



**新創建集團有限公司\***  
**NWS Holdings Limited**

*(incorporated in Bermuda with limited liability)*  
(stock code: 0659)

**Announcement of Interim Results**  
**For the Six Months Ended 31 December 2006**

**FINANCIAL HIGHLIGHTS**

- Turnover grew 20% to HK\$6.9 billion
- Profit attributable to shareholders of the Company increased by 0.4% to HK\$912.2 million
- Basic EPS decreased by 6% to HK\$0.47  
(Excluding one-off gains in the Last Period, basic EPS increased by 4%)
- Proposed interim dividend: HK\$0.25 per share, payable on 13 June 2007

**RESULTS**

The board of directors (the “Board”) of NWS Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiary companies (collectively, the “Group”) for the six months ended 31 December 2006 (the “Current Period”) together with comparative figures for the six months ended 31 December 2005 (the “Last Period”) as follows:

## Condensed Consolidated Income Statement – Unaudited

		For the six months ended	
		31 December	
		2006	2005
	Note	HK\$'m	HK\$'m
Turnover	2	6,902.7	5,753.7
Cost of sales		(6,321.3)	(5,176.4)
Gross profit		581.4	577.3
Other income	3	76.6	160.4
General and administrative expenses		(367.6)	(375.4)
Operating profit	3	290.4	362.3
Finance costs		(118.8)	(125.4)
Share of results of			
Associated companies		248.5	297.5
Jointly controlled entities		545.9	433.3
Profit before income tax		966.0	967.7
Income tax expense	4	(40.4)	(47.1)
Profit for the period		925.6	920.6
Attributable to			
Shareholders of the Company		912.2	909.0
Minority interests		13.4	11.6
		925.6	920.6
Dividend	5	500.0	455.0
Earnings per share attributable to the shareholders of the Company	6		
Basic		HK\$0.47	HK\$0.50
Diluted		HK\$0.46	HK\$0.49

## Condensed Consolidated Balance Sheet – Unaudited

	At 31 December 2006	At 30 June 2006
<i>Note</i>	<i>HK\$'m</i>	<i>HK\$'m</i>
<b>ASSETS</b>		
Non-current assets		
Investment properties	1,080.1	1,043.6
Property, plant and equipment	1,938.5	1,944.2
Leasehold land and land use rights	104.5	107.0
Goodwill	329.9	329.9
Associated companies	3,650.5	3,635.6
Jointly controlled entities	10,156.0	9,401.1
Other non-current assets	1,310.2	762.0
	<u>18,569.7</u>	<u>17,223.4</u>
Current assets		
Inventories	130.1	122.8
Trade and other receivables	7 5,696.2	5,692.6
Financial assets at fair value through profit or loss	-	1.1
Short term deposits	126.4	126.4
Cash and cash equivalents	2,318.1	2,421.3
	<u>8,270.8</u>	<u>8,364.2</u>
Total assets	<u><u>26,840.5</u></u>	<u><u>25,587.6</u></u>
<b>EQUITY</b>		
Share capital	1,988.8	1,943.8
Reserves	13,608.9	12,131.7
Proposed dividend	500.0	390.8
Shareholders' funds	<u>16,097.7</u>	<u>14,466.3</u>
Minority interests	405.9	387.1
Total equity	<u>16,503.6</u>	<u>14,853.4</u>

## Condensed Consolidated Balance Sheet – Unaudited (continued)

		At 31 December 2006 <i>HK\$'m</i>	At 30 June 2006 <i>HK\$'m</i>
<b>LIABILITIES</b>			
Non-current liabilities			
Borrowings		2,943.1	3,311.6
Other non-current liabilities		777.3	775.7
		3,720.4	4,087.3
Current liabilities			
Trade and other payables	8	5,714.2	5,333.6
Taxation		72.4	96.6
Borrowings		829.9	1,216.7
		6,616.5	6,646.9
Total liabilities		10,336.9	10,734.2
Total equity and liabilities		26,840.5	25,587.6
Net current assets		1,654.3	1,717.3
Total assets less current liabilities		20,224.0	18,940.7

## Notes:

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements (the “interim financial statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The interim financial statements should be read in conjunction with the 2006 annual financial statements.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the 2006 annual financial statements.

In the year ended 30 June 2006, the Group early adopted the amendment to Hong Kong Accounting Standard 21 “The effects of changes in foreign exchange rates – Net investment in a foreign operation”. For the six months ended 31 December 2006, the Group has adopted all the remaining new standards, amendments to standards and interpretations that are currently in issue and effective for the accounting periods beginning on or after 1 January 2006. However, the adoption of these new standards does not have any significant effect on the accounting policies or results and financial position of the Group.

Certain new standards, amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after 1 July 2007 but which the Group has not yet adopted, are as follows:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results and financial position.

## 2. Turnover and segment information

The Group is principally engaged in container handling, logistics and warehousing, infrastructure operations, facilities rental, facilities management, contracting, transport and other services. The Group's turnover and contribution from operations are analyzed as follows:

	Container handling, logistics and warehousing	Roads and bridges	Energy, water treatment and waste management	Facilities rental	Facilities management	Contracting	Transport	Others	Eliminations	Consolidated
<i>In HK\$m</i>										
For the six months ended										
31 December 2006										
External sales	10.5	119.9	–	454.0	1,222.1	5,054.9	–	41.3	–	6,902.7
Inter-segment sales	–	–	–	0.3	55.7	291.4	–	9.5	(356.9)	–
<b>Total turnover</b>	<b>10.5</b>	<b>119.9</b>	<b>–</b>	<b>454.3</b>	<b>1,277.8</b>	<b>5,346.3</b>	<b>–</b>	<b>50.8</b>	<b>(356.9)</b>	<b>6,902.7</b>
Segment results	2.4	61.7	6.5	132.6	91.0	61.0	2.3	9.7	–	367.2
Unallocated corporate expenses										(76.8)
<b>Operating profit</b>										<b>290.4</b>
Finance costs										(118.8)
Share of results of										
Associated companies	17.8	(8.1)	160.6	–	0.1	37.2	–	40.9	–	248.5
Jointly controlled entities	23.1	253.3	80.6	108.0	0.1	27.8	53.8	(0.8)	–	545.9
<b>Profit before income tax</b>										<b>966.0</b>
Income tax expense										(40.4)
<b>Profit for the period</b>										<b>925.6</b>
Capital expenditure	0.3	0.5	–	10.4	16.7	33.3	–	4.7	–	65.9
Depreciation	0.6	43.7	–	11.8	16.8	20.5	–	5.6	–	99.0
Amortization of leasehold land and land use rights	–	–	–	–	0.1	0.3	–	0.2	–	0.6

## 2. Turnover and segment information (continued)

	Container handling, logistics and warehousing	Roads and bridges	Energy, water treatment and waste management	Facilities rental	Facilities management	Contracting	Transport	Others	Eliminations	Consolidated
<i>In HK\$m</i>										
At 31 December										
2006										
Segment assets	47.4	1,600.3	503.7	1,293.4	662.0	4,979.0	–	667.8	–	9,753.6
Associated companies	315.4	420.1	1,519.5	–	1.0	798.9	–	595.6	–	3,650.5
Jointly controlled entities	606.6	3,955.4	1,658.9	1,760.3	9.3	857.1	1,308.4	–	–	10,156.0
Unallocated assets										3,280.4
Total assets										<u>26,840.5</u>
Segment liabilities	4.6	612.7	0.3	284.0	477.8	4,343.9	–	86.5	–	5,809.8
Unallocated liabilities										4,527.1
Total liabilities										<u>10,336.9</u>

## 2. Turnover and segment information (continued)

	Container handling, logistics and warehousing	Roads and bridges	Energy, water treatment and waste management	Facilities rental	Facilities management	Contracting	Transport	Others	Eliminations	Consolidated
<i>In HK\$'m</i>										
For the six months ended										
31 December 2005										
External sales	7.2	122.4	–	435.9	1,304.6	3,767.3	–	116.3	–	5,753.7
Inter-segment sales	–	–	–	–	80.5	228.9	–	11.1	(320.5)	–
<b>Total turnover</b>	<b>7.2</b>	<b>122.4</b>	<b>–</b>	<b>435.9</b>	<b>1,385.1</b>	<b>3,996.2</b>	<b>–</b>	<b>127.4</b>	<b>(320.5)</b>	<b>5,753.7</b>
Segment results	3.4	70.7	6.1	130.8	73.9	58.3	–	(5.5)	–	337.7
Profit on disposal of a subsidiary company	–	65.7	–	–	–	–	–	–	–	65.7
Fair value gains on investment properties	–	–	–	3.0	–	–	–	–	–	3.0
Profit on disposal of land use rights and properties	22.7	–	–	–	–	–	–	–	–	22.7
Unallocated corporate expenses										(66.8)
Operating profit										362.3
Finance costs										(125.4)
Share of results of										
Associated companies	8.3	(2.1)	235.6	–	0.1	27.5	–	28.1	–	297.5
Jointly controlled entities	25.5	192.5	76.7	95.7	(0.1)	6.1	37.4	(0.5)	–	433.3
Profit before income tax										967.7
Income tax expense										(47.1)
Profit for the period										920.6
Capital expenditure	0.1	0.3	–	14.1	10.8	17.0	–	1.6	–	43.9
Depreciation	1.0	37.9	–	9.0	19.7	21.2	–	3.8	–	92.6
Amortization of leasehold land and land use rights	–	–	–	–	0.1	0.7	–	0.2	–	1.0



## 2. Turnover and segment information (continued)

	Container handling, logistics and warehousing	Roads and bridges	Energy, water treatment and waste management	Facilities rental	Facilities management	Contracting	Transport	Others	Eliminations	Consolidated
<i>In HK\$'m</i>										
At 30 June 2006										
Segment assets	139.9	1,872.5	–	1,237.8	671.7	4,860.0	–	517.5	–	9,299.4
Associated companies	292.5	413.2	1,527.9	–	0.8	774.5	–	626.7	–	3,635.6
Jointly controlled entities	405.6	3,699.9	1,451.3	1,822.1	9.2	760.8	1,252.2	–	–	9,401.1
Unallocated assets										3,251.5
Total assets										<u>25,587.6</u>
Segment liabilities	3.4	627.8	0.4	287.9	465.2	4,016.4	–	181.1	–	5,582.2
Unallocated liabilities										5,152.0
Total liabilities										<u>10,734.2</u>

### 3. Operating profit

Operating profit of the Group is arrived at after crediting and charging the following:

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2006</b>	2005
	<i>HK\$m</i>	<i>HK\$m</i>
<b>Crediting</b>		
Gross rental income from investment properties	<b>21.2</b>	19.8
Less: Outgoings	<b>(5.3)</b>	(5.1)
	<b>15.9</b>	14.7
Exchange gains	<b>13.6</b>	16.3
<b>Other income</b>		
Profit on disposal of a subsidiary company	-	65.7
Profit on disposal of land use rights and properties	-	22.7
Interest income	<b>40.8</b>	40.3
Management fee	<b>12.4</b>	19.3
Machinery hire income	<b>12.8</b>	0.2
Fair value gains on investment properties	-	3.0
Dividend and other income	<b>10.6</b>	9.2
	<b>76.6</b>	160.4
<b>Charging</b>		
Cost of inventories sold	<b>365.3</b>	429.0
Depreciation	<b>99.0</b>	92.6
Amortization of leasehold land and land use rights	<b>0.6</b>	1.0
Operating lease rental expenses	<b>32.6</b>	29.6

#### 4. Income tax expense

Hong Kong profits tax is provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the Current Period. Tax on Mainland China and overseas profits has been calculated on the estimated taxable profits for the Current Period at the rates of tax prevailing in the countries in which the Group operates.

The amount of income tax charged to the condensed consolidated income statement represents:

	For the six months ended	
	31 December	
	2006	2005
	<i>HK\$m</i>	<i>HK\$m</i>
Current income tax		
Hong Kong profits tax	32.0	36.8
Mainland China and overseas taxation	14.7	10.9
Deferred income tax	(6.3)	(0.6)
	<u>40.4</u>	<u>47.1</u>

Share of associated companies' and jointly controlled entities' taxation for the Current Period of HK\$46.7 million (2005: HK\$37.4 million) and HK\$86.1 million (2005: HK\$77.0 million) are included in the condensed consolidated income statement as share of results of associated companies and jointly controlled entities respectively.

#### 5. Dividend

	For the six months ended	
	31 December	
	2006	2005
	<i>HK\$m</i>	<i>HK\$m</i>
Interim dividend proposed of HK\$0.25 (2005: paid of HK\$0.24) per share	<u>500.0</u>	<u>455.0</u>

## 6. Earnings per share

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

	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2006</b>	2005
	<i>HK\$'m</i>	<i>HK\$'m</i>
Profit attributable to shareholders of the Company	<b>912.2</b>	909.0
Effect of dilutive potential ordinary shares		
Interest on convertible bonds, net of tax	<b>3.2</b>	11.2
Profit for calculation of diluted earnings per share	<b>915.4</b>	920.2
	<b>Number of shares</b>	
	<b>2006</b>	2005
Weighted average number of shares for calculating basic earnings per share	<b>1,958,495,305</b>	1,832,497,978
Effect of dilutive potential ordinary shares		
Share options	<b>1,775,913</b>	1,858,832
Convertible bonds	<b>28,645,840</b>	49,658,790
Weighted average number of shares for calculating diluted earnings per share	<b>1,988,917,058</b>	1,884,015,600

## 7. Trade and other receivables

Included in trade and other receivables are trade debtors with their ageing analysis as follows:

	At 31 December 2006 <i>HK\$'m</i>	At 30 June 2006 <i>HK\$'m</i>
Under 3 months	1,389.7	962.4
Between 4 – 6 months	113.3	108.2
Over 6 months	207.6	122.9
	<u>1,710.6</u>	<u>1,193.5</u>

The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which these businesses operate. Retention money receivables in respect of contracting services are settled in accordance with the terms of respective contracts.

## 8. Trade and other payables

Included in trade and other payables are trade creditors with their ageing analysis as follows:

	At 31 December 2006 <i>HK\$'m</i>	At 30 June 2006 <i>HK\$'m</i>
Under 3 months	569.3	567.4
Between 4 – 6 months	58.3	51.3
Over 6 months	74.7	66.4
	<u>702.3</u>	<u>685.1</u>

## 9. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend for the year ending 30 June 2007 in scrip form equivalent to HK\$0.25 per share with a cash option to shareholders registered on 13 April 2007.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and they be given the option to elect to receive payment in cash of HK\$0.25 per share instead of the allotment of shares. Full details of the interim scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 3 May 2007.

## **BOOK CLOSE DATE**

Book close dates (both days inclusive):	10 April 2007 to 13 April 2007
Latest time to lodge transfer with transfer office:	4:00pm on 4 April 2007
Name and address of transfer office:	Standard Registrars Limited 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong

## FINANCIAL REVIEW

For easy reference, management has presented below the Group's performance by attributable operating profit ("AOP") further to the above presentation which is prepared in accordance with the accounting standards issued by HKICPA.

### Group overview

The Group reported a profit attributable to shareholders of HK\$912.2 million for the Current Period, as compared to HK\$909.0 million for the Last Period. AOP rose by 9% from HK\$1.024 billion in the Last Period to HK\$1.119 billion in the Current Period. Infrastructure division achieved an AOP of HK\$597.0 million, a slight decrease of 5% as compared to HK\$626.2 million in the Last Period. Service & Rental division reported an AOP of HK\$521.5 million, representing a significant increase of 31% from HK\$398.2 million in the Last Period.

<b>Contribution by division</b>	<b>For the six months ended</b>	
	<b>31 December</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'m</i>	<i>HK\$'m</i>
Infrastructure	<b>597.0</b>	626.2
Service & Rental	<b>521.5</b>	398.2
<b>Attributable operating profit</b>	<b>1,118.5</b>	1,024.4
<i>Head office and non-operating items</i>		
Net profit on disposal of infrastructure projects	-	83.8
Other interest income	<b>28.6</b>	43.3
Other finance costs	<b>(112.8)</b>	(109.9)
Others	<b>(122.1)</b>	(132.6)
	<b>(206.3)</b>	(115.4)
<b>Profit attributable to shareholders</b>	<b>912.2</b>	909.0

Contributions from Hong Kong accounted for 42% of AOP while Mainland China and Macau contributed 58%, as compared to 35% and 65% respectively in the Last Period.

### Earnings per share

Basic earnings per share were HK\$0.47 for the Current Period, a slight decrease over HK\$0.50 in the Last Period. If the net profit on disposal of infrastructure projects recorded in the Last Period was excluded, earnings per share actually increased by 4%.

## OPERATIONAL REVIEW - INFRASTRUCTURE

### AOP contribution by segment

	For the six months ended		
	31 December		
	2006	2005	Change %
	<i>HK\$'m</i>	<i>HK\$'m</i>	<i>Fav./Unfav.</i>
Roads	285.0	238.7	19
Energy	214.0	299.4	(29)
Water	56.0	51.2	9
Ports	42.0	36.9	14
Total	<u>597.0</u>	<u>626.2</u>	(5)

### Roads

Performance of projects within the Pearl River Delta Region continues to shine. Average daily traffic flow of Guangzhou City Northern Ring Road reported a 15% growth and toll income increased by RMB28.5 million during the Current Period. Toll income of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) soared by RMB111.1 million or 34% in the Current Period as benefited by the strong economic development of the Pearl River Delta Region and the opening of a connecting expressway in November 2005. The combined average daily traffic flow of Shenzhen-Huizhou Roadway and Expressway increased by 13% when compared to the Last Period.

### Energy

The combined AOP of Zhujiang Power Plant dropped by 30% during the Current Period, partly due to a one-off gain in the Last Period due to a change in depreciation policy as required by the tax authority. Moreover, combined electricity sales decreased by 9% in the Current Period as more electricity imported from the western provinces and also new generation units coming into the market. Such adverse impact was partly compensated by the increase in average tariff of 4% arising from the coal-link tariff adjustments during the Current Period. Despite the decrease in electricity sales, the average utilization of Zhujiang Power Plant stayed in the high level of about 80%. The Group is optimistic towards the outlook of the energy business and will continue to explore new investment opportunities. Performance of Macau Power was satisfactory with 14% increase in electricity sales.

The Group acquired 35% interest in Chengdu Jintang Power Plant, a 2 x 600MW coal-fired power plant, which supplies electricity in Chengdu, Sichuan Province. The project will commence operation in 2007. In addition, the Group also acquired a 9.45% shareholding in



Guangdong Baolihua New Energy Stock Co., Limited, which mainly operates a 2 x 135MW coal-fired power plant in Guangdong and is listed on the Shenzhen Stock Exchange.

## **Water**

Macau Water Plant reported a 10% increase in average daily water sales volume while the Chongqing Water Plant and Shanghai SCIP Water Treatment Plants had an impressive growth of 20% and 54% respectively in water sales volume. Performance of other water projects in Mainland China was satisfactory. During the Current Period, a new water project in Changshu, Jiangsu Province was contracted and commenced profit contribution to the Group from December 2006. The Group has also acquired an indirect stake of 25% in Chongqing Tangjiatuo Waste Water Plant via Sino-French Holdings (Hong Kong) Limited (“SFH”) which paid RMB235 million in December 2006. This is the first municipal wastewater treatment project for SFH and it commenced operations on 1 January 2007.

## **Ports**

Although Xiamen New World Xiangyu Terminals Co., Ltd. reported a 4% volume growth to 380,000 TEUs in the Current Period, its AOP reduced by 17%. Decrease in AOP was mainly due to additional depreciation and interest expenses incurred for newly acquired fixed assets. Despite a 3% decrease in throughput to 549,000 TEUs, AOP of Tianjin Orient Container Terminals Co., Ltd. maintained at the same level of the Last Period due to an increase in average revenue per TEU as a result of more foreign cargo volume. Tianjin Five Continents International Container Terminal Co., Ltd., handled 1,036,000 TEUs during the Current Period and produced positive contribution to AOP.

In August 2006, the Group acquired 55% interest of Wenzhou Zhuangyuan Ao New World International Terminals Company Limited, which operates two multi-purpose berths in Zhuangyuanao, Zhejiang Province. The project is expected to be operational by early 2008.

## OPERATIONAL REVIEW – SERVICE & RENTAL

### AOP contribution by segment

	For the six months ended		
	31 December		
	2006	2005	Change %
	<i>HK\$m</i>	<i>HK\$m</i>	<i>Fav./Unfav.</i>
Facilities Rental	222.5	206.4	8
Contracting	110.1	73.5	50
Transport	56.2	37.4	50
Others	132.7	80.9	64
Total	<u>521.5</u>	<u>398.2</u>	31

### Facilities rental

Hong Kong Convention and Exhibition Centre (“HKCEC”) reported a slight increase in profit during the Current Period. It has achieved a record high attendance for the first half of any fiscal year of over 3.5 million persons attending more than 600 events held during the Current Period. Construction works of the atrium link expansion has commenced in August 2006 and is due for completion in 2009. The new 19,400 sq m expansion will increase HKCEC’s available space to a total of 83,400 sq m.

Benefiting from the positive warehousing industry in Hong Kong, ATL Logistics Centre recorded a steady profit with average occupancy rate reaching 98% during the Current Period.

### Contracting

Although the recovery of construction industry in Hong Kong is still lagging behind, it has shown clear signs of bottom-out. As at 31 December 2006, the Group’s construction business has secured contracts, which are of substantial size with gross value of contract-on-hand over HK\$24.1 billion. Business performance in Macau continues to be encouraging, with all projects we have tendered for or been awarded being predominantly sizeable ones. It is expected that Macau will continue to be the major profit contributor in the upcoming years.

Performance of the Group’s engineering business was satisfactory albeit the material price fluctuations and tender price war. Contracts on hand as at 31 December 2006 amounted to HK\$5.5 billion, while contracts awarded during the Current Period were HK\$991 million of which 53% was secured in Mainland China and Macau.

## **Transport**

Citybus Limited and New World First Bus Services Limited reported an increase in profit as compared with the Last Period, mainly due to the increase in patronage. In addition, the reduction in interest cost resulting from bank loan repayment also contributed to the increase in AOP. On the other hand, the operating loss of local ferry services has been reduced as a result of its fare rise since February 2006, while the Macau ferry services continued to benefit from the guaranteed profit under the current vessel leasing arrangement with Chow Tai Fook Enterprises Limited.

## **Others**

Following the ongoing robust tourism sector and patronage, Free Duty has achieved excellent result during the period. Accompanied by the increasing spending per passenger and the opening of its new retail outlets totalling approximately 28,000 sq ft at the KCRC Lok Ma Chau Station, the Group expects Free Duty to persistently contribute steady profit to the Group.

The profitability of Tricor Holdings Limited and Taifook Securities Group Limited benefited from the increase in IPO activities and the increasing demand from Hong Kong and Mainland China enterprises for financial management services.

The property management business successfully maintained a clientele of over 135,000 residential units under management and continued to deliver steady revenue to the Group despite tough market competitions. Meanwhile, the Group will continue to actively source new market opportunities from Mainland China.

## **OUTLOOK**

For the future, we are confident of our long-term strategy. We aim to maintain a balanced portfolio in focused areas of business where we have a proven track record and accumulated expertise. We believe there is strong growth potential in both infrastructure and service and rental, and we aim to sustain our growth momentum and realize shareholder value by making prudent, focused investments while maintaining our healthy capital structure and dividend policy. When seeking investment opportunities, we continue to take into consideration a reasonable rate of return as well as possible market share. Mainland China remains the primary focus of our investments. Meanwhile, Hong Kong's economy continues to show signs of a full recovery and our Service & Rental division in Hong Kong is yielding good results. The Group remains committed to building service excellence and expanding brand recognition.

## **FINANCIAL RESOURCES**

### **Treasury management and cash funding**

The Group's funding and treasury policy is to maintain a comprehensively diversified and balanced debt profile to minimize financial risks. Management of the Group's financing and treasury activities are centralized at the corporate level. The Group's treasury function regularly reviews the funding requirements of its subsidiary companies in order to enhance the cost-efficiency of funding initiatives. With bank deposits and cash in hand as well as available banking facilities, the Group maintains strong liquidity position, and has sufficient financial resources to fund its recurring operating activities, present investments and future investment opportunities.

### **Liquidity**

As at 31 December 2006, total cash and bank balances amounted to HK\$2.445 billion, as compared to HK\$2.548 billion as at 30 June 2006. Net debt dropped by 33% from HK\$1.981 billion as at 30 June 2006 to HK\$1.329 billion as at 31 December 2006. The gearing ratio, which represents net debt to equity, decreased from 13% as at 30 June 2006 to 8% as at 31 December 2006. The capital structure of the Group was 19% debt and 81% equity as at 31 December 2006, similar to 23% debt and 77% equity as at 30 June 2006. As at 31 December 2006, bank loan facilities totalled HK\$6.9 billion, of which HK\$3.6 billion had been drawn down.

### **Debt profile and maturity**

As at 31 December 2006, total debt decreased to HK\$3.773 billion from HK\$4.528 billion as at 30 June 2006. Apart from the zero coupon guaranteed convertible bonds, long-term bank loans and borrowings increased from HK\$2.792 billion as at 30 June 2006 to HK\$2.810 billion as at 31 December 2006, with HK\$800.7 million maturing in the second year and the remaining in the third to fifth year. No bank loans and overdrafts were secured as at 31 December 2006. All bank loans were denominated in Hong Kong dollars. Except for the convertible bonds, all other debts were bearing interest at floating rate. The Group did not have any material exposure in exchange risk other than RMB during the period. No property, plant and equipment, investment properties nor leasehold land and land use rights were pledged as at 31 December 2006.

## Commitments

The Group's commitments for capital expenditure were HK\$3.791 billion as at 31 December 2006 as compared to HK\$4.038 billion as at 30 June 2006. This represented mainly the commitment for a project of development and operation of rail container terminals and related businesses in Mainland China of HK\$2.640 billion as at 31 December 2006 as compared to HK\$2.539 billion as at 30 June 2006, commitments for capital contributions in certain associated companies, jointly controlled entities and other projects of HK\$896.9 million as at 31 December 2006 as compared to HK\$1.213 billion as at 30 June 2006, and commitments for properties and equipment of HK\$253.9 million as at 31 December 2006 as compared to HK\$286.3 million as at 30 June 2006. The share of commitments for capital expenditure committed by jointly controlled entities was HK\$985.1 million as at 31 December 2006 as compared to HK\$1.303 billion as at 30 June 2006. Sources of funding for commitments for capital expenditure are internally generated resources and banking facilities.

## **CONTINGENT LIABILITIES**

Contingent liabilities of the Group were HK\$1.115 billion as at 31 December 2006 as compared to HK\$1.141 billion as at 30 June 2006. These were composed of guarantees for credit facilities granted to associated companies, jointly controlled entities and a related company of HK\$11.9 million, HK\$1.048 billion and HK\$55.0 million as at 31 December 2006 as compared to HK\$11.9 million, HK\$1.074 billion and HK\$55.0 million respectively as at 30 June 2006. The share of contingent liabilities of jointly controlled entities was HK\$160.7 million as at 31 December 2006 as compared to HK\$65.0 million as at 30 June 2006.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2006, over 41,000 staff were employed by companies under the Group's management of which over 23,000 were employed in Hong Kong. Total staff related costs, excluding directors' remunerations, were HK\$1.047 billion (2005: HK\$1.152 billion) of which provident funds and staff bonuses were included. Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structural training programmes were provided to employees on an ongoing basis.

## **REVIEW OF INTERIM RESULTS**

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial statements for the Current Period.

The unaudited interim results of the Company for the Current Period have been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

As reported by the Company in its last annual report, the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules during the year ended 30 June 2006 except for code provisions A.4.2 and A.5.4. The requirement under the code provision A.4.2 has been complied by the Company since November 2005 by the approval of the relevant amendments of the Company’s bye-laws.

During the six months ended 31 December 2006, only code provision A.5.4 has not yet been complied by the Company. As required under code provision A.5.4 of the CG Code, the Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealing in the securities of the Company. The Board has established guidelines for employees in respect of their dealing in the Company’s securities as set out in the handbook for “Corporate Policy on Staff Responsibility” but they are not on no less exacting terms than the Model Code. The deviation is mainly due to the fact that the Company currently has over 41,000 employees and operates diversified businesses, it will cause immense administrative burden for processing written notifications from the relevant employees by the Company.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any of the Company’s listed securities during the Current Period.

## **THE BOARD**

As at the date of this announcement: (a) the executive directors of the Company are Dr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, Mr. Chan Kam Ling, Mr. Tsang Yam Pui, Mr. Wong Kwok Kin, Andrew, Mr. Lam Wai Hon, Patrick, Mr. Cheung Chin Cheung and Mr. William Junior Guilherme Doo; (b) the non-executive directors of the Company are Mr. Wilfried Ernst Kaffenberger (alternate director to Mr. Wilfried Ernst Kaffenberger: Mr. Yeung Kun Wah, David), Mr. To Hin Tsun, Gerald and Mr. Dominic Lai; and (c) the independent non-executive directors of the Company are Mr. Kwong Che Keung, Gordon, Mr. Cheng Wai Chee, Christopher and The Honourable Shek Lai Him, Abraham.

**Dr. Cheng Kar Shun, Henry**  
*Chairman*

Hong Kong, 16 March 2007

*\* For identification purposes only*

Please also refer to the published version of this announcement in The Standard on 19 March 2007.