IMPORTANT NOTICE

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The attached document is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

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The materials relating to any offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer and the Guarantor (each as defined in the Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor or the Joint Lead Managers (each as defined in the Offering Circular), any person who controls any Joint Lead Managers, any director, officer, employee or agent of the Issuer, the Guarantor or any Joint Lead Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

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CELESTIAL DYNASTY LIMITED

(incorporated with limited liability under the laws of the British Virgin Islands)

U.S.$650,000,000 4.25 per cent. Guaranteed Senior Notes due 2029
Guaranteed by

新創建 NWS

新創建集團有限公司*

NWS HOLDINGS LIMITED

(incorporated with limited liability under the laws of Bermuda)

Issue Price: 99.718 per cent.

The 4.25 per cent. guaranteed senior notes (the "**Notes**") will be issued in an initial aggregate principal amount of U.S.$650,000,000 by CELESTIAL DYNASTY LIMITED (the "**Issuer**") and the due and punctual payment of all sums payable by the Issuer in respect of the Notes will be unconditionally and irrevocably guaranteed (the "**Guarantee of the Notes**") by NWS Holdings Limited (the "**Guarantor**" or "**NWS**").

The Notes will bear interest from 27 June 2019 at the rate of 4.25 per cent. per annum. Interest on the Notes is payable semi-annually in arrear on the Interest Payment Dates (as defined in "*Terms and Conditions of the Notes*") falling on 27 June and 27 December in each year, commencing on 27 December 2019.

The Notes will constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which will at all times rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 27 June 2029 (the "**Maturity Date**"). The Notes may be redeemed in whole, but not in part, at the option of the Issuer, subject to certain provisions, at their principal amount together with all outstanding interest accrued and unpaid to the date fixed for redemption upon the occurrence of a change in, or amendment to, the laws or regulations of the British Virgin Islands, Bermuda, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 20 June 2019 such that the Issuer or the Guarantor (as the case may be) would be required to pay additional amounts in respect of the Notes or the Guarantee of the Notes and such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it. The Notes may be redeemed at the option of the Issuer in whole and not in part, at any time at the relevant Make Whole Redemption Amount (Call) (as defined in the "*Terms and Conditions of the Notes*"), on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes at the Make Whole Redemption Amount (Call) plus accrued and unpaid interest (if any) to such date). At any time following the occurrence of a Change of Control (as defined in "*Terms and Conditions of the Notes*"), the Holder of each Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Notes on the Change of Control Put Date (as defined in "*Terms and Conditions of the Notes*") at their principal amount, together with accrued and unpaid interest (if any) up to, but excluding the Change of Control Put Date. See "*Terms and Conditions of the Notes – Redemption and Purchase*".

Application will be made to The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")) (together, "**Professional Investors**") only. This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer or the Guarantor or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 10.

The Notes and the Guarantee of the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Notes will be represented by beneficial interests in the global note certificate (the "**Global Note Certificate**") in registered form which will be registered in the name of a nominee of, and will be deposited on or about the Issue Date (as defined in "*Terms and Conditions of the Notes*") with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**" together with Euroclear, the "**Clearing Systems**"). Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Note Certificate.

Joint Global Coordinators

HSBC **Mizuho Securities** **UBS**

Joint Bookrunners and Joint Lead Managers

HSBC **Mizuho Securities** **UBS** **HeungKong Financial** **Morgan Stanley**

Offering Circular dated 20 June 2019

* *For identification purposes only*

IMPORTANT NOTICE

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") for the purpose of giving information with regard to the Issuer, the Guarantor, the Notes and the Guarantee of the Notes. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice.

The Issuer and the Guarantor, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and its subsidiaries taken as a whole (together, the "**Group**"), the Notes and the Guarantee of the Notes, which is material in the context of the issue and offering of the Notes; (ii) the statements contained herein relating to the Issuer, the Guarantor and the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly and reasonably made or held, have been reached after considering all relevant circumstances; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Notes or the Guarantee of the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes described in this Offering Circular. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers (as defined herein) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor and the Group, the Notes or the Guarantee of the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited, UBS AG Hong Kong Branch, HeungKong Securities Limited and Morgan Stanley & Co. International plc (together with The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited, UBS AG Hong Kong Branch and HeungKong Securities Limited, the "**Joint Lead Managers**") or the Agents (as defined in the Terms and Conditions of the Notes (the "**Conditions**")). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers or the Agents to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty, express or implied, by the Joint Lead Managers or the Agents. The Joint Lead Managers have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Guarantor, any member of the Group, the Joint Lead Managers or the Agents that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, none of the Joint Lead Managers or the Agents or any of their respective affiliates, directors or advisers accepts any responsibility for the contents of this Offering Circular. The Joint Lead Managers and the Agents and their respective affiliates, directors or advisers accordingly disclaim all and any liability, whether arising in tort or contract or otherwise, which they might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers or the Agents or any of their respective affiliates, directors or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers or the Agents.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the Conditions, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers in connection with its investigation of the accuracy of such information or its investment decision.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY JOINT LEAD MANAGER APPOINTED AND ACTING IN ITS CAPACITY AS STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE JOINT LEAD MANAGERS) (THE "STABILISING MANAGER") MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER STABILISATION MAY NOT OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offering of the Notes. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION: Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

FORWARD-LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Issuer*", "*Description of the Guarantor*" and elsewhere in this Offering Circular constitute "**forward-looking statements**". The words including "**believe**", "**expect**", "**plan**", "**anticipate**", "**schedule**", "**estimate**" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. The Issuer, the Guarantor and the directors, employees and agents of the Issuer and the Guarantor, respectively do not assume: (i) any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's or the Guarantor's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based; or (ii) any liability in the event that any of the forward-looking statements does not materialise or turns out to be incorrect. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's or the Guarantor's expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

CERTAIN DEFINED TERMS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained here. Unless indicated otherwise, in this Offering Circular all references to: (i) to "**Issuer**" are to CELESTIAL DYNASTY LIMITED; (ii) the "**Guarantor**" or "**NWS**" are to NWS Holdings Limited; and (iii) the "**Group**" are to NWS Holdings Limited and its direct and indirect subsidiaries, associated companies and joint ventures taken as a whole unless the context otherwise indicated.

In this Offering Circular, unless otherwise specified or the context requires, all references to "**Hong Kong**" and "**HKSAR**" are to the Hong Kong Special Administrative Region of the People's Republic of China, all references to "**Macau**" are to the Macau Special Administrative Region of the People's Republic of China, all references to the "**PRC**" or to "**Mainland China**" are to the People's Republic of China, excluding Hong Kong, Macau and Taiwan, all references to "**Greater China**" are to the People's Republic of China, including Hong Kong, Macau and Taiwan, all references to "**BVI**" are to the British Virgin Islands, all references to "**U.S.**" are to the United States of America, all references to "**Hong Kong dollars**", "**HK dollars**", "**HK$**" or "**cents**" are to the lawful currency of Hong Kong, all references herein to "**U.S. dollars**" or "**U.S.$**" are to the lawful currency of the U.S., all references to "**RMB**" are to the lawful currency of the PRC, all references to "**HKFRS**" are to Hong Kong Financial Reporting Standards, all references to "**HKAS**" are to the Hong Kong Accounting Standards, all references to "**MW**" are to megawatts and all references to "**EU**" are to the European Union.

This Offering Circular contains translations of certain HK dollar amounts into U.S. dollars, and *vice versa,* at specific rates solely for the convenience of the reader. For convenience only and unless otherwise noted, all translations between HK dollars and U.S. dollars in this Offering Circular were made at the rate of HK$7.8 to U.S.$1.00. Such translations should not be construed as representations that the Hong Kong dollar and U.S. dollar amounts referred to herein could have been, or could be, converted into U.S. dollars or Hong Kong dollars, as the case may be, at that or any other rate or at all.

In this Offering Circular, where information has been presented in thousands or millions of units, or as a percentage amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the audited consolidated financial statements of the Guarantor as at and for the year ended 30 June 2018. See "*Index to Financial Statements*". The audited consolidated financial statements of the Guarantor were prepared in conformity with HKFRS issued by the Hong Kong Institute of Certified Public Accountants.

This Offering Circular also contains the reviewed condensed consolidated interim financial statements of the Guarantor as at and for the six months ended 31 December 2018. The reviewed condensed consolidated interim financial statements of the Guarantor were prepared in conformity with HKFRS issued by the Hong Kong Institute of Certified Public Accountants. Such reviewed condensed consolidated interim financial statements of the Guarantor should not be taken as an indication of the expected financial condition, results of operations and cash flows of the Group for the full financial year ending 30 June 2019.

This Offering Circular also includes the unaudited pro forma financial information of the enlarged group, being the Group and FTLife Insurance Company Limited (富通保險有限公司) ("**FTLife**") and its subsidiaries (the "**Target Group**") (together the "**Enlarged Group**"), which have been prepared in order to illustrate the impact of the Group's acquisition of FTLife as if it had been completed on 31 December 2018. Such unaudited pro forma financial information are presented for illustrative purposes only and because of their hypothetical nature, do not provide any assurance or indication that any event will take place in the future and may not be indicative of the current or future financial condition and results of operations of the Group or the Target Group. In preparing the unaudited pro forma financial information included in this Offering Circular, pro forma adjustments have been made appropriately for the purposes of such unaudited pro forma financial information pursuant to paragraph 4.29 of the Listing Rules in order to reflect, on a pro forma basis, the impact of this acquisition on the assets and liabilities of the Group as if this acquisition had been completed on 31 December 2018. For details of this acquisition, please refer to the section titled "*Recent Developments – The Group's acquisition of the entire issued share capital in FTLife*". The information upon which these adjustments and assumptions has been made is preliminary, and such adjustments and assumptions are difficult to make with complete accuracy. As a result, the actual financial condition and results of operations of the Enlarged Group upon completion of this acquisition may not be consistent with, or evident from, such unaudited pro forma financial information. In addition, the assumptions used in preparing the unaudited pro forma financial information may not prove to be accurate, and other factors may also affect the Group's and the Target Group's financial condition and results of operations. As such, potential investors are cautioned not to place undue reliance on such unaudited pro forma financial information.

The unaudited pro forma financial information of the Enlarged Group was compiled in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circular" issued by the Hong Kong Institute of Certified Public Accountants. The unaudited pro forma financial information included in this Offering Circular has not been audited or reviewed. Consequently, such unaudited pro forma financial information should not be relied upon by potential investors to provide the same quality of information associated with financial statements that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the Enlarged Group's financial condition and results of operations.

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SUMMARY

The summary below is intended only to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all the information that may be important to investors. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

NWS is a limited liability company incorporated under the Companies Act 1981 of Bermuda (Bermuda Company Number: 22286). It was incorporated in Bermuda on 3 September 1996 and listed on the Hong Kong Stock Exchange in 1997 (HKSE stock code: 659). NWS is the diversified industries flagship of New World Development Company Limited ("**NWD**") (HKSE stock code: 17). The Group is principally engaged in: (i) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and (ii) the investment in and/or operation of facilities, duty free shops, healthcare, construction, transport and strategic investments, primarily in Hong Kong and the PRC. As at 4 June 2019, based on the closing price of its shares on the Hong Kong Stock Exchange, NWS had a market capitalisation of approximately HK$59.5 billion.

The principal business activities of the Group are as follows:

- *Infrastructure*: As one of the largest foreign investors and operators of infrastructure projects in Hong Kong, the PRC and Macau, the Group operates 98 projects in the four segments of Roads, Environment, Aviation and Logistics as at 31 December 2018. The Infrastructure division of the Group comprises the following business segments:

  - *Roads*: The Group has 15 road projects in the PRC, namely, Guangdong, Zhejiang, Guangxi, Shanxi, Tianjin, Hubei and Hunan. Altogether these projects cover a total length of approximately 700 km.

  - *Environment*: The Group is engaged in environmental business with 73 projects in 46 cities across the Greater China region mainly through two strategic platforms, SUEZ NWS Limited ("**SUEZ NWS**") and Chongqing Derun Environment Co., Ltd. ("**Derun Environment**"). These two platforms provide one-stop environmental services, including water and wastewater treatment, waste management, renewable resource recycling and utilisation, environmental remediation, as well as design, engineering and procurement services. In addition, the Group operates two power plants in Guangdong and Sichuan with a total installed capacity of approximately 1,820 MW. The Group also entered the European renewable energy market through a joint venture operating solar power assets mainly in Italy.

  - *Aviation*: The Group invests in commercial aircraft for leasing to worldwide airline operators mainly through Goshawk Aviation Limited ("**Goshawk**").

  - *Logistics*: The Group has three port projects in the major strategic coastal cities of the PRC with an aggregate container handling capacity of 12 million TEUs per year. Through China United International Rail Containers Co., Limited ("**CUIRC**"), a joint venture of the Group, the Group develops and operates a large-scale pivotal rail container terminal network across the PRC. The Group also invests in a logistic centre in Hong Kong, offering total leasable area of approximately 5.9 million sq. ft., and provides logistics services for local and overseas clients.

- *Services*: The Services division comprises Facilities Management, Construction & Transport and Strategic Investments segments.

  - *Facilities Management*: The Group provides both local and overseas customers with a comprehensive range of facilities management services including management and operation of venues for exhibitions and conventions (which includes Hong Kong Convention and Exhibition Centre ("**HKCEC**")). The Group, through Free Duty, also undertakes duty-free tobacco, liquor and other general merchandise retail business at various cross-border transportation terminals in Hong Kong as well as Macau. The Group's facilities management services also extend to Gleneagles Hong Kong Hospital ("**GHK Hospital**"), which is a joint venture between Parkway Pantai Limited and the Group, with The University of Hong Kong being responsible for its clinical governance. To capture the growing demand for healthcare services in the PRC, the Group has invested through its associated companies, Healthcare Assets Management Limited ("**Healthcare Assets**") and UMP Healthcare China Limited ("**UMP Healthcare**"), to tap into the local primary healthcare market in Beijing, Shanghai and Shenzhen.

- *Construction & Transport*: The Group's Construction business offers professional construction services for many leading clients and developers in Hong Kong through NWS Construction Limited and its subsidiaries (collectively, "**Hip Hing Group**"). Through NWS Transport Services Limited ("**NWS Transport**"), the Group provides bus and ferry transport services in Hong Kong.

- *Strategic Investments*: This segment includes investments which have strategic value to the Group or have growth potential, as well as certain investments which the management believes can enhance the value of the shareholders of NWS.

SUMMARY OF THE OFFERING

The following is a summary of the terms and conditions of the Notes. For a more complete description of the Notes, see "*Terms and Conditions of the Notes*". Terms used in this summary and not otherwise defined shall have the meanings given to them in "*Terms and Conditions of the Notes*".

Issuer	CELESTIAL DYNASTY LIMITED
Guarantor	NWS Holdings Limited
Issue	U.S.$650,000,000 4.25 per cent. guaranteed senior notes due 2029
Guarantee	The Guarantor will, in the Deed of Guarantee, unconditionally and irrevocably guarantee the due and punctual payment of all sums payable by the Issuer in respect of the Notes.
Status of the Notes	The Notes will constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which will rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Status of the Guarantee of the Notes	The Guarantee of the Notes will constitute a direct, general, unsecured, unconditional and unsubordinated obligation of the Guarantor which will rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 4 (*Negative Pledge*) of the Conditions.
Issue Price	99.718 per cent.
Form and Denomination	The Notes will be issued in registered form in the denomination of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Notes will bear interest from 27 June 2019 at the rate of 4.25 per cent. per annum, payable semi-annually in arrear on the Interest Payment Dates falling on 27 June and 27 December in each year, commencing on 27 December 2019.
Issue Date	27 June 2019
Maturity Date	27 June 2029
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date.

Redemption for Change of Control	At any time following the occurrence of a Change of Control, the Holder of each Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Notes on the Change of Control Put Date (as defined in the Conditions) at their principal amount, together with accrued and unpaid interest (if any) up to, but excluding the Change of Control Put Date. See Condition 6(d) (*Redemption for Change of Control*) of the Conditions.
Redemption at the Option of the Issuer (Make Whole Redemption)	The Notes may be redeemed at the option of the Issuer in whole and not in part, at any time at the relevant Make Whole Redemption Amount (Call), on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes at the Make Whole Redemption Amount (Call) plus accrued and unpaid interest (if any) to such date). See Condition 6(b) (*Redemption at the option of the Issuer (Make Whole Redemption)*) of the Conditions.
Tax Redemption	The Issuer may at its option redeem the Notes in whole but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Registrar and the Fiscal Agent at their principal amount together with interest accrued and unpaid to the date fixed for redemption, if: (i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in the Conditions as a result of any change in, or amendment to, the laws or regulations of BVI, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 June 2019; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or (ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in the Conditions or the Guarantee of the Notes, or the Guarantor has or will become obliged to make any such withholding or deductions as to referred to in the Conditions or the Guarantee of the Notes as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of Bermuda, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 June 2019; and (B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it, subject to the provisions set out in Condition 6(c) (*Redemption for tax reasons*).

Events of Default	Upon the occurrence of certain events as described in Condition 9 *(Events of Default)* of the Conditions, the Noteholders holding not less than five per cent. of the aggregate principal amount of the outstanding Notes may, by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued and unpaid interest (if any) without further action or formality.
Cross-default	The Notes will contain a cross-default provision as further described in Condition 9(c) (*Cross-default of Issuer, Guarantor or Material Subsidiary*) of the Conditions.
Governing Law	The Notes, the Guarantee of the Notes and any non-contractual obligations arising out of or in connection with such will be governed by, and construed in accordance with, English law.
Clearing Systems	The Notes will be represented by beneficial interests in the Global Note Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Note Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in the Global Note Certificate.
Clearance and Settlement	The Notes have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS2009282539 Common Code: 200928253
Legal Entity Identifier (LEI)	254900A85ZVOMCLC2410
Fiscal Agent, Paying Agent and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited
Registrar	The Hongkong and Shanghai Banking Corporation Limited
Listing	Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only.
Use of Proceeds	See "*Use of Proceeds*".

SELECTED FINANCIAL INFORMATION OF THE GUARANTOR

*The following tables present the summary historical financial information of the Group as of and for each of the years ended 30 June 2017 and 30 June 2018 and as of and for the six months ended 31 December 2017 and 31 December 2018. The summary financial information is derived from and should be read in conjunction with (a) the audited consolidated financial statements of NWS as of and for the year ended 30 June 2018 (which have been audited by PricewaterhouseCoopers) (the "**Audited Consolidated Financial Statements**") included elsewhere in this Offering Circular and (b) the unaudited but reviewed condensed consolidated financial statements of NWS as of and for the six months ended 31 December 2018 (which have been reviewed by PricewaterhouseCoopers) (the "**Interim Consolidated Financial Statements**"), except for the Group's Adjusted EBITDA for the years ended 30 June 2017 and 30 June 2018 and for the six months ended 31 December 2017 and 31 December 2018 which are derived from the Audited Consolidated Financial Statements and the Interim Consolidated Financial Statements and have not been audited or reviewed by PricewaterhouseCoopers.*

The Audited Consolidated Financial Statements and the Interim Consolidated Financial Statements have been prepared and presented in accordance with HKFRS.

During the year ended 30 June 2018, the Group adopted certain amendments to standards which are mandatory for the year ended 30 June 2018. The Group also early adopted HKFRS 15 "Revenue from Contracts with Customers" which is effective for the financial year beginning on or after 1 January 2018. The adoption of HKAS 7 (Amendments), HKAS 12 (Amendments) and HKFRSs Amendments has no material effect on the results and financial position of the Group. The Group elected to apply the "cumulative catch-up" transition method for the adoption of HKFRS 15, whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at 30 June 2017 would be adjusted at the opening balance of equity as at 1 July 2017. Save for the aforesaid, there has been no material impact on the consolidated income statement and the consolidated statement of cash flows and no adjustments are required on the opening balance of equity as at 1 July 2017. Details of the changes are set out in note 3 of the Audited Consolidated Financial Statements for the year ended 30 June 2018.

During the six months ended 31 December 2018, the Group adopted certain new standard, amendments to standards and interpretation which are mandatory for the financial year ending 30 June 2019. The adoption of HKFRS 2 (Amendments), HKFRS 4 (Amendments), HKFRS 15 (Amendments), HKAS 40 (Amendments), HK (IFRIC)-Int 22 and HKFRSs Amendments has had no material effect on the results or financial position of the Group. The impact of the adoption of HKFRS 9 is set out in note 3 of the Interim Consolidated Financial Statements. The Group adopted transitional provisions which do not require the restatement of comparative figures. The reclassifications and adjustments arising from implementation of HKFRS 9 are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognised in the opening condensed consolidated statement of financial position as at 1 July 2018.

Consolidated Income Statement

	For the year ended 30 June		For the six months ended 31 December	
	2017	**2018**	**2017**	**2018**
	HK$ million (Audited)	*HK$ million (Audited)*	*HK$ million (Reviewed)*	*HK$ million (Reviewed)*
Revenue	31,385.0	35,114.8	18,076.9	14,188.0
Cost of sales	(27,763.2)	(31,331.6)	(16,134.5)	(12,671.4)
Gross profit	3,621.8	3,783.2	1,942.4	1,516.6
Other income/gains (net)	1,105.2	2,809.4	594.9	476.7
General and administrative expenses	(1,293.7)	(1,466.4)	(720.7)	(634.5)
Operating profit	3,433.3	5,126.2	1,816.6	1,358.8
Finance costs	(468.3)	(348.0)	(165.4)	(210.7)
Share of results of associated companies	1,590.9	756.2	352.2	596.2
Share of results of joint ventures	1,774.5	1,331.2	909.9	899.9
Profit before income tax	6,330.4	6,865.6	2,913.3	2,644.2
Income tax expenses	(685.2)	(745.0)	(409.7)	(353.5)
Profit for the year/period	5,645.2	6,120.6	2,503.6	2,290.7
Attributable to				
Shareholders of NWS	5,628.9	6,068.8	2,478.1	2,274.3
Non-controlling interests	16.3	51.8	25.5	16.4
	5,645.2	6,120.6	2,503.6	2,290.7
Earnings per share attributable to shareholders of NWS				
Basic	HK$1.46	HK$1.56	HK$0.64	HK$0.58
Diluted	N/A	HK$1.56	HK$0.64	HK$0.58

Consolidated Statement of Financial Position

	As at 30 June		As at 31 December
	2017	2018	2018
	HK$ million (Audited)	*HK$ million (Audited)*	*HK$ million (Reviewed)*
ASSETS			
Non-current assets			
Investment properties	1,568.9	1,693.3	1,726.5
Property, plant and equipment	5,487.8	5,370.3	5,497.2
Intangible concession rights	11,936.2	11,491.9	10,556.0
Intangible assets	786.6	753.6	735.2
Associated companies	16,180.5	13,763.0	14,593.6
Joint ventures	15,128.8	15,008.3	13,901.0
Financial assets at fair value through other comprehensive income	–	–	3,526.6
Financial assets at fair value through profit or loss	–	–	3,241.3
Available-for-sale financial assets	3,025.5	6,556.6	–
Other non-current assets	887.0	870.4	870.8
	55,001.3	55,507.4	54,648.2
Current assets			
Inventories	484.0	461.9	482.2
Trade and other receivables	13,787.2	12,148.7	14,343.6
Cash and bank balances	6,453.4	6,656.6	7,275.6
	20,724.6	19,267.2	22,101.4
Assets held-for-sale	–	3,364.0	–
Total assets	75,725.9	78,138.6	76,749.6
EQUITY			
Share capital	3,888.3	3,896.5	3,902.7
Reserves	45,168.8	46,053.5	45,346.6
Shareholders' funds	49,057.1	49,950.0	49,249.3
Non-controlling interests	217.9	173.8	185.6
Total equity	49,275.0	50,123.8	49,434.9
LIABILITIES			
Non-current liabilities			
Borrowings	9,376.9	9,139.6	10,081.0
Deferred tax liabilities	2,519.0	2,490.2	2,355.1
Other non-current liabilities	226.2	176.9	168.0
	12,122.1	11,806.7	12,604.1
Current liabilities			
Borrowings	305.8	1,035.0	2,734.4
Trade and other payables	13,642.9	11,384.2	11,325.9
Taxation	380.1	575.8	650.3
	14,328.8	12,995.0	14,710.6
Liabilities directly associated with assets held-for-sale	–	3,213.1	–
Total liabilities	26,450.9	28,014.8	27,314.7
Total equity and liabilities	75,725.9	78,138.6	76,749.6

Other unaudited financial information

	For the year ended 30 June		For the six months ended 31 December	
	2017	**2018**	**2017**	**2018**
	HK$ million *(Audited)*	*HK$ million* *(Audited)*	*HK$ million* *(Reviewed)*	*HK$ million* *(Reviewed)*
Adjusted EBITDA[1]	5,669.8	6,297.1	3,020.2	2,584.4

Set forth below is a reconciliation of the Group's Adjusted EBITDA to the Group's gross profit for the years/periods indicated.

	For the year ended 30 June		For the six months ended 31 December	
	2017	**2018**	**2017**	**2018**
	HK$ million *(Audited)*	*HK$ million* *(Audited)*	*HK$ million* *(Reviewed)*	*HK$ million* *(Reviewed)*
Gross profit	3,621.8	3,783.2	1,942.4	1,516.6
Less:				
General and administrative expenses	(1,293.7)	(1,466.4)	(720.7)	(634.5)
Add:				
Depreciation and amortization	1,202.8	1,487.0	721.5	718.9
Machinery hire income	63.2	106.4	48.0	37.4
Dividends received from associated companies and joint ventures[2]	2,075.7	2,386.9	1,029.0	946.0
Adjusted EBITDA	5,669.8	6,297.1	3,020.2	2,584.4

Notes:

(1) Adjusted EBITDA is calculated as gross profit minus general and administrative expenses plus depreciation/amortization/ machinery hire income and dividends received from associated companies and joint ventures. Although Adjusted EBITDA is not a standard measure under HKFRS, it is a widely used financial indicator of a company's ability to service and incur debt. Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Adjusted EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating Adjusted EBITDA, the Group believes that investors should consider, among other things, the components of Adjusted EBITDA and the amount by which Adjusted EBITDA exceeds capital expenditures and other charges. Investors should not compare the Group's Adjusted EBITDA to the adjusted EBITDA presented by other companies because not all companies use the same definition.

(2) Dividends received from associated companies and joint ventures have excluded an amount of HK$1,391.1 million for the year ended 30 June 2017, which represented the dividends received from an associated company mainly for the Group's share of proceeds from the disposal of Tricor Holdings Limited, the nature of which is exceptional and one-off.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The Group's business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. Additional risks and uncertainties not presently known to the Group or which the Group currently deems immaterial may arise or become material in the future and may have a material adverse effect on the Group, including on the ability of the Issuer to fulfil its obligations under the Notes.

The Group believes that the following factors may affect its ability to fulfil its obligations under the Notes. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below. These factors are contingencies that may or may not occur, and the Group is not in a position to express a view on the likelihood of any such contingency occurring. The information below is given as of the date of this Offering Circular and will not be updated after the date hereof, and is subject to the reservations in the section headed "Forward-Looking Statements" in this Offering Circular. Sub-headings are for convenience only and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.

Risks Relating to the Group and its Businesses

The Group is principally engaged in: (i) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and (ii) the investment in and/or operation of facilities, duty free shops, healthcare, construction, transport and strategic investments.

Infrastructure division

The Group operates an Infrastructure division which includes 98 projects across four segments (being Roads, Environment, Aviation and Logistics) as at 31 December 2018.

Roads

The Group invests in and operates a wide range of roads projects in the PRC. Revenue from the Group's toll roads is principally dependent upon the number and types of vehicles using such roads and their applicable toll regimes. Traffic volume is directly and indirectly affected by a number of factors, such as the availability, quality, proximity and toll rate differentials of alternative roads, competition from new roads and other means of transport, fall-behind-schedule development in the peripheral areas such as the opening of connecting interchanges, fuel prices and suspension of operation due to material accidents. The Group's operating results may also be affected by capital expenditure requirements for ongoing repair, maintenance, renewal and expansion of the toll roads. In view of these risks, the Group has established effective internal control systems on toll collection, repair, maintenance and capital expenditure investment. By making use of advanced technology, the Group is able to optimise the traffic capacity of the roads. Although the changes in government policies, such as the review of toll rates by the PRC government, may create uncertainties, the Group strives to maintain good communication with the government authorities and explore opportunities provided by the national development strategies such as Guangdong-Hong Kong-Macao Greater Bay Area. Notwithstanding such measures, there can be no assurance that the operation of the Group's roads projects will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the infrastructure business and therefore the Group.

Environment

The Group engages in environmental business substantially in the Greater China region, by providing water and wastewater treatment, waste management, renewable resource recycling and utilisation, environmental remediation as well as related design, engineering and procurement services. These projects are subject to extensive and stringent environmental protection laws and regulations, violations of which may result in fines and penalties such as suspension of operation. The Group's reputation may be damaged if it fails to meet public expectations for water safety and compliance with environmental legislations. To address these risks, the Group has adopted high environmental protection and safety standards and keeps track of the latest environmental requirements. Notwithstanding such measures, there can be no assurance that the operation of the Group's environmental projects will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the environmental business and therefore the Group.

The Group also operates power plants in the PRC and the operation of such power plants may be adversely affected by many factors, such as reduced demand in electricity, changes in fuel prices, supply and quality, downtimes caused by system upgrades and overhaul works and the impact of on-grid renewable energy. Measures such as close monitoring of fuel prices and regular updates of environmental requirements are also in place to mitigate the operational risks. Notwithstanding the aforesaid measures, there can be no assurance that the operation of the Group's power plants in the PRC will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and returns of the environmental business and therefore the Group.

Aviation

The Group's commercial aircraft leasing business has seen increasing competition in the sale and lease back market of commercial aircraft which has consequently reduced profit margins for leasing companies, leading to higher aircraft purchase values, and therefore increased risk exposure for leasing companies. The business model relies on the airline customers to honour their payments and other obligations under their existing or future leases and therefore the business may be adversely affected by factors such as disruptions in the aviation industry, global economic downturn, fluctuation of financial market and oil prices, as well as geopolitical uncertainties. The business may be adversely affected by the delays in aircraft delivery by the aircraft and engine manufacturers. The aircraft asset value may also be affected by various factors such as market demand fluctuations and changes in technology. The Group maintains a sizable aircraft leasing portfolio with various aircraft models, globally diversified lessees and operating countries. The Group also maintains a long-average remaining lease term to mitigate the risk in the aircraft leasing business, whilst counterparty risk is reduced by carefully identifying and engaging customers with good track records and closely monitoring their credit status. The Group also mitigates the interest rate exposure by entering into interest rate swap agreements and leveraging with fixed rate debts. Loan maturity and lease expiries are also closely monitored to ensure these potential risk factors are appropriately spread out or otherwise mitigated. The Group is able to capture the market demand by maintaining a young, fuel-efficient and in-demand fleet. Notwithstanding such measures, there can be no assurance that the operation of the Group's aircraft leasing business will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the aviation business and therefore the Group.

Logistics

The Group engages in the operation of a logistics centre, container terminal ports and a pivotal rail container terminal network. The operation of these logistics facilities in the PRC and Hong Kong may be adversely affected by many factors, such as the breakdown of shore cranes and other machinery, inclement weather, the lack of adjoining land for expansion and the general downturn of the logistics sector. In addition, these facilities outsource various internal operations and trucking services to contractors. The failure or inefficient operations of such contractors, labour shortages and labour disputes could disrupt operations. The performance of the outsourced contractors is closely monitored to ensure their service quality. Income received from cargo handling services and rental incomes received by the logistics centre and facilities may be adversely affected by many factors, such as increase in warehouse supply, availability of alternative facilities, slowdown in the domestic and international trade and changes in government policies. The Group focuses on the sustainability of the logistics business through process optimization and innovation. Comprehensive risk management strategies are formulated for its logistics management. Detailed policies and extensive measures are implemented to mitigate the operational risks of the logistics business. The Group strives to maintain good communication with the government authorities and explore opportunities provided by the national development strategies such as the Belt and Road Initiative.

Similarly, container terminals' charges, tariffs and throughputs are affected by many competition and trade factors including rate competitiveness, service levels, availability of competing terminals and trade trends. Container terminals' tariffs are subject to government authorities' antitrust investigations which may result in tariff adjustments. The Group closely monitors these factors and adopts responsive operational and marketing initiatives to counter any adverse impacts that may occur. Notwithstanding such measures, there can be no assurance that the operation of the Group's logistics facilities will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the logistics business and therefore the Group.

Tariff determination

Tariff and fees charged by the Group for its toll roads, environmental projects and rail container terminal network are set by the various government authorities. Factors that these government authorities take into account when considering rate changes may include construction costs, prospective recovery periods of investment, loan repayment terms, inflation rates, operating and maintenance costs, affordability and usage. Reductions in or cessation of tariffs and fees charged by the Group's projects may adversely affect the Group's operating results. To mitigate these risks, the Group maintains close communication with the government authorities and monitors any changes in the relevant policies. While the relevant government authorities have in the past approved applications for tariff and service fee increases made by the Group's projects, there can be no assurance that the relevant local authorities will approve any future request in a timely manner or at all or that the relevant local authorities or any other governmental authority will not at any time request a tariff or service fee reduction. Reductions in or cessation of tariffs, toll rates or concession period may adversely affect the Group's operating results.

Services division

The Group also operates a diversified Services division which encompasses facilities management, construction & transport and strategic investments.

Facilities Management

The Group, through its subsidiaries, joint ventures and associated companies, manages exhibition centres and operates a chain of duty free retail stores in the PRC, Hong Kong and Macau, operates a hospital in Hong Kong and provides medical and clinical healthcare services in the PRC.

The Group's facilities management of HKCEC may be adversely affected by factors such as space constraints, fierce competition from other exhibition venues in Hong Kong, Shanghai, Shenzhen and other major Asian cities, continuous increase in operating costs, inadequate supply of skilled service staff and the changing needs for trade shows and exhibitions. The Group continues to explore new exhibition themes and attract international exhibitions and conferences to Hong Kong during off peak seasons. A wide range of effective cost control initiatives are established to reduce the risk of rising cost of operation. Notwithstanding such measures, there can be no assurance that the operation of the Group's facilities management will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the facilities management business and therefore the Group.

The Group's duty free business may be adversely affected by changes in government policies relating to domestic and cross-border duties on liquor and tobacco. Revenue of the Group's duty free business is dependent upon the volume and spending power of cross border tourists and travellers, any significant changes in travel policies may affect the footfall in the retail outlets and cause fluctuations in the Group's revenue. Various measures are taken by the management to mitigate the risks such as expanding the range of merchandise in the duty free shops to boost sales. Notwithstanding such measures, there can be no assurance that the operation of the Group's duty free stores will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the duty free retail business and therefore the Group.

The Group's healthcare business, especially GHK Hospital, is subject to extensive government regulations and media and public scrutiny. Any failure to comply with laws and regulations and safety/care requirements could adversely affect the Group's business and results, and tarnish the Group's corporate image. Additionally, doctors and other medical professionals, together with the Group, could become the subject of claims, complaints and regulatory investigations arising from service failures or medical disputes.

As a hospital offering many specialties, GHK Hospital faces and closely monitors its clinical and safety risks. To ensure proper competency and experience of its doctors, GHK Hospital has applied a strict accreditation system through its medical board. The medical board is chaired by and mainly composed of appointees from the Li Ka Shing Faculty of Medicine of The University of Hong Kong, GHK Hospital's clinical partner. There are regular competency assessments and ongoing training for medical and nursing staff. A clinical governance committee is set up to regularly review the clinical quality risks and mitigation measures. Various committees and task forces such as Medication Safety Committee and Patient Fall Prevention Task Force are established to specifically deal with the major clinical risks identified. The Group's healthcare business is subject to competition from other healthcare services providers for qualified medical professionals. Continuous and focused recruitment, together with retention and training/development programmes are in place to ensure the availability of sufficient qualified and skilled professionals needed for the delivery of high standard clinical services. Notwithstanding such measures, there can be no assurance that the operation of GHK Hospital will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the Group's healthcare business.

Moreover, to capture the growing demand for healthcare services in the PRC, the Group has invested through its associated companies, Healthcare Assets and UMP Healthcare, to tap into the local primary healthcare market in Beijing, Shanghai and Shenzhen. There can be no assurance that the Group's healthcare business in the PRC will not be adversely affected by the aforementioned factors, which may in turn adversely affect results of operations of the Group's healthcare business.

Construction & Transport

The Group, through its subsidiaries, provides construction services, bus and ferry transport services in Hong Kong.

The Group's government construction projects are affected by government investment plans and its ability to secure funding approvals from the legislature. Its private sector projects may be adversely affected by the downturn and slowdown in any of the industries served by the Group's construction business, leading to a decrease in potential construction projects as well as project delays or cancellations. The general economic environment such as fluctuations in mortgage and interest rates, inflations, demographic trends, rivalry among competitors and subcontractors, supply of skilled labour and material prices may also influence the performance and growth of the Group's construction business. The recent concern of the public about the quality of certain infrastructure projects carried out by other contractors may have a negative impact on the construction industry as a whole, possibly resulting in higher costs and slower construction rates. With the increasing concern over the number of fatal accidents and the accident rate in the construction industry, the Labour Department of Hong Kong is actively reviewing the penalty levels of occupation safety and health legislation with a view to strengthening its deterrent effect, including studying whether it is appropriate to increase the maximum fines by pegging them to the financial means of those convicted. The Group adopts mitigating measures on construction market trend monitoring, cost control and quality improvement, project selection and diversification, and employer performance. Regular training on health and safety are also implemented to mitigate these construction risks. Notwithstanding such measures, there can be no assurance that the Group's construction projects will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the construction business and therefore the Group.

The Group mainly engages independent third-party consultants, contractors and sub-contractors to provide various services including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air conditioning units and elevators, and transportation of materials by air, sea and road. There is no assurance that the services rendered by any independent third-party contractor or sub-contractor engaged by the Group will be satisfactory. The Group is also exposed to the risk that its contractors and sub-contractors may require additional capital to complete an engagement in excess of the price originally tendered and the Group may have to bear additional costs as a result.

Furthermore, if credit facilities provided by banks become less readily available, there is a risk that the Group's major contractors and sub-contractors may experience financial or other difficulties which may affect their ability to discharge their obligations, thus delaying the completion of the Group's projects and/or resulting in additional costs for the Group. The timely performance by these contractors and sub-contractors may also be affected by natural and human factors such as natural disasters, strikes and other industrial or labour disturbances, terrorists, government policies, civil disturbances, accidents or breakages of machinery or equipment, failure of suppliers, interruption or delays in transportation, all of which are beyond the control of the Group. Any of these factors could adversely affect the business, financial condition and operating results of the Group.

Construction costs comprise one of the key components of the Group's cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third party consultants, contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs and labour costs have been the principal driver of the construction costs of the Group's projects. In recent years, the price of commodities (including the cost of fuel) has been highly volatile and construction material prices have shown fluctuating trends both in the domestic and the international markets. These fluctuating trends in prices may also create availability constraints and may also have an adverse impact on the production schedule and costs of the Group. A general trend in the economy of increased inflationary risk may also have an impact on the construction costs and a wider impact on other costs.

Construction costs may fluctuate as a result of the volatile price movement of construction materials such as the cost of steel and concrete. The Group manages the cost of outsourced construction work through a process of tenders which, among other things, takes into account procurement of supplies of principal construction materials such as steel and concrete for the Group's projects at fixed prices. To the extent practicable, the Group will purchase construction materials in advance of time to cover the demands of any contracts or projects awarded. Additionally, should existing contractors fail to perform under their contracts, the Group may be required to pay more to contractors under replacement contracts. Therefore, the Group's profit margin is sensitive to changes in the market prices for construction materials and failure by contractors to perform their contracts and such profit margins will be adversely affected if the Group cannot pass all of the increased costs onto its customers.

The Group's transport business could be affected by fluctuations in fuel costs, elasticity of fares, competition from other means of transport, labour shortages, strikes and collective actions of labour unions and serious traffic accidents. Given Hong Kong's heavy reliance on public transport, any fare increase proposals to offset rising overheads and costs would invariably attract strong public objections and negative publicity. Besides maintaining good communication with stakeholders, the Group also adopts prudent strategy on fuel cost hedging and continues to develop new transport routes to offset the impact of railway expansion. Remuneration packages are reviewed regularly to tackle labour shortages. The Group continues to provide quality services to the general public by putting the safety of passengers as its first priority. Notwithstanding such measures, there can be no assurance that the operation of the Group's transport business will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the transport business and therefore the Group.

Strategic Investments

The Group invests in the stock and capital markets through investments in, among other things, shares, private equities and pre-IPO financing of companies in a variety of businesses and industries. These investments are affected by factors particular to the specific industries as well as external and global factors, including but not limited to the performance of global financial markets which are generally sensitive to economic conditions, investment sentiment and fluctuations in interest rates. In view of these risks, the Group adopts careful and pragmatic investment strategies and maintains a balanced and diversified portfolio to manage the risks effectively. Notwithstanding such measures, there can be no assurance that the Group's investments will not be adversely affected by the aforementioned factors, which may in turn adversely affect the results and operations of the strategic investments business and therefore the Group.

Risks relating to accidents or other hazards

The Group maintains insurance coverage in respect of the properties under construction, bus and ferry transport services, third party liabilities and employer's liabilities in accordance with what it believes to be in line with industry standards. However, the Group may become subject to liability for hazards which it cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. In particular, the Group's insurance policies generally do not cover certain types of losses incurred due to hazards such as war, civil disorder, acts of terrorism, and other natural disasters. Any such losses may significantly affect the Group's business operation and the Group may not have sufficient funds to replace any property destroyed as a result of such hazards. In addition, any payments the Group makes to cover any losses, damages or liabilities could have a material adverse effect on its business, financial condition and operating results. Further, notwithstanding the Group's insurance coverage, any damage to the Group's buildings, facilities, equipments, or other properties as a result of occurrences such as fires, floods, water damage, explosions, power losses, typhoons and other natural disasters may have a material adverse effect on the Group's business, financial condition and operating results.

Furthermore, whilst every care is taken by the Group and its employees in the selection and supervision of its independent contractors, accidents and other incidents, such as theft, may occur from time to time. Such accidents or incidents may expose the Group to liability or other claims by its customers and other third parties. Although the Group believes that it has adequate insurance arrangements in place to cover such eventualities, it is possible that accidents or incidents could occur which are not covered by these arrangements. The occurrence of any such accidents or incidents which are not covered by insurance could adversely affect the business, financial condition and operating results of the Group. It is also possible that litigants may seek to hold the Group responsible for the actions of its independent contractors.

Legal and regulatory considerations

The operations of the Group are subject to various laws and regulations of Hong Kong, the PRC and other jurisdictions in which the Group's operations are located.

From time to time, changes in laws and regulations or the implementation thereof may require the Group to obtain additional approvals and licences from the relevant authorities for the conduct of its operations. In such event, the Group may incur additional expenses to comply with such requirements. This will in turn affect the Group's financial performance as its business costs will increase.

Furthermore, there can be no assurance that such approvals or licences will be granted to the Group promptly or at all. If the Group experiences delays in obtaining, or is unable to obtain, such required approvals or licences, this may have a material adverse impact on the business, financial condition or operating results of the Group.

Environmental liability exposure

The Group's coal-fired power projects discharge waste substances into the environment which is subject to relevant environmental protection regulations in the PRC. However, the Group has established environmental protection systems to treat certain of its waste materials. The Group also believes that the environmental protection facilities and systems of its joint ventures are adequate for it to comply with the existing national and local environmental protection regulations. However, there is no assurance that the authorities in the PRC will not impose additional regulation which would require additional expenditure.

In the PRC, environmental protection is governed by environmental protection laws and a number of related laws and regulations covering air pollution, air quality, water and ocean pollution, noise pollution, and hazardous substances. Local governments are encouraged to supplement the central government's regulations with local regulations and standards to suit the local situations. In addition, joint venture enterprises may be subject to a number of regulations specifically applicable to infrastructure companies. Although these laws and regulations relate principally to pollution and hazardous substances, the Group's projects may still have an impact on the natural environment due to the presence of expressways and large-scale works involved in maintaining and repairing expressways.

Accordingly, there is no assurance that such laws and regulations regulating environmental protection will not change which may have an adverse impact on the Group's financial condition and operating results.

Outbreaks of contagious diseases

The outbreak of Severe Acute Respiratory Syndrome ("**SARS**") that began in the PRC and Hong Kong in early 2003 had an adverse effect on all levels of business in Hong Kong and the PRC. The outbreak of SARS led to a significant decline in travel volumes and business activities throughout most of the Asian region. The occurrence of another outbreak of SARS or of another highly contagious disease may result in another economic downturn and may have an adverse effect on the overall level of business and travel in the affected areas. It may also disrupt the Group's business operations and consequently have an adverse effect on its financial condition and operating results.

There have been sporadic outbreaks of the H5N1 virus or "Avian Influenza A" among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans. There have also been outbreaks among humans of the "swine flu" (influenza A/H1N1 virus) globally. On 11 June 2009, the World Health Organization raised its global pandemic alert to Phase 6 after considering data confirming the outbreak. To date, there have been a large number of confirmed cases of the influenza A/H1N1 virus globally. In early 2019, there was also an outbreak of measles infection in Hong Kong. There can be no assurance that there will not be a serious outbreak of the influenza A/H1N1 virus or another contagious disease in Hong Kong or the PRC in the future. If such an outbreak were to occur, it may have a material adverse impact on the business, financial condition or operating results of the Group.

External risks

A natural disaster, catastrophe or other event could result in severe personal injury, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects and materially adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. The Group's operations are based in jurisdictions which are exposed to potential natural disasters including, but not limited to, typhoons, storms, floods, tsunami and earthquakes. If any of the Group's developments are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group's operations may be significantly interrupted.

Market sentiments are affected by adverse conditions such as inflationary pressures from rising food and commodity prices and the expected increase in demand and cost of oil, on the back of political unrest in the Middle East.

The occurrence or continuance of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses at their intended capacities, thereby reducing revenue. Risks of substantial increases in costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant additional costs and liabilities will not be incurred, including those relating to claims for damages to property or persons.

Global economic factors

Economic developments inside and outside Hong Kong and the PRC could adversely affect different business sectors in Hong Kong and the PRC. The global economic slowdown and turmoil in the global financial markets beginning in the second half of 2008 had, and continue to have, a negative impact on the global economy. In 2011, the global economy was overshadowed by the wide-ranging and complex effects arising from the worsening European sovereign debt crisis, the continued slow recovery of the United States economy and the escalating political instability in the Middle East and North Africa. More recently, protests in Hong Kong in June 2019, the uncertainty arising from the United Kingdom voting in a national referendum to withdraw from the EU, political instability in the Korean Peninsula, a slump in commodity prices, fears of a slowdown in the PRC economy and interest rate hikes in the United States have resulted in instability and volatility in the capital markets. Furthermore, fears over a trade war between the United States and the PRC, with the United States imposing tariffs on PRC products from July 2018 and retaliatory tariffs imposed by the PRC, have caused greater volatility in global markets. These events have had and continue to have a significant adverse impact on the global credit and financial markets as a whole. Any deterioration in the financial markets may contribute to a slowdown in the global economy, including in the growth forecasts, and may lead to significant declines in employment, household wealth, consumer demand and lending.

In addition, changes in the global credit and financial markets have recently significantly diminished the availability of credit and led to an increase in the cost of financing. The Group may face difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding in the future. There can be no assurance that the Group will be able to raise finance at a reasonable cost. Moreover, if conditions worsen or a global crisis recurs, this may adversely affect the availability, terms and cost of borrowing in the future, including any financing necessary to fund the Group's capital expenditures or future acquisitions. Any disruption in the Group's ability to renew existing credit facilities or obtain new borrowings on acceptable terms may adversely affect its financial condition and cash flows as the Group relies on bank borrowings for a portion of its working capital and capital expenditure requirements. There can be no assurance that the Group will be able to raise finance at a reasonable cost. In addition, Hong Kong stock market prices have experienced significant volatility which may continue to affect the value, and any return from the sale, of the Group's investments in companies listed on the Hong Kong Stock Exchange or any PRC stock exchange.

Limited availability of funds

The Group's core businesses will require substantial capital investment, particularly for its Infrastructure division. The Group has historically required, and expects to continue to require, additional external financing to fund working capital and capital expenditures, to support the future growth of its business and/or to refinance existing debt obligations. The Group's ability to arrange 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 the Group, success of its businesses, provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital and political and economic conditions in Hong Kong and the PRC. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on favourable terms. Any increase in interest rates would increase the cost of borrowing and could adversely affect the Group's operating results.

Joint venture risks

Co-operation and agreement among the Group and its joint venture partners on its existing or any future projects is an important factor for the smooth operation and financial success of such projects. The Group's joint ventures are subject to risks associated with the possibility that the joint venture partners may: (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) be unable or unwilling to fulfill their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. While the Group has, in most cases, through contractual provisions and/or appointment of representatives, the ability to control or influence most material decisions relating to its joint ventures, the Group may not be able to control the decision-making process of the joint ventures at all times without the support of the joint venture partners and, in some cases, it does not have majority control of the joint venture. Although the Group does not currently experience any significant problems with its joint venture partners, no assurance can be given that disputes among the Group and its joint venture partners or among the partners will not arise in the future that could adversely affect such projects.

Concession, franchise and licence risks

The Group operates and manages certain franchise businesses such as providing facilities services in respect of HKCEC, operating public bus and ferry transportation services in Hong Kong and operating duty free tobacco and alcohol sales under franchise and licence agreements. The Group also has roads and environmental projects operating under concessions in the Greater China region. There can be no assurance that renewals of concession, franchise and licence periods can be obtained or that if renewed, that the terms of such concession, franchise and licence will not be on terms less favourable than currently obtained by the Group.

Control of NWS

The holding company of NWS is NWD which, together with its subsidiaries, held approximately 60.95 per cent. of the issued share capital of NWS as at 31 March 2019. In turn, Chow Tai Fook Enterprises Limited ("**CTF**") together with its subsidiaries held approximately 44.39 per cent. of the issued share capital of NWD as at 31 March 2019. As at 31 March 2019, CTF is a private company indirectly owned as to approximately 81.03 per cent. by Chow Tai Fook Capital Limited ("**CTFC**"), a company which is held as to approximately 48.98 per cent. and approximately 46.65 per cent. by Cheng Yu Tung Family (Holdings) Limited ("**CYTFH**") and Cheng Yu Tung Family (Holdings II) Limited ("**CYTFH-II**") respectively. Both CYTFH and CYTFH-II are controlled by the family members of the late Dato' Dr. Cheng Yu Tung, one of the founders and the former chairman of NWD. The family members of the late Dato' Dr. Cheng are therefore able to exert considerable influence over the management and affairs of NWS and its subsidiaries. As a result, transactions between NWS, NWD and other companies in which the Cheng family has an interest may be subject to disclosure requirements under the Listing Rules and may also require approval from the shareholders of NWS. NWS will comply with the relevant requirements under the Listing Rules in respect of the transactions between the Group and NWD and its subsidiaries (excluding the Group) (the "**NWD Group**"), and between the Group and CTF and its subsidiaries.

Holding company structure

The Issuer is an indirect wholly owned subsidiary of NWS formed for the principal purpose of issuing the Notes and will on-lend the entire proceeds from the issue of the Notes to NWS. The Issuer does not and will not have any net assets other than such on-lent loans and its ability to make payments under the Notes depends on timely payments under such loans. In the event that NWS does not make such payments due to limitation in such loans or other agreements, lack of available cashflow or other factors, the Issuer's ability to make payments under the Notes may be adversely affected.

NWS' subsidiaries, joint ventures and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to NWS

As a holding company, NWS depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from NWS' subsidiaries, joint ventures and associated companies to satisfy NWS' obligations, including NWS' obligations under the Guarantee of the Notes. The ability of NWS' subsidiaries, joint ventures and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the constitutional documents of these companies, applicable laws and restrictions contained in the debt instruments of such companies. For example, the joint venture agreements or constitutional documents of NWS' joint ventures and associated companies generally require the votes of both joint venture partners to approve dividend distributions. NWS cannot assure that its subsidiaries, joint ventures and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to NWS as it anticipates, or at all. In addition, dividends payable to NWS by these companies are limited by the percentage of NWS' equity ownership in these companies. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to NWS to make payments on the Notes. These factors could reduce the payments that NWS receives from its subsidiaries, joint ventures and associated companies, which would restrict NWS' ability to meet its payment obligations under the Guarantee of the Notes.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations, which may differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. NWS' PRC subsidiaries, joint ventures and associated companies are also required to set aside a portion of their post-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by NWS' PRC subsidiaries, joint ventures and associated companies to their non-PRC parent companies will be subject to a 10 per cent. withholding income tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated which specifically exempts or reduces such withholding income tax. Pursuant to a double tax avoidance arrangement between Hong Kong and the PRC together with related implementation rules, if a non-PRC parent company is a Hong Kong resident and directly holds a 25 per cent. or more interest in a PRC enterprise for at least 12 consecutive months immediately prior to receiving the dividends, and subject to certain other requirements, this withholding income tax rate may be lowered to 5 per cent. However, according to the Circular of State Administration of Taxation on Printing and Distributing the Administrative Measures for Non-Resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties issued by the State Administration of Taxation and effective from 1 October 2009, the 5 per cent. withholding income tax rate does not automatically apply and approvals from or filings with, as applicable, the competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation treaties. Moreover, according to a tax circular issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust a preferential tax rate of an offshore entity to the relevant tax rate that it otherwise would have been eligible for. NWS cannot provide assurance that the PRC tax authorities will grant approvals on the 5 per cent. withholding income tax rate on dividends received by NWS' subsidiaries in Hong Kong from NWS' PRC investments. As a result of such factors, the Group could face difficulties in making payments required by the Notes or satisfying obligations under the Guarantee of the Notes.

Furthermore, in practice, the market interest rate that NWS' PRC subsidiaries, joint ventures and associated companies may pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates (if any) on shareholders' loans paid by NWS' subsidiaries, joint ventures and associated companies, therefore, may be lower than the interest rate for the Notes. NWS' non-PRC subsidiaries are also required to bear a 10 per cent. (or 7 per cent., if the interest is paid by a PRC resident to a Hong Kong resident) withholding income tax on the interest paid under any shareholders' loans. PRC regulations require approval by the State Administration of Foreign Exchange ("**SAFE**") before any of NWS' non-PRC subsidiaries may make shareholders' loans in foreign currencies to NWS' PRC subsidiaries, joint ventures or associated companies and require such loans to be registered with the SAFE. Prior to payment of interest or repayment of principal on any such shareholders' loan, NWS' PRC subsidiaries, joint ventures or associated companies must present evidence of payment of withholding income tax on the interest payable and evidence of registration of loans with the SAFE, as well as any other documents that the SAFE or its local branch may require.

The acquisition of FTLife Insurance Company Limited ("FTLife") is subject to the satisfaction and/ or waiver (as applicable) of certain conditions which may or may not be satisfied and/or waived and the acquisition may not be successfully integrated

On 27 December 2018, Earning Star Limited ("**Earning Star**"), an indirect wholly owned subsidiary of NWS, entered into a share purchase agreement with Bright Victory International Limited ("**Bright Victory**", an indirect wholly owned subsidiary of 同創九鼎投資管理集團股份有限公司 (Tongchuangjiuding Investment Management Group Co., Ltd.*, "**Jiuding**") and certain guarantors of Bright Victory in respect of the acquisition of the entire issued share capital of FTLife by Earning Star from Bright Victory at a total consideration of HK$21.5 billion (subject to adjustments) (the "**FTLife Acquisition**"). Completion of the FTLife Acquisition is conditional upon a number of conditions being satisfied and/or waived (as the case may be), including, among others, approvals from the shareholders of Earning Star (and its affiliates, where applicable) and of Bright Victory (and its affiliates, where applicable), as well as regulatory approvals from the Insurance Authority of Hong Kong, the Securities and Futures Commission of Hong Kong, the Bermuda Monetary Authority, the Hong Kong Stock Exchange (if required), PRC government authorities including but not limited to China Securities Regulatory Commission and 全國中小企業股份轉讓系統有限責任公司 (National Equities Exchange and Quotations Co., Ltd.*) (if required) and any other approval, consent or waiver of creditors and third parties required by Earning Star (and its affiliates, where applicable), Bright Victory (and its affiliates, where applicable) and/or FTLife and its subsidiaries. There is also a requirement that completion of the FTLife Acquisition occur by the date falling 18 months from 27 December 2018, or any such later date as mutually agreed in writing between Bright Victory and Earning Star (the "**Longstop Date**"). As at the date of this Offering Circular, approvals from the shareholders of each of NWS (indirect holding company of Earning Star) and Jiuding (indirect holding company of Bright Victory), approvals from PRC regulatory authorities and approvals, consents or waivers from creditors and third parties have been obtained, fulfilling a number of the conditions precedent to the completion of the FTLife Acquisition, whilst other conditions remain subject to satisfaction.

* *For identification purposes only*

The relevant authorities may, as a condition to granting their approval or confirmation, impose requirements or limitations or place restrictions on the conduct of the Group. Any such requirements, limitations or restrictions could delay or jeopardise completion of the FTLife Acquisition, prove costly to comply with or implement, reduce the anticipated benefits of the FTLife Acquisition or result in an adverse effect on the business and results of operations of the Group. Furthermore, there can be no assurance that the approvals will be obtained in time or at all prior to the Longstop Date, or that the other conditions will be satisfied (or waived, where capable of being waived). As such, there is no assurance that the FTLife Acquisition will complete.

The implementation of new accounting standards with effect from 1 July 2018 renders the Group's historical financial information for the years ended 30 June 2018 and 2017 and the six months ended 31 December 2017 not directly comparable

With effect on accounting periods beginning on or after 1 July 2018, the Group has adopted certain new accounting standard, amendments to standards and interpretation (together, the "**New Standards**"). HKFRS 9 has replaced the provisions of HKAS 39 that relate to: (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. Please refer to note 2 of the Guarantor's consolidated financial statements for the year ended 30 June 2018 and note 3 of the Guarantor's condensed consolidated interim financial statements for the six months ended 31 December 2018 for a detailed discussion on the impact of the adoption of the New Standards. As allowed in the transitional provision in HKFRS 9 (2014), comparative figures of the prior periods before 1 July 2018 are not restated and as a result the Group's historical financial information for the years ended 30 June 2017 and 2018 and the six months ended 31 December 2017 may not be directly comparable. Investors must therefore exercise caution when making comparisons of any financial figures after 1 July 2018 when evaluating the Group's financial condition and results of operations.

Financial risks

The Group's activities expose it to a variety of financial risks, including: market risk (interest rate risk, foreign exchange and currency risk and price risk), credit risk and liquidity risk.

Market risk

(a) 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 cash deposits and amounts due from associated companies and joint ventures.

Other than debt securities classified as financial assets which expose the Group to fair value interest rate risk, the Group's borrowings are mainly on a floating rate basis, which will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk.

Interest bearing financial assets and liabilities are mainly subject to an interest re-pricing risk of one year or below. The Group manages its interest rate risk by entering into appropriate interest rate hedging strategies.

(b) Foreign exchange and currency risk

The Group operates mainly in Hong Kong and the PRC. 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.

A portion of the Group's revenue is denominated in Renminbi and must be converted to pay dividends or make other payments in freely convertible currencies. Under the PRC's foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade, may be made in foreign currencies without prior approval, subject to certain procedural requirements. However, strict foreign exchange controls continue to be implemented in respect of capital account transactions, including repayment of loan principal and return of direct capital investment and investments in negotiable securities.

The Group's foreign currency exposure arises from procurement of buses and spare parts from overseas suppliers that are denominated in foreign currencies other than its functional currency. The Group monitors and controls this foreign exchange risk by entering into foreign exchange forward contracts to cover its major foreign currency payments. Besides, the Group also manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arises.

(c) Price risk

The Group is exposed to equity securities price risk because the Group held listed and unlisted equity investments of which the fair value are subject to changes in market prices. Gains and losses arising from changes in the fair value of financial assets are dealt with in equity and consolidated income statement according to their classification. 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 exposed to the upside risk of fuel prices as it has heavy demand on fuel for its transport business. The Group manages its exposure to this risk by using fuel price swap contracts if considered appropriate.

(d) Credit risk

The credit risk of the Group mainly arises from deposits with banks, trade and other receivables, debt securities and balances receivable from group companies, including amounts due from associated companies and joint ventures. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses.

Deposits are mainly placed with high-credit-quality financial institutions. The Group carries 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 receivables from third party customers as of the customer bases are widely dispersed in different industries.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to associated companies and joint ventures through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis. Debt securities are limited to financial institutions or investment counterparty with high quality.

(e) 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 maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

Legislation enacted in Bermuda in response to the EU's review of harmful tax competition could adversely affect our operations

During 2017, the European Union Economic and Financial Affairs Council ("**ECOFIN**") released a list of non-cooperative jurisdictions for tax purposes. The stated aim of this list, and accompanying report, was to promote good governance worldwide in order to maximize efforts to prevent tax fraud and tax evasion. To address concerns relating to economic substance, Bermuda enacted The Economic Substance Act 2018 which came into effect on 31 December 2018. Such legislation requires certain entities in Bermuda engaged in "relevant activities" to maintain a substantial economic presence in Bermuda and to satisfy economic substance requirements. The list of "relevant activities" includes carrying on as a business any one or more of: banking, insurance, fund management, financing, leasing, headquarters, shipping, distribution and service center, intellectual property and holding entities. The introduction of the substance regime in Bermuda may present difficulties for us. As a result of the introduction of such legislation we may be required to be directed and managed in Bermuda, have an adequate level of qualified employees in Bermuda, incur an adequate level of annual expenditure in Bermuda, maintain physical offices and premises in Bermuda or perform core income-generating activities in Bermuda. To the extent we are required to increase our substance in Bermuda to satisfy such requirements, it could result in additional costs that could adversely affect our financial condition or results of operations.

Legislation enacted in the BVI as to Economic Substance may affect our operations

Pursuant to the Economic Substance (Companies and Limited Partnerships) Act, 2018 of the BVI (the "**BVI ES Act**") that came into force on 1 January 2019, a "legal entity" carrying on "holding business" (which is one of the "relevant activities" as defined in the BVI ES Act and means purely holding equity participations in other entities and only earning dividends and capital gains), is required to establish economic substance in the BVI unless it is tax resident in another jurisdiction (which is not on Annex 1 to the EU list of non-cooperative jurisdictions for tax purposes). According to the BVI ES Act, a business company may be considered as outside the definition of "holding business" if it carries on any other business (for example, owns properties), even if part of its business is holding equity participants in other entities and earning dividends and capital gains.

To the extent any BVI company is a legal entity carrying on "holding business", such BVI company may need to comply with existing statutory obligations and it will need to have in the BVI adequate employees and premises for holding equitable interests or shares and, where it manages those equitable interests or shares, it will need to have adequate employees and premises for carrying out that management. To the extent that we are required to increase our economic substance in the BVI to satisfy the requirements as set out in the BVI ES Act, it could result in additional costs that could adversely affect our financial condition or results of our operations.

Further guidance is expected from the BVI government to clarify certain definitions and requirements in the BVI ES Act. In the event that any of our BVI companies is required to have economic substance in the BVI according to the BVI ES Act but fails to satisfy such requirements, such BVI companies may be liable to financial and other penalties in accordance with the BVI ES Act.

Risks Relating to the PRC

PRC political, legal and economic risks

A significant portion of the Group's operations are located in the PRC. NWS expects that it will make further investments in the PRC, and that the Group's assets in the PRC will continue to account for a sizeable share of its overall profit base. The trading and financial condition, operating results and future prospects of NWS depend to a large extent on the success of the Group's operations in the PRC and are subject, to a significant degree, to the political and economic situation and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including, but not limited to:

- extent of government involvement;
- level of development;
- growth rate;
- economic and political structure;
- control of foreign exchange;

- allocation of resources; and
- regulation of capital reinvestment.

While the PRC economy has experienced significant growth in the past 25 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy but may also have a negative effect on the Group's operations. For example, the Group's business and financial condition may be adversely affected by the PRC Government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC Government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC are still owned by the PRC Government. In addition, the PRC Government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over PRC economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. There is no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's current or future business and financial condition.

The legal system in the PRC is less developed than in certain other countries and laws in the PRC may not be interpreted and enforced in a consistent manner

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC Government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes, which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on the Group's business and financial condition.

The Group may experience delays or difficulties in obtaining PRC Government approvals

The Group has investments in several joint venture companies formed to develop, own and/or operate infrastructure projects in the PRC. In the PRC, infrastructure projects involve a complex and lengthy process of formal and governmental authorisations, permits and approvals as well as significant administrative and logistical difficulties concerning acquisition and usage of land use rights. There can be no assurance that such approvals will be obtained either in the terms applied for or at all. There is also no guarantee in relation to any other possible future projects that requisite approvals for the project can be obtained at the necessary time. These infrastructure projects have been and may in the future be subject to certain risks, including changes in governmental regulations and economic policies, including, among other things, regulations and policies restricting construction of public infrastructure and related limitations on extensions of credit, building material shortages, increases in labour and material costs, changes in general economic and credit conditions and the illiquidity of land and other property. Delays in the process of obtaining, or a failure to obtain, the requisite licences, permits or approvals from government agencies or authorities can also increase the cost or delay or prevent the commercial operation of a business, which could adversely affect the financial performance of the Group's PRC projects. The acquisition or transfer of interests in such projects is also usually subject to governmental approvals, which can impact on the Group's ability to acquire or dispose of projects.

The Group's PRC-sourced income is subject to PRC withholding tax under the PRC Enterprise Income Tax Law

NWS is a Bermuda holding company with a significant portion of its operations conducted through its operating investment entities in the PRC. Under the PRC Enterprise Income Tax Law, or the EIT Law, and its implementation regulations, both of which became effective on 1 January 2008, PRC-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10 per cent. withholding income tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent is incorporated, which specifically exempts or reduces such withholding income tax. In addition, the EIT Law provides that an enterprise established outside the PRC whose "de facto management body" is located in the PRC is considered a "tax resident enterprise" and will generally be subject to the uniform 25 per cent. enterprise income tax rate. If the Group or any of its overseas incorporated subsidiaries is considered a PRC "tax resident enterprise" for PRC enterprise income tax purposes, any dividends distributed from the Group's PRC enterprise to the Group or its overseas incorporated subsidiaries could be exempt from the PRC withholding income tax; however, the Group or any of its overseas incorporated subsidiaries will be subject to the uniform 25 per cent. enterprise income tax rate as to its global income.

PRC regulations of direct investment and loans by offshore holding companies to PRC entities may delay or limit the Group from making additional capital contributions or loans to the Group's PRC subsidiaries, joint ventures and associated companies

Any capital contributions or loans that the Group's offshore holding companies make to its PRC subsidiaries, joint ventures and associated companies with foreign investment ("**foreign-invested PRC entities**") are subject to PRC regulations. For example, any of the Group's loans to its foreign-invested PRC entities, including any loans from the proceeds of the issue of the Notes, cannot exceed the difference between the total amount of investment the Group's foreign-invested PRC entity is approved to make under relevant PRC laws and the respective registered capital of the Group's foreign-invested PRC entities, and must be registered with the local branch of the SAFE as a procedural matter. In addition, the Group's capital contributions to its foreign-invested PRC entities must be approved by the National Development and Reform Commission, the Ministry of Commerce, the SAFE or other relevant regulatory authority of the PRC or their local counterparts. The Group cannot provide assurance that it will be able to obtain these approvals on a timely basis, or at all. If the Group fails to obtain such approvals, the Group's ability to make equity contributions or provide loans to its foreign-invested PRC entities or to fund their operations may be negatively affected, which could adversely affect their liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular and any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes and the Guarantee of the Notes will be structurally subordinated to subsidiary debt

NWS' operations are principally conducted through its subsidiaries, associated companies and joint ventures. Accordingly, NWS is and will be dependent on the operations of its subsidiaries, associated companies and joint ventures to service its indebtedness, including interest and principal on the Notes. The Notes and the Guarantee of the Notes will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of NWS' subsidiaries, and to all secured creditors of NWS. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of NWS, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to NWS.

The Issuer is a special purpose entity

The Issuer is a special purpose entity incorporated in the BVI for the principal purpose of issuing the Notes (see "*Holding company structure*" above). On certain dates, including the occurrence of an early redemption event and on the Maturity Date of the Notes, the Issuer may, and at will be the Maturity Date, required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by the Issuer would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

If the Issuer and the Guarantor are unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of their respective debt to be accelerated

If the Issuer and the Guarantor are unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer and the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's or the Guarantor's debt agreements, contain cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under the Issuer's or the Guarantor's other debt agreements. If any of these events occur, the Issuer and the Guarantor cannot assure holders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Guarantor would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

The Notes contain provisions regarding modification and waivers which may affect the rights of Holders

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. In addition, an Extraordinary Resolution in writing signed by or on behalf of the Holders of not less than 90 per cent. of the aggregate principal amount of Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held.

The Conditions also provide that the Conditions, the Deed of Covenant, the Agency Agreement and the Deed of Guarantee may be amended without the consent of the Holders to correct a manifest error. Any such modification shall be binding on the Holders.

Majority interests in meetings of holders of the Notes

The Conditions contain provisions for calling meetings of holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the *Notes* including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

The Notes will be represented by a Global Note Certificate and holders of a beneficial interest in the Global Note Certificate must rely on the procedures of the relevant Clearing System(s)

The Notes will be represented by a Global Note Certificate. Such Global Note Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream and, a "**Clearing System**"). Except in the circumstances described in the Global Note Certificate, investors will not be entitled to receive the Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Note Certificate. While the Notes are represented by a Global Note Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by a Global Note Certificate, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificate.

Holders of beneficial interests in the Global Note Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

The Issuer may issue additional Notes in the future

The Issuer may, from time to time, and without prior consultation of the Holders, create and issue further Notes (see "*Terms and Conditions of the Notes – Condition 14 (Further Issues)*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

An active trading market for the Notes may not develop

The Notes are a new issue of securities for which there is currently no trading market. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. No assurance can be given that the application for the listing will be successful or that an active trading market for the Notes will develop or as to the liquidity or sustainability of any such market, the ability of Holders to sell their Notes or the price at which Holders will be able to sell their Notes. The Joint Lead Managers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the discretion of the Joint Lead Managers.

The liquidity and price of the Notes following the offering may be volatile

If an active trading market for the Notes were to develop, the price and trading volume of the Notes may be highly volatile. The Notes may trade at prices that are higher or lower than the price at which the Notes have been issued. The price at which the Notes trade depends on many factors, including:

- prevailing interest rates and interest rate volatility;
- the Group's results of operations, financial condition and future prospects;
- changes in the real property industry and competition;
- the market conditions for similar securities; and
- general economic conditions.

Any such developments may result in large and sudden changes in the trading volume and price of the Notes. There can be no assurance that these developments will not occur in the future.

A change in English law which governs the Notes may adversely affect Noteholders

The Conditions are governed by English law in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The insolvency laws of the BVI, Bermuda and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar

As the Issuer is incorporated under the laws of the BVI and the Guarantor is incorporated under the laws of Bermuda, any insolvency proceedings relating to the Issuer or the Guarantor, even if brought in other jurisdictions, would likely involve the BVI or, as the case may be, Bermuda insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

Investors in the Notes may be subject to foreign exchange risk

The Notes are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars will be subject to foreign exchange risks by virtue of an investment in the Notes, due to, among other things, economic, political and other factors over which neither the Issuer nor the Guarantor has any control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Notes for an investor and could result in a loss when the return on the Notes is translated into such currency. Conversely, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Notes in the event of an appreciation.

TERMS AND CONDITIONS OF THE NOTES

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Notes, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Notes.

The U.S.$650,000,000 4.25 per cent. guaranteed notes due 2029 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of CELESTIAL DYNASTY LIMITED (the "**Issuer**") are constituted by a deed of covenant dated on or about 27 June 2019 (as amended and/or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are the subject of (a) a deed of guarantee dated on or about 27 June 2019 (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") entered into by NWS Holdings Limited (the "**Guarantor**") and (b) a fiscal agency agreement dated on or about 27 June 2019 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Hongkong and Shanghai Banking Corporation Limited as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agent named therein (the "**Transfer Agent**", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agent(s) appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agent and the Paying Agent(s) and any reference to an "**Agent**" is to any one of them. Certain provisions of these terms and conditions (the "**Conditions**") are summaries of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant and subject to their detailed provisions. The Holders (as defined in Condition 3(a) (*Register, Title and Transfers – Register*)) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant are available for inspection by Holders with prior written notice and proof of holding during normal business hours at the principal office for the time being of the Fiscal Agent, being at the date hereof Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which is set out below.

1. Form and Denomination

The Notes are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

2. Status of the Notes and the Guarantee of the Notes

(a) *Status of the Notes*: The Notes constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Guarantee of the Notes; Status of the Guarantee of the Notes*: The Guarantor has, in the Deed of Guarantee, unconditionally and irrevocably guaranteed the due and punctual payment of all sums payable by the Issuer in respect of the Notes. This guarantee (the "**Guarantee of the Notes**") constitutes a direct, general, unsecured, unconditional and unsubordinated obligations of the Guarantor which ranks at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Notes outside the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (each, a "**Certificate**") will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

*Upon issue, the Notes will be represented by a Global Note Certificate deposited with and registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). The Conditions are modified by certain provisions contained in the Global Note Certificate. See "The Global Note Certificate".*

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Notes will be issued to the transferor. No transfer of title to a Note will be valid unless and until entered on the Register.

Transfers of interests in the Notes evidenced by the Global Note Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) *Registration and delivery of Certificates*: Within five business days of the surrender of a Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day, excluding a Saturday and a Sunday, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

Except in the limited circumstances described herein (see "The Global Note Certificate"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Holders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The parties to the Agency Agreement may agree, without the consent of the Holders, to any modifications to any provisions thereof (including the regulations concerning the transfer of Notes). A copy of the current regulations will be e-mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations.

4. Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of the Guarantor's Material Subsidiaries (other than Listed Material Subsidiaries) will, create or permit to subsist any Security Interest, other than Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of the Noteholders.

In these Conditions:

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Listed Material Subsidiary**" means any Material Subsidiary, the shares of which are at the relevant time listed on The Stock Exchange of Hong Kong Limited, or any other stock exchange;

"**Material Subsidiary**" means any Subsidiary of the Guarantor:

(i) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represent not less than 10 per cent. of the consolidated gross revenue, or, as the case may be, the consolidated gross assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the Guarantor, provided that:

(A) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the Guarantor relate for the purpose of applying each of the foregoing tests, the reference to the Guarantor's latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Guarantor;

(B) if at any relevant time in relation to the Guarantor or any Subsidiary no financial statements are prepared and audited, its gross revenue and gross assets (consolidated, if applicable) shall be determined on the basis of pro forma consolidated financial statements (consolidated, if applicable) prepared for this purpose; and

(C) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Guarantor; or

(ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary; and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above.

A report by two of the directors of the Guarantor that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor and the Noteholders;

"**Permitted Security Interest**" means (i) any Security Interest over any assets (or related documents of title) purchased by the Issuer, the Guarantor or any Material Subsidiary as security for all or part of the purchase price of such assets and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets; and (ii) any Security Interest over any assets (or related documents of title) purchased by the Issuer, the Guarantor or any Material Subsidiary subject to such Security Interest and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets;

"**Relevant Indebtedness**" means any indebtedness in the form of and represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement) having an original maturity of more than one year from its date of issue but shall not include indebtedness under any secured transferable loan facility (which term shall, for the avoidance of doubt, mean any agreement for or in respect of indebtedness for borrowed money entered into with one or more banks and/or financial institutions whereunder rights and (if any) obligations may be assigned and/or transferred);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"**Subsidiary**" in relation to any person, means any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of Hong Kong from time to time, should have its accounts consolidated with those of that person.

5. Interest

The Notes bear interest from 27 June 2019 (the "**Issue Date**") at the rate of 4.25 per cent. per annum, (the "**Rate of Interest**") payable semi-annually in arrear on 27 June and 27 December in each year in equal instalments (each, an "**Interest Payment Date**"), subject as provided in Condition 7 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven (7) days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.$4,250 in respect of each Note of U.S.$200,000 denomination and U.S.$21.25 in respect of each Note of U.S.$1,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

"**Calculation Amount**" means U.S.$1,000;

"**Calculation Period**" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period; and

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1) + [30 \text{ x } (M_2 - M_1) + (D_2 - D_1)]}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

6. Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 27 June 2029, subject as provided in Condition 7 (*Payments*).

(b) *Redemption at the option of the Issuer (Make Whole Redemption)*: The Notes may be redeemed at the option of the Issuer in whole and not in part, at any time at the relevant Make Whole Redemption Amount (Call), on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes at the Make Whole Redemption Amount (Call) plus accrued and unpaid interest (if any) to such date).

For the purposes of this Condition 6(b):

"**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in London and New York City;

"**Comparable Treasury Issue**" means the United States Treasury selected by the Determination Agent as having a maturity comparable to the remaining term of the Notes from the relevant date fixed for redemption to the Maturity Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Maturity Date;

"**Comparable Treasury Price**" means, with respect to any redemption date, the average of three, or such lesser number as is obtained by the Determination Agent, Reference Treasury Dealer Quotations for the relevant date fixed for redemption of the Notes;

"**Determination Agent**" means an independent investment bank of international repute, appointed by the Issuer and the Guarantor (and notice thereof is given to Noteholders and the Fiscal Agent by the Issuer in accordance with Condition 15 (Notices)) for the purposes of performing any of the functions expressed to be performed by it under these Conditions;

"**Make Whole Redemption Amount (Call)**" means (x) the principal amount of the Notes or, if this is higher (y) the amount equal to the sum of the present value of the principal amount of the Notes, together with the present values of the interest payable for the relevant Interest Periods from the relevant date fixed for redemption to the Maturity Date, in each case, discounted on a semi-annual compounded basis at the adjusted US Treasury Rate plus 0.30 per cent., all as determined by the Determination Agent;

"**Reference Treasury Dealer**" means each of the three nationally recognised investment banking firms selected by the Determination Agent that are primary US Government securities dealers;

"**Reference Treasury Dealer Quotations**" means with respect to each Reference Treasury Dealer and any date fixed for redemption of the Notes, the average, as determined by the Determination Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Determination Agent by such Reference Treasury Dealer at 5.00 p.m., New York City time on the third business day immediately preceding such due date for redemption; and

"**U.S. Treasury Rate**" means either the rate per annum equal to the yield, that represents the average for the week immediately preceding that in which the third business day prior to the relevant date fixed for redemption falls, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities" for the maturity corresponding to the Comparable Treasury Issue **provided that** (x) if no maturity appears that is within three months before or after the Maturity Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the US Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis; and (y) if such release (or any successor release) is not published during the week preceding that in which the third business day prior to the relevant date falls or such release (or successor release) does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the relevant date fixed for redemption, in each case calculated on the third business day immediately preceding the relevant date fixed for redemption.

(c) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), the Registrar and the Fiscal Agent at their principal amount, together with interest accrued and unpaid to the date fixed for redemption, if:

(i) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 June 2019; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or the Guarantee of the Notes, or the Guarantor has or will become obliged to make any such withholding or deductions as to referred to in Condition 8 (*Taxation*) or the Guarantee of the Notes as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of Bermuda, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 June 2019; and

(B) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

(A) a certificate, signed by two directors of the Issuer, stating that the circumstances referred to in (i)(A) and (i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate, signed by two directors of the Guarantor stating that the circumstances referred to in (ii)(A) and (ii)(B) above prevail and setting out details of such circumstances; and

(B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment, provided that the Fiscal Agent may accept such certificate or opinion without further investigation or enquiry.

Upon the expiry of any such notice as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(c).

(d) *Redemption for Change of Control:* At any time following the occurrence of a Change of Control, the Holder of each Note will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Notes on the Change of Control Put Date at their principal amount, together with accrued and unpaid interest (if any) up to, but excluding the Change of Control Put Date. To exercise such right, the Holder of the relevant Note must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Note or the Note Certificates (in the case of Registered Notes) evidencing the Notes to be redeemed by not later than 60 days following a Change of Control, or, if later, 60 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 15 (Notices). The "**Change of Control Put Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

The Issuer shall give notice to Noteholders and the Fiscal Agent in accordance with Condition 15 (*Notices*) by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 6(d).

In this Condition 6(d):

A "**Change of Control**" occurs when:

(i) any Person or Persons acting together acquires Control of the Guarantor if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Guarantor on the Issue Date;

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Guarantor or the successor entity; or

(iii) one or more Persons acquires the beneficial ownership of all or substantially all of the Guarantor's issued share capital;

"**Control**" means the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor or the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and the terms "**Controlling**" and "**Controlled**" shall have meanings correlative to the foregoing;

a "**Person**", includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include members of the board of directors of the Guarantor (or their respective heirs, executors or assigns) or any other governing board and does not include the wholly owned direct or indirect Subsidiaries of the Guarantor; and

(e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes and shall have no obligation to make any payment of principal in respect of the Notes otherwise than as provided in Conditions 6(a) to 6(d) above.

(f) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

(g) *Cancellation*: All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

The Agent shall not be required to take any steps to ascertain whether any event as provided in Conditions 6(b) to 6(d) above has occurred.

7. Payments

(a) *Principal*: Payments of principal shall be made in U.S. dollars upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made in U.S. dollars upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made:

(i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent; and

(ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day.

In this paragraph, "**business day**" means any day, other than a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City, Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

So long as the Notes are represented by the Global Note Certificate, each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

8. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Bermuda, Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is as required by law. In that event the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of:

(1) the date on which the payment in question first becomes due; and

(2) if the full amount payable has not been received in New York City by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8 (*Taxation*).

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, Bermuda or Hong Kong, respectively, references in these Conditions to the British Virgin Islands, Bermuda or Hong Kong shall be construed as references to the British Virgin Islands, Bermuda or (as the case may be) Hong Kong and/or such other jurisdiction.

The Agent shall not be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Holder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. Events of Default

If any of the following events occurs:

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within seven (7) days after the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within fourteen (14) days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Deed of Covenant or the Guarantee of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by Noteholders holding five (5) per cent. or more of the principal amount of the Notes outstanding, has been delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent; or

(c) *Cross-default of Issuer, Guarantor or Material Subsidiary*:

(i) any indebtedness of the Issuer, the Guarantor or any of their respective Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any indebtedness of the Issuer, the Guarantor or any of their respective Material Subsidiaries becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Material Subsidiary or any person entitled to such indebtedness; or

(iii) the Issuer, the Guarantor or any of their respective Material Subsidiaries fails to pay when due any amount payable by it under any guarantee of any indebtedness;

provided that the amount of indebtedness referred to in sub paragraph (i) and/or sub paragraph (ii) above and/or the amount payable under any guarantee referred to in sub paragraph (iii) above, individually or in the aggregate, exceeds HK$200,000,000 (or its equivalent in any other currency or currencies on the basis of the middle spot rate for the relevant currency against the Hong Kong dollar as quoted by any leading bank on the day on which a calculation is made under this Condition 9(c) (*Cross default of Issuer, Guarantor or Material Subsidiary*)); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) is rendered against a material part of the property, assets or turnover of the Issuer, the Guarantor or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary and such possession or appointment continues for a period of 30 days after the date thereof; or

(f) *Insolvency etc*: (i) the Issuer, the Guarantor or any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Issuer, the Guarantor or any Material Subsidiaries or the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiaries is appointed (or application for any such appointment is made); or (iii) the Issuer, the Guarantor or any Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its indebtedness or any guarantee of any indebtedness given by it; or

(g) *Winding up etc*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any Material Subsidiary (otherwise than, in the case of a Subsidiary of the Issuer or a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) or the Issuer, the Guarantor or any of the Material Subsidiaries ceases to carry on all or the substantial part of its business (otherwise than, in the case of a Subsidiary of the Issuer or a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or as a result of disposal on arm's length terms or as approved by an Extraordinary Resolution of the Noteholders); or

(h) *Analogous event*: any event occurs which under the laws of the British Virgin Islands, Bermuda or Hong Kong has an analogous effect to any of the events referred to in Conditions 9(d) (*Unsatisfied judgment*) to 9(g) (*Winding up etc*); or

(i) *Failure to take action etc*: any action, condition or thing at any time required to be taken fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the Deed of Covenant and the Deed of Guarantee; (ii) to ensure that those obligations are legal, valid, binding and enforceable; and (iii) to make the Notes, the Deed of Covenant or the Deed of Guarantee admissible in evidence in the courts of the British Virgin Islands, Bermuda and England is not taken, fulfilled or done; or

(j) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes, the Deed of Covenant or the Deed of Guarantee; or

(k) *Guarantee not in force:* the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect,

then Noteholders holding not less than five (5) per cent. of the aggregate principal amount of the outstanding Notes may, by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued and unpaid interest (if any) without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders.

The Agents need not do anything to ascertain whether any Event of Default has occurred and will not be responsible to Noteholders or any other person for any loss arising from any failure by it to do so, and, unless and until the Agent otherwise has notice in writing to the contrary, the Agent may assume that (i) no such event has occurred; and (ii) that the Issuer is performing all of its obligations under the Agency Agreement and the Conditions.

10. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

11. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent, agent bank and additional or successor paying agent and transfer agent; **provided, however, that** the Issuer and the Guarantor shall at all times maintain a fiscal agent and a registrar.

Notice of any change in any of the Agents or in their Specified Office shall promptly be given to the Holders.

13. Meetings of Holders; Modification

(a) *Meetings of Holders*: The Agency Agreement contains provisions for convening meetings of Holders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Holders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Holders whatever the principal amount of the Notes held or represented; **provided, however, that** certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, to amend the terms of the Guarantee of the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than 66 per cent. or, at any adjourned meeting, 33 per cent. of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition:

(i) a resolution in writing signed by or on behalf of Holders of not less than 90 per cent. of the aggregate principal amount of Notes for the time being outstanding will take effect as if it were an Extraordinary Resolution, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders (a "**Written Resolution**"); and

(ii) a resolution passed by way of electronic consents through the clearing systems by or on behalf of Holders of not less than 75 per cent. in aggregate principal amount of Notes for the time being outstanding (an "**Electronic Consent**") will take effect as if it were an Extraordinary Resolution, in each case whether or not relating to a Reserved Matter.

A Written Resolution and/or an Electronic Consent will be binding on all Holders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

So long as the Notes are represented by the Global Note Certificate and the Global Note Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Holders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled account holders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

(b) *Modification*: The Notes, these Conditions, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Holders to modify any provision of a formal, minor or technical nature or to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Holders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Holders.

14. Further Issues

The Issuer may (with the prior written consent of the Guarantor) from time to time, without the consent of the Holders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

15. Notices

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Global Note Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Holders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

16. Governing Law and Jurisdiction

(a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and construed in accordance with, English law.

(b) *Jurisdiction*: The Issuer:

(i) agrees for the benefit of the Holders that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes);

(ii) agrees that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; and

(iii) has designated a company in England to accept service of any process on its behalf.

THE GLOBAL NOTE CERTIFICATE

The Global Note Certificate contains provisions which apply to the Notes in respect of which the Global Note Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Notes will be represented by a Global Note Certificate which will be registered in the name of HSBC Nominees (Hong Kong) Limited as nominee for, and deposited with, a common depositary for Euroclear and Clearstream.

Under the Global Note Certificate, the Issuer, for value received, promises to pay such principal, interest and premium (if any) on the Notes to the holder of the Notes on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Notes.

The Global Note Certificate will become exchangeable in whole, but not in part, for individual note certificates ("**Individual Note Certificates**") if:

(a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

(b) any of the circumstances described in Condition 9 (*Events of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Note Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Note Certificate will contain provisions which modify the Conditions as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of certain of those provisions:

Record date: Notwithstanding Condition 7(f) (*Payments – Record date*), so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**"), each payment in respect of the Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Notices: Notwithstanding Condition 15 (*Notices*), so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or an Alternative Clearing System, notices to Holders of Notes represented by the Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

Determination of entitlement: The Global Note Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined in accordance with the Register and only the Holder is entitled to payment in respect of the Global Note Certificate.

Electronic Consent: While the Notes evidenced by the Global Note Certificate are registered in the name of any nominee for, or a nominee for any common depositary for, Euroclear, Clearstream or any Alternative Clearing System (as the case may be), then:

(a) approval of a resolution proposed by the Issuer or the Guarantor (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding by close of business on the date of the blocking of their accounts in the relevant clearing systems (an "**Electronic Consent**" as defined in the Agency Agreement) shall, for all purposes (including in relation to Reserved Matters (as defined in the Agency Agreement)), take effect as an Extraordinary Resolution passed at a meeting of Holders duly convened and held, and shall be binding on all Holders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, subject to certain requirements set out in the Agency Agreement, the Issuer, the Guarantor and the Fiscal Agent shall be entitled to rely on consent or instructions given in writing directly to the Issuer, the Guarantor or the Fiscal Agent, as the case may be, by accountholders in the relevant clearing system with entitlements to Notes evidenced by the Global Note Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds such entitlement directly with the accountholder or via one or more intermediaries.

USE OF PROCEEDS

The net proceeds from the issue of the Notes after deduction of underwriting commissions and expenses are estimated to be approximately U.S.$641,000,000 and will be on-lent by the Issuer to the Guarantor to be used for the Group's general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

As at 31 December 2018, NWS had authorised share capital of HK$6,000,000,000 divided into 6,000,000,000 ordinary shares of HK$1.00 each and issued and fully paid-up share capital of HK$3,902,676,440 consisting of 3,902,676,440 ordinary shares of HK$1.00 each.

The following table sets forth NWS' total capitalisation and indebtedness as at 31 December 2018, presented on an actual basis and on an as adjusted basis to reflect the issuance of the perpetual capital securities in January 2019 and the issuance of the Notes. This table should be read in conjunction with the financial statements and the accompanying notes included elsewhere in this Offering Circular.

	As at 31 December 2018		
	Actual	**As Adjusted**	**As Adjusted**
	(HK$ million)	*(HK$ million)*	*(U.S.$ million)*[1]
Bank and other borrowings – current portion			
Current portion of long term borrowings	2,360.9	2,360.9	302.7
Short term borrowings	373.5	373.5	47.9
	2,734.4	2,734.4	350.6
Bank and other borrowings – non-current portion			
Long term borrowings	10,081.0	10,081.0	1,292.4
Notes to be issued[4]	–	5,070.0	650.0
	10,081.0	15,151.0	1,942.4
Shareholders' funds			
Share capital	3,902.7	3,902.7	500.3
Reserves	45,346.6	45,346.6	5,813.7
	49,249.3	49,249.3	6,314.0
Perpetual capital securities issued[3]	–	7,800.0	1,000.0
Total capitalisation[2]	59,330.3	72,200.3	9,256.4
Total current portion of bank and other borrowings and total capitalisation	62,064.7	74,934.7	9,607.0

Notes:

(1) A rate of HK$7.8 to U.S.$1.00 was adopted for the conversion of Hong Kong dollars to U.S. dollars.

(2) Total capitalisation represents long-term borrowings (net of current portion), shareholders' funds, perpetual capital securities issued and Notes to be issued on an as adjusted basis.

(3) In January 2019, Celestial Miles Limited, an indirect wholly owned subsidiary of the Guarantor, issued U.S.$1,000 million guaranteed senior perpetual capital securities guaranteed by the Guarantor. The amount represents the aggregate principal amount of the perpetual capital securities, without taking into account, and before deduction of underwriting fees and commissions and other transaction expenses.

(4) Notes to be issued represent the aggregate principal amount of the Notes, without taking into account, and before deduction of underwriting fees and commissions and other estimated transaction expenses payable.

Other than as disclosed above, there has not been any material change in the Group's total capitalisation and indebtedness since 31 December 2018.

Capitalisation and Indebtedness of the Issuer

As at the date of this Offering Circular, the Issuer was authorised to issue a maximum of 50,000 shares of a single class each with a par value of U.S.$1.00, and one share is held by a direct wholly owned subsidiary of NWS representing the entire issued capital of the Issuer. As at the date of this Offering Circular, the Issuer does not have any debt outstanding.

DESCRIPTION OF THE ISSUER

Formation

CELESTIAL DYNASTY LIMITED is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the BVI (BVI Company Number: 1999570). It was incorporated in the BVI on 27 November 2018. Its registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI. The Issuer is an indirect wholly owned subsidiary of NWS.

Business Activity

The Issuer was established pursuant to the unrestricted objects and powers set out in its memorandum of association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as an indirect wholly owned subsidiary of NWS and those incidental to the issuance of the Notes.

Financial Statements

Under the BVI laws, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

Directors and Officers

As of the date of this Offering Circular, the directors of the Issuer are Messrs. Ma Siu Cheung, Cheung Chin Cheung, Cheng Chi Ming, Brian, Ho Gilbert Chi Hang and Chow Tak Wing and each of their business addresses is c/o NWS at 28/F., New World Tower, 18 Queen's Road Central, Hong Kong. None of the directors of the Issuer holds any shares or options to acquire shares of the Issuer.

The Issuer does not have any employees and has no subsidiaries.

DESCRIPTION OF THE GUARANTOR

Introduction

NWS is a limited liability company incorporated under the Companies Act 1981 of Bermuda (Bermuda Company Number: 22286). It was incorporated in Bermuda on 3 September 1996 and listed on the Hong Kong Stock Exchange in 1997 (HKSE stock code: 659). NWS is the diversified industries flagship of NWD (HKSE stock code: 17). The Group is principally engaged in: (i) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and (ii) the investment in and/or operation of facilities, duty free shops, healthcare, construction, transport and strategic investments, primarily in Hong Kong and the PRC. As at 4 June 2019, based on the closing price of its shares on the Hong Kong Stock Exchange, NWS had a market capitalisation of approximately HK$59.5 billion.

The principal business activities of the Group are as follows:

- *Infrastructure*: As one of the largest foreign investors and operators of infrastructure projects in Hong Kong, the PRC and Macau, the Group operates 98 projects in the four segments of Roads, Environment, Aviation and Logistics as at 31 December 2018. The Infrastructure division of the Group comprises the following business segments:

  - *Roads*: The Group has 15 road projects in the PRC, namely, Guangdong, Zhejiang, Guangxi, Shanxi, Tianjin, Hubei and Hunan. Altogether these projects cover a total length of approximately 700 km.

  - *Environment*: The Group is engaged in environmental business with 73 projects in 46 cities across the Greater China region mainly through two strategic platforms, SUEZ NWS and Derun Environment. These two platforms provide one-stop environmental services, including water and wastewater treatment, waste management, renewable resource recycling and utilisation, environmental remediation, as well as design, engineering and procurement services. In addition, the Group operates two power plants in Guangdong and Sichuan with a total installed capacity of approximately 1,820 MW. The Group also entered the European renewable energy market through a joint venture operating solar power assets mainly in Italy.

  - *Aviation*: The Group invests in commercial aircraft for leasing to worldwide airline operators mainly through Goshawk.

  - *Logistics*: The Group has three port projects in the major strategic coastal cities of the PRC with an aggregate container handling capacity of 12 million TEUs per year. Through CUIRC, a joint venture of the Group, the Group develops and operates a large-scale pivotal rail container terminal network across the PRC. The Group also invests in a logistic centre in Hong Kong, offering total leasable area of approximately 5.9 million sq. ft., and provides logistics services for local and overseas clients.

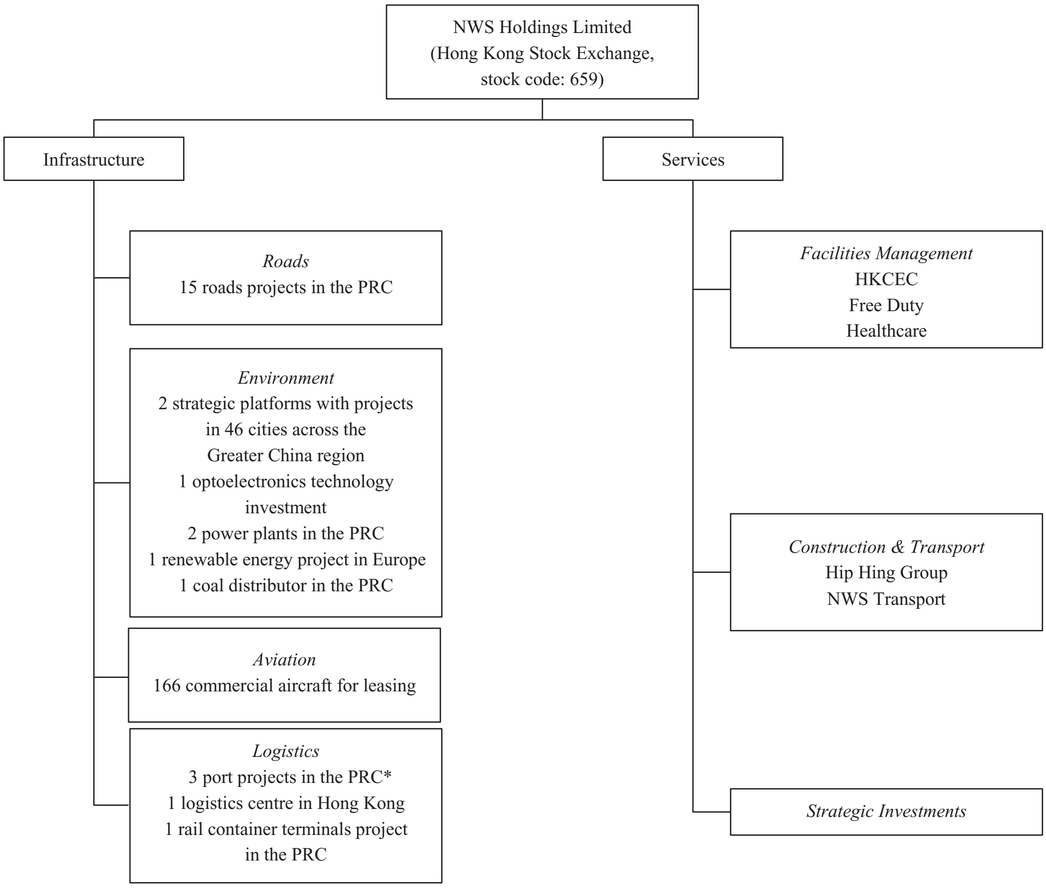
- *Services*: The Services division comprises Facilities Management, Construction & Transport and Strategic Investments segments.

  - *Facilities Management*: The Group provides both local and overseas customers with a comprehensive range of facilities management services including management and operation of venues for exhibitions and conventions (which includes HKCEC). The Group, through Free Duty, also undertakes duty-free tobacco, liquor and other general merchandise retail business at various cross-border transportation terminals in Hong Kong as well as Macau. The Group's facilities management services also extend to GHK Hospital, which is a joint venture between Parkway Pantai Limited and the Group, with The University of Hong Kong being responsible for its clinical governance. To capture the growing demand for healthcare services in the PRC, the Group has invested through its associated companies, Healthcare Assets and UMP Healthcare, to tap into the local primary healthcare market in Beijing, Shanghai and Shenzhen.

- *Construction & Transport*: The Group's Construction business offers professional construction services for many leading clients and developers in Hong Kong through Hip Hing Group. Through NWS Transport, the Group provides bus and ferry transport services in Hong Kong.

- *Strategic Investments*: This segment includes investments which have strategic value to the Group or have growth potential, as well as certain investments which the management believes can enhance the value of the shareholders of NWS.

The following diagram sets forth an overview of the Group's organisation showing its principal divisions, segments and business activities as at 31 December 2018:



* Two conditional equity transfer agreements were entered into in April and June 2019 respectively for the disposal of two port projects. See "*Recent Developments*" section.

For the year ended 30 June 2018, the Group reported consolidated revenue and profit attributable to shareholders of approximately HK$35,114.8 million and HK$6,068.8 million respectively, as compared to approximately HK$31,385.0 million and HK$5,628.9 million respectively, for the year ended 30 June 2017. For the six months ended 31 December 2018, the Group reported unaudited consolidated revenue and profit attributable to shareholders of approximately HK$14,188.0 million and HK$2,274.3 million respectively, as compared to approximately HK$18,076.9 million and HK$2,478.1 million respectively, for the six months ended 31 December 2017.

(a) Competitive Strengths

NWS is committed to achieving sustainable growth through the pursuit of quality investments with stable recurring income.

The key competitive strengths of the Group include:

- **Broad business footprint across industries and geographies**

  The Group has an extensive and diversified portfolio of high-quality, established businesses across different industries, including roads, environmental projects, commercial aircraft leasing, ports and logistics facilities, facilities management, construction and transport businesses.

  The Group is committed to developing new growth through geographic diversification. The Group has successfully diversified outside Hong Kong and Macau to build an extensive portfolio of businesses in the PRC. As at 31 December 2018, the Group invested in 95 infrastructure projects in the Greater China region. The Group is also serving an increasingly global customer base via its aircraft leasing platform, Goshawk, which serves 62 airline customers in 33 countries following the completion of the acquisition of Sky Aviation Leasing International Limited ("**SALI**"), and the operation of a renewable energy project in Europe.

  The significant degree of both business and geographic diversification allows the Group to generate a stable and growing source of recurring cash flow whilst at the same time minimising risks from unforeseen market changes.

- **Resilient portfolio of businesses with strong earnings visibility**

  The Group's business portfolio is resilient in nature, resulting in highly stable and predictable earnings. Certain of the Group's businesses, such as roads and environment, are based on long-term concession, which grants the Group with the exclusive right to operate in a given geographic area for a fixed period of time. Other businesses such as aviation and commercial aircraft leasing, logistics (warehousing) and construction are based on long-term contracts, where lease rates or progress payments are agreed in advance and are relatively predictable.

  Furthermore, each of the Group's businesses is driven by distinct and end-market factors, which can be as diverse as economic activity, travel demand, freight volume and construction spending in a given geographic area. Given the geographic diversity of the Group's portfolio, the Group is less susceptible to any single trend affecting a given sector or geographic area. The Group's roads, environment, logistics, aviation and construction businesses are considered to exhibit high visibility characteristics.

- **Proven track record of managing a diverse business portfolio while generating stable and growing recurring income**

  The Group has a proven track record of developing, investing, managing and rotating out of various businesses while generating stable and growing recurring income. Over the last 15 years, the Group has steadily increased attributable operating profit ("**AOP**") and net profit as it strategically built out its roads and logistics portfolio while also expanding into new businesses such as aviation sector.

  Along the way, the Group has established partnerships and business relationships with various leading industry players such as SUEZ, China Railway Corporation, Parkway Pantai Limited, Boeing and Airbus to further enhance its industry knowhow and business management capabilities.

  In particular, the Group's investment acumen and management capability is exemplified by the growth of Goshawk to become a global top 10 aircraft leasing player after three years of ownership.

If the acquisition of FTLife proceeds to completion, the sustainable growth prospects and recurring income characteristics of FTLife as an insurance business could be highly complementary with the Group's existing business portfolio of stable businesses with recurring cashflow.

- **Prudent financial policy and diversified sources of funding**

  The adoption by the Group of a prudent financial policy coupled with an effective internal control system, together with regular reviews of funding requirements and its debt maturity profile, allows it to maintain financial flexibility for operations, potential investments and growth plans, while keeping gearing levels at a prudent level throughout the years. As at 30 June 2018, the Group's consolidated cash and bank balances amounted to HK$6.657 billion and the net gearing ratio was at 7 per cent. As at 31 December 2018, the Group's unaudited consolidated cash and bank balances amounted to HK$7.276 billion and the net gearing ratio was at 11 per cent. The Group had unutilised committed banking facilities of approximately HK$7.6 billion as of 31 December 2018 (not including the bridging loan facility for the FTLife Acquisition).

  The Group is well-supported by both local and international banks. The Group maintains a close relationship with around 20 banks in Hong Kong for arranging clean bilateral facilities.

- **Experienced management team and robust corporate governance framework**

  The Group's business is led by experienced management team members comprising industry veterans with extensive experience, knowledge and understanding of the business and the operation of the Group. Not only does the senior management team have experience in the business development, investment and management of diversified industries businesses in public and private sectors, it is also experienced in financial management, corporate finance, treasury and corporate governance areas where some of the team members are equipped with professional accounting, legal and engineering qualifications. As a result, the Group's core management team is able to work efficiently as a team and deliver many of the Group's projects successfully over the years.

- **Long and venerable history in Hong Kong and strong parentage from the NWD Group**

  The Group has a long and venerable history in Hong Kong and is the publicly listed diversified industries flagship of NWD and is owned by NWD as to approximately 61 per cent. NWD is a well-renowned and established brand across businesses primarily in Hong Kong and the PRC and is one of the largest Hong Kong-based property developers listed on the Hong Kong Stock Exchange in terms of market capitalisation. The NWD Group has established a consistent and leading "New World" property brand across Hong Kong and the PRC and is well known for its prudent financial management and strong credit profile. The Hong Kong property investment portfolio owned by the NWD Group including K11 and the newly renovated Victoria Dockside complex provides recurring cash flow to the NWD Group.

(b) Strategy

The Group's overall strategic objective is to build a dynamic and premier group of companies in diversified industries driven by a shared passion for customer value and care. The Group seeks to develop and synergise business units that nurture corporate integrity and attain total customer satisfaction by hiring and training talent and fostering employee pride within the Group, which is the bedrock to building the Group's brand as a world-class service provider. The Group is committed to delivering value to shareholders and maximising business growth opportunities through efficient capital and asset allocations. To remain both robust and resilient in an ever changing business environment, the Group intends to stay focused on enhancing the profitability and optimising the business performance of its underlying investment portfolio. The Group also seeks to develop and grow its portfolio of assets that have long-term growth and recurring income generating potential. In addition, the Group looks for opportunities to enhance shareholder value by creating synergy with the NWD Group. The Group intends to achieve its objectives by executing the following business strategies:

- *Infrastructure Division*: The Group continues to grow its operations within its current range of infrastructure projects, particularly toll roads, environmental and aviation and commercial aircraft leasing projects, which have already provided a steady and diversified source of income to the Group. This stable income stream is expected to assist the Group in continuing to invest in profitable and cash generating infrastructure projects.

- *Services Division*: The Group's strategy in relation to the Services division is to continue to optimise and grow Facilities Management, Construction & Transport segments. Although these businesses already generate a stable stream of income for the Group, the Group seeks to ensure long term growth and profitability by continuing to improve its service quality, focusing on cost reduction and exploring new market segments should suitable opportunities arise.

- The Group identifies high-quality investments that it expects to generate stable recurring income. Leveraging its extensive experience in investing in and operating a diversified portfolio of businesses, the Group believes it is well-positioned to identify suitable opportunities and make prudent and selective investments.

The following tables set forth the revenue and AOP for the business segments of the Group for the periods indicated.

	For the year ended 30 June (Audited)				**For the six months ended 31 December (Unaudited)**			
	2017		**2018**		**2017**		**2018**	
	(HK$ million)	*Proportion (per cent.)*	*(HK$ million)*	*Proportion (per cent.)*	*(HK$ million)*	*Proportion (per cent.)*	*(HK$ million)*	*Proportion (per cent.)*
Revenue								
Roads	2,377.0	8	2,623.6	7	1,328.3	7	1,288.5	9
Aviation	–	–	160.8	1	–	–	161.6	1
Facilities Management	6,915.1	22	5,570.9	16	3,577.4	20	2,093.7	15
Construction & Transport	22,092.9	70	26,759.5	76	13,171.2	73	10,644.2	75
	31,385.0	100	35,114.8	100	18,076.9	100	14,188.0	100
AOP								
Roads	1,479.1	31	1,947.1	37	1,027.8	38	948.5	39
Environment	392.1	8	494.1	9	293.8	11	449.6	18
Logistics	641.2	13	654.6	13	338.5	13	338.5	14
Aviation	610.5	13	695.2	13	365.2	13	231.8	10
Facilities Management	301.1	6	(73.1)	(1)	(84.4)	(3)	(146.8)	(6)
Construction & Transport	1,131.8	23	1,212.9	23	606.6	23	629.4	26
Strategic Investments	284.5	6	301.1	6	134.6	5	(19.1)	(1)
	4,840.3	100	5,231.9	100	2,682.1	100	2,431.9	100

The Group has a well-established presence in the PRC and continues to expand its international footprint with a total AOP of HK$5.2 billion for the financial year ended 30 June 2018 and HK$2.4 billion for the six months ended 31 December 2018. The Group's total AOP by geographic region includes Hong Kong (39 per cent.), the PRC (50 per cent.) and Others (11 per cent.) for the financial year ended 30 June 2018 and Hong Kong (30 per cent.), the PRC (63 per cent.) and Others (7 per cent.) for the six months ended 31 December 2018.

As a diversified industries investor, the Group is principally engaged in (i) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and (ii) the investment in and/or operation of facilities, duty free shops, healthcare, construction, transport and strategic investments. The majority of the Group's assets are located in Hong Kong and the PRC.

Infrastructure division

Roads

As at 31 December 2018, the Group has 15 road projects in the PRC, namely Guangdong, Zhejiang, Guangxi, Shanxi, Tianjin, Hubei and Hunan. Altogether these projects cover a total length of approximately 700 km.

For the six months ended 31 December 2018, the AOP from the Roads segment was HK$948.5 million, representing a decrease of 8 per cent. compared to the six months ended 31 December 2017, which was attributable principally to the fluctuation of Renminbi during the six months ended 31 December 2018. Excluding the exchange rate effect, AOP would have risen by 6 per cent., which was in line with the overall increase in toll revenue during the six months ended 31 December 2018.

The average daily traffic flow of the Group's four anchor expressways which contributed over 80 per cent. of the AOP in the Roads segment historically, namely Hangzhou Ring Road, Tangjin Expressway (Tianjin North Section), Guangzhou City Northern Ring Road and Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section), all recorded steady growth with the highest growth rate achieved 18 per cent. year on year. Other expressways in Guangdong-Hong Kong-Macao Greater Bay Area, including Shenzhen-Huizhou Expressway (Huizhou Section), Guangzhou-Zhaoqing Expressway, Guangzhou Dongxin Expressway and Guangzhou City Nansha Port Expressway, continued to register an increase in traffic volume of up to 28 per cent. year on year.

The Group completed its acquisition of 30 per cent. interest in Hubei Suiyuenan Expressway in January 2018 which has contributed AOP immediately.

In December 2018, the Group extended its footprint into Hunan Province by completing its acquisition of 40 per cent. interest in Hunan Sui-Yue Expressway. This dual 3 lane expressway which is 24.08 km long and fully operational with concession rights ending in 2038 has provided immediate AOP contribution to the Group.

The following table sets forth details of the Group's Roads projects as at 31 December 2018:

	Length	NWS' form of investment	NWS' attributable interest (per cent.)	Operation date	Expiry date	Location
Guangzhou City Northern Ring Road	22 km	CJV	65.29	1/1994	2023	Guangdong
Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)....	8.6 km (Section 1) 49.59 km (Section 2)	CJV	25	12/1999	2030	Guangdong
Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)	27 km	CJV	15	12/2005	2032	Guangdong
Guangzhou-Zhaoqing Expressway	48 km (Phase 1); 5.39 km (Phase 2)	CJV	25	9/2002 (Phase 1); 9/2010 (Phase 2)	2031	Guangdong
Guangzhou Dongxin Expressway	46.22 km	Equity	45.9	12/2010	2035	Guangdong
Shenzhen-Huizhou Expressway (Huizhou Section)	34.7 km	CJV	33.33	6/1993	2023	Guangdong
Guangzhou City Nansha Port Expressway	72.4 km	Equity	22.5	12/2004	2030	Guangdong

	Length	NWS' form of investment	NWS' attributable interest (per cent.)	Operation date	Expiry date	Location
Roadway No.321 (Wuzhou Section)	8.7 km (Phase 1); 4.3 km (Phase 2)	CJV	52	3/1997 (Phase 1); 12/1998 (Phase 2)	2022	Guangxi
Shanxi Taiyuan-Gujiao Roadway (Gujiao Section)	36.02 km	CJV	60†	4/1999	2025	Shanxi
Roadway No.309 (Changzhi Section)	22.2 km	CJV	60†	7/2000	2023	Shanxi
Taiyuan-Changzhi Roadway (Changzhi Section)	18.3 km	CJV	60†	8/2000	2023	Shanxi
Hangzhou Ring Road	103.4 km	Equity	100	1/2005	2029	Zhejiang
Tangjin Expressway (Tianjin North Section)	43.45 km (Section 1); 17.22 km (Section 2)	CJV	60#	12/1998 (Section 1); 12/2000 (Section 2)	2039	Tianjin
Hubei Suiyuenan Expressway	98.06 km	EJV	30	3/2010	2040	Hubei
Hunan Sui-Yue Expressway	24.08 km	EJV	40	12/2011	2038	Hunan

Notes:

"CJV" means co-operative joint venture company
"EJV" means equity joint-venture company
"†" means cash sharing ratio of 90 per cent. for the first 12 years from the operation date and thereafter 60 per cent.
"#" means cash sharing ratio of 90 per cent. for the first 15 years from the operation date and thereafter 60 per cent.

Environment

The Group engages in environmental business in 46 cities across the Greater China region mainly through two strategic platforms, SUEZ NWS and Derun Environment. These two platforms provide one-stop environmental services, including water and wastewater treatment, waste management, renewable resource recycling and utilisation, environmental remediation, as well as design, engineering and procurement services. In addition, the Group operates two power plants in Guangdong and Sichuan with a total installed capacity of approximately 1,820 MW. The Group has extended its footprint to the renewable energy sector in Europe through an investment platform operating solar power assets mainly in Italy. The Group also has investments in a coal trading company in Guangdong and an optoelectronics technology company in Chongqing.

For the six months ended 31 December 2018, the AOP from the Environment segment was HK$449.6 million, representing an increase of 53 per cent. compared to the six months ended 31 December 2017. The increase was mainly attributable to a net fair value gain of HK$232.5 million shared by the Group through SUEZ NWS in the six months ended 31 December 2018.

Apart from the fair value gain, SUEZ NWS still delivered steady growth in its business with its average daily waste treatment volume grew by 6 per cent. and the overall water and wastewater treatment volume increased by 2 per cent. in the six months ended 31 December 2018. In addition, SUEZ NWS succeeded to expand its waste management services with daily treatment capacity of 2,000 tonnes in the Jiangsu Province as well as the commencement of hazardous waste-to-energy plants in Jiangsu Province and Taiwan with a total annual treatment capacity of 59,200 tonnes in the six months ended 31 December 2018. The first food waste treatment plant of SUEZ NWS in Hong Kong also became operational in the last quarter of 2018.

Derun Environment continued to provide stable contribution to the Group. During the six months ended 31 December 2018, two new waste-to-energy contracts in Chongqing and Henan Province with a total daily treatment capacity of 1,830 tonnes were secured and it has also successfully extended its footprint outside of Chongqing by being awarded a river remediation contract in Chengdu. In order to meet the growing water demand in Chongqing, Derun Environment has recently mobilized the construction of a new water plant with a daily treatment capacity of 400,000 m^3 which is scheduled to commence operation in 2022.

While the combined AOP from the three energy projects decreased in the six months end 31 December 2018 which was principally due to the persistently high coal price, overhaul of generator and lower coal trading volume, the financial impact to the Group as a whole remains to be minimal.

The following table sets forth details of the Group's Environment projects as at 31 December 2018:

		Capacity	NWS' form of investment	NWS' attributable interest (per cent.)	Operation date	Expiry date	Location
Zhujiang Power Station-Phase II ...		620 MW	EJV	25	4/1996	2020	Guangdong
ForVEI II S.r.l.		2 MW	Equity	40	6/2018	2050	Italy
Chengdu Jintang Power Plant........		1,200 MW	Equity	35	6/2007	2040	Sichuan
Guangzhou Fuel Company		7 million tonnes pa	EJV	35	1/2008	2033	Guangdong
Derun Environment			Equity	12.55	10/2014#	Not applicable	Chongqing
Chongqing Silian Optoelectronics Science & Technology Co., Ltd.			EJV	20	7/2008	2038	Chongqing
SUEZ NWS	Water and wastewater (including industrial) treatment:	9.12 million m^3/day	Equity	42	5/1985#	Not applicable	Liaoning, Beijing, Tianjin, Hebei, Shandong, Shanghai, Jiangsu, Zhejiang, Guangdong, Shaanxi, Henan, Hubei, Jiangxi, Chongqing, Sichuan, Hainan, Hong Kong, Macau, Taiwan
	Sludge treatment:	2,140 tonnes/day					
	Waste collection and treatment:	11,250 tonnes/day					
	Industrial and municipal waste incineration:	750,800 tonnes/year					
	Landfill and landfill restoration:	96 million m^3 (excluding landfill restoration)					

Note:

"EJV" means equity joint venture company
"#" means date of incorporation

Aviation

The Group invests in commercial aircraft for leasing to worldwide airline operators mainly through Goshawk.

The Aviation segment recorded an AOP of HK$231.8 million for the six months ended 31 December 2018. The partial divestment of Beijing Capital International Airport Company Limited in January 2018 and its reclassification from an associated company to a financial asset has affected the AOP of this segment year-on-year. In September 2018, Goshawk completed the acquisition of SALI, catapulting Goshawk to top 10 aircraft lessor globally in terms of fleet value. Together with the orders of 40 narrow-body aircraft directly from Airbus and Boeing as well as 10 managed/other committed aircraft, Goshawk's owned, managed and committed fleet reached 216 aircraft as of 31 December 2018 with a combined market value of US$11.1 billion. The acquisition and direct orders accelerated Goshawk's already fast growth trajectory and consolidated Goshawk's foothold in the industry with its strategy in focusing on young and popular narrow-body aircraft with long lease terms. Goshawk will continue to serve as an important growth driver of the Group.

During the six months ended 31 December 2018, the Group's aviation portfolio grew from 111 to 166 aircraft with narrow-body aircraft representing 85 per cent. of the portfolio and the average age of the aircraft as at 31 December 2018 was 3.7 years, while the customer base was comprised of 62 airlines in 33 countries.

	No. of aircraft owned	NWS' form of investment	NWS' attributable interest (per cent.)	Operation date
Goshawk Aviation Limited	163	Equity	50	10/2013
Bauhinia Aviation Capital Limited	3	Equity	50	3/2016

Logistics

As at 31 December 2018, the Group invested in three port projects: two in Tianjin and one in Xiamen, with an aggregate container handling capacity of 12 million TEUs per year. In addition, through its joint venture, CUIRC, the Group develops and operates a large-scale pivotal rail container terminal network across the PRC. The Group also invests in ATL Logistics Centre, a multi-storey drive-in cargo logistics centre in Hong Kong that offers total leasable area of approximately 5.9 million sq. ft. For the six months ended 31 December 2018, the AOP from the Logistics segment was HK$338.5 million.

The newly renovated ATL Logistics Centre and growing demand for logistics facilities in Hong Kong have resulted in an increase in the average occupancy from 96.3 per cent. to 99.4 per cent. year-on-year.

Benefiting from the Belt and Road Initiative, throughput of CUIRC continued its growth with an increase of 26 per cent. year-on-year to 1,720,000 TEUs driven by the development of rail container and sea-rail internal transportation, as well as the strong throughput growth momentum of the Urumqi terminal since its commencement of operation in mid-2017. Its AOP, however, decreased due to the cancellation of the special settlement policy of containerized break-bulk cargoes service in January 2018.

As for the ports business, throughput handled by Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd. rose by 4 per cent. to 1,396,000 TEUs and 5 per cent. to 569,000 TEUs, respectively, in the six months ended 31 December 2018 while Xiamen Container Terminal Group Co., Ltd. dropped slightly by 1 per cent. to 4,314,000 TEUs.

The following table sets forth details of the Group's Logistics projects as at 31 December 2018:

	Handling capacity	NWS' form of investment	NWS' attributable interest (per cent.)	Operation date	Expiry date	Location
Xiamen Container Terminal Groups Co., Ltd.	9.1 million TEUs pa	EJV	20	12/2013	2063	Xiamen
Tianjin Orient Container Terminals Co., Ltd.#	1.4 million TEUs pa	Equity	24.5	1/1999	2027	Tianjin
Tianjin Five Continents International Container Terminal Co., Ltd.#	1.5 million TEUs pa	EJV	18	11/2005	2035	Tianjin
ATL Logistics Centre	5.9 million sq.ft. (leasable area)	Equity	56	2/1987 (Phase 1); 3/1988 (Phase 2); 2/1992 (Phase 3); 1/1994 (Phase 4); 11/1994 (Phase 5)	2047	Hong Kong

	Handling capacity	NWS' form of investment	NWS' attributable interest (per cent.)	Operation date	Expiry date	Location
CUIRC	4.5 million TEUs pa	EJV	30	1/2008 (Kunming); 12/2009 (Chongqing); 3/2010 (Chengdu); 4/2010 (Zhengzhou); 7/2010 (Dalian); 8/2010 (Qingdao); 8/2010 (Wuhan); 12/2010 (Xian); 1/2017 (Tianjin); 6/2017 (Urumqi)	2057	Kunming, Chongqing, Chengdu, Zhengzhou, Dalian, Qingdao, Wuhan, Xian, Tianjin, Urumqi

Note:

"EJV" means equity joint venture company.

Subsequent to 31 December 2018, a conditional equity transfer agreement was entered into for the disposal of the project. See "Recent Developments" section.

The Group has been and will be conducting strategic review of the relevant projects and may enter into transaction(s) relating thereto from time to time. For instance, please refer to the section headed "*Recent Developments – The Group's disposal of 18 per cent. equity interest in 天津五洲國際集裝箱碼頭有限公司 (Tianjin Five Continents International Container Terminal Co., Ltd.*)*" and the section headed "*Recent Developments – The Group's disposal of 24.5 per cent. effective equity interest in 天津東方海陸集裝箱碼頭有限公司 (Tianjin Orient Container Terminals Co., Ltd.*)*".

Services division

The Group is engaged in a diversified range of services businesses, including facilities management, construction & transport and strategic investments.

The Group's Services division recorded an AOP of HK$1,440.9 million for the year ended 30 June 2018, representing a decrease in AOP of 16 per cent. compared to the year ended 30 June 2017. The Group's Services division recorded an AOP of HK$463.5 million for the six months ended 31 December 2018, representing a decrease in AOP of 29 per cent. compared to the six months ended 31 December 2017.

Facilities Management

The Group's Facilities Management segment comprises mainly management and operation of HKCEC, Free Duty business and the operation of GHK Hospital. HKCEC provides both Hong Kong and overseas customers with a comprehensive range of facilities management services such as management and operation of venues for exhibitions and conventions while Free Duty undertakes a duty-free tobacco and liquor retail business at various cross-border transportation terminals in Hong Kong. GHK Hospital provides innovative, transparent and high-quality healthcare services in Hong Kong.

HKCEC opened in November 1988, after which Hong Kong's exhibition industry experienced a period of rapid growth, enabling Hong Kong to establish its position as Asia's trade fair capital and a premier international convention and meeting location. Through its wholly owned subsidiary, Hong Kong Convention and Exhibition Centre (Management) Limited, the Group operates and manages HKCEC, Hong Kong's largest multi-functional facility, which provides venues, food and beverage, and other related services for exhibitions, conventions, meetings, entertainment, special events, banquets and catering events. HKCEC is located on a prime waterfront site in the heart of Hong Kong with a total

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rentable space of 91,500 sq.m. and offers uniquely convenient, world-class services to both Hong Kong and overseas customers. During the six months ended 31 December 2018, 521 events were held at HKCEC with a total patronage of approximately 5.2 million visitors. While the core exhibition business remained stable, the AOP for the six months ended 31 December 2018 decreased as compared to the six months ended 31 December 2017 which was mainly attributable to higher royalty and provision for committed capital expenditure under the new operation agreement which became effective in mid-2018.

Free Duty was established as part of a long-term commitment to the duty-free business in Hong Kong. Currently duty-free shops are mainly located at the Lo Wu, Hung Hom and Lok Ma Chau MTR stations selling duty free liquor, tobacco, fine wines, perfume, cosmetics and general merchandise. Free Duty also offers local delivery for on-line purchases of wines and selected gourmet food. While the Free Duty business continued to operate under pressure, the reported loss of this business was stabilized during the six months ended 31 December 2018. Apart from implementing multiple sales strategies to increase sales and profit margin, Free Duty is actively seeking opportunities to extend and develop its business. With the recent commencement of the duty free shop at the Hong Kong-Zhuhai-Macao Bridge with a 5-year contract, the management is confident that it will contribute positively to the Free Duty business as a whole.

To strengthen the Group's service portfolio in Hong Kong, a joint venture in which the Group has a 40 per cent. interest was formed with Parkway Pantai Limited for the construction, development and operation of a private hospital, GHK Hospital, at Wong Chuk Hang, Hong Kong, which opened in March 2018. The project was carried out in collaboration with the Li Ka Shing Faculty of Medicine of The University of Hong Kong which acts as a clinical partner of the hospital and oversees its clinical governance, professional standards, appointment of doctors and the training of doctors, nurses and allied healthcare staff. The hospital provides a full range of clinical services with more than 35 medical specialties and subspecialities (including general medicine, general surgery, orthopaedics and traumatology, gynaecology and others) and a total capacity of 500 beds. GHK Hospital has been named one of the "2017 Best 50 Hospitals in the Guangdong-Hong Kong-Macau Greater Bay Area" by Asclepius Healthcare. While it is still in its ramp-up period, GHK Hospital continued to narrow its operating loss. Both outpatient visits and inpatient admissions have been increasing during the six months ended 31 December 2018. More than 1,000 doctors have been accredited at GHK Hospital and more doctors are expected to join including The University of Hong Kong's seconded full time doctors, sessional and visiting doctors who have increased their caseload in GHK Hospital. A satellite clinic in Central was opened in March 2019 to provide better access to hospital services. Moreover, to capture the growing demand for healthcare services in the PRC, the Group has invested through its associated companies, Healthcare Assets and UMP Healthcare, to tap into the local primary healthcare market in Beijing, Shanghai and Shenzhen.

Construction & Transport

The Group's Construction business offers professional construction services for many leading clients and developers in Hong Kong. The Group also provides bus and ferry transport services in Hong Kong.

Construction

The Group undertakes construction services through the Hip Hing Group. The Hip Hing Group's experience and expertise in the design, procurement, foundation, civil engineering and construction disciplines enable them to provide comprehensive project delivery services from the beginning to the end of a project life-cycle. Their workloads are derived from three principal sectors, namely government, other public sector/institutional development projects, and other private sector property projects from large developers. Their services have been used on a broad spectrum of project types, including office and commercial developments, residential properties, public housing, mixed-use developments, hotels and resorts, hospitals, schools and university facilities, theme parks, convention and exhibition centres, airports and heliports, transport and infrastructure, logistics centres, industrial buildings, public and institutional facilities. Major projects of Hip Hing Group during the six months ended 31 December 2018 included the residential and commercial development "SAVANNAH" at Tseung Kwan O, construction of Home Ownership Scheme Developments at Kiu Cheong Road, Tin Shui Wai and Ngan Kwong Wan Road, Mui Wo, Xiqu Centre at West Kowloon Cultural District as well as Hong Kong Science Park Expansion Stage 1. In addition, new tenders awarded during the six months ended 31 December 2018 included the design and construction works of the Inland Revenue Tower and the foundation works for the New Acute Hospital at Kai Tak Development Area.

As at 31 December 2018, the gross value of contracts on hand for the construction business of Hip Hing Group was approximately HK$39.1 billion, and remaining value of works to be completed was approximately HK$22.1 billion.

Profit margins are under pressure due to labour shortage, escalating labour and material costs, and increasing regulations on industrial safety and environmental protection. This is mitigated by the Group having established itself as a key player in the higher return "design-and-construct" segment. The Group has focused on retention of skilled project management staff and labour in order to ensure high quality, cost efficient and timely project delivery.

In December 2018, the Group's 25 per cent. owned associated company, Kai Tak Sports Park Limited ("**KTSPL**"), was awarded a contract for the design, construction and operation of Kai Tak Sports Park for a total construction contract sum of HK$29.993 billion which will be entirely borne by the Government of HKSAR (the "**Government**"). KTSPL will, among other things, bear the costs associated with operating and managing the facilities and venues, and will pay 3 per cent. of the gross income share and a total sum of HK$1.724 billion to the Government over the course of the operation period. The construction management services of the project are provided by Hip Hing Engineering Company Limited at a fixed amount of HK$1.4 billion plus a sharing of project cost savings with KTSPL on a 40:60 basis, which will add to stability in the revenue stream as well as cash flow for the Group's Construction business. Kai Tak Sports Park is one of the most important sports infrastructure in Hong Kong in recent decades. It is planned to be developed into a large complex covering sports, leisure, entertainment, retail and dining facilities. Participation in such a mega-sized and signature infrastructure of Hong Kong will further enhance the reputation of the Group as one of the most renowned construction as well as facility management group in Hong Kong.

Transport

The public transportation services provided by the Group include franchised and non-franchised bus services and passenger ferry services in Hong Kong. Through NWS Transport, the Group operates a full range of transport related businesses in Hong Kong. New World First Bus Services Limited ("**New World First Bus**") operates 94 franchised bus routes in Hong Kong with an average daily patronage of approximately 450,000 for the year ended 30 June 2018. Citybus Limited ("**Citybus**") operates 113 franchised bus routes covering Hong Kong Island and cross-harbour routes and also connects Hong Kong International Airport and Tung Chung on Lantau Island. Citybus had an average daily patronage of approximately 589,000 for the year ended 30 June 2018. New World First Bus together with Citybus own a fleet of 1,642 buses. New World First Ferry Services Limited ("**New World First Ferry**"), with a fleet of 20 vessels, operates five ferry routes in the inner harbours and outlying islands of Hong Kong. New World First Ferry had an average daily patronage of approximately 37,600 for the year ended 30 June 2018.

On 8 January 2019, the Executive Council approved fare increases at an overall weighted average rate of 9.9 per cent. for Citybus (franchise for HK Island and Cross-Harbour Bus Network) and New World First Bus with effect from 20 January 2019. With the mitigating effect from the Franchised Bus Toll Exemption Funds, the average fare increases borne by passengers of Citybus and New World First Bus are 7 per cent. and 5.6 per cent. respectively, which is expected to alleviate the pressure from increasing operating costs and losses of ridership. Notwithstanding the competition from the railway network expansion, the public bus service in Hong Kong has its competitive advantages in terms of point-to point travel and a more extensive geographical coverage. The opening of Hong Kong-Zhuhai-Macao Bridge will also generate new demand for bus services. With an average daily patronage of over one million, the Group's franchised buses continue to be an important mode of transportation in Hong Kong.

Strategic Investments

This segment includes investments which have strategic value to the Group or have growth potential, as well as certain investments which the management believes can enhance the value of shareholders.

Insurance

The Group is covered by insurance policies arranged through reputable insurance agents or brokers which cover loss of rental, fire, flood, riot, strike, malicious damage, other material damage to property and development sites, business interruption and public liability.

The Group believes that its properties are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage. Notwithstanding the Group's insurance coverage, damage to the Group's buildings, facilities, equipment, or other properties as a result of occurrences such as fire, floods, water damage, explosion, power loss, typhoons and other natural disasters could nevertheless have a material adverse effect on the Group's financial condition and operating results.

Government Regulations

The operations of the Group are subject to various laws and regulations of Hong Kong, the PRC and the other countries and regions in which it has operations. The Group's projects require government permits, some of which may take longer to obtain than others. The Group's projects are subject to routine inspections by government officials with regard to various safety and environmental issues. NWS considers that the Group is in compliance in all material respects with government safety regulations currently in effect.

The Group has not experienced significant problems with government regulations with regard to these issues, and is not aware of any pending government legislation that might have a material adverse effect on its projects.

Environmental Matters

NWS considers that the Group is in compliance in all material respects with applicable environmental regulations in Hong Kong, Macau and the PRC. NWS is not aware of any material environmental proceeding or investigation to which it is or might become a party.

Legal Proceedings

The Group is involved in litigation as part of its day to day business although neither NWS nor any of its subsidiaries is involved in any litigation which would have a material adverse effect on the business or financial position of the Group as a whole.

Employees

As at 31 December 2018, approximately 27,200 staff were employed by entities under the Group's management of which approximately 9,800 staff were employed in Hong Kong.

Recent Developments

Goshawk closes inaugural issuance of Asset-Backed Securities ("ABS")

On 4 June 2019, Goshawk, the Group's joint venture aircraft leasing platform, announced the sale of the Pioneer Portfolio (as defined below) to newly formed entities Pioneer Aircraft Finance Limited and Pioneer Aircraft Finance LLC (collectively "**Pioneer**") for Pioneer's issuance of ABS raising a total of US$643.6 million. The structure of the ABS comprises of, inter alia, fixed rate notes and equity certificates, and the underlying portfolio of assets includes 16 narrow-body, one wide-body and one regional aircraft ("**Pioneer Portfolio**"). Goshawk retained 10% of the equity certificates as part of the deal and Goshawk Management (Ireland) Limited will act as servicer and asset manager for the Pioneer Portfolio.

The Group's disposal of 18 per cent. equity interest in 天津五洲國際集裝箱碼頭有限公司 (Tianjin Five Continents International Container Terminal Co. Ltd.*)

NWS Ports Management (Tianjin) Limited, an indirect wholly owned subsidiary of the Guarantor, entered into an equity transfer agreement with 天津港股份有限公司 (Tianjin Port Holdings Co., Ltd.*), COSCO Ports (Tianjin) Limited and China Merchants International Terminals (Tianjin) Limited on 17 April 2019 to dispose of its 18 per cent. shareholding in Tianjin Five Continents International Container Terminal Co. Ltd.* (the "**Tianjin Five Continents ETA**"). Completion of the disposal, which is subject to the satisfaction and/or waiver of certain conditions precedent set out in the Tianjin Five Continents ETA, is expected to take place on or before 31 October 2019, being the long stop date for such completion.

The Group's disposal of 24.5 per cent. effective equity interest in 天津東方海陸集裝箱碼頭有限公司 (Tianjin Orient Container Terminals Co., Ltd.*)

DP World New World (Tianjin) HK Limited, a joint venture which was held as to 50 per cent. by a subsidiary of the Guarantor, entered into an equity transfer agreement with 天津港股份有限公司 (Tianjin Port Holdings Co., Ltd.*) and COSCO Ports (Tianjin) Limited on 10 June 2019 to dispose of its 49 per cent. shareholding in Tianjin Orient Container Terminals Co., Ltd.* (the "**Tianjin Orient ETA**"). Completion of the disposal is subject to the satisfaction and/or waiver of certain conditions precedent set out in the Tianjin Orient ETA and is expected to take place on or before 31 October 2019, being the long stop date for such completion.

Issuance of U.S.$1 billion guaranteed senior perpetual capital securities

In January 2019, Celestial Miles Limited, an indirect wholly owned subsidiary of the Guarantor, issued U.S.$1 billion guaranteed senior perpetual capital securities guaranteed by the Guarantor. The proceeds of the capital securities are for general corporate purpose and the capital securities are listed on the Hong Kong Stock Exchange. The senior perpetual capital securities have no maturity date and the Group has the right to redeem the securities from the holders and the payments of distribution can be deferred at the discretion of the Group. The securities are classified as equity in the consolidated financial statements of the Group.

The Group's proposed acquisition of 25.59 per cent. equity interest in 廣西龍光貴梧高速公路有限公司 (Guangxi Logan Guiwu Expressway Co., Ltd.*) ("GEC")

On 17 January 2019, the Group entered into a non-legally binding (save for the confidentiality obligations thereunder) memorandum of understanding ("**GEC MOU**") with 龍光交通集團有限公司 (Logan Communication Group Co., Ltd.*) in relation to the proposed acquisition of 25.59 per cent. equity interest in GEC which develops and operates the expressway between Wuzhou City and Guigang City, Guangxi, the PRC ("**Proposed GEC Acquisition**"). On 25 April 2019, the Group announced that no formal agreement was reached between the parties within three months after the signing of the GEC MOU. Accordingly, the GEC MOU had lapsed and the then intention of the Group was not to proceed further with the Proposed GEC Acquisition.

The Group's acquisition of the entire issued share capital in FTLife

On 27 December 2018, NWD and NWS jointly announced that Earning Star (an indirect wholly owned subsidiary of NWS) entered into a share purchase agreement with Bright Victory (an indirect wholly owned subsidiary of 同創九鼎投資管理集團股份有限公司 (Tongchuangjiuding Investment Management Group Co., Ltd.*) and certain guarantors of Bright Victory in respect of the acquisition of the entire issued share capital of FTLife, free from any encumbrance upon completion of the acquisition, by Earning Star from Bright Victory at a total consideration of HK$21.5 billion (subject to adjustments). The consideration for the acquisition will be funded by a combination of internal resources of the Group and committed external financing from reputable international banks.

Completion of the FTLife Acquisition is conditional upon a number of conditions being satisfied and/or waived (as the case may be), including, among others, approvals from the shareholders of Earning Star (and its affiliates, where applicable) and of Bright Victory (and its affiliates, where applicable), as well

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as regulatory approvals from the Insurance Authority of Hong Kong, the Securities and Futures Commission of Hong Kong, the Bermuda Monetary Authority, the Hong Kong Stock Exchange (if required), the PRC government authorities including but not limited to China Securities Regulatory Commission and 全國中小企業股份轉讓系統有限責任公司 (National Equities Exchange and Quotations Co., Ltd.*) (if required) and any other approval, consent or waiver of creditors and third parties required by Earning Star (and its affiliates, where applicable), Bright Victory (and its affiliates, where applicable) and/or FTLife and its subsidiaries. There is a longstop date for the fulfilment of the conditions. As at the date of this Offering Circular, approvals from the shareholders of each of NWS (indirect holding company of Earning Star) and Jiuding (indirect holding company of Bright Victory), approvals from PRC regulatory authorities and approvals, consents or waivers from creditors and third parties have been obtained, fulfilling a number of the conditions precedent to completion of the FTLife Acquisition, whilst other conditions remain subject to satisfaction.

The Group sees the FTLife Acquisition as a unique opportunity to extend its businesses into the attractive insurance sector and at the same time achieve synergies with its existing businesses. Potential synergy areas for the FTLife Acquisition include collaboration with the Group's expanding healthcare portfolio to provide value-added services to new and existing policyholders, as well as leverage on the Group's well known brand name in Hong Kong and the PRC to attract new customers.

Furthermore, with the support of the NWD Group, FTLife and its subsidiaries could also explore cross-promotion opportunities and greater connectivity with the NWD Group's affluent customer base, collaborate with the NWD Group's expanding wellness portfolio with an aim to provide more value-added services to new and existing policyholders, and potentially leverage the NWD Group's expanding footprint in the Greater Bay Area and tap into such market in the future.

After completion of the FTLife Acquisition, FTLife and its subsidiaries will become indirect wholly owned subsidiaries of NWS and their results would be consolidated into the consolidated financial statements of the Group. The unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") is set out in this Offering Circular for illustrative purposes. The Unaudited Pro Forma Financial Information was prepared based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as if the FTLife Acquisition had been completed on 31 December 2018.

* *For identification purposes only*

PRINCIPAL SHAREHOLDERS

As at 31 March 2019, each of CYTFH and CYTFH-II, through a company in which each of them held more than one-third of its issued shares, was deemed to be interested in approximately 63 per cent. of the total issued shares of NWS. Both CYTFH and CYTFH-II are controlled by the family members of the late Dato' Dr. Cheng Yu Tung, one of the founders and the former chairman of NWD. The directors of NWS regard NWD (which, together with certain of its subsidiaries, held approximately 61 per cent. interest in NWS as at 31 March 2019) as being the ultimate holding company of NWS.

Certain transactions may occur between NWS and/or its subsidiaries and NWD, or entities associated with NWD which are connected persons of NWS under the Listing Rules. Certain connected transactions in the future, although entered into on an arm's length basis, will, depending on the nature and the size of each such transaction, be subject to certain disclosure requirements and/or the approval by the shareholders of NWS in a general meeting, in which NWD and its associates (as defined under the Listing Rules) will abstain from voting, and other requirements under the Listing Rules.

See note 40 to the audited consolidated financial statements of NWS for the year ended 30 June 2018 for details of related party transactions.

As at 31 March 2019, so far as are known to the directors of NWS, the following parties (other than a director or chief executive of NWS) were recorded in the register kept by NWS under Section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5 per cent. or more of the issued share capital of NWS:

	Number of shares			Approximate percentage to the issued share capital of NWS as at 31 March 2019
Name	**Beneficial interests**	**Corporate interests**	**Total**	
CYTFH	–	2,477,530,362[(1)]	2,477,530,362	63.44 per cent.
CYTFH-II	–	2,477,530,362[(2)]	2,477,530,362	63.44 per cent.
CTFC	–	2,477,530,362[(3)]	2,477,530,362	63.44 per cent.
Chow Tai Fook (Holding) Limited ("**CTFH**")	–	2,477,530,362[(4)]	2,477,530,362	63.44 per cent.
CTF	97,034,424	2,380,495,938[(5)]	2,477,530,362	63.44 per cent.
NWD	1,588,468,276	792,027,662[(6)]	2,380,495,938	60.95 per cent.
Mombasa Limited	718,384,979	–	718,384,979	18.39 per cent.

Notes:

(1) CYTFH held approximately 48.98 per cent. direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(2) CYTFH-II held approximately 46.65 per cent. direct interest in CTFC and was accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(3) CTFC held approximately 81.03 per cent. direct interest in CTFH and was accordingly deemed to have an interest in the shares deemed to be interested by CTFH.

(4) CTFH held 100 per cent. direct interest in CTF and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.

(5) CTF, together with its subsidiaries, held more than one-third of the issued shares of NWD and was accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.

(6) NWD held 100 per cent. indirect interest in Mombasa Limited and was accordingly deemed to have an interest in the shares held by Mombasa Limited in NWS. NWD was also deemed to be interested in 2,979,975 shares held by Financial Concepts Investment Limited, 35,331,354 shares each held by Hing Loong Limited and Fine Reputation Incorporated respectively, all of them being subsidiaries of NWD.

(7) All the interests stated above represented long positions.

Save as disclosed above, there was no other interest recorded in the register that was required to be kept under Section 336 of the SFO as at 31 March 2019.

DIRECTORS

Directors

The following list sets forth the names of the directors of NWS (the "**Directors**").

Executive Directors

Dr. Cheng Kar Shun, Henry *(Chairman)*
Mr. Ma Siu Cheung *(Chief Executive Officer)*
Mr. Cheung Chin Cheung
Mr. Cheng Chi Ming, Brian
Mr. Ho Gilbert Chi Hang
Mr. Chow Tak Wing

Non-executive Directors

Mr. To Hin Tsun, Gerald
Mr. Dominic Lai
Mr. Tsang Yam Pui
Mr. Lam Wai Hon, Patrick
Mr. William Junior Guilherme Doo

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon
Dr. Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr. Lee Yiu Kwong, Alan
Mrs. Oei Fung Wai Chi, Grace
Mr. Wong Kwai Huen, Albert

The biographies of the Directors as at the date of this Offering Circular are as follows:

DR. CHENG KAR SHUN, HENRY GBM, GBS, aged 72, was appointed as Executive Director in March 2000 and became the Chairman from March 2001. He is also the Chairman of the Executive Committee and the Nomination Committee of NWS and a director of certain subsidiaries of the Group. Dr. Cheng is the Chairman and Executive Director of NWD, a substantial shareholder of NWS, and Chow Tai Fook Jewellery Group Limited, the Chairman and Non-executive Director of New World Department Store China Limited and FSE Services Group Limited, the Vice Chairman and Non-executive Director of i-CABLE Communications Limited and a non-executive director of SJM Holdings Limited, all being 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 (resigned on 10 June 2017), the Chairman and Non-executive Director of Newton Resources Ltd (resigned on 9 April 2018), and an independent non-executive director of HKR International Limited (resigned on 31 March 2018) and Hang Seng Bank Limited (retired on 10 May 2018), all being listed public companies in Hong Kong. Dr. Cheng is also the Chairman of New World Hotels (Holdings) Limited and a director of several substantial shareholders of NWS, namely CYTFH, CYTFH-II, CTFC, CTFH, CTF and Mombasa Limited. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation. He was a Standing Committee Member of the Twelfth Chinese People's Political Consultative Conference of the PRC. Dr. Cheng was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 2001 and 2017 respectively by the Government of the HKSAR. Dr. Cheng is the father of Mr. Cheng Chi Ming, Brian and the uncle of Mr. William Junior Guilherme Doo.

MR. MA SIU CHEUNG GBS, JP, aged 55, was appointed as Executive Director in July 2018. He was the Chief Operating Officer of NWS during the period from July 2018 to December 2018 and became the Chief Executive Officer of NWS from 1 January 2019. He is also the Chairman of the Sustainability Committee and a member of the Executive Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee of NWS. He is also a director of certain subsidiaries of the Group. During the period from February to June 2018, Mr. Ma was the

Acting Chief Executive Officer of Hong Kong-Shenzhen Innovation and Technology Park Limited. He joined the Government of the HKSAR in January 2014 as the Under Secretary for Development and was subsequently appointed as the Secretary for Development in February 2017 and remained in the post until June 2017. Prior to working with the Government of the HKSAR, Mr. Ma was the Executive Vice-President for Civil and Infrastructure Business (Asia Pacific) of AECOM Asia Company Limited. Mr. Ma is a Fellow of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, United Kingdom, the Institution of Structural Engineers, United Kingdom and the Chartered Institution of Highways and Transportation, United Kingdom. He is also a Registered Professional Engineer in Hong Kong and a Chartered Engineer in the United Kingdom. Mr. Ma holds a Bachelor of Science degree in Engineering (Civil) from The University of Hong Kong and a Master of Engineering degree in Transportation Planning from Monash University, Australia. He is an Honorary Professor of the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong. Mr. Ma was appointed as Justice of the Peace in 2014 and was awarded the Gold Bauhinia Star by the Government of the HKSAR in 2017.

MR. CHEUNG CHIN CHEUNG, aged 63, was appointed as Executive Director in October 2003 and is also a member of the Executive Committee, the Corporate Governance Committee and the Sustainability Committee of NWS. He had been an executive director of NWS during the period from May 1998 to January 2003. Mr. Cheung is currently the Chairman of Tianjin Xinzhan Expressway Company Limited and Guangzhou Northring Freeway Company Limited, the Vice Chairman of Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited, and a director of Chongqing Water Group Company Limited, a company listed in Shanghai, the PRC, and Derun Environment. He is also a director of a number of companies in Mainland China and certain subsidiaries of the Group, and is mainly responsible for managing the Group's infrastructure business. Mr. Cheung was a director of Sino-French Holdings (Hong Kong) Limited (now known as SUEZ NWS Limited) and Far East Landfill Technologies Limited, the Vice Chairman of Companhia de Electricidade de Macau – CEM, S.A. and the Managing Director of The Macao Water Supply Company Limited. He had been a member of the Infrastructure Development Advisory Committee and the China Trade Advisory Committee of the Hong Kong Trade Development Council. He has over 27 years of experience in business development, investment and management in the infrastructure business in Mainland China. Mr. Cheung is a member of the Hebei Province Committee of the Twelfth Chinese People's Political Consultative Conference of the PRC. He holds a Bachelor of Commerce degree from Curtin University, Australia and is a Chartered Professional Accountant of Canada.

MR. CHENG CHI MING, BRIAN, aged 36, was appointed as Executive Director in July 2009 and is also a member of the Executive Committee and the Sustainability Committee of NWS. He is also a director of certain subsidiaries of the Group. He has been with NWS since January 2008 and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of the Group. Mr. Cheng is the Chairman and non-executive director of Integrated Waste Solutions Group Holdings Limited and a non-executive director of Haitong International Securities Group Limited and Wai Kee Holdings Limited, all being listed public companies in Hong Kong. He is also the Chairman of Goshawk, and a director of SUEZ NWS, PBA International Pte. Ltd. and a number of companies in Mainland China. Mr. Cheng was a non-executive director of Newton Resources Ltd (resigned on 23 January 2017), Beijing Capital International Airport Company Limited (resigned on 2 February 2018) and Leyou Technologies Holdings Limited (resigned on 5 June 2019), all being listed public companies in Hong Kong, and a non-executive director of Tharisa plc (retired on 1 February 2017), whose shares are listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc. He is currently a member of the Thirteenth Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of the PRC. Before joining NWS, Mr. Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. Mr. Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, USA. Mr. Cheng is the son of Dr. Cheng Kar Shun, Henry and the cousin of Mr. William Junior Guilherme Doo.

MR. HO GILBERT CHI HANG, aged 42, was appointed as Executive Director on 9 July 2018 and is also a member of the Executive Committee of NWS. Joined NWS in January 2018, he is also a director of certain subsidiaries of the Group and is responsible for overseeing the business development and mergers and acquisitions affairs, and certain businesses of the Group. Mr. Ho has extensive experience in the area of corporate management, investments, corporate finance, merger and acquisition transactions and international brand and retail management. Prior to joining the Group, Mr. Ho was a director and/or senior executive in several Hong Kong listed public companies. He was the senior investment director of NWD, the substantial shareholder of NWS and a listed public company in Hong

Kong, and an executive director of New World Strategic Investment Limited. He was also a partner of an international law firm Fried, Frank, Harris, Shriver & Jacobson LLP. Mr. Ho is an independent non-executive director of Kam Hing International Holdings Limited, Hailiang International Holdings Limited and Asia Allied Infrastructure Holdings Limited and a non-executive director of Shougang Concord International Enterprises Company Limited and Wai Kee Holdings Limited, all being listed public companies in Hong Kong. He was an executive director of HMV Digital China Group Limited (resigned on 28 June 2017) and an executive director and the chief executive officer of AID Partners Technology Holdings Limited (now known as AID Life Science Holdings Limited) (resigned on 1 January 2018), both being listed public companies in Hong Kong. Mr. Ho is a committee member of the Chinese People's Political Consultative Conference of Shenyang, a standing committee member of the Youth Federation of Inner Mongolia and the Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association. Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and was admitted as a solicitor in New South Wales, Australia and England and Wales and as a solicitor and barrister in the High Court of Australia. He is also a fellow member of CPA Australia.

MR. CHOW TAK WING, aged 51, was appointed as Executive Director on 9 July 2018 and is also a member of the Executive Committee and the Corporate Governance Committee of NWS. He joined NWS in August 2002 and is also the Company Secretary of NWS and a director of certain subsidiaries of the Group. He is responsible for the financial management, treasury and corporate governance functions of the Group. Mr. Chow is a director of Citybus, New World First Bus and New World First Ferry. Mr. Chow has nearly 30 years' experience in accounting and financial management and corporate governance. Prior to joining the Group, he was a manager of an international accounting firm and senior executive of several Hong Kong listed public companies. Mr. Chow is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants (UK), The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He holds an Executive Master of Business Administration degree from Western University, Canada.

MR. TO HIN TSUN, GERALD, aged 70, was appointed as Independent Non-executive Director in May 1998 and was re-designated as Non-executive Director in August 2002. Mr. To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr. To is also a non-executive director of Mongolia Energy Corporation Limited whose shares are listed on the Main Board of the Hong Kong Stock Exchange. He was an executive director of International Entertainment Corporation (resigned on 10 June 2017) whose shares are listed on the Main Board of the Hong Kong Stock Exchange.

MR. DOMINIC LAI, aged 72, was appointed as Independent Non-executive Director in August 2002 and was re-designated as Non-executive Director in September 2004. He is also a member of the Audit Committee and the Sustainability Committee of NWS. He is a director of NWS Holdings Charities Foundation Limited. Mr. Lai is a practising solicitor in Hong Kong and is also admitted in England and Wales, the Republic of Singapore and the States of New South Wales and Victoria, Australia. He is a senior partner of the Hong Kong law firm, Iu, Lai & Li. Mr. Lai is also a non-executive director of Oriental Press Group Limited and Chuang's China Investments Limited, both being listed public companies in Hong Kong. He was a non-executive director of Midas International Holdings Limited (now known as Magnus Concordia Group Limited) (resigned on 26 January 2018), a listed public company in Hong Kong.

MR. TSANG YAM PUI GBS, OBE, QPM, CPM, aged 72, was appointed as Executive Director in June 2004 and was re-designated as Non-executive Director on 1 January 2019. He was the Chief Executive Officer of NWS during the period from July 2015 to December 2018. He is a director of Mapletree Investments Pte Ltd in Singapore and the Chairman and a non-executive director of Mapletree Commercial Trust Management Ltd. (as manager of Mapletree Commercial Trust which is listed on the Singapore Stock Exchange). He was a non-executive director of Wai Kee Holdings Limited (resigned on 31 December 2018), a listed public company in Hong Kong. Prior to joining NWS, Mr. Tsang had served with the Hong Kong Police Force for 38 years and retired from the Force as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. Mr. Tsang was awarded the Gold Bauhinia Star, the OBE, the Queen's Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner's Commendation, and the HKSAR Police Long Service Medal.

MR. LAM WAI HON, PATRICK, aged 56, was appointed as Executive Director in January 2003 and was re-designated as Non-executive Director on 1 January 2016. He is also a member of the Sustainability Committee of NWS and a director of certain subsidiaries of the Group. Mr. Lam is currently an executive director and the Chief Executive Officer of FSE Holdings Limited. He is also an executive director and the Vice Chairman of the board of directors of FSE Services Group Limited, a listed public company in Hong Kong. He was a non-executive director of Road King Infrastructure Limited (retired on 18 May 2017), a listed public company in Hong Kong. Mr. Lam is a Chartered Accountant by training and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Chartered Professional Accountants of Ontario, Canada. He is a member of the Asia advisory board of Ivey Business School of Western University, Canada.

MR. WILLIAM JUNIOR GUILHERME DOO JP, aged 45, was appointed as Director in December 2005 and was re-designated from Executive Director to Non-executive Director in July 2014. He is also a member of the Sustainability Committee of NWS and a director of certain subsidiaries of the Group. Mr. Doo is an executive director of FSE Services Group Limited, a listed public company in Hong Kong, and an executive director and the Deputy Chief Executive Officer of FSE Holdings Limited. He is also an independent non-executive director of The Bank of East Asia (China) Limited, a subsidiary of The Bank of East Asia, Limited. Mr. Doo is a solicitor admitted in the HKSAR and is currently a non-practising solicitor in England and Wales. He had legal practice experience in one of the largest global law firms specializing in finance and corporate transactions. He is a member of the Standing Committee of the Thirteenth Chinese People's Political Consultative Conference in Beijing of the PRC. He has been appointed as Justice of the Peace in 2018. Mr. Doo is the nephew of Dr. Cheng Kar Shun, Henry and the cousin of Mr. Cheng Chi Ming, Brian.

MR. KWONG CHE KEUNG, GORDON, aged 69, was appointed as Independent Non-executive Director in October 2002 and is the Chairman of the Audit Committee and the Corporate Governance Committee and a member of the Remuneration Committee and the Nomination Committee of NWS. He is an independent non-executive director of a number of Hong Kong listed public companies including Agile Group Holdings Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, FSE Services Group Limited, Global Digital Creations Holdings Limited, Henderson Investment Limited, Henderson Land Development Company Limited and OP Financial Limited. He is also an independent non-executive director of Piraeus Port Authority S.A., a listed company in Athens, Greece. He was an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd. (retired on 25 May 2017), and an independent non-executive director of CITIC Telecom International Holdings Limited (retired on 1 June 2017), both being listed public companies in Hong Kong. Mr. Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He was a Partner of Price Waterhouse from 1984 to 1998 and an independent member of the Council of the Hong Kong Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee.

DR. CHENG WAI CHEE, CHRISTOPHER GBS, OBE, JP, aged 71, was appointed as Independent Non-Executive Director in January 2003 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of NWS. Dr. Cheng is the Chairman and an executive director of Wing Tai Properties Limited, a listed public company in Hong Kong. He is an independent non-executive director of Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust which is listed on the Hong Kong Stock Exchange). Dr. Cheng is also an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited. He was an independent non-executive director of New World China Land Limited (resigned on 1 September 2016), a listed public company in Hong Kong until its delisting on 4 August 2016, and an independent non-executive director of Kingboard Chemical Holdings Limited (now known as Kingboard Holdings Limited) (retired on 29 May 2017), a listed public company in Hong Kong. Dr. Cheng has a keen interest in the public services. He serves as a member of the Board of Overseers of Columbia Business School and a member of the President's Council on International Activities of Yale University. He retired as a member of the board of Temasek Foundation CLG Limited on 7 September 2016. Dr. Cheng holds a Doctorate in Social Sciences *honoris causa* from The University of Hong Kong and a Doctorate in Business Administration *honoris causa* from The Hong Kong Polytechnic University. He graduated from the University of Notre Dame, Indiana with a BBA degree and from Columbia University, New York with an MBA degree.

THE HONOURABLE SHEK LAI HIM, ABRAHAM GBS, JP, aged 73, was appointed as Independent Non-executive Director in September 2004 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of NWS. Mr. Shek is an independent non-executive director of Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, Chuang's China Investments Limited (also acts as Honorary Chairman), ITC Properties Group Limited (also acts as Vice Chairman), Country Garden Holdings Company Limited, Hop Hing Group Holdings Limited, SJM Holdings Limited, China Resources Cement Holdings Limited, Lai Fung Holdings Limited, Cosmopolitan International Holdings Limited, Goldin Financial Holdings Limited, Everbright Grand China Assets Limited, CSI Properties Limited and Far East Consortium International Limited (appointed on 3 June 2019), all being listed public companies in Hong Kong. He is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both of the trusts are listed on the Hong Kong Stock Exchange. Mr. Shek was an independent non-executive director of TUS International Limited (resigned on 6 January 2017), ITC Corporation Limited (now known as PT International Development Corporation Limited) (resigned on 28 March 2017), Midas International Holdings Limited (now known as Magnus Concordia Group Limited) (resigned on 26 January 2018) and MTR Corporation Limited (retired on 22 May 2019) and the Chairman of Chuang's China Investments Limited (retired on 29 April 2019), all being listed public companies in Hong Kong. Mr. Shek is a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. He was appointed as Justice of the Peace in 1995 and was awarded the Gold Bauhinia Star in 2013. Mr. Shek graduated from the University of Sydney with Bachelor of Arts.

MR. LEE YIU KWONG, ALAN, aged 75, was appointed as Independent Non-executive Director in October 2012 and he is also a member of the Audit Committee and the Sustainability Committee of NWS. He is the former Chief Executive Officer of CSX World Terminals Hong Kong Limited and ATL Logistics Centre Hong Kong Limited. Mr. Lee has over 40 years of shipping and logistics experience, including over 15 years of international experience working in the United States, the Netherlands, Malaysia, Singapore and Thailand. Mr. Lee is the former Chairman of Hong Kong Container Terminal Operators Association. He was also a committee member of Hong Kong Business Advisory Committee, Logistics Advisory Committee of Hong Kong Trade Development Council, Hong Kong Port Development Council, Hong Kong Logistics Development Council and the Sailors Home and Missions to Seamen Hong Kong. Mr. Lee is an accountant by training and has over six years of experience at KPMG.

MRS. OEI FUNG WAI CHI, GRACE, aged 66, was appointed as Independent Non-executive Director in January 2016 and is also a member of the Corporate Governance Committee and the Sustainability Committee of NWS. She is currently the Chairperson of Ronald McDonald House Charities in Hong Kong since September 2008 and she has been elected to the global board of trustees of Ronald McDonald House Charities in Chicago since 1 January 2015. Ms. Fung had worked in investment banking and wholesale banking for 36 years. She was the Vice Chairman, Corporate & Institutional Clients, at Standard Chartered Bank, Hong Kong when she retired from the bank in November 2014. Before joining Standard Chartered Bank in 2002, she had worked with UBS for nine years including service as Managing Director responsible for corporate finance and fixed income. During her service with UBS, Ms. Fung had regional responsibilities for institutional sales, fixed income, supervising a team in Hong Kong and Singapore which covered 13 countries in Asia (excluding Japan). Her team advised central banks and other institutional investors in Asia on fixed income investments and hedging strategies for interest rates and currencies. Ms. Fung had taken on a number of public service responsibilities over the years, including as a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission and a member of the Finance Committee of the Hong Kong Housing Authority. Ms. Fung graduated from the London School of Economics and Political Science, London University, with a BSc (Econ) degree, majoring in Accounting and Finance.

MR. WONG KWAI HUEN, ALBERT BBS, JP, aged 67, was appointed as Independent Non-executive Director on 9 July 2018 and is also a member of the Corporate Governance Committee of NWS. He is the principal of Fried, Frank, Harris, Shriver & Jacobson (China Offices) and has served as its Managing Partner in Asia from 2006 until 2011. He is also an independent non-executive director of China Oilfield Services Limited, Hua Hong Semiconductor Limited and Vinda International Holdings Limited, all being listed public companies in Hong Kong. He was an independent non-executive director of China International Marine Containers (Group) Co., Ltd. (retired on 3 June 2019), a listed public company in Hong Kong. Mr. Wong holds a Bachelor of Arts degree from The Chinese University of Hong Kong and a Bachelor of Laws degree from the University of London, United Kingdom. He is admitted as a solicitor in Hong Kong, the United Kingdom, Australia and Singapore. Mr. Wong is a board member of Aviation Security Company Limited and The Hong Kong Mortgage Corporation Limited, and the Honorary Chairman of Hong Kong International Arbitration Centre. He is also a Deputy Chairman of the Board of Review (Inland Revenue Ordinance), the Chairman of the Copyright Tribunal, a council member of The Hong Kong Institute of Directors, the Honorary Adviser of Financial Reporting Council, the Honorary Legal Adviser of Hong Kong Business Accountants Association and the former President of the Law Society of Hong Kong and the Inter-Pacific Bar Association. Mr. Wong holds the posts of honorary lecturer, external examiner and professorships at The University of Hong Kong, The Chinese University of Hong Kong, City University of Hong Kong, Hang Seng Management College and Hong Kong Shue Yan University. He was appointed as Justice of the Peace in 2010 and was awarded the Bronze Bauhinia Star by the Government of the HKSAR in 2014.

Directors' Interests in Securities

As at 31 March 2019, the Directors had the following interests in the shares, underlying shares and debentures of NWS and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by NWS pursuant to Section 352 of the SFO:

(a) Long position in shares

	Number of shares				Approximate percentage to the total issued shares of the relevant company as at 31 March 2019
	Personal interests	**Family interests**	**Corporate interests**	**Total**	
NWS					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar Shun, Henry	18,349,571	–	12,000,000[(1)]	30,349,571	0.777 per cent.
Mr. Tsang Yam Pui	180,000	–	–	180,000	0.005 per cent.
Mr. Lam Wai Hon, Patrick	1,446,207	–	7,608[(2)]	1,453,815	0.037 per cent.
Mr. William Junior Guilherme Doo	–	–	128,869[(3)]	128,869	0.003 per cent.
Mr. Kwong Che Keung, Gordon	1,207,077	–	–	1,207,077	0.031 per cent.
Dr. Cheng Wai Chee, Christopher	2,875,786	–	–	2,875,786	0.074 per cent.
Associated corporation					
NWD					
(Ordinary shares)					
Mr. Cheung Chin Cheung	124,400	–	–	124,400	0.001 per cent.
Mr. William Junior Guilherme Doo	–	40,000[(4)]	–	40,000	0.000 per cent.
Mr. Kwong Che Keung, Gordon	40,000	–	–	40,000	0.000 per cent.

Notes:

(1) The shares were held by a company wholly owned by Dr. Cheng Kar Shun, Henry.

(2) The shares were held by a company wholly owned by Mr. Lam Wai Hon, Patrick.

(3) The shares were held by a company wholly owned by Mr. William Junior Guilherme Doo.

(4) The shares were held by the spouse of Mr. William Junior Guilherme Doo.

(b) Long position in underlying shares – share options

	Date of grant	Exercisable period	Number of share options as at 31 March 2019	Exercise price per share
		(Notes)		*HK$*
NWS				
Dr. Cheng Kar Shun, Henry ...	9 March 2015	(1)	7,420,739	14.120
Mr. Cheung Chin Cheung.......	9 March 2015	(1)	3,710,368	14.120
Mr. Cheng Chi Ming, Brian ...	9 March 2015	(1)	3,710,368	14.120
Mr. Chow Tak Wing..............	9 March 2015	(1)	508,212	14.120
Mr. To Hin Tsun, Gerald	9 March 2015	(1)	701,960	14.120
Mr. Dominic Lai....................	9 March 2015	(1)	701,960	14.120
Mr. Tsang Yam Pui................	9 March 2015	(1)	3,710,368	14.120
Mr. Lam Wai Hon, Patrick	9 March 2015	(1)	2,740,368	14.120
Mr. Kwong Che Keung, Gordon	9 March 2015	(1)	1,403,922	14.120
Dr. Cheng Wai Chee, Christopher	9 March 2015	(1)	1,403,922	14.120
Mr. Shek Lai Him, Abraham ..	9 March 2015	(1)	1,403,922	14.120
Mr. Lee Yiu Kwong, Alan	9 March 2015	(1)	889,922	14.120
Associated corporation				
NWD				
Dr. Cheng Kar Shun, Henry ...	10 June 2016	(2)	10,675,637	7.540
	3 July 2017	(3)	2,000,000	10.036

Notes:

(1) 60 per cent. of the share options granted are exercisable from 9 May 2015 to 8 March 2020 while the remaining 40 per cent. of the share options granted are divided into 2 tranches exercisable from 9 March 2016 and 9 March 2017 respectively to 8 March 2020.

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

(3) Divided into 4 tranches exercisable from 3 July 2017, 3 July 2018, 3 July 2019 and 3 July 2020 respectively to 2 July 2021.

(4) The cash consideration paid by each of the Directors for each grant of share options of NWS and NWD was HK$10.

(c) Long position in debentures

	Amount of debentures				Approximate percentage to the total amount of debentures in issue as at 31 March 2019
	Personal interests	Family interests	Corporate interests	Total	
Associated corporations					
New World China Land Limited					
Mr. William Junior Guilherme Doo	–	–	HK$15,600,000[(1)]	HK$15,600,000	0.123 per cent.
Fita International Limited					
Mr. William Junior Guilherme Doo	–	–	U.S.$3,000,000[(2)]	U.S.$3,000,000	0.400 per cent.
NWD (MTN) Limited					
Mr. William Junior Guilherme Doo	–	–	U.S.$2,000,000[(2)]	U.S.$2,000,000	0.071 per cent.
NWD Finance (BVI) Limited					
Mr. William Junior Guilherme Doo	–	–	U.S.$5,310,000[(2)]	U.S.$5,310,000	0.312 per cent.

Notes:

(1) The debentures were held by a company wholly owned by Mr. William Junior Guilherme Doo and were issued in U.S.$ and had been translated into HK$ using the rate of U.S.$1=HK$7.8.

(2) The debentures were held by a company wholly owned by Mr. William Junior Guilherme Doo.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of NWS had or was deemed to have any interest or short position in the shares, underlying shares and debentures of NWS and any of its associated corporations as defined in the SFO that were required to be entered into the register kept by NWS pursuant to Section 352 of the SFO or were required to be notified to NWS and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Listing Rules.

EXCHANGE RATES

The HK dollar is freely convertible into the U.S. dollar. Since 1983, the HK dollar has been linked to the U.S. dollar at the rate of HK$7.80 to U.S.$1.00. The Basic Law of Hong Kong (the "**Basic Law**"), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the HK dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to U.S.$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. Under the Basic Law, the HK dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the HK dollar will remain freely convertible into other currencies, including the U.S. dollar. However, there is no assurance that the Hong Kong government will maintain the link at HK$7.80 to U.S.$1.00, or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfers in HK dollars for the periods indicated:

	Noon Buying Rate			
Period	**Low**	**Average**	**High**	**Period End**
		(HK$ per U.S.$1.00)		
2010	7.7501	7.7687	7.8040	7.7810
2011	7.7634	7.7841	7.8087	7.7663
2012	7.7493	7.7569	7.7699	7.7507
2013	7.7503	7.7565	7.7654	7.7539
2014	7.7495	7.7545	7.7669	7.7531
2015	7.7495	7.7524	7.7686	7.7507
2016	7.7505	7.7620	7.8270	7.7534
2017	7.7540	7.7926	7.8267	7.8128
2018	7.8043	7.8376	7.8499	7.8305
2019				
January	7.8308	7.8411	7.8463	7.8463
February	7.8460	7.8477	7.8496	7.8496
March	7.8466	7.8492	7.8499	7.8498
April	7.8368	7.8445	7.8497	7.8451
May	7.8387	7.8478	7.8497	7.8387

Note: Exchange rates between Hong Kong dollars and U.S. dollars represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

TAXATION

The following summary of certain and Hong Kong consequences of the purchase, ownership and disposition of the Notes and certain other relevant issues are based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Prospective investors considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

BVI

The Issuer and all dividends, interest, rents, royalties, compensations and other amounts paid by the Issuer to persons who are not persons resident in the BVI are exempt from the provisions of the Income Tax Act in the BVI, and any capital gains realised by persons who are not persons resident in the BVI with respect to any shares, debt obligations, or other securities of the Issuer are exempt from all forms of taxation in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the Issuer.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Issuer or its members.

Bermuda

Tax

Under current Bermuda legislation, there is no withholding tax, capital gains tax, income or profits tax, capital transfer tax, estate duty or inheritance tax payable in Bermuda by the Guarantor or any shareholders who are not ordinarily resident in Bermuda. Furthermore, the Guarantor has obtained from the Minister of Finance in Bermuda, under the Exempted Undertakings Tax Act, 1966 (as amended), an assurance that, in the event of there being enacted in Bermuda any legislation which in the future may impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 28 March 2016, be applicable to the Guarantor or to any of its operations, or to shares, debentures or other obligations of the Guarantor except insofar as such tax applies to persons ordinarily resident in Bermuda or to land in Bermuda leased or let to the Guarantor.

Stamp duty

As an exempted company, the Guarantor is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies. None of the Guarantor, its shareholders and the holders of the Notes, as the case may be (other than persons ordinarily resident in Bermuda), are subject to stamp duty or other similar duty in relation to the Notes (including the transfer thereof).

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, professional or business carried on in Hong Kong in the following circumstances:

(a) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside of Hong Kong; or

(b) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong; or

(c) interest on the Notes is derived from Hong Kong and is received by or accrues to a person other than a company (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Gains or profits derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sums are revenue in nature and have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to profits tax.

Stamp duty

No stamp duty is payable on the issue or transfer of the Notes.

FATCA withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 20 June 2019 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed severally but not jointly, to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Notes indicated in the following table at an issue price of 99.718 per cent. of their principal amount (the "**Issue Price**") in the amount set forth below. Any subsequent offering of the Notes to investors may be at a price different from such Issue Price.

	Principal amount to be subscribed
	U.S.$
The Hongkong and Shanghai Banking Corporation Limited	217,000,000
Mizuho Securities Asia Limited	217,000,000
UBS AG Hong Kong Branch	216,000,000
HeungKong Securities Limited	0
Morgan Stanley & Co. International plc	0
Total	650,000,000

The Subscription Agreement provides that each of the Issuer and the Guarantor will indemnify each of the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the each of Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their respective affiliates may have performed certain investment banking and advisory services for the Guarantor and/or its affiliates from time to time for which it has received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Guarantor and/or its affiliates in the ordinary course of their business.

The Joint Lead Managers or certain of their affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Joint Lead Managers or their respective affiliates may purchase the Notes for its own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

In connection with the issue of the Notes, the Stabilising Manager may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that Stabilising Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilising Manager.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

General

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

United States

The Notes and the Guarantee of the Notes have not been, and will not be, registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable U.S. state law. Each Joint Lead Manager has represented that it has not offered or sold, and has agreed that it will not offer or sell, any Notes and the Guarantee of the Notes constituting part of its allotment within the United States, and any offers and sales will be made in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, none of the Joint Lead Managers, their affiliates or any persons acting on their behalf have engaged in, or will engage in, any directed selling efforts with respect to the Notes and the Guarantee of the Notes. Terms used in these paragraphs have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes and the Guarantee of the Notes, an offer or sale of the Notes or the Guarantee of the Notes within the United States by any "dealer" (as defined in the Securities Act), whether or not participating in the offering, may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(b) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document or otherwise, any Notes other than:

    (i) to "Professional Investors" as defined in the SFO and any rules made under the SFO; or

(ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the laws of Hong Kong (the "**C(WUMP)O**") and which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong or otherwise is or contains an invitation to the public (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each of the Joint Lead Managers has represented, warranted and undertaken that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**") and, accordingly, each Joint Lead Manager has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan. For the purposes of this paragraph, "**Japanese Person**" shall mean any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No 228 of 1949, as amended)).

BVI

Each Joint Lead Manager has represented, warranted and undertaken that the Notes have not been and will not be offered to members of the public or any other person in the BVI.

Bermuda

Each Joint Lead Manager has represented, warranted and undertaken that the Notes have not been and will not be offered to members of the public or any other person in Bermuda.

GENERAL INFORMATION

1. **Clearing Systems**: The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code number 200928253 and the International Securities Identification Number for the Notes is XS2009282539.

2. **Listing of Notes**: Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. It is expected that dealing in, and listing of, the Notes on the Hong Kong Stock Exchange will commence on or around 28 June 2019.

3. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Notes. The issue of the Notes was authorised by resolutions passed by the board of directors of the Issuer on 19 June 2019. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the provision of and performance of its obligations under the Guarantee of the Notes. The provision of the Guarantee of the Notes was authorised by resolutions passed by the executive committee to the Board of Directors of the Guarantor on 19 June 2019.

4. **No Material Adverse Change**: Except as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Guarantor and the Group since 31 December 2018.

5. **Litigation**: Neither the Guarantor, the Issuer nor any of the subsidiaries of the Guarantor is involved in any litigation or arbitration proceedings that the Guarantor believes are material in the context of the Notes or the Guarantee of the Notes nor is the Issuer nor the Guarantor aware that any such proceedings are pending or threatened.

6. **Available Documents**: Copies of the Guarantor's annual report for the year ended 30 June 2018 and the Guarantor's interim report for the six months ended 31 December 2018 and the unaudited pro forma financial information of the Enlarged Group and copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee will be available for inspection by the Holders from the Issue Date, at the specified office of the Paying Agent during normal business hours, so long as any of the Notes is outstanding.

7. **Auditor**: The consolidated financial statements of the Guarantor for the year ended 30 June 2018 have been audited, the condensed consolidated financial statements of the Guarantor for the six months ended 31 December 2018 have been reviewed, and the unaudited pro forma financial information of the Enlarged Group has been reported, respectively, by PricewaterhouseCoopers, Certified Public Accountants.

8. **Legal Entity Identifier**: The Legal Entity Identifier of the Issuer is 254900A85ZVOMCLC2410.

INDEX TO FINANCIAL STATEMENTS

The following are extracted from the audited consolidated financial statements of the Guarantor for the year ended 30 June 2018 together with the independent auditor's report as they appear in the 2018 annual report of NWS.

References to page numbers in the audited consolidated financial statements refer to the original page numbers in the 2018 annual report, respectively, and cross-references to page numbers included in the independent auditor's report are to such original page numbering.

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The following are extracted from the reviewed condensed consolidated interim financial statements of the Guarantor as at and for the six months ended 31 December 2018 together with the independent auditor's review report as they appear in the 2018-2019 interim report of NWS.

References to page numbers in the reviewed condensed consolidated interim financial statements refer to the original page numbers in the 2018-2019 interim report of NWS, respectively, and cross-references to page numbers included in the independent auditor's review report are to such original page numbering.

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The following are extracted from the unaudited pro forma financial information of the Enlarged Group together with the reporting accountant's assurance report as they appear in the major transaction circular of the Guarantor dated 11 April 2019 in relation to the FTLife Acquisition.

References to pages numbers in the unaudited pro forma financial information refer to the original page numbers in the major transaction circular of the Guarantor dated 11 April 2019 in relation to the FTLife Acquisition, respectively, cross-references to page numbers included in the reporting accountant's assurance report are to such original page numbering.

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Independent Auditor's Report

羅兵咸永道

To the shareholders of NWS Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of NWS Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 116 to 227, which comprise:

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

Our opinion

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

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

The key audit matters identified in our audit relates to (i) impairment of the Group's interests in joint ventures and associated companies and (ii) fair value measurement of unlisted available-for-sale financial assets.

Key Audit Matters	How our audit addressed the Key Audit Matters
(i) Impairment of the Group's interests in joint ventures and associated companies (Refer to notes 6, 20, 21 to the consolidated financial statements) As at 30 June 2018, the carrying values of the Group's interests in joint ventures and associated companies amounted to HK$15,008 million and HK$13,763 million respectively. Management reviewed regularly whether there are any indicators of impairment of the investments by reference to the requirements of HKAS 28 (2011) "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets". Based on management's assessment, the Group has certain joint ventures and associated companies engaging in infrastructure and resources related businesses where impairment indicators existed at the end of the reporting period.	Our procedures in assessing the management's judgement and estimates 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 projections; • We assessed the reasonableness of the discount rates applied by the management in the discounted cash flows models by comparing to external market data and publicly available information; • We checked the key assumptions used to external market data or other supporting evidence where available. We performed sensitivity analysis on the key assumptions adopted in the impairment assessments to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts; and • We evaluated management's assessments on impairment of underlying available-for-sale financial assets and the recoverability assessment on underlying loans and receivables held by the Group's associated companies which take into account the repayment histories of the borrowers, credit worthiness, value of the pledged assets and subsequent settlement of loans and receivables, if applicable.

KEY AUDIT MATTERS (continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
(i) Impairment of the Group's interests in joint ventures and associated companies (continued) For the above-mentioned businesses, management estimated the recoverable amounts of the underlying assets, being higher of value in use or fair value less costs of disposal. The value in use is determined based on the discounted cash flow projections. Significant judgements are required to determine the key assumptions used in the discounted cash flows models such as estimated traffic volume, toll rates, revenue growth, resources and tariff prices, production volume, fuel costs and discount rates. In assessing the appropriateness of certain industry specific key assumptions, management made reference to independent professional studies, where relevant. Independent external valuers were also involved in certain value in use assessments, where management believed necessary. Based on the results of these impairment assessments, impairment losses were recognized for the underlying assets of those joint ventures and the Group's share of such impairment losses, in aggregate, of HK$600 million, which have been included in the Group's share of results of joint ventures for the year ended 30 June 2018. Management considered no further impairment is required in respect of the carrying values of the Group's interests in these joint ventures and associated companies. In respect of other associated companies, whose assets principally included available-for-sale financial assets and loans and receivables. Management carried out impairment assessments on the underlying available-for-sale financial assets and loans and receivables held by these associated companies. Based on the results of the impairment assessments, management concluded that no impairment provision is needed for the Group's investments in these associated companies. As the impairment assessments involve significant judgement and estimates, we regard these as a key audit matter.	Based on the procedures performed, we found management's impairment assessments relating to the Group's interests in joint ventures and associated companies were supported by the available evidence.

KEY AUDIT MATTERS (continued)

Key Audit Matters

(ii) Fair value measurement of unlisted available-for-sale financial assets

(Refer to notes 6, 22 to the consolidated financial statements)

As at 30 June 2018, the Group's available-for-sale financial assets which were carried at fair value amounted to HK$6,557 million, of which HK$3,313 million were investments in unlisted investment funds or equity and debt securities without quoted prices in active markets for fair value measurement purposes.

Management determined the fair value of these available-for-sale financial assets as follows:

- For investments in investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate;
- For investments in unlisted equity and debt securities with recent transactions, management determined the fair value at the end of reporting period with reference to recent transaction prices of these financial assets; and
- For investments in unlisted equity and debt securities without recent transactions, management has established fair values of these investments by using appropriate valuation techniques. Independent external valuer has been involved in determining the fair value, where appropriate.

We focused on this area due to the high degree of judgement required in determining the fair values of these financial assets which do not have direct open market quoted values.

How our audit addressed the Key Audit Matters

Our procedures on assessing management's judgement in respect of the fair value measurement of available-for-sale financial assets included:

- We evaluated and tested management's control procedures in relation to fair value measurement of available-for-sale financial assets;
- We performed the following work with the support of our in-house valuation experts:
  - For investments in investment funds, we selected certain investments, on a sample basis, to make enquiry of and assessment on management and fund managers regarding the appropriateness of methodologies, key assumptions and parameters used;
  - For investments in unlisted equity and debt securities with recent transactions, we tested, on a sample basis, the appropriateness and evidence of recent transaction prices of those financial assets in fair value measurement;
  - For investments in unlisted equity and debt securities without recent transactions, we evaluated the competence, capabilities and objectivity of the independent valuer. We assessed, on a sample basis, the appropriateness of methodologies and key assumptions used in the fair value measurement of these financial assets. We also assessed the reasonableness of the key observable and unobservable inputs used in the valuation by comparing assumptions used against appropriate third party pricing sources such as public stock prices and bond yields.

Based on the procedures performed above, we found management's fair value measurement of available-for-sale financial assets 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 disclosure requirements of 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 90 of the Companies Act 1981 of Bermuda 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.

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

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.

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.

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

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 Ng Wai Lun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 September 2018

Consolidated Income Statement

For the year ended 30 June

	Note	2018 HK$'m	2017 HK$'m
Revenue	7	**35,114.8**	31,385.0
Cost of sales		**(31,331.6)**	(27,763.2)
Gross profit		**3,783.2**	3,621.8
Other income/gains	8	**2,809.4**	1,105.2
General and administrative expenses		**(1,466.4)**	(1,293.7)
Operating profit	9	**5,126.2**	3,433.3
Finance costs	11	**(348.0)**	(468.3)
Share of results of			
Associated companies	7(b)	**756.2**	1,590.9
Joint ventures	7(b)	**1,331.2**	1,774.5
Profit before income tax		**6,865.6**	6,330.4
Income tax expenses	12	**(745.0)**	(685.2)
Profit for the year		**6,120.6**	5,645.2
Attributable to			
Shareholders of the Company		**6,068.8**	5,628.9
Non-controlling interests		**51.8**	16.3
		6,120.6	5,645.2
Earnings per share attributable to			
the shareholders of the Company	14		
Basic		**HK$1.56**	HK$1.46
Diluted		**HK$1.56**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	2018 HK$'m	2017 HK$'m
Profit for the year	**6,120.6**	5,645.2
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
Revaluation of property, plant and equipment upon transfer to investment properties	**26.4**	–
Remeasurement of post-employment benefit obligation	**24.7**	24.7
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Fair value changes on available-for-sale financial assets	**(1,085.1)**	196.2
Release of reserves upon partial disposal of interest in an associated company	**46.6**	(5.6)
Release of reserve upon disposal of an available-for-sale financial asset	**2.7**	(15.1)
Release of reserve upon disposal of interest in a joint venture	**–**	(129.8)
Release of reserves upon reclassification of an associated company to an available-for-sale financial asset	**53.6**	–
Release of reserves upon remeasurement of previously held equity interest in a joint venture	**–**	35.6
Release of reserve upon restructuring of a joint venture	**–**	5.7
Release of reserve upon deregistration of subsidiaries	**(60.6)**	(15.3)
Release of reserve upon return of registered capital of a subsidiary	**(22.5)**	–
Share of other comprehensive income/(loss) of associated companies and joint ventures	**1.4**	(7.0)
Cash flow hedges	**83.9**	253.8
Currency translation differences	**1,194.4**	(673.4)
Other comprehensive income/(loss) for the year, net of tax	**265.5**	(330.2)
Total comprehensive income for the year	**6,386.1**	5,315.0
Total comprehensive income attributable to		
Shareholders of the Company	**6,346.8**	5,306.4
Non-controlling interests	**39.3**	8.6
	6,386.1	5,315.0

Consolidated Statement of Financial Position

As at 30 June

	Note	2018 HK$'m	2017 HK$'m
ASSETS			
Non-current assets			
Investment properties	16	**1,693.3**	1,568.9
Property, plant and equipment	17	**5,370.3**	5,487.8
Intangible concession rights	18	**11,491.9**	11,936.2
Intangible assets	19	**753.6**	786.6
Associated companies	20	**13,763.0**	16,180.5
Joint ventures	21	**15,008.3**	15,128.8
Available-for-sale financial assets	22	**6,556.6**	3,025.5
Other non-current assets	23	**870.4**	887.0
		55,507.4	55,001.3
Current assets			
Inventories	24	**461.9**	484.0
Trade and other receivables	25	**12,148.7**	13,787.2
Cash and bank balances	26	**6,656.6**	6,453.4
		19,267.2	20,724.6
Assets held-for-sale	27	**3,364.0**	–
Total assets		**78,138.6**	75,725.9
EQUITY			
Share capital	29	**3,896.5**	3,888.3
Reserves	30	**46,053.5**	45,168.8
Shareholders' funds		**49,950.0**	49,057.1
Non-controlling interests		**173.8**	217.9
Total equity		**50,123.8**	49,275.0

Consolidated Statement of Financial Position

As at 30 June

	Note	2018 HK$'m	2017 HK$'m
LIABILITIES			
Non-current liabilities			
Borrowings	31	**9,139.6**	9,376.9
Deferred tax liabilities	32	**2,490.2**	2,519.0
Other non-current liabilities	33	**176.9**	226.2
		11,806.7	12,122.1
Current liabilities			
Borrowings	31	**1,035.0**	305.8
Trade and other payables	34	**11,384.2**	13,642.9
Taxation		**575.8**	380.1
		12,995.0	14,328.8
Liabilities directly associated with assets held-for-sale	27	**3,213.1**	–
Total liabilities		**28,014.8**	26,450.9
Total equity and liabilities		**78,138.6**	75,725.9

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

HK$'m	Shareholders' funds						
	Share capital	Share premium	Revenue reserve	Other reserves	Total	Non-controlling interests	Total
At 1 July 2017	3,888.3	17,521.8	27,002.4	644.6	49,057.1	217.9	49,275.0
Total comprehensive income for the year	–	–	6,085.7	261.1	6,346.8	39.3	6,386.1
Contributions by/(distribution to) owners							
Dividends paid to							
Shareholders of the Company	–	–	(5,569.8)	–	(5,569.8)	–	(5,569.8)
Non-controlling interests	–	–	–	–	–	(43.0)	(43.0)
Share options							
Nominal value of new shares issued	8.2	–	–	–	8.2	–	8.2
Share premium on new shares issued	–	107.7	–	–	107.7	–	107.7
Repayment of capital to non-controlling interests	–	–	–	–	–	(40.4)	(40.4)
Total transactions with owners	8.2	107.7	(5,569.8)	–	(5,453.9)	(83.4)	(5,537.3)
At 30 June 2018	3,896.5	17,629.5	27,518.3	905.7	49,950.0	173.8	50,123.8

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

HK$'m	Shareholders' funds: Share capital	Share premium	Revenue reserve	Other reserves	Total	Non-controlling interests	Total
At 1 July 2016	3,832.0	16,840.4	23,824.7	1,121.8	45,618.9	239.5	45,858.4
Total comprehensive income for the year	–	–	5,765.7	(459.3)	5,306.4	8.6	5,315.0
Contributions by/(distribution to) owners							
Dividends paid to							
Shareholders of the Company	–	–	(2,614.4)	–	(2,614.4)	–	(2,614.4)
Non-controlling interests	–	–	–	–	–	(10.9)	(10.9)
Scrip dividends							
Nominal value of new shares issued	51.3	–	–	–	51.3	–	51.3
Share premium on new shares issued	–	615.8	–	–	615.8	–	615.8
Share options							
Value of services provided	–	–	–	8.5	8.5	–	8.5
Nominal value of new shares issued	5.0	–	–	–	5.0	–	5.0
Share premium on new shares issued	–	65.6	–	–	65.6	–	65.6
Repayment of capital to non-controlling interests	–	–	–	–	–	(19.3)	(19.3)
Transfer	–	–	26.4	(26.4)	–	–	–
Total transactions with owners	56.3	681.4	(2,588.0)	(17.9)	(1,868.2)	(30.2)	(1,898.4)
At 30 June 2017	3,888.3	17,521.8	27,002.4	644.6	49,057.1	217.9	49,275.0

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2018 HK$'m	2017 HK$'m
Cash flows from operating activities			
Net cash generated from operations	38(a)	**5,159.1**	3,898.0
Finance costs paid		**(250.4)**	(439.9)
Interest received		**171.6**	200.9
Hong Kong profits tax paid		**(184.8)**	(168.1)
Mainland China and overseas taxation paid		**(466.7)**	(532.6)
Net cash generated from operating activities		**4,428.8**	2,958.3
Cash flows from investing activities			
Dividends received from associated companies		**541.6**	1,879.7
Dividends received from joint ventures		**1,845.3**	1,587.1
Increase in investments in and advances to associated companies		**(127.0)**	(1,128.2)
Increase in investments in and advances to joint ventures		**(977.1)**	(1,425.4)
Acquisition of subsidiaries	39(b)	**–**	(1,017.6)
Disposal of subsidiaries	38(b)	**–**	189.0
Partial disposal of an associated company		**2,331.3**	352.0
Disposal of a joint venture		**–**	197.1
Additions of intangible concession rights, property, plant and equipment		**(536.4)**	(688.4)
Additions of available-for-sale financial assets		**(1,903.1)**	(1,360.4)
Disposal of property, plant and equipment		**15.9**	3.0
Disposal of available-for-sale financial assets and a financial asset at fair value through profit or loss		**248.9**	367.5
Disposal of intangible concession rights		**–**	12.7
Disposal of assets held-for-sale		**–**	3,373.1
Dividends received from available-for-sale financial assets		**63.9**	30.4
Decrease in other non-current assets		**–**	5.6
Decrease in short-term bank deposits maturing after more than three months		**3.6**	26.4
Net cash from investing activities		**1,506.9**	2,403.6

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2018 HK$'m	2017 HK$'m
Cash flows from financing activities			
Issuance of new shares from share options exercised		**115.9**	70.6
New bank loans and other borrowings	38(c)	**1,395.9**	2,802.4
Repayment of bank loans and other borrowings	38(c)	**(952.4)**	(4,643.0)
Redemption of fixed rate bonds		**–**	(3,885.0)
Balance payment of acquisition of additional interests in a subsidiary		**–**	(81.9)
Capital repayment to non-controlling interests		**(52.0)**	(23.6)
Decrease in loan from non-controlling interests	38(c)	**(9.1)**	(23.8)
Dividends paid to shareholders of the Company		**(5,569.8)**	(1,947.3)
Dividends paid to non-controlling interests		**(43.0)**	(10.9)
Net cash used in financing activities		**(5,114.5)**	(7,742.5)
Net increase/(decrease) in cash and cash equivalents		**821.2**	(2,380.6)
Cash and cash equivalents at the beginning of year		**6,436.8**	8,892.9
Currency translation differences		**38.7**	(75.5)
Cash and cash equivalents at the end of year		**7,296.7**	6,436.8
Analysis of cash and cash equivalents			
Cash and bank balances	26	**6,656.6**	6,453.4
Short-term bank deposits maturing after more than three months	26	**(13.4)**	(16.6)
Cash and bank balances of subsidiaries reclassified as assets held-for-sale	27	**653.5**	–
		7,296.7	6,436.8

Notes to the Financial Statements

1 GENERAL INFORMATION

NWS Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

(a) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and

(b) the investment in and/or operation of facilities, duty free shops, healthcare, construction, transport and strategic investments.

The Company has its listing on the Main Board of the Hong Kong Stock Exchange.

The consolidated financial statements were approved for issuance by the Board on 19 September 2018.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and interpretations (collectively, the "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 6 below.

(a) Adoption of amendments to standards

During the year, the Group adopted the following amendments to standards which are relevant to the Group's operations and are mandatory for FY2018:

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

The adoption of the above amendments to standards has no material effect on the results and financial position of the Group.

2 BASIS OF PREPARATION (continued)

(b) Early adoption of HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15")

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

The Group has elected to early adopt HKFRS 15 for FY2018 because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of revenue and cash flows. The Group has also elected to apply the "cumulative catch-up" transition method whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at 30 June 2017 would be adjusted at the opening balance of equity as at 1 July 2017 and prior period comparatives are not restated.

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

The adoption of HKFRS 15 has no material impact on the consolidated income statement and the consolidated statement of cash flows and no adjustments are required on the opening balance of equity as at 1 July 2017. Details of the change in accounting policy are set out in note 3.

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

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

HKFRS 9	Financial Instruments
HKFRS 16	Leases
HKFRS 17	Insurance Contracts
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKAS 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRSs Amendments	Annual Improvements to HKFRSs 2014–2016 Cycle and Annual Improvements to HKFRSs 2015–2017 Cycle

2 BASIS OF PREPARATION (continued)

(c) 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. The preliminary assessment of HKFRS 9 "Financial Instruments" ("HKFRS 9") and HKFRS 16 "Leases" ("HKFRS 16") are detailed below. The Group will continue to assess the impact in more details.

HKFRS 9

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

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

The Group's equity investments currently classified as available-for-sale financial assets will be reclassified to financial assets at FVOCI or FVPL, which is being under the process of the election. For debt instruments currently classified as available-for-sale financial assets, the Group is in the process of assessing whether those instruments would be reclassified as amortized cost, FVOCI or FVPL, which depends on the contractual cash flow characteristics and the Group's business model for managing these instruments.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

In addition, the new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. Based on the assessments undertaken to date, the Group does not expect material change of the loss allowance for the Group's trade receivables.

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

2 BASIS OF PREPARATION (continued)

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

HKFRS 9 (continued)

The new accounting standard will be effective for FY2019. As allowed in the transitional provisions in HKFRS 9 (2014), comparative figures will not be restated. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Group will continue to assess its impact in more details.

HKFRS 16

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 recognized 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 12 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 statements of financial position. As for the financial performance impact in the statements of comprehensive income, straight-line depreciation expenses on the right-of-use assets and the interest expenses on the financial liabilities are recognized and no rental expenses will be recognized. The combination of a straight-line depreciation of the right-of-use assets and the effective interest rate method applied to the financial liabilities will result in a higher total charge to income statements in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

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

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

3 CHANGE IN ACCOUNTING POLICY

As explained in note 2(b) above, the Group has early adopted HKFRS 15 from 1 July 2017, which resulted in changes in accounting policies used in the preparation of the consolidated financial statements.

The accounting policies have been changed to comply with HKFRS 15, which replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" ("HKAS 11") and the related interpretations associated with the recognition, classification and measurement of revenue and costs.

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

Revenue is recognized when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalized as contract assets and subsequently amortized when the related revenue is recognized.

The adoption of HKFRS 15 also resulted in changes in terminology used. "Amounts due from/to customers for contract works" previously used under HKAS 11 in relation to construction contracts were reclassified as "Contract assets/liabilities" under HKFRS 15 as shown in notes 25, 28 and 34 respectively.

4 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of the consolidated financial statements, which have been consistently applied to all the years presented 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

Subsidiaries are entities in 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in the consolidated income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

Inter-group transactions, balances and unrealized gains or losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

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 recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognized 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. This may mean that amounts previously recognized in other comprehensive income are reclassified to the consolidated income statement.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment losses. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(ii) Associated companies

An associated company is a company other than a subsidiary and a joint venture, in which the Group has significant influence exercised through representatives on the board of directors.

The Group's interests in associated companies include the loans and advances to the associated companies which, in substance, form part of the Group's interests in the associated companies. The provision of loans and advances to the associated companies are a form of commercial arrangement between the parties to the associated companies to finance the development of projects and viewed as a means by which the Group invests in the relevant projects.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(ii) Associated companies (continued)

Investments in associated companies are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition. The interests in associated companies also include long-term interests that, in substance, form part of the Group's net investment in associated companies.

The Group's share of its associated companies' post-acquisition profits or losses is recognized in the consolidated income statement, and the share of post-acquisition movements in other comprehensive income is recognized in other 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 interest in the associated company, including any other unsecured receivable, the Group does not recognize further losses, unless it has incurred legal and constructive obligations or made payments on behalf of the associated company.

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealized 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.

Dilution gains or losses arising from investments in associates are recognized 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.

(iii) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(iii) Joint arrangements (continued)

(1) Joint operations

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

(2) Joint ventures

A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement.

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 provision of loans and advances to the joint ventures is a form of commercial arrangement between the parties to the joint ventures to finance the development of projects are viewed as a means by which the Group invests in the relevant projects.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.

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

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

- Equity joint ventures
  Equity joint ventures 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 of the venturers are in proportion to the capital contribution ratios.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(iii) Joint arrangements (continued)

(2) Joint ventures (continued)

- 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.

- 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.

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

(b) Non-controlling interests

Non-controlling interests are 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.

(c) Intangible assets

(i) Goodwill

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

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Intangible assets (continued)

(i) Goodwill (continued)

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

(ii) Operating right

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

(iii) Intangible concession rights

The Group has entered into various service concessions ("Service Concessions") with local government authorities for its participation in the development, financing, operation and maintenance of infrastructural projects ("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 charge users of the respective Infrastructures. The fees collected during the operating periods are attributable to the Group. The relevant Infrastructures are required to be returned to the local government authorities upon the expiry of the operating rights without significant compensation to the Group.

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

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

Amortization 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 amortization is provided based on the ratios of actual volume compared to the total projected volume or on a straight-line basis for water treatment plant 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.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Revenue recognition

Revenue is recognized when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalized as contract assets and subsequently amortized when the related revenue is recognized.

(i) Port revenue

Port revenue from cargo, container handling and storage is recognized at a point in time when services are rendered.

(ii) Toll revenue

Toll revenue from road and bridge operations is recognized at a point in time when services are rendered.

(iii) Service fee income

Property and facilities management service fees and property letting agency fee are recognized over time and at a point in time respectively when services are rendered.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Revenue recognition (continued)

(iv) Rental income

Rental income from investment properties is recognized on a straight-line basis over the terms of the lease agreements.

(v) Construction revenue

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

(vi) Sales of goods

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

(vii) Fare revenue

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

(viii) Advertising income

Advertising income is recognized over time when the advertisement or commercial appears before the public.

(ix) Interest income

Interest income is recognized 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 to unwind the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(x) Dividend income

Dividend income is recognized when the right to receive payment is established.

(e) 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 capitalized 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 balances outstanding. The corresponding rental obligations net of finance charges are included in liabilities as trade and other payables. 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.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Leases (continued)

(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.

(f) Land use rights

The upfront prepayments made for the land use rights held under operating leases is 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.

(g) 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 or estimation by management conducted at the end of each reporting period. Changes in fair values are recognized in the consolidated income statement.

Property that is being constructed or developed for future use as investment property is stated at fair value.

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 been changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognized in equity as a revaluation of property, plant and equipment. However, if a fair value gives rise to a reversal of the previous impairment loss, the write-back is recognized in the consolidated income statement.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(h) 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 the assets. Subsequent costs are included in the carrying amount of the assets or recognized 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 replaced part is derecognized. All other repairs 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 asset's carrying amount is greater than its estimated recoverable amount.

(i) Assets under construction

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

(ii) Depreciation

No depreciation is provided in respect of construction in progress until such time when the relevant assets are completed and available for intended use.

Leasehold land classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Amortization of leasehold land classified as finance lease and depreciation of other property, plant and equipment are calculated to allocate their cost to their estimated residual values over their estimated useful lives or lease terms, using the straight-line method, at the following annual rates:

Leasehold land classified as finance lease	over the period of lease terms
Properties	2.5%-5%
Other plant and equipment	4%-50%
Buses, vessels and other motor vehicles	5%-25%

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 recognized in the consolidated income statement.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

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

Assets that have an indefinite useful life (e.g. goodwill) or have not yet been available for use are not subject to amortization 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 recognized 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 to sell and value in use. Impairment losses on goodwill are not reversed. For the purpose of assessing impairment, assets are grouped as CGU 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.

(j) Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets 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. 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 this category are classified as current assets if 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 and 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. These are accounted for in accordance with the policy set out in note 4(m).

(iii) 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 the investment within 12 months of the end of the reporting period.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Financial assets (continued)

Regular purchases and sales of financial assets are recognized on the trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognized 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 recognized at fair value and transaction cost are expensed in the consolidated income statement. Financial assets are derecognized 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 are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of 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 recognized 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. The translation differences of monetary financial assets are recognized in the consolidated income statement; translation differences on non-monetary financial assets are recognized in equity.

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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The fair values of listed investments are based on current bid prices. If the market for a financial asset in 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.

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. In the case of equity instruments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether the asset is impaired. In the case of debt instruments, objective evidence of impairment includes significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganization. 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 recognized in the consolidated income statement, is removed from equity and recognized in the consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments classified as available-for-sale are not reversed through the consolidated income statement.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Deferred income

Deferred income is included in both current and non-current liabilities and is credited to the consolidated income statement on a straight-line basis over the concession periods.

(l) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

The Group designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in notes 25, 33 and 34. Movements in the hedging reserve in shareholders' equity are shown in note 30. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement.

Amounts accumulated in equity are transferred to the consolidated income statement in the period when the hedged item affects profit or loss. The forecast transaction that is hedged results in the recognition of non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity immediately transferred to the consolidated income statement.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Trade and other receivables

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

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the assets and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognized in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

(n) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average or the first-in first-out methods depending on the operating segments. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(o) Contract assets and contract liabilities

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

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

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

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

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(p) 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 assets held-for-sale are stated at fair value at the end of reporting period.

(q) Cash and cash equivalents

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

(r) 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(s) Provisions

Provisions are recognized 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 of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow of resources 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 recognized as interest expense.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(t) 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.

(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 recognized 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 is not recognized 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 recognized 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 recognized 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 recognized.

(v) Current and deferred income tax

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

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(v) Current and deferred income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized 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 realized or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures 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) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the construction period when the asset is being prepared for its intended use. Other borrowing costs are expensed as incurred.

(x) 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 financial statements are presented in Hong Kong dollars, 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 prevailing at the end of the reporting period are recognized in the consolidated income statement.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(x) Foreign currencies (continued)

(ii) Transactions and balances (continued)

Changes in the fair value of debt securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Translation differences on financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(iii) Group companies

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

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

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

(c) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity.

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 closing rate. Exchange differences arising are recognized in equity.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(x) Foreign currencies (continued)

(iv) Disposal of foreign operation and partial disposal

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 the consolidated income statement.

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 not recognized in the consolidated income statement. 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 the consolidated income statement.

(y) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognized 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 recognized until the time of leave.

(ii) Bonus plans

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

(iii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans including the Mandatory Provident Fund Scheme and employee pension schemes established by municipal governments in the 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.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(y) Employee benefits (continued)

(iv) Defined benefit plans

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

The liability recognized 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 determined by reference to market yields at the end of the reporting period based on 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to other comprehensive income in the period in which they arise.

(v) Share-based compensation

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share options is recognized 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 recognizes 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) and share premium when the options are exercised.

(z) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement or capitalized as stated in note 4(w) over the period of the borrowings using the effective interest method.

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.

4 PRINCIPAL ACCOUNTING POLICIES (continued)

(aa) Segment reporting

Operating segment 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 that makes strategic decisions.

Segment assets consist primarily of property, plant and equipment, investment properties, intangible concession rights, intangible assets, available-for-sale financial assets, other non-current assets, inventories, receivables and cash and bank balances. Segment liabilities primarily comprise operating liabilities, taxation and borrowings. Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets comprise additions to investment properties, property, plant and equipment, intangible concession rights and intangible assets.

(ab) Dividend distribution

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

(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. Changes in carrying amount of these insurance liabilities are recognized in the consolidated income statement.

The Group accounts for its financial guarantee contracts as insurance contracts.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk.

The Group has centralized treasury function for all of its subsidiaries in a manner consistent with the overall policies of the Group.

(a) Market risk

(i) 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 cash deposits and amounts due from associated companies and joint ventures.

Debt securities classified as available-for-sale financial assets which expose the Group to fair value interest rate risk, the Group's borrowings are mainly on a floating rate basis, which will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

Interest bearing financial assets and liabilities are mainly subject to an interest re-pricing risk of one year or below.

If interest rates had been 100 basis points (2017: 100 basis points) higher/lower with all other variables held constant, the Group's profit for the year would have been HK$49.1 million (2017: HK$31.9 million) lower/higher respectively.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to calculate the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points increase or decrease represents a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of the 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 for the year sensitivities.

(ii) Foreign exchange risk

The Group operates 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's foreign currency exposure arises from procurement of buses and spare parts from overseas suppliers that are denominated in foreign currencies other than its functional currency. The Group monitors and controls this foreign exchange risk by entering into foreign exchange forward contracts to cover its major foreign currency payments. Besides, the Group also manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arises.

At 30 June 2018, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in United States dollar of HK$5,085.0 million (2017: HK$3,553.3 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 is no significant foreign exchange risk with respect to the United States dollar.

At 30 June 2018, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Renminbi of HK$595.0 million (2017: HK$281.8 million) which the related foreign exchange risk has not been hedged. If Hong Kong dollar had strengthened/weakened by 5% against Renminbi with all other variables held constant, the Group's profit for the year would have been HK$28.7 million (2017: HK$12.0 million) lower/higher respectively.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents reasonably next possible changes in foreign exchange rates over the period until the end of the next reporting period. There are no other significant monetary balances held by Group companies at both 30 June 2018 and 30 June 2017 that are denominated in a non-functional currency. Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(iii) Price risk

The Group is exposed to equity securities price risk because the Group held listed and unlisted equity investments of which the fair value are subject to changes in market prices. Gains and 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 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.

At 30 June 2018, if the price of listed and unlisted equity investments, classified as available-for-sale financial assets (note 22) and financial assets at fair value through profit or loss had been 25% higher with all other variables held constant, the Group's investment revaluation reserve would have been HK$1,639.1 million higher (2017: HK$756.4 million). If the price of the above-mentioned listed and unlisted equity investments had been 25% lower with all other variables held constant, the Group's profit for the year would have been HK$1,710.7 million (2017: HK$231.0 million) lower which represented impairment charge of available-for-sale financial assets and investment revaluation reserve would have been HK$71.6 million higher due to the transfer of investment revaluation deficit to the consolidated income statement that resulted from the impairment charge (2017: HK$525.4 million lower). The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

The Group is exposed to the upside risk of fuel prices as it has heavy demand on fuel for its transport business. The Group manages its exposure to this risk by using fuel price swap contracts if considered appropriate.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(b) Credit risk

The credit risk of the Group mainly arises from deposits with banks, trade and other receivables, debt securities and balances receivable from group companies, including amounts due from associated companies and joint ventures. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses.

Deposits are mainly placed with high-credit-quality financial institutions. The Group carries out regular reviews and follow-up actions on any overdue amounts to minimize exposures to credit risk. There is no concentration of credit risk with respect to trade receivables from third party customers as of the customer bases are widely dispersed in different industries.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to associated companies and joint ventures through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis. Debt securities are limited to financial institutions or investment counterparty with high quality.

The maximum exposure to credit risk is represented by the carrying amount of financial assets in the consolidated statement of financial position after deducting any impairment allowance.

(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 maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(c) Liquidity risk (continued)

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

At 30 June 2018

Non-derivative financial liabilities

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Trade payables	34	1,266.4	1,266.4	1,266.2	0.2	–
Retention money payables and other payables		6,754.2	6,754.2	5,065.4	1,688.8	–
Amounts due to non-controlling interests	34	191.3	191.3	191.3	–	–
Amounts due to associated companies	34	37.6	37.6	37.6	–	–
Amounts due to joint ventures	34	0.2	0.2	0.2	–	–
Borrowings and contracted interest payment	31	10,174.6	10,778.3	1,297.3	8,879.2	601.8
Loans from non-controlling interests	33	39.1	39.1	–	39.1	–

Derivative financial liabilities

HK$'m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years
Derivative financial instruments (net settled)	39.1	27.8	11.3

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(c) Liquidity risk (continued)

At 30 June 2017

Non-derivative financial liabilities

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Trade payables	34	888.8	888.8	888.6	0.2	–
Retention money payables and other payables		8,460.9	8,460.9	6,873.2	1,587.7	–
Amounts due to non-controlling interests	34	171.4	171.4	171.4	–	–
Amounts due to associated companies	34	18.8	18.8	18.8	–	–
Borrowings and contracted interest payment	31	9,682.7	10,105.8	422.0	9,073.5	610.3
Loans from non-controlling interests	33	46.4	46.4	–	46.4	–

Derivative financial liabilities

HK$'m	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years
Derivative financial instruments (net settled)	109.4	59.3	50.1

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(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 actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group intends to maintain a dividend payout ratio at not less than 50%. In order to maintain or adjust the capital structure, the Group may issue or repurchase shares, or raise new debt financing.

The net gearing ratios at 30 June were as follows:

	Note	**2018 HK$'m**	2017 HK$'m
Total borrowings	31	**(10,174.6)**	(9,682.7)
Add: Cash and bank balances	26	**6,656.6**	6,453.4
Net debt		**(3,518.0)**	(3,229.3)
Total equity		**50,123.8**	49,275.0
Net gearing ratio		**7%**	7%

(e) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

(i) 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. Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.

(ii) 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.

(iii) The carrying values of bank balances, receivables, payables and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(e) Fair value estimation (continued)

(iv) The following table presents the Group's financial instruments that are measured at fair value at 30 June:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Management determined the fair value of these available-for-sale financial assets within Level 2 and Level 3 as follows:

- For investments in investment funds, management discussed with the respective fund managers to understand the performance of the underlying investments and fair value measurement basis conducted by the respective fund managers in order to evaluate whether the fair values as stated in the fund statements at the end of reporting period is appropriate;
- For investments in unlisted equity and debt securities with recent transactions, management determined the fair value at the end of reporting period with reference to recent transaction prices of these financial assets; and
- For investments in unlisted equity and debt securities without recent transactions, management has established fair values of these investments by using appropriate valuation techniques. Independent external valuer has been involved in determining the fair value, where appropriate.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(e) Fair value estimation (continued)

(iv) (continued)

At 30 June 2018:

HK$'m	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Trading securities	**0.1**	**–**	**–**	**0.1**
Available-for-sale financial assets				
Equity securities	**3,009.6**	**1,194.7**	**1,197.6**	**5,401.9**
Debt securities	**234.2**	**704.2**	**216.3**	**1,154.7**
Derivative financial instruments	**–**	**16.4**	**–**	**16.4**
	3,243.9	**1,915.3**	**1,413.9**	**6,573.1**
Liabilities				
Derivative financial instruments	**–**	**(4.9)**	**(13.1)**	**(18.0)**

At 30 June 2017:

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Trading securities	0.1	–	–	0.1
Available-for-sale financial assets				
Equity securities	1,358.0	545.9	13.1	1,917.0
Debt securities	239.8	868.7	–	1,108.5
Derivative financial instruments	–	–	58.8	58.8
	1,597.9	1,414.6	71.9	3,084.4
Liabilities				
Derivative financial instruments	–	(70.9)	(18.9)	(89.8)

There were no transfers of financial assets between Level 1 and Level 2 fair value hierarchy classifications.

5 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(e) Fair value estimation (continued)

(iv) (continued)

The following table presents the changes in Level 3 instruments for the year ended 30 June 2018:

HK$'m	**Available-for-sale financial assets**	**Derivative financial assets**	**Derivative financial liabilities**
At 1 July 2017	**13.1**	**58.8**	**(18.9)**
Additions	**1,048.3**	**–**	**–**
Transfer from Level 2	**352.5**	**–**	**–**
Settlement	**–**	**(58.8)**	**–**
Total gain recognized in the consolidated income statement	**–**	**–**	**5.8**
At 30 June 2018	**1,413.9**	**–**	**(13.1)**

The following table presents the changes in Level 3 instruments for the year ended 30 June 2017:

HK$'m	Available-for-sale financial assets	Derivative financial assets	Derivative financial liabilities
At 1 July 2016	90.0	58.8	(24.6)
Acquisition of subsidiaries	7.3	–	–
Transfer to Level 2	(54.2)	–	–
Disposal	(30.0)	–	–
Total gain recognized in the consolidated income statement	–	–	5.7
At 30 June 2017	13.1	58.8	(18.9)

Given majority of the Level 3 instruments were newly acquired by the Group within six months from the end of reporting period, the fair value is determined primarily based on the purchase price paid by the Group and taking into account of the analysis of the investees' financial position and results, risk profile, prospects, industry trend and other factors, it is not practical to quote a range of key unobservable inputs.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

(a) Impairment of the Group's investments in associated companies and joint ventures

In accordance with the requirements under HKAS 28 (2011) "Investments in Associates and Joint Ventures" and HKAS 36 "Impairment of Assets", management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies and joint ventures based on value in use calculations. In determining the value in use, management assesses the present value of estimated future cash flows expected to arise from their businesses. Estimates and judgements are applied in determining these future cash flows and discount rate.

(i) The Group holds approximately 16% equity interest in Tharisa, an associated company of the Group incorporated in Cyprus with its ordinary shares dual-listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc and principally engaged in platinum group metals and chrome mining, processing and trading in South Africa.

As at 30 June 2018, the Group's share of market value of Tharisa amounting to approximately HK$0.4 billion, is lower than its carrying value of approximately HK$0.9 billion. Management has carried out an impairment assessment on the carrying value of such investment based on value in use approach using the discounted cash flow method. The estimated cash flows used in the assessment are based on assumptions, such as revenue growth rate, metal price and discount rate. Long term metal price annual growth of 2% are made reference to the business plan and prevailing market conditions. The discount rate is derived with reference to the weighted average cost of capital of comparable companies that are engaged in mining industry. The assessment indicated no further impairment on the carrying value of Tharisa as at 30 June 2018.

The assumptions used in the carrying value assessment are highly judgemental, and heavily dependent on the discount rate used and metal price projection. For example, if the risk premium increases by 1.1%, or metal price for the first five projection years decreases by 8% with other variables remain constant, any of such changes, if adopted, would reduce the recoverable amount as determined by the value in use calculation to approximate the carrying value of the Group.

The above impairment assessments involved estimates and judgements that are more sensitive and any deviation from estimates may result in the recoverable amount lower than the carrying amount.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Impairment of the Group's investments in associated companies and joint ventures (continued)

(ii) As detailed in note 20(e), the Group has participating interests and holds for investment purpose in certain investment companies amounted to HK$1,148.9 million (2017: HK$2,740.8 million), whose assets mainly comprise available-for-sale financial assets, loans and receivables. Management has carried out an impairment assessment on the underlying investments and loans and receivables based on various valuation techniques and credit risk assessment. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of reporting period and considered the repayment histories 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.

(iii) The Group has 35% equity interest in Guodian Chengdu Jintang Power Generation Co., Ltd. ("Chengdu Jintang"), a joint venture of the Group engaged in generation and supply of electricity through coal-fired power plants. The profitability of the joint venture is directly affected by a number of key factors including but not limited to fuel costs, sales volume and tariff. The Group shared a loss from Chengdu Jintang for FY2017 and FY2018 mainly due to coal price in Mainland China maintained at high level in both years. Management has carried out an impairment assessment based on value in use approach using the discounted cash flow method. The estimated cash flows used are based on assumptions, such as tariff, sales volume, fuel costs and discount rate. The annual sales volume growth rate of 4%–8% for the first five projection years are made reference to the business plan and prevailing market condition. Discount rate of 9% was used to reflect specific risk relating to the investment. Based on the assessment, an impairment loss of HK$200 million was shared by the Group in the consolidated income statement for FY2018. Any changes in any of the key assumptions used would result in increase or decrease in impairment loss shared by the Group.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Impairment of the Group's investments in associated companies and joint ventures (continued)

(iv) The Group invested in two expressways located in Nansha and Pangyu district, namely, Guangzhou City Nansha Port Expressway (in which the Group's 22.5% effective interest is held through Wincon International Limited, a joint venture of the Group) and Guangzhou Dongxin Expressway (in which the Group's 45.9% effective interest is held through Success Concept Investments Limited, a joint venture of the Group) with concession rights expiring in 2030 and 2035 respectively. The Group shared a loss from both expressways for FY2017 and FY2018 despite there was traffic growth in both years. The outlook of their profitability depends on the future traffic growth and forecast toll income which are highly tied to the future economic and transportation network development of the area in which these expressways serve. The estimated growth in coming years may be lower than expected in light of the certain development plans may complete later than planned schedule. Management made reference to the traffic consultant report and carried out an impairment assessment for each of the expressways based on value in use approach using the discounted cash flow method. The estimated cash flows are based on assumptions, such as traffic growth, toll rate growth and discount rate. The annual traffic growth rates of 5%–20% for the first five projection years was adopted after taking into accounts the latest business plan and prevailing market condition. Discount rate of 8% was used to reflect specific risk relating to these investments. Based on the assessments, an aggregate impairment loss of HK$400 million was shared by the Group in the consolidated income statement during FY2018. Any changes in any of the key assumptions used would result in increase or decrease in impairment loss shared by the Group.

(b) Estimated volume of Infrastructures of public services

The amortization for intangible concession rights and impairment assessment of Infrastructures for public services using discounted cash flow model are affected by the estimated volume for public services, such as toll roads. Management performs annual reviews to assess the appropriateness of estimated volume by making reference to independent professional studies, if necessary.

The traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads and the existence of other means of transportation. The growth of the traffic flow is also highly tied to the future economic and transportation network development of the area in which the Infrastructures serve. The growth in future traffic flow projected by the management is highly dependent on the realization of the aforementioned factors.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Estimate of revenue for construction contracts

For revenue from construction work that is recognized over time, the Group recognizes such revenue by reference to the progress of satisfying the performance obligation at the reporting date. This is measured based on the Group's costs incurred up to the reporting date and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgets. In making the above estimation, the Group conducts periodic review on the budgets and makes reference to past experience and work of internal quantity surveyors.

(d) Impairment of assets other than property, plant and equipment

The Group tests annually whether goodwill has suffered any impairment according to its recoverable amount determined by the CGU based on value in use calculations and detailed in note 19(a). These calculations require the use of estimates which are subject to changes of economic environment in future. The assumptions used in the impairment assessment for goodwill allocated to the transport business are highly judgemental, and heavily dependent on the discount rate and projected fare revenue. For example, if the discount rate increases by 1.8%, or the projected fare revenue decreases by 1.8% with other variables constant, any of such changes, if adopted, would reduce the recoverable amount as determined by the value in use calculation to approximate the carry value of the transport business.

The Group determines whether an available-for-sale financial asset is impaired by the duration or extent to which the fair value of an investment is less than its original cost.

The Group assesses whether there is objective evidence as stated in note 4(m) that deposits, loans and receivables are impaired. It recognizes 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) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by management or by independent valuers based on a market value assessment. Fair value is based on active market prices and adjusted if necessary for any difference in nature, location or conditions of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, income capitalization approach or professional valuation. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cash flow 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 the 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.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Valuation of investment properties (continued)

At 30 June 2018, if the market value of investment properties had been 5% (2017: 5%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK$84.7 million (2017: HK$78.4 million) higher/lower respectively.

(f) Fair value of available-for-sale financial assets and financial assets at fair value through profit or loss

The fair value of available-for-sale financial assets and financial assets at fair value through profit or loss that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and evaluates, among other factors, whether there is significant or prolonged decline in the fair value below the cost of an investment; and the financial health and short-term business outlook for the investee and historical price volatility of these investments. The key assumptions adopted on projected cashflow are based on management's best estimates.

7 REVENUE AND SEGMENT INFORMATION

The Group's revenue is analyzed as follows:

	2018 HK$'m	2017 HK$'m
Roads	**2,623.6**	2,377.0
Aviation	**160.8**	–
Facilities Management	**5,570.9**	6,915.1
Construction & Transport	**26,759.5**	22,092.9
	35,114.8	31,385.0

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the businesses of the Group from product and service perspectives, which comprised (i) Roads; (ii) Environment; (iii) Logistics; (iv) Aviation; (v) Facilities Management; (vi) Construction & Transport; and (vii) Strategic Investments.

The Executive Committee assesses the performance of the operating segments based on a measure of attributable operating profit. This measurement basis excludes the effects of corporate office and non-operating items. Corporate interest income, finance costs and expenses are not allocated to segments.

7 REVENUE AND SEGMENT INFORMATION (continued)

(a) The information of the reportable segments provided to the Executive Committee for the year is as follows:

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Total
2018								
Total revenue	2,623.6	–	–	160.8	5,573.5	26,759.5	–	35,117.4
Inter-segment	–	–	–	–	(2.6)	–	–	(2.6)
Revenue – external	2,623.6	–	–	160.8	5,570.9	26,759.5 (i)	–	35,114.8
Recognized at a point in time	2,623.6	–	–	160.8	4,119.2	3,317.6	–	10,221.2
Recognized over time	–	–	–	–	1,451.7	23,441.9	–	24,893.6
Attributable operating profit								
Company and subsidiaries	1,078.2	14.0	–	58.0	290.9	934.1 (i)	85.9	2,461.1
Associated companies	127.6	364.8	124.4	165.8	(363.0)	278.9	142.6 (ii)	841.1 (b)
Joint ventures	741.3	115.3	530.2	471.4	(1.0)	(0.1)	72.6	1,929.7 (b)
	1,947.1	494.1	654.6	695.2	(73.1)	1,212.9	301.1	5,231.9
Reconciliation – corporate office and non-operating items								
Gains on partial disposal and remeasurement related to an associated company								1,879.3 (iii)
Gain on fair value of investment properties								93.6
Net gain on disposal of projects, net of tax								52.7
Impairment losses related to joint ventures								(600.0) (iv)
Interest income								36.8
Finance costs								(266.6)
Expenses and others								(358.9)
Profit attributable to shareholders								6,068.8

(i) The amounts include revenue of HK$3,499.1 million and attributable operating profit of HK$157.6 million from the Group's Transport business.

(ii) The amount includes the Group's share of attributable operating profit of HK$105.0 million from certain associated companies engaged in investment activities.

(iii) The amounts represent the gains in relation to the Group's interest in BCIA, including profit on disposal of HK$783.8 million (note 8) and gain on remeasurement of HK$1,095.5 million (note 8) as detailed in note 20(b).

(iv) The amount represents share of impairment losses in relation to the Group's interests in three joint ventures as detailed in note 6(a)(iii) and (iv).

7 REVENUE AND SEGMENT INFORMATION (continued)

(a) The information of the reportable segments provided to the Executive Committee for the year is as follows (continued):

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Consolidated
2018										
Depreciation	25.8	-	-	-	101.5	437.9	-	565.2	5.1	570.3
Amortization of intangible concession rights	883.7	-	-	-	-	-	-	883.7	-	883.7
Amortization of intangible assets	-	-	-	-	31.2	1.8	-	33.0	-	33.0
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	23.7	-	-	-	171.7	335.0	-	530.4	6.6	537.0
Interest income	33.1	27.2	-	0.8	41.6	7.3	51.2	161.2	41.1	202.3
Finance costs	3.6	-	-	-	4.4	73.2	0.2	81.4	266.6	348.0
Income tax expenses	414.6	28.4	16.8	9.3	55.1	214.7	5.8	744.7	0.3	745.0
As at 30 June 2018										
Company and subsidiaries	12,665.1	396.5	21.3	5,888.5	4,594.5	18,431.3	4,759.6	46,756.8	2,610.5	49,367.3
Associated companies	1,880.8	4,172.7	2,046.1	-	1,194.6	1,956.1	2,508.1	13,758.4	4.6	13,763.0
Joint ventures	5,205.6	3,157.6	3,021.8	2,240.5	7.4	2.5	1,354.8	14,990.2	18.1	15,008.3
Total assets	19,751.5	7,726.8	5,089.2	8,129.0	5,796.5	20,389.9 (i)	8,622.5	75,505.4	2,633.2	78,138.6
Total liabilities	2,530.9	37.7	2.4	167.1	1,199.1	14,008.6 (i)	17.6	17,963.4	10,051.4	28,014.8

(i) The balances include total assets of HK$5,441.2 million and total liabilities of HK$1,566.5 million from the Group's Transport business.

7 REVENUE AND SEGMENT INFORMATION (continued)

(a) The information of the reportable segments provided to the Executive Committee for the year is as follows (continued):

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Total
2017								
Total revenue	2,377.0	–	–	–	6,918.5	22,092.9	–	31,388.4
Inter-segment	–	–	–	–	(3.4)	–	–	(3.4)
Revenue – external	2,377.0	–	–	–	6,915.1	22,092.9 (i)	–	31,385.0
Attributable operating profit								
Company and subsidiaries	879.2	13.8	–	1.0	511.3	765.3	98.3	2,268.9
Associated companies	64.7	116.1	112.8	304.2	(205.5)	241.4	187.0 (ii)	820.7 (b)
Joint ventures	535.2	262.2	528.4	305.3	(4.7)	125.1	(0.8)	1,750.7 (b)
	1,479.1	392.1	641.2	610.5	301.1	1,131.8 (i)	284.5	4,840.3
Reconciliation – corporate office and non-operating items								
Net gain on disposal of a project under an associated company								932.8 (iii)
Gain on restructuring of a joint venture								454.3 (iv)
Gain on fair value of investment properties								117.1
Gain on remeasurement of previously held equity interest in a joint venture								113.1 (v)
Net gain on disposal of projects, net of tax								179.8
Losses on partial disposal, impairment and remeasurement related to an associated company								(290.6) (vi)
Interest income								54.4
Finance costs								(399.8)
Expenses and others								(372.5)
Profit attributable to shareholders								5,628.9

7 REVENUE AND SEGMENT INFORMATION (continued)

(a) The information of the reportable segments provided to the Executive Committee for the year is as follows (continued):

(i) The amounts included revenue of HK$1,732.6 million (revenue consolidated after being acquired as the Company's indirect wholly owned subsidiaries, detailed in note 39(a)) and attributable operating profit of HK$222.3 million from the Group's Transport business.

(ii) The amount included the Group's share of attributable operating profit of HK$133.1 million from certain associated companies engaged in investment activities.

(iii) The amount represented the net gain on disposal of interests in Tricor (note 20(d)).

(iv) The amount represented gain on restructuring of SUEZ NWS (a then 50% joint venture of the Group) (notes 8 and 20(c)).

(v) The amount represented gain on remeasuring the Group's 50% equity interest in NWS Transport (a then 50% joint venture of the Group) held before the business combination (note 39(c)).

(vi) The amount represented losses in relation to the Group's interest in Newton Resources, including share of impairment loss of HK$204.0 million (note 7(b)), loss on partial disposal of HK$52.3 million (note 8) and loss on remeasurement of HK$34.3 million (note 8) as detailed in note 20(g).

Notes to the Financial Statements

7 REVENUE AND SEGMENT INFORMATION (continued)

(a) The information of the reportable segments provided to the Executive Committee for the year is as follows (continued):

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Consolidated
2017										
Depreciation	19.0	–	–	–	95.9	241.9	–	356.8	5.7	362.5
Amortization of intangible concession rights	808.2	–	–	–	–	–	–	808.2	–	808.2
Amortization of intangible assets	–	–	–	–	31.2	0.9	–	32.1	–	32.1
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	37.4	–	–	–	110.9	5,134.0	–	5,282.3	5.1	5,287.4
Interest income	50.7	12.7	–	0.4	39.6	4.0	39.5	146.9	55.2	202.1
Finance costs	9.7	–	–	–	0.6	58.1	0.1	68.5	399.8	468.3
Income tax expenses	391.3	16.1	9.9	10.6	101.7	152.3	0.1	682.0	3.2	685.2
As at 30 June 2017										
Company and subsidiaries	13,339.4	371.0	7.1	2,664.8	5,281.5	16,246.6	3,483.0	41,393.4	3,023.2	44,416.6
Associated companies	441.4	3,951.2	1,982.2	2,998.3	1,490.9	1,695.0	3,615.7	16,174.7	5.8	16,180.5
Joint ventures	5,648.1	3,231.1	2,915.9	2,035.5	63.0	2.5	1,220.5	15,116.6	12.2	15,128.8
Total assets	19,428.9	7,553.3	4,905.2	7,698.6	6,835.4	17,944.1 (i)	8,319.2	72,684.7	3,041.2	75,725.9
Total liabilities	2,575.8	27.0	0.3	11.8	1,202.5	13,066.4 (i)	2.6	16,886.4	9,564.5	26,450.9

(i) The balances included total assets of HK$5,503.9 million and total liabilities of HK$1,598.9 million from the Group's Transport business.

7 REVENUE AND SEGMENT INFORMATION (continued)

(b) Reconciliation of attributable operating profit from associated companies and joint ventures to the consolidated income statement:

	Associated companies		Joint ventures	
HK$'m	**2018**	2017	**2018**	2017
Attributable operating profit	**841.1**	820.7	**1,929.7**	1,750.7
Corporate associated companies, joint ventures and non-operating items				
Gain on disposal of a project under an associated company (note 20(d))	**–**	967.2	**–**	–
Gain on fair value of derivative financial instruments (note 8)	**(80.5)**	–	**–**	–
Impairment losses (notes 6(a)(iii), (iv) and 20(g))	**–**	(204.0)	**(600.0)**	–
Others	**(4.4)**	7.0	**1.5**	23.8
Share of results of associated companies and joint ventures	**756.2**	1,590.9	**1,331.2**	1,774.5

(c) **Information by geographical area:**

	Revenue		Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	
HK$'m	**2018**	2017	**2018**	2017
Hong Kong	**31,599.0**	28,449.7	**7,628.5**	7,706.1
Mainland China	**2,726.1**	2,470.5	**11,598.9**	12,047.8
Others	**789.7**	464.8	**81.7**	25.6
	35,114.8	31,385.0	**19,309.1**	19,779.5

The operations of the Group's Infrastructure division in Mainland China are undertaken mainly through associated companies and joint ventures, the results of which are accounted for by the equity method of accounting.

7 REVENUE AND SEGMENT INFORMATION (continued)

(c) Information by geographical area (continued):

The Group's share of revenue of associated companies and joint ventures are as follows:

HK$'m	Note	Associated companies 2018	Associated companies 2017	Joint ventures 2018	Joint ventures 2017
Hong Kong		**2,964.1**	2,444.9	**854.6**	1,804.8
Mainland China		**2,043.2**	2,220.1	**9,725.2**	7,267.6
Macau		**567.1**	203.5	**–**	133.3
Global and others		**636.0**	633.3	**4,384.5**	2,974.3
	20(l),21(f)	**6,210.4**	5,501.8	**14,964.3**	12,180.0

8 OTHER INCOME/GAINS

	Note	2018 HK$'m	2017 HK$'m
Gain/(loss) on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	20(b),(g)	**1,095.5**	(34.3)
Profit/(loss) on partial disposal of an associated company	20(b),(g)	**783.8**	(52.3)
Gain on fair value of investment properties	16	**93.6**	117.1
Gain on fair value of derivative financial instruments	7(b)	**80.5**	–
Profit on disposal of available-for-sale financial assets		**48.7**	30.1
Gain on restructuring of a joint venture	20(c)	**–**	454.3
Gain on remeasurement of previously held equity interest in a joint venture	39(c)	**–**	113.1
Profit on disposal of assets held-for-sale		**–**	77.8
Profit on disposal of a joint venture		**–**	72.5
Profit on disposal of subsidiaries	38(b)	**–**	26.3
Interest income		**202.3**	202.1
Other income		**158.8**	104.3
Net exchange gain/(loss)		**132.3**	(47.9)
Dividend income		**107.5**	30.4
Machinery hire income		**106.4**	63.2
Goodwill written off	19	**–**	(34.1)
Loss on disposal of intangible concession rights		**–**	(17.4)
		2,809.4	1,105.2

9 OPERATING PROFIT

Operating profit of the Group is arrived at after crediting and charging the following:

	Note	2018 HK$'m	2017 HK$'m
Crediting			
Gross rental income from investment properties		**59.7**	63.3
Less: outgoings		**(14.3)**	(14.1)
		45.4	49.2
Charging			
Auditor's remuneration		**24.4**	22.8
Cost of inventories sold		**2,526.7**	2,376.1
Cost of services rendered		**28,804.9**	25,387.1
Depreciation	17	**570.3**	362.5
Amortization of intangible concession rights	18	**883.7**	808.2
Amortization of intangible assets	19	**33.0**	32.1
Operating lease rental expenses – properties		**272.9**	174.3
Staff costs (including directors' emoluments (note 15))	10	**5,266.2**	3,853.2

10 STAFF COSTS

(a) Staff costs

	Note	2018 HK$'m	2017 HK$'m
Wages, salaries and other benefits		**5,059.5**	3,793.8
Share-based payments	30	**–**	8.0
Pension costs – defined contribution plans		**218.6**	165.4
Pension costs – defined benefits plans		**2.5**	2.7
		5,280.6	3,969.9
Less: amount capitalized		**(14.4)**	(116.7)
	9	**5,266.2**	3,853.2

Directors' emoluments are included in staff costs.

10 STAFF COSTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2017: four) directors whose emoluments are reflected in note 15(a). The emoluments of the remaining two individuals (2017: one) during the year are as follows:

	2018 HK$'m	2017 HK$'m
Fees	**0.1**	0.1
Basic salaries, allowances and other benefits	**24.4**	9.1
Employer's contribution to retirement benefits schemes	**0.5**	0.5
	25.0	9.7
Deemed share option benefits	**–**	0.1
	25.0	9.8

The emoluments of the individuals fell within the following bands:

	Number of individual(s)	
	2018	2017
Emolument band (HK$)		
9,000,001 – 10,000,000	**–**	1
12,000,001 – 13,000,000	**2**	–

10 STAFF COSTS (continued)

(c) Emoluments of senior management

Other than the emoluments of five highest paid individuals and directors disclosed in notes 10(b) and 15(a), the emoluments of the senior management whose profiles are included in the "Board of Directors and Senior Management" section of this report fell within the following bands:

	Number of individual(s)	
	2018	2017
Emolument band (HK$)		
2,000,001 – 3,000,000	**6**	6
3,000,001 – 4,000,000	**3**	3
4,000,001 – 5,000,000	**1**	1
5,000,001 – 6,000,000	**2**	2
6,000,001 – 7,000,000	**1**	–
7,000,001 – 8,000,000	**1**	2
8,000,001 – 9,000,000	**1**	–

11 FINANCE COSTS

	2018 HK$'m	2017 HK$'m
Interest on borrowings	**258.3**	240.3
Interest on fixed rate bonds	**–**	153.6
Others	**89.7**	74.4
	348.0	468.3

12 INCOME TAX EXPENSES

Hong Kong profits tax is provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2017: 12% to 25%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2017: 5% or 10%).

The amount of income tax charged to the consolidated income statement represents:

	Note	**2018 HK$'m**	2017 HK$'m
Current income tax			
Hong Kong profits tax		**248.1**	212.8
Mainland China and overseas taxation		**583.3**	541.3
Deferred income tax credit	32	**(86.4)**	(68.9)
		745.0	685.2

Share of taxation of associated companies and joint ventures of HK$143.1 million (2017: HK$212.7 million) and HK$457.1 million (2017: HK$429.1 million) respectively are included in the consolidated income statement as share of results of associated companies and joint ventures respectively.

12 INCOME TAX EXPENSES (continued)

The tax expenses on the Group's profit before income tax differ from the theoretical amount that would arise using the profits tax rate of Hong Kong as follows:

	2018 HK$'m	2017 HK$'m
Profit before income tax	**6,865.6**	6,330.4
Excluding share of results of associated companies	**(756.2)**	(1,590.9)
Excluding share of results of joint ventures	**(1,331.2)**	(1,774.5)
	4,778.2	2,965.0
Calculated at a taxation rate of 16.5% (2017: 16.5%)	**788.4**	489.2
Effect of different taxation rates in other countries	**129.9**	105.5
Income not subject to taxation	**(399.6)**	(171.6)
Expenses not deductible for taxation purposes	**126.3**	141.0
Tax losses not recognized	**12.2**	9.4
Utilization of previously unrecognized tax losses	**(6.7)**	(7.9)
Withholding tax	**93.2**	125.5
Under/(over)-provisions in prior years	**0.3**	(0.7)
Others	**1.0**	(5.2)
Income tax expenses	**745.0**	685.2

13 DIVIDENDS

	2018 HK$'m	2017 HK$'m
Interim dividend paid of HK$0.32 (2017: HK$0.34) per share	**1,246.9**	1,311.5
Final dividend proposed of HK$0.46 (2017: paid of HK$0.39) per share	**1,792.4**	1,518.9
Special final dividend paid of HK$0.72 per share in 2017	**–**	2,804.0
	3,039.3	5,634.4

At a meeting held on 19 September 2018, the Board recommended a final dividend of HK$0.46 per share. This proposed dividend is not reflected as dividend payable in the consolidated financial statements but will be reflected as an appropriation of the retained profits for FY2019.

Subject to the passing of the relevant resolution at the 2018 AGM, it is expected that the final dividend will be paid on or about 11 December 2018.

14 EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on earnings of HK$6,068.8 million (2017: HK$5,628.9 million) and on the weighted average of 3,893,503,821 (2017: 3,848,314,143) ordinary shares outstanding during the year.

The calculation of diluted earnings per share for FY2018 is as follows:

	2018 HK$'m
Profit attributable to shareholders of the Company and for calculation of basic and diluted earnings per share	**6,068.8**

	Number of shares
Weighted average number of shares for calculating basic earnings per share	**3,893,503,821**
Effect of dilutive potential ordinary shares	
Share options	**1,397,373**
Weighted average number of shares for calculating diluted earnings per share	**3,894,901,194**

The share options of the Company had an anti-dilutive effect on the basic earnings per share for FY2017 and were ignored in the calculation of diluted earnings per share.

15 BENEFITS AND INTERESTS OF DIRECTORS

(a) The aggregate amounts of emoluments of the directors of the Company are as follows:

	Note	**2018 HK$'m**	2017 HK$'m
Remunerations	(i)	**64.8**	59.3
Deemed share option benefits	(ii)	**–**	4.8
		64.8	64.1

Remuneration package, including director's fee, basic salaries, allowances and other benefits, discretionary bonuses, employer's contribution to retirement benefits scheme and share option benefits, is determined according to individual performance, job responsibility and seniority, and is reviewed with reference to market conditions.

During this year, the Group did not pay the directors any inducement to join or upon joining the Group, or as compensation for loss of office. No director waived or agreed to waive any emoluments during the year.

15 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) The aggregate amounts of emoluments of the directors of the Company are as follows (continued):

(i) The remunerations of individual directors are set out below:

Name of director	As director# Fees HK$'m	As director# Allowances and other benefits HK$'m	As management## HK$'m	**2018 Total HK$'m**	2017 Total HK$'m
Dr Cheng Kar Shun, Henry	0.77	0.02	14.79	**15.58**	14.93
Mr Tsang Yam Pui	0.54	0.10	12.54	**13.18**	12.63
Mr Hui Hon Chung*	0.31	0.06	5.90	**6.27**	8.50
Mr Cheung Chin Cheung	0.37	0.07	8.09	**8.53**	8.17
Mr Cheng Chi Ming, Brian	0.40	0.06	8.72	**9.18**	8.17
Mr Mak Bing Leung, Rufin**	0.34	0.05	7.24	**7.63**	2.61
Mr To Hin Tsun, Gerald	0.30	0.06	–	**0.36**	0.34
Mr Dominic Lai	0.43	0.09	–	**0.52**	0.51
Mr Lam Wai Hon, Patrick	0.35	0.07	–	**0.42**	0.41
Mr William Junior Guilherme Doo	0.35	0.06	–	**0.41**	0.41
Mr Kwong Che Keung, Gordon	0.55	0.08	–	**0.63**	0.63
Dr Cheng Wai Chee, Christopher	0.47	0.09	–	**0.56**	0.52
Mr Shek Lai Him, Abraham	0.52	0.09	–	**0.61**	0.60
Mr Lee Yiu Kwong, Alan	0.43	0.09	–	**0.52**	0.51
Mrs Oei Fung Wai Chi, Grace	0.35	0.07	–	**0.42**	0.40
	6.48	1.06	57.28	**64.82**	59.34

* Resigned on 1 November 2017

** Appointed on 1 January 2017 and resigned on 13 September 2018

The amount represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

The amount 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 basic salaries, discretionary bonuses, employer's contribution to retirement benefit scheme, allowances and other benefits.

15 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) The aggregate amounts of emoluments of the directors of the Company are as follows (continued):

(ii) The deemed share option benefits of individual directors are set out below:

Name of director	**2018 HK$'m**	2017 HK$'m
Dr Cheng Kar Shun, Henry	–	1.18
Mr Tsang Yam Pui	–	0.59
Mr Cheung Chin Cheung	–	0.59
Mr Cheng Chi Ming, Brian	–	0.59
Mr To Hin Tsun, Gerald	–	0.11
Mr Dominic Lai	–	0.11
Mr Lam Wai Hon, Patrick	–	0.59
Mr William Junior Guilherme Doo	–	0.11
Mr Kwong Che Keung, Gordon	–	0.22
Dr Cheng Wai Chee, Christopher	–	0.22
Mr Shek Lai Him, Abraham	–	0.22
Mr Lee Yiu Kwong, Alan	–	0.22
	–	4.75

The deemed share option benefits are calculated in accordance with the requirement as stipulated in HKFRS 2 "Share-based Payment".

15 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Directors' material interest in transactions, arrangements or contracts

On 10 April 2017, a master services agreement (the "DOO Master Services Agreement") was entered into between the Company and Mr Doo Wai Hoi, William ("Mr Doo") whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or 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% (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 from time to time or to control the composition of a majority of the board of directors, and the subsidiaries of such other companies) (to the extent practicable), engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group during the term of the DOO Master Services Agreement. Mr Doo is the father of Mr William Junior Guilherme Doo, brother-in-law of Dr Cheng Kar Shun, Henry and uncle of Mr Cheng Chi Ming, Brian, all of whom except for Mr. Doo are directors of the Company.

The DOO Master Services Agreement has an initial term of three years commencing from 1 July 2017. For FY2018, the approximate total contract sum was HK$1,366.9 million (2017: HK$966.7 million).

Save as mentioned above, no other significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16 INVESTMENT PROPERTIES

HK$'m	Note	Commercial properties in Hong Kong	Commercial properties in Macau	Residential properties in Mainland China	Total
At 1 July 2017		**1,555.0**	**–**	**13.9**	**1,568.9**
Transfer from property, plant and equipment	17	**–**	**30.3**	**–**	**30.3**
Fair value changes	8	**93.0**	**0.6**	**–**	**93.6**
Translation differences		**–**	**–**	**0.5**	**0.5**
At 30 June 2018		**1,648.0**	**30.9**	**14.4**	**1,693.3**

HK$'m	Note	Commercial and industrial properties in Hong Kong	Residential properties in Mainland China	Total
At 1 July 2016		1,590.3	22.3	1,612.6
Fair value changes	8	114.0	3.1	117.1
Disposal of subsidiaries	38(b)	(149.3)	(11.3)	(160.6)
Translation differences		–	(0.2)	(0.2)
At 30 June 2017		1,555.0	13.9	1,568.9

The investment properties of the Group measured at fair value are categorized as Level 3 in the fair value hierarchy. The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer among Levels 1, 2 and 3 during the year.

(a) Valuation process of the Group

The investment properties were revalued on 30 June 2018 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited and Savills (Macau) Limited based on a market value assessment or income approach as detailed in note 6(e).

The Group's management reviews the valuations performed by the independent valuers for financial reporting purposes. 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.

16 INVESTMENT PROPERTIES (continued)

(b) Valuation methods

Fair values of the residential properties in Mainland China are generally derived using the sales comparison method. This valuation method is based on comparing the properties 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 properties under consideration.

Fair values of commercial properties in Hong Kong and Macau are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization 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.

There were no changes to the valuation techniques during the year.

(c) Significant unobservable inputs used to determine fair value

	Fair value at 30 June 2018 HK$'m	Fair value at 30 June 2017 HK$'m	Valuation methods	Unobservable inputs	Range of unobservable inputs for 2018	Range of unobservable inputs for 2017	Note
Commercial and industrial properties in Hong Kong	**1,648.0**	1,555.0	Income capitalization	Capitalization rate	**4.20%–5.20%**	4.25%–5.25%	(i)
				Average monthly rental	**HK$44–HK$400/sq.ft HK$3,550 per carpark space**	HK$42–HK$400/sq.ft HK$3,500 per carpark space	(ii)
Commercial properties in Macau	**30.9**	–	Income capitalization	Capitalization rate	**1.90%–2.95%**	N/A	(i)
				Average monthly rental	**HK$29.2–HK$32.9/sq.ft HK$3,500 per carpark space**	N/A	(ii)
Residential properties in Mainland China	**14.4**	13.9	Sales comparison	Property specific adjusting factor	**0.8–1.0**	0.8–1.0	(ii)
	1,693.3	1,568.9					

Notes: Descriptions of the sensitivity in unobservable inputs and inter-relationship:

(i) The fair value measurement is negatively correlated to the unobservable input that the lower the factor will result in a higher fair value.

(ii) The fair value measurement is positively correlated to the unobservable input that the higher the factor will result in a higher fair value.

Notes to the Financial Statements

17 PROPERTY, PLANT AND EQUIPMENT

HK$'m	Note	Land and properties	Other plant and equipment	Construction in progress	Buses, vessels and other motor vehicles	Total
Cost						
At 1 July 2017		1,364.5	2,299.1	147.2	3,269.0	7,079.8
Additions		–	267.2	81.9	184.4	533.5
Disposals		–	(98.8)	–	(6.1)	(104.9)
Reclassified as assets held-for-sale	27	–	(109.9)	–	(4.7)	(114.6)
Revaluation upon transfer to investment properties		26.4	–	–	–	26.4
Transfer to investment properties	16	(31.3)	–	–	–	(31.3)
Transfers		–	0.4	(143.7)	143.3	–
Translation differences		–	5.9	–	0.1	6.0
At 30 June 2018		1,359.6	2,363.9	85.4	3,586.0	7,394.9
Accumulated depreciation and impairment						
At 1 July 2017		52.3	1,367.0	–	172.7	1,592.0
Depreciation	9	62.1	209.3	–	298.9	570.3
Disposals		–	(84.4)	–	(4.6)	(89.0)
Reclassified as assets held-for-sale	27	–	(47.9)	–	(2.5)	(50.4)
Transfer to investment properties	16	(1.0)	–	–	–	(1.0)
Translation differences		–	2.6	–	0.1	2.7
At 30 June 2018		113.4	1,446.6	–	464.6	2,024.6
Net book value						
At 30 June 2018		1,246.2	917.3	85.4	3,121.4	5,370.3

17 PROPERTY, PLANT AND EQUIPMENT (continued)

HK$'m	Note	Land and properties	Other plant and equipment	Construction in progress	Buses, vessels and other motor vehicles	Total
Cost						
At 1 July 2016		316.3	1,942.7	–	45.9	2,304.9
Acquisition of subsidiaries	39(b)	1,050.1	126.5	192.5	2,764.0	4,133.1
Additions		0.2	247.1	92.7	348.4	688.4
Disposals		–	(38.8)	–	(3.7)	(42.5)
Disposal of subsidiaries	38(b)	(2.1)	–	–	–	(2.1)
Transfers		–	23.6	(138.0)	114.4	–
Translation differences		–	(2.0)	–	–	(2.0)
At 30 June 2017		1,364.5	2,299.1	147.2	3,269.0	7,079.8
Accumulated depreciation and impairment						
At 1 July 2016		16.9	1,219.8	–	33.5	1,270.2
Depreciation	9	35.7	185.7	–	141.1	362.5
Disposals		–	(37.5)	–	(1.9)	(39.4)
Disposal of subsidiaries	38(b)	(0.3)	–	–	–	(0.3)
Translation differences		–	(1.0)	–	–	(1.0)
At 30 June 2017		52.3	1,367.0	–	172.7	1,592.0
Net book value						
At 30 June 2017		1,312.2	932.1	147.2	3,096.3	5,487.8

The Group's interests in land use rights grouped under land and properties amounted to HK$192.1 million (2017: HK$200.6 million).

Notes to the Financial Statements

18 INTANGIBLE CONCESSION RIGHTS

	Note	2018 HK$'m	2017 HK$'m
Cost			
At beginning of year		**18,482.7**	18,899.0
Additions		**3.5**	–
Disposals		**–**	(91.6)
Translation differences		**657.6**	(324.7)
At end of year		**19,143.8**	18,482.7
Accumulated amortization and impairment			
At beginning of year		**6,546.5**	5,892.3
Amortization	9	**883.7**	808.2
Disposals		**–**	(61.6)
Translation differences		**221.7**	(92.4)
At end of year		**7,651.9**	6,546.5
Net book value			
At end of year		**11,491.9**	11,936.2

Intangible concession rights refer to the Group's investment in the Roads segment. Amortization of intangible concession rights is included in the cost of sales in the consolidated income statement.

As at 30 June 2017, certain amount of bank loans of the Group was secured by intangible concession rights of Hangzhou Ring Road with net book value of HK$11,697.8 million. The aforesaid bank loan was fully repaid during the year (note 31(b)).

19 INTANGIBLE ASSETS

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2017 and at 30 June 2018		**424.0**	**636.4**	**1,060.4**
Accumulated amortization and impairment				
At 1 July 2017		**15.4**	**258.4**	**273.8**
Amortization	9	**–**	**33.0**	**33.0**
At 30 June 2018		**15.4**	**291.4**	**306.8**
Net book value				
At 30 June 2018		**408.6**	**345.0**	**753.6**

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2016		61.4	567.2	628.6
Acquisition of subsidiaries	39(b)	396.7	69.2	465.9
Amount written off	8	(34.1)	–	(34.1)
At 30 June 2017		424.0	636.4	1,060.4
Accumulated amortization and impairment				
At 1 July 2016		15.4	226.3	241.7
Amortization	9	–	32.1	32.1
At 30 June 2017		15.4	258.4	273.8
Net book value				
At 30 June 2017		408.6	378.0	786.6

19 INTANGIBLE ASSETS (continued)

(a) Goodwill

A summary of the goodwill allocation to segment/business is presented below:

HK$'m	Hong Kong	Mainland China	Total
At 30 June 2017 and 2018			
Roads	**–**	**11.9**	**11.9**
Transport	**396.7**	**–**	**396.7**
	396.7	**11.9**	**408.6**

Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified according to country of operation and business segment. For the purpose of impairment test, 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's best estimates and past experience. For transport business, annual growth rates for revenue being 3%–11% for the first five projection years and terminal growth rate of 2% are determined by considering both internal and external factors. Discount rate of 8.5% was used to reflect specific risk relating to such business.

(b) Operating right

Operating right was primarily resulted from the acquisition of right to operate facilities management business. Other intangible asset represents the licenses to operate and provide services under the Group's transport business. Operating right and other intangible assets are tested for impairment when there is indication of impairment and amortized over the period of the operating right.

(c) Amortization

Amortization of intangible assets is included in the cost of sales in the consolidated income statement.

20 ASSOCIATED COMPANIES

	Note	2018 HK$'m	2017 HK$'m
Group's share of net assets			
Listed shares – Hong Kong	(a),(b)	**2,303.2**	4,127.2
Listed shares – Overseas	(a)	**875.3**	874.9
Unlisted shares	(c),(d),(e),(f)	**8,374.9**	8,702.2
		11,553.4	13,704.3
Goodwill		**390.2**	714.8
Amounts receivable	(h)	**1,819.4**	1,761.4
	(g)	**13,763.0**	16,180.5

(a) As at 30 June 2018, the carrying amount represents the Group's investments in Wai Kee Holdings Limited ("Wai Kee"), Shougang Concord International Enterprises Company Limited and Tharisa (2017: Wai Kee, Tharisa and BCIA). The share of market value of the Group's listed associated companies amounts to HK$1,648.6 million (2017: HK$6,025.7 million).

(b) On 11 January 2018, Fortland Ventures Limited (an indirect wholly owned subsidiary of the Company) entered into a placing agreement for the placing of 208,000,000 issued H shares of BCIA at the placing price of HK$11.35 per H share of BCIA (the "Placing"). Closing of the Placing took place on 16 January 2018 and thereafter, the Group's interest in BCIA's total issued H shares was reduced from approximately 23.86% to approximately 12.79%. A profit on disposal under the Placing of HK$783.8 million was recognized in FY2018 (notes 7(a)(iii) and 8).

Subsequently, an executive director of the Company resigned as a non-executive director and a member of the strategy committee of BCIA on 2 February 2018. As a result, the Group ceased to exercise significant influence on BCIA and its interest in BCIA was reclassified from investment in an associated company to an available-for-sale financial asset with effect from 2 February 2018 with its carrying value marked to its market value on 2 February 2018. Pursuant to HKAS 39, a gain on the remeasurement at fair value upon reclassification amounting to HK$1,095.5 million was recognized in FY2018 (notes 7(a)(iii) and 8).

(c) On 1 November 2016, the shareholders of Sino-French Holdings (Hong Kong) Limited, a then 50% joint venture of the Group and now renamed SUEZ NWS, entered into an agreement to restructure and expand the scope of operations of SUEZ NWS by injecting cash and their respective waste and wastewater treatment businesses in Greater China into SUEZ NWS. Consequently, the transaction resulted in a restructuring gain of HK$454.3 million for the Group for FY2017 (notes 7(a)(iv) and 8). The Group ceased its joint control and owns 42% equity interest in SUEZ NWS upon completion of the restructuring. Accordingly, the investment in SUEZ NWS was thereafter accounted for as an associated company.

20 ASSOCIATED COMPANIES (continued)

(d) On 5 October 2016, the Company, The Bank of East Asia, Limited ("BEA"), 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 held by East Asia Secretaries to Trivium at a consideration of approximately HK$6.5 billion (the "Disposal"). Tricor was 24.39% owned by the Company and 75.61% owned by BEA, in each case through East Asia Secretaries immediately before completion of the Disposal. Completion of the Disposal took place on 31 March 2017 and the Group ceased to own any equity interest in Tricor. Share of net gain arising from the Disposal of HK$932.8 million was recognized by the Group in FY2017 (note 7(a)(iii)).

(e) As at 30 June 2018, the carrying amount mainly represents the Group's investments in various infrastructure, ports, healthcare, strategic investments and other projects. Among which the Group has participating interests and holds for investment purpose in certain investment companies amounted to HK$1,148.9 million (2017: HK$2,740.8 million), whose assets mainly comprise available-for-sale financial assets, loans and receivables. The Group's share of attributable operating profit of these investment companies for the year amounted to HK$105.0 million (2017: HK$133.1 million) as detailed in note 7(a)(ii).

(f) In January 2018, the Group acquired 30% equity interest in Hubei Suiyuenan Expressway Co., Limited ("Hubei Suiyuenan") at a cash consideration of approximately RMB1.1 billion.

In March 2018, the Group agreed to provide a pledge over its 30% equity interest in Hubei Suiyuenan as security for a bank loan made to Hubei Suiyuenan in the event that the bank confirms that such pledge is required so as not to affect the continuation of the bank loan. As at 30 June 2018, the pledge has not yet been provided.

(g) Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies as detailed in note 6(a). Management is of the view that there is no impairment of the Group's investments in associated companies as at 30 June 2018.

The Group shared an impairment loss of approximately HK$204.0 million for Newton Resources, the then associated company, in the consolidated income statement in FY2017 (note 7(a)(vi)).

In January 2017, management of the Group revisited its investment strategy in Newton Resources and subsequently disposed 20% of the equity interest in Newton Resources. The remaining 15.5% equity interest has since been reclassified from investment in an associated company to an available-for-sale financial asset with its carrying value marked to its market value. As a result, losses on partial disposal and remeasurement upon reclassification of HK$52.3 million and HK$34.3 million respectively were recognized in FY2017 (notes 7(a)(vi) and 8).

20 ASSOCIATED COMPANIES (continued)

(h) Amounts receivable are analyzed as follows:

	Note	2018 HK$'m	2017 HK$'m
Interest bearing	(i)	**1,704.7**	1,704.7
Non-interest bearing		**114.7**	56.7
		1,819.4	1,761.4

(i) The balance includes an amount of HK$104.7 million (2017: HK$104.7 million) which carries interest at 8% per annum and an aggregate amount of HK$1,600.0 million (2017: HK$1,600.0 million) which carries interest at 6-month HIBOR plus a margin of 1.3% per annum.

The amounts are not repayable within the next 12 months from the end of the reporting period. As at 30 June 2018, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

(i) Dividend income from associated companies for the year is HK$503.3 million (2017: HK$1,858.4 million). The amount of dividend income received during the year is disclosed in the consolidated statement of cash flows.

(j) Details of principal associated companies are given in note 45. The directors of the Company were of the view that as at 30 June 2018, there was no individual associated company that was material to the Group.

(k) Financial guarantee contracts relating to associated companies are disclosed in note 37.

20 ASSOCIATED COMPANIES (continued)

(l) The Group's share of revenue, results, assets and liabilities of associated companies are summarized below:

	Note	2018 HK$'m	2017 HK$'m
Revenue	7(c)	**6,210.4**	5,501.8
Profit for the year		**756.2**	1,590.9
Other comprehensive income/(loss) for the year		**490.9**	(110.4)
Total comprehensive income for the year		**1,247.1**	1,480.5
Non-current assets		**18,533.3**	17,913.9
Current assets		**3,785.0**	5,469.4
Current liabilities		**(4,848.4)**	(4,055.6)
Non-current liabilities		**(5,916.5)**	(5,623.4)
Net assets		**11,553.4**	13,704.3

21 JOINT VENTURES

	Note	2018 HK$'m	2017 HK$'m
Co-operative joint ventures			
Cost of investment less provision		**1,480.6**	1,579.5
Goodwill		**86.2**	86.2
Share of undistributed post-acquisition results		**2,106.8**	2,087.4
Amounts receivable	(b)	**20.5**	12.1
		3,694.1	3,765.2
Equity joint ventures			
Group's share of net assets		**4,862.0**	4,533.1
Goodwill		**87.2**	87.2
		4,949.2	4,620.3
Companies limited by shares			
Group's share of net assets		**3,414.2**	3,737.7
Goodwill		**163.5**	163.5
Amounts receivable	(b)	**3,011.2**	3,034.8
Amounts payable		**(223.9)**	(192.7)
		6,365.0	6,743.3
	(a)	**15,008.3**	15,128.8

(a) As at 30 June 2018, the carrying amount mainly represents the Group's investments in various infrastructure, ports, logistics, commercial aircraft leasing and other projects. Management is of the view that there is no impairment of the Group's investment in joint ventures as at 30 June 2018 except as detailed in notes 6(a)(iii) and (iv).

21 JOINT VENTURES (continued)

(b) Amounts receivable are analyzed as follows:

	Note	2018 HK$'m	2017 HK$'m
Interest bearing	(i),(ii)	**258.6**	12.1
Non-interest bearing	(iii)	**2,773.1**	3,034.8
		3,031.7	3,046.9

(i) The balance includes an amount of HK$20.5 million (2017: HK$12.1 million) which carries interest at Hong Kong prime rate.

(ii) The balance includes an amount of HK$238.1 million (2017: Nil) which carries interest at 90% of 5-year Renminbi benchmark lending rate published by People's Bank of China.

(iii) The balance includes an amount of HK$197.5 million (2017: HK$197.5 million) which has been subordinated to certain indebtedness of a joint venture.

As at 30 June 2018, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

(c) Dividend income from joint ventures for the year is HK$1,789.7 million (2017: HK$1,508.2 million). The amount of dividend income received during the year is disclosed in the consolidated statement of cash flows.

(d) Details of principal joint ventures are given in note 46. The directors of the Company were of the view that as at 30 June 2018, there was no individual joint venture that was material to the Group.

(e) Financial guarantee contracts relating to joint ventures are disclosed in note 37.

21 JOINT VENTURES (continued)

(f) The Group's share of revenue, results, assets and liabilities of joint ventures are summarized below:

	Note	2018 HK$'m	2017 HK$'m
Revenue	7(c)	**14,964.3**	12,180.0
Profit for the year		**1,331.2**	1,774.5
Other comprehensive income/(loss) for the year		**460.9**	(247.6)
Total comprehensive income for the year		**1,792.1**	1,526.9
Non-current assets		**35,528.2**	31,388.8
Current assets		**5,457.5**	4,409.0
Current liabilities		**(9,547.1)**	(9,411.8)
Non-current liabilities		**(19,575.0)**	(14,448.3)
Net assets		**11,863.6**	11,937.7

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	2018 HK$'m	2017 HK$'m
Equity securities listed in Hong Kong		**3,009.6**	1,358.0
Debt securities listed in Hong Kong		**234.2**	239.8
Unlisted equity securities	(a),(b)	**2,392.3**	559.0
Unlisted debt securities	(a)	**920.5**	868.7
	(c)	**6,556.6**	3,025.5
Market value of listed securities		**3,243.8**	1,597.8

(a) Unlisted investments are stated at fair values which are estimated using a variety of valuation methods or assessed the reasonableness with reference to market comparables, with the assistance of external valuer.

(b) The Group has committed to invest US$125 million (equivalent to approximately HK$975 million) in a newly setup investment fund (the "Fund"), the target fund size of which is determined by the general partner and currently is set at US$300–400 million. As at 30 June 2018, the Group has contributed US$65.2 million (equivalent to HK$512 million) to the Fund. The Fund is managed by the general partner while the Group participated in the Fund as a limited partner. Management considered that the Group has neither significant influence nor joint control over the Fund and therefore it is classified as an available-for-sale financial assets.

(c) The available-for-sale financial assets are denominated in the following currencies:

	2018 HK$'m	2017 HK$'m
Hong Kong dollar	**3,065.5**	1,413.8
United States dollar	**2,801.0**	1,031.2
Renminbi	**647.4**	580.5
Pound Sterling	**42.7**	–
	6,556.6	3,025.5

23 OTHER NON-CURRENT ASSETS

	Note	2018 HK$'m	2017 HK$'m
Security deposits		**852.4**	868.1
Deferred tax assets	32	**9.9**	6.0
Others		**8.1**	12.9
		870.4	887.0

24 INVENTORIES

	2018 HK$'m	2017 HK$'m
Raw materials and consumables	**107.1**	119.2
Finished goods	**354.8**	364.8
	461.9	484.0

25 TRADE AND OTHER RECEIVABLES

	Note	2018 HK$'m	2017 HK$'m
Trade receivables	(a)	**2,451.2**	2,543.3
Retention money receivables		**1,891.4**	1,822.3
Contract assets	28	**36.9**	–
Amounts due from customers for contract works	28	**–**	134.7
Other receivables, deposits and prepayments		**3,522.4**	6,056.2
Derivative financial instruments		**16.4**	58.8
Amounts due from associated companies	(b)	**51.3**	88.1
Amounts due from joint ventures	(b)	**4,179.1**	3,083.8
		12,148.7	13,787.2

25 TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables can be further analyzed as follows:

The ageing analysis of trade receivables based on invoice date is as follows:

	2018 HK$'m	2017 HK$'m
Under 3 months	**2,305.6**	2,398.1
4 to 6 months	**33.0**	107.7
Over 6 months	**112.6**	37.5
	2,451.2	2,543.3

The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Retention money receivables in respect of construction services are settled in accordance with the terms of respective contracts.

An allowance for impairment of trade receivables is made based on the estimated irrecoverable amount determined by reference to past default experience and where there are indicators that the debt is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payment are considered indicators that the debt is impaired.

At 30 June 2018, trade receivables of HK$378.4 million (2017: HK$422.0 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 ageing analysis of these trade receivables is as follows:

	2018 HK$'m	2017 HK$'m
Under 3 months	**232.8**	276.8
4 to 6 months	**33.0**	107.7
Over 6 months	**112.6**	37.5
	378.4	422.0

25 TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables can be further analyzed as follows (continued):

At 30 June 2018, trade receivables of HK$0.8 million (2017: HK$0.8 million) were impaired, which were related to customers that were in financial difficulties. The ageing analysis of these trade receivables is as follows:

	2018 HK$'m	2017 HK$'m
Over 6 months	**0.8**	0.8

(b) As at 30 June 2018, the amounts due from associated companies and joint ventures of the Group are interest free, unsecured and repayable on demand or within the next 12 months from the end of the reporting period except for an amount of HK$279.7 million (2017: HK$279.7 million) due from a joint venture which carries interest at 12-month LIBOR plus a margin of 12.15% per annum.

(c) Included in the Group's trade and other receivables are HK$341.5 million (2017: HK$182.7 million) denominated in Renminbi, HK$16.5 million (2017: HK$26.6 million) denominated in Macau Pataca and HK$4,648.9 million (2017: HK$3,400.7 million) denominated in United States dollar. The remaining balances are mainly denominated in Hong Kong dollar.

26 CASH AND BANK BALANCES

	2018 HK$'m	2017 HK$'m
Time deposits – maturing within three months	**4,432.1**	2,891.4
Time deposits – maturing after more than three months	**13.4**	16.6
Other cash at bank and on hand	**2,211.1**	3,545.4
Cash and bank balances	**6,656.6**	6,453.4

The effective interest rate on time deposits is 2.4% (2017: 1.2%) per annum; these deposits have an average maturity of 36 days (2017: 33 days).

The balances include HK$1,228.8 million (2017: HK$1,607.1 million) which are kept in the bank accounts opened with banks in Mainland China where the remittance of funds is subject to foreign exchange control.

26 CASH AND BANK BALANCES (continued)

The cash and bank balances are denominated in the following currencies:

	2018 HK$'m	2017 HK$'m
Hong Kong dollar	**4,699.5**	4,504.4
Renminbi	**1,215.1**	1,625.4
United States dollar	**700.7**	279.0
Macau Pataca	**40.1**	43.4
Others	**1.2**	1.2
	6,656.6	6,453.4

27 ASSETS HELD-FOR-SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD-FOR-SALE

On 8 June 2018, NWS CON Limited ("NWS CON", an indirect wholly owned subsidiary of the Company) entered into a conditional sale and purchase agreement ("SP Agreement") with Sherman Drive Limited ("Sherman Drive", a direct wholly owned subsidiary of NWD) in respect of the sale of Celestial Path Limited ("Celestial Path"), its subsidiaries and an unincorporated joint venture (collectively, the "Hip Seng Group") by NWS CON to Sherman Drive through the sale of the entire issued share capital of Celestial Path on and subject to the terms and conditions contained in the SP Agreement. Total consideration for the disposal was HK$168 million and the gain on disposal amounted to approximately HK$66 million will be recognized in FY2019. Completion of the disposal took place on 21 August 2018. Assets and liabilities of the Hip Seng Group were reclassified as held-for-sale as at 30 June 2018.

	Note	2018 HK$'m
Assets		
Property, plant and equipment	17	**64.2**
Trade and other receivables		**2,646.3**
Cash and bank balances		**653.5**
Assets of subsidiaries reclassified as held-for-sale		**3,364.0**
Liabilities		
Trade and other payables		**(3,258.3)**
Taxation		**(1.5)**
Deferred tax liabilities	32	**(3.8)**
		(3,263.6)
Less: Amounts due to group companies		**50.5**
Liabilities of subsidiaries reclassified as held-for-sale		**(3,213.1)**

28 CONTRACT ASSETS AND CONTRACT LIABILITIES/CONTRACTS IN PROGRESS

Contract assets and contract liabilities/contracts in progress are related to the Group's construction business, details are as follows.

	Note	2018 HK$'m	2017 HK$'m
Contract assets	25	**36.9**	–
Amounts due from customers for contract works	25	**–**	134.7
Contract liabilities	34	**(2,867.3)**	–
Amounts due to customers for contract works	34	**–**	(2,202.6)
		(2,830.4)	(2,067.9)

As at 30 June 2017, the contracts in progress recognized under HKAS 11 comprised contract costs incurred plus attributable profits less foreseeable losses amounted to HK$51,086.2 million, netted off with the progress payments received and receivable amounted to HK$53,154.1 million.

The following table shows the amount of the revenue recognized in the current reporting period relates to contract liability balance at the beginning of the year and the amount relates to performance obligations that were satisfied in previous years:

	2018 HK$'m
Revenue recognized that was included in the contract liability balance at the beginning of the year	**2,162.2**
Revenue recognized from performance obligations satisfied/partially satisfied in previous years	**190.9**

The following table shows the amount of unsatisfied performance obligations:

	2018 HK$'m
Expected to be recognized within one year	**15,030.0**
Expected to be recognized after one year	**6,155.0**
	21,185.0

29 SHARE CAPITAL

	Ordinary Shares	
	No. of shares	**HK$'m**
Authorized		
At 1 July 2017 and 30 June 2018	**6,000,000,000**	**6,000.0**
Issued and fully paid		
At 1 July 2016	3,831,966,840	3,832.0
Issued as scrip dividends	51,329,288	51.3
Exercise of share options	4,995,960	5.0
At 30 June 2017	**3,888,292,088**	**3,888.3**
Exercise of share options	**8,214,363**	**8.2**
At 30 June 2018	**3,896,506,451**	**3,896.5**

Share Option Scheme

(a) The share option scheme of the Company (the "Share Option Scheme"), 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 the Company. 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 the Company in issue as at 21 November 2011, i.e. 3,388,900,598 shares.

29 SHARE CAPITAL (continued)

(a) (continued)

Movements in the number of share options outstanding and their weighted average exercise prices during the year are as follows:

		Number of options		Weighted average exercise price of each category (HK$)	
	Note	**2018**	2017	**2018**	2017
At beginning of year		**49,455,830**	55,275,823	**14.120**	14.137
Adjusted	(ii)	**–**	63,634	**–**	14.124
Lapsed		**(74)**	(887,667)	**14.120**	14.133
Exercised		**(8,214,363)**	(4,995,960)	**14.120**	14.121
At end of year		**41,241,393**	49,455,830	**14.120**	14.120

(i) 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 the Company's shares in the daily quotations sheets of the Hong Kong Stock Exchange for the five consecutive trading days immediately preceding 9 March 2015. Such share options will expire on 8 March 2020.

(ii) Pursuant to the Share Option Scheme, the number of unexercised share options and the exercise price may be subject to adjustment in case of alteration in the capital structure of the Company. Due to the distribution of dividends of the Company in scrip form in prior years, several adjustments had been made to the number and the exercise price of outstanding share options in accordance with the Share Option Scheme in prior years. With effect from 15 May 2017, the exercise price per share for the share options granted was adjusted to HK$14.120.

Share options outstanding at the end of year have the following terms:

		Number of options		Vested percentage	
	Expiry Date	**2018**	2017	**2018**	2017
Exercise price		**HK$14.120**	HK$14.120		
Directors	8 March 2020	**27,797,819**	28,852,819	**100%**	100%
Other eligible participants	8 March 2020	**13,443,574**	20,603,011	**100%**	100%
		41,241,393	49,455,830		

(b)

The share options were vested according to the Share Option Scheme and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date.

30 RESERVES

HK$'m	Share premium	Special reserves	Investment revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2017	17,521.8	692.4	207.6	(255.4)	27,002.4	45,168.8
Profit for the year	–	–	–	–	6,068.8	6,068.8
Dividends paid to shareholders of the Company	–	–	–	–	(5,569.8)	(5,569.8)
Fair value changes on available-for-sale financial assets						
Group	–	–	(1,084.4)	–	–	(1,084.4)
Associated company	–	–	3.6	–	–	3.6
Joint ventures	–	–	(4.3)	–	–	(4.3)
Release of reserve upon deregistration of subsidiaries	–	–	–	(45.6)	–	(45.6)
Release of reserve upon return of registered capital of a subsidiary	–	–	–	(16.0)	–	(16.0)
Release of reserves upon partial disposal of interest in an associated company	–	(6.6)	–	53.2	–	46.6
Release of reserve upon disposal of an available-for-sale financial asset	–	–	2.7	–	–	2.7
Release of reserves upon reclassification of an associated company to an available-for-sale financial asset	–	(7.7)	–	61.3	–	53.6
Currency translation differences						
Group	–	–	–	438.6	–	438.6
Associated companies	–	–	–	387.2	–	387.2
Joint ventures	–	–	–	359.6	–	359.6
Share options						
Share premium on new shares issued	107.7	–	–	–	–	107.7
Share of other comprehensive income/(loss) of associated companies and joint ventures	–	9.2	–	–	(7.8)	1.4
Cash flow hedges						
Group	–	(20.2)	–	–	–	(20.2)
Joint ventures	–	104.1	–	–	–	104.1
Revaluation of property, plant and equipment upon transfer to investment properties	–	26.4	–	–	–	26.4
Remeasurement of post-employment benefit obligation	–	–	–	–	24.7	24.7
At 30 June 2018	**17,629.5**	**797.6**	**(874.8)**	**982.9**	**27,518.3**	**46,053.5**

30 RESERVES (continued)

HK$'m	Note	Share premium	Special reserves	Investment revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2016		16,840.4	548.8	26.5	546.5	23,824.7	41,786.9
Profit for the year		–	–	–	–	5,628.9	5,628.9
Dividends paid to shareholders of the Company		–	–	–	–	(2,614.4)	(2,614.4)
Fair value changes on available-for-sale financial assets							
Group		–	–	188.8	–	–	188.8
Joint ventures		–	–	7.4	–	–	7.4
Release of reserve upon deregistration of a subsidiary		–	–	–	(15.3)	–	(15.3)
Release of reserve upon disposal of subsidiaries		–	(119.4)	–	–	119.4	–
Release of reserves upon partial disposal of interest in an associated company		–	(21.5)	–	15.9	–	(5.6)
Release of reserve upon disposal of interest in a joint venture		–	–	–	(129.8)	–	(129.8)
Release of reserve upon disposal of an available-for-sale financial asset		–	–	(15.1)	–	–	(15.1)
Release of reserve upon restructuring of a joint venture		–	–	–	5.7	–	5.7
Release of reserves upon remeasurement of previously held equity interest in a joint venture		–	48.3	–	(12.7)	–	35.6
Currency translation differences							
Group		–	–	–	(243.0)	–	(243.0)
Associated companies		–	–	–	(130.2)	–	(130.2)
Joint ventures		–	–	–	(292.5)	–	(292.5)
Scrip dividends							
Share premium on new shares issued		615.8	–	–	–	–	615.8
Share options							
Value of services provided							
Group	10	–	8.0	–	–	–	8.0
Associated company		–	0.1	–	–	–	0.1
Joint ventures		–	0.4	–	–	–	0.4
Share premium on new shares issued		65.6	–	–	–	–	65.6
Share of other comprehensive income/(loss) of associated companies and joint ventures		–	0.3	–	–	(7.3)	(7.0)
Cash flow hedges							
Group		–	95.3	–	–	–	95.3
Associated company		–	25.2	–	–	–	25.2
Joint ventures		–	133.3	–	–	–	133.3
Remeasurement of post-employment benefit obligation		–	–	–	–	24.7	24.7
Transfer		–	(26.4)	–	–	26.4	–
At 30 June 2017		17,521.8	692.4	207.6	(255.4)	27,002.4	45,168.8

30 RESERVES (continued)

Special reserves include statutory reserves which are created in accordance with the relevant PRC laws and/or terms of the joint venture agreements of subsidiaries and joint ventures established in Mainland China and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve, share option reserve, property revaluation reserve and cash flow hedges reserve arising from foreign exchange forward, interest rate and fuel price swaps.

31 BORROWINGS

	Note	2018 HK$'m	2017 HK$'m
Non-current			
Long-term bank loans			
Unsecured	(a),(c)	**9,139.2**	9,376.9
Other borrowings			
Unsecured		**0.4**	–
		9,139.6	9,376.9
Current			
Current portion of long-term bank loans			
Secured	(a),(b),(c)	**–**	69.0
Unsecured	(a),(c)	**834.9**	236.8
Short-term bank loans and overdrafts			
Unsecured	(c)	**200.0**	–
Other borrowings			
Unsecured		**0.1**	–
		1,035.0	305.8
		10,174.6	9,682.7

31 BORROWINGS (continued)

(a) Long-term bank loans

	2018 HK$'m	2017 HK$'m
Secured bank loans	–	69.0
Unsecured bank loans	**9,974.1**	9,613.7
Total long-term bank loans	**9,974.1**	9,682.7
Amounts repayable within one year included in current liabilities	**(834.9)**	(305.8)
	9,139.2	9,376.9

The maturity of long-term bank loans is as follows:

	2018 HK$'m	2017 HK$'m
Within one year	**834.9**	305.8
In the second year	**4,612.2**	1,188.6
In the third to fifth year	**3,927.2**	7,590.8
After the fifth year	**599.8**	597.5
	9,974.1	9,682.7

As at 30 June 2018, the Group's long-term bank loans of HK$9.974 billion (2017: HK$9.683 billion) are exposed to interest rate risk of contractual repricing dates falling within one year except for an amount of HK$0.4 billion (2017: HK$0.4 billion) which is fixed rate interest-bearing. Interest rate swaps are used to hedge against part of the Group's underlying interest rate exposures.

(b) Bank loan was secured by the intangible concession rights of Hangzhou Ring Road for FY2017 and the bank loans was fully repaid on 26 June 2018 (note 18).

(c) The effective interest rates of bank loans at the end of the reporting period were as follows:

	2018	2017
Hong Kong dollar	**2.72%**	1.65%
Renminbi	**N/A**	4.41%

31 BORROWINGS (continued)

(d) The carrying amounts of the borrowings approximate their fair values.

(e) The carrying amounts of the borrowings are denominated in the following currencies:

	2018 HK$'m	2017 HK$'m
Hong Kong dollar	**10,174.6**	9,613.7
Renminbi	**–**	69.0
	10,174.6	9,682.7

32 DEFERRED INCOME TAX

	Note	2018 HK$'m	2017 HK$'m
At beginning of year		**2,513.0**	2,106.7
Translation differences		**57.5**	(34.4)
Acquisition of subsidiaries	39(b)	**–**	508.5
Disposal of subsidiaries	38(b)	**–**	1.1
Reclassified as liabilities directly associated with assets held-for-sale	27	**(3.8)**	–
Net amount credited to the consolidated income statement	12	**(86.4)**	(68.9)
At end of year		**2,480.3**	2,513.0

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2017: 16.5%).

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK$1,011.3 million (2017: HK$964.4 million) to be carried forward against future taxable income. These tax losses have no expiry dates.

As at 30 June 2018, the aggregate amount of unrecognized deferred tax liabilities associated with investments in subsidiaries totalled approximately HK$198.1 million (2017: HK$169.6 million). For this unrecognized amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

32 DEFERRED INCOME TAX (continued)

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets

		Tax losses		Other deductible temporary differences		Total	
HK$'m	Note	**2018**	2017	**2018**	2017	**2018**	2017
At beginning of year		**3.8**	1.1	**81.9**	70.8	**85.7**	71.9
Translation differences		**–**	–	**2.2**	(0.9)	**2.2**	(0.9)
Acquisition of subsidiaries	39(b)	**–**	0.5	**–**	–	**–**	0.5
Disposal of subsidiaries	38(b)	**–**	–	**–**	(1.1)	**–**	(1.1)
(Charged)/credited to the consolidated income statement		**(2.2)**	2.2	**(20.0)**	13.1	**(22.2)**	15.3
At end of year		**1.6**	3.8	**64.1**	81.9	**65.7**	85.7

Deferred tax liabilities

		Accelerated tax depreciation		Amortization of concession rights		Undistributed profits of subsidiaries, associated companies and joint ventures		Others		Total	
HK$'m	Note	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
At beginning of year		**616.8**	61.9	**1,744.3**	1,883.8	**207.6**	202.9	**30.0**	30.0	**2,598.7**	2,178.6
Translation differences		**–**	–	**66.6**	(35.1)	**(6.9)**	(0.2)	**–**	–	**59.7**	(35.3)
Acquisition of subsidiaries	39(b)	**–**	509.0	**–**	–	**–**	–	**–**	–	**–**	509.0
Reclassified as liabilities directly associated with assets held-for-sale	27	**(3.8)**	–	**–**	–	**–**	–	**–**	–	**(3.8)**	–
(Credited)/charged to the consolidated income statement		**–**	45.9	**(124.8)**	(104.4)	**16.2**	4.9	**–**	–	**(108.6)**	(53.6)
At end of year		**613.0**	616.8	**1,686.1**	1,744.3	**216.9**	207.6	**30.0**	30.0	**2,546.0**	2,598.7

32 DEFERRED INCOME TAX (continued)

Deferred income tax assets and liabilities are offset when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position.

	Note	2018 HK$'m	2017 HK$'m
Deferred tax assets	23	**(9.9)**	(6.0)
Deferred tax liabilities		**2,490.2**	2,519.0
		2,480.3	2,513.0

33 OTHER NON-CURRENT LIABILITIES

	Note	2018 HK$'m	2017 HK$'m
Long service payment obligations		**32.5**	48.3
Deferred income		**80.7**	63.3
Loans from non-controlling interests	(a)	**39.1**	46.4
Derivative financial instruments		**18.0**	56.0
Retirement benefit obligations		**6.6**	12.2
		176.9	226.2

(a) The loans are interest free, unsecured and not repayable within one year.

34 TRADE AND OTHER PAYABLES

	Note	2018 HK$'m	2017 HK$'m
Trade payables	(a)	**1,266.4**	888.8
Retention money payables		**1,206.5**	1,453.6
Advances received from customers for contract works		**–**	1,669.9
Contract liabilities	28	**2,867.3**	–
Amounts due to customers for contract works	28	**–**	2,202.6
Amounts due to non-controlling interests	(b)	**191.3**	171.4
Other payables and accruals		**5,814.9**	7,204.0
Derivative financial instruments		**–**	33.8
Amounts due to associated companies	(b)	**37.6**	18.8
Amounts due to joint ventures	(b)	**0.2**	–
		11,384.2	13,642.9

34 TRADE AND OTHER PAYABLES (continued)

(a) The ageing analysis of trade payables based on invoice date is as follows:

	2018 HK$'m	2017 HK$'m
Under 3 months	**1,200.1**	829.0
4 to 6 months	**10.3**	25.7
Over 6 months	**56.0**	34.1
	1,266.4	888.8

(b) The amounts payable are interest free, unsecured and have no fixed repayment terms.

(c) Included in the Group's trade and other payables are HK$464.4 million (2017: HK$454.2 million) denominated in Renminbi, HK$189.1 million (2017: HK$199.6 million) denominated in Macau Pataca and HK$268.3 million (2017: HK$147.7 million) denominated in United States dollar. The remaining balances are mainly denominated in Hong Kong dollar.

35 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets in the consolidated statement of financial position include available-for-sale financial assets, financial assets at fair value through profit or loss, derivative financial instruments, trade receivables, loan and other receivables and cash and bank balances. All these financial assets are carried at amortized cost using the effective interest method as "loans and receivables" except for the "available-for-sale financial assets", "financial assets at fair value through profit or loss" and "derivative financial instruments" which are carried at fair value.

Financial liabilities in the consolidated statement of financial position include borrowings, trade payables, derivative financial instruments, loan and other payables. All these financial liabilities are carried at amortized cost using the effective interest method except for the "derivative financial instruments" which are carried at fair value.

36 COMMITMENTS

(a) The outstanding commitments for capital expenditure are as follows:

	Note	2018 HK$'m	2017 HK$'m
Contracted but not provided for			
Property, plant and equipment		**402.3**	295.2
Capital contributions to/acquisitions of an associated company and joint ventures	(i)	**2,872.9**	1,656.6
Other investments		**523.0**	–
		3,798.2	1,951.8

36 COMMITMENTS (continued)

(a) The outstanding commitments for capital expenditure are as follows (continued):

(i) The Group has committed to provide sufficient funds in the form of advances, capital and loan contributions to an associated company and certain joint ventures to finance relevant projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK$2,872.9 million (2017: HK$1,656.6 million) which represents the attributable portion of the capital and loan contributions to be made to an associated company and joint ventures.

(b) The Group's share of commitments for capital expenditure committed by the joint ventures not included above are as follows:

	2018 HK$'m	2017 HK$'m
Contracted but not provided for		
Property, plant and equipment	**9,651.3**	3,737.2

(c) Commitments under operating leases

The future aggregate lease payments under non-cancellable operating leases are as follows:

	2018 HK$'m	2017 HK$'m
Buildings		
In the first year	**119.7**	128.7
In the second to fifth year inclusive	**48.9**	85.5
After the fifth year	**3.3**	3.8
	171.9	218.0

The lease terms range from 1 to 19 years.

36 COMMITMENTS (continued)

(d) Future minimum rental payments receivable

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	2018 HK$'m	2017 HK$'m
In the first year	**37.7**	32.2
In the second to fifth year inclusive	**15.7**	20.7
	53.4	52.9

The Group's operating leases terms range from 1 to 5 years.

37 FINANCIAL GUARANTEE CONTRACTS

The Group's financial guarantee contracts are as follows:

	2018 HK$'m	2017 HK$'m
Guarantees for credit facilities granted to		
Associated companies	**1,824.8**	1,938.2
Joint ventures	**2,136.8**	1,651.1
	3,961.6	3,589.3

38 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash generated from operations:

	2018 HK$'m	2017 HK$'m
Operating profit	**5,126.2**	3,433.3
Depreciation and amortization	**1,487.0**	1,202.8
Share-based payments	**–**	8.0
(Gain)/loss on remeasurement of an available-for-sale financial asset retained at fair value upon reclassification from an associated company	**(1,095.5)**	34.3
(Profit)/loss on partial disposal of an associated company	**(783.8)**	52.3
Gain on fair value of investment properties	**(93.6)**	(117.1)
Gain on fair value of derivative financial instruments	**(80.5)**	–
Profit on disposal of available-for-sale financial assets	**(48.7)**	(30.1)
Gain on restructuring of a joint venture	**–**	(454.3)
Gain on remeasurement of previously held equity interest in a joint venture	**–**	(113.1)
Profit on disposal of assets held-for-sale	**–**	(77.8)
Profit on disposal of a joint venture	**–**	(72.5)
Profit on disposal of subsidiaries	**–**	(26.3)
Interest income	**(202.3)**	(202.1)
Dividend income	**(107.5)**	(30.4)
Goodwill written off	**–**	34.1
Loss on disposal of intangible concession rights	**–**	17.4
Net exchange (gain)/loss	**(91.4)**	13.8
Other non-cash items	**(27.1)**	(38.8)
Operating profit before working capital changes	**4,082.8**	3,633.5
Decrease/(increase) in inventories	**22.1**	(2.5)
Decrease/(increase) in security deposits	**947.9**	(848.3)
Increase in trade and other receivables	**(787.0)**	(331.6)
Increase in trade and other payables	**858.6**	1,470.6
Increase in deferred income	**38.6**	19.4
Increase in balances with associated companies, joint ventures and related companies	**(36.3)**	(63.4)
Increase/(decrease) in long service payment obligations	**15.9**	(4.4)
Increase in amounts due to non-controlling interests	**16.5**	24.7
Net cash generated from operations	**5,159.1**	3,898.0

38 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Disposal of subsidiaries

	Note	2017 HK$'m
Net assets disposed		
Investment properties	16	160.6
Property, plant and equipment	17	1.8
Deferred tax assets	32	1.1
Trade and other receivables		0.7
Trade and other payables		(0.7)
Tax payable		(0.8)
		162.7
Net profit on disposal	8	26.3
		189.0
Represented by		
Cash consideration received		189.0

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans and other borrowings HK$'m	Loans from non-controlling interests HK$'m	Total HK$'m
At 1 July 2017	**9,682.7**	**46.4**	**9,729.1**
Cash flows			
Drawdown	**1,395.9**	**–**	**1,395.9**
Repayment	**(952.4)**	**(9.1)**	**(961.5)**
Translation differences	**3.3**	**1.8**	**5.1**
Other non-cash movements	**45.1**	**–**	**45.1**
At 30 June 2018	**10,174.6**	**39.1**	**10,213.7**

(d) Major non-cash transaction

In relation to the restructuring of SUEZ NWS as detailed in note 20(c), the Group injected its investments in landfill and waste treatment business in Hong Kong and Mainland China into SUEZ NWS in FY2017.

39 BUSINESS COMBINATION

(a) Acquisition of subsidiaries

On 15 November 2016, NWS Service Management Limited ("NWS Service (BVI)", a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company) and Enrich Group Limited ("Enrich", a direct wholly owned subsidiary of Chow Tai Fook Enterprises Limited ("CTF Enterprises")) entered into a sale and purchase agreement and pursuant to which, NWS Service (BVI) agreed to acquire the remaining 50% equity interest in NWS Transport (a then joint venture owned as to 50% by each of NWS Service (BVI) and Enrich) from Enrich at a total consideration of approximately HK$1,467.5 million (including adjustment to the consideration upon completion). NWS Transport Group is 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, NWS Transport Group became indirect wholly owned subsidiaries of the Company.

(b) The fair value of assets acquired and liabilities assumed as at the date of acquisition were as follows:

	Note	2017 HK$'m
Consideration		
Cash		1,467.5
Fair value of equity interest held by the Group as a joint venture before the business combination		2,361.0
		3,828.5
Recognized amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment	17	4,133.1
Intangible assets	19	69.2
Available-for-sale financial asset		7.3
Deferred tax assets	32	0.5
Inventories		85.8
Trade and other receivables		317.1
Cash and bank balances		449.9
Trade and other payables		(731.3)
Taxation		(33.2)
Borrowings		(300.0)
Deferred tax liabilities	32	(509.0)
Other non-current liabilities		(57.6)
		3,431.8
Goodwill on acquisition	19	396.7
		3,828.5

39 BUSINESS COMBINATION (continued)

(b) The fair value of assets acquired and liabilities assumed as at the date of acquisition were as follows (continued):

	HK$'m
Consideration settled in cash	(1,467.5)
Cash and cash equivalents in subsidiaries acquired	449.9
Cash outflow on acquisition	(1,017.6)

(c) The Group recognized a gain of HK$113.1 million as a result of remeasuring its 50% equity interest in NWS Transport held before the business combination. The gain was included in other income/gains in the consolidated income statement for FY2017.

(d) If the acquisition had occurred on 1 July 2016, consolidated revenue and consolidated profit for FY2017 would have been increased by HK$1,840.7 million and HK$112.6 million respectively.

Notes to the Financial Statements

40 RELATED PARTY TRANSACTIONS

(a) The following is a summary of significant related party transactions during the year carried out in the normal course of the Group's business:

	Note	2018 HK$'m	2017 HK$'m
Transactions with affiliated companies	(i)		
Provision of construction work services	(ii)	**–**	417.8
Provision of other services	(iii)	**3.5**	4.7
Interest income	(iv)	**89.9**	100.0
Management fee income	(v)	**6.8**	14.4
Rental and other related expenses	(vi)	**(7.6)**	(9.4)
Other expenses	(viii)	**(532.1)**	(479.7)
Transactions with other related parties	(i)		
Provision of construction work services	(ii)	**9,208.7**	9,720.4
Provision of other services	(iii)	**64.1**	43.6
Rental and other related expenses	(vi)	**(54.1)**	(49.8)
Mechanical and electrical engineering services	(vii)	**(1,224.3)**	(944.8)
Other expenses	(viii)	**(155.2)**	(156.3)

(i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD, CTF Enterprises as well as Mr Doo Wai Hoi, William ("Mr Doo") and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is a substantial shareholder of NWD. Mr Doo is the Vice-chairman and a non-executive director of NWD and is the father of Mr William Junior Guilherme Doo, a non-executive director of the company.

(ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts.

(iii) The Group provided various kinds of services including facilities management, property management and other services to certain affiliated companies and related parties. The services were provided and charged in accordance with the relevant contracts.

(iv) Interest income was charged at interest rates as specified in notes 20, 21 and 25 on the outstanding balances due from the affiliated companies.

(v) Management fee was charged at rates in accordance with the relevant contracts.

(vi) Rental and other related expenses were charged at rates in accordance with the respective tenancy agreements.

(vii) Mechanical and electrical engineering services were charged in accordance with the relevant contracts.

(viii) Other expenses include purchase of construction materials, laundry, security and guarding, landscaping, cleaning, property management and other services. The services were charged in accordance with the relevant contracts.

40 RELATED PARTY TRANSACTIONS (continued)

(b) Key management compensation

No significant compensation arrangement has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 15.

(c) On 29 September 2017, CTF Enterprises, Healthcare Ventures Holdings Limited ("Healthcare Ventures", a direct wholly owned subsidiary of CTF Enterprises), New World Strategic Investment Limited ("New World Strategic", a direct wholly owned subsidiary of NWD), Smart Future Investments Limited ("Smart Future", an indirect wholly owned subsidiary of New World Strategic), NWS Service Management Limited ("NWS Service", a direct wholly owned subsidiary of the Company), Dynamic Ally Limited ("Dynamic Ally", an indirect wholly owned subsidiary of NWS Service) and Healthcare Assets Management Limited ("Healthcare Assets") entered into an amended and restated joint venture agreement to regulate the respective rights and obligations of Healthcare Ventures, Smart Future and Dynamic Ally towards the management of Healthcare Assets, following the subscription of shares in Healthcare Assets by Smart Future. Upon completion of the subscription, the entire issued share capital of Healthcare Assets is owned as to 30%, 40% and 30% by Healthcare Ventures, Smart Future and Dynamic Ally respectively. The Group ceased its joint control in Healthcare Assets. Accordingly, the investment in Healthcare Assets was thereafter accounted for as an associated company. Pursuant to the amended and restated joint venture agreement, Healthcare Ventures, Smart Future and Dynamic Ally intend to invest an aggregate amount of up to HK$780 million in Healthcare Assets.

(d) On 8 June 2018, NWS CON (an indirect wholly owned subsidiary of the Company) entered into the SP Agreement with Sherman Drive (a direct wholly owned subsidiary of NWD) in respect of the sale of Hip Seng Group by NWS CON to Sherman Drive through the sale of the entire issued share capital of Celestial Path on and subject to the terms and conditions contained in the SP Agreement. Total consideration for the disposal was HK$168 million and the gain on disposal amounted to approximately HK$66 million will be recognized in FY2019. Completion of the disposal took place on 21 August 2018.

(e) The amounts of outstanding balances with associated companies, joint ventures and non-controlling interests are disclosed in notes 20, 21, 25, 33 and 34.

41 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

42 ULTIMATE HOLDING COMPANY

The directors regard NWD, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as being the ultimate holding company. The Company is held by NWD and certain of its subsidiaries.

43 COMPANY STATEMENT OF FINANCIAL POSITION

	2018 HK$'m	2017 HK$'m
ASSETS		
Non-current assets		
Property, plant and equipment	**12.3**	10.4
Subsidiaries	**7,893.4**	7,893.4
Other non-current asset	**3.3**	3.3
	7,909.0	7,907.1
Current assets		
Trade and other receivables	**39,803.7**	36,250.6
Cash and bank balances	**921.4**	1,169.1
	40,725.1	37,419.7
Total assets	**48,634.1**	45,326.8
EQUITY		
Share capital	**3,896.5**	3,888.3
Reserves	**35,007.1**	34,390.2
Total equity	**38,903.6**	38,278.5
LIABILITIES		
Current liabilities		
Trade and other payables	**9,730.5**	7,048.3
Total liabilities	**9,730.5**	7,048.3
Total equity and liabilities	**48,634.1**	45,326.8

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

43 COMPANY STATEMENT OF FINANCIAL POSITION (continued)

Reserves

HK$'m	Share premium	Contributed surplus	Special reserves	Revenue reserve	Total
At 1 July 2017	**17,521.8**	**237.3**	**208.3**	**16,422.8**	**34,390.2**
Profit for the year	**–**	**–**	**–**	**6,079.0**	**6,079.0**
Dividends	**–**	**–**	**–**	**(5,569.8)**	**(5,569.8)**
Share options					
Share premium on new shares issued	**107.7**	**–**	**–**	**–**	**107.7**
At 30 June 2018	**17,629.5**	**237.3**	**208.3**	**16,932.0**	**35,007.1**
At 1 July 2016	16,840.4	237.3	199.8	9,610.2	26,887.7
Issue of new shares as scrip dividends	615.8	–	–	–	615.8
Profit for the year	–	–	–	9,427.0	9,427.0
Dividends	–	–	–	(2,614.4)	(2,614.4)
Share options					
Share premium on new shares issued	65.6	–	–	–	65.6
Value of services provided					
Company	–	–	5.6	–	5.6
Subsidiaries	–	–	2.4	–	2.4
Associated company	–	–	0.1	–	0.1
Joint ventures	–	–	0.4	–	0.4
At 30 June 2017	17,521.8	237.3	208.3	16,422.8	34,390.2

The contributed surplus of the Company represents the difference between the nominal value of the ordinary share capital issued by the Company and the consolidated net asset value of the subsidiaries acquired at the date of acquisition pursuant to the group reorganization implemented in 1997. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

Special reserves mainly include capital redemption reserve and share option reserve.

44 PRINCIPAL SUBSIDIARIES

The directors of the Company were of the view that as at 30 June 2018, there was no individual subsidiary that had non-controlling interests that were material to the Group.

	Issued and fully paid share capital[#] Number	Amount HK$	Approximate percentage of shares held by the Group	Principal activities
Incorporated and operate in Hong Kong				
Anway Limited	1	1	100.0	Duty free operation and general trading
Billionoble Investment Limited	4,998	4,998	100.0	Investment holding
	2*	2	100.0	
Bounty Gain Limited	1	1	100.0	Investment holding
Cheering Step Investments Limited	1	1	100.0	Investment holding
Chinese Future Limited	1,300,000,000	1,300,000,000	100.0	Investment holding
CiF Solutions Limited	10	1,000	100.0	Provision of information technology solutions
	160,000*	16,000,000	100.0	
Citybus Limited	37,500,000	376,295,750	100.0	Provision of franchized and non-franchized bus services
Dynamic Ally Limited	1	1	100.0	Investment holding
Grace Crystal Limited	1	1	100.0	Investment holding
Grand Express International Limited	1	1	100.0	Investment holding
Hip Hing Builders Company Limited	40,000	40,000,000	100.0	Construction
	10,000*	10,000,000	100.0	
Hip Hing Construction Company Limited	400,000	40,000,000	100.0	Construction and civil engineering
	600,000*	60,000,000	100.0	
Hip Hing Engineering Company Limited	2,000,000	200,000,000	100.0	Building construction
Hip Seng Builders Limited[##]	20,000	20,000,000	100.0	Construction
Hip Seng Construction Company Limited[##]	1	1	100.0	Construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	3	100.0	Management of HKCEC
	1*	1	100.0	
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	100.0	Investment holding
Kiu Lok Property Services (China) Limited	2	2	100.0	Property agency management and consultancy
	2*	2	100.0	
New Advent Limited	1	1	100.0	Property investment
New World Construction Company Limited[##]	1	1	100.0	Construction
New World Construction Management Company Limited[##]	1	1	100.0	Construction
New World Facade Engineering Company Limited[##]	1	1	100.0	Facade operation
New World-Guangdong Highway Investments Co. Limited	999,900	99,990,000	100.0	Investment holding
	100*	10,000	50.0	
New World Port Investments Limited	2	2	100.0	Investment holding

44 PRINCIPAL SUBSIDIARIES (continued)
As at 30 June 2018

	Issued and fully paid share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong (continued)				
New World (Xiamen) Port Investments Limited	2	2	100.0	Investment holding
NWS (Finance) Limited	2	2	100.0	Financial services
NWS Holdings (Finance) Limited	1	1	100.0	Financing
NWS Hong Kong Investment Limited	1	1	100.0	Investment holding
NWS Ports Management (Tianjin) Limited	1	1	100.0	Investment holding
Polytown Company Limited	2	20	100.0	Property investment, operation, marketing, promotion and management of HKCEC
	100,000*	1,000,000	100.0	
Profit Now Limited	1	1	100.0	Investment holding
Sky Connection Limited	100	100	100.0	Duty free operation and general trading
True Hope Investment Limited	299,999,998	299,999,998	100.0	Investment holding
	2*	2	100.0	
Twinic International Limited	1	1	100.0	Investment holding
Urban Parking Limited	15,000,000	15,000,000	100.0	Carpark management
Vibro Construction Company Limited	1,630,000	163,000,000	100.0	Civil engineering
	20,000*	2,000,000	100.0	
Vibro (H.K.) Limited	20,000,004	60,328,449	99.8(a)	Piling, ground investigation and civil engineering
Wisemec Enterprises Limited	2	2	100.0	Investment holding

44 PRINCIPAL SUBSIDIARIES (continued)
As at 30 June 2018

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operates in Hong Kong				
NWS Service Management Limited	1,323,943,165	HK$0.10	100.0	Investment holding
Incorporated in the Cayman Islands				
Chinese Future Corporation	1,000,000	US$0.01	100.0	Investment holding
Incorporated in the British Virgin Islands and operate in Hong Kong				
Bellwood Group Limited	100	US$1	100.0	Investment holding
Best Star (BVI) Investments Limited	1	US$1	100.0	Investment holding
Creative Profit Group Limited	1	US$1	100.0	Investment holding
Economic Velocity Limited	1	US$1	100.0	Investment holding
Great Start Group Corporation	1	US$1	100.0	Investment holding
Hetro Limited	101	US$1	100.0	Investment holding
Lucky Strong Limited	1	US$1	100.0	Investment holding
Noonday Limited	100	US$1	100.0	Investment holding
New World First Bus Services Limited	200,000,000	HK$1	100.0	Provision of franchized bus services
New World First Ferry Services Limited	1	US$1	100.0	Provision of ferry services
NWS Financial Management Services Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Management Limited	2	US$1	100.0	Investment holding
NWS Infrastructure Roads Limited	1	US$1	100.0	Investment holding
NWS Ports Management Limited	2	US$1	100.0	Investment holding
NWS Transport Services Limited	500,000,016	HK$1	100.0	Investment holding
Incorporated in the British Virgin Islands				
Beauty Ocean Limited	1	US$1	100.0	Investment holding
Flying Gravity Limited	1	US$1	100.0	Investment holding
Fortland Ventures Limited	1	US$1	100.0	Investment holding
Gravy Train Investments Limited	1	US$1	100.0	Investment holding
Ideal Global International Limited	1	US$1	100.0	Investment holding
Moscan Developments Limited	1	US$1	100.0	Investment holding
Natal Global Limited	1	US$1	100.0	Investment holding
NWS CON Limited	1	HK$1	100.0	Investment holding
NWS Construction Limited	190,000	US$0.1	100.0	Investment holding
	8,125**	US$0.1	–	
	6,791***	US$0.1	–	
NWS Infrastructure Bridges Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Power Limited	1	US$1	100.0	Investment holding
NWS Infrastructure Water Limited	1	US$1	100.0	Investment holding
Pure Cosmos Limited	1	US$1	100.0	Investment holding
Right Heart Associates Limited	4	US$1	100.0	Investment holding
Righteous Corporation	1	US$1	100.0	Investment holding
Stockfield Limited	1	US$1	100.0	Investment holding

44 PRINCIPAL SUBSIDIARIES (continued)
As at 30 June 2018

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
^ Chaoming (Chongqing) Investment Company Limited	US$78,000,000	100.0	Investment holding
^ Guangdong Xin Chuan Co., Ltd.	RMB714,853,600	100.0	Investment holding
@ Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.	US$320,590,000	100.0	Operation of toll road
+ Shanxi Xinda Highways Ltd.	RMB49,000,000	60.0 (b)	Operation of toll road
+ Shanxi Xinhuang Highways Ltd.	RMB56,000,000	60.0 (b)	Operation of toll road
+ Wuzhou Xinwu Highways Limited	RMB72,000,000	52.0 (c)	Operation of toll road
^ Xiamen NWS Management Consultancy Limited	US$500,000	100.0	Management consultation
Incorporated and operate in Macau			
Hip Hing Engineering (Macau) Company Limited	MOP100,000	100.0	Construction
Vibro (Macau) Limited	MOP1,000,000	99.8 (a)	Foundation works

Ordinary shares, unless otherwise stated
Company classified as assets held-for-sale/liabilities directly associated with assets held-for-sale
* Non-voting deferred shares
** Redeemable, non-convertible and non-voting A preference shares
*** Redeemable, non-convertible and non-voting B preference shares
^ Registered as wholly foreign owned enterprises under PRC law
@ Registered as sino-foreign equity joint venture under PRC law
+ Registered as sino-foreign cooperative joint venture under PRC law

(a) The approximate percentage of shares held by non-controlling interests is 0.2%

(b) Cash sharing ratio of 90% (percentage for non-controlling interest is 10%) for the first 12 years from the operation date and thereafter 60% (percentage for non-controlling interest is 40%)

(c) Profit sharing percentage (percentage for non-controlling interest is 48%)

45 PRINCIPAL ASSOCIATED COMPANIES

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2018 is as follows:

	Issued and fully paid share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
GHK Hospital Limited	10	10	40.0	Healthcare
Healthcare Assets Management Limited	10	20,177,194	30.0	Healthcare
Joy Fortune Investments Limited	10,000	10,000	50.0	Investment holding
Quon Hing Concrete Company Limited	200,000	20,000,000	50.0	Production and sales of ready-mixed concrete
Yargoon Company Limited	150,000	15,000,000	42.0	Stone quarrying
Shougang Concord International Enterprises Company Limited	18,963,723,510	7,576,945,623	10.0(b)	Investment holding
Incorporated in Hong Kong and operates in Greater China				
SUEZ NWS Limited	20,256,429	5,134,005,207	42.0	Investment holding and operation of water, wastewater and waste management businesses

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Island and operates in Hong Kong				
VMS Private Investment Partners III Limited	1,500*	US$0.01	–	Securities investment
	611**	US$0.01	100.0(a)	
Incorporated in the British Virgin Islands				
VMS Private Investment Partners II Limited	2,500*	US$0.01	–	Securities investment
	1,745**	US$0.01	100.0(a)	
Incorporated in Bermuda and operates in Hong Kong				
Wai Kee Holdings Limited	793,124,034	HK$0.10	27.0	Construction

45 PRINCIPAL ASSOCIATED COMPANIES (continued)

The list of principal associated companies which are accounted for by the equity method of accounting as at 30 June 2018 is as follows (continued):

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operates in Hong Kong and Mainland China				
UMP Healthcare China Limited	100	US$0.01	20.0	Healthcare
Incorporated in Cyprus and operates in South Africa				
Tharisa plc	260,240,839	US$0.001	15.58(b)	Platinum group metals and chrome mining, processing and trading

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Chongqing Silian Optoelectronics Science And Technology Co., Ltd.	RMB500,000,000	20.0(c)	Manufacturing and sale of sapphire substrate and wafer, LED packaging and application
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	39.0(d)	Operation of gasoline station
Hubei Suiyuenan Expressway Co., Ltd.	RMB1,770,000,000	30.0(c)	Operation of toll road
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	18.0(b),(c)	Operation of container terminal
Xiamen Container Terminal Group Co., Ltd.	RMB2,436,604,228	20.0(c)	Operation of container terminals
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	25.0(d)	Operation of toll road

Ordinary shares, unless otherwise stated

* Voting, non-participating, non-redeemable management shares

** Non-voting, redeemable participating shares

(a) The directors of the Company considered the Group has significant influence over these companies through its representative on the investment committee which governs the relevant activities

(b) The directors of the Company considered the Group has significant influence over these companies through its representatives on the board of directors of these companies

(c) Percentage of equity interest

(d) Percentage of interest in ownership and profit sharing

46 PRINCIPAL JOINT VENTURES

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2018 is as follows:

	Amount of fully paid capital	Approximate percentage of attributable interest to the Group	Principal activities
Incorporated and operate in Mainland China			
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	RMB580,000,000	25.0(a)	Operation of toll road
China United International Rail Containers Co., Limited	RMB4,200,000,000	30.0(b)	Operation of rail container terminals and related business
Chongqing Suyu Business Development Company Limited	RMB650,000,000	50.0(a)	Investment holding
Guangzhou Northring Freeway Company Limited	US$19,255,000	65.3(a),(d)	Operation of toll road
Guangzhou Oriental Power Co., Ltd.	RMB990,000,000	25.0(b)	Generation and supply of electricity
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB613,361,800	35.0(b)	Wholesale, assembling and storage of fuel
Guodian Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	35.0(a)	Generation and supply of electricity
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	50.0(a)	Investment holding
Tianjin Xinzhan Expressway Company Limited	RMB2,539,100,000	60.0(c),(d)	Operation of toll road

	Issued and fully paid share capital[#]		Approximate percentage of shares held by the Group	Principal activities
	Number	Amount HK$		
Incorporated and operate in Hong Kong				
ATL Logistics Centre Hong Kong Limited	100,000'A'	100,000	56.0(d)	Operation of cargo handling and storage facilities
	20,000'B'**	20,000	79.6	
	54,918*	54,918	–	
First Star Development Limited	100	100	50.0	Property development
Supertime Holdings Limited	100	100	50.0	Property development
Tate's Cairn Tunnel Investment Holdings Company Limited	1,100,000	1,100,000	29.5	Investment holding
Wincon International Limited	300,000,000	300,000,000	50.0	Investment holding

46 PRINCIPAL JOINT VENTURES (continued)

The list of principal joint ventures which are accounted for by the equity method of accounting as at 30 June 2018 is as follows (continued):

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the British Virgin Islands				
DP World New World Limited	2,000	US$1	50.0	Investment holding
Silverway Global Limited	2	US$1	50.0	Investment holding
Success Concept Investments Limited	1,000	US$1	90.0(d)	Investment holding
Incorporated and operates in the Netherlands				
Hyva I B.V.	19,000	EUR1	50.0	Manufacturing and supply of components used in hydraulic loading and unloading systems

	Issued share capital#		Approximate percentage of shares held by the Group	Principal activities
	Number	Par value per share		
Incorporated in the Cayman Islands and operate globally				
Goshawk Aviation Limited	362,026,264 preference shares	US$0.001	50.0	Commercial aircraft leasing
Goshawk Management Holdings (Cayman) Limited	100	US$1	50.0	Commercial aircraft leasing management

\# Ordinary shares, unless otherwise stated

* Non-voting deferred shares

** Non-voting preference shares

(a) Percentage of interest in ownership and profit sharing

(b) Percentage of equity interest

(c) Cash sharing ratio of 90% for the first 15 years from the operation date and thereafter 60%

(d) The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these joint ventures

Independent Auditor's Review Report

pwc 羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF NWS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 58, which comprises the condensed consolidated statement of financial position of NWS Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2018 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 February 2019

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Condensed Consolidated Income Statement – Unaudited

	Note	For the six months ended 31 December 2018 HK$'m	2017 HK$'m
Revenue	5	**14,188.0**	18,076.9
Cost of sales		**(12,671.4)**	(16,134.5)
Gross profit		**1,516.6**	1,942.4
Other income/gains (net)	6	**476.7**	594.9
General and administrative expenses		**(634.5)**	(720.7)
Operating profit	7	**1,358.8**	1,816.6
Finance costs		**(210.7)**	(165.4)
Share of results of			
Associated companies	5(b)	**596.2**	352.2
Joint ventures	5(b)	**899.9**	909.9
Profit before income tax		**2,644.2**	2,913.3
Income tax expenses	8	**(353.5)**	(409.7)
Profit for the period		**2,290.7**	2,503.6
Attributable to			
Shareholders of the Company		**2,274.3**	2,478.1
Non-controlling interests		**16.4**	25.5
		2,290.7	2,503.6
Earnings per share attributable to the shareholders of the Company	9		
Basic and diluted		**HK$0.58**	HK$0.64

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	For the six months ended 31 December	
	2018	2017
	HK$'m	HK$'m
Profit for the period	**2,290.7**	2,503.6
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss		
Fair value changes on financial assets at fair value through other comprehensive income	**(36.4)**	–
Revaluation of property, plant and equipment upon transfer to investment properties	**–**	26.4
Items that have been reclassified/may be subsequently reclassified to profit or loss		
Fair value changes on available-for-sale financial assets	**–**	91.6
Release of reserve upon disposal of available-for-sale financial assets	**–**	2.7
Release of reserve upon disposal of subsidiaries	**0.1**	–
Release of reserve upon partial disposal of an associated company	**(14.1)**	–
Release of reserve upon deregistration of subsidiaries	**–**	(61.1)
Share of other comprehensive income of associated companies and joint ventures	**6.9**	12.1
Cash flow hedges	**(222.0)**	41.8
Currency translation differences	**(1,316.5)**	1,233.0
Other comprehensive (loss)/income for the period, net of tax	**(1,582.0)**	1,346.5
Total comprehensive income for the period	**708.7**	3,850.1
Total comprehensive income attributable to		
Shareholders of the Company	**696.8**	3,831.1
Non-controlling interests	**11.9**	19.0
	708.7	3,850.1

Condensed Consolidated Statement of Financial Position – Unaudited

	Note	(Unaudited) At 31 December 2018 HK$'m	(Audited) At 30 June 2018 HK$'m
ASSETS			
Non-current assets			
Investment properties	10	**1,726.5**	1,693.3
Property, plant and equipment	11	**5,497.2**	5,370.3
Intangible concession rights	12	**10,556.0**	11,491.9
Intangible assets	13	**735.2**	753.6
Associated companies	14	**14,593.6**	13,763.0
Joint ventures	15	**13,901.0**	15,008.3
Financial assets at fair value through other comprehensive income	16	**3,526.6**	–
Financial assets at fair value through profit or loss	17	**3,241.3**	–
Available-for-sale financial assets	18	**–**	6,556.6
Other non-current assets		**870.8**	870.4
		54,648.2	55,507.4
Current assets			
Inventories		**482.2**	461.9
Trade and other receivables	19	**14,343.6**	12,148.7
Cash and bank balances		**7,275.6**	6,656.6
		22,101.4	19,267.2
Assets held-for-sale	20	**–**	3,364.0
Total assets		**76,749.6**	78,138.6

Condensed Consolidated Statement of Financial Position – Unaudited

	Note	(Unaudited) At 31 December 2018 HK$'m	(Audited) At 30 June 2018 HK$'m
EQUITY			
Share capital	21	**3,902.7**	3,896.5
Reserves	22	**45,346.6**	46,053.5
Shareholders' funds		**49,249.3**	49,950.0
Non-controlling interests		**185.6**	173.8
Total equity		**49,434.9**	50,123.8
LIABILITIES			
Non-current liabilities			
Borrowings	23	**10,081.0**	9,139.6
Deferred tax liabilities		**2,355.1**	2,490.2
Other non-current liabilities		**168.0**	176.9
		12,604.1	11,806.7
Current liabilities			
Borrowings	23	**2,734.4**	1,035.0
Trade and other payables	24	**11,325.9**	11,384.2
Taxation		**650.3**	575.8
		14,710.6	12,995.0
Liabilities directly associated with assets held-for-sale	20	**–**	3,213.1
Total liabilities		**27,314.7**	28,014.8
Total equity and liabilities		**76,749.6**	78,138.6

Condensed Consolidated Statement of Changes in Equity – Unaudited

		For the six months ended 31 December 2018						
		Shareholders' funds						
HK$'m	Note	Share capital	Share premium	Revenue reserve	Other reserves	Total	Non-controlling interests	Total
At 30 June 2018		3,896.5	17,629.5	27,518.3	905.7	49,950.0	173.8	50,123.8
Impact on initial adoption of HKFRS 9	3(a)(iii)	–	–	414.0	(104.0)	310.0	–	310.0
At 1 July 2018, restated		3,896.5	17,629.5	27,932.3	801.7	50,260.0	173.8	50,433.8
Total comprehensive income for the period		–	–	2,276.8	(1,580.0)	696.8	11.9	708.7
Contributions by/(distribution to) owners								
Dividend paid to								
Shareholders of the Company	25	–	–	(1,794.7)	–	(1,794.7)	–	(1,794.7)
Non-controlling interests		–	–	–	–	–	(0.1)	(0.1)
Share options								
Nominal value of new shares issued		6.2	–	–	–	6.2	–	6.2
Share premium on new shares issued		–	81.0	–	–	81.0	–	81.0
Transfer		–	–	(2.4)	2.4	–	–	–
Total transactions with owners		6.2	81.0	(1,797.1)	2.4	(1,707.5)	(0.1)	(1,707.6)
At 31 December 2018		3,902.7	17,710.5	28,412.0	(775.9)	49,249.3	185.6	49,434.9

Condensed Consolidated Statement of Changes in Equity – Unaudited

		For the six months ended 31 December 2017						
		Shareholders' funds						
HK$'m	Note	Share capital	Share premium	Revenue reserve	Other reserves	Total	Non-controlling interests	Total
At 1 July 2017		3,888.3	17,521.8	27,002.4	644.6	49,057.1	217.9	49,275.0
Total comprehensive income for the period		–	–	2,480.7	1,350.4	3,831.1	19.0	3,850.1
Contributions by/(distribution to) owners								
Dividend paid to								
Shareholders of the Company	25	–	–	(4,322.9)	–	(4,322.9)	–	(4,322.9)
Non-controlling interests		–	–	–	–	–	(0.1)	(0.1)
Share options								
Nominal value of new shares issued		6.2	–	–	–	6.2	–	6.2
Share premium on new shares issued		–	81.8	–	–	81.8	–	81.8
Repayment of capital to a non-controlling shareholder		–	–	–	–	–	(16.5)	(16.5)
Total transactions with owners		6.2	81.8	(4,322.9)	–	(4,234.9)	(16.6)	(4,251.5)
At 31 December 2017		3,894.5	17,603.6	25,160.2	1,995.0	48,653.3	220.3	48,873.6

Condensed Consolidated Statement of Cash Flows – Unaudited

	Note	For the six months ended 31 December 2018 HK$'m	2017 HK$'m
Cash flows from operating activities			
Net cash generated from operations	28(a)	**1,861.5**	1,654.0
Finance costs paid		**(146.7)**	(134.7)
Interest received		**127.3**	92.4
Hong Kong profits tax paid		**(227.8)**	(216.6)
Mainland China and overseas taxation paid		**(82.3)**	(116.3)
Net cash generated from operating activities		**1,532.0**	1,278.8
Cash flows from investing activities			
Dividends received from associated companies and joint ventures		**946.0**	1,029.0
Increase in investments in and advances to associated companies		**(316.3)**	(233.4)
Increase in investments in and advances to joint ventures		**(2,469.4)**	(494.7)
Additions of intangible concession rights and property, plant and equipment		**(429.9)**	(226.2)
Additions of financial assets at fair value through profit or loss		**(652.8)**	–
Additions of available-for-sale financial assets		**–**	(303.5)
Disposal of financial assets at fair value through profit or loss		**631.4**	–
Disposal of available-for-sale financial assets		**–**	208.0
Disposal of assets held-for-sale	20	**168.0**	–
Disposal of subsidiaries, net of cash disposed	28(c)	**142.9**	–
Disposal of associated companies		**86.8**	–
Disposal of intangible concession rights and property, plant and equipment		**62.7**	2.7
Dividends received from financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss		**64.1**	–
Dividends received from available-for-sale financial assets		**–**	35.2
Decrease in short-term bank deposits maturing after more than three months		**–**	2.5
Net cash (used in)/from investing activities		**(1,766.5)**	19.6

Condensed Consolidated Statement of Cash Flows – Unaudited

	For the six months ended 31 December	
	2018 HK$'m	2017 HK$'m
Cash flows from financing activities		
Issuance of new shares from share options exercised	**87.2**	88.0
New bank loans and other borrowings	**4,504.7**	3,286.5
Repayment of bank loans and other borrowings	**(1,890.0)**	(425.1)
Capital repayment to a non-controlling shareholder	**–**	(16.5)
Dividends paid to shareholders of the Company	**(1,794.7)**	(4,322.9)
Dividends paid to non-controlling interests	**(0.1)**	(0.1)
Decrease in loans from non-controlling interests	**(2.3)**	(8.5)
Net cash from/(used in) financing activities	**904.8**	(1,398.6)
Net increase/(decrease) in cash and cash equivalents	**670.3**	(100.2)
Cash and cash equivalents at the beginning of the period	**6,643.2**	6,436.8
Currency translation differences	**(51.3)**	70.1
Cash and cash equivalents at the end of the period	**7,262.2**	6,406.7
Analysis of cash and cash equivalents		
Cash and bank balances	**7,275.6**	6,420.8
Short-term bank deposits maturing after more than three months	**(13.4)**	(14.1)
	7,262.2	6,406.7

Notes to Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION

NWS Holdings Limited is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

(a) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and

(b) the investment in and/or operation of facilities, duty free shops, healthcare, construction, transport and strategic investments.

The Company has its listing on the Main Board of the Hong Kong Stock Exchange.

The unaudited condensed consolidated interim financial statements (the "interim financial statements") were approved for issuance by the board of directors of the Company (the "Board") on 26 February 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2018 ("FY2018").

The accounting policies used in the preparation of the interim financial statements are consistent with those set out in the annual report for FY2018 except as described in note 2(a) and (b) below.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(a) Adoption of new standard, amendments to standards and interpretation

During the Current Period, the Group has adopted the following new standard, amendments to standards and interpretation which are relevant to the Group's operations and are mandatory for the financial year ending 30 June 2019 ("FY2019"):

HKFRS 9	Financial Instruments
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 15 (Amendments)	Clarification to HKFRS 15
HKAS 40 (Amendments)	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
HKFRSs Amendments	Annual Improvements to HKFRSs 2014-2016 Cycle

Except for HKFRS 9 as detailed in note 2(b) below, the adoption of the above amendments to standards and interpretation has no material effect on the results and financial position of the Group.

(b) Adoption of Hong Kong Financial Reporting Standard 9 "Financial Instruments"

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

Classification of debt assets will be driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if (i) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows; and (ii) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments either measured at cost less impairment losses or fair value under HKAS 39 must now be recognized at fair value and their gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investment in debt instruments, the classification will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group adopted transitional provisions which do not require to restate comparative figures. The reclassifications and adjustments arising from implementation of new standard are therefore not reflected in the condensed consolidated statement of financial position as at 30 June 2018, but are recognized in the opening condensed consolidated statement of financial position as at 1 July 2018. Details of the change in accounting policy are set out in note 3.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

The following new standards, amendments to standards and interpretation are mandatory for accounting period beginning on or after 1 July 2019 or later periods but which the Group has not early adopted:

HKFRS 16	Leases
HKFRS 17	Insurance Contracts
HKFRS 3 (Amendments)	Business Combinations
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKAS 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKAS 1 and HKAS 8 (Amendments)	Amendments to Definition of Material
HKFRSs Amendments	Annual Improvements to HKFRSs 2015-2017 Cycle
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group has already commenced an assessment of the likely impact of adopting the above new standards, amendments to standards and interpretation, in which the preliminary assessment of HKFRS 16 "Leases" ("HKFRS 16") is detailed below.

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 recognized 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 12 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 statements of financial position. As for the financial performance impact in the statements of comprehensive income, straight-line depreciation expenses on the right-of-use assets and the interest expenses on the financial liabilities are recognized and no rental expenses will be recognized. The combination of a straight-line depreciation of the right-of-use assets and the effective interest rate method applied to the financial liabilities will result in a higher total charge to income statements in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

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

The Group has already commenced an assessment of the impact of other new standards, amendments to standards and interpretation, 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.

3. CHANGE IN ACCOUNTING POLICY

As explained in note 2(b) above, the Group has adopted HKFRS 9 which resulted in change in accounting policy used in the preparation of the consolidated financial statements. As allowed in the transitional provision in HKFRS 9 (2014), comparative figures are not restated.

(a) Investments and other financial assets

(i) Classification and measurement at initial recognition

From 1 July 2018, the Group classifies its financial assets as those to be measured subsequently at fair value (either through OCI, or through profit or loss) and those to be measured at amortized cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in OCI or profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as FVOCI where assets that are held for collection of contractual cash flows and for selling the financial assets which cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses, interest income and foreign exchange gains or losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognized in profit or loss using the effective interest rate method. The Group classifies its debt instruments at FVPL if the instruments do not meet the criteria for amortized cost or FVOCI. A gain or loss on a debt instrument is recognized in profit or loss in the period in which it arises.

3. CHANGE IN ACCOUNTING POLICY (continued)

(a) Investments and other financial assets (continued)

(ii) Subsequent measurement (continued)

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends income from such investments is recognized in profit or loss when the Group's right to receive payments is established. Changes in fair value of financial assets at FVPL are recognized in profit or loss.

(iii) The following table shows the adjustments recognized for each individual financial statement line item. Financial statement line items that were not affected by the changes have not been included.

		As at 30 June 2018 HK$'m	Upon adoption of HKFRS 9 HK$'m	As at 1 July 2018 HK$'m
Condensed consolidated statement of financial position (extract)				
Non-current assets				
Available-for-sale financial assets	(note)	6,556.6	(6,556.6)	–
Financial assets at FVPL	(note)	–	3,305.5	3,305.5
Financial assets at FVOCI	(note)	–	3,561.1	3,561.1
Equity				
Reserves	(note)	46,053.5	310.0	46,363.5
– Investment revaluation reserve		(874.8)	874.8	–
– FVOCI reserve		–	(978.8)	(978.8)
– Revenue reserve		27,518.3	414.0	27,932.3

Note: On 1 July 2018, the Group reclassified its equity and debt instruments (previously classified as available-for-sale financial assets under HKAS 39) to either financial assets at FVPL or financial assets at FVOCI as shown above. The reclassification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Certain listed securities were reclassified from available-for-sale financial assets to financial assets at FVOCI. Fair value losses previously recognized in investment revaluation reserve were reclassified to FVOCI reserve or revenue reserve. In addition, impairment losses of HK$410.4 million previously recognized in revenue reserve were reclassified to FVOCI reserve. Fair value gains of HK$310.0 million were recognized in FVOCI reserve on 1 July 2018 upon the adoption of HKFRS 9.

Apart from the above, certain equity investments (primarily relating to investment funds) previously classified as equity securities are reclassified as debt securities upon adoption of HKFRS 9.

3. CHANGE IN ACCOUNTING POLICY (continued)

(b) Impairment of financial assets

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with trade and other receivables, amounts receivables from associated companies and joint ventures. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The adoption of new impairment model has no material effect on the results of operations and financial position of the Group.

(c) Hedging

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The adoption of new hedge accounting rules has no material impact on the Group's accounting for hedging relationship.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk.

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's FY2018 annual financial statements.

There has been no significant change in any risk management policies since the last year end.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(b) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

(i) 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. Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.

(ii) 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.

(iii) The carrying values of bank balances, receivables, payables and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

(iv) The following table presents the Group's financial instruments that are measured at fair value at 31 December 2018 and 30 June 2018 respectively:

- 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).

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(b) Fair value estimation (continued)

(iv) (continued)

At 31 December 2018:

HK$'m	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at FVOCI				
Equity securities	**2,971.3**	**321.2**	**–**	**3,292.5**
Debt securities	**234.1**	**–**	**–**	**234.1**
Financial assets at FVPL				
Equity securities	**–**	**48.5**	**210.1**	**258.6**
Debt securities	**–**	**1,406.0**	**1,576.7**	**2,982.7**
Derivative financial instruments	**–**	**1.1**	**–**	**1.1**
	3,205.4	**1,776.8**	**1,786.8**	**6,769.0**
Liabilities				
Derivative financial instruments	**–**	**(46.4)**	**(10.2)**	**(56.6)**

At 30 June 2018:

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVPL				
Trading securities	0.1	–	–	0.1
Available-for-sale financial assets				
Equity securities	3,009.6	1,194.7	1,197.6	5,401.9
Debt securities	234.2	704.2	216.3	1,154.7
Derivative financial instruments	–	16.4	–	16.4
	3,243.9	1,915.3	1,413.9	6,573.1
Liabilities				
Derivative financial instruments	–	(4.9)	(13.1)	(18.0)

There were no transfers of financial assets between Level 1 and Level 2 fair value hierarchy classifications.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)

(b) Fair value estimation (continued)

(iv) (continued)

The following table presents the changes/transfers in Level 3 financial instruments for the Current Period:

HK$'m	Available-for-sale financial assets	Financial assets at FVOCI	Financial assets at FVPL	Derivative financial liabilities
At 30 June 2018	1,413.9	–	–	(13.1)
Impact on initial adoption of HKFRS 9	(1,413.9)	317.3	1,406.6	–
At 1 July 2018, restated	–	317.3	1,406.6	(13.1)
Transfer (to)/from Level 2	–	(317.3)	415.9	–
Translation differences	–	–	(8.3)	–
Additions	–	–	652.8	–
Disposals	–	–	(631.4)	–
(Loss)/gain recognized in the condensed consolidated income statement	–	–	(48.8)	2.9
At 31 December 2018	–	–	1,786.8	(10.2)

5. REVENUE AND SEGMENT INFORMATION

The Group's revenue is analyzed as follows:

	For the six months ended 31 December	
	2018 **HK$'m**	2017 HK$'m
Roads	**1,288.5**	1,328.3
Aviation	**161.6**	–
Facilities Management	**2,093.7**	3,577.4
Construction & Transport	**10,644.2**	13,171.2
	14,188.0	18,076.9

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the businesses of the Group from product and service perspectives, which comprised (i) Roads; (ii) Environment; (iii) Logistics; (iv) Aviation; (v) Facilities Management; (vi) Construction & Transport; and (vii) Strategic Investments.

The Executive Committee assesses the performance of the operating segments based on a measure of attributable operating profit (including share of results from associated companies and joint ventures). This measurement basis excludes the effects of corporate office and non-operating items. Corporate interest income, finance costs and expenses are not allocated to segments.

5. REVENUE AND SEGMENT INFORMATION (continued)

(a) The information of the reportable segments provided to the Executive Committee for the Current Period is as follows:

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport		Strategic Investments	Total	
For the six months ended 31 December 2018										
Total revenue	1,288.5	–	–	161.6	2,095.6	10,644.2		–	14,189.9	
Inter-segment	–	–	–	–	(1.9)	–		–	(1.9)	
Revenue – external	1,288.5	–	–	161.6	2,093.7	10,644.2	(i)	–	14,188.0	
Recognized at a point in time	1,288.5	–	–	161.6	1,391.6	1,732.1		–	4,573.8	
Recognized over time	–	–	–	–	702.1	8,912.1		–	9,614.2	
Attributable operating profit										
Company and subsidiaries	515.7	15.6	–	44.0	27.4	389.5	(i)	(48.1)	944.1	
Associated companies	92.4	376.5	71.7	–	(183.9)	238.2		9.6	604.5	(b)
Joint ventures	340.4	57.5	266.8	187.8	9.7	1.7		19.4	883.3	(b)
	948.5	449.6	338.5	231.8	(146.8)	629.4		(19.1)	2,431.9	
Reconciliation – corporate office and non-operating items										
Gain on fair value of investment properties									33.7	
Gain on disposal of projects, net of tax									180.8	
Interest income									20.9	
Finance costs									(172.6)	
Expenses and others									(220.4)	
Profit attributable to shareholders									2,274.3	

(i) The amounts include revenue of HK$1,825.5 million and attributable operating loss of HK$26.0 million from the Group's Transport business.

5. REVENUE AND SEGMENT INFORMATION (continued)

(a) The information of the reportable segments provided to the Executive Committee for the Current Period is as follows (continued):

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Consolidated
For the six months ended 31 December 2018										
Depreciation	13.5	-	-	-	52.9	216.7	-	283.1	3.0	286.1
Amortization of intangible concession rights	416.3	-	-	-	-	-	-	416.3	-	416.3
Amortization of intangible assets	-	-	-	-	15.6	0.9	-	16.5	-	16.5
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	28.2	-	-	-	50.6	347.4	-	426.2	3.7	429.9
Interest income	22.1	29.8	-	1.0	28.5	10.3	24.4	116.1	20.9	137.0
Finance costs	-	-	-	-	0.4	37.7	-	38.1	172.6	210.7
Income tax expenses	220.5	9.9	0.1	2.9	26.8	91.7	0.8	352.7	0.8	353.5
As at 31 December 2018										
Company and subsidiaries	12,208.3	405.1	-	8,568.8	4,623.4	13,514.5	4,647.7	43,967.8	4,287.2	48,255.0
Associated companies	2,434.8	5,022.4	2,011.8	-	1,232.4	2,024.4	1,864.3	14,590.1	3.5	14,593.6
Joint ventures	4,635.9	2,970.5	2,985.7	2,049.6	17.0	2.2	1,279.7	13,940.6	(39.6)	13,901.0
Total assets	19,279.0	8,398.0	4,997.5	10,618.4	5,872.8	15,541.1 (i)	7,791.7	72,498.5	4,251.1	76,749.6
Total liabilities	2,991.0	41.4	0.3	0.4	1,123.6	10,660.4 (i)	40.7	14,857.8	12,456.9	27,314.7

(i) The balances include total assets of HK$5,898.8 million and total liabilities of HK$1,789.9 million from the Group's Transport business.

5. REVENUE AND SEGMENT INFORMATION (continued)

(a) The information of the reportable segments provided to the Executive Committee for the Current Period is as follows (continued):

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport		Strategic Investments	Total	
For the six months ended 31 December 2017										
Total revenue	1,328.3	–	–	–	3,578.7	13,171.2		–	18,078.2	
Inter-segment	–	–	–	–	(1.3)	–		–	(1.3)	
Revenue – external	1,328.3	–	–	–	3,577.4	13,171.2	(i)	–	18,076.9	
Recognized at a point in time	1,328.3	–	–	–	2,850.1	1,660.3		–	5,838.7	
Recognized over time	–	–	–	–	727.3	11,510.9		–	12,238.2	
Attributable operating profit										
Company and subsidiaries	616.1	7.0	–	–	102.2	542.6	(i)	42.2	1,310.1	
Associated companies	36.7	216.3	73.8	154.2	(181.8)	64.0		81.5	444.7	(b)
Joint ventures	375.0	70.5	264.7	211.0	(4.8)	–		10.9	927.3	(b)
	1,027.8	293.8	338.5	365.2	(84.4)	606.6		134.6	2,682.1	
Reconciliation – corporate office and non-operating items										
Gain on fair value of investment properties									55.0	
Gain on disposal of projects, net of tax									38.8	
Interest income									18.1	
Finance costs									(126.6)	
Expenses and others									(189.3)	
Profit attributable to shareholders									2,478.1	

(i) The amounts included revenue of HK$1,750.1 million and attributable operating profit of HK$131.0 million from the Group's Transport business.

Notes to Condensed Consolidated Interim Financial Statements

5. REVENUE AND SEGMENT INFORMATION (continued)

(a) The information of the reportable segments provided to the Executive Committee for the Current Period is as follows (continued):

HK$'m	Roads	Environment	Logistics	Aviation	Facilities Management	Construction & Transport		Strategic Investments	Segment Total	Corporate	Consolidated
For the six months ended 31 December 2017											
Depreciation	11.9	–	–	–	49.5	213.6		–	275.0	2.6	277.6
Amortization of intangible concession rights	427.4	–	–	–	–	–		–	427.4	–	427.4
Amortization of intangible assets	–	–	–	–	15.6	0.9		–	16.5	–	16.5
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	19.6	–	–	–	34.5	170.6		–	224.7	1.5	226.2
Interest income	26.4	6.5	–	0.1	19.6	2.9		26.5	82.0	18.5	100.5
Finance costs	1.7	–	–	–	0.4	36.7		0.1	38.9	126.5	165.4
Income tax expenses	224.9	48.4	–	4.4	27.3	104.2		0.2	409.4	0.3	409.7
As at 30 June 2018											
Company and subsidiaries	12,665.1	396.5	21.3	5,888.5	4,594.5	18,431.3		4,759.6	46,756.8	2,610.5	49,367.3
Associated companies	1,880.8	4,172.7	2,046.1	–	1,194.6	1,956.1		2,508.1	13,758.4	4.6	13,763.0
Joint ventures	5,205.6	3,157.6	3,021.8	2,240.5	7.4	2.5		1,354.8	14,990.2	18.1	15,008.3
Total assets	19,751.5	7,726.8	5,089.2	8,129.0	5,796.5	20,389.9	(i)	8,622.5	75,505.4	2,633.2	78,138.6
Total liabilities	2,530.9	37.7	2.4	167.1	1,199.1	14,008.6	(i)	17.6	17,963.4	10,051.4	28,014.8

(i) The balances included total assets of HK$5,441.2 million and total liabilities of HK$1,566.5 million from the Group's Transport business.

5. REVENUE AND SEGMENT INFORMATION (continued)

(b) Reconciliation of attributable operating profit from associated companies and joint ventures to the condensed consolidated income statement:

	Associated companies		Joint ventures	
	For the six months ended 31 December		For the six months ended 31 December	
HK$'m	**2018**	2017	**2018**	2017
Attributable operating profit	**604.5**	444.7	**883.3**	927.3
Corporate and non-operating items	**(8.3)**	(92.5)	**16.6**	(17.4)
Share of results of associated companies and joint ventures	**596.2**	352.2	**899.9**	909.9

(c) Information by geographical areas:

	Revenue		Non-current assets other than financial instruments, deferred tax assets and post-employment benefits assets	
	For the six months ended 31 December			
HK$'m	**2018**	2017	**At 31 December 2018**	At 30 June 2018
Hong Kong	**12,365.8**	16,407.1	**7,768.3**	7,628.5
Mainland China	**1,331.4**	1,381.5	**10,671.6**	11,598.9
Global and others	**490.8**	288.3	**75.0**	81.7
	14,188.0	18,076.9	**18,514.9**	19,309.1

The operations of the Group's Infrastructure division in Mainland China are undertaken mainly through associated companies and joint ventures, the results of which are accounted for by the equity method of accounting.

Notes to Condensed Consolidated Interim Financial Statements

5. REVENUE AND SEGMENT INFORMATION (continued)

(c) Information by geographical areas (continued):

The Group's share of revenue of associated companies and joint ventures are as follows:

	Associated companies		Joint ventures	
	For the six months ended 31 December		For the six months ended 31 December	
HK$'m	**2018**	2017	**2018**	2017
Hong Kong	**1,570.2**	1,393.2	**363.9**	425.7
Mainland China	**1,053.6**	1,267.9	**4,424.4**	5,105.0
Global and others	**660.6**	629.5	**2,622.9**	1,942.0
	3,284.4	3,290.6	**7,411.2**	7,472.7

6. OTHER INCOME/GAINS (NET)

		For the six months ended 31 December	
	Note	**2018 HK$'m**	2017 HK$'m
Profit on disposal of subsidiaries	28(b)	**140.1**	–
Profit on disposal of assets held-for-sale	20	**67.6**	–
Profit on disposal of financial assets at FVPL		**60.4**	–
Gain on fair value of investment properties	10	**33.7**	55.0
Gain on fair value of derivative financial instruments		**–**	106.8
Profit on disposal of available-for-sale financial assets		**–**	46.8
Interest income		**137.0**	100.5
Other income		**107.9**	86.6
Dividend income		**64.1**	35.2
Machinery hire income		**37.4**	48.0
Net exchange gain		**14.1**	116.0
Loss on fair value of financial assets at FVPL		**(109.2)**	–
Impairment loss on other receivables		**(22.2)**	–
Loss on partial disposal of an associated company		**(54.2)**	–
		476.7	594.9

7. OPERATING PROFIT

Operating profit of the Group is arrived at after crediting and charging the following:

		For the six months ended 31 December	
	Note	**2018 HK$'m**	2017 HK$'m
Crediting			
Gross rental income from investment properties		**31.2**	30.0
Less: outgoings		**(7.2)**	(7.4)
		24.0	22.6
Charging			
Cost of inventories sold		**1,188.4**	1,191.8
Cost of services rendered		**11,483.0**	14,942.7
Depreciation	11	**286.1**	277.6
Amortization of intangible concession rights	12	**416.3**	427.4
Amortization of intangible assets	13	**16.5**	16.5
Operating lease rental expenses — properties		**133.2**	129.1

8. INCOME TAX EXPENSES

Hong Kong profits tax is provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the Current Period. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the Current Period at the rates of tax prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2017: 12% to 25%). Withholding tax on dividends is mainly provided at the rate of 5% or 10% (2017: 5% or 10%).

The amount of income tax charged to the condensed consolidated income statement represents:

	For the six months ended 31 December	
	2018 HK$'m	2017 HK$'m
Current income tax		
Hong Kong profits tax	**121.0**	118.6
Mainland China and overseas taxation	**289.6**	264.7
Deferred income tax (credit)/charge	**(57.1)**	26.4
	353.5	409.7

Share of taxation of associated companies and joint ventures of HK$73.8 million (2017: HK$65.6 million) and HK$206.1 million (2017: HK$237.5 million) respectively are included in the condensed consolidated income statement as share of results of associated companies and joint ventures respectively.

Dividends withholding tax of HK$57.3 million (2017: HK$51.2 million) is included in the above income tax charge.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the Current Period is based on earnings of HK$2,274.3 million (2017: HK$2,478.1 million) and on the weighted average of 3,898,457,613 (2017: 3,891,289,900) ordinary shares outstanding during the Current Period.

The calculation of diluted earnings per share for the Current Period is as follows:

	For the six months ended 31 December	
	2018 HK$'m	2017 HK$'m
Profit attributable to shareholders of the Company and for calculation of basic and diluted earnings per share	**2,274.3**	2,478.1

	Number of shares For the six months ended 31 December	
	2018	2017
Weighted average number of shares for calculating basic earnings per share	**3,898,457,613**	3,891,289,900
Effect of dilutive potential ordinary shares		
Share options	**2,246,547**	1,199,867
Weighted average number of shares for calculating diluted earnings per share	**3,900,704,160**	3,892,489,767

10. INVESTMENT PROPERTIES

HK$'m	Note	**Commercial properties in Hong Kong**	**Commercial properties in Macau**	**Residential properties in Mainland China**	**Total**
At 1 July 2018		**1,648.0**	**30.9**	**14.4**	**1,693.3**
Fair value changes	6	**33.0**	**0.7**	**–**	**33.7**
Translation differences		**–**	**–**	**(0.5)**	**(0.5)**
At 31 December 2018		**1,681.0**	**31.6**	**13.9**	**1,726.5**

The investment properties were revalued on 31 December 2018 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited and Savills (Macau) Limited. Valuations for properties were based on market value assessment or the income approach.

11. PROPERTY, PLANT AND EQUIPMENT

HK$'m	Note	Land and properties	Other plant and equipment	Construction in progress	Buses, vessels and other motor vehicles	Total
Cost						
At 1 July 2018		**1,359.6**	**2,363.9**	**85.4**	**3,586.0**	**7,394.9**
Additions		**–**	**70.3**	**164.1**	**195.5**	**429.9**
Disposals		**–**	**(31.4)**	**–**	**(21.1)**	**(52.5)**
Disposal of subsidiaries	28(b)	**–**	**(2.6)**	**–**	**–**	**(2.6)**
Transfers		**–**	**0.7**	**(91.2)**	**90.5**	**–**
Translation differences		**–**	**(7.0)**	**–**	**(0.1)**	**(7.1)**
At 31 December 2018		**1,359.6**	**2,393.9**	**158.3**	**3,850.8**	**7,762.6**
Accumulated depreciation and impairment						
At 1 July 2018		**113.4**	**1,446.6**	**–**	**464.6**	**2,024.6**
Depreciation	7	**31.1**	**100.2**	**–**	**154.8**	**286.1**
Disposals		**–**	**(29.8)**	**–**	**(9.9)**	**(39.7)**
Disposal of subsidiaries	28(b)	**–**	**(1.6)**	**–**	**–**	**(1.6)**
Translation differences		**–**	**(3.9)**	**–**	**(0.1)**	**(4.0)**
At 31 December 2018		**144.5**	**1,511.5**	**–**	**609.4**	**2,265.4**
Net book value						
At 31 December 2018		**1,215.1**	**882.4**	**158.3**	**3,241.4**	**5,497.2**
At 30 June 2018		1,246.2	917.3	85.4	3,121.4	5,370.3

12. INTANGIBLE CONCESSION RIGHTS

	Note	HK$'m
Cost		
At 1 July 2018		**19,143.8**
Disposals		**(125.5)**
Translation differences		**(761.9)**
At 31 December 2018		**18,256.4**
Accumulated amortization and impairment		
At 1 July 2018		**7,651.9**
Amortization	7	**416.3**
Disposals		**(64.4)**
Translation differences		**(303.4)**
At 31 December 2018		**7,700.4**
Net book value		
At 31 December 2018		**10,556.0**
At 30 June 2018		11,491.9

13. INTANGIBLE ASSETS

HK$'m	Note	Goodwill	Operating right and others	Total
Cost				
At 1 July 2018		**424.0**	**636.4**	**1,060.4**
Disposals		**(1.9)**	**–**	**(1.9)**
At 31 December 2018		**422.1**	**636.4**	**1,058.5**
Accumulated amortization and impairment				
At 1 July 2018		**15.4**	**291.4**	**306.8**
Amortization	7	**–**	**16.5**	**16.5**
At 31 December 2018		**15.4**	**307.9**	**323.3**
Net book value				
At 31 December 2018		**406.7**	**328.5**	**735.2**
At 30 June 2018		408.6	345.0	753.6

14. ASSOCIATED COMPANIES

	Note	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Group's share of net assets			
Listed shares – Hong Kong	(a)	**2,544.3**	2,303.2
Listed shares – Overseas	(a)	**864.7**	875.3
Unlisted shares	(b), (c), (d)	**8,442.5**	8,374.9
		11,851.5	11,553.4
Goodwill		**374.6**	390.2
Amounts receivable		**2,367.5**	1,819.4
	(e)	**14,593.6**	13,763.0

(a) As at 31 December 2018, the carrying amount represents the Group's investments in Wai Kee Holdings Limited, Shougang Concord International Enterprises Company Limited ("Shougang Concord") and Tharisa plc. The share of market value of the Group's listed associated companies amounts to HK$1,748.1 million (30 June 2018: HK$1,648.6 million).

(b) As at 31 December 2018, the carrying amount mainly represents the Group's investments in various infrastructure, ports, healthcare, strategic investments and other projects. Among which the Group has participating interests and holds for investment purpose in certain investment companies amounted to HK$341.5 million (30 June 2018: HK$1,148.9 million), whose assets mainly comprise financial assets at FVPL, loans and receivables. The Group's share of attributable operating loss of these investment companies for the Current Period amounted to HK$9.9 million (2017: attributable operating profit of HK$71.2 million).

(c) As at 31 December 2018, the Group has provided a pledge over its 30% equity interest in Hubei Suiyuenan Expressway with carrying amount of approximately HK$1.4 billion as security for a bank loan of Hubei Suiyuenan Expressway.

(d) The share of results for the Current Period included a share of a one-off fair value gain from SUEZ NWS, an associated company of the Group, amounted to approximately HK$232.5 million arising from remeasurement of interests previously held in a joint venture of SUEZ NWS. Such joint venture has been accounted by SUEZ NWS as a subsidiary with effect from July 2018.

(e) Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies. Management is of the view that there is no impairment of the Group's investments in associated companies as at 31 December 2018.

15. JOINT VENTURES

	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Co-operative joint ventures		
Cost of investment less provision	**1,398.9**	1,480.6
Goodwill	**86.2**	86.2
Share of undistributed post-acquisition results	**1,945.5**	2,106.8
Amounts receivable	**16.7**	20.5
	3,447.3	3,694.1
Equity joint ventures		
Group's share of net assets	**4,525.7**	4,862.0
Goodwill	**87.2**	87.2
	4,612.9	4,949.2
Companies limited by shares		
Group's share of net assets	**3,270.6**	3,414.2
Goodwill	**156.5**	163.5
Amounts receivable	**2,638.2**	3,011.2
Amounts payable	**(224.5)**	(223.9)
	5,840.8	6,365.0
	13,901.0	15,008.3

As at 31 December 2018, the carrying amount mainly represents the Group's investments in various infrastructure, ports, logistics, commercial aircraft leasing and other projects. Management is of the view that there is no impairment of the Group's investment in joint ventures as at 31 December 2018.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Equity securities listed in Hong Kong	**2,971.3**	–
Debt securities listed in Hong Kong	**234.1**	–
Unlisted equity securities	**321.2**	–
	3,526.6	–

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Unlisted equity securities	**258.6**	–
Unlisted debt securities	**2,982.7**	–
	3,241.3	–

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Equity securities listed in Hong Kong	**–**	3,009.6
Debt securities listed in Hong Kong	**–**	234.2
Unlisted equity securities	**–**	2,392.3
Unlisted debt securities	**–**	920.5
	–	6,556.6

19. TRADE AND OTHER RECEIVABLES

	Note	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Trade receivables	(a)	**1,826.7**	2,451.2
Other receivables, deposits and prepayments	(b)	**3,663.1**	3,522.4
Retention money receivables		**1,668.4**	1,891.4
Contract assets		**128.3**	36.9
Derivative financial instruments		**1.1**	16.4
Amounts due from associated companies		**16.3**	51.3
Amounts due from joint ventures		**7,039.7**	4,179.1
		14,343.6	12,148.7

(a) The ageing analysis of trade receivables based on invoice date is as follows:

	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Under 3 months	**1,669.9**	2,305.6
4 to 6 months	**53.5**	33.0
Over 6 months	**103.3**	112.6
	1,826.7	2,451.2

The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Retention money receivables in respect of construction services are settled in accordance with the terms of respective contracts.

(b) The balance includes construction related receivables amounted to HK$2,880.5 million (30 June 2018: HK$2,469.8 million) which have not yet been billed at period/year end.

20. ASSETS HELD-FOR-SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD-FOR-SALE

On 8 June 2018, NWS CON Limited ("NWS CON", an indirect wholly owned subsidiary of the Company) entered into a conditional sale and purchase agreement ("SP Agreement") with Sherman Drive Limited ("Sherman Drive", a direct wholly owned subsidiary of NWD) in respect of the sale of Hip Seng Group by NWS CON to Sherman Drive through the sale of the entire issued share capital of Celestial Path on and subject to the terms and conditions contained in the SP Agreement. Total consideration for the disposal was HK$168.0 million and the gain on disposal was HK$67.6 million (note 6). Completion of the disposal took place on 21 August 2018. Assets and liabilities of the Hip Seng Group were reclassified as held-for-sale as at 30 June 2018.

21. SHARE CAPITAL

	Ordinary shares	
	No. of shares	**HK$'m**
Authorized		
At 1 July 2018 and 31 December 2018	**6,000,000,000**	**6,000.0**
Issued and fully paid		
At 1 July 2018	**3,896,506,451**	**3,896.5**
Exercise of share options	**6,169,989**	**6.2**
At 31 December 2018	**3,902,676,440**	**3,902.7**

Share Option Scheme

The share option scheme of the Company (the "Share Option Scheme"), 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 the Company. 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 the Company in issue as at 21 November 2011, i.e. 3,388,900,598 shares.

21. SHARE CAPITAL (continued)

Share Option Scheme (continued)

Movements in the number of share options during the Current Period are as follows:

	Number of options
At 1 July 2018	**41,241,393**
Exercised	**(6,169,989)**
At 31 December 2018	**35,071,404**

(a) On 9 March 2015, 55,470,000 share options were granted to directors and certain eligible participants at the exercise price of HK$14.16 per share, which represents the average closing price of the Company's shares in the daily quotations sheets of the Hong Kong Stock Exchange for the five consecutive trading days immediately preceding 9 March 2015. Such share options will expire on 8 March 2020.

(b) Pursuant to the Share Option Scheme, the number of unexercised share options and the exercise price may be subject to adjustment in case of alteration in the capital structure of the Company. Due to the distribution of dividends of the Company in scrip form in prior years, several adjustments had been made to the number and the exercise price of outstanding share options in accordance with the Share Option Scheme in prior years. With effect from 15 May 2017, the exercise price per share of the share options granted was adjusted to HK$14.12.

(c) The share options were vested according to the Share Option Scheme and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date.

Notes to Condensed Consolidated Interim Financial Statements

22. RESERVES

HK$'m	Note	Share premium	Special reserves	Investment revaluation reserve	FVOCI reserve	Exchange reserve	Revenue reserve	Total
At 30 June 2018		17,629.5	797.6	(874.8)	–	982.9	27,518.3	46,053.5
Impact on initial adoption of HKFRS 9	3(a)(iii)	–	–	874.8	(978.8)	–	414.0	310.0
At 1 July 2018, restated		17,629.5	797.6	–	(978.8)	982.9	27,932.3	46,363.5
Profit attributable to the shareholders		–	–	–	–	–	2,274.3	2,274.3
Dividend paid to shareholders of the Company	25	–	–	–	–	–	(1,794.7)	(1,794.7)
Release of reserve upon disposal of subsidiaries		–	–	–	–	0.1	–	0.1
Release of reserve upon partial disposal of an associated company		–	–	–	–	(14.1)	–	(14.1)
Fair value changes on financial assets at FVOCI								
Group		–	–	–	(35.3)	–	–	(35.3)
Associated company		–	–	–	1.8	–	–	1.8
Joint ventures		–	–	–	(2.9)	–	–	(2.9)
Currency translation differences								
Group		–	–	–	–	(502.7)	–	(502.7)
Associated companies		–	–	–	–	(355.1)	–	(355.1)
Joint ventures		–	–	–	–	(454.2)	–	(454.2)
Share options								
Share premium on new shares issued		81.0	–	–	–	–	–	81.0
Share of other comprehensive income of associated companies and joint ventures		–	4.4	–	–	–	2.5	6.9
Cash flow hedges								
Group		–	(57.0)	–	–	–	–	(57.0)
Joint ventures		–	(165.0)	–	–	–	–	(165.0)
Transfer		–	2.4	–	–	–	(2.4)	–
At 31 December 2018		17,710.5	582.4	–	(1,015.2)	(343.1)	28,412.0	45,346.6

Special reserves include statutory reserves which are created in accordance with the relevant laws of the People's Republic of China and/or terms of the joint venture agreements of subsidiaries and joint ventures established in Mainland China and are required to be retained in the financial statements of these subsidiaries and joint ventures for specific purposes. Special reserves also include capital redemption reserve, share option reserve, property revaluation reserve and cash flow hedges reserve arising from foreign exchange forward, interest rate and fuel price swaps.

23. BORROWINGS

	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Non-current		
Unsecured long-term bank loans	**10,080.7**	9,139.2
Unsecured other borrowings	**0.3**	0.4
	10,081.0	9,139.6
Current		
Current portion of unsecured long-term bank loans	**2,360.8**	834.9
Unsecured short-term bank loans	**373.5**	200.0
Unsecured other borrowings	**0.1**	0.1
	2,734.4	1,035.0
	12,815.4	10,174.6

24. TRADE AND OTHER PAYABLES

	Note	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Trade payables	(a)	**597.0**	1,266.4
Other payables and accruals	(b)	**7,308.8**	5,814.9
Retention money payables		**1,270.5**	1,206.5
Contract liabilities		**1,947.7**	2,867.3
Amounts due to non-controlling interests		**153.0**	191.3
Derivative financial instruments		**36.5**	–
Amounts due to associated companies		**11.6**	37.6
Amounts due to joint ventures		**0.8**	0.2
		11,325.9	11,384.2

(a) The ageing analysis of trade payables based on invoice date is as follows:

	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Under 3 months	**537.4**	1,200.1
4 to 6 months	**2.3**	10.3
Over 6 months	**57.3**	56.0
	597.0	1,266.4

(b) The balance includes construction related accruals and provisions amounted to HK$4,655.9 million (30 June 2018: HK$3,449.9 million).

25. DIVIDEND

A final dividend of HK$1,794.7 million (2017: final dividend of HK$1,518.9 million and special final dividend of HK$2,804.0 million) that related to FY2018 were paid in December 2018.

On 26 February 2019, the Board has resolved to declare an interim dividend of HK$0.29 per share (2017: paid of HK$0.32 per share) for FY2019, which is payable on or about 12 April 2019 to shareholders whose names appear on the register of members of the Company on 25 March 2019. This interim dividend, amounting to HK$1,132.3 million (2017: HK$1,246.9 million), has not been recognized as liability in this interim financial information. It will be recognized in shareholders' equity in FY2019.

26. COMMITMENTS

(a) The outstanding commitments for capital expenditure are as follows:

	Note	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Contracted but not provided for			
Property, plant and equipment		**480.7**	402.3
Acquisition of a subsidiary	(i)	**21,500.0**	–
Capital contributions to/acquisitions of associated companies and joint ventures	(ii)	**1,490.0**	2,872.9
Other investments		**55.4**	523.0
		23,526.1	3,798.2

(i) On 27 December 2018, Earning Star Limited, an indirect wholly owned subsidiary of the Company, entered into a share purchase agreement to acquire the entire issued share capital of FTLife at a total consideration of HK$21.5 billion (subject to adjustments). The consideration for the acquisition will be funded by a combination of internal resources of the Group and the committed external financing from banks. FTLife is a life insurance company in Hong Kong engaged in provision for protection and savings-related life and medical insurance products. Upon completion of the acquisition, FTLife will become an indirect wholly owned subsidiary of the Company and the financial statements of FTLife will be consolidated into the financial statements of the Group.

(ii) The Group has committed to acquire or to provide sufficient funds in the form of advances, capital and loan contributions to certain associated companies and joint ventures to finance relevant projects. The Group estimates that the share of projected funds requirements of these projects would be approximately HK$1,490.0 million (30 June 2018: HK$2,872.9 million) which represents the attributable portion of the capital and loan contributions to be made to the associated companies and joint ventures.

(b) The Group's share of commitments for capital expenditure committed by the joint ventures not included above are as follows:

	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Contracted but not provided for		
Property, plant and equipment	**9,958.7**	9,651.3
Intangible concession right	**9.7**	–
	9,968.4	9,651.3

27. FINANCIAL GUARANTEE CONTRACTS

The Group's financial guarantee contracts are as follows:

	At 31 December 2018 HK$'m	At 30 June 2018 HK$'m
Guarantees for credit facilities granted to		
Associated companies	**1,706.8**	1,824.8
Joint ventures	**2,145.0**	2,136.8
	3,851.8	3,961.6

In addition, as at 31 December 2018, the Group and NWD, through their respective wholly owned subsidiaries, namely NWS Sports Development Limited ("NWS Sports") and New World Sports Development Limited ("New World Sports"), have undertaken to provide the guarantee in favour of the Government and the guarantee has been entered into as at the date of this report. Pursuant to the guarantee, NWS Sports and New World Sports jointly and severally guaranteed to the Government, as a primary obligation, the punctual, true and faithful performance and observance by KTSPL of the obligations, terms, conditions and liabilities to be performed, observed and assumed by KTSPL under the DBO Contract and any further agreement entered into between the Government and KTSPL in connection with the DBO Contract. NWS Sports, the Company, New World Sports and NWD have also entered into a deed of counter-indemnity, under which the Group's guarantee towards KTSPL is up to the extent of 25% or amounts to approximately HK$7.5 billion. KTSPL, which is held as to 25% by NWS Sports and as to 75% by New World Sports, is an associated company of the Group.

28. NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash generated from operations:

	For the six months ended 31 December	
	2018 HK$'m	2017 HK$'m
Operating profit	**1,358.8**	1,816.6
Depreciation and amortization	**718.9**	721.5
Interest income	**(137.0)**	(100.5)
Gain on fair value of derivative financial instruments	**–**	(106.8)
Gain on fair value of investment properties	**(33.7)**	(55.0)
Profit on disposal of subsidiaries	**(140.1)**	–
Profit on disposal of assets held-for-sale	**(67.6)**	–
Profit on disposal of financial assets at FVPL	**(60.4)**	–
Loss on partial disposal of an associated company	**54.2**	–
Loss on fair value of financial assets at FVPL	**109.2**	–
Impairment loss on other receivables	**22.2**	–
Profit on disposal of available-for-sale financial assets	**–**	(46.8)
Dividend income from financial assets at FVOCI and financial assets at FVPL	**(64.1)**	–
Dividend income from available-for-sale financial assets	**–**	(35.2)
Net exchange loss/(gain)	**9.1**	(61.8)
Other non-cash items	**(22.3)**	8.7
Operating profit before working capital changes	**1,747.2**	2,140.7
Decrease in security deposits	**19.6**	–
(Increase)/decrease in inventories	**(20.3)**	91.8
Decrease/(increase) in trade and other receivables	**569.1**	(1,415.4)
(Decrease)/increase in trade and other payables	**(375.2)**	793.5
Changes in balances with associated companies and joint ventures	**(33.7)**	3.9
Decrease in amounts due to non-controlling interests	**(33.5)**	(1.8)
Others	**(11.7)**	41.3
Net cash generated from operations	**1,861.5**	1,654.0

28. NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Disposal of subsidiaries

	Note	For the six months ended 31 December 2018 HK$'m
Net assets disposed		
Property, plant and equipment	11	**1.0**
Joint ventures		**56.1**
Trade and other receivables		**3.4**
Cash and bank balances		**19.2**
Trade and other payables		**(13.6)**
Tax payable		**(0.1)**
Exchange reserves		**0.1**
		66.1
Net profits on disposal	6	**140.1**
		206.2
Represented by		
Cash consideration received		**162.1**
Consideration settled by additional equity interest in an associated company of the Group	29(d)	**33.5**
Cash consideration receivable		**10.6**
		206.2

28. NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	For the six months ended 31 December 2018 HK$'m
Cash consideration received	**162.1**
Cash and bank balances disposed of	**(19.2)**
	142.9

29. RELATED PARTY TRANSACTIONS

(a) Except for those disclosed, the following is a summary of significant related party transactions during the Current Period carried out in the normal course of the Group's business:

		For the six months ended 31 December	
	Note	2018 HK$'m	2017 HK$'m
Transactions with affiliated companies	(i)		
Provision of construction work services	(ii)	**7.0**	–
Provision of other services	(iii)	**0.5**	1.7
Interest income	(iv)	**64.4**	42.4
Management fee income	(v)	**2.5**	4.3
Rental and other related expenses	(vi)	**(4.5)**	(3.4)
Other expenses	(viii)	**(126.5)**	(235.4)
Transactions with other related parties	(i)		
Provision of construction work services	(ii)	**580.0**	5,191.3
Provision of other services	(iii)	**22.3**	29.0
Rental and other related expenses	(vi)	**(15.2)**	(27.2)
Mechanical and electrical engineering services	(vii)	**(534.7)**	(261.0)
Other expenses	(viii)	**(71.6)**	(74.1)

29. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

(i) Affiliated companies include associated companies and joint ventures of the Group. Related parties are subsidiaries, associated companies and joint ventures of NWD and Chow Tai Fook Enterprises Limited ("CTF Enterprises") as well as Mr Doo Wai Hoi, William ("Mr Doo") and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is a substantial shareholder of NWD. Mr Doo is a Vice-chairman and a non-executive director of NWD and is the father of Mr William Junior Guilherme Doo, a non-executive director of the Company.

(ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts.

(iii) The Group provided various kinds of services including facilities management, property management and other services to certain affiliated companies and related parties. The services were provided and charged in accordance with the relevant contracts.

(iv) Interest income was charged at relevant interest rates on the outstanding balances due from the affiliated companies.

(v) Management fee was charged at rates in accordance with the relevant contracts.

(vi) Rental and other related expenses were charged at rates in accordance with the respective tenancy agreements.

(vii) Mechanical and electrical engineering services were charged in accordance with the relevant contracts.

(viii) Other expenses include purchase of construction materials, laundry, security and guarding, landscaping, cleaning, property management and other services. The services were charged in accordance with the relevant contracts.

(b) Key management compensation

The aggregate amounts of emoluments of the directors of the Company are as follows:

	For the six months ended 31 December	
	2018 **HK$'m**	2017 HK$'m
Remuneration	**50.8**	34.9

29. RELATED PARTY TRANSACTIONS (continued)

(c) Disposal of Hip Seng Group to NWD as detailed in note 20.

(d) On 1 November 2018, Urban Parking Limited (an indirect wholly owned subsidiary of the Company) entered into an agreement with, among others, Shougang Concord (an associated company of the Company) and 首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.*) ("Shouzhong Investment", a wholly owned subsidiary of Shougang Concord) to dispose its entire equity interest in Urban Parking Beijing (an indirect wholly owned subsidiary of the Company) to Shouzong Investment at a consideration to be settled in cash of RMB9.98 million and by the issue of 177,425,528 ordinary shares of Shougang Concord. The completion of the disposal took place on 28 December 2018. The Company recognized HK$39.4 million disposal gain (net of tax and professional fees) for the Current Period. Upon completion, the Group's shareholding in Shougang Concord increased from approximately 10.47% to approximately 11.14%.

(e) On 28 December 2018, KTSPL, which is held as to 75% by New World Sports and 25% by NWS Sports, was awarded the DBO Contract at the total construction contract sum of HK$29.993 billion. On the same day, NWD, New World Sports, the Group and NWS Sports entered into the shareholders' agreement to regulate the respective rights and obligations of New World Sports and NWS Sports towards the operation and management of KTSPL for the purpose of jointly undertaking of the Kai Tak Sports Park project. The estimated maximum funding commitment of NWS Sports in relation to KTSPL is approximately HK$0.5 billion.

As detailed in note 27, the Group provided a guarantee in favour of the Government for the obligations of KTSPL in respect of the Kai Tak Sports Park project. The Group's guarantee towards KTSPL is up to the extent of 25% or amounts to approximately HK$7.5 billion after taking into account the deed of counter-indemnity entered into between NWS Sports, the Company, New World Sports and NWD.

Further, another deed of counter-indemnity has been entered into between the Company and NWD as at the date of this report in relation to the provision of indemnity by the Company to NWD from all liabilities and claims suffered or incurred by NWD under a guarantee provided by NWD in favour of the Government for the obligations of KTSPL to the extent proportionate to 25%.

To facilitate the construction of the Kai Tak Sports Park, KTSPL and Hip Hing Engineering (an indirect wholly owned subsidiary of the Company) entered into a construction management agreement subsequent to the end of the reporting period, pursuant to which Hip Hing Engineering will provide the construction management services to KTSPL for the Kai Tak Sports Park project. The fee payable to Hip Hing Engineering as compensation for the performance of the construction management services will be a fixed amount equal to HK$1.4 billion plus a sharing by Hip Hing Engineering with KTSPL of project cost savings on a 40:60 basis.

* *For identification purposes only*

29. RELATED PARTY TRANSACTIONS (continued)

(f) The total amounts receivable from associated companies and joint ventures are HK$12,078.4 million (30 June 2018: HK$9,081.5 million). These balances are unsecured, of which HK$2,854.4 million (30 June 2018: HK$2,243.0 million) are interest bearing. These balances also include an amount of HK$197.5 million (30 June 2018: HK$197.5 million) which has been subordinated to certain indebtedness of a joint venture. The total amounts payable to associated companies, joint ventures and non-controlling interests are HK$425.1 million (30 June 2018: HK$492.1 million). These balances are unsecured and interest free.

30. EVENT SUBSEQUENT TO PERIOD END

In January 2019, the Group issued US$1.0 billion 5.75% senior perpetual capital securities. The proceeds of the capital securities are for general corporate purpose and the capital securities are listed on the Hong Kong Stock Exchange. The senior perpetual capital securities have no maturity date and the Group has the right to redeem the securities from the holders and the payments of distribution can be deferred at the discretion of the Group. The securities will be classified as equity in the consolidated financial statements of the Group.

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the Current Period's presentation.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP AND RELATED ACCOUNTANT'S REPORT (DATED AS AT 11 APRIL 2019)

The following unaudited pro forma financial information of the Enlarged Group is extracted from the major transaction circular dated 11 April 2019 and published by NWS as if the FTLife Acquisition had been completed on 31 December 2018. The unaudited pro forma financial information of the Enlarged Group give effect to the FTLife Acquisition as if it had been completed on 31 December 2018. The pro forma adjustments have been made appropriately for the purposes of such unaudited pro forma financial information pursuant to paragraph 4.29 of the Listing Rules. The unaudited pro forma financial information of the Enlarged Group do not purport to represent what the Enlarged Group's results of operations or financial position would actually have been, had the FTLife Acquisition completed on 31 December 2018, nor do they purport to project the Group's or the Enlarged Group's results of operations or financial position for any future period or any date. The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the sections entitled "*Risk Relating to the Group and its Businesses – The acquisition of FTLife is subject to the satisfaction and/or waiver (as applicable) of certain conditions which may or may not be satisfied and/or waived and the acquisition may not be successfully integrated*" and "*Recent Developments – The Group's acquisition of the entire issued share capital in FTLife*" of this Offering Circular. The basis of preparation of the unaudited pro forma financial information of the Enlarged Group, including the related notes thereto is set out in this Offering Circular.

Basis of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group

The following is the Unaudited Pro Forma Financial Information of the Enlarged Group, being the Group together with the Target Group, as if the Acquisition had been completed on 31 December 2018 for the unaudited pro forma statement of assets and liabilities.

The Unaudited Pro Forma Financial Information of the Enlarged Group is based on:

(a) the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2018 which has been extracted from the interim report of the Company for the six months ended 31 December 2018;

(b) the audited consolidated statement of financial position of the Target Group as at 31 December 2018 which has been extracted from Appendix II to this Circular; and

(c) after taking into account the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the acquisition of 100% equity interest of the Target Group might have affected the historical financial information in respect of the Group as if the Acquisition had been completed on 31 December 2018 (the "Completion Date").

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information contained in this Circular and the Accountant's Report on the Target Group as set out in Appendix II to this Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Enlarged Group as at 31 December 2018 or at any future date.

Unaudited Pro Forma Financial Information of the Enlarged Group

	Unaudited **The Group as at 31 December 2018**	*Audited* **The Target Group as at 31 December 2018**	**Unaudited Pro Forma Adjustments**			*Unaudited Pro Forma* **The Enlarged Group as at 31 December 2018**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
ASSETS						
Investment properties	1,726.5	–				1,726.5
Property, plant and equipment	5,497.2	126.2				5,623.4
Intangible concession rights	10,556.0	–				10,556.0
Intangible assets						
– Goodwill	406.7	–	4,217.1			4,623.8
– Value of in-force business	–	–	8,302.0			8,302.0
– Operating right and others	328.5	62.2				390.7
Deferred acquisition costs	–	4,851.7	(4,851.7)			–
Associated companies	14,593.6	–				14,593.6
Joint ventures	13,901.0	–				13,901.0
Financial assets at fair value through other comprehensive income	3,526.6	30,760.6	(1,410.9)			32,876.3
Financial assets at fair value through profit or loss	3,241.3	907.5				4,148.8
Other non-current assets	870.8	–				870.8
Inventories	482.2	–				482.2
Trade and other receivables	14,342.5	1,381.1	(270.5)			15,453.1
Cash and bank balances	7,275.6	2,215.3	(16,711.1)	21,500.0		14,279.8
Amounts due from intermediate holding companies	–	1,851.8	(1,851.8)			–
Amount due from the immediate holding company	–	27.4	(27.4)			–
Amounts due from fellow subsidiaries	–	9.3	(9.3)			–
Pledged deposits	–	10.0				10.0
Policy loans	–	458.4				458.4
Loans to agents	–	67.8				67.8
Investments related to unit-linked contracts	–	8,446.8				8,446.8
Derivative financial instruments	1.1	738.9	88.7			828.7
Premium receivables	–	237.7				237.7
Total assets	76,749.6	52,152.7				137,877.4

	Unaudited **The Group as at 31 December 2018**	*Audited* **The Target Group as at 31 December 2018**	**Unaudited Pro Forma Adjustments**			*Unaudited Pro Forma* **The Enlarged Group as at 31 December 2018**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
LIABILITIES						
Borrowings	12,815.4	–		21,500.0		34,315.4
Deferred tax liabilities	2,355.1	–	249.0			2,604.1
Other non-current liabilities	168.0	–				168.0
Trade and other payables	11,289.4	662.5			160.0	12,111.9
Taxation	650.3	29.6				679.9
Insurance contract liabilities	–	25,674.0				25,674.0
Investment contract liabilities	–	5.5				5.5
Liabilities related to unit-linked contracts	–	8,583.3				8,583.3
Derivative financial instruments	36.5	9.3				45.8
Interest-bearing liabilities	–	3,082.7				3,082.7
Payables to policyholders	–	1,331.9				1,331.9
Total liabilities	27,314.7	39,378.8				88,602.5

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

(1) The balances were extracted from the published interim report of the Company for the six months ended 31 December 2018. For simplification, the current and non-current classification is not presented in this Unaudited Pro Forma Financial Information.

(2) The balances were extracted from Appendix II to this Circular.

(3) The adjustment reflects the effects of the Acquisition:

	As at 31 December 2018 *HK$'million*
Net consideration payable by the Group *(note 3a)*	21,481.6
Identifiable net assets acquired and assets transferred post-Completion *(note 3b)*	(17,264.5)
Goodwill arising from the Acquisition	4,217.1

The amount of goodwill and fair value of identifiable assets and liabilities acquired on the date of completion are subject to (1) the valuation of the fair value of the identifiable assets and liabilities acquired on the date of completion and (2) the consideration adjustments upon completion of the Acquisition. In addition, intangible assets of the Target Group which were not otherwise recognised in Unaudited Pro Forma Financial Information may be recognised at their fair value upon completion of the Acquisition.

Note 3a

The net consideration payable by the Group is determined as follows:

	HK$'million
Consideration	*21,500.0*
Add: Interest accrued among the date of Share Purchase Agreement, the Completion Date and the date of relevant payments on each of the Deposit and the Prepayment as detailed in sub-section headed "Consideration" in "Letter From the Board" section	*5.6*
Less: Amount deducted for loss upon disposal of certain investments as detailed in sub-section headed "Consideration" in "Letter From the Board" section	*(24.0)*
Net consideration payable by the Group	*21,481.6*
Represented by:	
Net consideration payable by the Group settled in cash (including an amount payable to a bank to settle the outstanding bank loan obtained by the Vendor's Parent)	*21,481.6*
Increase in cash and bank balances of The Target Group upon Completion (note i)	*(4,770.5)*
Net decrease in cash and bank balances from the Enlarged Group's perspective	*16,711.1*

note i: As detailed in sub-sections headed "Pre-Completion undertakings in relation to certain intragroup transactions" and "Pre-Completion undertakings in relation to certain investments" in "Letter From the Board" section, the cash and bank balances of the Target Group is increased by approximately HK$4,770.5 million upon Completion, which represents the settlement of amounts due from Vendor's Group (approximately HK$1,888.5 million) and the proceeds from the Vendor arising from disposal of certain investments (approximately HK$2,882.0 million).

Note 3b

The identifiable net assets acquired and assets transferred post-Completion is shown below:

	HK$'million
Net asset value of the Target Group as extracted from Appendix II to this Circular	12,773.9
Increase in net asset value of the Target Group arising from the undertakings (note i)	1,200.6
Identification of VIF as detailed below, net of deferred tax (note ii)	3,201.3
Identifiable net assets acquired	17,175.8
Recognition of derivative financial assets as detailed in sub-section headed "Post-Completion undertakings in relation to certain investments" in "Letter From the Board" section	88.7
Identifiable net assets acquired and assets transferred post-Completion	17,264.5

note i: As detailed in sub-sections headed "Pre-Completion undertakings in relation to certain investments" and "Post-Completion undertakings in relation to certain investments" in "Letter From the Board" section, the Vendor has undertaken to purchase certain investments held by the Target Group at corresponding agreed value of approximately HK$2,882.0 million (as shown in Note 3a(i) above) and compensate the loss resulting from redemption upon maturity of certain bonds (classified as financial assets at fair value through other comprehensive income "FVOCI") of approximately HK$26.8 million. The carrying value of those investments is approximately HK$1,708.2 million (which comprised of FVOCI of approximately HK$1,437.7 million and related interest/dividend receivables classified as trade and other receivables of approximately HK$270.5 million) as at 31 December 2018. Accordingly, the net asset value of the Target Group is increased by approximately HK$1,200.6 million arising from the undertakings.

note ii: In assessing the fair value of net identifiable assets and liabilities acquired, the Directors of the Company, based on the best information available, identified an intangible asset and its related deferred tax liability of approximately HK$8,302.0 million and HK$249.0 million respectively, which represents the value of in-force business ("VIF") of the Target Group as at 31 December 2018. The fair value of the VIF has taken into account the deferred acquisition costs of approximately HK$4,851.7 million recognised by the Target Group as such amount would form part of the VIF upon completion of the Acquisition.

Other than the above, for the purpose of this Unaudited Pro Forma Financial Information, it was assumed that the carrying amounts of other identifiable assets and liabilities of the Target Group approximated to their fair values.

(4) The adjustment represents the banking facilities available to the Group of approximately HK$21.5 billion as at the Completion Date for financing of the Acquisition.

(5) The adjustment represents the transaction, legal and professional fees to be included which is directly attributable to the Acquisition.

(6) No adjustment has been made to reflect any trading results or other transactions of the Enlarged Group subsequent to 31 December 2018.

REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of NWS Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of NWS Holdings Limited ("NWS") and its subsidiaries (collectively the "NWS Group"), and FTLife Insurance Company Limited and its subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors of NWS for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-7 of the circular of NWS dated 11 April 2019, in connection with the proposed acquisition of the Target Group (the "Transaction") by the NWS Group. The applicable criteria on the basis of which the directors of NWS have compiled the Unaudited Pro Forma Financial Information are described on pages IV-4 to IV-7.

The Unaudited Pro Forma Financial Information has been compiled by the directors of NWS to illustrate the impact of the Transaction on the NWS Group's financial position as at 31 December 2018 as if the Transaction had taken place at 31 December 2018. As part of this process, information about the NWS Group's financial position has been extracted by the directors of NWS from the NWS Group's condensed consolidated interim financial information for the six months ended 31 December 2018, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of NWS are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of NWS have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of NWS in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of NWS on the basis stated;

(b) such basis is consistent with the accounting policies of the NWS Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 11 April 2019

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