%	76,671
17	Shenyang	Shenyang New World Centre	Subsidiary	100%	1,039,101
		Subtotal of Major Projects			6,532,471

Remarks:
(1) TBC=To be confirmed

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)	Development status	Expected completion date
167,969	6,067			61,260	Under development	Nov/2017
317,727	29,657			52,519	Planning completed	Jun/2022
			63,494	17,304	Under development	Sep/2018
128,298	78,183			118,720	Under development	Sep/2018
42,369				10,860	Planning completed	Aug/2020
87,339	25,033			15,518	Under planning	TBC
22,857				14,210	Under development	Mar/2018
114,081	81			1,600	Under development	Nov/2017
23,260				12,609	Under development	Jun/2018
30,212					Planning Completed	Feb/2020
71,594	1,001			38,276	Under development	Sep/2018
772,300			84,891	252,100	Under planning	TBC
	27,940	148,360			Under planning	2021
	95,000	24,749			Under planning	2021
	87,807				Under planning	2021
	25,000	54,840			Under planning	2020
55,000	24,840				Under planning	2020
	32,294	59,434		49,241	Under development	Feb/2019
237,028				89,014	Under development	Mar/2018
	270,951	25,237		114,200	Under planning	Jan/2021
137,651	25,973			104,970	Under development	Nov/2018
	9,702	58,051		22,257	Under development	Nov/2018
	1,100	89,486	46,151	25,372	Under development	Dec/2019
		36,698		22,493	Under planning	Sep/2020
	13,184			32,937	Under planning	Sep/2020
	82,977			36,839	Under planning	Sep/2020
	8,085	12,361		25,982	Under development	Nov/2018
	9,063	12,231		13,513	Under development	Dec/2019
	1,960	14,440		5,420	Under planning	TBC
	60,925			52,370	Under planning	Jun/2020
236,590	194,724			319,340	Under planning	TBC
			40,192	44,052	Under development	Jan/2018
75,718	8,029			25,894	Under development	Jan/2018
139,264	1,584			92,794	Under development	Sep/2017
208,851	7,097			86,648	Under development	Aug/2018
97,665				40,878	Under development	Aug/2018
187,768	19,190			54,955	Under development	Aug/2020
212,763	12,116			51,381	Planning Completed	Aug/2022
43,457	8,392			12,616	Planning Completed	Aug/2021
55,622	12,746			9,137	Planning Completed	Aug/2021
	25,266	51,405		19,354	Under development	Oct/2018
346,322	332,034	228,586	132,159	244,335	Under development	Jun/2019
3,811,705	1,538,001	815,878	366,887	2,190,968		

Project Summary — Development Property Projects in Mainland China (continued)

B. OTHER PROJECTS

No.	Region	Name of Property Development Projects	NWCL's Accounting Classification	NWCL's Attributable Interest	Total GFA (excl. carpark and others) (sq m)
		Other Projects			
1	Huizhou	Huizhou Changhuyuan Phase 4	Joint venture	63%	69,769
2	Changsha	Changsha La Ville New World Phase 3B	Subsidiary	95%	91,579
	Changsha	Changsha La Ville New World Phase 4	Subsidiary	95%	394,394
3	Yiyang	Yiyang New World Scenic Heights Phase 1D	Subsidiary	100%	14,192
	Yiyang	Yiyang New World Scenic Heights Phase 1E	Subsidiary	100%	21,806
	Yiyang	Yiyang New World Scenic Heights Phase 1F	Subsidiary	100%	17,846
	Yiyang	Yiyang New World Scenic Heights Phase 1G	Subsidiary	100%	11,019
	Yiyang	Yiyang New World Scenic Heights Phase 2	Subsidiary	100%	184,225
	Yiyang	Yiyang New World Scenic Heights Remaining Phases	Subsidiary	100%	138,305
4	Yangzhou	Yangzhou Phoenix • The Waterside Land No. 1	Subsidiary	85%	29,818
	Yangzhou	Yangzhou Phoenix • The Waterside Land No. 2	Subsidiary	85%	167,698
	Yangzhou	Yangzhou Phoenix • The Waterside Land No. 3	Subsidiary	85%	16,815
5	Jinan	Jinan New World Sunshine Garden District BC	Subsidiary	100%	62,404
6	Anshan	Anshan New World Garden Phase1 B1	Subsidiary	100%	78,357
	Anshan	Anshan New World Garden Phase1 B2 and B3	Subsidiary	100%	174,484
7	Anshan	New World • The Grandiose Phase 1B	Subsidiary	100%	43,083
	Anshan	New World • The Grandiose Phase 2	Subsidiary	100%	189,000
		Subtotal of Other Projects			1,704,794
		Grand Total			8,237,265

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)	Development status	Expected completion date
62,329	7,440			20,535	Under planning	TBC
35,016	25,996	30,567		32,025	Under development	Dec/2017
377,677	16,717			157,093	Under planning	May/2020
14,192					Under development	Aug/2017
20,667	1,139			2,988	Under development	Sep/2018
17,846					Planning completed	Dec/2018
11,019					Planning completed	Mar/2019
120,750	63,475			35,466	Under planning	Jul/2020
138,305				48,980	Under planning	Sep/2020
8,375		4,448	16,995	34,400	Under planning	Oct/2018
73,395	94,303			94,585	Under planning	Jun/2018
	16,815			13,460	Under planning	Jun/2018
	5,697	37,162	19,545	18,433	Under development	Oct/2017
63,885	14,472			19,425	Under development	Jun/2019
151,515	22,969			46,831	Planning Completed	Jun/2021
43,083					Under development	Jun/2020
189,000					Planning Completed	TBC
1,327,054	269,023	72,177	36,540	524,221		
5,138,759	1,807,024	888,055	403,427	2,715,189		

Project Summary — Major Property Investment and Other Projects in Mainland China

No.	Region	Name of Property Investment and Other Projects	NWCL's Accounting Classification	NWCL's Attributable Interest	Total GFA (excl. carpark and others) (sq m)
		Completed			
1	Guangzhou	Guangzhou Covent Garden	Subsidiary	100%	23,752
2	Guangzhou	Guangzhou Park Paradise	Subsidiary	100%	36,356
	Guangzhou	Guangzhou Park Paradise Area 6	Subsidiary	100%	
3	Guangzhou	Guangzhou Xintang New World Garden	Joint venture	63%	27,463
4	Guangzhou	Guangzhou Central Park-view Area L4	Subsidiary	91%	
	Guangzhou	Guangzhou Central Park-view Area L8	Subsidiary	91%	54,513
	Guangzhou	Guangzhou Central Park-view Area L13	Subsidiary	91%	2,061
5	Guangzhou	Guangzhou New World Oriental Garden Phase 2	Subsidiary	100%	
	Guangzhou	Guangzhou New World Oriental Garden Land No. 5	Subsidiary	100%	
	Guangzhou	Guangzhou New World Oriental Garden Phase 1	Subsidiary	100%	25,336
	Guangzhou	Guangzhou New World Oriental Garden Phase 2	Subsidiary	100%	660
6	Guangzhou	Guangzhou Dong Yi Garden Phase 2	Subsidiary	100%	7,366
	Guangzhou	Guangzhou Dong Yi Garden Phase 3	Subsidiary	100%	
	Guangzhou	Guangzhou Dong Yi Garden Phase 4	Subsidiary	100%	1,009
7	Foshan	Canton First Estate CF19A	Subsidiary	85%	11,043
8	Shenzhen	Shenzhen New World Yi Shan Garden	Subsidiary	100%	
9	Shenzhen	Shenzhen New World Signature Hill	Subsidiary	100%	
10	Huizhou	Huizhou Changhuyuan Phase 1	Joint venture	63%	303
	Huizhou	Huizhou Changhuyuan Phase 2A	Joint venture	63%	
	Huizhou	Huizhou Changhuyuan Phase 2B	Joint venture	63%	
	Huizhou	Huizhou Changhuyuan Phase 3	Joint venture	63%	51
11	Zhaoqing	Zhaoqing New World Garden	Subsidiary	100%	15,062
12	Shunde	Shunde New World Centre	Joint venture	42%	33,577
13	Shunde	New World Shunde Hotel	Joint venture	37%	36,524
14	Haikou	Haikou New World Garden Phase 3	Subsidiary	100%	
15	Wuhan	Wuhan Guanggu New World A	Subsidiary	100%	187,953
	Wuhan	Wuhan Guanggu New World B	Subsidiary	100%	6,615
16	Wuhan	Wuhan New World International Trade Tower 1	Subsidiary	100%	104,556
17	Wuhan	Wuhan New World International Trade Tower 2	Subsidiary	100%	10,005
18	Wuhan	Wuhan New World Centre	Subsidiary	100%	48,270
19	Wuhan	Wuhan K11 Gourmet Tower	Subsidiary	100%	10,367
20	Wuhan	New World Wuhan Hotel	Joint venture	60%	29,974
21	Changsha	Changsha La Ville New World Phase 1	Subsidiary	95%	
22	Shanghai	Shanghai Hong Kong New World Tower	Joint venture	50%	116,022
23	Shanghai	Shanghai Ramada Plaza	Subsidiary	100%	22,209
24	Shanghai	New World Shanghai Hotel	Subsidiary	100%	46,942
25	Shanghai	pentahotel Shanghai	Subsidiary	100%	13,353
26	Nanjing	Nanjing New World Centre	Subsidiary	100%	41,712
27	Beijing	Beijing New World Centre Phase 1	Joint venture	70%	74,032
28	Beijing	Beijing New World Centre Phase 2	Subsidiary	100%	47,345
29	Beijing	Beijing Zhengren Building	Subsidiary	100%	
30	Beijing	Beijing New World Garden	Subsidiary	100%	
31	Beijing	Beijing Xin Yang Commercial Building	Subsidiary	100%	
32	Beijing	Beijing Xin Cheng Commercial Building	Subsidiary	100%	
33	Beijing	Beijing Xin Yi Garden	Joint venture	70%	
34	Beijing	Beijing New View Garden	Joint venture	70%	
35	Beijing	Beijing Xin Yu Garden	Joint venture	70%	3,603
36	Beijing	Beijing Xin Kang Garden	Joint venture	70%	12,011
37	Beijing	Beijing Baoding Building Shopping Arcade	Subsidiary	100%	22,504
38	Beijing	pentahotel Beijing	Joint venture	55%	23,988
39	Beijing	New World Beijing Hotel	Joint venture	70%	53,998

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)
	23,752			58,441
22,112	14,244			23,234
				13,263
	27,463			51,159
				7,231
29,869	24,644			5,157
	2,061			7,524
				151
				5,503
	25,336			744
	660			
	7,366			494
				2,118
	1,009			2,783
11,043				13,567
				38,925
				8,017
	303			6,952
				1,651
				377
	51			18,008
	15,062			
	33,577			14,940
			36,524	
				4,286
	50,171	80,028	57,754	70,216
	6,615			
		104,556		17,276
		10,005		
	45,766	2,504		27,894
	10,367			10,580
		563	29,411	5,639
				5,134
	34,065	81,957		14,362
	22,209			14,311
			46,942	
			13,353	
	41,712			11,082
	74,032			19,956
	47,345			27,014
				16,415
				34,544
				3,439
				8,051
				43,708
				11,398
	3,603			21,197
	12,011			28,185
	22,504			22,000
			23,988	
			53,998	

Project Summary — Major Property Investment and Other Projects in Mainland China (continued)

No.	Region	Name of Property Investment and Other Projects	NWCL's Accounting Classification	NWCL's Attributable Interest	Total GFA (excl. carpark and others) (sq m)
		Completed			
40	Tianjin	Tianjin Xin An New World Plaza	Subsidiary	100%	87,053
41	Tianjin	Tianjin Xin Hui Hua Ting	Subsidiary	100%	25,876
42	Langfang	Langfang New World Centre B	Subsidiary	100%	7,016
43	Tangshan	Tangshan New World Centre Phase 2	Subsidiary	100%	86,061
44	Jinan	Jinan New World Sunshine Garden East 1	Subsidiary	100%	619
	Jinan	Jinan New World Sunshine Garden East 2	Subsidiary	100%	418
	Jinan	Jinan New World Sunshine Garden West	Subsidiary	100%	6,210
45	Shenyang	Shenyang New World Garden Phase 1AB	Subsidiary	100%	
	Shenyang	Shenyang New World Garden Phase 1D	Subsidiary	100%	
	Shenyang	Shenyang New World Garden Phase 1E	Subsidiary	100%	5,673
	Shenyang	Shenyang New World Garden Phase 2A	Subsidiary	100%	4,911
	Shenyang	Shenyang New World Garden Commercial Building	Subsidiary	100%	
	Shenyang	Shenyang New World Garden Phase 2B	Subsidiary	100%	
	Shenyang	Shenyang New World Garden Phase 1XA	Subsidiary	100%	3,862
	Shenyang	Shenyang New World Garden Phase 2D1	Subsidiary	100%	6,422
46	Shenyang	Shenyang New World Commercial Centre Phase 2	Subsidiary	100%	
47	Anshan	Anshan New World Garden	Subsidiary	100%	4,789
48	Dalian	Dalian New World Plaza — Manhattan Tower	Subsidiary	88%	49,413
49	Dalian	Dalian New World Tower — The Galleria and Hotel	Subsidiary	100%	82,401
		Grand Total			1,521,259

No.	Region	Name of Property Investment and Other Projects	NWD's Accounting Classification	NWD's Attributable Interest	Total GFA (excl. carpark and others) (sq m)
		Completed			
1	Beijing	Rosewood Beijing	Subsidiary	82%	143,000
		Grand Total			143,000

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)
	80,439	6,614		11,284
	25,876			
	7,016			
	37,776	48,285		
	619			
	418			11,153
	6,210			
				5,500
				10,372
	5,673			22,517
	4,911			157,929
				753
				67,366
	3,862			9,528
	6,422			
				8,710
	4,789			134,367
	49,413			19,783
	29,153		53,248	21,915
63,024	808,505	334,512	315,218	1,178,103

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)
			143,000	
			143,000	

Project Summary — Infrastructure Projects

No.	Name of Projects	Gross Length	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Year of Expiry[(1)]
	Roads					
R1	Guangzhou City Northern Ring Road	**22.0 km**	CJV	65.3	1/1994	2023
R2	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)		CJV	25.0		2030
	Section I	**8.6 km**			12/1999	
	Section II	**53.8 km**			12/1999	
R3	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)	**27.0 km**	CJV	15.0	12/2005	2032
R4	Guangzhou-Zhaoqing Expressway		CJV	25.0		2031
	Phase I	**48.0 km**			9/2002	
	Phase II	**5.4 km**			9/2010	
R5	Shenzhen-Huizhou Expressway (Huizhou Section)	**34.7 km**	CJV	33.3	6/1993	2023
R6	Guangzhou Dongxin Expressway	**46.2 km**	Equity	45.9	12/2010	2035
R7	Guangzhou City Nansha Port Expressway	**72.4 km**	Equity	22.5	12/2004	2030
R8	Guangdong E-serve United Co., Ltd.	**N/A**	Equity	1.4	1/2013	N/A
R9	Hangzhou Ring Road	**103.4 km**	Equity	100.0	1/2005	2029
R10	Roadway No. 321 (Wuzhou Section)		CJV	52.0		2022
	Phase I	**8.7 km**			3/1997	
	Phase II	**4.3 km**			12/1998	
R11	Shanxi Taiyuan — Gujiao Roadway (Taiyuan Section)	**23.2 km**	CJV	60.0+	7/2000	2025
R12	Shanxi Taiyuan — Gujiao Roadway (Gujiao Section)	**36.0 km**	CJV	60.0+	4/1999	2025
R13	Roadway No. 309 (Changzhi Section)	**22.2 km**	CJV	60.0+	7/2000	2023
R14	Taiyuan — Changzhi Roadway (Changzhi Section)	**18.3 km**	CJV	60.0+	8/2000	2023
R15	Tangjin Expressway (Tianjin North Section)		CJV	60.0#		2039
	Section I	**43.5 km**			12/1998	
	Section II	**17.2 km**			12/2000	
R16	Tate's Cairn Tunnel	**4.0 km**	Equity	29.5	6/1991	2018
	Total Length	**598.9 km**				

Notes:
+ Cash sharing ratio of 90% for the first 12 years from the operation date and thereafter 60%
# Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%
(1) Project or JV expiry date

Project Summary — Infrastructure Projects (continued)

No.	Name of Projects	Capacity/ Installed Capacity	No. of Projects	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Year of Expiry[(1)]
	Environment						
E1	SUEZ NWS Limited	**Water and wastewater (including industrial) treatment: 9.02 million m³/day**	34	Equity	42.0+	5/1985#	N/A
		Sludge treatment: 2,140 tonnes/day	4				
		Waste collection and treatment: 9,250 tonnes/day	11				
		Industrial and municipal waste incineration: 721,600 tonnes/year	7				
		Landfill and landfill restoration: 96 million m³ (excluding landfill restoration)	9				
		Total	65				
E2	Chongqing Derun Environment Co., Ltd.	**N/A**		Equity	12.6	10/2014#	N/A
E3	Chongqing Silian Optoelectronics Science & Technology Co., Ltd.	**N/A**		EJV	20.0	7/2008	N/A
E4	Zhujiang Power Station — Phase II	**620 MW**		EJV	25.0	4/1996	2020
E5	Chengdu Jintang Power Plant	**1,200 MW**		Equity	35.0	6/2007	2040
E6	Guangzhou Fuel Company	**Coal Pier: 7 million tonnes/year**		EJV	35.0	1/2008	2033
	Water and waste water treatment	**9,020,000 m³/day**					
	Sludge treatment	**2,140 tonnes/day**					
	Waste collection and treatment	**9,250 tonnes/day**					
	Waste incineration	**721,600 tonnes/year**					
	Landfill	**96 million m³**					
	Power plants installed capacity	**1,820 MW**					
	Coal pier handling capacity	**7 million tonnes/year**					

Notes:
+ After the completion of restructuring of SUEZ NWS Limited in FY2017, its interest held by NWSH was reduced from 50% to 42%
# Date of incorporation
(1) Project or JV expiry date

Project Summary — Infrastructure Projects (continued)

No.	Name of Projects	Investment Scope/ Leasable Area/ Handling Capacity	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Year of Expiry[(1)]
	Logistics					
L1	China United International Rail Containers Co., Limited	**Pivotal rail container terminal network**	EJV	30.0	Kunming: 1/2008 Chongqing: 12/2009 Chengdu: 3/2010 Zhengzhou: 4/2010 Dalian: 7/2010 Qingdao: 8/2010 Wuhan: 8/2010 Xian: 12/2010 Tianjin: 1/2017 Urumqi: 6/2017	2057
L2	ATL Logistics Centre	**5,900,000 sq ft leasable area**	Equity	56.0	Phase I: 2/1987 Phase II: 3/1988 Phase III: 2/1992 Phase IV: 1/1994 Phase V: 11/1994	2047
L3	Xiamen Container Terminal Group Co., Ltd.	**9,100,000 TEUs p.a.**	EJV	20.0	12/2013	2063
L4	Tianjin Orient Container Terminals Co., Ltd.	**1,400,000 TEUs p.a.**	Equity	24.5	1/1999	2027
L5	Tianjin Five Continents International Container Terminal Co., Ltd.	**1,500,000 TEUs p.a.**	EJV	18.0	11/2005	2035

Date of incorporation

Notes:
(1) Project or JV expiry date
CJV = Co-operative Joint Venture (profit sharing percentage)
EJV = Equity Joint Venture (percentage of equity interest)

Project Summary — Infrastructure Projects (continued)

No.	Name of Projects	Facility/ No. of Aircraft	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Year of Expiry(1)
	Aviation					
A1	Beijing Capital International Airport Co., Ltd.	**3 runways and 3 terminals (total floor area: 1.41 million sq m)**	Equity	10.4	10/1999#	N/A
A2	Goshawk Aviation Limited	**No. of Aircraft: 84**	Equity	50.0	10/2013#	N/A
A3	Bauhinia Aviation Capital Limited	**No. of Aircraft: 6**	Equity	40.0	3/2016#	N/A

Date of incorporation

Notes:
(1) Project or JV expiry date
CJV = Co-operative Joint Venture (profit sharing percentage)
EJV = Equity Joint Venture (percentage of equity interest)

GLOSSARY OF TERMS

GENERAL TERMS

FY	Fiscal year, 1 July to 30 June
Group	NWD and its subsidiaries
HIBOR	Hong Kong Interbank Offered Rate
HK	Hong Kong
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
HK$ billion	billion of Hong Kong Dollars
HK$ million or HK$m	million of Hong Kong Dollars
HKEx or Stock Exchange	The Stock Exchange of Hong Kong Limited
LIBOR	London Interbank Offered Rate
Listing Rules	Rules Governing the Listing of Securities on the HKEx
Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan for the purposes of this annual report
MTR	Mass Transit Railway
N/A or n/a	not applicable
New World or NWD or New World Development or Company	New World Development Company Limited (新世界發展有限公司)
NWCL or New World China Land	New World China Land Limited
NWDS or New World Department Stores	New World Department Store China Limited
NWSH or NWS Holdings	NWS Holdings Limited
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
TBC	To be confirmed
US	The United States of America
US$ or USD	United States dollar(s), the lawful currency of US

FINANCIAL TERMS

EBITDA	Operating profit before depreciation and amortisation, change in fair value of investment properties and other gains, net and after net exchange difference
Gearing Ratio	Net Debt divided by total equity
Net Debt	The aggregate of bank loans, other loans and fixed rate bonds and notes payable less cash and bank balances
Total Debt	Net Debt plus cash and bank balances

TECHNICAL TERMS

CJV	Co-operative joint venture
EJV	Equity joint venture
JV	Joint venture
WFOE	Wholly foreign owned enterprise

MEASUREMENTS

Km	kilometre(s)
m^3	cubic metre
MW	megawatt(s), equal to 1,000kW
sq ft	square feet
sq m	square metre
TEU or TEUs	Twenty-Foot Container Equivalent Unit

Chinese Version

The Chinese version of this Annual Report is available
on request from New World Development Company Limited.
Where the English and the Chinese texts conflict, the English text prevails.

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