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

Interim Results Announcement 2018/2019

RESULTS

The board of Directors (the "Board") of New World Development Company Limited (新世界發展有限公司) (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2018 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT - UNAUDITED

		For the six months ended 31 December	
		2018	2017
	Note	**HK$m**	HK$m
Revenues	3	**49,267.1**	27,935.4
Cost of sales		**(33,993.4)**	(17,749.0)
Gross profit		**15,273.7**	10,186.4
Other income		**70.1**	41.8
Other (losses)/gains, net		**(115.8)**	1,144.7
Selling and marketing expenses		**(1,339.9)**	(442.0)
Expenses of department store's operation		**(1,028.9)**	(1,135.2)
Administrative and other operating expenses		**(2,980.7)**	(2,809.8)
Changes in fair value of investment properties		**6,341.7**	7,167.9
Operating profit	4	**16,220.2**	14,153.8
Financing income		**854.4**	678.2
Financing costs		**(1,136.6)**	(1,007.6)
		15,938.0	13,824.4
Share of results of			
Joint ventures		**945.8**	1,357.1
Associated companies		**708.4**	546.7
Profit before taxation		**17,592.2**	15,728.2
Taxation	5	**(4,084.3)**	(3,097.7)
Profit for the period		**13,507.9**	12,630.5
Attributable to:			
Shareholders of the Company		**11,284.4**	11,269.9
Holders of perpetual capital securities		**271.1**	269.5
Non-controlling interests		**1,952.4**	1,091.1
		13,507.9	12,630.5
Interim dividend of HK$0.14 per share (2017: HK$0.14 per share)		**1,430.1**	1,413.9
Earnings per share (HK$)	6		
Basic		**1.11**	1.15
Diluted		**1.10**	1.14

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

	For the six months ended 31 December	
	2018	2017
	HK$m	HK$m
Profit for the period	**13,507.9**	12,630.5
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Fair value changes of equity investments as financial assets at fair value through other comprehensive income	**(156.2)**	-
Revaluation of investment properties upon reclassification from property, plant and equipment and land use rights	**5.7**	3,357.9
- deferred tax arising from revaluation thereof	**(1.4)**	-
Items that had been reclassified/may be reclassified subsequently to profit or loss		
Fair value changes of available-for-sale financial assets	**-**	105.3
Release of reserve upon disposal of available-for-sale financial assets	**-**	(48.4)
Release of reserves upon disposal of subsidiaries	**0.6**	-
Release of reserve upon partial disposal of interests in an associated company	**(14.1)**	-
Release of reserve upon deregistration of subsidiaries	**(11.3)**	(61.1)
Share of other comprehensive income of joint ventures and associated companies	**(959.0)**	763.2
Cash flow hedges	**(222.0)**	41.8
Translation differences	**(3,823.2)**	4,206.9
Other comprehensive income for the period	**(5,180.9)**	8,365.6
Total comprehensive income for the period	**8,327.0**	20,996.1
Attributable to:		
Shareholders of the Company	**6,598.1**	18,944.1
Holders of perpetual capital securities	**271.1**	269.5
Non-controlling interests	**1,457.8**	1,782.5
	8,327.0	20,996.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	**As at 31 December 2018 HK$m**	As at 30 June 2018 HK$m
ASSETS			
Non-current assets			
Investment properties		**160,200.7**	149,727.7
Property, plant and equipment		**30,566.6**	29,940.2
Land use rights		**990.8**	1,064.0
Intangible concession rights		**10,470.6**	11,403.5
Intangible assets		**3,668.3**	3,782.0
Interests in joint ventures		**50,046.6**	49,135.8
Interests in associated companies		**25,366.5**	24,708.2
Available-for-sale financial assets		**-**	11,778.8
Held-to-maturity investments		**-**	46.0
Financial assets at fair value through profit or loss		**7,189.4**	684.3
Financial assets at fair value through other comprehensive income		**6,124.4**	-
Derivative financial instruments		**23.7**	88.6
Properties for development		**31,212.5**	19,656.2
Deferred tax assets		**658.0**	749.3
Other non-current assets		**11,826.5**	6,635.1
		338,344.6	309,399.7
Current assets			
Properties under development		**37,015.2**	37,171.0
Properties held for sale		**22,121.3**	42,301.2
Inventories		**876.6**	831.5
Debtors, prepayments and contract assets	7	**28,437.1**	25,519.6
Derivative financial instruments		**1.1**	19.5
Restricted bank balances		**151.8**	67.7
Cash and bank balances		**51,838.7**	63,388.4
		140,441.8	169,298.9
Non-current assets classified as assets held for sale	8	**2,484.9**	2,756.2
		142,926.7	172,055.1
Total assets		**481,271.3**	481,454.8

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

	Note	**As at 31 December 2018 HK$m**	As at 30 June 2018 HK$m
EQUITY			
Share capital		**77,628.8**	77,525.9
Reserves		**141,815.6**	138,724.0
Shareholders’ funds		**219,444.4**	216,249.9
Perpetual capital securities		**9,451.8**	9,451.8
Non-controlling interests		**30,068.1**	29,480.2
Total equity		**258,964.3**	255,181.9
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**118,484.3**	120,123.6
Deferred tax liabilities		**10,074.0**	10,287.9
Derivative financial instruments		**477.9**	365.6
Other non-current liabilities		**655.9**	806.5
		129,692.1	131,583.6
Current liabilities			
Creditors, accrued charges and contract liabilities	9	**52,229.4**	65,059.0
Current portion of long-term borrowings		**19,126.2**	11,851.5
Short-term borrowings		**10,964.1**	8,777.6
Derivative financial instruments		**64.3**	-
Current tax payable		**10,222.5**	8,992.4
		92,606.5	94,680.5
Liabilities directly associated with non-current assets classified as assets held for sale	8	**8.4**	8.8
		92,614.9	94,689.3
Total liabilities		**222,307.0**	226,272.9
Total equity and liabilities		**481,271.3**	481,454.8

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") for the six months ended 31 December 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules"). The Interim Financial Statements should be read in conjunction with the 30 June 2018 annual financial statements.

The accounting policies used in the preparation of these Interim Financial Statements are consistent with those set out in the annual report for the year ended 30 June 2018 except as described in note 1 (a) and (b) below.

The Company presented an expense item in relation to department store's operation in the condensed consolidated income statement during this period, so as to align the management's view that department store operation is a separate function of the Group and enhance the comparability of the Company's financial statements with other companies. The comparative figures have been reclassified to conform with the current period's presentation.

(a) Adoption of new standard, amendments to standards and interpretation

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:

HKFRS 9	Financial Instruments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 - Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) - Interpretation 22	Foreign Currency Transactions and Advance Consideration
HKFRSs Amendments	Annual Improvements to HKFRSs 2014-2016 Cycle

Save for the impact of adoption of Hong Kong Financial Reporting Standard 9 "Financial Instruments" ("HKFRS 9") disclosed in note 1(b) and note 2, the adoption of other amendments to standards and interpretation does not have significant effect on the results and financial position of the Group.

The Group has elected to early adopt HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") for the year ended 30 June 2018 because the new accounting standard provides more reliable and relevant information for users to assess the amounts, timing and uncertainty of revenue and cash flows. The related impact of adoption of HKFRS 15 was included in the 30 June 2018 annual financial statements.

(b) Adoption of HKFRS 9

HKFRS 9 as issued by the HKICPA is effective for the financial year beginning on or after 1 January 2018.

The Group has adopted HKFRS 9 for the year ending 30 June 2019. HKFRS 9 has replaced the provision of HKAS 39 that relates 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.

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

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

As allowed in the transitional provision in HKFRS 9 (2014), comparative figures is not restated. The reclassifications and the adjustments arising from the implementation of new standard are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognised in the opening consolidated statement of financial position as at 1 July 2018. The effects of the adoption of HKFRS 9 are set out in note 2 below.

1. Basis of preparation and accounting policies (Continued)

(c) New standards, amendments to standards and interpretation which are not yet effective

The following new standards, amendments to standards and interpretation are mandatory for accounting periods 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
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK (IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments
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 Hong Kong Financial Reporting Standard 16 "Leases" ("HKFRS 16") is detailed below.

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

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

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

2. Changes in accounting policy

As explained in note 1 above, the Group has adopted HKFRS 9 from 1 July 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. As allowed in the transitional provision in HKFRS 9 (2014), comparative figures is not restated.

Classification and measurement of financial instruments

From 1 July 2018, the Group classifies its financial assets as those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss) and those to be measured at amortised 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 fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Except for trade debtors that do not have a significant financing component, at initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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 recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised 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 amortised cost or FVOCI. A gain or loss on a debt instrument is recognised profit or loss in the period in which it arises.

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 continue to be recognised in profit or loss when the Group's right to receive payments is established. Changes in fair value of financial assets at FVPL are recognised in profit or loss.

Impairment of financial assets

A new expected credit loss ("ECL") impairment model has been introduced which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how the Group measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for trade debtors and contract assets that do not have a significant financing component. On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade debtors and contract assets with no significant financing components), unless the assets are considered credit impaired. The Group has applied the simplified approach to recognise lifetime ECL for its trade debtors and contract assets and considers the remaining financial assets have low credit risk and hence expects to recognise 12-month ECL.

Hedge accounting

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. Changes in accounting policy (Continued)

The effect of the adoption of HKFRS 9 on the Group's financial position is as follows:

	Note	As at 30 June 2018 HK$m	Effects of the adoption of HKFRS 9 HK$m	As at 1 July 2018 HK$m
Condensed consolidated statement of financial position (extract)				
Available-for-sale financial assets	a	11,778.8	(11,778.8)	-
Financial assets at fair value through profit or loss	a	684.3	5,822.5	6,506.8
Financial assets at fair value through other comprehensive income	a	-	6,266.3	6,266.3
Held-to-maturity investments		46.0	(46.0)	-
Other non-current assets		6,635.1	46.0	6,681.1
Debtors, prepayments and contract assets	b	25,519.6	(13.1)	25,506.5
Reserves		138,724.0	133.1	138,857.1
- Investment revaluation reserve	a	1,468.1	(1,468.1)	-
- Financial assets at fair value through other comprehensive income reserve	a	-	922.5	922.5
- Retained profits	b	123,585.9	678.7	124,264.6
- Property revaluation reserve, general reserve, employees' share-based compensation reserve and exchange reserve		13,670.0	-	13,670.0
Non-controlling interests		29,480.2	120.6	29,600.8
Long-term borrowings	b	120,123.6	43.2	120,166.8

Notes:

a. 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 gains/losses previously recognised in investment revaluation reserve and impairment losses previously recognised in retained profits were reclassified to financial assets at FVOCI reserve. Fair value gains of HK$189.4 million were recognised in financial assets at FVOCI reserve on 1 July 2018 upon the adoption of HKFRS 9. Apart from the above, certain investments (primarily relating to investment funds) previously classified as equity securities are reclassified as debt securities upon adoption of HKFRS 9 as they do not meet the definition of equity securities in accordance with HKFRS 9.

b. Impairment losses of HK$568.6 million previously recognised in retained profits were reclassified to financial assets at FVOCI reserve. Fair value gains previously recognised in investment revaluation reserve of HK$166.4 million were reclassified to retained profits upon the change of investments from available-for-sale financial assets to financial assets at fair value through profit or loss. Modification on financial liabilities and increase in impairment losses on trade and other debtors of HK$56.3 million were recognised in retained profits as at 1 July 2018 upon adoption of HKFRS 9.

3. Revenues and segment information

Revenues recognised during the period are as follows:

	For the six months ended 31 December	
	2018	2017
	HK$m	HK$m
Revenues		
Property sales	**29,905.3**	9,893.6
Rental	**1,786.1**	1,344.3
Contracting	**8,910.2**	6,531.8
Provision of services	**4,600.6**	5,947.7
Infrastructure operations	**1,453.8**	1,352.6
Hotel operations	**684.3**	755.3
Department store operations	**1,733.6**	1,772.8
Others	**193.2**	337.3
Total	**49,267.1**	27,935.4

The Executive Committee of the Company, being the chief operating decision-maker, determines and reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are determined based on the afore-mentioned internal reporting and are reviewed occasionally. The Executive Committee considers the business from product and service perspectives, which comprises property development, property investment, service (including facilities management, construction & transport and strategic investments), infrastructure (including roads, environment, logistics and aviation), hotel operations, department stores and others (including telecommunications, media and technology and other strategic businesses) segments.

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

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

3. Revenues and segment information (Continued)

	Property development HK$m	Property investment HK$m	Service HK$m	Infra-structure HK$m	Hotel operations HK$m	Department stores HK$m	Others HK$m	Consolidated HK$m
For the six months ended 31 December 2018								
Total revenues	29,905.3	1,894.8	17,708.3	1,453.8	684.3	1,733.6	209.5	53,589.6
Inter-segment	-	(108.7)	(4,197.5)	-	-	-	(16.3)	(4,322.5)
Revenues-external	29,905.3	1,786.1	13,510.8	1,453.8	684.3	1,733.6	193.2	49,267.1
Revenues from contracts with customers:								
- Recognised at a point in time	29,806.4	-	3,123.7	1,453.8	252.7	1,733.6	141.7	36,511.9
- Recognised over time	98.9	-	10,387.1	-	431.6	-	51.5	10,969.1
	29,905.3	-	13,510.8	1,453.8	684.3	1,733.6	193.2	47,481.0
Revenues from other source:								
- Rental income	-	1,786.1	-	-	-	-	-	1,786.1
	29,905.3	1,786.1	13,510.8	1,453.8	684.3	1,733.6	193.2	49,267.1
Segment results	8,842.3	1,006.2	118.8	673.9	(59.4)	149.8	15.7	10,747.3
Other (losses)/gains, net (Note b)	274.9	3.0	(152.4)	14.0	-	(28.9)	(226.4)	(115.8)
Changes in fair value of investment properties	-	6,308.0	33.7	-	-	-	-	6,341.7
Unallocated corporate expenses								(753.0)
Operating profit								16,220.2
Financing income								854.4
Financing costs								(1,136.6)
								15,938.0
Share of results of								
Joint ventures	42.3	112.2	61.1	845.9	(1.1)	-	(114.6)	945.8
Associated companies	0.5	101.8	72.0	532.2	-	0.1	1.8	708.4
Profit before taxation								17,592.2
Taxation								(4,084.3)
Profit for the period								13,507.9
As at 31 December 2018								
Segment assets	111,444.5	162,908.8	24,151.6	19,183.5	16,382.9	7,850.2	11,263.4	353,184.9
Interests in joint ventures	17,024.2	10,511.3	3,346.6	10,790.1	5,452.6	-	2,921.8	50,046.6
Interests in associated companies	6,289.1	4,539.9	4,858.5	9,458.9	-	1.6	218.5	25,366.5
Unallocated assets								52,673.3
Total assets								481,271.3
Segment liabilities	29,226.7	2,443.9	14,007.5	963.5	548.8	3,659.0	2,044.3	52,893.7
Unallocated liabilities								169,413.3
Total liabilities								222,307.0
For the six months ended 31 December 2018								
Additions to non-current assets (Note a)	13,442.2	3,381.6	457.3	28.2	1,030.6	77.0	10.1	18,427.0
Depreciation and amortisation	32.3	12.6	308.3	426.9	138.7	121.3	132.6	1,172.7
Impairment charge and provision	-	-	34.0	-	-	51.8	-	85.8

3. Revenues and segment information (Continued)

	Property development HK$m	Property investment HK$m	Service HK$m	Infra-structure HK$m	Hotel operations HK$m	Department stores HK$m	Others HK$m	Consolidated HK$m
For the six months ended 31 December 2017								
Total revenues	10,395.5	1,426.9	17,496.9	1,352.6	755.3	1,772.8	386.2	33,586.2
Inter-segment	(501.9)	(82.6)	(5,017.4)	–	–	–	(48.9)	(5,650.8)
Revenues-external	9,893.6	1,344.3	12,479.5	1,352.6	755.3	1,772.8	337.3	27,935.4
Revenues from contracts with customers:								
- Recognised at a point in time	9,716.8	-	4,787.5	1,352.6	276.3	1,772.8	179.8	18,085.8
- Recognised over time	176.8	-	7,692.0	-	479.0	-	157.5	8,505.3
	9,893.6	-	12,479.5	1,352.6	755.3	1,772.8	337.3	26,591.1
Revenues from other source:								
- Rental income	-	1,344.3	-	-	-	-	-	1,344.3
	9,893.6	1,344.3	12,479.5	1,352.6	755.3	1,772.8	337.3	27,935.4
Segment results	4,601.4	785.9	397.7	702.5	(6.4)	116.4	(120.4)	6,477.1
Other (losses)/gains, net (Note b)	529.7	6.1	52.4	106.8	-	(85.6)	535.3	1,144.7
Changes in fair value of investment properties	-	7,112.9	55.0	-	-	-	-	7,167.9
Unallocated corporate expenses								(635.9)
Operating profit								14,153.8
Financing income								678.2
Financing costs								(1,007.6)
								13,824.4
Share of results of								
Joint ventures	121.1	286.7	72.2	834.8	21.5	-	20.8	1,357.1
Associated companies	3.9	175.4	(43.1)	399.3	-	(0.1)	11.3	546.7
Profit before taxation								15,728.2
Taxation								(3,097.7)
Profit for the period								12,630.5
As at 30 June 2018								
Segment assets	113,922.6	156,462.2	22,982.2	18,000.8	15,824.5	5,093.5	11,011.5	343,297.3
Interests in joint ventures	14,835.6	10,639.1	3,511.8	11,668.2	5,622.5	-	2,858.6	49,135.8
Interests in associated companies	6,360.3	4,412.5	5,618.0	8,084.6	-	1.6	231.2	24,708.2
Unallocated assets								64,313.5
Total assets								481,454.8
Segment liabilities	42,945.1	2,947.4	13,440.7	781.0	477.5	3,443.6	1,839.0	65,874.3
Unallocated liabilities								160,398.6
Total liabilities								226,272.9
For the six months ended 31 December 2017								
Additions to non-current assets (Note a)	2,228.2	4,772.3	254.0	19.6	1,501.0	117.4	376.8	9,269.3
Depreciation and amortisation	63.7	14.1	296.0	437.2	145.2	135.8	86.5	1,178.5
Impairment charge and provision	-	-	-	-	-	77.3	-	77.3

3. Revenues and segment information (Continued)

	Revenues Six months ended 31 December 2018 HK$m	**Non-current assets (Note a) As at 31 December 2018 HK$m**
Hong Kong	**34,814.5**	**146,483.7**
Mainland China	**13,821.5**	**90,379.0**
Others	**631.1**	**1,399.6**
	49,267.1	**238,262.3**

	Six months ended 31 December 2017 HK$m	As at 30 June 2018 HK$m
Hong Kong	14,230.0	132,470.3
Mainland China	13,300.8	82,742.2
Others	404.6	1,385.3
	27,935.4	216,597.8

Notes:

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

b. For the six months ended 31 December 2018, others segment included net exchange losses of HK$55.5 million (2017: net exchange gains of HK$287.0 million).

c. For the six months ended 31 December 2018, the operating profit before depreciation and amortisation, changes in fair value of investment properties and other (losses)/gains, net and after net exchange difference amounted to HK$8,766.1 million, of which HK$4,664.2 million was attributable to Hong Kong and HK$4,101.9 million was attributable to Mainland China and others.

4. Operating profit

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

	For the six months ended 31 December	
	2018	2017
	HK$m	HK$m
Net (loss)/gain on fair value of financial assets at fair value through profit or loss	**(356.1)**	25.9
(Loss)/gain on partial disposal of interests in an associated company	**(54.2)**	56.8
Net profit on disposal/liquidation of		
Available-for-sale financial assets and financial assets at fair value through profit or loss	**103.5**	108.5
Derivative financial instruments	**-**	106.8
Investment properties and property, plant and equipment	**15.5**	140.0
Subsidiaries	**316.6**	493.2
Impairment loss on		
Prepayments, deposits and other debtors	**(72.7)**	(7.9)
Property, plant and equipment	**(13.1)**	(69.4)
Write back of provision for loans and other receivables	**0.2**	3.8
Cost of inventories sold	**(21,153.0)**	(6,231.2)
Cost of services rendered	**(11,876.0)**	(10,710.5)
Depreciation and amortisation	**(1,172.7)**	(1,178.5)
Net exchange (losses)/gains	**(55.5)**	287.0

5. Taxation

	For the six months ended 31 December	
	2018	2017
	HK$m	HK$m
Current taxation		
Hong Kong profits tax	**1,460.9**	82.1
Mainland China and overseas taxation	**1,119.1**	1,271.8
Mainland China land appreciation tax	**1,368.3**	1,748.9
Deferred taxation	**136.0**	(5.1)
	4,084.3	3,097.7

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period.

Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 12% to 25% (2017: 12% to 25%). Withholding tax on dividend is mainly provided at the rate of 5% or 10% (2017: 5% or 10%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2017: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

Share of results of joint ventures and associated companies is stated after deducting the share of taxation of joint ventures and associated companies of HK$333.2 million and HK$85.0 million (2017: HK$343.1 million and HK$82.2 million) respectively.

6. Earnings per share

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

	For the six months ended 31 December	
	2018	2017
	HK$m	HK$m
Profit attributable to shareholders of the Company for calculating basic earnings per share	**11,284.4**	11,269.9
Adjustment on the effect of dilution in the results of subsidiaries	**(0.8)**	-
Profit attributable to shareholders of the Company for calculating diluted earnings per share	**11,283.6**	11,269.9

	Number of shares (million)	
	For the six months ended 31 December	
	2018	2017
Weighted average number of shares for calculating basic earnings per share	**10,207.8**	9,831.9
Effect of dilutive potential ordinary shares upon the exercise of share options	**16.9**	23.1
Weighted average number of shares for calculating diluted earnings per share	**10,224.7**	9,855.0

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (2017: Same).

7. Trade debtors

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

	As at 31 December 2018	As at 30 June 2018
	HK$m	HK$m
Current to 30 days	**2,722.4**	2,675.8
31 to 60 days	**228.9**	282.7
Over 60 days	**514.4**	497.5
	3,465.7	3,456.0

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

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

Non-current assets classified as assets held for sale

	As at 31 December 2018	As at 30 June 2018
	HK$m	HK$m
Investment properties	**669.7**	875.5
Properties for/under development and other assets classified as held for sale (note)	**1,815.2**	1,880.7
	2,484.9	2,756.2

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

	As at 31 December 2018	As at 30 June 2018
	HK$m	HK$m
Liabilities classified as held for sale (note)	**8.4**	8.8

Note:

On 1 August 2017, an agreement was entered into by a wholly owned subsidiary of the Group, New World China Land Limited ("NWCL"), in respect of disposal of its 85% owned subsidiary, Xin Zhong Real Estate Yangzhou Company Limited (engaged in the property development in Yangzhou, PRC). The transaction has not yet been completed as at period end and legal procedures are still in progress.

9. Trade creditors

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

	As at 31 December 2018 HK$m	As at 30 June 2018 HK$m
Current to 30 days	**9,562.3**	9,974.4
31 to 60 days	**471.3**	366.5
Over 60 days	**2,541.5**	2,700.0
	12,575.1	13,040.9

10. Pledge of assets

As at 31 December 2018, the assets with an aggregated amount of HK$47,401.7 million (30 June 2018: HK$61,190.9 million) were pledged as securities for certain banking facilities of the Group.

11. Financial guarantee and contingent liabilities

	As at 31 December 2018 HK$m	As at 30 June 2018 HK$m
Financial guarantee contracts:		
Mortgage facilities for certain purchasers of properties	**4,491.3**	4,477.9
Guarantees for credit facilities granted to		
Joint ventures	**2,739.7**	4,171.6
Associated companies	**1,706.8**	1,824.8
	8,937.8	10,474.3

On 28 December 2018, Kai Tak Sports Park Limited ("KTSPL"), a company held as to 75% by New World Sports Development Limited ("New World Sports") (a wholly-owned subsidiary of the Company) and 25% by NWS Sports Development Limited ("NWS Sports") (a wholly-owned subsidiary of NWS Holdings Limited ("NWSH")), was awarded a contract for the design, construction and operation of Kai Tak Sports Park (the "DBO Contract") at a total construction contract sum of HK$29.993 billion. New World Sports and NWS Sports have undertaken to provide the guarantee of 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 in favour of the Hong Kong Government.

12. Event subsequent to period end

In January 2019, an indirect non-wholly owned subsidiary of 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 Stock Exchange of Hong Kong Limited. 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 capital securities will be classified as equity in the consolidated financial statements.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.14 per share in cash for the financial year ending 30 June 2019 to shareholders whose names appear on the register of members of the Company registered on 26 March 2019. It is expected that the interim dividend will be distributed to shareholders on or about 16 April 2019.

BOOK CLOSE DATES

Book close dates (both days inclusive)	:	20 March 2019 to 26 March 2019
Latest time to lodge transfer with Share Registrar	:	4:30 pm on Tuesday, 19 March 2019
Address of Share Registrar	:	Tricor Tengis Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2018, the Company bought back a total of 23,456,000 shares of the Company on the Hong Kong Stock Exchange at an aggregate consideration of HK$249,533,480 (before expenses). All such bought back shares were subsequently cancelled during the period. As at 31 December 2018, the total number of shares of the Company in issue was 10,201,971,160.

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

Month	Number of shares bought back	Price paid per share		Aggregate consideration (before expenses)
		Highest HK$	Lowest HK$	HK$
July 2018	10,454,000	11.28	10.66	113,408,820
September 2018	6,000,000	10.92	10.62	64,512,980
October 2018	7,002,000	10.46	9.82	71,611,680
	23,456,000			249,533,480

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

During the six months ended 31 December 2018, the Company has not redeemed any of its listed securities. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 31 December 2018.

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2018, over 43,000 staff was employed by entities under the Group's management. Remuneration policies are reviewed annually. Remuneration and bonuses are awarded to employees based on individual performances and are in line with market practices. Education subsidies will be granted to employees who are taking job-related courses. Periodic in-house training programs are also offered. Under the share option schemes of the Company and all the listed subsidiaries of the Group, options may be granted to certain Directors of the Company and certain employees of the Group to subscribe for shares in the Company and/or the respective subsidiaries.

REVIEW OF INTERIM RESULTS

The Company's unaudited interim results for the six months ended 31 December 2018 have not been reviewed by external auditor, but have been reviewed by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2018 with the exception of code provision A.6.4.

Code provision A.6.4 is in relation to guidelines for securities dealings by relevant employees. As required under code provision A.6.4, the Board should establish for its relevant employees written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules in respect of their dealings in the securities of the Company. Instead of following the Model Code strictly, the Board has established its own guidelines which are not on no less exacting terms than the Model Code. Such deviation from the CG Code is considered necessary, mainly because of the huge size of employees of the Group which is over 43,000 and the Group's diversified businesses. For these reasons, to follow the exact guidelines of the Model Code will cause immense administrative burden to the Company in processing written notifications from the relevant employees when they deal in the securities of the Company, which can be avoided under the Company's own guidelines.

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

The financial information relating to the year ended 30 June 2018 included in this announcement of interim results 2018/2019 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

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

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

MAJOR ACQUISITION AND DISPOSAL

1. On 27 November 2018, Guangzhou Xinpei Investment Co. Ltd. (廣州新沛投資有限公司) ("GXI"), an indirect wholly-owned subsidiary of the Group, entered into a transfer agreement and a cooperative development agreement with Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司) ("GMG"), pursuant to which GXI acquired a 65% stake in Guangzhou Yaosheng Real Estate Development Co., Ltd. (廣州耀勝房地產開發有限公司) (the "Target") and assumed 65% of GMG's loan to the Target, for a total consideration of RMB4,781,334,136.91. In turn, GMG has agreed to cooperate with GXI to develop a parcel of land located in Hanxi Village, Guangdong which will contain residential, shopping mall and office premises.

2. On 27 December 2018, Earning Star Limited ("Earning Star"), an indirect wholly-owned subsidiary of NWSH and a subsidiary of the Group, entered into a share purchase agreement (the "Agreement") with Bright Victory International Limited ("Bright Victory"), an indirect wholly-owned subsidiary of Tongchuangjiuding Investment Management Group Co., Ltd. (同創九鼎投資管理集團股份有限公司) and certain guarantors of Bright Victory in respect of the acquisition of the entire issued share capital of FTLife Insurance Company Limited ("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). FTLife is a life insurance company in Hong Kong providing a broad range of protective and savings-related life and medical insurance products, serving both individual and institutional clients via tied agents and brokers. Completion of the acquisition is conditional upon satisfaction and/or waiver of certain conditions precedent as set out in the Agreement.

LIQUIDITY AND CAPITAL RESOURCES

Net Debt

	As at 31 December 2018 HK$m	As at 30 June 2018 HK$m
Consolidated net debt	**92,177.2**	74,859.0
NWSH (stock code: 0659)	**5,539.8**	3,518.0
New World Department Store China Limited (“NWDS”) – net cash and bank balances (stock code: 0825)	**(1,077.9)**	(703.6)
Net debt (exclude listed subsidiaries)	**87,715.3**	72,044.6

The Group’s debts were primarily denominated in Hong Kong dollar, US dollar and Renminbi. In respect of the Group’s operations in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging of Renminbi contributed to those projects. The Renminbi exposure of the Group is mainly derived from the translation of non-current assets and liabilities of the subsidiaries, associated companies and joint ventures in Mainland China with functional currency of Renminbi and the Renminbi deposits held for future development costs to be expended to Hong Kong Dollar. As at 31 December 2018, the translation of non-current assets and liabilities of subsidiaries, associated companies and joint ventures with functional currency other than Hong Kong Dollar to Hong Kong Dollar by using exchange rates at that day resulted a loss of HK$4,790.9 million is recognised in equity. Apart from this, the Group does not have any material foreign exchange exposure.

The Group’s borrowings were mainly arranged on a floating rate basis. The Group used interest rate swaps and foreign currency swaps and forward contracts to hedge part of the Group’s underlying interest rate and foreign exchange exposure. As at 31 December 2018, the Group had outstanding derivative instruments in the amounts of HK$10,600.0 million and US$600.0 million (equivalent to approximately HK$4,680.0 million). As at 31 December 2018, the Group had outstanding foreign currency swaps and forward contracts in the aggregate amounts of HK$12,986.7 million. Fuel price swap contracts are also used to hedge against the upside risk of fuel prices of the Group’s transport business in the Service segment.

During the period, a wholly-owned subsidiary of the Group issued US$310.0 million (equivalent to approximately HK$2,418.0 million) 4.75% notes due 2023 at the principal amount.

During the period, there was an increase of loan from non-controlling shareholders mainly due to loan from GMG for the project in relation to the development of a parcel of land located in Hanxi Village, Guangdong amounting to HK$2,813.9 million as mentioned in note 1 of section “Major acquisition and disposal”.

As at 31 December 2018, the Group’s cash and bank balances (including restricted bank balances) stood at HK$51,990.5 million (30 June 2018: HK$63,456.1 million) and the consolidated net debt amounted to HK$92,177.2 million (30 June 2018: HK$74,859.0 million). The net debt to equity ratio was 35.6%, an increase of 6.3 percentage points as compared with 30 June 2018. The decrease of cash and bank balances was mainly due to the cash payment of 2018 final dividend and amounts used in various property investment and development projects.

As at 31 December 2018, the Group’s long-term bank loans, other loans and fixed rate bonds and notes payable amounted to HK$134,029.9 million. Short-term bank and other loans as at 31 December 2018 were HK$10,137.8 million. The maturity of bank loans, other loans and fixed rate bonds and notes payable as at 31 December 2018 was as follows:

	HK$m
Within one year	**29,263.9**
In the second year	**32,909.8**
In the third to fifth year	**68,303.4**
After the fifth year	**13,690.6**
	144,167.7

Equity of the Group as at 31 December 2018 increased to HK$258,964.3 million against HK$255,181.9 million as at 30 June 2018.

Business Review

In the first half of FY2019, revenues of the Group amounted to HK$49,267.1 million, up 76%. It was mainly attributable to the outperformance in the property development operations in Hong Kong.

Property development segment recorded a 202% increase in revenues, it was mainly due to our visionary sales strategies in Hong Kong during the second quarter in 2018, which significantly enhanced the booking contribution from property development. In 1HFY2018, Hong Kong property development segment revenue was mainly attributable to the contribution from The Masterpiece, THE PAVILIA HILL and the Double Cove Series. In 1HFY2019, THE PAVILIA BAY, MOUNT PAVILIA, ARTISAN HOUSE, FLEUR PAVILIA, THE PAVILIA HILL, PARK VILLA and THE PARKVILLE had driven the performance in this segment.

Property investment segment reported an increase in revenues by 33%. It was mainly due to 1) the full period contribution by K11 ATELIER at Victoria Dockside in Hong Kong and Wuhan Guanggu K11; 2) internal reorganisation enhancing both operations and cost management and 3) organic growth of rental on existing properties. In fact, the overall rental and occupancy of the key projects in the Hong Kong and Mainland China investment portfolio have recorded a satisfactory performance.

For the Group’s segment results of 1HFY2019, it was amounted to HK$12,338.6 million, up 52%. It was mainly attributable to the increase in contribution from property development and property investment, up 88% and 23% respectively. Segment results related to properties amounted to 81% of the total segment results.

For property development, segment results derived from Hong Kong increased by 687%. It was mainly attributable to the increase in the number of residential projects recognised in 1HFY2019 when compared to 1HFY2018. Majority of the units were sold before the consolidation of Hong Kong property market in the fourth quarter of 2018. Overall gross margin from Hong Kong property development segment of 27% was recorded.

Segment results in property development derived from Mainland China decreased by 21%. It was mainly attributable to the different mix of residential projects recognised in 1HFY2019 and 1HFY2018. The increased corporate expenses in property development and the taxation of associated companies and joint ventures also attenuated the segment contribution. Overall gross profit margin from Mainland China property development segment of 35% was recorded in 1HFY2019.

Investment property in Hong Kong achieved an overall satisfactory performance. The solid contribution from key properties including Hong Kong K11, D・PARK, New World Tower, Manning House, Telford Plaza and KOHO, together with the full period contribution of K11 ATELIER at Victoria Dockside was achieved. Of which, the occupancy of K11 ATELIER has already surpassed 80% and the latest rental rate has reached HK$110 per sq ft. The satisfactory performance of the abovementioned key properties mitigated the negative effects from the pre-opening expenses incurred by Victoria Dockside, and the renovation expenses of selected projects.

Segment results in property investment derived from Mainland China increased by 48%. It was mainly due to improved contribution from the flagship projects in Beijing, Wuhan, Shanghai and Guangzhou. In addition, the Group has optimised its internal structure enhancing both operations and cost management, which also provided a positive effect on the segment results derived from Mainland China.

Net other loss of HK$115.8 million was mainly attributable to the net loss on fair value of financial assets at fair value through profit or loss of certain interest rate swap transactions hedging for the expected interest rate hike together with the net exchange loss recorded as the change in foreign exchange rate of RMB and USD during the period under review.

The Group reported gain in fair value of investment properties (including associated companies and joint ventures) of HK$6,404.6 million in 1HFY2019 which was benefited by the robust office market outlook and continuous low vacancy rate recorded, together with the rebound in Hong Kong retail market. Over 90% of the contribution was attributed by Hong Kong portfolio, especially from the Victoria Dockside and the enhancement of the flagship commercial projects in Hong Kong. The revaluation gains on investment properties in Mainland China recorded an improved performance with new projects kicked in.

Taxation for 1HFY2019 increased by 32%, it was mainly due to the higher taxation incurred from the increase in the property sales in Hong Kong.

Segment performance (HK$ million)	1HFY2019		1HFY2018	
	Revenue	**Segment results***	**Revenue**	**Segment results***
1. Property development				
Hong Kong	**21,007.3**	**5,734.6**	1,273.7	729.1
Mainland China	**8,898.0**	**3,150.5**	8,619.9	3,997.3
	29,905.3	**8,885.1**	9,893.6	4,726.4
2. Property investment				
Hong Kong	**940.4**	**705.4**	834.1	640.1
Mainland China	**845.7**	**451.9**	510.2	304.5
	1,786.1	**1,157.3**	1,344.3	944.6
3. Hotel operations				
Hong Kong	**332.6**	**4.2**	313.1	72.5
Mainland China	**212.9**	**(69.2)**	325.7	(73.5)
Southeast Asia	**138.8**	**4.5**	116.5	16.1
	684.3	**(60.5)**	755.3	15.1
4. Service	**13,510.8**	**251.9**	12,653.9	378.8
5. Infrastructure	**1,453.8**	**2,052.0**	1,352.6	1,936.6
6. Department stores	**1,733.6**	**149.9**	1,772.8	116.3
7. Others	**193.2**	**(97.1)**	162.9	(3.3)
Total	**49,267.1**	**12,338.6**	27,935.4	8,114.5

* Segment results include share of results of joint ventures and associated companies and exclude changes in fair value of investment properties.

During the period under review, profit attributable to shareholders of the Company amounted to HK$11,284.4 million. Underlying profit amounted to HK$5,396.1 million, increased by 29%, mainly excluding changes in fair value of investment properties. In the first half of FY2018, the Group's underlying profit amounted to HK$4,198.6 million.

The basic earnings per share from underlying businesses of the Group increased by 23% to HK$0.53. Net gearing amounted to 35.6%.

The Group adopted HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") from 1 July 2017 which replaces HKAS 18 Revenue ("HKAS 18") and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

<u>Hong Kong property development</u>

In 2018, with the commencement of monetary policy normalisation in a number of major economies and the four interest rate hikes in the United States, Hong Kong also embarked upon its first increase in prime lending rate in December 2018 in line with the new round of rate hike cycle in the United States. At the same time, continuing escalation in trade conflict between China and the United States fueled market concerns over the slackening of economic growth. In addition, measures were introduced by the Hong Kong Government to curtail price soars otherwise underpinned by inadequate supply, including the proposed introduction of additional rates on vacant primary private residential units, and the proposed amendment to the "Lands Department Consent Scheme" to stipulate that the minimum number of residential units at each time of the project launch.

In the context of the abovementioned factors, positive sentiment dwindled in Hong Kong property market, where developers slowed down their pace of project launches, leading to a 16% decrease in the number of sale and purchase agreements for primary private residential units to 15,633 with 9% decrease in the aggregate value to HK$219.5 billion in 2018. In regards of the prudent stance of potential buyers, developers' conservative market pricings in recent launches, coupled with the offer of additional incentives to encourage purchases, successfully unleashed the demand of potential buyers under the backdrop of tight market supply of the residential units, that in turn brought back the positive market sentiment.

During the period under review, the Group's revenues and segment contributions from property development in Hong Kong, including joint development projects, amounted to HK$21,007.3 million and HK$5,734.6 million, respectively. The contributions were mainly attributable to residential projects including THE PAVILIA BAY, MOUNT PAVILIA, ARTISAN HOUSE, FLEUR PAVILIA, THE PAVILIA HILL, PARK VILLA and THE PARKVILLE.

During the period under review, the Group's attributable contracted sales in Hong Kong amounted to HK$3.4 billion. The attributable contracted sales were mainly contributed from residential projects including FLEUR PAVILIA, MOUNT PAVILIA, The Masterpiece and the Double Cove series, together with the disposal of two non-residential projects. As at mid-February 2019, HK$4.1 billion was achieved.

The Group will fine-tune the pace of new project launches in response to market conditions and provides home purchasers with choices and experience to their satisfaction. As at December end 2018, the Group had a total of approximately 750 residential units available for sale, of which, 232 residential units are under the lead of the sales management of the Group.

The Group actively plans to launch ARTISAN GARDEN which is a project at Sheung Heung Road in To Kwa Wan, Waterloo Road project in Ho Man Tin and Lung Tin Tsuen project in Yuen Long, to provide over 840 residential units in aggregate. Tai Wai Station project in Sha Tin with approximately 3,000 residential units will be gradually put in the market by phases in FY2020.

The Group pioneered the market by creating Hong Kong's first property-purchase blockchain platform, in collaboration with Hong Kong Applied Science and Technology Research Institute Company Limited. Bank of China (Hong Kong) is the first bank to participate and apply the new platform to its services. Advanced blockchain technology allows the platform to provide an all-in-one support service to new unit's buyers, banks and related bodies. With the collaboration, PropTech (Property Technology) is the breakthrough that will fundamentally reshape Hong Kong's real estate industry, saving time and resources in the property-buying process. New unit's buyers will soon enjoy a fast and convenient user experience in the "New Era of Property-Purchase 2.0", coming on-stream in the second quarter of 2019.

Residential units available for sales of the launched projects as at 31 December 2018

Project	The Group's interest	Development status	Total no. of units available for sales
FLEUR PAVILIA	**40%**	**Completed**	**130**
MOUNT PAVILIA	**63%**	**Completed**	**88**
The Masterpiece	**100%**	**Completed**	**7**
THE PAVILIA BAY	**80%**	**Completed**	**4**
ARTISAN HOUSE	**100%**	**Completed**	**1**
THE PAVILIA HILL	**85%**	**Completed**	**2**
Babington Hill	**10%**	**Completed**	**60**
Double Cove (Phase 1-4)	**32%**	**Completed**	**85**
Reach Summit	**21%**	**To be completed**	**375**
Other JV projects		**Completed**	**5**
Total			**757**

New projects in pipeline

Project	The Group's interest	Total no. of units	Remarks
ARTISAN GARDEN	**100%**	**294**	**Pre-sales consent obtained**
Waterloo Road project	**51%**	**240**	**Old building redevelopment**
Lung Tin Tsuen project	**100%**	**313**	**Farmland conversion**
Total		**847**	

Hong Kong property investment and others

Tourist arrivals continued to rebound in 2018. The commencement of operation of the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link and Hong Kong-Zhuhai-Macao Bridge further stimulated Mainland China tourist to Hong Kong, with more than 65 million tourist arrivals recorded in 2018, up 11%. The growth in tourist arrivals has led the increase in Hong Kong's total retail sales, with a provisioned estimation of 9% increase in 2018. At the Central Economic Work Conference held in December 2018, the Central Government reiterated the need to procure strong domestic demand and rolled out policies to stimulate spending, including the exemption and cut-back of personal income tax to uplift spending power, while the Ministry of Commerce also advocated consumption upgrade. These can aim in counteracting the negative consumer sentiment under economic uncertainties.

Furthermore, the market is concerned about a slowdown in global economic growth in future. Enterprises embarked upon adjusting and reviewing their development pace and expansion plan. The leasing appetite of Chinese enterprises was also adversely affected by the downside pressure. On the contrary, rental rates and occupancies remained solid in the core Central area, attributable to the lack of new supply of high quality office spaces. Selected sub-prime office clusters including Island East and Kowloon West were benefited from the spillover effect of Central. The offices in Kowloon West are riding on the opening of the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link in September 2018 and the rental performance was enhanced.

During the period under review, the Group's gross rental income in Hong Kong amounted to HK$940.4 million, an increase of 13%, attributable to the enhancement in rental performance of major projects, together with the full period contribution from K11 ATELIER at Victoria Dockside.

The development of Victoria Dockside, a new global landmark located at the core area of Tsim Sha Tsui waterfront in Kowloon, has been progressing well. K11 ATELIER, the super Grade A offices at Victoria Dockside, had been completed and in operations. The first batch of multinational corporations moved in during the fourth quarter of 2017. Currently, the occupancy rate is over 80%.

K11 MUSEA is an ambitious project situated in the heart of Victoria Dockside. Entailing an innovative experiential museum-retail concept, the project is set to turn over a new leaf for the retail industry of Hong Kong. Currently, over 80% are committed.

K11 ARTUS is the first hospitality extension of K11, a global high-end lifestyle brand materialising the pioneered creativity and shaping up a unique hospitality culture. K11 ARTUS comprises 287 suites, offering flexible rental plans from short to long-term stays to accommodate the needs of guests. It is scheduled to open in summer 2019.

Rosewood Hong Kong, as part of the multi-use tower, will open in March 2019.

In addition, the Avenue of Stars, which connects Victoria Dockside, reopened in January 2019. Mr. James Corner, a world renowned landscape architect and designer, together with a number of international and local designers, brings a number of innovative and interactive elements to the attractions. Avenue of Stars will become the focus of millions of overseas and local visitors.

Area breakdown of Victoria Dockside	**Total GFA (sq ft '000)**
K11 ATELIER	**435**
K11 MUSEA (including the portion of 12 Salisbury Road, Tsim Sha Tsui)	**1,157**
K11 ARTUS	**380**
Rosewood Hong Kong + Rosewood Residences	**1,106**
Total	**3,078**

Hong Kong K11 recorded an occupancy rate of 97% during the period under review, with an average monthly footfall of approximately 1.5 million. Currently, major renovation for Hong Kong K11 has commenced in phases and it will redesign interior zoning to optimise the flexibility of retail space, and adjust tenant mix, targeting end of 2019 for completion.

Located in the centre of Tsuen Wan, D・PARK positions itself as a multiple intelligence kids mall. Its prime location and diversified tenant mix have successfully enhanced footfall and leasing performance. During the period under review, it recorded an occupancy rate of 95% with an average monthly footfall of approximately 3.6 million.

For office buildings, benefited from the low vacancy rate at prime locations of Central, New World Tower and Manning House, the Group's two Grade A office buildings at the core area of Central, reported strong occupancy rate and rental performance. The gross rental income of New World Tower achieved single digit growth with the office portion occupancy rate recorded at 99%.

K11 ATELIER King's Road on Island East will debut in 2019. This office project is adjacent to the Quarry Bay MTR station with a total GFA of approximately 480,000 sq ft and the pre-leasing has begun. It is the first office building in the world awarded WELL Standard Pre-Certification Platinum Level and is the first to introduce the Vertical Creative City concept. It is created for the next-generation workforce, and fosters a community for enterprises, entrepreneurs and disruptors.

Meanwhile, the development of King Lam Street office project in West Kowloon is in good progress. This high-end office project, with a total GFA of approximately 1 million sq ft acquired in early year with a reasonable price, will offer a unique experience and services in that blooming office cluster and bring new recurring income contribution.

Hong Kong landbank & other projects

In recent years, the Central Government stresses on guarding against financial risks, financing has been tightened and some Chinese enterprises have cut back their land biddings in Hong Kong. Meanwhile, with the high volatility in the investment market amidst international political and economic tensions, tightened monetary policies in major economies, lowered global economic growth forecast and the new round of property policies, local property developers in Hong Kong have re-assessed the direction of the real estate market and the value of land going forward, and become more prudent in land bidding and bid price setting.

Tight supply in Hong Kong land resources is an undoubtable fact. Hong Kong Government has increased the ratio of public housing to private housing on the newly added land from the current 60/40 to 70/30, which means that the supply of private residential development land will be further reduced. Nevertheless, the Lands Department announced its work plan for year 2019, including the establishment of a land supply section to coordinate cases under its land sale programme and large-scale land exchange applications and has planned to kick off land resumption work at North East New Territories (Phase 1) and Yuen Long Wang Chau (Phase 1). It is expected the abovementioned issues will help fill up land supply in a certain extent.

It is always the Group's policy to resort to diversified channels for the replenishment of its landbank in Hong Kong. Apart from public tenders, the Group has been actively undertaking old building acquisitions and farmland conversions, in order to secure a stable supply of land resources for future development.

In November 2018, the Group and its consortium won a successful bid for the first residential site located at the former runway of Kai Tak at a consideration of HK$8.3 billion. The project has a total GFA of approximately 574,000 sq ft and the Group's interest is 29.3%.

Acquisition of over 80% ownership of State Theatre Building, a residential and commercial property located at No. 277 to 291 King's Road, North Point has been completed by the Group during the period under review. The site area of this old building redevelopment project is approximately 36,200 sq ft and the application for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance" has been made to the court.

As at 31 December 2018, the Group had a landbank in Hong Kong for immediate development with an attributable total GFA of approximately 9.6 million sq ft, of which approximately 4.2 million sq ft is for property development.

Meanwhile, the Group had an agricultural landbank in New Territories with an attributable total site area of approximately 17 million sq ft pending for land use conversion. Eight projects that are located in Yuen Long South and Fanling are under active negotiation with the corresponding bureau on usage conversion, with total GFA of 1.6 million sq ft, in particular, GFA of approximately 0.5 million sq ft are in the final stages.

Landbank by district	Property development Attributable total GFA (sq ft ’000)	Property investment Attributable total GFA (sq ft ’000)
Hong Kong Island	**165**	**488**
Kowloon	**1,752**	**1,099**
New Territories	**2,290**	**3,862**
Total	**4,207**	**5,449**

Agricultural landbank by district	Total site area (sq ft ’000)	Attributable site area (sq ft ’000)
Yuen Long District	**12,580**	**11,581**
Northern District	**2,601**	**2,246**
Sha Tin District and Tai Po District	**1,955**	**1,901**
Sai Kung District	**1,309**	**1,118**
Tuen Mun District	**19**	**19**
Total	**18,464**	**16,865**

Meanwhile, the contract for the design, construction and operation of the Kai Tak Sports Park has been awarded to the Kai Tak Sports Park Limited, a subsidiary of the Group and NWSH, in December 2018. The Kai Tak Sports Park is Hong Kong's most important investment in sports infrastructure in decades and the project involves the development of a 50,000-seat main stadium, an indoor sports centre with a 10,000-seat main arena and a 500-seat ancillary sports hall, a 5,000-seat public sports ground, commercial facilities, all surrounded by extensive public open space.

The contract for the Kai Tak Sports Park is for 25 years, including four to five years for design and construction and approximately 20 years of operation. The Hong Kong Government will fund fully all the construction cost, while Kai Tak Sports Park Limited is required to cover all operating costs and pay the Government 3% of the gross income plus HK$1,724 million during the operation period. The construction works will commence in the first quarter of 2019 and are scheduled for completion in 2023.

Mainland China property development

At the Central Economic Work Conference held by the Central Government from 19 December to 21 December in 2018, it was reiterated that residential units are for living in, not for speculation, and that a main theme of long-standing mechanism should be formed. The importance of city-specific control policies and category-based guidance was also stressed. Upholding the spirit of the Central Economic Work Conference, the Ministry of Housing and Urban-Rural Development expressed at its work conference 2019 that it is important to form and keep enhancing a long-standing mechanism for the real estate market, to guard against and reconcile risks associated with the real estate market, maintain stability of austerity measures, strengthen adjustments in both supply and demand, and support the demand for owner-occupied housing.

In 2018, austerity measures on the real estate market were launched for more than hundred times in Mainland China. The selling prices of newly-built commodity housings in different tiers of cities have been consolidated as austerity measures proved effective. Market expected that the property market will see steady development in 2019 and the main direction of austerity measures will not change substantially, the fine-tuning in policies of individual cities will be further implemented in accordance to the market fundamentals to achieve the effect of preventing risks in the property market.

The Group’s property business in Mainland China is operated by its wholly-owned subsidiary NWCL. During the period under review, the revenues and segment results of property development in Mainland China, including joint development projects, amounted to HK$8,898.0 million and HK$3,150.5 million, respectively. The contribution was mainly attributable to the sales of Guangzhou Covent Garden, Guangzhou Park Paradise, Guangzhou Foshan Canton First Estate, Shenyang New World Garden, Wuhan New World・Times and Beijing New World・Li Zun.

During the period under review, overall property contracted sales in Mainland China reached 313,000 sq m in GFA and RMB9,338 million in gross sales proceeds. The average selling price of overall residential contracted sales is RMB32,700 per sq m, an increase of 61%. The major contributors were Guangzhou Covent Garden, Guangzhou Park Paradise, Guangzhou Foshan Canton First Estate, Ning Zhu Zun Fu of Ningbo New World and Shenyang New World Garden.

As for the geographical distribution of contracted sales proceeds, Southern region being the largest contributor, accounted for 58%, followed by North-eastern region and Eastern region, accounted for 20% and 13%, respectively.

Region	Residential contracted sales area (sq m'000)	Residential contracted sales proceeds (RMB million)	Non-residential contracted sales area (sq m'000)	Non-residential contracted sales proceeds (RMB million)
Southern region	**136**	**5,329**	**3**	**87**
Central region	**6**	**153**	**10**	**119**
Eastern region	**25**	**1,224**	**-**	**-**
Northern region	**18**	**486**	**3**	**30**
North-eastern region	**75**	**1,280**	**37**	**630**
Total	**260**	**8,472**	**53**	**866**

The GFA of development property completed (excluding carpark) during the period under review amounted to 265,000 sq m, majority is residential in key cities including Guangzhou, Foshan, Shenyang and Yiyang. It is expected to reach 870,000 sq m in FY2019.

1HFY2019 project completion in Mainland China — Development property

Project/ GFA sq m	Residential	Commercial	Total (excluding carpark)	Total (including carpark)
Guangzhou Foshan Canton First Estate CF-27A	**-**	**-**	**-**	**12,025**
Guangzhou Foshan Canton First Estate CF-29	**-**	**-**	**-**	**67,178**
Guangzhou Foshan Canton First Estate CF-20 Phase 2	**37,017**	**-**	**37,017**	**37,017**
Guangzhou Dong Yi Garden Phase 5	**23,735**	**-**	**23,735**	**23,735**
Yiyang New World Scenic Height Phase 1D	**16,850**	**-**	**16,850**	**16,850**
Yiyang New World Scenic Height Phase 1E	**24,574**	**1,139**	**25,713**	**25,713**
Shenyang New World Garden Phase 2D – 2	**161,583**	**-**	**161,583**	**161,583**
Total	**263,759**	**1,139**	**264,898**	**344,101**

1HFY2019 project completion in Mainland China —Investment property, hotel and others

Project/ GFA sq m	Commercial	Total (excluding carpark)	Total (including carpark)
Guangzhou Dong Yi Garden Phase 5	**-**	**-**	**2,947**
Shenyang New World Garden Phase 2D – 2	**7,514**	**7,514**	**7,514**
Total	**7,514**	**7,514**	**10,461**

2HFY2019 Estimated project completion in Mainland China – Development property

Project/ GFA sq m	Residential	Commercial	Office	Total (excluding carpark)	Total (including carpark)
Guangzhou Foshan Canton First Estate CF-20 Phase 2	**12,092**	**-**	**-**	**12,092**	**19,392**
Guangzhou Park Paradise District 3 Phase 1 (A1-A7)	**136,671**	**-**	**-**	**136,671**	**136,671**
Ningbo New World Plaza Plot 11	**-**	**9,702**	**58,051**	**67,753**	**90,010**
Langfang New World Garden District 2	**55,379**	**7,249**	**-**	**62,628**	**62,628**
Langfang New World Centre District A	**-**	**-**	**-**	**-**	**33,651**
Anshan New World Garden Phase 1 B1	**63,885**	**14,472**	**-**	**78,357**	**97,782**
Shenyang New World Commercial Centre Phase 2	**-**	**25,266**	**51,405**	**76,671**	**76,671**
Shenyang New World Garden 2E	**97,665**	**-**	**-**	**97,665**	**97,665**
Shenyang New World Centre –SA3	**73,233**	**-**	**-**	**73,233**	**73,233**
Total	**438,925**	**56,689**	**109,456**	**605,070**	**687,703**

2HFY2019 Estimated project completion in Mainland China – Investment property, hotel and others

Project/ GFA sq m	Commercial	Hotel	Total (excluding carpark)	Total (including carpark)
Guangzhou Park Paradise District 5 Plot 1	**22,763**	**-**	**22,763**	**35,365**
Guangzhou Park Paradise District 3	**90,726**	**-**	**90,726**	**90,726**
Guangzhou Park Paradise District 3 Phase 1	**-**	**-**	**-**	**95,435**
Guangzhou Foshan Canton First Estate CF-21*	**3,379**	**-**	**3,379**	**3,379**
Langfang New World Centre District A	**-**	**40,192**	**40,192**	**40,192**
Shenyang New World Centre	**-**	**69,751**	**69,751**	**69,751**
Shenyang New World Commercial Centre Phase 2	**-**	**-**	**-**	**19,354**
Shenyang New World Garden 2E	**-**	**-**	**-**	**40,878**
Shenyang New World Garden 2D – 2	**-**	**-**	**-**	**86,648**
Total	**116,868**	**109,943**	**226,811**	**481,728**

*Kindergarten

Mainland China property investment and others

Whilst the full year total retail sales of consumer goods of China was in excess of RMB38 trillion in year 2018 representing a year-on-year increase of 9%, such growth diminished from 10.1% in March to 8.2% in December 2018. The Central Government pushed forward the supply-side structural reform to give rise to improving domestic demand, stressing the importance of an enhanced consumption environment and product quality, and implemented the exemption and cut-back of personal income tax to uplift the disposable income of people and in turn unleash their purchasing power.

Under the consumption upgrade advocated by the Ministry of Commerce, in 2018, the value of some upgraded consumer goods continued to rise, with a continually expanding proportion of cosmetics, communication devices, home appliances and audio equipment, sports and entertainment products in the total retail sales of consumer goods achieved by entities above designated size. This has testified the accomplishment of the consumption upgrade advocated by the government, and illustrated the preferences of the millennial generation. Meanwhile, cooperation across industry sectors were also happening frequently, integrating and utilising the customer resources of enterprises in different industry sectors, speeding up their online and offline setups, utilising new technologies and technological products, to expand their respective customer bases and achieve greater customer loyalty.

During the period under review, the Group recorded a gross rental income of HK$845.7 million in Mainland China with an increase of 66%. The growth was mainly due to the fact that the Group has optimised its internal structure that enhanced both operations and cost management, together with the new project such as Wuhan Guanggu K11 started to contribute. If stripping out the abovementioned factors, the gross rental income in Mainland China increased by 9%. Major projects recorded satisfactory occupancy.

On 22 December, 2018, New World China's 500,000 sq m large-scale commercial complex “New World · NEW PARK” was opened. The project is located at the core gateway of Baiyun New City in Guangzhou North Business hub with comprehensive connections to all major transportation network. Through the mutual integration of natural landscape and business, the project creates a unique garden-style shopping innovation experience for consumers with the MALL+PARK model.

Mainland China landbank

The Group maintains its full confidence in the economic prospect and passion of investing in Mainland China. In November 2018, NWCL launched a new corporate campaign called “Soul of the City”, which is based on the idea of humanity and cultural heritage. Focusing on urban complexes and through its strategic masterplan, NWCL provides a quality living environment and extraordinary experience for the market. With years of experience in Mainland China market, the excellence of its professional team and abundant resources, the Group successfully implemented its goal of strategical positioning in the Guangdong-Hong Kong-Macao Greater Bay Area (“the Greater Bay Area”).

After series of projects acquired in Shenzhen Qianhai, Shenzhen Prince Bay and Guangzhou Zengcheng, the Group moved another step forward in the Greater Bay Area during the period under review. In November 2018, NWCL engaged in joint development of a parcel of land at Hanxi Changlong in Guangzhou, by acquiring 65% of the equity interest from a subsidiary of Guangzhou Metro Group which was the holder of the land parcel. Located at a key transportation hub at the South China Cluster in Guangzhou Panyu District, the project has a total GFA of more than 290,000 sq m, with not more than 50% for residential, and will be developed into an urban complex comprising commercial, offices and residences, with a scheduled full completion in 2022.

In addition, NWCL actively engaged in old city redevelopment. During the period under review, following the announcement of voting results of the cooperation agreement of the Shiweitang Street Shancun Joint Economic Cooperation Association in Liwan District, Guangzhou, NWCL has become an intentional cooperative enterprise for the redevelopment of the Old Village of Shancun. The Shancun old village redevelopment project is located in a prime location which is adjacent to the four subway lines and the mature living cluster of Guangzhou Covent Garden, which is set to be another new key focus of the Group in Guangzhou.

As at 31 December 2018, the Group had a landbank in Mainland China excluding carpark for immediate development with a total GFA of approximately 7 million sq m, of which 4.2 million sq m is for residential use. The major property development projects, spreading across those core cities including Guangzhou, Foshan, Shenzhen, Wuhan, Ningbo, Beijing and Shenyang, had a landbank excluding carpark with a total GFA of approximately 5.7 million sq m, of which 49% are located in the Greater Bay Area and 3 million sq m is for residential use.

Land bank by location	**Total GFA excluding carpark (sq m’000)**	**Total GFA including carpark(sq m’000)**
Southern region	**2,844**	**3,471**
Central region	**1,168**	**1,642**
Eastern region	**525**	**829**
Northern region	**708**	**1,171**
North-eastern region	**1,791**	**2,143**
Total	**7,036**	**9,256**

Land bank by type	Total GFA excluding carpark (sq m'000)	Total GFA including carpark (sq m'000)
Major Projects *	**5,671**	**7,548**
Other Projects	**1,365**	**1,708**
Total	**7,036**	**9,256**

*including projects in the Greater Bay Area, Beijing-Tianjin-Hebei Area, Central China, Ningbo and North-eastern China

Infrastructure and Service

Having served the Greater China Region for decades, NWSH has been a firm believer in the nation's excellent economic outlook. With solid business portfolio and excellent project management capability, NWSH has provided many of life's conveniences and in the meantime it has also provided NWSH a steady and sustainable cash flow. Leveraging the team's bold and innovative thinking, NWSH are optimising its business portfolio through acquisitions of quality businesses with robust growth potential and disposition of non-core asset, NWSH is perfecting its sustainable business framework to offer new services to new clients and attain strong business growth.

During the period under review, the contributions from NWSH businesses were partly offset or affected by the devaluation of RMB, as well as changes in operating costs and structures of individual businesses. Nevertheless, the main operations of NWSH remain fundamentally sound, with a solid and steady performance.

The traffic flow of roads business recorded steady growth. Of which, the portfolio in the Greater Bay Area had achieved an outstanding performance with 28% increase in traffic flow. Environment business has been progressing steadily to take NWSH into different areas of environmental pursuit and geographical markets. The new projects launched by SUEZ NWS ("SNL") and Chongqing Derun Environment will lay the foundation for the future growth of NWSH environment business. Of which, SNL delivered steady growth, with its average daily waste treatment volume grew by 6% and the overall water and wastewater treatment volume increased by 2%.

Construction business, another major contributor to NWSH, enjoys strong recurring cashflows with a high level of visibility. The successful bid for the construction management services contract for Kai Tak Sports Park during the period under review will further strengthen the business portfolio. As at 31 December 2018, the gross value of contracts on hand for the Construction business was approximately HK$39.1 billion and the remaining works to be completed amounted to approximately HK$22.1 billion.

In recent years, NWSH has been assessing different opportunities which include optimising its business portfolio, realising value through asset sales, and improving the efficiency of resources utilisation. At the same time, NWSH proactively expands and explores into businesses that are compatible with NWSH corporate philosophy to boost future cashflow contributions and sustainable growth prospects, while enhancing the corporate value.

In the aviation business, the acquisition of Sky Aviation Leasing International Limited will continue to augment its leading position in the aircraft leasing business and generate sustainable recurring income for NWSH. During the period under review, NWSH's aviation portfolio grew from 111 to 166 aircrafts and the average age of the aircraft as at 31 December 2018 was 3.7 years, while the customer base comprised of 62 airlines in 33 countries with narrow-body aircraft representing 85% of the portfolio.

In December 2018, NWSH entered into a share purchase agreement to purchase the entire issued share capital of FTLife Insurance Company Limited ('FTLife'). NWSH considers the transaction as a unique opportunity to extend the ecosystem of premium products and services into the highly promising insurance sector. Potential synergies with FTLife include building greater interaction, stronger connection and cross-promotion opportunities between FTLife's premium customers and NWSH affluent customer base; a stronger partnership with NWSH's expanding healthcare and wellness portfolio; and leverage the Group's extensive resources in the Greater Bay Area to expand the business presence in the region.

The transaction is subject to the relevant regulatory approvals and fulfilment and/or waiver of other conditions as set out in NWSH's announcement dated 27 December 2018. Upon completion of the transaction, FTLife will become an indirect wholly-owned subsidiary of NWSH.

Hotel

The Group's premium hotel projects in Hong Kong primarily serving business and high-end travellers are the main source of income of the existing hotel operations. During the period under review, the average occupancy rate of Grand Hyatt Hong Kong was recorded at 83%. Adjacent to the Hong Kong Convention and Exhibition Centre, Renaissance Hong Kong Harbour View Hotel continued to enjoy the benefits from conferences and exhibitions, with the average occupancy rate rising to 85%. The Hyatt Regency Hong Kong, located in a prime spot of Tsim Sha Tsui, Kowloon, achieved an average occupancy rate of 94%.

In Mainland China, the three hotels of different segment operated by the Group in Beijing have all recorded satisfactory performance with average occupancy rates ranging from 80% to 88% during the period under review.

Rosewood Hong Kong, a magnificent new ultra-luxury property situated within Victoria Dockside, the arts, design and conceptual retail district, will open in March 2019, heralding a series of inaugural "firsts" for the brand and setting Rosewood apart in Hong Kong's luxury hospitality landscape. Rosewood Hong Kong with 413 guestrooms and suite, together with 186 luxury Rosewood Residences.

Showcasing Rosewood's signature progressive event philosophy, and reflecting the refined spirit of the estate, 34,450 sq ft of luxurious meetings and event space will be enhanced by one of Hong Kong's few truly private garden venues, with an elegantly landscaped lawn with immersive views overlooking Victoria Harbour. In addition, the 10,700 sq ft of pillarless Grand Ballroom and 10,700 sq ft of The Pavilion of residential style event space including the 3,122 sq ft Pavilion Hall with dramatic floor-to-ceiling windows will be offered.

As at 31 December 2018, the Group had a total of 15 operating hotel properties in Hong Kong, Mainland China and Southeast Asia, providing over 6,000 guest rooms.

Department stores

As the development trends of the global and mainland economies become even more complicated, the Chinese retail sector is also faced with industrial challenges from multiple directions. Consumers now prefer a change towards higher quality, implying that consumption habits are turning more unique. The number of commercial complexes, which comprise retail, food and beverage, entertainment and experience, is growing dramatically, leading to more intense business competition and is affecting the traditional department store business. The new management team of NWDS shall respond to changes with a prudent and pragmatic attitude, as well as embrace opportunities to seek steady development.

During the period under review, NWDS same-store sales dropped by 8.3%. The growth in the last corresponding period was 2.0%. The commission income from concessionaire sales was the major income contributor to NWDS, accounted for 41.3% of the total revenue. Proceeds from direct sales and rental income accounted for 35.5% and 23.2% of the total revenue respectively. By region, the Northern China region contributed the most to the revenue of NWDS, amounting to 51.2% of total revenue, followed by the Eastern China region and the Central Western China region, which accounted for 32.8% and 16.0% of the total revenue respectively.

During the period under review, NWDS effectively closed three stores, namely Yancheng New World Department Store, Shenyang New World Department Store – Zhonghua Road Branch Store and Wuhan New World Department Store – Hanyang Branch respectively. As at 31 December 2018, NWDS operated and managed a total of 32 stores and two shopping malls in Mainland China with total GFA of over 1.35 million sqm.

Outlook

As the global politics, economic development and international order restructuring, the contest in geopolitics and protectionism persists, creating conflicts in the world. The quantitative easing policy adopted by certain major economies begins to take a turn, signifying that quantitative easing era is approaching its end and countries need to adapt to the new economy. On the other hand, trade friction between China and the United States, the uncertainty in development prospects of emerging markets and Brexit are clouding global economic sentiment. A number of international organisations, including the World Bank and the International Monetary Fund, lowered the global economic growth forecast for 2019 and raised the alertness over economic risks.

During the prolonged reshaping of global order, any slight move by a country in its internal and external affairs may entail extensive changes across the globe. Only through mutual understanding and rational negotiations can a consensus be reached. In the course of the US-China trade talks, Chinese President Xi Jinping has expressed his will for China and the United States to cooperate in a respectful manner and to meet each other halfway in pursuance of a resolution to trade disputes in a congratulatory message to the US President Donald Trump. With the increasing downward pressure faced by the current global economy, avoidance of an escalation in trade disputes serves the interest of China and the United States to the interest of the world. Positive speeches delivered by the two leading countries indicate that both sides are moving in a positive direction.

Adhering to the Central Government's basic tone of "seeking progress while maintaining stability" for its economic growth, China's economy will shift towards high-quality development. The Central Government is pushing ahead with the supply-side structural reform to speed up the development of new technology, science and infrastructure. It will adopt proactive fiscal and flexible monetary policies to cut reserve requirement ratio and support market liquidity, while relaxing restrictions on the market access and further opening of sectors to foreign investment, technology and talents. The advocacy on consumption upgrade has stimulated China's domestic consumption and strengthened the domestic demand. All of these policies will be beneficial in offsetting the impacts on China's economy brought by external headwind in the future.

The integration of Hong Kong into the overall national development will bring economic benefits. The commissioning of the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, along with Liantang Boundary Control Point approaching its completion, will form a well-developed transportation network and further strengthen the connection and interaction between Hong Kong and Mainland China, which is beneficial for Hong Kong to consolidate and enhance its position as an international financial, shipping and trading centre and an international aviation hub under the Greater Bay Area and The Belt and Road initiatives, and in turn assists Hong Kong in contributing to the economic efficiency and development potentials, turning a new page for Hong Kong's economic development.

The global economy is rising to various challenges and adjustments, in which new opportunities will arise. The Group will closely monitor the market development in order to capture development opportunities and enhance brand equity through the artisan spirit under The Artisanal Movement. Embodying the core principles of "Collect, Connect, Collide", the Group is committed to constructing a diversified ecosystem and strengthen its strategic layout in the Greater Bay Area.

The Group will actively seek for different solutions, optimise management structure and operation model, save cost, improve efficiency and increase return, in order to enhance shareholders' value. The Group will increase the recurring income contribution and provide its stakeholders with distinguishing experience for every parts of their daily life while maintaining a decent pace in property development.

Going forward, a number of residential projects with unique brand characteristics will be subsequently launched. The Group is planning to launch ARTISAN GARDEN, a redevelopment project in To Kwa Wan, Waterloo Road project in Ho Man Tin and Lung Tin Tsuen project in Yuen Long, further bolstering the leading position of the living community of New World ecosystem. The Group also vigorously enhances and optimises the recurring income generated by its investment property portfolio. Victoria Dockside, a new global creative art and design landmark located in the core of Kowloon, had completed and gradually to commence operations in 2019. With its innovative and futuristic concept, the Group will operate the super Grade A office namely K11 ATELIER, K11 MUSEA museum-retail mall, K11 ARTUS serviced residences and revolutionises the public perception of commercial project.

In 2018, the Group awarded the development rights of two large-scale projects in Hong Kong, including the commercial development in SKYCITY at Hong Kong International Airport, which is strategically located in the Greater Bay Area, and Kai Tak Sports Park, which is the largest sports park in Hong Kong, providing tens of millions of residents in Hong Kong and the Greater Bay Area with high-quality facilities for leisure, sports and entertainment experience.

The development of the Greater Bay Area has been raised to a national strategic level and is anticipated to turn the region into a world class bay area of which future prospects are promising. In this regard, the Group focuses on the Greater Bay Area and capitalises on its abundant resources and experience. Through NWCL, its property flagship in China, The Group successfully acquired premium projects in Qianhai and Prince Bay in Shenzhen, the Eastern Transportation Hub in Guangzhou Zengcheng and above the Hanxi Changlong metro station located at the intersection point of Southern Guangzhou. In the one-hour living sphere facilitated by major infrastructures, these projects will synergise with SKYCITY at Hong Kong International Airport and the new global landmark Victoria Dockside in Tsim Sha Tsui, complementing the development of the Greater Bay Area.

Following the patterns of market development, NWCL is progressively and steadily increasing its investment at its own rhythm and extending the advantage of its brand characteristics. NWCL is performing its role of operator in urban settings in developing various diversified projects and major complexes, including premium residential neighbourhoods, large-scale mixed-use commercial landmarks, mall and offices, creating new landmarks in first-tier cities and city clusters with development potentials.

The Group's financial position is sound and stable. The Group proactively manages its cash flow and its financing channels are well diversified. It is expected that equity raising is not necessary in the foreseeable future. Under the "New World Sustainability Vision 2030", NWCL issued the first tranche of US dollar green bond pursuant to the "New World Development Green Finance Framework" during the period under review, the proceeds raised will be used to support two projects of NWCL located in the Greater Bay Area and the Group's contribution to green development and expansion of sustainable development models.

With its commitment to the vision of innovative and sustainable culture and lifestyle, the New World Group will blend the old with the new and transcend borders to foster the Group's unique ecosystem which gives new meanings to residential and commercial projects, and create value for corporates and stakeholders by expanding into new business sectors with innovative technology.

Dr. Cheng Kar-Shun, Henry
Chairman

Hong Kong, 27 February 2019

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