



SUSTAINING SOLID
GROWTH

NWS Holdings Limited

Annual Report 2006

Stock code: 0659



SUSTAINING SOLID GROWTH

With Hong Kong's economy sustaining its recovery and Mainland China's GDP continuing to expand, NWS Holdings experienced a year of steady progress in FY2006. The coming year will see us continually strive for long-term growth and enhance shareholder value by actively seeking out business opportunities across Hong Kong, Mainland China and Macau.



VISION

To build a dynamic and premier group of infrastructure and service management companies driven by a shared passion for customer value and care

The above photos of Citybus and Hong Kong Convention and Exhibition Centre are entries of NWSH Photo Competition 2006:

- 1 Citybus – Photo by Ms Leung Mo Ping
- 2 Hong Kong Convention and Exhibition Centre – Photo by Mr Lam Kwun Leung

MISSION

Synergize and develop business units that:

- Nurture total integrity
- Attain total customer satisfaction
- Foster learning culture and employee pride
- Build a world-class service provider brand
- Maximize financial returns

CORE VALUES

- Reputable customer care
- Pride and teamwork
- Innovation
- Community contributions and environmental awareness
- Stakeholders' interest

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SUSTAINING **SOLID** GROWTH

Corporate Profile

ABOUT NWS HOLDINGS

NWS Holdings Limited (“NWS Holdings” or the “Group”, Hong Kong stock code: 0659) is a leading conglomerate across Hong Kong, Mainland China and Macau. It is the infrastructure and service flagship of New World Development Company Limited (Hong Kong stock code: 0017) with diversified businesses in the region. Its Infrastructure portfolio comprises Energy, Roads, Water and Ports projects while its Service & Rental businesses encompass Facilities Rental, Contracting and Transport, etc.

With a 42,000-strong workforce, NWS Holdings is committed to striving for excellence in the two dynamic and premier core businesses. NWS Holdings is listed on the Hong Kong Stock Exchange, and is now a constituent stock of Hang Seng Hong Kong Mid-cap Index.

Hong Kong Convention and
Exhibition Centre
Photo by Mr Yeung Ting Fung –
NWSH Photo Competition 2006



INFRASTRUCTURE

As a key infrastructure player in Mainland China, NWS Holdings has built a strong foundation with 50 projects in Energy, Roads, Water and Ports segments.

ENERGY

The Group has three power plants in Guangdong and Macau that have a total installed capacity of approximately 1,688MW to satisfy the ever growing demand for electricity.

ROADS

The road portfolio comprises about 19 roads and bridge projects in Hong Kong and Mainland China's strategic locations such as Guangdong and Tianjin, covering approximately 625 km in length.

WATER

NWS Holdings has invested in the vast water markets of Mainland China and Macau via its joint venture company, Sino-French Holdings (Hong Kong) Limited for more than two decades. The 19 water plants can treat up to 4.43 million m³ of water and wastewater per day.

PORTS

The Group has seven Ports projects in the major coastal cities of Mainland China such as Xiamen and Tianjin, with a total annual handling capacity of 6.62 million TEUs.

SERVICE & RENTAL

NWS Holdings provides an array of quality services in Hong Kong and is now leveraging its expertise to capture business opportunities beyond the region.

FACILITIES RENTAL

Operated and managed by the Group, both Hong Kong Convention and Exhibition Centre and ATL Logistics Centre offer a wide range of world-class services to local and overseas customers.

CONTRACTING

With ample experience in contracting and engineering businesses, NWS Holdings acquires a significant share in the Mainland China and Macau markets by providing full scope of services.

TRANSPORT

Jointly operating the bus and ferry transport businesses, NWS Holdings and Chow Tai Fook Enterprises Limited are extending the public bus business across the territory to Mainland China.

OTHERS

NWS Holdings enhances people's standard of living with excellent services in various aspects, ranging from property management, duty free sales, financial services and insurance.



Milestones

2005

JULY

Sino-French Holdings (Hong Kong) Limited, a joint venture between NWS Holdings Limited and Suez Environnement of France, celebrated its 20th anniversary.



AUGUST

Hong Kong Convention and Exhibition Centre's plan to expand its atrium link by adding 19,400 sq m or 30% of exhibition space was approved by the Town Planning Board.



Hong Kong Convention and Exhibition Centre
Photo by Mr Cliff Wallace

Hip Hing Construction Company Limited won 2005 HKCA Construction Safety Innovation Award by The Hong Kong Construction Association.

SEPTEMBER

NWS Holdings Limited signed a letter of intent with China Railway Container Transport Corp. Ltd., established by the Ministry of Railways, and other independent third parties to set up a 50-year joint venture to develop, operate and manage 18 large scale pivotal rail container terminals in 18 major cities of Mainland China.

OCTOBER

NWS Holdings Limited's Annual Report 2004 won an Honor in the international Galaxy Awards in New York.

NWS Holdings Limited and Taifook Securities Group Limited achieved the Web Care Silver Award by Internet Professional Association while Urban Property Management Limited achieved Web Care Gold Award for providing barrier free Internet services.

Hong Kong Convention and Exhibition Centre was named the Best Convention & Exhibition Centre at the 16th TTG Travel Awards.

NOVEMBER

NWS Holdings Limited received an Honourable Mention for Most Progress in Investor Relations in the IR Magazine Hong Kong and Taiwan Awards 2005.

NWS Holdings Limited won the Runner-up for Private Sector Department of the Year in Asia Pacific PR Awards 2005 in recognition of its communication strategies.



Tianjin Five Continents International Container Terminal commenced operation.



DECEMBER

NWS Holdings Limited's Companion Storytelling Scheme, co-organized with Hans Andersen Club, was presented the Merit award in the Corporate Volunteer Service Project Competition 2005 by Social Welfare Department.

Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section) commenced operation.

2006

JANUARY

NWS Holdings Limited celebrated the third anniversary of its First Trading Day by launching NWSH Caring Day 2006.

Sino French Water Development Company Limited was named one of the Top Ten Most Influential Enterprises in Mainland China's Water Supply Industry in 2005 by an industry portal h2o-China.com.

FEBRUARY

NWS Holdings Limited and its 16 member companies were presented the Caring Company logo 2005-2006 by the Hong Kong Council of Social Service.



NWS Holdings Limited launched a brand awareness campaign comprising programme sponsorship on TV and radio, as well as investment seminar series for retail investors.

APRIL

NWS Holdings Limited launched corporate song.



MAY

Sky Connection Limited won two awards at Raven Fox Awards 2006 including Best Liquor Travel Retailer in Asia/Pacific and highly commended for Best Tobacco Travel Retailer in Asia/Pacific.



JUNE

NWS Holdings Limited won the Silver Award of Community Relations in the Seventh China Golden Awards for Excellence in Public Relations for NWSH Green Kindergarten Network, its environmental education project co-organized with Green Power.



NWS Holdings Limited set up a joint venture in Mainland China to manage and operate the 220,000 sq m Zhengzhou International Convention and Exhibition Centre.



Sky Connection Limited won a five-year duty free concession to operate four Free Duty shops at Lok Ma Chau Spur Line of the Kowloon-Canton Railway.

Urban Property Management Limited was awarded The Best Brand Enterprise Award and Corporate Development Excellence by the Hong Kong Productivity Council.

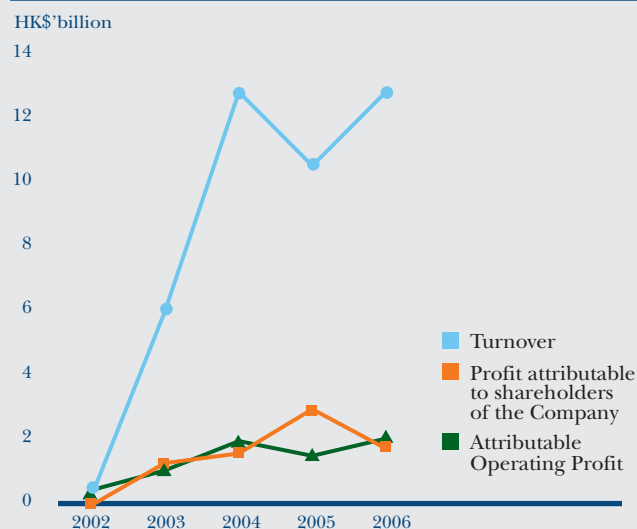
Financial Highlights

	Note	2006 HK\$'m	2005 HK\$'m (restated)
Turnover		12,543.9	10,286.1
Profit attributable to shareholders of the Company		1,656.6	2,886.1
Net Debt		1,980.6	2,333.7
Total Assets		25,587.6	25,165.5
Net Assets		14,853.4	13,387.1
Shareholders' Funds		14,466.3	13,024.9
Net Tangible Assets		13,958.7	12,492.4
Earnings per Share – Basic	1	HK\$0.89	HK\$1.60
Net Assets per Share	2	HK\$7.64	HK\$7.33
Gearing Ratio	3	13%	17%
Return on Shareholders' Funds	4	11%	22%
Return on Capital Employed	5	9%	16%

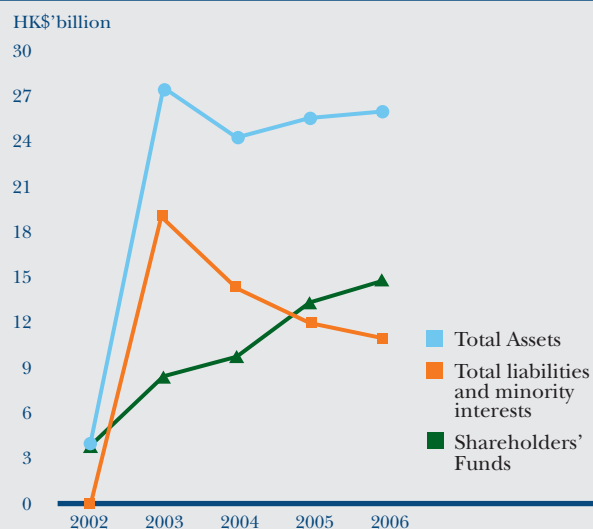
Notes

- Earnings per Share – Basic have been calculated by dividing profit attributable to shareholders of the Company by the weighted average number of shares in issue during the year.
- Net Assets per Share have been calculated by dividing Net Assets by the number of issued shares as at year ends.
- Gearing Ratio represents Net Debt divided by total equity.
- Return on Shareholders' Funds represents profit attributable to shareholders of the Company divided by Shareholders' Funds.
- Return on Capital Employed represents profit attributable to shareholders of the Company divided by the total of equity and non-current liabilities.

Consolidated Income Statement Highlights

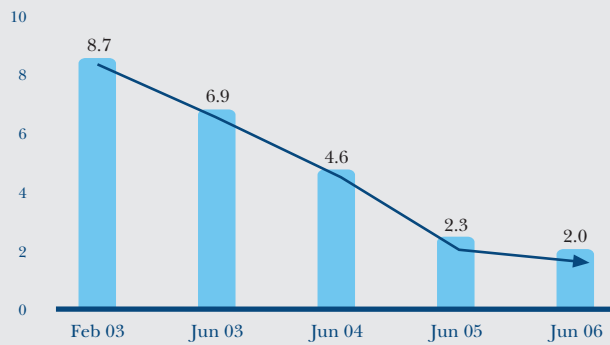


Consolidated Balance Sheet Highlights



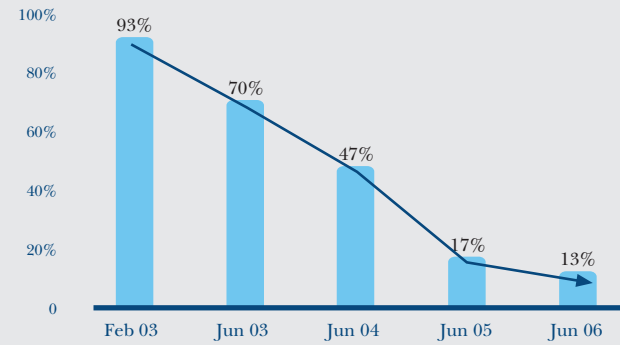
Debt Reduction Progress

Net Debt
HK\$'billion

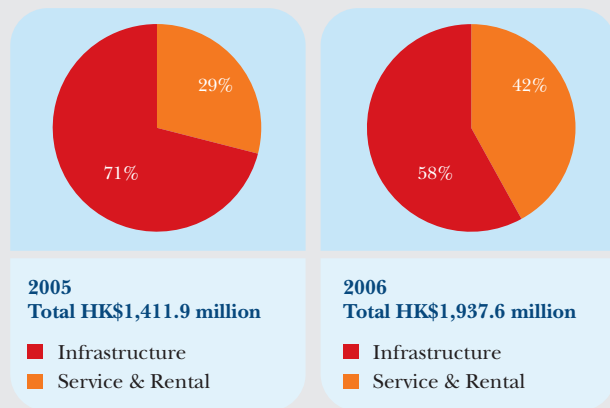


Gearing Ratio

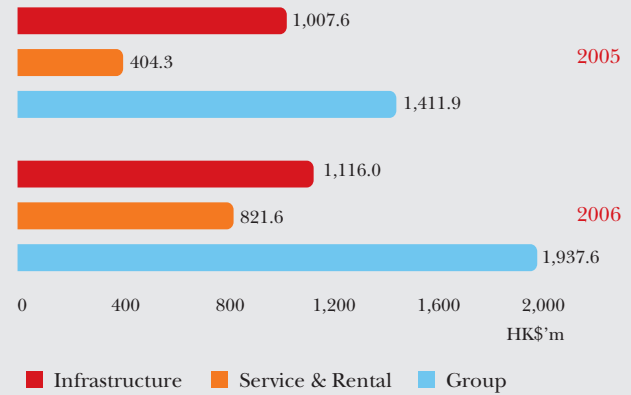
Gearing
Ratio



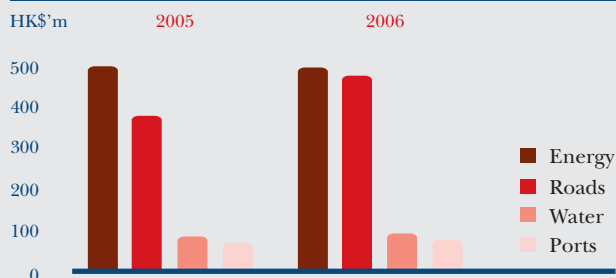
AOP Mix – by Division



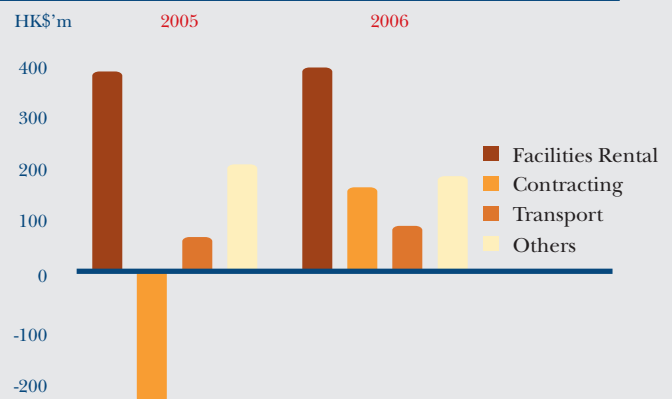
AOP – by Division



AOP – Infrastructure



AOP – Service & Rental





GROW UNDER GOVERNANCE

We understand our shareholders expect us to deliver the highest standards of integrity and transparency at all times and across all areas of our operations. At NWS Holdings, we continue to do everything possible to ensure our team's full and unhesitating compliance with all ethical obligations.

Chairman's Statement



THE ECONOMIES OF HONG KONG, MAINLAND CHINA AND MACAU ALL CONTINUE THEIR SOLID GROWTH. THE GROUP RECORDED SATISFACTORY PROGRESS ON MANY FRONTS IN FY2006. HIGHLIGHTS INCLUDED A 103% INCREASE OF AOP FOR OUR SERVICE & RENTAL DIVISION AND A 11% RISE IN AOP FOR OUR INFRASTRUCTURE DIVISION.

Dear shareholders,

On behalf of your Board, I am delighted to report the satisfactory performance of our two main business divisions during FY2006. Particularly noteworthy was our Service & Rental division which doubled its AOP over last year. The AOP of our Infrastructure division also achieved a healthy year-on-year growth of 11%.

You will note that the Group's profit attributable to shareholders has decreased by 43% over the previous financial year. This drop was solely attributable to the exceptional gain of around HK\$1.8 billion the Group made by divesting its interests in the Container Terminal No.3 and Container Terminal No.8 West in Hong Kong during FY2005. When this gain is excluded, the Group actually recorded fruitful respective increases of around 50% in net profit and 37% in AOP. As a result, the Board is pleased to recommend a final dividend of HK\$0.20 for shareholders.

One of the Group's key objectives is to enhance shareholder value.

To this end, our strategic focus is to seek long-term growth in our core businesses while maintaining a stable dividend policy and an optimal capital structure.

SUSTAINABILITY OF GROWTH

Mainland China's strong economic growth has continued to create excellent business opportunities for the Group. In October 2005, the Ministry of Communications published a plan to construct roads connecting all towns and cities with a population exceeding 200,000. Expanding Mainland China's existing road network to 85,000 km, the plan will involve the annual construction of an estimated 3,000 km of new roads for the next two decades. As a major investor in the Pearl River Delta's roadway network, the Group is ideally placed to develop opportunities in other high-growth regions in Mainland China.

Mainland China's rapid urbanization also offers excellent opportunities for our Water business. The Central

Government values water highly and is keen to conserve this precious natural resource. The Government's growing awareness of environmental protection offers still further growth potential for the Group. The Eleventh Five-Year Plan has reiterated Mainland China's need to further enhance efficiency and price structure for its water resources. By opening up Mainland China's sewage treatment industry to non-state-owned enterprises, the Central Government is now actively encouraging foreign companies to invest in its water sector. Leveraging its joint-venture partnership with Suez, the Group will continue to scrutinize projects in this area. In early 2006, we entered into a joint venture arrangement with Chongqing Water Holding (Group) Co. Ltd to explore water projects in the Chongqing region.

The Eleventh Five-Year Plan will also see the Ministry of Railways extend its existing rail network by some 17,000-kms and further enhance its electric rail system and high-speed train technologies. The Group has

just signed a joint venture agreement with certain independent third parties, which includes a subsidiary company of the Ministry of Railways, to establish a new company to be named as China United International Rail Containers Co., Limited. The 50-year joint venture will develop and operate large-scale pivotal rail container terminals in 18 major cities in Mainland China. At present, Mainland China's annual rail containerized cargo volume stands at around three million TEUs. Accounting for approximately 3% of all rail freight, this figure is far below the 30% figure achieved by rail networks in Europe and US. As a result, the Group anticipates that Mainland China's inter-modal transportation industry continues to offer enormous growth potential.

Last year's economic rebound leaves our Service & Rental business well placed to sustain its competitive edge. We remain cautiously optimistic that construction and infrastructure projects which are currently on hold will soon become active again. The atrium link expansion at the Hong Kong Convention and Exhibition Centre ("HKCEC") is underway and should be completed in the first half of 2009. The extension will add an additional 30% of exhibition space to HKCEC. To assess business opportunities outside Hong Kong, the Group has established Hong Kong Exhibition and Convention Venue Management China Limited. In May 2006, this subsidiary company formed a joint venture company with INTEX Shanghai Company Limited. The arrangement will see our convention and exhibition management team leverage its expertise at the 227,600-sq m Zhengzhou International Convention and Exhibition Centre which opened in October 2005. Our Sky Connection's Free Duty

tobacco and liquor operation will also expand its retail business with the opening of new outlets serving the KCRC Lok Ma Chau Spur Line in early 2007.

I am delighted to report that our Contracting segment successfully turned around its performance, generating a profit of HK\$163 million during FY2006. Leveraging excellent opportunities arising from Macau's flourishing gaming, entertainment and tourism industry, the Group has secured some HK\$11 billion worth of contracts for several prestigious hotel and casino projects. We expect that Macau will continue to be a significant source of income for this segment for the foreseeable future.

GOOD CORPORATE GOVERNANCE PRACTICE

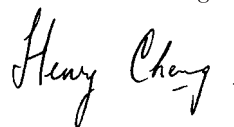
The Group has always been committed to the promotion of good corporate governance practices. To ensure our shareholders' interests are properly taken care of, we are now in the process of establishing a Corporate Governance Steering Committee which will identify and formalize best corporate governance practices. The Group has also issued *Guidelines on Internal Control Systems* to ensure member companies' full compliance with all relevant rules and regulations governing their operations. Our other activities in this area included distribution of a booklet entitled *Corporate Policy on Staff Responsibility* which provides guidelines and instructions on best management practices and personal integrity for all staff in September 2005. The Group has also set up a Risk Management Department providing risk management support for all member companies. The coming years will see us continue to do everything possible to maintain our high standard of corporate governance.

COMMUNITY ENGAGEMENT

I have been very impressed by the contribution of the more than 1,000 corporate volunteers who made up the NWS Volunteer Alliance (the "Alliance") during the past year. Since its formation in 2001, the Alliance's volunteers have contributed more than 23,800 man-hours to various needy groups such as the elderly, the underprivileged, new arrival children and psychiatric patients. I would like to mark the Alliance's fifth anniversary in November 2006, by thanking our volunteers for their selfless dedication in delivering such love and care. Following the establishment of the Corporate Social Responsibility Committee, we are now setting up an NWS Holdings Charities Foundation to further deepen our engagement with the local community.

NOTE OF APPRECIATION

A corporation can only ever be as strong as its management and employees. On behalf of the Board, I wish to convey my heartfelt gratitude to our 42,000-strong workforce for their outstanding contribution to our success during FY2006. The coming years will see us continually strive to promote a learning culture, nurture talented staff and reward dedicated employees. I remain confident that with the ongoing support and devotion of my fellow directors, our senior management and staff, NWS Holdings will continue to sustain its momentum and growth.



Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 9 October 2006

Board of Directors



from left to right: Mr Dominic Lai; Mr Wilfried Ernst Kaffenberger; Mr Cheung Chin Cheung; Mr Wong Kwok Kin, Andrew; Mr Chan Kam Ling; Dr Cheng Kar Shun, Henry; Mr Doo Wai Hoi, William

Board of Directors

Dr Cheng Kar Shun, Henry *GBS* Chairman

Dr Cheng (59) was appointed as Executive Director in March 2000 and became the Chairman in March 2001. Dr Cheng is the Managing Director of New World Development Company Limited, a substantial shareholder of the Company, the Chairman and Managing Director of New World China Land Limited and the Chairman of New World Mobile Holdings Limited, Taifook Securities Group Limited and International Entertainment Corporation. He is also a director of Chow Tai Fook Enterprises Limited, Centennial Success Limited and Cheng Yu Tung Family (Holdings) Limited, all of them are substantial shareholders of the Company. Dr Cheng is also the Managing Director of New World Hotels (Holdings) Limited, an independent non-executive director of HKR International Limited and a non-executive director of Lifestyle International Holdings Limited. Dr Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Committee Member of the Tenth Chinese People's Political Consultative Conference of The People's Republic of China. In 2001, he was awarded the Gold Bauhinia Star by the Government of the HKSAR. Dr Cheng is the brother-in-law of Mr Doo Wai Hoi, William and uncle of Mr William Junior Guilherme Doo.

Mr Doo Wai Hoi, William *Jr* Deputy Chairman

Mr Doo (62) was appointed as Executive Director in March 2000 and became the Deputy Chairman in January 2003. Mr Doo's corporate positions include: Vice Chairman of New World China Land Limited and New World Mobile Holdings Limited; Deputy Chairman of Taifook Securities Group Limited; Executive Director of Lifestyle International Holdings Limited, as well as Director of New World Hotels (Holdings) Limited and Fung Seng Diamond Company Limited. Mr Doo is a member of the Executive Committee of the Tenth Chinese People's Political Consultative Conference in Shanghai and the Convener of the Shanghai Committee in Hong Kong. He has served as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. Mr Doo has been appointed as the Honorary Consul of the Kingdom of Morocco in Hong Kong in May 2005. Mr Doo is the brother-in-law of Dr Cheng Kar Shun, Henry and the father of Mr William Junior Guilherme Doo.

Mr Chan Kam Ling *BBS* Executive Director and Chief Executive Officer

Mr Chan (66) was appointed as Executive Director and the Chief Executive Officer in January 2003. He is

currently the Managing Director of Sino-French Holdings (Hong Kong) Limited and The Macao Water Supply Company Limited. He is also a director of New World First Bus Services Limited and Companhia de Electricidade de Macau – CEM, S.A. Mr Chan has been a part-time member of the HKSAR Government's Central Policy Unit and a member of the Construction Industry Review Committee, the Provisional Construction Industry Co-ordination Board, the Professional Services Committee and the China Trade Advisory Committee of the Hong Kong Trade Development Council as well as the Departmental Advisory Committee of the Department of Building and Construction of the City University of Hong Kong. Mr Chan has more than 35 years of experience in construction, property development and infrastructure industry in Mainland China, Hong Kong and Macau. In 2001, Mr Chan was awarded the Bronze Bauhinia Star by the Government of the HKSAR.

Mr Tsang Yam Pui *GBS, OBE, QPM, CPM* Executive Director

Mr Tsang (60) was appointed as Executive Director in June 2004. He is currently the Vice Chairman of New World First Bus Services Limited, New World First Bus Services (China) Limited, Citybus Limited, New World First Ferry Services Limited and New World First Ferry Services (Macau) Limited. He is also a director of Mapletree Investments Pte Ltd in Singapore. Mr Tsang also serves as a member on the Audit Committee of The University of Hong Kong and a member of Interpol's Strategic Advisory Panel in Lyon, France. Prior to joining the Company, Mr Tsang had served with the Hong Kong Police Force for 38 years and retired from the Force as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. Mr Tsang was awarded the Gold Bauhinia Star, the OBE, the Queen's Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner's Commendation, and the HKSAR Police Long Service Medal.

Mr Wong Kwok Kin, Andrew Executive Director

Mr Wong (60) was appointed as Executive Director in January 2003. Mr Wong is an executive director of Sky Connection Limited and several subsidiary companies and affiliates of New World Group providing duty-free liquor and tobacco concessions, communication services, cleaning and laundry services, and estate management in both Hong Kong and Mainland China. He is also a director of New World First Holdings Limited, Citybus Limited, New World Telephone Holdings Limited and Taifook Securities Group Limited. Mr Wong had been an

executive director of New World Hotels (International) Limited and Renaissance Hotel Group N.V., a company listed on the New York Stock Exchange, from 1995 to 1997. Mr Wong has over 25 years of experience in the hospitality and the service industries, as well as finance and human resources administration.

Mr Lam Wai Hon, Patrick Executive Director and Qualified Accountant

Mr Lam (44) was appointed as Executive Director in January 2003 and is currently the Qualified Accountant of the Company. He is also a director of Taifook Securities Group Limited, Wai Kee Holdings Limited and Build King Holdings Limited as well as the Assistant General Manager of New World Development Company Limited, a substantial shareholder of the Company. He is mainly responsible for overseeing the facilities rental business of the Group and managing the financial and human resources aspects of the Company. His area of responsibilities in New World Group includes property investment and development as well as service business. Mr Lam is a Chartered Accountant by training; a Fellow of the Institute of Chartered Accountants of England and Wales, and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada.

Mr Cheung Chin Cheung Executive Director

Mr Cheung (50) was appointed as Executive Director in October 2003. He had been an executive director of the Company during the period from May 1998 to January 2003. Mr Cheung is also a director and the General Manager of NWS Infrastructure Management Limited and NWS Ports Management Limited. He is a director of Sino-French Holdings (Hong Kong) Limited, Sino French Water Development Company Limited and The Macao Water Supply Company Limited as well as a director of a number of companies in Mainland China. Mr Cheung is a member of the China Trade Advisory Committee and the Infrastructure Development Advisory Committee of the Hong Kong Trade Development Council.

Mr William Junior Guilherme Doo Executive Director

Mr Doo (32) was appointed as Director on 19 December 2005. Mr Doo is a solicitor admitted in the HKSAR and is currently a non-practising solicitor in England and Wales. Before joining the Company, he had more than five years' legal practice experience in one of the largest global law firms specializing in finance and corporate transactions. Since joining the Company in March 2003, Mr Doo has been holding



from left to right: Mr Tsang Yam Pui; Mr Lam Wai Hon, Patrick; Mr William Junior Guilherme Doo; Mr To Hin Tsun, Gerald; Mr Kwong Che Keung, Gordon; Mr Cheng Wai Chee, Christopher; The Honourable Shek Lai Him, Abraham

the position of Assistant to Chairman of the Company and acting as members of various management committees responsible for overseeing the financial and operational performances of the Company and its subsidiary companies. He is also acting as an alternate director to Mr Doo Wai Hoi, William in the board of directors of Citybus Limited and a management committee member of NWS Transport Services Limited, the holding company of Citybus Limited, New World First Bus Services Limited and New World First Ferry Services Limited. Mr Doo is the son of Mr Doo Wai Hoi, William and nephew of Dr Cheng Kar Shun, Henry.

Mr Wilfried Ernst Kaffenberger Non-executive Director

Mr Kaffenberger (62) was appointed as Non-executive Director in January 2003. He is the Chief Executive Officer of AIG Asian Infrastructure Fund II, a US\$1.67 billion direct equity investment pool he organized in 1997. Mr Kaffenberger is also the Managing Director of Emerging Markets Partnership ("EMP"), a Washington-based asset management firm. Prior to joining EMP, he was the Vice President, Operations, of International Finance Corporation ("IFC"), a World Bank affiliate. His career at IFC covered 25 years.

Mr To Hin Tsun, Gerald Non-executive Director

Mr To (57) was appointed as Independent Non-executive Director in May 1998 and was re-designated to Non-executive Director in August 2002. Mr To has been a practising solicitor in Hong Kong since 1975. He is also a qualified solicitor in the United Kingdom as well as an advocate and a solicitor in Singapore. He is currently the senior and managing partner of Messrs T. S. Tong & Co., Solicitors and Notaries. Mr To is also an executive director of New World Mobile Holdings Limited and a non-executive director of New World Cyberbase Limited and Taifook Securities Group Limited, all of which are companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr To is also an executive director of International Entertainment Corporation, a company whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Mr Dominic Lai Non-executive Director

Mr Lai (59) was appointed as Independent Non-executive Director in August 2002 and was re-designated to Non-executive Director on 28 September 2004. Mr Lai is a practicing solicitor in Hong Kong and is also admitted in England and Wales, the Republic of Singapore, the States of New South Wales and Victoria, Australia. Mr Lai is a senior partner of the Hong Kong law firm, Iu, Lai & Li and

has been in practice for more than 30 years. He is also a non-executive director of several other public companies listed on The Stock Exchange of Hong Kong Limited.

Mr Yeung Kum Wah, David Alternate Director to Mr Wilfried Ernst Kaffenberger

Mr Yeung (56) was appointed as Alternate Director to Mr Wilfried Ernst Kaffenberger in January 2003. Mr Yeung is the President and Chief Executive Officer of AIG Capital Partners Inc., a wholly owned subsidiary company of AIG Global Investment Group. He is responsible for AIG's Emerging Market Private Equity Investment activities globally. He represents AIG on AIG-sponsored infrastructure funds with total committed funds of US\$4.7 billion and sits on the Investment Committees of other AIG sponsored global and regional direct investment funds and on the board of various companies in AIG's investment portfolio. Mr Yeung is a U.S. Certified Public Accountant and a Canadian Chartered Accountant.

Mr Kwong Che Keung, Gordon Independent Non-executive Director

Mr Kwong (57) was appointed as Independent Non-executive Director in October 2002. He is also an independent non-executive director of a number of Hong Kong listed companies. Mr Kwong graduated from The University of Hong Kong in 1972, qualifying as a chartered accountant in England in 1977 and was a Partner of Price Waterhouse from 1984 to 1998. He had served as a part-time panel member of the Hong Kong Government's Central Policy Unit from 1993 to 1995 and was an independent member of the Council of The Stock Exchange of Hong Kong Limited from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee.

Mr Cheng Wai Chee, Christopher GBS, OBE, JP

Independent Non-executive Director
Mr Cheng (58) was appointed as Independent Non-executive Director in January 2003. He is the Chairman of USI Holdings Limited and Winsor Properties Holdings Limited and a non-executive director of several listed and unlisted companies in Hong Kong, including New World China Land Limited, PICC Property and Casualty Company Limited, Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust) and DBS Bank (Hong Kong) Limited. Mr Cheng plays an active role in the public services, particularly noteworthy are his efforts in promoting the development of Hong Kong as an international trade, commercial and financial centre. He currently serves as a non-executive director of the Hong Kong

Securities and Futures Commission and a member of the Exchange Fund Advisory Committee. He is also a former Chairman of the Hong Kong General Chamber of Commerce. Mr Cheng has a keen interest in management of the public services and is acting as the Chairman of the Standing Committee on Judicial Salaries and Conditions of Service. Mr Cheng is a Steward of the Hong Kong Jockey Club and serves on the Council of The University of Hong Kong. Mr Cheng holds a BBA from the University of Notre Dame, Indiana, USA and an MBA from Columbia University, New York.

The Honourable Shek Lai Him, Abraham JP

Independent Non-executive Director
Mr Shek (61) was appointed as Independent Non-executive Director in September 2004. Mr Shek graduated from the University of Sydney with Bachelor of Arts. He is a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. Currently, Mr Shek is a member of the Council of The Hong Kong University of Science & Technology and member of the Court of The University of Hong Kong. He is also a member of the Managing Board of Kowloon-Canton Railway Corporation and a director of The Hong Kong Mortgage Corporation Limited. Mr Shek is an independent non-executive director of Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, See Corporation Limited, ITC Corporation Limited and Titan Petrochemicals Group Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust which is listed on The Stock Exchange of Hong Kong Limited.

Senior Management

Mr Chow Tak Wing Company Secretary

Mr Chow (39) joined the Company in 2002 and was appointed as Company Secretary of the Company in October 2004. He is also the Financial Controller of the Company. Mr Chow is an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a fellow member of the Association of Chartered Certified Accounts (UK). He has more than 17 years' experience in accounting and financial management and corporate governance. Prior to joining the Company, he was a manager of an international accounting firm and senior executive of several Hong Kong listed companies.

Corporate Governance Report

Promoting good corporate governance practices is the prioritized task of the Company for the past years. The Company has organized series of management conferences and seminars that focused on achieving high standard of corporate governance and internal control within the Group. Responses have been positive from all the management of the Group.

In view of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules, the Board has adopted various guidelines and procedures, such as the "Corporate Governance Manual" (the "CG Manual") and the "Guidelines on Internal Control System" (the "IC Guidelines"), for ensuring the proper compliance of the CG Code and the enhancement of the corporate governance practices of the Group as a whole.

The Company has applied the principles of and complied with the applicable code provisions of the CG Code during the year ended 30 June 2006, except for certain deviations with considered reasons as explained below.

SECURITIES TRANSACTIONS OF DIRECTORS AND RELEVANT EMPLOYEES

The Company adopted a code of conduct regarding directors' securities transactions on terms

no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, they have complied with the required standards of the said code during the year.

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 the 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 42,000 employees and operates diversified businesses,

it will cause immense administrative burden for processing written notifications from the relevant employees by the Company.

BOARD OF DIRECTORS

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises executive management. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The Board currently comprises 14 members whose biographical details are set out on pages 14 and 15 of this report. The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when they are deemed necessary. Four meetings of the Board were held during the year ended 30 June 2006 and the record of attendance of each director is as follows:

	Name of Director	Attended/ Eligible to Attend
Executive directors	Dr Cheng Kar Shun, Henry (<i>Chairman</i>)	4/4
	Mr Doo Wai Hoi, William (<i>Deputy Chairman</i>)	4/4
	Mr Chan Kam Ling (<i>Chief Executive Officer</i>)	4/4
	Mr Tsang Yam Pui	4/4
	Mr Wong Kwok Kin, Andrew	4/4
	Mr Lam Wai Hon, Patrick	4/4
	Mr Cheung Chin Cheung	4/4
	Mr William Junior Guilherme Doo	2/2
Non-executive directors	Mr Wilfried Ernst Kaffenberger	3/4
	Mr To Hin Tsun, Gerald	4/4
	Mr Dominic Lai	3/4
Independent non-executive directors	Mr Kwong Che Keung, Gordon	4/4
	Mr Cheng Wai Chee, Christopher	4/4
	Mr Shek Lai Him, Abraham	4/4

During the year, the Company has given to the directors of no less than 14 days notices for regular board meetings and the directors are given an opportunity to include matters in the agenda for regular board meetings.

The Company provides extensive background information about its history, mission and businesses to its directors. The directors are also provided the opportunity to visit the Group's operational facilities and meeting with the management to gain a better understanding of its business operations.

The Board has separate and independent access to the senior management and the Company Secretary at all times.

By submitting request to the Company Secretary, the Board can access to independent professional advice any time when it thinks appropriate.

The Company has arranged for appropriate liability insurance for the directors of the Group for indemnifying their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Pursuant to the requirement of the Listing Rules, the Company has received a written confirmation from each of the independent non-executive directors of his independence to the Company. The Company considers all its independent non-executive directors to be independent.

For ensuring the efficiency of daily operation of the Group and the implementation of policies as laid down by the Board, an Executive Committee was established under the Board since 2003. Its main responsibilities are to develop and recommend to the Board overall strategy for the Group, to consider and approve investment and divestments, as well as to review the Group's performance and manage its assets and liabilities in accordance with the policies and directives of the Board.

Comprising all executive directors of the Company, the current members of the Executive Committee are Dr Cheng Kar Shun, Henry (Committee Chairman), 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. The Executive Committee met regularly during the year, with members' average attendance rate of over 70%.

Non-executive directors

Non-executive directors of the Company are appointed under a fixed term of three years and are also subject to retirement on a rotational basis in accordance with the bye-laws of the Company.

Remuneration of directors

The Remuneration Committee was established under the Board in July 2005 and is composed of two executive directors and three independent non-executive

directors. Current members of the Remuneration Committee are Mr Chan Kam Ling (Committee Chairman), Mr Lam Wai Hon, Patrick, Mr Kwong Che Keung, Gordon, Mr Cheng Wai Chee, Christopher and Mr Shek Lai Him, Abraham. Major functions of the Remuneration Committee include the following:

- (a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (b) to determine the remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments and make recommendations to the Board of the remuneration of non-executive directors;
- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that

Corporate Governance Report

such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and

- (e) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

Detailed terms of reference of the Remuneration Committee, which contains the full description of its duties, is available on the website of the Company.

Two meetings of the Remuneration Committee were held during the year and the attendance record of its members at the said Remuneration Committee meetings is as follows:

Name of Remuneration Committee member	Attended/ Eligible to Attend
Mr Chan Kam Ling	2/2
Mr Lam Wai Hon, Patrick	2/2
Mr Kwong Che Keung, Gordon	2/2
Mr Cheng Wai Chee, Christopher	2/2
Mr Shek Lai Him, Abraham	2/2

Works performed by the Remuneration Committee for the year ended 30 June 2006 are summarized below:

- (i) reviewing the remuneration policy, structure and packages for directors and senior management;
- (ii) making recommendations to the Board of the directors' fee for the year ended 30 June 2006;
- (iii) making recommendations to the Board for remuneration packages of the executive directors; and
- (iv) reviewing the performance-based remuneration.

Each director will be entitled to a director's fee which is determined by the Board with authorization granted by the shareholders at the Company's annual general meetings. In order to motivate and retain valuable employees, the remuneration packages of executive directors and senior

management are determined by considering their duties and responsibilities with the Company, their performance against corporate goals and objectives and by comparing with the remuneration standard in the market.

The amount of remuneration paid to each director for the year ended 30 June 2006 is set out on note 13 to the financial statements.

Nomination, appointment and re-election of directors

The Company has not established a Nomination Committee during the year under review and the role and function of such committee was performed by the Board.

Every Board member is welcome to nominate suitable person for appointing as director of the Company. Such nomination will then be discussed and determined by the Board for his suitability on the basis of qualifications, experience and background.

Pursuant to code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Amendments on the relevant bye-laws of the Company were approved by its shareholders at the annual general meeting held on 29 November 2005 in

order to comply with this code provision.

Pursuant to the existing bye-laws of the Company, all directors appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting. In addition, one-third of the directors that have served longest on the Board, must retire, thus becoming eligible for re-election at each annual general meeting. Each director is subject to retirement by rotation at least once every three years. For enhancing the accountability, any further re-appointment of an independent non-executive director, who has served the Board for more than nine years, will be subject to separate resolution to be approved by the shareholders.

Directors' responsibilities for preparing accounts

The Company's directors acknowledge their responsibilities to prepare accounts for each half and full financial year which give a true and fair view of the state of affairs of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For ensuring clear distinction of the independence, accountability and area of responsibility of the Chairman and the Chief Executive Officer (the "CEO") of the Company, the two roles are separated and the areas of their

respective responsibility are being stated in the CG Manual of the Company.

Chairman is the leader of the Board and his responsibilities generally include:

- (a) to ensure all directors are properly briefed on matters to be discussed at board meetings;
- (b) to ensure all directors receive adequate, complete and reliable information in a timely manner;
- (c) to ensure the Board works effectively, discharges its responsibilities and discusses all key issues in a timely manner;
- (d) to approve the agenda for board meetings and take into account any matters proposed by other directors for inclusion in the agenda;
- (e) to give each director an opportunity to express his views at the board meetings and encourage them to contribute to the Board's affairs; and
- (f) to ensure that the Board acts in the best interests of the Company.

The key responsibilities of the CEO includes:

- (a) to provide the leadership for the management of the Company;
- (b) to implement and report to the Board on the Company's strategy;

- (c) to oversee the realization of the Company of the objectives set by the Board; and
- (d) to provide all such information to the Board as is necessary to enable the Board to monitor the performance of management.

AUDIT COMMITTEE

The Audit Committee is appointed by the Board from amongst the non-executive directors of the Company with the majority of the members being independent non-executive directors. Current members of the Audit Committee are Mr Kwong Che Keung, Gordon (Committee Chairman), Mr Cheng Wai Chee, Christopher, Mr Shek Lai Him, Abraham and Mr Dominic Lai. The major duties of the Audit Committee include the following:

- (a) to make recommendation to the Board on the appointment, re-appointment and removal of external auditors and to approve its remuneration and terms of engagement;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with the applicable standard;
- (c) to monitor integrity of financial statements of the Company and its annual reports and accounts, half-year reports and to review significant financial reporting judgements contained in them;

Corporate Governance Report

(d) to review the Company's financial control, internal control and risk management systems;

(e) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function; and

(f) to review the Group's financial and accounting policies and practices.

Detailed terms of reference of the Audit Committee, which contains the full description of its duties, is available on the website of the Company.

During the year, the Audit Committee met twice and the following works have been performed:

- (i) review of the audited financial statements and the interim results of the Company for the years ended 30 June 2005 and 2006 respectively;
- (ii) approval of internal audit plans for the year ended 30 June 2006 and for the year ending 30 June 2007;
- (iii) review of the internal audit reports prepared by Group

Audit & Management Services Department;

(iv) review of the system of internal control of the Company;

(v) review of the audit plan from external auditors; and

(vi) review of the remuneration of external auditors.

Attendance record of members of the Audit Committee for the meetings held during the year is as follows:

Name of Audit Committee member	Attended/ Eligible to Attend
Mr Kwong Che Keung, Gordon	2/2
Mr Cheng Wai Chee, Christopher	2/2
Mr Shek Lai Him, Abraham	1/2
Mr Dominic Lai	2/2

The Audit Committee reviewed the audited financial statements of the Group for the year ended 30 June 2006 and the accounting principles and practices adopted by the Group.

EXTERNAL AUDITORS

The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditors subject to endorsement by the Board and final approval and authorization by the shareholders of the Company in general meetings. The existing auditors of the Company, who is also the

Group's principal auditors, is PricewaterhouseCoopers who was first appointed in 2000.

Total auditor's remuneration in relation to statutory audit work of the Group for the year ended 30 June 2006 amounted to HK\$18.1 million (2005: HK\$14.5 million), of which a sum of HK\$17.4 million was paid to PricewaterhouseCoopers. The remuneration paid to PricewaterhouseCoopers and its affiliated firms for services rendered is broken down as follows:

	2006 HK\$m	2005 HK\$m
Statutory audit	17.4	14.5
Non-audit services	3.0	2.8
	20.4	17.3

The reporting responsibilities of PricewaterhouseCoopers are set out in the Auditors' Report on page 67 of this report.

INTERNAL CONTROL

The Board has adopted the IC Guidelines for the purpose of enhancing the internal control and risk management within the Group. Under the IC Guidelines, the key aspects of internal control were identified and guidelines and procedures are provided for helping the subsidiary companies to conduct the control works. Management of all subsidiary companies will submit to the Company a written report on their review of the respective internal control system half yearly. In this respect, seminars were held to ensure that management of all subsidiary companies understand the nature and spirits of the IC Guidelines. As well, the Group Audit & Management Services Department was assigned to strengthen and consolidate the internal control concepts for the management team.

The Group Audit & Management Services Department performs internal audit of the Group's subsidiary companies regularly while the Risk Management Department will assist subsidiary companies in identifying, assessing and controlling the risk exposures.

Besides, the CEO and the Qualified Accountant will submit a written report half yearly on the effectiveness of the Group's

internal control system to the Audit Committee for review.

The Board has conducted a review of the effectiveness of the system of internal control of the Group for the year ended 30 June 2006. This review covered the areas of operational, financial and compliance controls and risk management functions of the Group.

INVESTOR RELATIONS

The Company understands that effective, two-way dialogue with investors is not only vital for inspiring confidence, but also an essential element in good corporate governance. For this reason, we have established an Investor Relations team made up of directors and senior management to oversee all activities in this area. In addition to conducting one-on-one meetings locally, the team regularly travels overseas to explain the Group's investment and corporate development strategies to institutional investors. During the year, the team undertook 262 meetings with analysts and fund managers in Hong Kong and overseas as well as conducted 15 road-shows in Shanghai, Tokyo, Singapore, New York, San Francisco, London, Edinburgh, Paris, Milan and Zurich.

Attributed to the Group's commitment to maintain regular dialogue with the investment community, the Company has extended its research coverage significantly. Leading institutions such as Nomura International,

CLSA, Merrill Lynch, DBS Vickers and CIMB-GK Securities issued research reports on NWS Holdings, in addition to BNP Paribas Peregrine having covered the Group for years.

The Company remains a firm believer in transparency and disseminates important information including press releases, announcements and other updates in a timely manner via the www.nwsh.com.hk website. Each update is accompanied by an alert to all e-news subscribers.

The Group will continue to maintain its high standards of investor relations by continuing to interact with investors and analysts in a timely and effective manner in the coming years.

CORPORATE SOCIAL RESPONSIBILITIES

For enhancing the social responsibilities of the Group, a Corporate and Social Responsibility Committee (the "CSR Committee") was set up by the Board in 2004. Current members consist of Mr Tsang Yam Pui (Committee Chairman), Mr Lam Wai Hon, Patrick and Mr Dominic Lai. The CSR Committee is responsible for formulating the social responsibilities strategies and policies of the Group, overseeing the development and implementation of the Group's social responsibilities strategies, policies and practices as well as the Group's corporate volunteer team, NWS Volunteer Alliance, and other charitable activities.

GROW WITH CARE

At NWS Holdings, we regard the well being of our staff, our customers and the society as being of paramount importance.

For this reason, we continue to be an enthusiastic supporter of positive human capital policies and community care-focused initiatives.



Human Capital

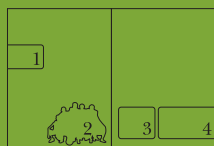
OUR PEOPLE ARE OUR SUCCESS



NWS Holdings views its people as being its most precious asset and encourages employee learning and pride. We also continually invest in optimizing staff performance, whilst encouraging staff to strive for a better work-life balance.

ENHANCING EMPLOYEE ENGAGEMENT

Cultivating pride across our 42,000-strong team across Hong Kong, Mainland China and Macau remains our top priority.



1. Together we strive for the best
2. Team building in sports competitions
3. Staff showed their talent in the NWSH Singing Contest
4. The Corporate Song was launched at the NWSH Fun Day 2006

To further enhance staff engagement, in early 2006 we introduced a Corporate Song expressing our shared passion for excellence and team spirit. Entitled *Create a New Day*, the song's lively lyrics and music mirrors our progressive vision and values. Some 500 staff members including everyone from Group directors to frontline staff participated in the recording and filming of the song's video.

The Group has always recognized the importance of proactive communications. Our *New Voice* and 《創建集》 newsletters and corporate intranet are examples of how we keep our team abreast of key developments. We also operate a stimulating Staff Suggestion Scheme where staff can express their opinions to the management.

ENCOURAGING LIFE-LONG LEARNING

We believe that learning is a life-long process and are determined to optimize skills by providing comprehensive training courses for staff at all levels.

During FY2006, our Training and Development Department conducted more than 6,000 hours of special training classes, covering quality management, computer applications, language and occupational health and safety. More than 1,100 employees benefited from the 82 classes conducted. We also hosted an annual Management Conference where the senior management from Corporate Office and SBUs exchanged insights and information in open forum.

Relaxing lunchtime talks on leisure-related topics are yet another way in



which we deliver on our promise of a culture of continuous improvement. This year, subjects covered included stress management, memory enhancement and skincare.

Our staff also enjoy access to a mini in-house library and NWSH Reading Club. Established in mid-2006, the Club offers booklovers a leisurely atmosphere to share their reading experiences and encourage mutual learning.

REWARDING AND RETAINING QUALITY PEOPLE

Our commitment to hiring, retaining and rewarding high-quality team members is reflected in performance-driven remuneration packages for all staff. In addition to market-competitive salaries and benefits, exceptional employees receive attractive, performance-related bonuses. In order to encourage more effective leadership, we also offer share options for the senior management.

CARING FOR EMPLOYEES' WELL-BEING

We continually strive to enhance our team's professional competencies and work-life balance.

The NWSH Sports and Recreation Committee organizing activities such as football, snooker, volleyball and singing contests plays a vital role in this area. The most popular event of all proved to be the Group's annual Fun Day, which attracted nearly 5,000 staff and family members.

The NWSH Sports Yearly Grand Award rewards the Group company who demonstrates the best teamwork by actively participating in sports activities each year. The Award also strengthens staff relations by promoting a competitive yet harmonious bond among the Corporate Office and SBUs.

We understand that a balanced and healthy lifestyle is the key to outstanding performance. To this end, we hosted a series of relaxing events such as Tai Chi, Yoga, cooking classes and lunch-hour massage session. Other key activities included a staff outing and the second year of a health-enhancing "Fruit for Care" campaign in which all staff received fruits.

RECOGNIZING AND REWARDING TALENTED INDIVIDUALS

Attracting and retaining outstanding talent is essential for our sustained growth.

Presented at the NWSH Award Presentation Ceremony, the NWSH Outstanding Employee Grand Award recognizes exceptional team members. In addition to boosting staff pride, the Award helps foster mutual learning and respect among all Group companies. Open to all managerial, office and frontline staff in Hong Kong, Mainland China and Macau, the Award reflects the high value we place on talent in all areas of our operations.

We are determined to strengthen our existing talent pool to ensure our sustained success. For the third successive year, our Management Trainee Programme has recruited high calibre graduates from local and overseas universities to groom them as future leaders. The three-year programme offers participants an unrivalled understanding of different aspects of our business and management.



Corporate Citizenship

UNDERLINING OUR COMMUNITY COMMITMENT



NWS Holdings understands that satisfactory business growth cannot be achieved at the expense of good corporate citizenship. Steered by our Corporate Social Responsibility Committee, we remain an eager and enthusiastic contributor to our local community. We are also striving to address people's growing ecological concerns by initiating cleaner, greener policies that will safeguard the environment for future generations.

A NEW MILESTONE IN CARING

Held to mark the third anniversary of the Group's First Trading Day,

NWSH Caring Day 2006 fully demonstrated the depth of our community commitment. The groundbreaking initiative saw some 600 volunteers from our Corporate Office and 17 SBUs use their specialist skills to help people in 18 districts of Hong Kong and several cities in Mainland China. Services provided covered everything from electrical safety talks and basic computer training to home cleaning. The more than 1,500 beneficiaries of our efforts included the elderly, new arrival children and underprivileged families. Raising awareness of the need to care for the community across all business areas, the day was yet another landmark in our caring heritage.

Group subsidiaries whose staff had made outstanding Caring Day efforts were recognized with several specially created honours in the NWSH Award Presentation Ceremony. They included Most

Innovative Service, Best Use of Business Expertise and a Special Recognition Award.

SAFEGUARDING THE ENVIRONMENT

As a responsible corporate citizen, we are committed to making environmental responsibility an integral part of our corporate culture.

The establishment of the NWSH Green Office Steering Committee ("GOSC") to ensure our Corporate Office is fully environmentally friendly was a key development in green initiatives. Comprising group directors and department heads advised by the Green Council, the GOSC identifies and implements green policies. Key initiatives included the enhancing of indoor air quality, the conservation of energy and water and the reduction of waste by more efficient recycling or switching to green products in the Green Office Campaign. The



GOSC also distributed a *Green Office Guideline* promoting environmental awareness for all staff.

Our environmental commitment also extends to the community as a whole. We firmly believe that environmental education should start with the very young. We joined forces with Green Power to launch the NWSH Green Kindergarten Network for the second year. The body is a resource platform which provides local kindergartens with teaching and training materials that encourage pre-schoolers to adopt environmentally responsible habits. A survey conducted by the NWSH Green Kindergarten Network revealed the importance of environmental education for small children as the results indicated they had little understanding of the importance of natural resources. Over 40% of local kindergartens have joined the Network since its establishment in April 2005.

CONNECTING WITH THE COMMUNITY

The Group continues to work closely with a full spectrum of external social

service organizations. They include the Hans Andersen Club with whom the NWS Volunteer Alliance launched the “Life Rejuvenation Scheme 2006 – Fairy Kiddo”. Offering interactive storywriting and drama workshops for 30 primary school pupils, the one-year programme aims at enhancing the children’s communication skills and self-confidence. “Fairy Kiddo” participants were invited to attend the NWSH Fun Day 2006. This year also saw the launch of an NWS Holdings’ Corporate Song Ringtone Download for Charity campaign which raised funds for the organization.

Other voluntary activities the Group participated in during the year included the third consecutive year of our popular “Fun with English” programme for a local kindergarten. Our volunteer team was also actively involved in cleaning elderly homes, flag day, the ACCA Charity Fun Day, the Green Power Hike, etc.

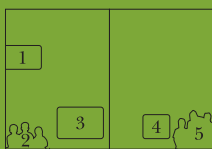
PROUD OF OUR CARING TEAM

Founded in 2001, the NWS Volunteer Alliance (the “Alliance”) remains a vital source of support for our community and environmental initiatives. Its 1,000 members have

now donated some 23,800 service hours to various good causes since its establishment. The Alliance was honoured with a Gold Award for Volunteer Service from the Social Welfare Department for the fifth consecutive year. Individual volunteers from the Alliance were also recognized with Silver and Bronze Awards.

Our recent voluntary and educational activities have received several other prestigious awards. They included a Silver Award for Community Relations for the NWSH Green Kindergarten Network from the Seventh China Golden Awards for Excellence in Public Relations. While the Companion Storytelling Scheme we co-organized with the Hans Andersen Club won a Merit Award in the Social Welfare Department’s Corporate Volunteer Service Project Competition 2005. The Group and its 16 member companies also received the Caring Company logos. This is the fourth successive year the Group garnered this recognition.

Based on the solid foundations we have built up over the years, we are now planning to establish a charity foundation to expand the scope of our voluntary work on behalf of the community.



1. Caring for the elderly
2. NWSH Green Kindergarten Network: promoting environmental education for pre-school children
3. NWSH Caring Day 2006: delivering love and care across the town
4. Employing our business strengths in volunteer activities
5. Fairy Kiddos





GROWING PERFORMANCE

FY2006 will go down in history as a good year for the economies of Hong Kong, Mainland China and Macau. At NWS Holdings, we remain both privileged and proud to be able to contribute to the successful ongoing development of the region.

Management Discussion and Analysis

GROUP OVERVIEW

The Group reported a profit attributable to shareholders of HK\$1.657 billion for FY2006, a decrease of HK\$1.229 billion or 43%, as compared to HK\$2.886 billion for FY2005. The Group's exceptional profit during FY2005 included a sum of HK\$1.777 billion generated by the disposal of its attributable interests in Container Terminal No. 3 and Container Terminal No. 8 West in Hong Kong. When the profits of these disposals were excluded, the Group's net profit for FY2006 increased by HK\$547.5 million, or 49% over last year. Attributable operating profit ("AOP") increased by 37% from HK\$1.412 billion in FY2005 to HK\$1.938 billion in FY2006. The Group's Infrastructure division maintained a steady growth of 11%, generating an AOP of HK\$1.116 billion, as compared to HK\$1.008 billion in FY2005. Service & Rental division also increased its AOP which rose 103% from HK\$404.3 million in FY2005 to HK\$821.6 million in FY2006. Apart from the operating results, a profit of HK\$152.5 million was recognized mainly for disposal of interests in

two roadways. While the Group progressively reduced its debts in FY2006, a surge in interest rates caused the Group's finance costs to increase.

Contributions from operations in Hong Kong accounted for 38% of AOP in FY2006 as compared to 33% in FY2005. Mainland China and Macau contributed 51% and 11% respectively, as compared to 58% and 9% respectively in FY2005.

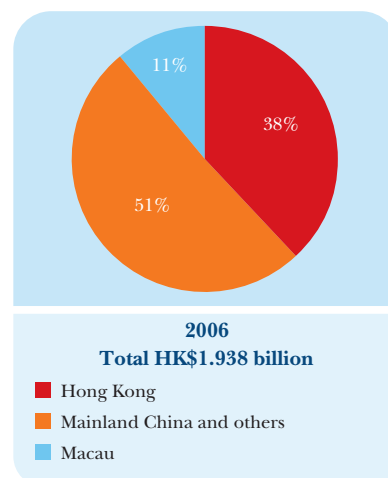
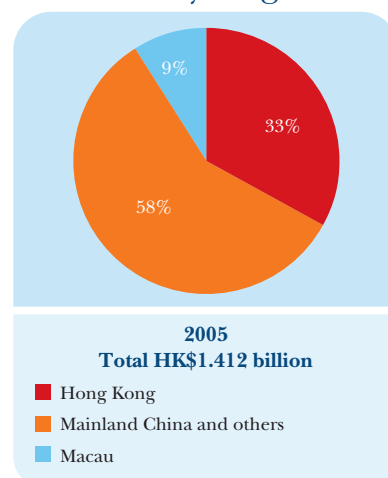
EARNINGS PER SHARE

Basic earnings per share for FY2006 stood at HK\$0.89 (2005: HK\$1.60). When the profits generated by the Group's disposal of its interests in ports in Hong Kong in FY2005 were excluded, earnings per share actually increased by 46%.

TREASURY MANAGEMENT AND CASH FUNDING

The Group's funding and treasury policy is designed to maintain a comprehensively diversified and balanced debt profile to minimize financial risks. Management of the Group's financing and treasury

AOP by Region



Contribution by Division For the year ended 30 June	2006 HK\$m	2005 HK\$m (restated)
Infrastructure	1,116.0	1,007.6
Service & Rental	821.6	404.3
ATTRIBUTABLE OPERATING PROFIT	1,937.6	1,411.9
<i>Head office and non-operating items</i>		
Net profit on disposal of infrastructure projects	152.5	2,030.2
Assets impairment loss	(30.0)	(57.8)
Net gain on redemption of convertible bonds	39.6	–
Other interest income	74.3	56.8
Other finance costs	(227.6)	(196.9)
Others	(289.8)	(358.1)
	(281.0)	1,474.2
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	1,656.6	2,886.1

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 30 June 2006, the Group's total cash and bank balances amounted to HK\$2.548 billion, as compared to HK\$3.650 billion as at 30 June 2005. The Group's ongoing reduction of its debts led to a fall in Net Debt by 15% from HK\$2.334 billion at the end of FY2005 to HK\$1.981 billion at the end of FY2006. The Group's strong financial position was also reflected by the Gearing Ratio which decreased from 17% as at 30 June 2005 to 13% as at 30 June 2006. The capital structure of the Group was 23% debt and 77% equity as at 30 June 2006, as compared to 31% debt and 69% equity as at 30 June 2005.

DEBT PROFILE AND MATURITY

As at 30 June 2006, the Group's Total Debt had fallen to HK\$4.528 billion from HK\$5.984 billion as at 30 June 2005. Besides the zero coupon guaranteed convertible bonds due 2009 (the "Convertible Bonds"), long-term bank loans and borrowings increased from HK\$2.493 billion as at 30 June 2005 to HK\$2.792 billion as at 30 June 2006, with HK\$1.998 billion maturing in the second year and the remaining in the third to fifth year. No bank loans and overdrafts was secured as at 30 June 2006. All bank loans were denominated in Hong Kong dollars. With the exception of the Convertible Bonds, all debts were bearing interest at floating rate. The Group did not have any material exposure in exchange risk other than RMB during FY2006. As at 30 June 2006, no property, plant and equipment, investment properties nor leasehold land and land use rights was pledged.

COMMITMENTS

The Group's total commitments for capital expenditure were HK\$286.3 million as at 30 June 2006 as compared to HK\$22.0 million as at 30 June 2005, and the share of commitments for capital

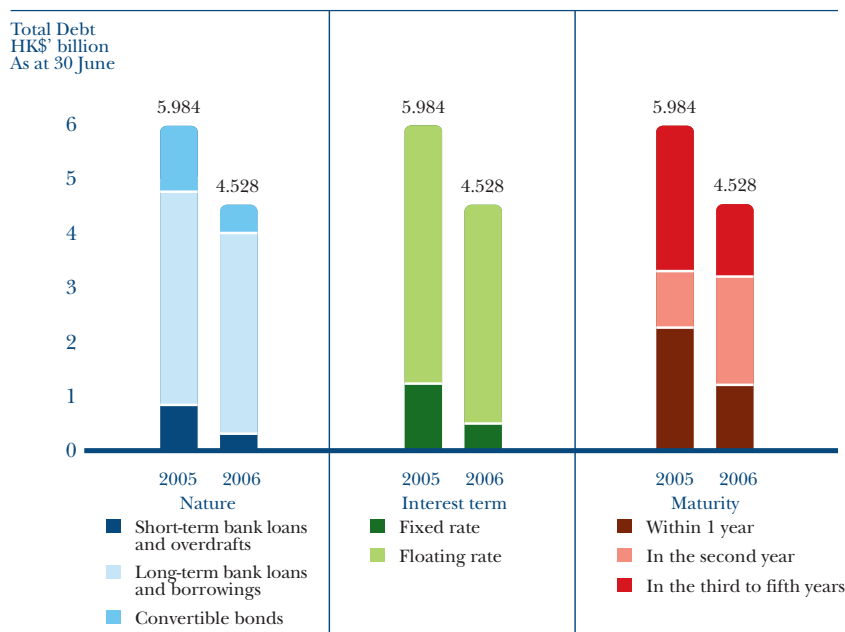
expenditure committed by jointly controlled entities was HK\$1.303 billion as at 30 June 2006 as compared to HK\$166.2 million as at 30 June 2005. Commitments for capital expenditure were funded by internally generated resources and banking facilities.

The Group had contracted to provide sufficient funds in the form of capital and loan contributions to certain jointly controlled entities and associated companies to finance relevant projects. The Group's share of projected funds requirements of these projects was approximately HK\$928.1 million (2005: HK\$15.8 million) which represented the attributable portion of the capital and loan contributions to be made to the jointly controlled entities and associated companies. In addition, the Group had authorized to acquire interests in various projects in Mainland China. The estimated total relevant commitments as at 30 June 2006 were approximately HK\$2.824 billion (2005: HK\$829.2 million). Included in the above, an amount of approximately HK\$2.539 billion for a project of development and operation of rail container terminals and related businesses in Mainland China was contracted for on 28 September 2006, as detailed in note 38 to the financial statements.

CONTINGENT LIABILITIES

Contingent liabilities of the Group were HK\$1.141 billion as at 30 June 2006 as compared to HK\$1.122 billion as at 30 June 2005. 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\$1.074 billion and HK\$55.0 million respectively as at 30 June 2006 as compared to HK\$19.2 million, HK\$1.048 billion and HK\$55.0 million respectively as at 30 June 2005.

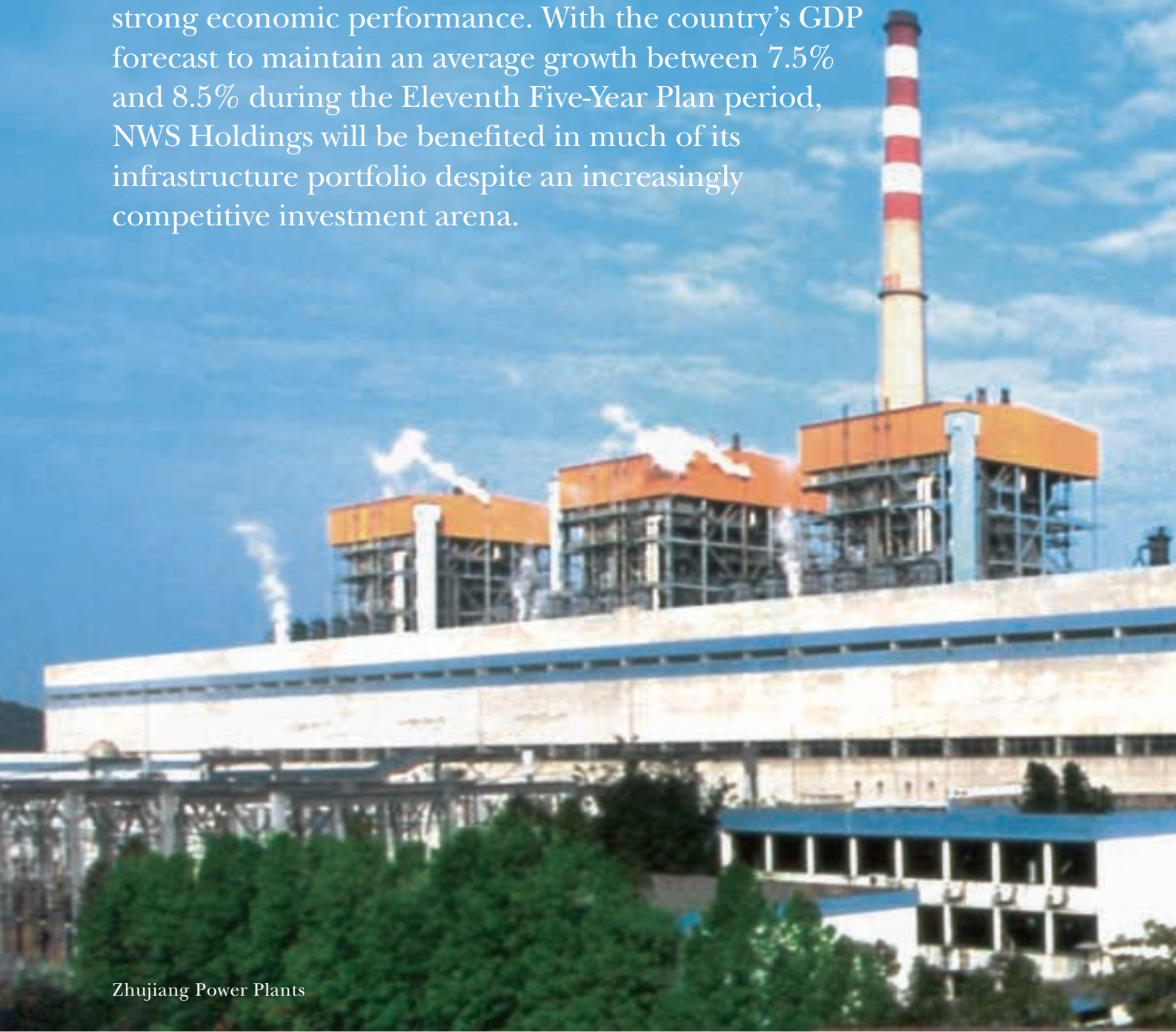
Debt Profile



Management Discussion and Analysis

INFRASTRUCTURE OPERATIONAL REVIEW & OUTLOOK

Performance of Infrastructure division remained satisfactory largely due to Mainland China's continued strong economic performance. With the country's GDP forecast to maintain an average growth between 7.5% and 8.5% during the Eleventh Five-Year Plan period, NWS Holdings will be benefited in much of its infrastructure portfolio despite an increasingly competitive investment arena.



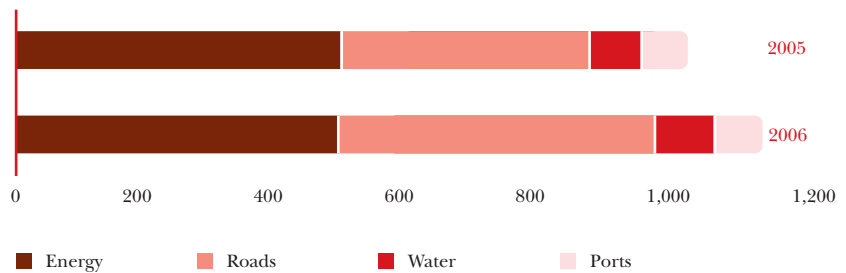
Zhujiang Power Plants



The performance of the Group's Infrastructure division remained satisfactory, largely due to Mainland China's continued strong economic performance. As a result, the division's AOP achieved a healthy growth of 11% to reach HK\$1.116 billion during FY2006.

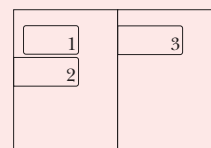
AOP Contribution by Segment

HK\$m



AOP Contribution by Segment For the year ended 30 June	2006 HK\$m	2005 HK\$m (restated)	Change % Fav./ (Unfav.)
Energy	487.8	489.9	-
Roads	469.1	372.3	26
Water	87.4	80.6	8
Ports	71.7	64.8	11
Total	1,116.0	1,007.6	11

Management Discussion and Analysis Infrastructure



- 1 Macau Power
- 2 Control room of Zhujiang Power Plants
- 3 Guangzhou City Northern Ring Road



ENERGY

ZHUJIANG POWER PLANTS' OVERALL PROFITABILITY SLIGHTLY IMPROVED.

Performance of the Group's Energy segment remained stable during FY2006, generating an AOP of HK\$487.8 million (2005: HK\$489.9 million).

Combined electricity sales from the Zhujiang Power Plants recorded a slight increase of 1% during FY2006. Aggregate sales

revenue for the year also grew by 5%. The latter figure reflected not only a rise in electricity sales but also a tariff increment introduced in May 2005. In FY2006, the total fuel costs of Zhujiang Power Plants increased approximately by 6% which was due to the increase in coal price and was in line with the growth in electricity sales. Increases in both sales volume and tariffs, together with tight cost control, led to a slight improvement in Zhujiang Power Plants' overall profitability. Second round of "coal-tariff adjustment" was made effective in July 2006

which helped relieve the pressure from the increase in coal price. A joint venture of the Group which involved in manufacturing and supplying aerated concrete for the Pearl River Delta region also contributed profit during FY2006.

With an 11% increase in electricity sales, the overall performance of Macau Power continued to be satisfactory but its contribution to the Group's profit remained stable as a result of profit control scheme restrictions.



ROADS

PERFORMANCE OF PROJECTS WITHIN THE PEARL RIVER DELTA REGION WAS OUTSTANDING. AVERAGE DAILY TRAFFIC FLOW OF GUANGZHOU CITY NORTHERN RING ROAD INCREASED BY 13%.

FY2006 saw the Group's Roads segment generate AOP worth HK\$469.1 million, an increase of 26% when measured against the figure for FY2005.

Performance of projects within the Pearl River Delta region was outstanding. Average daily traffic flow of Guangzhou City Northern Ring Road increased by 13%, while toll income grew by RMB44.7 million during FY2006. Toll income of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) surged by RMB117.7 million or 20% in FY2006 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 was up 14%. In December 2005, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section) commenced operation and now carries approximately 6,450 vehicles per day.

Total toll revenue of the Guangxi Roadways Network increased 5% or RMB6.6 million during FY2006. An increase in revenue from passenger vehicles helped to offset the negative impact brought by the reduction of toll rate for larger trucks since January 2005. Average daily traffic flow across this network during FY2006 remained steady at their FY2005 levels.

Average daily traffic flow of Tangjin Expressway (Tianjin North Section) posted a growth of 3% and toll income increased by 4%. Average daily traffic flow along the Wuhan Airport Expressway increased by 14% during FY2006.

The average daily traffic flow of Tate's Cairn Tunnel ("TCT") was down by 8% during FY2006. The drop in traffic flow was mainly due to the increase in toll rate in August 2005 but its toll revenue increased by 7% when compared to FY2005. The opening of the Ma On Shan Rail and the increase in toll rate of the Eastern Harbour Tunnel also negatively impacted the traffic flow through TCT.

Management Discussion and Analysis

Infrastructure

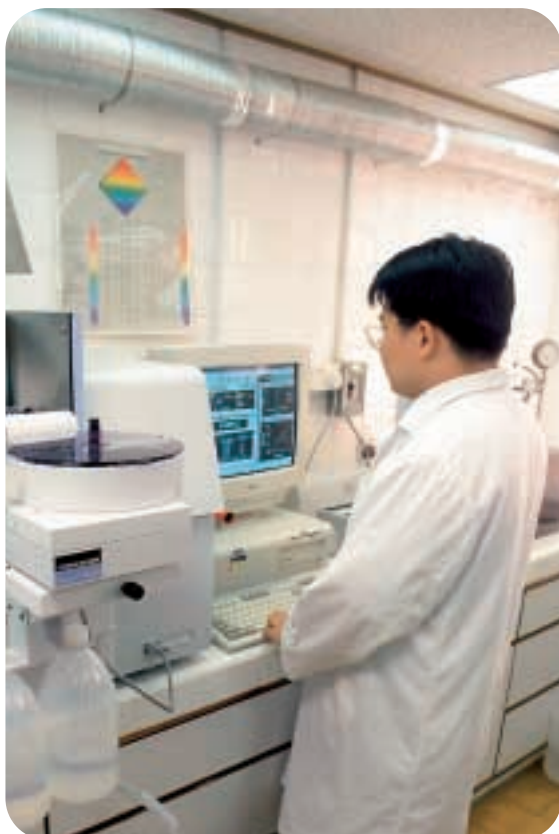
WATER

KEY REASONS BEHIND THE INCREASE IN AOP INCLUDED THE COMMENCEMENT OF OPERATIONS OF TANGGU WATER PLANT AND SHANGHAI SCIP WATER TREATMENT PLANTS, AND THE STRONG PERFORMANCE OF CHONGQING WATER PLANT.

AOP of Water segment climbed to HK\$87.4 million during FY2006, an increase of 8% over FY2005. Key reasons behind the increase in AOP included the commencement of operations of Tangu Water Plant and Shanghai SCIP Water Treatment Plants in April 2005, and the strong performance of

Chongqing Water Plant. The Chongqing Water Plant had a satisfactory growth of 12% in water sales revenue and also a substantial increase in income derived from water connection works. Performance of other water projects in Mainland China was satisfactory while contribution from Far East Landfill Technologies Limited grew by 4% in FY2006.

Average daily water sales volume of Macau Water Plant achieved a year-on-year increase of 6% over FY2005. This result was negatively impacted by an average increase of 16% in the raw water tariff and increase in operating costs due to the seasonal salinity problem in early 2006.



PORTS

AOP of Ports segment was HK\$71.7 million, an increase of 11% over FY2005.

AOP from Xiamen New World Xiangyu Terminals Co., Ltd. (“NWXY”) achieved a satisfactory growth of 55%. The increase was mainly driven by a 16% volume growth in throughput to 736,000 TEUs in FY2006 as a result of the

AOP FROM XIAMEN NEW WORLD XIANGYU TERMINALS ACHIEVED A SATISFACTORY GROWTH OF 55%.

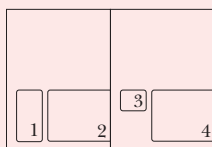
introduction of new shipping lines and the volume increase of existing major customers during the year. NWXY is dredging its turning basin and channel to increase its draft to -12m to accommodate larger vessels, construction of which is expected to be completed by the end of 2006.

Tianjin Orient Container Terminals Co., Ltd. (“TOCT”) operates four container berths and one coal berth in Tianjin Xingang. While TOCT’s contribution decreased 26% from FY2005, its throughput grew by 5% to 1.15 million TEUs in FY2006. The primary reason for the decline in TOCT’s AOP

was the cessation of its coal business in March 2005.

To improve its handling capacity and overall competitiveness, TOCT decided to invest approximately RMB170 million to convert the existing coal berth into a container handling facility. Major equipment and construction contracts have been signed and the conversion is expected to be completed by early 2007.

In November 2005, the Group invested 18% interest in Tianjin Five Continents International Container Terminal Co., Ltd. which handled 831,000 TEUs in its first few months of operation.



- 1 Laboratory of Macau Water Plant
- 2 Shanghai SCIP Water Treatment Plants
- 3 Operations at Xiamen New World Xiangyu Terminals
- 4 Tianjin Five Continents International Container Terminal



Management Discussion and Analysis

Infrastructure

BUSINESS OUTLOOK

ENERGY

Mainland China's electricity consumption growth in 2005 was 13.4% and slowed down to 12.0% in the first half of 2006 while supply shortages have been eased especially since the fourth quarter of 2005. New capacity coming on line in the next two years is estimated to be equivalent to one – third of current capacity, while the National Development and Reform Commission ("NDRC") anticipates a further fall in the growth of demand for electricity to around 11% in 2006.

Pressure on profit margin is slightly eased by the implementation of the second round of "coal-tariff adjustment" mechanism. Apart from the gradual rise in coal prices, profitability is also threatened by lower utilization hours and competitive tariff bidding as grids move to market-based pricing due to shortages are being overcome.

In light of energy price soaring and environmental concern, the recent Eleventh Five-Year Plan articulated by the Central Government promotes the efficient use of energy and alternative energy sources. More detailed government incentive programs aimed at promoting the development of renewable energy sources are likely to create attractive and diversified investment opportunities.

Macau Power will continue to increase electricity importation from Southern Grid of China as the Macau SAR Government ceased to expand local generating capacity and rising oil-fuel price gives pressure on self-production. Price reduction strategy will be introduced to enhance social development and investment opportunities in Macau without negatively impacting shareholders' returns or quality of service.

ROADS

Mainland China's GDP is forecasted to maintain an average growth between 7.5% and 8.5% during the Eleventh Five-Year Plan period. To facilitate a booming economy and the demand for better transportation systems, an additional 20,000 km of expressways is due to be built by 2010 and this forms part of the Central Government's long-term

goal of constructing 85,000 km of expressways across Mainland China. Such plans offer ample investment opportunities for road investors. In addition to the vast investments planned for its road sector, the country is also expanding other transportation modes such as subways, light-rail systems and railways. As the most heavily utilized and flexible means of transportation for both passengers and goods, roads would seem to be quite robust and viable among these competing modes of transport.

By the end of 2005, the number of privately owned vehicles in Mainland China has reached 17 million, representing a staggering 100% growth within the past 5 years. This trend is expected to continue as people seek to improve their living standard and cars become available at more affordable prices. This is going to fuel the growth in traffic volume but current high oil prices might in the short run have adverse impact on people's motivation towards owning vehicles and their travelling patterns.

Government policies encouraging privately owned local enterprises to enter the toll road market have intensified competition between foreign investors and privately owned local enterprises. This development has pushed up investment costs, negatively

impacting returns for investors. Unlike domestic joint ventures, sino-foreign joint ventures with investment cost over certain amount must be approved by the NDRC. In some cases, such approvals can take several years. State owned enterprises are now reluctant to enter into partnerships with foreign investors and hence, foreign investors are inevitably missing a lot of investment opportunities.

WATER

The outlook of the Shanghai Chemical Industry Park (the "Park") remains optimistic. Several new industrialists have confirmed their investments in the Park, and some have already mobilized their site construction works. Both our water treatment and waste water treatment plants have commenced operations in early 2005 and have contributed AOP to the Group since the first year of their operation. Due to large demand for waste water treatment services in the Park, the waste water treatment plant is expected to reach full capacity by the end of 2006. The joint venture company has already started the third phase of investment which aimed at satisfying further increases in demand. Besides, our hazardous waste incinerator project in the Park commenced operation in August 2006. Our projects will also be benefited once the Park's

Phase II development is formally approved by the Central Government. The Phase II development includes a 10 million tonnes/year crude oil refinery project, an ethylene plant of production capacity of 1 million tonnes/year and other down stream ancillary facilities, with estimated total investment of US\$4.2 billion and an area of 4 sq km.

In the National Conference with the Commissioners of the Price Bureau held in December 2005, NDRC indicated that it will implement water tariff reforms in 2006. Its proposed set of measures includes: 1) expanding the scope of fee charges for water resources; and 2) raising city water and sewage tariffs. Such steps are likely to provide our concessionary projects with a favourable climate when applying for an increase in water tariffs.

In addition, to cope with the increasing water demand, Macau Water Plant has scheduled an extension of its existing treatment capacity.

PORTS

Despite the Central Government's macroeconomic control policy, Mainland China's GDP grew by approximately 11% during the first half of 2006. Container throughput growth for the same period was 22%.

Despite the pressure of trade dispute and appreciation of RMB, the foreign trade growth is expected to maintain at a relatively high growth rate in the second half of 2006.

Xiamen port reported a 16% growth in container throughput and handled 1.9 million TEUs in the first half of 2006. Under the Eleventh Five-Year Plan, Xiamen port will focus on expanding its overall handling capacity by developing new port zones in Haicang, Songyu and Liuwudian. Xiamen port's ultimate aim is to replace Kaohsiung port as the region's key transshipment hub. Meanwhile, Xiamen Government has commenced construction of six berths in Haicang which are targeted to become operational in 2009.

Tianjin port reported a 23% growth in container throughput and reached 2.8 million TEUs in the first half of 2006. The growth of Tianjin port has been constrained by the terminals' limited handling capacity. As a result, the port is accelerating container terminal developments in North Basin and Man-made Island.

Management Discussion and Analysis

SERVICE & RENTAL OPERATIONAL REVIEW & OUTLOOK

Significant increase in AOP was mainly attributable to the turnaround of Contracting segment and the ongoing recovery of Hong Kong's economy. With the continued robust performance of Mainland China's economy and the ongoing expansion of Hong Kong's tourism sector, the Group remains cautiously optimistic regarding economic outlook in the coming years.

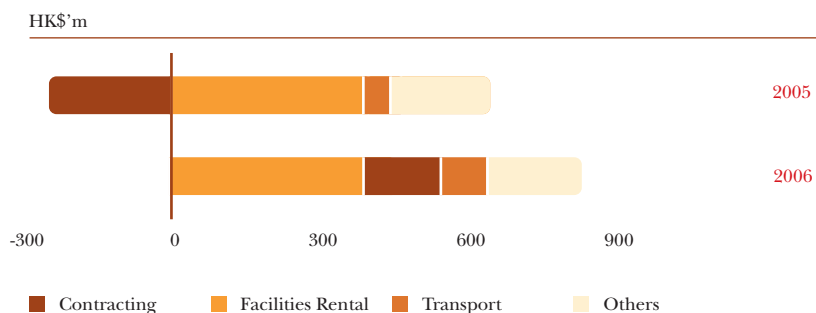
ATL Logistics Centre, Hong Kong

Photo by Ms Rosa Suen – NWSH Photo Competition 2006



FY2006 saw AOP from the Group's Service & Rental division double, growing from HK\$404.3 million in FY2005 to HK\$821.6 million. This significant increase in AOP was mainly attributable to the turnaround of Contracting segment and the ongoing recovery of Hong Kong's economy.

AOP Contribution by Segment



AOP Contribution by Segment For the year ended 30 June	2006 HK\$m	2005 HK\$m (restated)	Change % Fav./ (Unfav.)
Facilities Rental	390.7	384.0	2
Contracting	163.0	(252.7)	165
Transport	85.6	64.4	33
Others	182.3	208.6	(13)
Total	821.6	404.3	103

FACILITIES RENTAL

FACILITIES RENTAL SEGMENT CONTINUED TO BE A STEADY SOURCE OF PROFIT AND CASH INFLOW.

Management Discussion and Analysis

Service & Rental

Predominantly comprised of Hong Kong Convention and Exhibition Centre ("HKCEC") and ATL Logistics Centre ("ATL"), the Group's Facilities Rental segment continued to be a steady source of profit and cash inflow to the Group. This segment recorded an AOP of HK\$390.7 million for FY2006, an increase of 2% over FY2005.

HKCEC continued to achieve satisfactory result in FY2006 with more than 1,300 events held during the year serving over 4.9 million guests. Its average occupancy rate achieved a record high of 58%, up by 5% due to the positive impact of the Sixth WTO Ministerial Conference held in December 2005. New venues such as the AsiaWorld-Expo and other conference and exhibition facilities in Mainland China and other Asian countries have increased competition in this market. 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 up to a total of 83,400 sq m.

ATL had also benefited from the ongoing recovery of local economy and the growth of Mainland China's market. It recorded a steady profit with average occupancy rate reaching 96% in FY2006. Being one of the largest multi-storey drive-in warehousing/container freight station complexes, ATL continues to provide professional warehousing and terminal services to a demanding global clientele. As such, it remains as the market leader in the industry. The Group expects that ATL will continue to deliver stable profits as a result of the continuous growth of Hong Kong's economy following the relaxation of personal travel restrictions on Mainlanders and increased local consumer spending.



CONTRACTING

EFFECTIVE COST CONTROL MEASURES AND INCREASED VOLUME OF WORKS SIGNIFICANTLY IMPROVED OPERATING RESULTS.

In FY2006, Contracting segment achieved satisfactory results with a turnaround from a loss of HK\$252.7 million in FY2005 to a profit of HK\$163.0 million. The significant improvement in operating results was due to a combination of factors including effective cost control measures and increased volume of works.

Leveraging its proven expertise in managing mega-sized and high quality construction projects and following the recent recovery of the private property development sector, our Construction group had secured contracts of substantial size with total contract sum over HK\$21.0 billion as at 30 June 2006. The Group was also among the most competitive and successful

specialist players in Macau's rapidly expanding construction market. Notable among a number of large-scale projects Hip Hing Construction Company Limited secured in Macau were the Grand Lisboa Hotel and the MGM Casino projects.

Performance of the Group's Engineering business remained satisfactory during FY2006 given a market whose prevailing conditions included material price fluctuations and tender price war. Contracts on hand as at 30 June 2006 amounted to HK\$4.6 billion, while the contracts awarded for FY2006 amounted to HK\$2.3 billion in which 64% was secured in Mainland China and Macau.



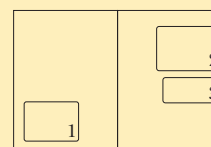
TRANSPORT



MANAGEMENT CONTINUED TO RESTRUCTURE AND STREAMLINE MANPOWER AND OPERATIONAL REQUIREMENTS AND ACHIEVED NOTABLE SAVINGS.

The Group's Transport segment achieved an AOP of HK\$85.6 million in FY2006, a 33% increase compared with FY2005. However, excluding the impact of impairment provisions made in FY2005 which were not

required to be made in FY2006, the result of FY2006 actually compared unfavourably to that of FY2005 by 20%. The unfavourable result was mainly attributed to the vast increase in fuel costs by nearly 30% over the



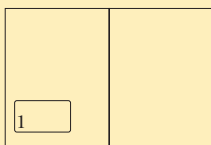
- 1 HKCEC
- 2 The Peak Tower, a project of Hip Hing
- 3 Citybus
Photo by Ms Au Chi Lan – NWSH Photo Competition 2006

Management Discussion and Analysis

Service & Rental

previous year. Other negative factors including the rise in interest rates, tunnel tolls and vessel maintenance costs also played a part in reducing profitability. The AOP of local bus businesses recorded a drop of 12%. Despite a fare increase, the local ferry operation registered a loss of HK\$3.5 million. New World First Ferry Services (Macau) Limited saw a patronage growth of 9% but was merely able to maintain the guaranteed profit from Chow Tai Fook Enterprises Limited under the current vessel leasing arrangement.

In face of these adversities, management continued to restructure and streamline manpower and operational requirements and achieved notable savings. This in some way acted as a relief to a very unfavourable situation.



1 Free Duty at Hong Kong International Airport

OTHERS

ROBUST PATRONAGE ARISING FROM THE REBOUND IN HONG KONG'S TOURISM CONTRIBUTED TO FREE DUTY'S EXCELLENT PERFORMANCE.

The Group's Others segment comprises various service businesses which reported an AOP of HK\$182.3 million. The 13% decrease in AOP was a result of the closure of certain subsidiary companies and keen competition of the local market.

Free Duty engaged in retail business selling duty free tobacco and liquor at Hong Kong International Airport and the ferry terminals in China Hong Kong City and Shun Tak Centre. Robust patronage arising from the rebound in Hong Kong's tourism contributed to Free Duty's excellent performance during FY2006. Following the increasing trend in spending per passenger and the opening of its new retail outlets totaling approximately 28,000 sq ft at the Lok Ma Chau KCRC Station, it is expected that Free Duty will continually deliver steady revenues to the Group.

Tricor Holdings Limited ("Tricor") achieved excellent results with a year-on-year growth of 40%. Tricor had successfully expanded into the Mainland China and Singapore markets following the opening of offices in Shanghai and Beijing and the acquisition of a Singapore business. Both Taifook Securities Group Limited (formerly known as Tai Fook Securities Group Limited) and New World Insurance Management Limited reported stable results for FY2006.

The property management business contributed a stable profit to the Group despite tough market competitions and maintained a clientele of over 165,000 residential units under management. The Group continued to explore new market opportunities in Mainland China.



BUSINESS OUTLOOK

Notwithstanding the surging oil prices and increasing interest rates, Hong Kong's economy continues to show above-trend growth with real GDP rising by 5.2% in the second quarter of 2006 on a year-to-year basis. Thriving external trades, resilient consumer spending and escalating investor confidence have fuelled growth of the local economy and benefited the Service & Rental division of the Group. Given the continued robust performance of Mainland China's economy and the ongoing expansion of Hong Kong's tourism sector, the Group remains cautiously optimistic regarding economic outlook in the coming years.

While focusing on enhancing returns from its existing business interests, the Group is also actively but meticulously seeking out exciting new business opportunities with which to drive its future growth in Mainland China, Macau and other potential markets for all segments in the Service & Rental division.

Benefiting from steady growth in the local economy, Facilities Rental segment is expected to continuously deliver consistently stable contributions as a result of HKCEC's and ATL's market leadership positions across the region. To consolidate its position as Asia's foremost international exhibition centre and Hong Kong's premier venue of choice, HKCEC intends to continually enhance its service quality, facilities and equipment.

The outlook for the Group's Contracting segment is slightly more mixed. Although the expenditure on public works looks set to fall slightly in this fiscal year, the Government remains firmly committed to building new infrastructure and improving Hong Kong's public facilities. To this end, the Government has reiterated that it will continue to allocate an average allocation of HK\$29.0 billion annually in the next five years for infrastructure projects. The Government has also resolved to accelerate its planning and consultation process with the public over major development projects such as the development of Kai Tak, the Central Wanchai Bypass and the new Central Government offices at Tamar. Such huge Government infrastructure projects are sure to provide many exciting opportunities for the Contracting segment in the coming years.

The Group's attitude towards tendering for new projects in Mainland China remains

cautious and selective. As a result, our involvement in this market looks set to remain stable. Our business performance in Macau continues to be encouraging, with all projects we have tendered for, or been awarded, being predominantly sizable ones. The potential high yields from entertainment and gaming business enable the employers to pay a premium for high quality works we deliver. As a result, it is expected that Macau will continue to be a major driver of the Group's profitability during the next two to three years.

Rising fuel prices and Government policies favouring railway operators mean the operation of the Group's Transport segment remains difficult. Throughout the year, the management has consistently implemented cost reduction measures through better resources allocation and utilization between the two bus companies so as to minimize the adverse impacts of escalating fuel price and intensified market competition arising from the proposed merger of MTR Corporation Limited and Kowloon-Canton Railway Corporation. Facing the challenges ahead, the Group will continuously strive to control costs, while further enhancing service levels. We will also continue our ongoing commitment to further improve our performance by seeking out suitable business development opportunities in Mainland China and overseas.

Reports and Financial Statements

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Report of the Directors

The directors of the Company submit their report together with the audited financial statements of the Group for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of its subsidiary companies include:

- (i) the investment in and/or operation of facilities, contracting and transport; and
- (ii) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as container terminals.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year and the state of affairs of the Company and of the Group as at 30 June 2006 are set out in the financial statements on pages 68 to 143.

The directors have resolved to recommend a final dividend for the year ended 30 June 2006 in scrip form equivalent to HK\$0.20 per share (2005: HK\$0.62 per share) with a cash option to shareholders registered on 21 November 2006. Together with the interim dividend of HK\$0.24 per share (2005: HK\$0.18 per share) paid in June 2006, total distributions for the year ended 30 June 2006 would thus be HK\$0.44 per share (2005: HK\$0.80 per share).

Subject to the Listing Committee of the Hong Kong Stock Exchange granting the 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 shareholder could elect to receive in cash and they be given the option to elect to receive payment in cash of HK\$0.20 per share instead of the allotment of shares. Full details of the final 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 21 November 2006.

The register of members of the Company will be closed from Thursday, 16 November 2006 to Tuesday, 21 November 2006, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with Standard Registrars Limited, the Company's branch share registrars in Hong Kong, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 15 November 2006.

SUBSIDIARY COMPANIES

Particulars of the Company's principal subsidiary companies are set out in note 42 to the financial statements.

JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

Particulars of the Group's principal associated companies and jointly controlled entities are set out in notes 43 and 44 to the financial statements respectively.

Report of the Directors

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2006, the Company's reserves available for distribution amounted to HK\$976.0 million.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$2.3 million (2005: HK\$2.6 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, NWSH Capital Finance Limited, a direct wholly owned subsidiary company of the Company, redeemed its zero coupon guaranteed convertible bonds from certain bondholders in the total amount of HK\$430 million.

Save as disclosed above, neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers respectively accounted for less than 30% of the Group's total turnover and purchases for the year ended 30 June 2006.

MANAGEMENT CONTRACTS

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

DIRECTORS

The directors of the Company during the year and up to the date of this report 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

Mr William Junior Guilherme Doo

(appointed on 19 December 2005)

Mr Wilfried Ernst Kaffenberger

Mr To Hin Tsun, Gerald

Mr Dominic Lai

Mr Yeung Kun Wah, David

(alternate director to Mr Wilfried Ernst Kaffenberger)

Mr Kwong Che Keung, Gordon #

Mr Cheng Wai Chee, Christopher #

The Honourable Shek Lai Him, Abraham #

Independent non-executive directors

In accordance with bye-law 86(2) of the Company's bye-laws, Mr William Junior Guilherme Doo will retire at the forthcoming annual general meeting and being eligible, will offer himself for re-election.

In accordance with bye-law 87 of the Company's bye-laws, Mr Lam Wai Hon, Patrick, Mr Cheung Chin Cheung, Mr Wilfried Ernst Kaffenberger and Mr Cheng Wai Chee, Christopher will retire by rotation at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

Save for the contracts amongst group companies, no other contracts of significance to which the Company or any of its subsidiary companies was a party and in which a director of the Company had an interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

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

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following directors are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name	Name of entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Dr Cheng Kar Shun, Henry	Chow Tai Fook Enterprises Limited group of companies	Investment in transport services business	Director
	HKR International Limited group of companies	Construction and property management	Director
	Shun Tak Holdings Limited group of companies	Investment in ferry services business	Director
	Tamman Developments Limited	Investment in airport operation business	Director
Mr Chan Kam Ling	Qingyuan Qiaoyuan Power Plant Company Limited	Operation of power plant	Director
Mr Lam Wai Hon, Patrick	Wai Kee Holdings Limited group of companies	Contracting	Director

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the interests disclosed in the section headed "Directors' interests in securities" below, at no time during the year was the Company, or any of its holding companies, subsidiary companies or fellow subsidiary companies a party to any arrangement to enable the directors or chief executives of the Company or their respective spouses or children under 18 years of age or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2006, the directors and their respective associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO:

(a) Interests in shares of the Company

Name	Number of shares			Total	Approximate percentage of issued share capital of the Company as at 30.06.06
	Personal interests	Family interests	Corporate interests		
Dr Cheng Kar Shun, Henry	3,179,199	587,000 ⁽¹⁾	8,000,000 ⁽²⁾	11,766,199	0.61%
Mr Doo Wai Hoi, William	2,006,566	–	3,130,000 ⁽³⁾	5,136,566	0.26%
Mr Chan Kam Ling	1,043,891	–	10,254,321 ⁽⁴⁾	11,298,212	0.58%
Mr Wong Kwok Kin, Andrew	3,959,911	–	–	3,959,911	0.20%
Mr Lam Wai Hon, Patrick	956,921	–	4,895 ⁽⁵⁾	961,816	0.05%
Mr Cheung Chin Cheung	973,692	–	–	973,692	0.05%
Mr William Junior Guilherme Doo	–	–	163,720 ⁽⁶⁾	163,720	0.01%
Mr Kwong Che Keung, Gordon	601,969	–	–	601,969	0.03%
Mr Cheng Wai Chee, Christopher	703,288	–	–	703,288	0.04%

Notes:

- (1) The shares are held by the spouse of Dr Cheng Kar Shun, Henry.
- (2) The shares are held by a company wholly owned by Dr Cheng Kar Shun, Henry.
- (3) The shares are held by a company wholly owned by Mr Doo Wai Hoi, William.
- (4) The shares are held by a company of which Mr Chan Kam Ling holds 50% equity interests.
- (5) The shares are held by a company wholly owned by Mr Lam Wai Hon, Patrick.
- (6) The shares are held by a company wholly owned by Mr William Junior Guilherme Doo.
- (7) All the interests stated above represent long positions.

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

(b) Interests in shares of associated corporations of the Company

	Number of shares/ amount of registered capital			Total	Approximate percentage of issued share capital/registered capital as at 30.06.06
	Personal interests	Family interests	Corporate interests		
NWD					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar Shun, Henry	–	300,000 ⁽¹⁾	–	300,000	0.01%
Mr Chan Kam Ling	138,425	–	–	138,425	0.00%
Mr Wong Kwok Kin, Andrew	200,000	–	–	200,000	0.01%
Mr Cheung Chin Cheung	61,405	–	–	61,405	0.00%
Mr Kwong Che Keung, Gordon	30,000	–	–	30,000	0.00%
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr Cheng Kar Shun, Henry	12,500,000	–	52,271,200 ⁽²⁾	64,771,200	1.69%
Mr Doo Wai Hoi, William	8,750,000	–	59,050,000 ⁽³⁾	67,800,000	1.77%
Mr Chan Kam Ling	1,250,000	–	–	1,250,000	0.03%
Mr Wong Kwok Kin, Andrew	500,000	–	–	500,000	0.01%
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr Doo Wai Hoi, William	–	–	US\$3,000,000 ⁽⁴⁾	US\$3,000,000	30.00%
HH Holdings Corporation					
(Ordinary shares of HK\$1.00 each)					
Mr Chan Kam Ling	15,000	–	–	15,000	2.50%
Master Services Limited					
(Ordinary shares of US\$0.01 each)					
Mr Chan Kam Ling	16,335	–	–	16,335	1.63%
Mr Wong Kwok Kin, Andrew	44,915	–	–	44,915	4.49%
Ramada Property Ltd.					
(Ordinary shares of US\$1.00 each)					
Mr Doo Wai Hoi, William	–	–	200 ⁽³⁾	200	20.00%

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)**(b) Interests in shares of associated corporations of the Company (Continued)**

	Number of shares/ amount of registered capital			Total	Approximate percentage of issued share capital/registered capital as at 30.06.06
	Personal interests	Family interests	Corporate interests		
Shanghai Juyi Real Estate Development Co., Ltd.					
(Registered capital in RMB)					
Mr Doo Wai Hoi, William	–	–	RMB229,500,000 ⁽⁴⁾	RMB229,500,000	30.00%
Taifook Securities Group Limited					
(Ordinary shares of HK\$0.10 each)					
Mr Doo Wai Hoi, William	–	–	4,346,000 ⁽³⁾	4,346,000	0.75%
Mr William Junior Guilherme Doo	24,406,085	–	–	24,406,085	4.21%
Wai Kee Holdings Limited					
(Ordinary shares of HK\$0.10 each)					
Mr Lam Wai Hon, Patrick	300,000	–	–	300,000	0.04%

Notes:

- (1) The shares are held by the spouse of Dr Cheng Kar Shun, Henry.
- (2) The shares are held by a company wholly owned by Dr Cheng Kar Shun, Henry.
- (3) The shares are held by a company wholly owned by Mr Doo Wai Hoi, William.
- (4) The interests represent the participating interests held by a company wholly owned by Mr Doo Wai Hoi, William.
- (5) All the interests stated above represent long positions.

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

(c) Interests in underlying shares of the Company – Share options

As at 30 June 2006, the following directors of the Company have personal interests in options to subscribe for shares of the Company:

Name	Date of grant	Exercisable period (Notes)	Number of share options				Balance as at 30.06.06	Exercise price per share HK\$
			Balance as at 01.07.05	Exercised during the year	Adjusted during the year ⁽¹³⁾	Lapsed during the year		
Dr Cheng Kar Shun, Henry	21 July 2003	(1)	1,009,849	(1,009,849) ⁽⁴⁾	–	–	–	3.719
Mr Doo Wai Hoi, William	21 July 2003	(1)	673,233	(673,233) ⁽⁵⁾	–	–	–	3.719
Mr Chan Kam Ling	21 July 2003	(1)	673,233	(673,233) ⁽⁶⁾	–	–	–	3.719
Mr Wong Kwok Kin, Andrew	21 July 2003	(1)	471,263	(471,263) ⁽⁷⁾	–	–	–	3.719
Mr Lam Wai Hon, Patrick	21 July 2003	(2)	572,248	(572,248) ⁽⁸⁾	–	–	–	3.719
Mr Cheung Chin Cheung	21 July 2003	(1)	201,969	(201,969) ⁽⁸⁾	–	–	–	3.719
Mr Wilfried Ernst Kaffenberger	21 July 2003	(3)	605,909	–	(605,909)	–	–	3.719
			–	–	607,248	–	607,248	3.711 ⁽¹³⁾
Mr To Hin Tsun, Gerald	21 July 2003	(1)	201,969	(201,969) ⁽⁹⁾	–	–	–	3.719
Mr Dominic Lai	21 July 2003	(1)	201,969	(201,969) ⁽¹⁰⁾	–	–	–	3.719
Mr Kwong Che Keung, Gordon	21 July 2003	(1)	201,969	(201,969) ⁽¹¹⁾	–	–	–	3.719
Mr Cheng Wai Chee, Christopher	21 July 2003	(1)	201,969	(201,969) ⁽¹²⁾	–	–	–	3.719

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

(c) Interests in underlying shares of the Company – Share options (Continued)

Notes:

- (1) Exercisable from 21 July 2005 to 20 July 2008, both dates inclusive.
- (2) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.
- (3) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.
- (4) The exercise date was 29 September 2005. On 28 September 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.35.
- (5) The exercise date was 3 October 2005. On 30 September 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.50.
- (6) The exercise date was 14 September 2005. On 13 September 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.50.
- (7) The exercise date was 22 July 2005. On 21 July 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.25.
- (8) The exercise date was 10 November 2005. On 9 November 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$11.85.
- (9) The exercise date was 12 October 2005. On 10 October 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.65.
- (10) The exercise date was 26 July 2005. On 25 July 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.35.
- (11) The exercise date was 8 September 2005. On 7 September 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.55.
- (12) The exercise date was 5 October 2005. On 4 October 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.55.
- (13) Pursuant to the existing share option scheme of the Company, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of the Company. The Company approved the distributions of final dividend for the year ended 30 June 2005 and interim dividend for the year ended 30 June 2006 both in scrip form (with cash option) on 29 November 2005 and 13 March 2006 respectively, which gave rise to adjustments to the number of unexercised share options and the exercise price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK\$3.719 to HK\$3.711 with effect from 6 January 2006.
- (14) The cash consideration paid by each director for each grant of the share options was HK\$10.
- (15) All the interests stated above represent long positions.

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

(d) Interests in underlying shares of associated corporations of the Company – Share options

(i) *New World China Land Limited*

Under the share option scheme of New World China Land Limited (“NWCL”), a fellow subsidiary company of the Company, the following directors of the Company have personal interests in options to subscribe for shares in NWCL which have been granted to them as follows:

Name	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$
			Balance as at 01.07.05	Exercised during the year	Balance as at 30.06.06	
Dr Cheng Kar Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	12,500,000	(12,500,000)	–	1.782
Mr Doo Wai Hoi, William	8 February 2001	9 March 2002 to 8 March 2006	7,000,000	(7,000,000)	–	1.782
Mr Chan Kam Ling	9 February 2001	10 March 2005 to 9 March 2006	250,000	(250,000)	–	1.782

Notes:

- (1) The share options were exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) The cash consideration paid by each director for each grant of the share options was HK\$10.
- (3) All the interests stated above represent long positions.

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)**(d) Interests in underlying shares of associated corporations of the Company – Share options (Continued)***(ii) New World Mobile Holdings Limited*

Under the share option scheme of New World Mobile Holdings Limited (“NWMH”), a fellow subsidiary company of the Company, the following directors of the Company have personal interests in options to subscribe for shares in NWMH which have been granted to them as follows:

Name	Date of grant	Exercisable period	Number of share options as at 30.06.06	Exercise price per share HK\$
Dr Cheng Kar Shun, Henry	28 January 2005	28 January 2005 to 31 December 2010	780,000	1.26
Mr Doo Wai Hoi, William	28 January 2005	28 January 2005 to 31 December 2010	300,000	1.26
Mr To Hin Tsun, Gerald	28 January 2005	28 January 2005 to 31 December 2010	482,000	1.26
Mr Kwong Che Keung, Gordon	28 January 2005	28 January 2005 to 31 December 2010	78,000	1.26

Notes:

- (1) No share option of NWMH was exercised by the above directors during the year.
- (2) The cash consideration paid by each director for each grant of the share options was HK\$1.
- (3) All the interests stated above represent long positions.

Save as disclosed above, no interests and short positions were held or deemed to be taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the shares, the underlying shares and debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein.

Report of the Directors

SHARE OPTION SCHEME

On 6 December 2001, the Company adopted a share option scheme (the "Scheme") and certain rules of this Scheme were amended and approved by the shareholders of the Company on 12 March 2003. Under such Scheme, the directors of the Company may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in the Company.

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

Purpose of the Scheme	To reward directors and employees of the Group for past service or performance, to provide incentive and motivation or reward to eligible participants for increase performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for the Group and to foster a sense of corporate identity.
Participants of the Scheme	<p>Eligible participant may be a person or an entity belonging to any of the following classes:</p> <ul style="list-style-type: none"> (i) any eligible employee; (ii) any non-executive director (including independent non-executive director) of the Group or any invested entity of the Group (the "Invested Entity"); (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

SHARE OPTION SCHEME (CONTINUED)

Total number of shares available for issue under the Scheme and percentage of issued share capital as at the date of this annual report

The Company had granted options to certain eligible participants to subscribe for 41,497,000 shares of the Company under this Scheme up to the date of this report. Furthermore, adjustments on the number of unexercised options were made on 6 January 2006 and 13 June 2006 as a result of the declaration of final dividend for the year ended 30 June 2005 and the interim dividend for the year ended 30 June 2006. A total of 471,402 additional options were granted during the year under the said adjustments.

The total number of shares available for issue under the Scheme is 137,796,670 representing approximately 7.05% of the Company's issued share capital as at the date of this report.

Maximum entitlement of each participant under the Scheme

Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the share capital of the Company in issue.

The period which the shares must be taken up under an option

At any time during a period as specified by the directors, however in any event the share options must be exercised within 10 years from the date of grant of options.

The minimum period for which an option must be held before it can be exercised

Any period as determined by the directors.

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid

HK\$10 is to be paid as consideration for the grant of option within 14 days from the date of offer.

The basis of determining the exercise price

The exercise price is determined by the directors which must be at least the higher of the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant or the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

The remaining life of the Scheme

The Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 6 December 2001.

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

During the financial year ended 30 June 2006, movement of share options granted by the Company under the Scheme was as follows:

- (1) Details of the movement of share options granted to directors of the Company were disclosed under the section headed "Directors' interests in securities" above.
- (2) Details of the movement of share options to other eligible participants were as follows:

Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30.06.06	Exercise price per share HK\$
		Balance as at 01.07.05	Exercised during the year	Lapsed during the year	Adjusted during the year ⁽²⁾		
21 July 2003	(1)	9,664,076	(8,149,579)	(42,871)	(1,471,626)	–	3.719
		–	–	–	1,941,689	1,941,689	3.711 ⁽²⁾

Notes:

- (1) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.
- (2) Pursuant to the existing share option scheme of the Company, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of the Company. The Company approved the distributions of final dividend for the year ended 30 June 2005 and interim dividend for the year ended 30 June 2006 both in scrip form (with cash option) on 29 November 2005 and 13 March 2006 respectively, which gave rise to adjustments to the number of unexercised share options and the exercise price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK\$3.719 to HK\$3.711 with effect from 6 January 2006.
- (3) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$11.376.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2006, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Number of shares			Approximate percentage to the issued share capital of the Company
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited	–	1,120,121,613 ⁽¹⁾	1,120,121,613	57.63%
Centennial Success Limited	–	1,120,121,613 ⁽²⁾	1,120,121,613	57.63%
Chow Tai Fook Enterprises Limited	59,831,893	1,060,289,720 ⁽³⁾	1,120,121,613	57.63%
NWD	681,410,776	378,878,944 ⁽⁴⁾	1,060,289,720	54.55%
Mombasa Limited	331,578,383	–	331,578,383	17.06%

Notes:

- (1) Cheng Yu Tung Family (Holdings) Limited holds 51% direct interest in Centennial Success Limited (“CSL”) and is accordingly deemed to have an interest in the shares deemed to be interested by CSL.
- (2) CSL holds 100% direct interest in Chow Tai Fook Enterprises Limited (“CTF”) and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.
- (3) CTF, together with its subsidiary companies, hold more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.
- (4) NWD holds 100% indirect interest in Mombasa Limited and is accordingly deemed to have an interest in the shares held by Mombasa Limited in the Company. NWD is also deemed to be interested in 2,041,513 shares held by Financial Concepts Investment Limited, 14,336,552 shares held by Hing Loong Limited, 14,336,552 shares held by Fine Reputation Incorporated, 13,504,885 shares held by New World Hotels Corporation Limited and 3,081,059 shares held by Hong Kong Island Development Limited, all of them are subsidiary companies of NWD.
- (5) All the interests stated above represent long positions.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30 June 2006.

SUFFICIENCY OF PUBLIC FLOAT

According to information that is available to the Company, the percentage of the Company’s shares which are in the hands of the public exceeds 25% of the Company’s total number of issued shares during the year and up to the date of this report.

Report of the Directors

CONNECTED TRANSACTIONS

The Company has entered into the following connected transactions during the year and up to the date of this report:

- (1) On 20 May 2004, Merryhill Group Limited (now known as NWS Transport Services Limited, "NWST") and the Company entered into a master services agreement (the "NWST Master Services Agreement") under which NWST agreed to, and procured that members of the NWST Group (including NWST and its subsidiary companies) engage relevant members of the Group to provide operational services, which includes construction services, electrical and mechanical engineering services ("E & M engineering services"), facility management services, security and guarding services, cleaning and landscaping services, financial services and property management services and such other types of services as NWST and the Company may agree upon from time to time in writing, to NWST and/or relevant members of the NWST Group during the term of the NWST Master Services Agreement. Moreover, under the NWST Master Services Agreement, NWST also agreed and undertook that it shall procure the relevant members of NWST Group to rent or otherwise license spare office, commercial, storage and car-parking spaces in the depots of the relevant members of the NWST Group to members of the Group.

The transactions contemplated under the NWST Master Services Agreement were expected to be of a recurrent nature and would occur on a regular and continuing basis in the ordinary and usual course of business of the Group. As at the date of execution of the NWST Master Services Agreement, CTF was a substantial shareholder of the Company and NWST was an associate of CTF, the NWST Master Services Agreement and all the transactions contemplated thereunder constituted continuing connected transactions for the Company under the Listing Rules.

Furthermore, before the completion of the share exchange on 9 March 2004, members of the Group entered into transactions on a recurring basis with members of New World First Holdings Limited and its subsidiary companies as well as Citybus Limited and its subsidiary companies (which, upon completion of the said share exchange, became members of the NWST Group) regarding the provision of the said operational services and the rental or licensing of spaces for the daily operation of the relevant parties. These transactions also became continuing connected transactions for the Company under the Listing Rules (the "Existing CCT").

During the year ended 30 June 2006, the contract amounts for each category of services under the NWST Master Services Agreement and the Existing CCT were summarized as follows:

Category of services	Approximate total contract amount HK\$'000	Annual cap HK\$'000
<i>Contracts under the NWST Master Services Agreement:</i>		
Facility management services	1,431.5	15,500.0
Construction services	–	27,000.0
E & M engineering services	48.5	900.0
Property management services	66.0	900.0
Security and guarding services	233.7	5,500.0
Cleaning and landscaping services	22,062.6	35,000.0
Financial services	503.4	1,300.0
Rental or licensing of spare spaces	1,296.3	6,600.0
<i>Contracts under the Existing CCT:</i>		
Facility management services	–	400.0
E & M engineering services	3.8	95.0
Property management services	479.3	700.0
Security and guarding services	540.8	900.0
Cleaning and landscaping services	1,144.9	14,000.0
Rental or licensing of spare spaces	–	450.0

CONNECTED TRANSACTIONS (CONTINUED)

- (2) On 5 August 2004, an agreement (the “Agreement”) was entered into between 四川犍為電力(集團)股份有限公司 (unofficial translation being Sichuan Qianwei Power (Group) Share Co., Ltd., “Qianwei Power Group”) and Lucrative Rich Limited, a then indirect wholly owned subsidiary company of the Company, for the disposal of all the Group’s 60% interest in 四川犍為大立電力有限公司 (unofficial translation being Sichuan Qianwei Dali Power Company Limited, “Qianwei”) at a consideration of RMB48.0 million.

The consideration was paid by Qianwei Power Group in cash by two instalments. The first instalment of RMB26.0 million was paid on the date of signing of the Agreement and the remaining balance was paid in December 2004. Completion took place upon fulfillment of all the condition precedents as set out in the Agreement and on the date when full amount of the consideration had been wired to overseas bank account specified by Lucrative Rich Limited.

Qianwei Power Group, by virtue of its substantial shareholding in Qianwei, was a connected person of the Company. The disposal of interest in Qianwei contemplated under the Agreement constituted connected transactions for the Company under the Listing Rules.

The Company further announced on 13 December 2004 that due to the internal corporate restructuring of Qianwei Power Group, Lucrative Rich Limited entered into two sale and purchase agreements on 13 December 2004 both with Qianwei Power Group for the transfer of its 35% interest in Qianwei to Qianwei Power Group, and its remaining 25% interest in Qianwei to Qianwei Power Group or its nominee, in replacement of the Agreement. The consideration for such disposal remained unchanged and the material terms of the Agreement remained substantially unchanged. Transfers of the said interests were completed during the year.

- (3) On 30 May 2005, NWD and the Company entered into a master services agreement (the “NWD Master Services Agreement”) whereby (a) NWD agreed to, and agreed to procure that members of the NWD Group (as defined in the NWD Master Services Agreement) shall, to the extent practicable, engage members of the Group to provide certain operational services, which include contracting services, facility management services, security and guarding services, cleaning and landscaping services, financial services, property management services, etc., and to sell frozen food products to NWD and/or relevant members of NWD Group and (b) the Company agreed to, and agreed to procure that members of the Group shall, to the extent practicable, engage members of the NWD Group to rent properties and vessels to the Group, during the term of the NWD Master Services Agreement.

The NWD Master Services Agreement has an initial term of three years (from 1 July 2005 to 30 June 2008). Subject to re-compliance with the reporting, announcement and independent shareholders’ approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules and/or any other applicable requirements under the Listing Rules at the relevant time, the NWD Master Services Agreement may be renewed for a further term of three years unless either party gives written notice to the other party not later than two months before the expiry of the initial term.

As NWD held approximately 54% of the total issued share capital of the Company as at the date of execution of the NWD Master Services Agreement, it was a substantial shareholder of the Company and hence, a connected person of the Company. Accordingly, the transactions contemplated under the NWD Master Services Agreement constituted continuing connected transactions for the Company. The NWD Master Services Agreement and the continuing connected transactions contemplated thereunder were approved by the independent shareholders at the special general meeting of the Company held on 30 June 2005.

Report of the Directors

CONNECTED TRANSACTIONS (CONTINUED)

During the year ended 30 June 2006, the contract amounts for each category of services under the NWD Master Services Agreement were summarized as follows:

Category of services	Approximate total contract amount HK\$m	Annual cap HK\$m
Contracting services	1,961.6	3,288.0
Facility management services	11.8	17.0
Security and guarding services	23.7	33.0
Cleaning and landscaping services	59.6	70.0
Financial services	3.0	9.0
Property management services	27.8	50.0
Other services:		
(a) Rental of properties and vessels	22.8	35.0
(b) Sale of food products	0.1	1.0

- (4) On 27 June 2006, NWS Service Management Limited ("NWSS", an indirect wholly owned subsidiary company of the Company) and NWST entered into a shareholder's loan agreement (the "Shareholder's Loan Agreement") whereby NWSS agreed to lend to NWST a shareholder's loan for the sum of HK\$100 million for its restructuring the existing debts and financing working capital requirement.

The term of the shareholder's loan is for the period from the date of granting of the shareholder's loan to 8 March 2009 or for such other period as the parties may agree on from time to time, interest shall accrue on any outstanding amount of the shareholder's loan at a rate of Hong Kong Interbank Offered Rate plus 0.6% per annum.

As at the date of execution of the Shareholder's Loan Agreement, the Company through NWSS held 50% indirect equity interests in NWST while the remaining 50% equity interests were indirectly held by CTF. CTF held approximately 35% of the total issued share capital of NWD, in turn, held approximately 54% of the total issued share capital of the Company. By virtue of CTF being a substantial shareholder of the Company and NWST being an associate of CTF, NWST was a connected person of the Company. The Shareholder's Loan Agreement and the transaction contemplated thereunder constituted a connected transaction for the Company under the Listing Rules.

The continuing connected transactions mentioned in (1) and (3) above have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into:

- (a) in the ordinary course of business of the Company;
- (b) on normal commercial terms;
- (c) in accordance with the relevant agreements governing such transactions, or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties;
- (d) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (e) within the caps set out in the relevant press announcement or circular.

Moreover, the Company has received from its auditors a letter reporting that the continuing connected transactions mentioned in (1) and (3) above:

- (a) were approved by the Executive Committee of the Company;
- (b) were entered into in accordance with the terms of the relevant agreements governing such transactions; and
- (c) were within the caps set out in the relevant press announcement or circular.

Save as disclosed above, a summary of significant related party transactions, which do not constitute connected transactions, made during the year is disclosed in note 37 to the financial statements.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

The information as required to disclose under Rules 13.20 and 13.22 of the Listing Rules in relation to the Company's advance to an entity and the financial assistance and guarantees to affiliated companies provided by the Company are as follows:

(a) Advance to an entity

As at 30 June 2006, the Group has made advances to First Star Development Limited ("First Star", a jointly controlled entity of the Group which is engaged in the investment of a property development project) in the aggregate amount of HK\$1.689 billion for financing its project costs. Such advances include the sum of HK\$689.4 million due from First Star, which is interest free, unsecured and has no fixed repayment term, and guarantees provided by the Group up to the amount of HK\$1.0 billion for certain banking facilities offered to First Star. These advances represent approximately 7% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

(b) Financial assistance and guarantees to affiliated companies

As at 30 June 2006, the Group has provided financial assistance, by way of shareholders' loans/advances, in the aggregate amount of HK\$2.606 billion to its affiliated companies (included in amounts disclosed in notes 19, 20 and 23 to the financial statements), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$1.086 billion (included in the amounts disclosed in note 35 to the financial statements) and contracted to provide an aggregate amount of HK\$928.1 million in capital and loans to affiliated companies. The said amounts, in aggregate, represent approximately 18% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

The advances are unsecured, interest free and have no definite repayment terms except for an aggregate amount of HK\$260.1 million which carries interest ranging from 2% to 10% per annum, an amount of HK\$100.1 million which carries interest at 0.6% over Hong Kong Interbank Offered Rate per annum, an amount of HK\$26.7 million which carries interest at Hong Kong prime rate per annum, and an amount of HK\$274.9 million which is repayable on or before 2010. Contracted capital and loan contributions to affiliated companies would be funded by borrowings or internal resources of the Group.

Report of the Directors

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES (CONTINUED)

(b) Financial assistance and guarantees to affiliated companies (Continued)

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2006 are presented as follows:

	Proforma combined balance sheet HK\$m	Group's attributable interest HK\$m
Non-current assets	29,423.8	13,161.1
Current assets	10,660.3	4,186.2
Current liabilities	(8,934.5)	(3,457.1)
Non-current liabilities	(7,893.8)	(3,559.8)
Shareholders' loans and advances	(6,260.3)	(2,606.0)
	16,995.5	7,724.4

The proforma combined balance sheet of the affiliated companies is prepared by combining their balance sheets, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant balance sheet classification, as at 30 June 2006.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2006, over 42,000 staff were employed by companies under the Group's management of which some 25,000 were employed in Hong Kong. Total staff related costs, excluding directors' remunerations, were HK\$2.190 billion (2005: HK\$2.226 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 accordingly to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

FIVE - YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 146 and 147.

AUDITORS

The financial statements for the year ended 30 June 2006 have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Dr Cheng Kar Shun, Henry

Chairman

Hong Kong, 9 October 2006

Auditors' Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
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Facsimile: (852) 2810 9888
www.pwchk.com

TO THE MEMBERS OF NWS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 68 to 143 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2006 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 October 2006

Consolidated Income Statement

for the year ended 30 June

	Note	2006 HK\$m	2005 HK\$m (restated)
Turnover	5	12,543.9	10,286.1
Cost of sales		(11,444.6)	(9,568.2)
Gross profit		1,099.3	717.9
Other income	6	355.1	2,117.4
General and administrative expenses		(774.7)	(821.2)
Other charges	6	(30.0)	(59.9)
Operating profit	6	649.7	1,954.2
Finance costs	8	(253.8)	(227.1)
Share of results of			
Jointly controlled entities		909.4	862.2
Associated companies		476.6	360.7
Profit before income tax		1,781.9	2,950.0
Income tax expenses	9	(104.7)	(67.4)
Profit for the year		1,677.2	2,882.6
Attributable to			
Shareholders of the Company	10	1,656.6	2,886.1
Minority interests		20.6	(3.5)
		1,677.2	2,882.6
Dividends	11	845.8	1,464.2
Earnings per share attributable to shareholders of the Company	12		
Basic		HK\$0.89	HK\$1.60
Diluted		HK\$0.85	HK\$1.52

Consolidated Balance Sheet

as at 30 June

	Note	2006 HK\$m	2005 HK\$m (restated)
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	14	329.9	329.9
Property, plant and equipment	15	1,944.2	2,181.3
Investment properties	16	1,043.6	1,040.3
Leasehold land and land use rights	17	107.0	134.2
Jointly controlled entities	19	9,401.1	9,002.7
Associated companies	20	3,635.6	3,010.0
Other non-current assets	21	762.0	635.4
		17,223.4	16,333.8
Current assets			
Inventories	22	122.8	145.5
Trade and other receivables	23	5,692.6	5,004.3
Financial assets at fair value through profit or loss	24	1.1	32.0
Short term deposits	25	126.4	–
Cash and cash equivalents	25	2,421.3	3,649.9
		8,364.2	8,831.7
Current liabilities			
Trade and other payables	26	5,333.6	4,647.8
Taxation		96.6	107.4
Borrowings	30	1,216.7	2,279.9
		6,646.9	7,035.1
Net current assets			
		1,717.3	1,796.6
Total assets less current liabilities			
		18,940.7	18,130.4
Non-current liabilities			
Borrowings	30	3,311.6	3,703.7
Other non-current liabilities	31	775.7	1,039.6
		4,087.3	4,743.3
Net assets			
		14,853.4	13,387.1
EQUITY			
Share capital	28	1,943.8	1,825.1
Reserves	29	12,522.5	11,199.8
Capital and reserves attributable to shareholders			
of the Company		14,466.3	13,024.9
Minority interests		387.1	362.2
Total equity			
		14,853.4	13,387.1

Dr Cheng Kar Shun, Henry
Director

Mr Chan Kam Ling
Director

Balance Sheet

as at 30 June

	Note	2006 HK\$m	2005 HK\$m (restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	9.6	7.3
Subsidiary companies	18	7,893.3	3,393.2
		7,902.9	3,400.5
Current assets			
Trade and other receivables	23	7,604.0	11,212.6
Cash and cash equivalents	25	231.0	910.3
		7,835.0	12,122.9
Current liabilities			
Trade and other payables	26	1,588.6	238.0
Borrowings	30	1,074.5	1,875.0
		2,663.1	2,113.0
Net current assets		5,171.9	10,009.9
Total assets less current liabilities		13,074.8	13,410.4
Non-current liabilities			
Borrowings	30	1,448.6	2,490.8
Other non-current liabilities	31	110.2	312.1
		1,558.8	2,802.9
Net assets		11,516.0	10,607.5
EQUITY			
Share capital	28	1,943.8	1,825.1
Reserves	29	9,572.2	8,782.4
Total equity		11,516.0	10,607.5

Dr Cheng Kar Shun, Henry
Director

Mr Chan Kam Ling
Director

Consolidated Statement of Changes in Equity

	For the year ended 30 June 2006			
	Note	Attributable to shareholders of the Company HK\$m	Minority interests HK\$m	Total HK\$m
Balance at 30 June 2005, as previously reported as equity		12,942.0	–	12,942.0
Balance at 30 June 2005, as previously separately reported as minority interests		–	362.2	362.2
Prior year adjustments in respect of changes in accounting policies	2, 29	82.9	–	82.9
Balance at 30 June 2005, as restated		13,024.9	362.2	13,387.1
Fair value changes on available-for-sale financial assets		31.4	–	31.4
Currency translation differences		121.8	9.2	131.0
Net gains recognized directly in equity		153.2	9.2	162.4
Profit for the year		1,656.6	20.6	1,677.2
Dividends paid				
– to shareholders of the Company		(1,593.9)	–	(1,593.9)
– to minority interests		–	(0.7)	(0.7)
Scrip dividends				
– new shares issued – nominal value		79.3	–	79.3
– share premium on issue of new shares		838.2	–	838.2
Convertible bonds				
– new shares issued – nominal value		26.8	–	26.8
– share premium on issue of new shares		322.0	–	322.0
– equity component, net of tax		(89.2)	–	(89.2)
Share option scheme				
– value of services provided		1.7	–	1.7
– new shares issued – nominal value		12.6	–	12.6
– share premium on issue of new shares		34.1	–	34.1
Capital contribution from minority interests		–	0.6	0.6
Derecognition of minority interests upon disposal of a subsidiary company		–	(4.8)	(4.8)
Balance at 30 June 2006		14,466.3	387.1	14,853.4

Consolidated Statement of Changes in Equity

	For the year ended 30 June 2005			
	Note	Attributable to shareholders of the Company HK\$m	Minority interests HK\$m	Total HK\$m
Balance at 30 June 2004, as previously reported as equity		10,527.1	–	10,527.1
Balance at 30 June 2004, as previously separately reported as minority interests		–	359.2	359.2
Prior year adjustments in respect of changes in accounting policies	29	108.3	–	108.3
Balance at 30 June 2004, as restated		10,635.4	359.2	10,994.6
Fair value changes on available-for-sale financial assets		(0.9)	–	(0.9)
Fair value changes on investment properties, net of tax		24.7	–	24.7
Currency translation differences		(1.6)	–	(1.6)
Net gains recognized directly in equity		22.2	–	22.2
Profit for the year		2,886.1	(3.5)	2,882.6
Dividends paid				
– to shareholders of the Company		(776.9)	–	(776.9)
– to minority interests		–	(8.1)	(8.1)
Scrip dividends				
– new shares issued – nominal value		17.8	–	17.8
– share premium on issue of new shares		168.9	–	168.9
Share option scheme				
– value of services provided		11.8	–	11.8
– new shares issued – nominal value		14.8	–	14.8
– share premium on issue of new shares		44.8	–	44.8
Acquisition of additional interest in subsidiary companies		–	2.5	2.5
Derecognition of minority interests upon disposal of a subsidiary company		–	12.1	12.1
Balance at 30 June 2005, as restated		13,024.9	362.2	13,387.1

Consolidated Cash Flow Statement

for the year ended 30 June

	Note	2006 HK\$'m	2005 HK\$'m (restated)
Cash flows from operating activities			
Net cash generated from operations	36(a)	754.1	487.7
Finance costs paid		(218.4)	(200.8)
Interest received		76.6	33.5
Hong Kong profits tax paid		(81.2)	(53.7)
Mainland China and overseas taxation paid		(18.4)	(10.2)
Net cash generated from operating activities		512.7	256.5
Cash flows from investing activities			
Dividends received from jointly controlled entities		786.7	429.8
Dividends received from associated companies		153.1	377.7
Disposal of jointly controlled entities		48.1	1,942.1
Disposal of an investment		–	110.4
Disposal of subsidiary companies, net of cash disposed of	36(b),(c)	97.2	1,094.8
Acquisition of additional interests in subsidiary companies		–	(13.5)
Increase in investments in jointly controlled entities		(395.7)	(622.0)
Increase in investments in associated companies		(250.0)	(492.0)
Additions of property, plant and equipment, investment properties, leasehold land and land use rights		(120.5)	(73.6)
Sale of property, plant and equipment, investment properties, leasehold land and land use rights		137.9	76.4
Sale of available-for-sale financial assets and financial assets at fair value through profit or loss		80.6	–
Increase in short term deposits with maturity more than three months		(126.4)	–
Acquisition of available-for-sale financial assets		(206.4)	(259.5)
Dividends received from available-for-sale financial assets and financial assets at fair value through profit or loss		2.5	–
Acquisition of financial assets at fair value through profit or loss		(41.8)	(31.0)
Decrease in long term receivables		71.3	64.8
Net cash generated from investing activities		236.6	2,604.4

Consolidated Cash Flow Statement (Continued)

	Note	2006 HK\$m	2005 HK\$m (restated)
Cash flows from financing activities			
New bank loans		1,580.9	2,600.0
Repayment of bank loans		(2,296.4)	(4,596.3)
Redemption of convertible bonds		(425.7)	–
Issue of new shares		46.7	59.6
Repayment of amount due to related companies		(184.0)	(181.6)
(Decrease)/increase in loans from minority shareholders		(25.8)	4.3
Capital contribution from minority shareholders		0.6	–
Capital element of finance lease		–	(0.5)
Dividends paid to shareholders		(676.4)	(590.2)
Dividends paid to minority shareholders		(0.7)	(8.1)
Net cash used in financing activities		(1,980.8)	(2,712.8)
Net (decrease)/increase in cash and cash equivalents			
		(1,231.5)	148.1
Cash and cash equivalents at the beginning of year		3,649.9	3,501.8
Currency translation differences		2.9	–
Cash and cash equivalents at the end of year	25	2,421.3	3,649.9

Notes to the Financial Statements

1 GENERAL INFORMATION

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

The principal activity of the Company is investment holding.

The principal activities of its subsidiary companies include:

- (a) the investment in and/or operation of facilities, contracting and transport; and
- (b) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as container terminals.

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

The financial statements have been approved for issue by the Board on 9 October 2006.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), including Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and Interpretations (“HK(SIC) – Int”) (collectively the “HKFRSs”) as described further below. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs

For the year ended 30 June 2005, the Group early adopted HKFRS 3 “Business Combinations”, HKAS 36 “Impairment of Assets” and HKAS 38 “Intangible Assets”. With effect from 1 July 2005, the Group has adopted the remaining HKFRSs that are currently in issue and effective for the accounting periods commencing on or after 1 January 2005 as below, which are relevant to its operation, and also early adopted the amendment to HKAS 21 “The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation” which is effective for the accounting periods commencing on or after 1 January 2006. The 2005 comparatives have been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HK(SIC) – Int 15	Operating Leases – Incentives
HK(SIC) – Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payment

The adoption of the above HKFRSs has the following impact on the Group’s accounting policies:

(i) HKAS 17 Leases

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights were accounted for at cost less accumulated depreciation and accumulated impairment. This change in accounting policy has been applied retrospectively.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs (Continued)

(ii) *HKAS 32 Financial Instruments: Disclosure and Presentation*

HKAS 39 Financial Instruments: Recognition and Measurement

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. This change in accounting policy has been applied on a prospective basis.

The Group is required to split the carrying value of its convertible bonds into equity and liability components in accordance with HKAS 32. The liability component is initially recognized at its fair value which is determined by using a market interest rate for an equivalent non-convertible bond and subsequently carried at amortized cost until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option which is recognized and included in shareholders' equity as special reserves, net of income tax effects. The notional interest expense calculated is charged to the income statement. This change in accounting policy has been applied retrospectively.

(iii) *HKAS 40 Investment Property*

The adoption of HKAS 40 has resulted in a change in the accounting policy of which the changes in fair value of investment properties are recorded in the income statement. In prior years, increases in fair value of investment properties were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The Group has applied the relevant transitional provisions under HKAS 40 and elected to apply HKAS 40 from 1 July 2005 onwards. As a result, investment properties revaluation reserve of HK\$39.3 million as at 1 July 2005 has been transferred to the opening retained profits. Comparative information has not been restated.

(iv) *HK(SIC) – Int 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets*

The adoption of HK(SIC) – Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred income tax liabilities arising from the revaluation of investment properties. Such deferred income tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

(v) *HKFRS 2 Share-based Payment*

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30 June 2005, the provision of share options to employees did not result in an expense in the income statement. Effective on 1 July 2005, the Group expenses the fair value of share options in the income statement. As a transitional provision, the fair value of share options granted after 7 November 2002 and not vested on 1 July 2005 was expensed retrospectively in the income statement of the respective periods.

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs (Continued)

(vi) Other standards

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33 and HK(SIC) – Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly controlled entities and associated companies and other disclosures.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance of the revised standard.
- HKAS 24 has affected the disclosure of related-party transactions.

(vii) Summary of the effect of the adoption of new/revised HKFRSs

(a) Restatement of prior year and opening balances

(i) Effect on the consolidated income statement for the year ended 30 June 2005

In HK\$'m	2005 (as previously reported)	Effect of adopting new policies – increase/(decrease) of profit					2005 (as restated)
		HKAS 1	HKAS 17	HKAS 32	HKFRS 2	Sub-total	
Turnover	10,286.1	–	–	–	–	–	10,286.1
Cost of sales	(9,568.2)	–	–	–	–	–	(9,568.2)
Gross profit	717.9	–	–	–	–	–	717.9
Other income	2,117.4	–	–	–	–	–	2,117.4
General and administrative expenses	(810.1)	–	0.7	–	(11.8)	(11.1)	(821.2)
Other charges	(59.9)	–	–	–	–	–	(59.9)
Operating profit	1,965.3	–	0.7	–	(11.8)	(11.1)	1,954.2
Finance costs	(205.5)	–	–	(21.6)	–	(21.6)	(227.1)
Share of results of							
Jointly controlled entities	1,019.1	(153.1)	(3.1)	(0.7)	–	(156.9)	862.2
Associated companies	423.3	(62.6)	–	–	–	(62.6)	360.7
Profit before income tax	3,202.2	(215.7)	(2.4)	(22.3)	(11.8)	(252.2)	2,950.0
Income tax expenses	(287.7)	215.7	–	4.6	–	220.3	(67.4)
Profit for the year	2,914.5	–	(2.4)	(17.7)	(11.8)	(31.9)	2,882.6
Attributable to							
Shareholders of the Company	2,918.0	–	(2.4)	(17.7)	(11.8)	(31.9)	2,886.1
Minority interests	(3.5)	–	–	–	–	–	(3.5)
Earnings per share							
attributable to shareholders							
of the Company							
Basic	HK\$1.62	–	–	(HK\$0.01)	(HK\$0.01)	(HK\$0.02)	HK\$1.60
Diluted	HK\$1.61	–	–	(HK\$0.08)	(HK\$0.01)	(HK\$0.09)	HK\$1.52

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs (Continued)

(vii) Summary of the effect of the adoption of new/revised HKFRSs (Continued)

(a) Restatement of prior year and opening balances (Continued)

(ii) Effect on the consolidated balance sheet as at 30 June 2005

In HK\$'m	30.6.2005 (as previously reported)	Effect of adopting new policies – increase/ (decrease)					30.6.2005 (as restated)
		HKAS 1	HKAS 17	HKAS 32	HK(SIC) – Int 21	Sub-total	
ASSETS & LIABILITIES							
Non-current assets							
Goodwill	329.9	–	–	–	–	–	329.9
Property, plant and equipment	2,319.0	–	(137.7)	–	–	(137.7)	2,181.3
Investment properties	1,040.3	–	–	–	–	–	1,040.3
Leasehold land and land use rights	–	–	134.2	–	–	134.2	134.2
Jointly controlled entities	9,009.1	–	(5.8)	(0.6)	–	(6.4)	9,002.7
Associated companies	3,010.0	–	–	–	–	–	3,010.0
Other non-current assets	635.4	–	–	–	–	–	635.4
	16,343.7	–	(9.3)	(0.6)	–	(9.9)	16,333.8
Current assets							
Inventories	145.5	–	–	–	–	–	145.5
Trade and other receivables	5,022.4	–	–	(18.1)	–	(18.1)	5,004.3
Financial assets at fair value through profit or loss	32.0	–	–	–	–	–	32.0
Short term deposits	–	–	–	–	–	–	–
Cash and cash equivalents	3,649.9	–	–	–	–	–	3,649.9
	8,849.8	–	–	(18.1)	–	(18.1)	8,831.7
Current liabilities							
Trade and other payables	4,607.5	40.3	–	–	–	40.3	4,647.8
Taxation	107.4	–	–	–	–	–	107.4
Borrowings	2,279.9	–	–	–	–	–	2,279.9
	6,994.8	40.3	–	–	–	40.3	7,035.1
Net current assets	1,855.0	(40.3)	–	(18.1)	–	(58.4)	1,796.6
Total assets less current liabilities	18,198.7	(40.3)	(9.3)	(18.7)	–	(68.3)	18,130.4
Non-current liabilities							
Borrowings	3,843.2	–	–	(139.5)	–	(139.5)	3,703.7
Other non-current liabilities	602.9	408.1	–	20.3	8.3	436.7	1,039.6
Minority interests and loans	810.6	(810.6)	–	–	–	(810.6)	–
	5,256.7	(402.5)	–	(119.2)	8.3	(513.4)	4,743.3
Net assets	12,942.0	362.2	(9.3)	100.5	(8.3)	445.1	13,387.1
EQUITY							
Share capital	1,825.1	–	–	–	–	–	1,825.1
Reserves	11,116.9	–	(9.3)	100.5	(8.3)	82.9	11,199.8
Capital and reserves attributable to shareholders of the Company	12,942.0	–	(9.3)	100.5	(8.3)	82.9	13,024.9
Minority interests	–	362.2	–	–	–	362.2	362.2
Total equity	12,942.0	362.2	(9.3)	100.5	(8.3)	445.1	13,387.1

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs (Continued)

(vii) Summary of the effect of the adoption of new/revised HKFRSs (Continued)

(b) Estimated effect on the current year

(i) Estimated effect on the consolidated income statement for the year ended 30 June 2006

In HK\$m	Estimated effect of adopting new policies – increase/(decrease) of profit						Total
	HKAS 1	HKAS 17	HKAS 32	HKAS 40	HKFRS 2	HK(SIC) – Int 21	
Turnover	–	–	–	–	–	–	–
Cost of sales	–	–	–	–	–	–	–
Gross profit	–	–	–	–	–	–	–
Other income	–	–	43.7	3.0	–	–	46.7
General and administrative expenses	–	0.3	–	–	(1.7)	–	(1.4)
Other charges	–	–	–	–	–	–	–
Operating profit	–	0.3	43.7	3.0	(1.7)	–	45.3
Finance costs	–	–	(19.1)	–	–	–	(19.1)
Share of results of							
Jointly controlled entities	(139.0)	(0.1)	(0.1)	–	–	–	(139.2)
Associated companies	(64.1)	–	–	–	–	–	(64.1)
Profit before income tax	(203.1)	0.2	24.5	3.0	(1.7)	–	(177.1)
Income tax expenses	203.1	–	(6.9)	–	–	(0.5)	195.7
Profit for the year	–	0.2	17.6	3.0	(1.7)	(0.5)	18.6
Attributable to							
Shareholders of the Company	–	0.2	17.6	3.0	(1.7)	(0.5)	18.6
Minority interests	–	–	–	–	–	–	–
Earnings per share attributable to shareholders of the Company							
Basic	–	–	HK\$0.01	–	–	–	HK\$0.01
Diluted	–	–	HK\$0.01	–	–	–	HK\$0.01

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs (Continued)

(vii) Summary of the effect of the adoption of new/revised HKFRSs (Continued)

(b) Estimated effect on the current year (Continued)

(ii) Estimated effect on the consolidated balance sheet as at 30 June 2006

In HK\$'m	Estimated effect of adopting new policies – increase/(decrease)				
	HKAS 1	HKAS 17	HKAS 32	HK(SIC) – Int 21	Total
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	–	–	–	–	–
Property, plant and equipment	–	(110.2)	–	–	(110.2)
Investment properties	–	–	–	–	–
Leasehold land and land use rights	–	107.0	–	–	107.0
Jointly controlled entities	–	(5.9)	(0.8)	–	(6.7)
Associated companies	–	–	–	–	–
Other non-current assets	–	–	–	–	–
	–	(9.1)	(0.8)	–	(9.9)
Current assets					
Inventories	–	–	–	–	–
Trade and other receivables	–	–	(13.3)	–	(13.3)
Financial assets at fair value through profit or loss	–	–	–	–	–
Short term deposits	–	–	–	–	–
Cash and cash equivalents	–	–	–	–	–
	–	–	(13.3)	–	(13.3)
Current liabilities					
Trade and other payables	31.6	–	–	–	31.6
Taxation	–	–	–	–	–
Borrowings	–	–	–	–	–
	31.6	–	–	–	31.6
Net current assets	(31.6)	–	(13.3)	–	(44.9)
Total assets less current liabilities	(31.6)	(9.1)	(14.1)	–	(54.8)
Non-current liabilities					
Borrowings	–	–	(47.3)	–	(47.3)
Other non-current liabilities	374.8	–	8.3	8.8	391.9
Minority interests and loans	(793.5)	–	–	–	(793.5)
	(418.7)	–	(39.0)	8.8	(448.9)
Net assets	387.1	(9.1)	24.9	(8.8)	394.1
EQUITY					
Share capital	–	–	–	–	–
Reserves	–	(9.1)	24.9	(8.8)	7.0
Capital and reserves attributable to shareholders of the Company	–	(9.1)	24.9	(8.8)	7.0
Minority interests	387.1	–	–	–	387.1
Total equity	387.1	(9.1)	24.9	(8.8)	394.1

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs (Continued)

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

Certain new standards, amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not yet adopted, are as follows:

Effective for the year ending 30 June 2007

HKAS 19 Amendment	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 and HKFRS 4 Amendments	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRS 1 and 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS – Int 4	Determining whether an Arrangement Contains a Lease
HKFRS – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic equipment
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives

Effective for the year ending 30 June 2008

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

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 of operations and financial position.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to 30 June and include the Group's share of the results for the year and undistributed post-acquisition reserves of associated companies and jointly controlled entities. The results of subsidiary companies acquired or disposed of during the year are dealt with in the consolidated income statement from the effective dates of acquisition or to the effective dates of disposal respectively.

The purchase method of accounting is used to account for the acquisition of subsidiary companies of the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised directly in the income statement.

All material intra-group transactions, including unrealized profits arising from intra-group construction contracts, sales of properties and interest income or expenses on loans and advances, have been eliminated on consolidation.

The gain or loss on the disposal of a subsidiary company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill carried in the balance sheet.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.

(d) Subsidiary companies

A company is a subsidiary company if the Group, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The Company's investments in subsidiary companies are carried at cost less provision for impairment losses. The results of subsidiary companies are accounted for by the Company on the basis of dividend income.

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define their joint control over the economic activity of the entity.

The Company's interests in jointly controlled entities are classified as long term investments and are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

The Group's interests in jointly controlled entities are stated at cost plus the Group's share of their post-acquisition results and reserves and goodwill on acquisition less provision for impairment losses. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities explained as follows:

(i) *Equity joint ventures*

Equity joint ventures are joint ventures in respect of which the venturers' capital contribution ratios are defined in the joint venture contracts and the venturers' profit sharing ratios are in proportion to the capital contribution ratios.

(ii) *Co-operative joint ventures*

Co-operative joint ventures are joint ventures in respect of which the venturers' profit sharing ratios and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts. Where the Group is not entitled to share the net assets of a co-operative joint venture at the end of the joint venture period, the cost of investment in such co-operative joint venture is amortized over the joint venture period.

(iii) *Companies limited by shares*

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

(f) Associated companies

An associated company is a company other than a subsidiary company and a jointly controlled entity, in which the Group's interest is held for the long term and substantial and significant influence is exercised through representatives on the board of directors.

The Group's investments in associated companies are stated at the Group's share of net assets and goodwill on acquisition. The Group's share of results of associated companies for the year is recognized in the consolidated income statement. The Company's investments in associated companies are carried at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend income.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary companies, associated companies or jointly controlled entities at the date of acquisition.

Goodwill on acquisitions of subsidiary companies is included in intangible assets. Goodwill on acquisitions of associated companies and jointly controlled entities is included in investments in associated companies and jointly controlled entities respectively. Gains and losses on the disposal of all or part of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill on acquisitions of subsidiary companies, associated companies and jointly controlled entities is tested for impairment annually and carried at cost less impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Any impairment loss recognized during the year is charged to the consolidated income statement.

(h) Revenue recognition

Revenue is recognized when it is probable that future economic benefits will accrue to the Group and these benefits can be measured reliably on the following bases:

(i) *Construction and engineering*

Revenue from individual contract on construction, electrical and mechanical engineering services is recognized under the percentage of completion method, when the profit of the contract can be prudently determined and is measured by reference to the proportion that contract costs incurred for work performed to date compares to the estimated total contract costs to completion. Anticipated losses are fully provided on contracts when identified.

(ii) *Toll revenue*

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

(iii) *Service fee income*

Property and facilities management service fees, property letting agency fee, security service fee and transportation service fee are recognized when services are rendered.

(iv) *Rental income*

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

(v) *Insurance brokerage premium*

Insurance brokerage premium is recognized over the period covered by each insurance policy on a straight-line basis.

(vi) *Sales of goods*

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

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Revenue recognition (Continued)

(vii) Interest income

Interest income is recognized on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

(viii) Dividend income

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

(i) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalized at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the income statement over the lease periods.

Assets held under finance leases are depreciated on the basis described in Note 2(k).

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(j) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value and is valued individually at least annually by independent valuers. The valuations are performed on an open market basis.

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

Changes in fair values are recognized in the income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

No depreciation is provided in respect of construction in progress.

Depreciation of toll roads and bridges is calculated to write off their costs on an economic usage basis whereby the amount of depreciation is provided based on the ratio of actual traffic volume compared to the total projected traffic volume over the remaining toll collection periods. The projected traffic volume of toll roads and bridges is reviewed regularly with reference to both internal and external sources of information and adjusted if appropriate.

Depreciation of other property, plant and equipment is calculated to write off their cost less residual values, over their estimated useful lives, using the straight-line method at the following annual rates:

Properties	2.5% – 3%
Ports facilities and terminal equipment	2.25% – 15%
Other plant and equipment	4% – 50%

Profit or loss on disposal of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the income statement.

(l) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, but are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods and services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities more than twelve months after the balance sheet date which are classified as non-current assets. These are accounted for in accordance with the policy set out in Note 2(n).

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (Continued)

(iii) Available-for-sale financial assets

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

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer’s specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

(n) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount of the assets and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(o) Inventories and contracting work in progress

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

Contracting work in progress is stated at cost plus attributable profits recognized on the basis set out in Note 2(h) (i) above, less provision for anticipated losses and progress payments received and receivable.

Cost comprises materials, direct labour and overheads attributable to bringing the inventories and work in progress to its present condition.

(p) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet date at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and cash investments with a maturity of three months or less from the date of investment.

(q) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

(r) Contingent liabilities and contingent assets

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

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(s) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates and laws enacted or substantively enacted by the balance sheet date are used to determine deferred income tax and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

(t) Borrowing costs

Interest and finance charges on borrowings relating to construction in progress and properties under development, after elimination of intra-group interest charges, are included in the project cost and development cost during the relevant period of construction and development respectively.

Borrowing costs incurred by the Group on borrowings which have been used to finance the construction of property, plant and equipment by the associated companies and jointly controlled entities, are capitalized as the carrying value of these associated companies and jointly controlled entities.

Other borrowing costs are expensed as incurred.

(u) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

(iii) *Group companies*

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates; and
- (c) all resulting exchange differences are recognized as a separate component of equity.

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(u) Foreign currency translation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences are recognized in the income statement as part of the gain and loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(v) Employee benefits

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

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

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by reference to market yields at the balance sheet date based on Exchange Fund Notes; which have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the present value of the defined benefit obligation are recognized in the income statement over the employees' expected average remaining working lives.

Past-service costs are recognized immediately as income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (Continued)

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

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

(w) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

The Group is required to split the carrying value of its convertible bonds into equity and liability components in accordance with HKAS 32. The liability component is initially recognized at its fair value which is determined by using a market interest rate for an equivalent non-convertible bond and subsequently carried at amortized cost until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option which is recognized and included in shareholders' equity as special reserves, net of income tax effects. The notional interest expense calculated is charged to the income statement.

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

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(x) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of goodwill, property, plant and equipment, investment properties, financial assets, other assets, inventories and receivables and exclude items such as bank balances and cash, and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to investment properties, property, plant and equipment, leasehold land and land use rights, including those resulting from acquisitions of subsidiary companies.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Segment assets and capital expenditure are where the investments/operating assets are located.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, foreign exchange risk, price risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. It is the Group's policy not to enter into derivative transaction for speculative purposes.

The Group sets financial risk management policies in accordance with policies and procedures approved by its Board. The Group's treasury function serves as a centralized unit for providing cost efficient funding to the Group's subsidiary companies and managing major risks, such as interest rate, foreign exchange and credit risk exposure.

(a) Interest rate risk

The Group's interest rate risk arises from bank borrowings. The Group's borrowings are principally on a floating rate basis, which will expose the Group to cash flow interest rate risk. The Group manages its interest rate exposure with a focus on reducing the cost of borrowing and the level of debt.

(b) Foreign exchange risk

The Group operates mainly in Hong Kong and the Mainland China. The Group's foreign exchange exposures primarily arise from investments in the Mainland China. Such investments are locally financed in Renminbi, where necessary. Currency exposure is reduced by matching assets with borrowings in the same currency.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Price risk

The Group is exposed to equity securities price risk because certain investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss.

(d) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to assess credit history of customers and carry out follow-up actions on overdue amounts to minimize the credit risk exposure. Cash deposits and other investments expose the Group to credit risk of the counterparties. When depositing surplus funds, the Group controls its credit risk by diversification in major banks or financial institutions.

(e) Liquidity risk

The Group prudently manages liquidity risk by maintaining sufficient cash and available bank facilities to meet cash flows and funding requirements. Sources of funds and tenors of borrowings are considered to diversify the risk over banks and to avoid refinancing of a substantial amount in short periods.

(f) Estimate of fair value of financial assets and liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

In assessing the fair value of other securities and other financial assets, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair values of long-term borrowings are estimated using the expected future payments discounted at market interest rates.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, trade and other receivables, cash and cash equivalents, trade and other payables and current borrowings are assumed to approximate their fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Estimate of fair value of investment property

The fair value of each investment property is individually determined at each balance sheet date by independent valuers based on a market value assessment, on an existing use basis. The valuers have relied on the discounted cash flow analysis and the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

(b) Estimate of impairment of assets

The Group tests at least annually whether goodwill or assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

(c) Estimate of revenue and costs of construction works

The Group recognizes its contract revenue according to the percentage of completion of the individual contract of construction works. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise sub-contracting charges and costs of materials are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

5 TURNOVER AND SEGMENT INFORMATION

The Group's turnover is analyzed as follows:

	2006 HK\$m	2005 HK\$m
Container handling, logistics and warehousing	16.3	13.4
Roads and bridges	239.2	221.1
Facilities rental	858.0	776.5
Facilities management	2,629.4	2,588.2
Contracting	8,619.9	6,386.7
Sales of goods and rendering of other services	181.1	300.2
	12,543.9	10,286.1

In accordance with the Group's internal financial reporting and operating activities, the primary reporting format is by business segments and the secondary reporting format is by geographical segments.

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – business segments

In HK\$m	Container handling, logistics and warehousing	Roads and bridges	Energy, water treatment and waste management	Facilities rental	Facilities management	Contracting	Transport	Others	Eliminations	Consolidated
Year 2006										
External sales	16.3	239.2	–	858.0	2,629.4	8,619.9	–	181.1	–	12,543.9
Inter-segment sales	–	–	–	0.1	158.7	494.8	–	18.1	(671.7)	–
Total turnover	16.3	239.2	–	858.1	2,788.1	9,114.7	–	199.2	(671.7)	12,543.9
Segment results	6.5	107.7	12.5	241.8	142.2	88.0	–	15.4	–	614.1
Profit on disposal of a subsidiary company	–	65.7	–	–	–	–	–	–	–	65.7
Profit on disposal of a jointly controlled entity	–	68.7	–	–	–	–	–	–	–	68.7
Fair value gains on investment properties	–	–	–	3.0	–	–	–	–	–	3.0
Profit on disposal of land use rights and properties	22.7	–	–	–	–	–	–	–	–	22.7
Assets impairment loss	–	–	–	–	–	–	–	(30.0)	–	(30.0)
Gain on redemption of convertible bonds	–	–	–	–	–	–	–	–	–	48.0
Unallocated corporate expenses	–	–	–	–	–	–	–	–	–	(142.5)
Operating profit										649.7
Finance costs	–	–	–	–	–	–	–	–	–	(253.8)
Share of results of										
Jointly controlled entities	54.8	420.7	123.2	188.1	(0.1)	37.6	85.6	(0.5)	–	909.4
Associated companies	11.7	(11.9)	368.5	–	0.3	51.0	–	57.0	–	476.6
Profit before income tax										1,781.9
Income tax expenses	–	–	–	–	–	–	–	–	–	(104.7)
Profit for the year										1,677.2
Segment assets	139.9	1,872.5	–	1,237.8	671.7	4,860.0	–	517.5	–	9,299.4
Jointly controlled entities	409.6	3,699.9	1,451.3	1,818.1	9.2	760.8	1,252.2	–	–	9,401.1
Associated companies	292.5	413.2	1,527.9	–	0.8	774.5	–	626.7	–	3,635.6
Unallocated assets	–	–	–	–	–	–	–	–	–	3,251.5
Total assets										25,587.6
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										10,734.2
Capital expenditure	0.1	1.1	–	42.8	23.2	42.0	–	11.3	–	120.5
Depreciation	1.5	88.8	–	19.3	39.5	39.3	–	10.0	–	198.4
Amortization of leasehold land and land use rights	–	–	–	–	0.2	2.3	–	0.5	–	3.0

Notes to the Financial Statements

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

In HK\$m	Container handling, logistics and warehousing	Roads and bridges	Energy, water treatment and waste management	Facilities rental	Facilities management	Contracting	Transport	Others	Eliminations	Consolidated
Year 2005 (restated)										
External sales	13.4	221.1	–	776.5	2,588.2	6,386.7	–	300.2	–	10,286.1
Inter-segment sales	–	–	–	0.3	153.9	428.9	–	19.6	(602.7)	–
Total turnover	13.4	221.1	–	776.8	2,742.1	6,815.6	–	319.8	(602.7)	10,286.1
Segment results	2.8	43.0	11.9	224.1	157.0	(345.1)	–	(8.3)	–	85.4
Profit on disposal of subsidiary companies	684.7	64.6	–	–	–	–	–	–	–	749.3
Profit/(loss) on disposal of jointly controlled entities	1,092.3	–	(2.1)	–	–	–	–	–	–	1,090.2
Profit on disposal of an investment	–	190.7	–	–	–	–	–	–	–	190.7
Assets impairment loss	(7.4)	(15.4)	–	–	–	–	–	(35.0)	–	(57.8)
Unallocated corporate expenses										(103.6)
Operating profit										1,954.2
Finance costs										(227.1)
Share of results of										
Jointly controlled entities	36.1	319.5	278.1	147.6	–	(0.7)	63.0	18.6	–	862.2
Associated companies	38.8	(0.3)	177.6	38.9	0.3	60.8	–	44.6	–	360.7
Profit before income tax										2,950.0
Income tax expenses										(67.4)
Profit for the year										2,882.6
Segment assets	126.0	1,854.1	–	1,199.9	531.9	4,588.6	–	345.5	–	8,646.0
Jointly controlled entities	410.2	3,753.4	1,339.0	1,804.5	8.7	620.3	1,066.6	–	–	9,002.7
Associated companies	94.9	375.7	1,219.0	–	0.9	750.0	–	569.5	–	3,010.0
Unallocated assets										4,506.8
Total assets										25,165.5
Segment liabilities	3.2	688.8	0.4	272.9	373.3	3,458.3	–	74.4	–	4,871.3
Unallocated liabilities										6,907.1
Total liabilities										11,778.4
Capital expenditure	1.0	1.3	–	19.4	22.6	18.7	–	10.6	–	73.6
Depreciation	3.8	71.6	–	16.9	36.8	60.2	–	8.0	–	197.3
Amortization of leasehold land and land use rights	0.5	–	–	–	0.3	1.4	–	0.4	–	2.6

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)**(b) Secondary reporting format – geographical segments**

In HK\$m	Turnover	Segment results	Capital expenditure	Segment assets
Year 2006				
Hong Kong	8,955.0	374.2	98.8	5,978.7
Mainland China	1,427.3	137.2	17.4	2,694.8
Macau	2,159.4	97.3	4.3	613.2
Others	2.2	5.4	–	12.7
	12,543.9	614.1	120.5	9,299.4
Year 2005 (restated)				
Hong Kong	8,822.5	42.2	65.0	6,068.0
Mainland China	1,294.3	30.0	8.3	2,471.5
Macau	167.5	12.0	0.3	106.5
Others	1.8	1.2	–	–
	10,286.1	85.4	73.6	8,646.0

Notes to the Financial Statements

6 OPERATING PROFIT

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

Note	2006 HK\$m	2005 HK\$m (restated)
Crediting		
Gross rental income from investment properties	42.2	40.9
Less: Outgoings	(12.5)	(10.1)
	29.7	30.8
Exchange gains	17.6	0.4
Other income		
Profit on disposal of subsidiary companies	65.7	749.3
Profit on disposal of a jointly controlled entity	68.7	1,092.3
Profit on disposal of an investment	–	190.7
Profit on disposal of land use rights and properties	22.7	–
Interest income	76.6	33.5
Management fee	44.8	31.4
Machinery hire income	14.2	20.2
Fair value gains on investment properties	3.0	–
Gain on redemption of convertible bonds	48.0	–
Dividend and other income	11.4	–
	355.1	2,117.4
Charging		
Auditors' remuneration	18.1	14.5
Cost of inventories sold	827.3	905.6
Write-down of inventories	7.2	2.2
Depreciation	198.4	197.3
Amortization of leasehold land and land use rights	3.0	2.6
Operating lease rental expense		
Properties	57.8	54.1
Other equipment	2.8	1.0
Staff costs	1,916.5	1,884.1
Other charges		
Loss on disposal of a jointly controlled entity	–	2.1
Assets impairment loss	30.0	57.8
	30.0	59.9

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Note	2006 HK\$m	2005 HK\$m (restated)
Wages and salaries		2,131.9	2,141.6
Share-based payment		1.7	11.8
Long service payment obligations		2.2	4.9
Defined contribution plans	33(a)	84.3	90.5
Defined benefits plans	33(b)	0.1	0.6
		2,220.2	2,249.4
Less: capitalized under contracts in progress		(303.7)	(365.3)
		1,916.5	1,884.1

8 FINANCE COSTS

	2006 HK\$m	2005 HK\$m (restated)
Interest on loans and borrowings wholly repayable within five years	207.6	123.0
Interest on loans from minority shareholders wholly repayable within five years	13.4	19.0
Interest on convertible bonds wholly repayable within five years	23.9	26.3
Other borrowing costs	8.9	58.8
	253.8	227.1

9 INCOME TAX EXPENSES

Hong Kong profits tax is provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 3% to 33% (2005: 3% to 33%).

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

	Note	2006 HK\$m	2005 HK\$m (restated)
Current income tax			
Hong Kong profits tax		58.4	53.4
Mainland China and overseas taxation		30.3	12.0
Deferred income tax	32	16.0	2.0
		104.7	67.4

Notes to the Financial Statements

9 INCOME TAX EXPENSES (CONTINUED)

Share of jointly controlled entities' and associated companies' taxation of HK\$139.0 million (2005: HK\$153.1 million) and HK\$64.0 million (2005: HK\$62.6 million) are included in the consolidated income statement as share of results of jointly controlled entities and associated companies respectively.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2006 HK\$m	2005 HK\$m (restated)
Profit before income tax	1,781.9	2,950.0
Share of results of jointly controlled entities	(909.4)	(862.2)
Share of results of associated companies	(476.6)	(360.7)
	395.9	1,727.1
Tax calculated at domestic tax rates applicable to profits in the respective countries	70.6	313.6
Tax exemption granted	(14.0)	(17.4)
Income not subject to taxation	(57.2)	(379.1)
Expenses not deductible for taxation purposes	41.2	75.6
Unused tax losses not recognized	74.7	100.4
Utilization of previously unrecognized tax losses	(15.8)	(8.1)
Others	5.2	(17.6)
Income tax expenses	104.7	67.4

The weighted average applicable tax rate was 17.8% (2005: 18.2%). The decrease is caused by a change in the profitability of the Group's subsidiary companies in the respective countries.

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$1,187.7 million (2005 restated: HK\$1,251.7 million).

11 DIVIDENDS

	2006 HK\$m	2005 HK\$m
Interim dividend paid of HK\$0.24 (2005: HK\$0.18) per share	455.0	325.3
Final dividend proposed of HK\$0.20 (2005: paid of HK\$0.62) per share	390.8	1,138.9
	845.8	1,464.2

On 9 October 2006, the Board recommended a final dividend of HK\$0.20 per share. This dividend will be accounted for as an appropriation of the retained profits for the year ending 30 June 2007.

12 EARNINGS PER SHARE

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

	2006 HK\$'m	2005 HK\$'m (restated)
Profit attributable to shareholders of the Company	1,656.6	2,886.1
Effect of dilutive potential ordinary shares		
Interest on convertible bonds, net of tax	19.7	21.7
Profit for calculation of diluted earnings per share	1,676.3	2,907.8

	Number of shares	
	2006	2005 (restated)
Weighted average number of shares for calculating basic earnings per share	1,869,586,707	1,803,667,218
Effect of dilutive potential ordinary shares		
Share options	1,800,667	9,465,762
Convertible bonds	89,225,798	99,046,222
Weighted average number of shares for calculating diluted earnings per share	1,960,613,172	1,912,179,202

13 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of emoluments of the directors of the Company are as follows:

	2006 HK\$'m	2005 HK\$'m
Fees	2.4	2.3
Basic salaries, allowances and other benefits	25.2	15.6
Share option benefits	38.4	29.8
Employer's contribution to retirement benefits schemes	1.5	1.3
	67.5	49.0

Notes to the Financial Statements

13 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

The remunerations of individual directors are set out below:

Name of director	Fees HK\$'m	Basic salaries, allowances and other benefits HK\$'m	Share option benefits HK\$'m	Employer's contribution to retirement benefits schemes HK\$'m	2006	2005
					Total emoluments HK\$'m	Total emoluments HK\$'m
Dr Cheng Kar Shun, Henry	0.25	1.11	8.87	–	10.23	7.58
Mr Doo Wai Hoi, William	0.15	2.64	5.98	0.16	8.93	6.77
Mr Chan Kam Ling	0.15	4.65	5.84	0.36	11.00	7.99
Mr Tsang Yam Pui	0.15	4.52	–	0.18	4.85	3.32
Mr Wong Kwok Kin, Andrew	0.15	3.38	4.10	0.20	7.83	5.39
Mr Lam Wai Hon, Patrick	0.15	3.34	4.51	0.25	8.25	5.59
Mr Cheung Chin Cheung	0.15	3.30	1.59	0.26	5.30	4.27
Mr William Junior Guilherme Doo ^(a)	0.08	2.28	0.44	0.09	2.89	–
Mr Wilfried Ernst Kaffenberger #	0.15	–	–	–	0.15	0.15
Mr To Hin Tsun, Gerald #	0.15	–	1.76	–	1.91	1.51
Mr Dominic Lai #	0.15	–	1.72	–	1.87	1.16
Mr Kwong Che Keung, Gordon *	0.25	–	1.72	–	1.97	1.73
Mr Cheng Wai Chee, Christopher *	0.25	–	1.82	–	2.07	3.32
The Honourable Shek Lai Him, Abraham *	0.25	–	–	–	0.25	0.19
Total	2.43	25.22	38.35	1.50	67.50	48.97

Non-executive director

* Independent non-executive director

Notes:

- Appointed as director on 19 December 2005.
- The five individuals whose emoluments were the highest in the Group for the years ended 30 June 2006 and 30 June 2005 were also directors and their emoluments were included in the above.
- Remuneration packages including basic salaries, allowances and other benefits, contribution to retirement benefits scheme and share options benefits are determined according to individual performance, job responsibility and seniority, and are reviewed with reference to market conditions.
- There is no payment on inducement fees and compensation for loss of office as director.

14 GOODWILL

	Group HK\$m
Cost	
At 1 July 2005 and at 30 June 2006	345.3
Accumulated impairment	
At 1 July 2005 and at 30 June 2006	15.4
Net book value	
At 30 June 2006 and at 30 June 2005	329.9

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units identified according to business segment. The recoverable amount of a business unit is determined based on value-in-use calculations. The key assumptions used in the value-in-use calculations are based on management's best estimates of growth rates and discount rates.

A segment-level summary of the goodwill allocation is presented below:

	2006 HK\$m	2005 HK\$m
Contracting	136.8	136.8
Facilities management	89.6	89.6
Roads and bridges	19.4	19.4
Others	84.1	84.1
	329.9	329.9

Discount rates used for value-in-use calculations range from 6.54% to 7.45%.

Notes to the Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT

In HK\$m	Group				Total	Company
	Properties	Roads and bridges	Port facilities and terminal equipment	Other plant and equipment		Other plant and equipment
Cost						
At 30 June 2005, as previously reported	732.1	1,892.6	11.1	1,368.8	4,004.6	10.6
Prior year adjustments (Note 2(b))	(173.7)	–	–	–	(173.7)	–
At 30 June 2005, as restated	558.4	1,892.6	11.1	1,368.8	3,830.9	10.6
Currency translation differences	2.6	55.7	0.3	2.2	60.8	–
Additions	3.7	–	–	109.6	113.3	6.4
Disposals	(378.9)	–	(0.3)	(119.3)	(498.5)	(0.4)
Disposal of a subsidiary company	–	(125.0)	–	–	(125.0)	–
At 30 June 2006	185.8	1,823.3	11.1	1,361.3	3,381.5	16.6
Accumulated depreciation and impairment						
At 30 June 2005, as previously reported	373.9	321.0	5.0	985.7	1,685.6	3.3
Prior year adjustments (Note 2(b))	(36.0)	–	–	–	(36.0)	–
At 30 June 2005, as restated	337.9	321.0	5.0	985.7	1,649.6	3.3
Currency translation differences	1.5	9.4	0.1	0.9	11.9	–
Depreciation	3.4	86.6	1.0	107.4	198.4	4.1
Disposals	(315.3)	–	(0.2)	(99.4)	(414.9)	(0.4)
Disposal of a subsidiary company	–	(7.7)	–	–	(7.7)	–
At 30 June 2006	27.5	409.3	5.9	994.6	1,437.3	7.0
Net book value						
At 30 June 2006	158.3	1,414.0	5.2	366.7	1,944.2	9.6
At 30 June 2005, as restated	220.5	1,571.6	6.1	383.1	2,181.3	7.3

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In HK\$'m	Group				Company	
	Properties	Roads and bridges	Port facilities and terminal equipment	Other plant and equipment	Total	Other plant and equipment
Cost						
At 30 June 2004, as previously reported	763.7	2,039.0	11.1	1,390.9	4,204.7	5.3
Prior year adjustments	(173.7)	–	–	–	(173.7)	–
At 30 June 2004, as restated	590.0	2,039.0	11.1	1,390.9	4,031.0	5.3
Additions	5.0	–	–	68.4	73.4	5.3
Disposals	(45.7)	–	–	(81.0)	(126.7)	–
Disposal of subsidiary companies	–	(146.4)	–	(0.4)	(146.8)	–
Transfer	9.1	–	–	(9.1)	–	–
At 30 June 2005	558.4	1,892.6	11.1	1,368.8	3,830.9	10.6
Accumulated depreciation and impairment						
At 30 June 2004, as previously reported	369.6	286.0	4.0	933.4	1,593.0	0.4
Prior year adjustments	(32.7)	–	–	–	(32.7)	–
At 30 June 2004, as restated	336.9	286.0	4.0	933.4	1,560.3	0.4
Depreciation	7.4	69.0	1.0	119.9	197.3	2.9
Impairment	4.4	–	–	–	4.4	–
Disposals	(10.8)	–	–	(67.2)	(78.0)	–
Disposal of subsidiary companies	–	(34.0)	–	(0.4)	(34.4)	–
At 30 June 2005	337.9	321.0	5.0	985.7	1,649.6	3.3
Net book value						
At 30 June 2005, as restated	220.5	1,571.6	6.1	383.1	2,181.3	7.3
At 30 June 2004, as restated	253.1	1,753.0	7.1	457.5	2,470.7	4.9

Notes to the Financial Statements

16 INVESTMENT PROPERTIES

	Group	
	2006 HK\$m	2005 HK\$m
At the beginning of year	1,040.3	1,010.1
Additions	0.3	0.2
Fair value changes	3.0	30.0
At the end of year	1,043.6	1,040.3

The investment properties were revalued on 30 June 2006 on an open market value basis by Vigers Hong Kong Limited, independent professional property valuers.

The Group's interests in investment properties are analyzed as follows:

	2006 HK\$m	2005 HK\$m
In Hong Kong, held on leases of over 50 years	1,041.1	1,038.1
In Mainland China, held on leases of over 50 years	2.5	2.2
	1,043.6	1,040.3

17 LEASEHOLD LAND AND LAND USE RIGHTS

	Note	Group	
		2006 HK\$'m	2005 HK\$'m (restated)
Cost			
At the beginning of year, as previously reported		–	–
Prior year adjustments	2(b)	173.7	173.7
At the beginning of year, as restated		173.7	173.7
Currency translation differences		0.6	–
Additions		6.9	–
Disposals		(36.7)	–
At the end of year		144.5	173.7
Accumulated amortization and impairment			
At the beginning of year, as previously reported		–	–
Prior year adjustments	2(b)	39.5	36.9
At the beginning of year, as restated		39.5	36.9
Currency translation differences		0.1	–
Amortization		3.0	2.6
Disposals		(5.1)	–
At the end of year		37.5	39.5
Net book value			
At the end of year		107.0	134.2

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analyzed as follows:

	2006 HK\$'m	2005 HK\$'m (restated)
In Hong Kong, held on		
Leases of over 50 years	18.7	29.1
Leases of between 10 to 50 years	53.2	56.3
In Mainland China and overseas, held on		
Leases of over 50 years	15.7	9.8
Leases of between 10 to 50 years	19.1	38.7
Leases of below 10 years	0.3	0.3
	107.0	134.2

Notes to the Financial Statements

18 SUBSIDIARY COMPANIES

	Company	
	2006 HK\$m	2005 HK\$m
Unlisted shares, at cost	7,893.3	3,393.2

Particulars of principal subsidiary companies are disclosed under Note 42.

19 JOINTLY CONTROLLED ENTITIES

	Note	Group	
		2006 HK\$m	2005 HK\$m (restated)
Co-operative joint ventures			
Cost of investment less provision		1,371.9	1,194.9
Goodwill		98.3	98.3
Share of undistributed post-acquisition results		767.0	704.3
Amounts receivable	19(a)	1,064.8	1,319.4
		3,302.0	3,316.9
Equity joint ventures			
Group's share of net assets		453.1	442.3
Amounts receivable	19(a)	20.7	34.8
		473.8	477.1
Companies limited by shares			
Group's share of net assets		4,252.7	4,069.4
Goodwill		363.0	363.0
Amounts receivable	19(a)	1,009.6	776.3
		5,625.3	5,208.7
		9,401.1	9,002.7

19 JOINTLY CONTROLLED ENTITIES (CONTINUED)

(a) Amounts receivable are analyzed as follows:

	Note	Group	
		2006 HK\$m	2005 HK\$m
Interest bearing			
Fixed rates	19(a) (i)	159.7	374.9
Variable rates	19(a) (ii)	116.4	7.8
Non-interest bearing		1,819.0	1,747.8
		2,095.1	2,130.5

(i) Charged interest at fixed rates ranging from 2% to 10% per annum (2005: 2% to 10% per annum).

(ii) Represents variable rate at 0.6% over one-month Hong Kong Interbank Offered Rate in respect of the loan to a jointly controlled entity and at Hong Kong prime rate in respect of the amounts due from jointly controlled entities.

The repayment terms of the amounts receivable are specified in the relevant joint venture agreements.

The carrying amounts of the amounts receivable are not materially different from their fair values.

(b) Dividend income from jointly controlled entities was HK\$747.5 million (2005: HK\$450.9 million).

(c) Particulars of principal jointly controlled entities are disclosed under Note 44.

(d) Contingent liabilities relating to the Group's interest in the jointly controlled entities are disclosed under Note 35.

(e) The Group's share of assets and liabilities, turnover and results of jointly controlled companies are summarized below:

	Group	
	2006 HK\$m	2005 HK\$m
Non-current assets	11,909.1	11,882.5
Current assets	3,326.1	3,163.6
Current liabilities	(4,781.3)	(4,568.7)
Non-current liabilities	(3,609.2)	(4,066.5)
Net assets	6,844.7	6,410.9
Turnover	4,049.1	3,674.7
Profit for the year	909.4	862.2

Notes to the Financial Statements

20 ASSOCIATED COMPANIES

	Note	Group	
		2006 HK\$m	2005 HK\$m
Group's share of net assets			
Companies listed in Hong Kong		904.1	865.3
Unlisted companies		2,408.9	1,877.5
		3,313.0	2,742.8
Goodwill		103.5	103.5
Amounts receivable	20(a)	219.1	176.6
Amounts payable		–	(12.9)
		219.1	163.7
		3,635.6	3,010.0

(a) The amounts receivable are unsecured, interest free and have no fixed terms of repayment except for an amount of HK\$100.4 million (2005: HK\$56.0 million) which bears interest at 8% per annum.

The carrying amounts of the amounts receivable are not materially different from their fair values.

(b) Dividend income from associated companies was HK\$153.1 million (2005: HK\$377.7 million).

(c) The market value of the Group's listed investment in associated companies amounts to HK\$698.7 million (2005: HK\$472.3 million).

(d) Particulars of principal associated companies of the Group are disclosed under Note 43.

(e) Contingent liabilities relating to the Group's interest in the associated companies are disclosed under Note 35.

(f) The Group's share of assets and liabilities, turnover and results of associated companies are summarized below:

	Group	
	2006 HK\$m	2005 HK\$m
Non-current assets	3,663.7	3,182.2
Current assets	1,737.9	1,313.2
Current liabilities	(1,334.2)	(1,056.4)
Non-current liabilities	(754.4)	(696.2)
Net assets	3,313.0	2,742.8
Turnover	1,975.7	1,888.6
Profit for the year	476.6	360.7

21 OTHER NON-CURRENT ASSETS

	Note	Group	
		2006 HK\$'m	2005 HK\$'m
Long term receivable	21 (a)	272.3	350.0
Available-for-sale financial assets	21 (b)	474.2	268.6
Retirement benefit assets	33	10.0	8.6
Deferred income tax assets	32	5.5	8.2
		762.0	635.4

(a) Long term receivable

	Note	Group	
		2006 HK\$'m	2005 HK\$'m
Long term receivable		350.0	421.3
Current portion included in trade and other receivables	23	(77.7)	(71.3)
		272.3	350.0

The Group disposed of a power plant in Mainland China and the consideration is receivable by 14 biannual installments up to 2010. The receivable is secured by certain assets of the debtor and bears interest at London Interbank Offered Rate plus 1.9% per annum.

The carrying amount of long term receivable approximates its fair value. It is denominated in United States Dollars.

(b) Available-for-sale financial assets

	Group	
	2006 HK\$'m	2005 HK\$'m
Listed securities		
Equity securities listed in Hong Kong	147.9	106.1
Unlisted securities		
Equity securities	287.3	142.5
Debt securities	39.0	20.0
	474.2	268.6
Market value of listed securities	147.9	106.1

Notes to the Financial Statements

22 INVENTORIES

	Group	
	2006 HK\$m	2005 HK\$m
Raw materials	17.5	19.3
Work-in-progress	9.0	14.1
Finished goods	96.3	112.1
	122.8	145.5

23 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Trade receivables	23(a)	1,193.5	1,105.3	–	–
Retention money receivables		904.2	683.3	–	–
Current portion of long term receivable	21(a)	77.7	71.3	–	–
Amounts due from customers for contract works	27	356.2	362.5	–	–
Other receivables, deposits and prepayments		2,869.2	2,491.5	7.5	26.6
Amounts due from jointly controlled entities	23(b)	265.1	270.8	–	–
Amounts due from associated companies	23(b)	26.7	19.6	–	–
Amounts due from subsidiary companies	23(c)	–	–	7,596.5	11,186.0
		5,692.6	5,004.3	7,604.0	11,212.6

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The ageing analysis of the trade receivables is as follows:

	Group	
	2006 HK\$m	2005 HK\$m
Under 3 months	962.4	865.3
Between 4 – 6 months	108.2	56.1
Over 6 months	122.9	183.9
	1,193.5	1,105.3

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.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers.

The Group has made provision for doubtful debts of HK\$31.1 million (2005: HK\$152.9 million) for its trade and other receivables during the year ended 30 June 2006. The provision has been included in general and administrative expenses in the income statement.

(b) The amounts receivable are interest free, unsecured and have no fixed repayment terms except for an amount of HK\$10.5 million (2005: HK\$3.6 million) which carries interest at prime rate.

(c) The amounts due from subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

Included in the Group's trade and other receivables are HK\$992.7 million (2005: HK\$638.0 million) denominated in Renminbi and HK\$468.7 million (2005: HK\$45.6 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong dollar.

The trade and other receivables of the Company are mainly denominated in Hong Kong dollar.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006 HK\$m	2005 HK\$m
Listed securities		
Equity securities listed in Hong Kong	1.1	1.2
Debt securities listed overseas	–	30.8
	1.1	32.0
Market value of listed securities	1.1	32.0

Notes to the Financial Statements

25 BANK BALANCES AND CASH

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Time deposits	1,057.0	2,747.3	140.1	834.8
Other cash at bank and in hand	1,490.7	902.6	90.9	75.5
Bank balances and cash	2,547.7	3,649.9	231.0	910.3
Less: short term deposits	(126.4)	–	–	–
Cash and cash equivalents	2,421.3	3,649.9	231.0	910.3

Included in the bank balances and cash are amounts totaling HK\$126.4 million pledged as securities for banking facilities.

The effective interest rate on time deposits was 3.91% (2005: 3.20%); these deposits have an average maturity of 48 days.

26 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Trade payables	26(a)	685.1	578.5	–	–
Retention money payables		566.8	393.1	–	–
Advance received from customers for contract works		123.4	50.3	–	–
Amounts due to customers for contract works	27	485.4	368.3	–	–
Amount due to a fellow subsidiary company	31	210.8	192.9	210.8	192.9
Amounts due to minority interests	26(b)	31.6	40.3	–	–
Other payables and accruals		3,212.2	3,009.8	43.4	45.1
Amounts due to jointly controlled entities	26(b)	15.0	14.6	–	–
Amounts due to associated companies	26(b)	3.3	–	–	–
Amount due to a subsidiary company	26(b)	–	–	1,334.4	–
		5,333.6	4,647.8	1,588.6	238.0

26 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The ageing analysis of the trade payables is as follows:

	Group	
	2006 HK\$m	2005 HK\$m
Under 3 months	567.4	479.6
Between 4 – 6 months	51.3	35.2
Over 6 months	66.4	63.7
	685.1	578.5

(b) The amounts payable are interest free, unsecured and have no fixed repayment terms.

Included in the Group's trade and other payables are HK\$1,011.9 million (2005: HK\$788.1 million) denominated in Renminbi and HK\$178.3 million (2005: HK\$7.9 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong dollar.

Included in the Company's trade and other payables is HK\$210.8 million (2005: HK\$192.9 million) denominated in Renminbi; the remaining balances are mainly denominated in Hong Kong dollar.

27 CONTRACTS IN PROGRESS

	Note	Group	
		2006 HK\$m	2005 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses		16,002.4	13,430.4
Progress payments received and receivable		(16,131.6)	(13,436.2)
		(129.2)	(5.8)
Representing			
Gross amount due from customers for contract works	23	356.2	362.5
Gross amount due to customers for contract works	26	(485.4)	(368.3)
		(129.2)	(5.8)

Notes to the Financial Statements

28 SHARE CAPITAL

	Ordinary Shares	
	Number of shares	HK\$m
Authorized		
At 30 June 2005 and 30 June 2006	2,400,000,000	2,400.0
Issued and fully paid		
At 1 July 2004	1,792,454,316	1,792.5
Exercise of share options	14,875,728	14.8
Issued as scrip dividend	17,800,525	17.8
At 30 June 2005	1,825,130,569	1,825.1
Exercise of share options	12,559,250	12.6
Issued as scrip dividend	79,302,675	79.3
Conversion of convertible bonds	26,760,231	26.8
At 30 June 2006	1,943,752,725	1,943.8

Share Option Scheme

A share option scheme was adopted by the Company on 6 December 2001 and amended on 12 March 2003 (the "Share Option Scheme") which will be valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the Share Option Scheme to subscribe for the shares of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the share capital of the Company in issue as at 12 March 2003, i.e. 1,780,759,001 shares.

Movements in the number of share options outstanding during the year are as follows:

	Note	Number of options	
		2006	2005
At the beginning of year		14,679,656	28,835,338
Exercised		(12,559,250)	(13,545,728)
Lapsed		(42,871)	(752,677)
Adjusted	28(b)	471,402	142,723
At the end of year		2,548,937	14,679,656

28 SHARE CAPITAL (CONTINUED)

Share Option Scheme (Continued)

Notes:

- (a) On 21 July 2003, 41,497,000 share options were granted to directors and certain eligible participants at the exercise price of HK\$3.725, which represents the average of the closing price of the Company's shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of grant. Such share options will expire on 21 July 2008.
- (b) Pursuant to the existing share option scheme of the Company, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of the Company. The Company approved the distributions of final dividend for the year ended 30 June 2005 and interim dividend for the year ended 30 June 2006 both in scrip form (with cash option) on 29 November 2005 and 13 March 2006 respectively, which gave rise to adjustments to the number of unexercised share options and the exercise price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK\$3.719 to HK\$3.711 with effect from 6 January 2006.

Share options outstanding at the end of year have the following terms:

	Expiry Date	Number of options		Vested percentage	
		2006	2005	2006	2005
Exercise price		HK\$3.711	HK\$3.719		
Directors	21 July 2008	607,248	5,015,580	100%	11%
Other eligible participants	21 July 2008	1,941,689	9,664,076	100%	1%
		2,548,937	14,679,656		

Notes to the Financial Statements

29 RESERVES

In HK\$'m	Group						Total
	Share premium	Special reserves	Investment properties revaluation reserve	Investments revaluation reserve	Exchange reserve	Revenue reserve	
At 30 June 2005, as previously reported	7,401.9	279.4	47.6	11.8	1.7	3,374.5	11,116.9
Prior year adjustments for the adoption of							
– HKFRS 2	–	22.9	–	–	–	(22.9)	–
– HKAS 17	–	–	–	–	–	(9.3)	(9.3)
– HKAS 32	–	121.1	–	–	–	(20.6)	100.5
– HK(SIC) – Int 21	–	–	(8.3)	–	–	–	(8.3)
At 30 June 2005, as restated	7,401.9	423.4	39.3	11.8	1.7	3,321.7	11,199.8
Opening adjustments for the adoption of HKAS 40	–	–	(39.3)	–	–	39.3	–
At 1 July 2005, as adjusted	7,401.9	423.4	–	11.8	1.7	3,361.0	11,199.8
Profit attributable to shareholders of the Company	–	–	–	–	–	1,656.6	1,656.6
Dividends	–	–	–	–	–	(1,593.9)	(1,593.9)
Fair value changes on available-for-sale financial assets	–	–	–	31.4	–	–	31.4
Currency translation differences							
– Group	–	–	–	–	23.1	–	23.1
– Jointly controlled entities	–	–	–	–	64.9	–	64.9
– Associated companies	–	–	–	–	33.8	–	33.8
Scrip dividends							
– share premium on issue of new shares	838.2	–	–	–	–	–	838.2
Convertible bonds							
– share premium on issue of new shares	322.0	–	–	–	–	–	322.0
– equity component	–	(108.1)	–	–	–	–	(108.1)
– deferred tax on equity component	–	18.9	–	–	–	–	18.9
Share option scheme							
– value of services provided	–	1.7	–	–	–	–	1.7
– share premium on issue of new shares	34.1	–	–	–	–	–	34.1
Transfer	–	0.9	–	–	–	(0.9)	–
At 30 June 2006	8,596.2	336.8	–	43.2	123.5	3,422.8	12,522.5
Representing							
Balance at 30 June 2006	8,596.2	336.8	–	43.2	123.5	3,032.0	12,131.7
Proposed final dividend	–	–	–	–	–	390.8	390.8
	8,596.2	336.8	–	43.2	123.5	3,422.8	12,522.5

29 RESERVES (CONTINUED)

In HK\$m	Group						Total
	Share premium	Special reserves	Investment properties revaluation reserve	Investments revaluation reserve	Exchange reserve	Revenue reserve	
At 30 June 2004, as previously reported	7,188.2	278.7	17.6	12.7	3.3	1,234.1	8,734.6
Prior year adjustments for the adoption of							
– HKFRS 2	–	11.1	–	–	–	(11.1)	–
– HKAS 17	–	–	–	–	–	(6.9)	(6.9)
– HKAS 32	–	121.1	–	–	–	(2.9)	118.2
– HK(SIC) – Int 21	–	–	(3.0)	–	–	–	(3.0)
At 30 June 2004, as restated	7,188.2	410.9	14.6	12.7	3.3	1,213.2	8,842.9
Profit attributable to shareholders							
of the Company	–	–	–	–	–	2,886.1	2,886.1
Dividends	–	–	–	–	–	(776.9)	(776.9)
Fair value changes on available-for-sale							
financial assets	–	–	–	(0.9)	–	–	(0.9)
Fair value changes on investment properties	–	–	30.0	–	–	–	30.0
Deferred tax on fair value changes on							
investment properties	–	–	(5.3)	–	–	–	(5.3)
Currency translation differences							
– Group	–	–	–	–	(1.6)	–	(1.6)
Scrip dividends							
– share premium on issue of new shares	168.9	–	–	–	–	–	168.9
Share option scheme							
– value of services provided	–	11.8	–	–	–	–	11.8
– share premium on issue of new shares	44.8	–	–	–	–	–	44.8
Transfer	–	0.7	–	–	–	(0.7)	–
At 30 June 2005	7,401.9	423.4	39.3	11.8	1.7	3,321.7	11,199.8
Representing							
Balance at 30 June 2005	7,401.9	423.4	39.3	11.8	1.7	2,182.8	10,060.9
Final dividend paid	–	–	–	–	–	1,138.9	1,138.9
	7,401.9	423.4	39.3	11.8	1.7	3,321.7	11,199.8

Notes to the Financial Statements

29 RESERVES (CONTINUED)

Special reserves include statutory reserves which are created in accordance with the terms of the joint venture agreements of subsidiary companies and jointly controlled entities established in Mainland China and are required to be retained in these subsidiary companies and jointly controlled entities for specific purposes. Special reserves also include share option reserve and equity component of convertible bonds.

In HK\$m	Company				Total
	Share premium	Contributed surplus	Special reserves	Revenue reserve	
At 30 June 2004, as previously reported	7,188.2	237.3	1.1	655.5	8,082.1
Prior year adjustments for the adoption of HKFRS 2	–	–	11.1	(11.1)	–
At 30 June 2004, as restated	7,188.2	237.3	12.2	644.4	8,082.1
Issue of new shares as scrip dividends	168.9	–	–	–	168.9
Profit for the year	–	–	–	1,251.7	1,251.7
Share option scheme					
– value of services provided	–	–	11.8	–	11.8
– share premium on issue of new shares	44.8	–	–	–	44.8
Dividends	–	–	–	(776.9)	(776.9)
At 30 June 2005	7,401.9	237.3	24.0	1,119.2	8,782.4
At 30 June 2005, as previously reported	7,401.9	237.3	1.1	1,142.1	8,782.4
Prior year adjustments for the adoption of HKFRS 2	–	–	22.9	(22.9)	–
At 30 June 2005, as restated	7,401.9	237.3	24.0	1,119.2	8,782.4
Issue of new shares as scrip dividends	838.2	–	–	–	838.2
Profit for the year	–	–	–	1,187.7	1,187.7
Dividends	–	–	–	(1,593.9)	(1,593.9)
Share option scheme					
– value of services provided	–	–	1.7	–	1.7
– share premium on issue of new shares	34.1	–	–	–	34.1
Convertible bonds					
– Share premium on issue of new shares	322.0	–	–	–	322.0
At 30 June 2006	8,596.2	237.3	25.7	713.0	9,572.2
Representing					
Balance at 30 June 2006	8,596.2	237.3	25.7	322.2	9,181.4
Proposed final dividend	–	–	–	390.8	390.8
	8,596.2	237.3	25.7	713.0	9,572.2

29 RESERVES (CONTINUED)

The contributed surplus of the Company represents the difference between the nominal value of the ordinary share capital issued by the Company and the consolidated net asset value of the subsidiary companies acquired at the date of acquisition pursuant to the group reorganization implemented in 1997. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

Special reserves include capital redemption reserve and share option reserve.

30 BORROWINGS

	Note	Group		Company	
		2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Non-current					
Bank loans	30(a), (b)	2,791.6	2,493.2	1,448.6	2,490.8
Convertible bonds	30(c)	520.0	1,210.5	–	–
		3,311.6	3,703.7	1,448.6	2,490.8
Current					
Current portion of bank loans	30(a), (b)	882.9	1,319.0	834.5	1,025.0
Short term bank loans and overdrafts – secured	30(b)	–	0.5	–	–
Short term bank loans and overdrafts – unsecured	30(b)	333.8	960.4	240.0	850.0
		1,216.7	2,279.9	1,074.5	1,875.0
		4,528.3	5,983.6	2,523.1	4,365.8

(a) Bank loans

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Secured				
Wholly repayable within five years	–	42.1	–	–
Unsecured				
Wholly repayable within five years	3,674.5	3,770.1	2,283.1	3,515.8
	3,674.5	3,812.2	2,283.1	3,515.8
Amounts repayable within one year included in current liabilities	(882.9)	(1,319.0)	(834.5)	(1,025.0)
	2,791.6	2,493.2	1,448.6	2,490.8

Notes to the Financial Statements

30 BORROWINGS (CONTINUED)

(a) Bank loans (Continued)

	Group		Total HK\$m
	Secured bank loans HK\$m	Unsecured bank loans HK\$m	
The maturity of bank loans as at 30 June 2006 is as follows:			
Within one year	–	882.9	882.9
In the second year	–	1,997.5	1,997.5
In the third to fifth year	–	794.1	794.1
	–	3,674.5	3,674.5
The maturity of bank loans as at 30 June 2005 is as follows:			
Within one year	42.1	1,276.9	1,319.0
In the second year	–	1,040.8	1,040.8
In the third to fifth year	–	1,452.4	1,452.4
	42.1	3,770.1	3,812.2

As at 30 June 2006, the Group's bank loans of HK\$3,674.5 million (2005: HK\$3,812.2 million) are exposed to interest rate risk of contractual repricing dates falling within one year.

(b) Bank loans and overdraft

The effective interest rates at the balance sheet date were as follows:

	2006		2005	
	HK\$	RMB	HK\$	RMB
Bank overdraft	7.70%	–	5.81%	–
Bank loans	4.84%	–	3.57%	6.73%

The carrying amounts of bank borrowings approximate their fair values.

The carrying amounts of the bank borrowings are denominated in the following currencies:

	2006 HK\$m	2005 HK\$m
Hong Kong dollar	4,528.3	5,937.3
Renminbi	–	46.3
	4,528.3	5,983.6

30 BORROWINGS (CONTINUED)

(c) Convertible bonds

On 26 April 2004, a subsidiary company of the Company issued zero coupon guaranteed convertible bonds in the aggregate amount of HK\$1,350.0 million, which are convertible into fully paid shares with par value of HK\$1 each of the Company.

The bonds, guaranteed by the Company, are convertible into the shares of the Company at a conversion price of HK\$13.63 per share at any time on and after 27 May 2004 up to 11 April 2009. The bonds are redeemable by the issuer at any time after 26 October 2005 and prior to 25 April 2009. Moreover, the bondholders have the right to redeem all or some of the bonds held by them on 26 April 2006 at 99% of their principal amount. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed on the maturity date on 26 April 2009 at 97.53% of the principal amount.

As a result of the allotment of 58,198,858 new shares of HK\$1.00 each in the capital of the Company on 6 January 2006 as final dividend of HK\$0.62 per share in scrip form (with a cash option) for the year ended 30 June 2005 to the shareholders of the Company, the conversion price of the convertible bonds is adjusted from HK\$13.63 per share to HK\$13.18 per share with effect from 6 January 2006 pursuant to the terms governing the convertible bonds.

The fair value of the liability component at the date of the issuance of the bonds, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in special reserves (Note 29).

During the year, the issuer redeemed part of the convertible bonds, totalling HK\$430.0 million. The resulted gain of HK\$48.0 million was credited to the income statement. In addition, certain bondholders have elected to convert their bonds into shares of the Company at a conversion price of HK\$13.18 per share and the amount involved is HK\$352.7 million. A total of 26,760,231 shares of HK\$1 each of the Company were issued under such conversions.

The fair value of the liability component of the convertible bonds at 30 June 2006 amounted to HK\$463.7 million. The fair value is calculated using cash flows discounted at a rate based on the Group's borrowings rate of 5.94%.

Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate of 2.22% to the liability component.

Notes to the Financial Statements

31 OTHER NON-CURRENT LIABILITIES

	Note	Group		Company	
		2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Long service payment obligations		55.3	64.9	–	–
Deferred income tax liabilities	32	102.3	104.2	–	–
Deferred interest income		133.0	150.3	–	–
Loans from minority shareholders	31(a)	374.9	408.1	–	–
		665.5	727.5	–	–
Amount due to a fellow subsidiary company	31(b)	321.0	505.0	321.0	505.0
Current portion included in current liabilities	26	(210.8)	(192.9)	(210.8)	(192.9)
		110.2	312.1	110.2	312.1
		775.7	1,039.6	110.2	312.1

(a) The loans are interest free, unsecured and not repayable within one year except for an aggregate amount of HK\$81.2 million (2005: HK\$160.5 million) which carries interests at 10% per annum.

(b) The amount is due to New World TMT Limited (“NWTMT”) and represents the Company’s undertaking of a bank loan of NWTMT as part of the consideration for acquisition of the infrastructure assets under the reorganisation of the Group which was completed in January 2003. Interest charged on the amount due to NWTMT is by reference to the actual interest charged on the bank loans. The underlying bank loan is secured, interest bearing at 5.751% (2005: 5.508%) and repayable within five years.

32 DEFERRED INCOME TAX

	Note	Group	
		2006 HK\$m	2005 HK\$m
At the beginning of year, as previously reported		67.4	56.2
Prior year adjustments	2(b)	28.6	27.9
At the beginning of year, as restated		96.0	84.1
Currency translation differences		1.4	–
Charged to income statement	9	16.0	2.0
(Credited)/charged to equity		(18.9)	5.3
Disposal of subsidiary companies		2.3	4.6
At the end of year		96.8	96.0

Deferred income tax is calculated in full on temporary differences under the liability method using a principal tax rate of 17.5% (2005: 17.5%).

32 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK\$1,112.0 million (2005: HK\$461.6 million) to carry forward against future taxable income. The tax losses have no expiry date.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax assets

In HK\$'m	Group									
	Accelerated accounting depreciation		Provisions		Tax losses		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
At the beginning of year	3.7	10.5	0.4	0.4	4.2	6.6	1.8	1.7	10.1	19.2
Disposal of subsidiary companies	(2.3)	(4.6)	-	-	-	-	-	-	(2.3)	(4.6)
(Charged)/credited to income statement	(0.8)	(2.2)	(0.3)	-	(1.8)	(2.4)	2.1	0.1	(0.8)	(4.5)
At the end of year	0.6	3.7	0.1	0.4	2.4	4.2	3.9	1.8	7.0	10.1

Deferred income tax liabilities

In HK\$'m	Group									
	Accelerated tax depreciation		Fair value gains		Convertible bonds		Others		Total	
	2006	2005	2006	2005 (restated)	2006	2005 (restated)	2006	2005	2006	2005 (restated)
At the beginning of year, as previously reported	77.3	75.2	-	-	-	-	0.2	0.2	77.5	75.4
Prior year adjustments	-	-	8.3	3.0	20.3	24.9	-	-	28.6	27.9
At the beginning of year, as restated	77.3	75.2	8.3	3.0	20.3	24.9	0.2	0.2	106.1	103.3
Currency translation differences	1.4	-	-	-	-	-	-	-	1.4	-
Charged/(credited) to income statement	7.8	2.1	0.5	-	6.9	(4.6)	-	-	15.2	(2.5)
Charged/(credited) to equity	-	-	-	5.3	(18.9)	-	-	-	(18.9)	5.3
At the end of year	86.5	77.3	8.8	8.3	8.3	20.3	0.2	0.2	103.8	106.1

Notes to the Financial Statements

32 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets and liabilities are offset when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheet.

	Note	Group	
		2006 HK\$m	2005 HK\$m
Deferred income tax assets	21	(5.5)	(8.2)
Deferred income tax liabilities	31	102.3	104.2
		96.8	96.0

33 RETIREMENT BENEFITS

The Group operates various retirement benefit plans for staff. The assets of the plans are administered by independent trustees and are maintained independently of the Group.

(a) Defined contribution plans

MPF was established in Hong Kong under the MPF Ordinance in December 2000. Since the Group has obtained exemption for its existing retirement schemes, all staff were offered the choice of switching to the MPF scheme or staying in existing schemes. Where staff elected to join the MPF scheme, both the Group and staff are required to contribute 5% of the employees' relevant income (capped at HK\$12,000 per annum).

Contributions to defined contribution plans and MPF scheme amounted to HK\$84.3 million (2005: HK\$90.5 million) during the year. Forfeited contributions totalling HK\$12.3 million (2005: HK\$12.1 million) were utilized during the year leaving HK\$1.0 million (2005: HK\$1.0 million) available at 30 June 2006 to reduce future contributions.

(b) Defined benefits plans

Defined benefits plans are valued by independent qualified actuaries annually using the projected unit credit method. The defined benefit plans were valued by Watson Wyatt Hong Kong Limited as at 30 June 2006.

(i) The amounts recognized in the balance sheet are as follows:

	Note	Group	
		2006 HK\$m	2005 HK\$m
Present value of funded obligations		(47.1)	(43.4)
Fair value of plan assets		65.5	57.2
		18.4	13.8
Present value of unfunded obligations		(0.1)	–
Unrecognized actuarial gains		(8.3)	(5.2)
Retirement benefits assets	21	10.0	8.6

33 RETIREMENT BENEFITS (CONTINUED)**(b) Defined benefits plans (Continued)**

(ii) Net expenses recognized in the income statement are as follows:

	Note	Group	
		2006 HK\$m	2005 HK\$m
Current service cost		2.1	1.9
Interest cost		1.5	1.6
Expected return on plan assets		(3.5)	(2.8)
Net actuarial losses recognized		–	(0.1)
Total, included in staff costs	7	0.1	0.6

(iii) Movements in the retirement benefits assets are as follows:

	Note	Group	
		2006 HK\$m	2005 HK\$m
At the beginning of year		8.6	7.1
Net expenses recognized in the income statement	7	(0.1)	(0.6)
Contributions paid		1.5	2.1
At the end of year		10.0	8.6

The principal actuarial assumptions used are as follows:

	2006	2005
Discount rate	5%	4%
Expected rate of return on plan assets	7%	5% to 7%
Expected rate of future salary increases	4%	3%

The actual return on plan assets was HK\$7.6 million (2005: HK\$8.6 million).

Notes to the Financial Statements

34 COMMITMENTS

(a) The outstanding commitments for capital expenditure are as follows:

	Group	
	2006 HK\$m	2005 HK\$m
Contracted but not provided for		
– Property, plant and equipment	1.3	22.0
– Investment properties	285.0	–
	286.3	22.0

(b) The Group's share of commitments for capital expenditure committed by the jointly controlled entities not included above are as follows:

	Group	
	2006 HK\$m	2005 HK\$m
Contracted but not provided for		
– Property, plant and equipment	385.7	121.0
– Capital contributions in jointly controlled entities	115.0	–
Authorized but not contracted for		
– Property, plant and equipment	101.0	45.2
	601.7	166.2

In addition, the Group's share of commitments for property under development expenditure committed by the jointly controlled entities as at 30 June 2006 amounted to HK\$701.1 million (2005: Nil).

- (c) The Group has contracted to provide sufficient funds in the form of capital and loan contributions to certain jointly controlled entities and associated companies to finance relevant projects. The Board estimated that the Group's share of projected funds requirements of these projects would be approximately HK\$928.1 million (2005: HK\$15.8 million) which represents the attributable portion of the capital and loan contributions to be made to the jointly controlled entities and associated companies.
- (d) The Group has authorized to acquire interests in various infrastructure projects in Mainland China. The estimated total relevant commitments as at 30 June 2006 were approximately HK\$2,824.0 million (2005: HK\$829.2 million). Included in the above, an amount of HK\$2,538.5 million for a project of development and operation of rail container terminals and related businesses in Mainland China was contracted for on 28 September 2006, as detailed in Note 38.

34 COMMITMENTS (CONTINUED)

(e) Commitments under operating leases

The future aggregate lease payments under non-cancellable operating leases are as follows:

	Group	
	2006 HK\$m	2005 HK\$m
Buildings		
In the first year	45.3	31.7
In the second to fifth years inclusive	38.8	32.4
After the fifth year	3.8	4.7
	87.9	68.8
Other equipment		
In the first year	1.8	1.8
	89.7	70.6

(f) Future minimum rental payment receivable

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	Group	
	2006 HK\$m	2005 HK\$m
In the first year	10.1	7.3
In the second to fifth year inclusive	11.8	1.7
	21.9	9.0

The Group's operating leases are for terms ranging from one to five years.

35 CONTINGENT LIABILITIES

(a) The Group's and the Company's contingent liabilities are as follows:

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Guarantees for credit facilities granted to				
Subsidiary companies	–	–	2,221.9	171.9
Jointly controlled entities	1,074.0	1,047.6	1,000.0	1,000.0
Associated companies	11.9	19.2	11.9	11.9
A related company	55.0	55.0	–	–
Guarantee for convertible bonds issued by a subsidiary company	–	–	567.3	1,350.0
	1,140.9	1,121.8	3,801.1	2,533.8

Notes to the Financial Statements

35 CONTINGENT LIABILITIES (CONTINUED)

(b) The Group's share of contingent liabilities of the jointly controlled entities not included above are as follows:

	Group	
	2006 HK\$m	2005 HK\$m
Share of contingent liabilities of jointly controlled entities	65.0	95.1

36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash generated from operations

	2006 HK\$m	2005 HK\$m (restated)
Operating profit	649.7	1,954.2
Depreciation and amortization	201.4	199.9
Share-based payment	1.7	11.8
Assets impairment loss	30.0	57.8
Profit on disposal of land use rights and properties	(22.7)	–
Net profit on disposal of subsidiary companies, jointly controlled entities and an investment	(134.4)	(2,030.2)
Interest income	(76.6)	(33.5)
Fair value changes on financial assets at fair value through profit or loss	(0.1)	0.3
Exchange gains	(2.3)	(1.6)
Fair value gains on investment properties	(3.0)	–
Gain on redemption of convertible bonds	(48.0)	–
Gain on disposal of available-for-sale financial assets and financial assets at fair value through profit or loss	(5.6)	–
Dividend income from available-for-sale financial assets and financial assets at fair value through profit or loss	(2.5)	–
Operating profit before working capital changes	587.6	158.7
Decrease in long service payment obligations	(9.6)	(22.8)
Increase in retirement benefit assets	(1.4)	(1.5)
Decrease/(increase) in inventories	22.7	(21.7)
(Increase)/decrease in trade and other receivables	(521.1)	361.6
Increase in trade and other payables	684.0	197.9
Decrease/(increase) in balances with jointly controlled entities and associated companies	1.8	(168.0)
Decrease in amounts due to minority shareholders	(9.9)	(16.5)
Net cash generated from operations	754.1	487.7

36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**(b) Disposal of subsidiary companies**

	2006	2005
	HK\$'m	HK\$'m
Net assets disposed of		
Property, plant and equipment	117.3	112.4
Associated companies	–	844.3
Deferred income tax assets	2.3	4.6
Trade and other receivables	16.1	1.5
Bank balances and cash	0.3	2.5
Trade and other payables	(29.0)	(25.0)
Borrowings	(42.1)	(32.3)
Loans from minority shareholders	(18.2)	(1.7)
Minority interests	(4.8)	12.1
	41.9	918.4
Net gain on disposals	65.7	749.3
	107.6	1,667.7
Represented by		
Cash received	97.5	1,097.3
Trade and other receivables	10.1	138.8
Jointly controlled entities	–	431.6
	107.6	1,667.7

(c) Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiary companies

	2006	2005
	HK\$'m	HK\$'m
Cash consideration	97.5	1,097.3
Bank balances and cash disposed of	(0.3)	(2.5)
	97.2	1,094.8

(d) Non-cash transactions

The principal non-cash transaction was the issue of shares from the conversion of convertible bonds as discussed in Note 30.

Notes to the Financial Statements

37 RELATED PARTY TRANSACTIONS

(a) The following is a summary of significant related party transactions during the year carried out in the normal course of the Group's business:

	Note	2006 HK\$m	2005 HK\$m
Transactions with affiliated companies	37(a) (i)		
Provision of contracting work service	37(a) (ii)	227.7	294.6
Provision of other services	37(a) (iii)	32.3	29.1
Interest income	37(a) (iv)	15.2	14.4
Management fee	37(a) (v)	12.7	12.2
Rental and other related expenses	37(a) (vi)	(4.5)	–
Transactions with other related parties	37(a) (i)		
Provision of contracting work services	37(a) (ii)	1,962.9	1,230.6
Provision of other services	37(a) (iii)	126.1	152.1
Rental and other related expenses	37(a) (vi)	(23.7)	(19.3)

- (i) Affiliated companies include associated companies and jointly controlled entities of the Group. Related parties are group companies, associated companies and jointly controlled entities of NWD which are not companies within the Group. NWD is the ultimate holding company of the Company.
- (ii) Revenue from the provision of contracting work services was charged on normal contract terms no less favourable than those charged to and contracted with third party customers of the Group.
- (iii) The Group provided various kinds of services including facilities management, financial, environmental and other services to certain related parties. Revenue was made in the normal course of business at prices and at terms no less favourable than those charged to third party customers of the Group in accordance with the relevant contracts.
- (iv) Interest income was charged at interest rates as specified in Notes 19 and 20 on the outstanding balances due by the affiliated companies.
- (v) Management fee was charged at rates in accordance with relevant contracts.
- (vi) Rental and other related expenses were charged at rates in accordance with respective tenancy agreements.
- (b) Key management compensation
No significant transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in Note 13 and the loan to a director as disclosed in Note 37(d).

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) The amounts of outstanding balances with jointly controlled entities, associated companies, minority shareholders and a fellow subsidiary company are disclosed in Notes 19, 20, 23, 26 and 31. The amounts receivable are unsecured, of which HK\$387.0 million (2005: HK\$442.3 million) are interest bearing. The amounts payable are unsecured, of which HK\$402.2 million (2005: HK\$665.5 million) are interest bearing.

(d) Loan to a director

	2006 HK\$m	2005 HK\$m
Loan to a director of the Company	4.6	–

The loan is secured, bears interest at 3% per annum and has repayment terms as specified in the loan agreement. The facility approved by the Board amounted to HK\$4.7 million. The maximum outstanding balance during the year was HK\$4.7 million. No provision has been made in the current year.

38 EVENT AFTER THE BALANCE SHEET DATE

On 28 September 2006, the Group entered into a joint venture agreement to establish a sino-foreign equity joint venture enterprise in Mainland China (the “JV Enterprise”). The JV Enterprise will participate in developing and operating rail container terminals and related businesses in Mainland China and the total investment cost will be approximately HK\$11.5 billion. The Group will have a 22% interest in the JV Enterprise and is required to pay approximately HK\$0.9 billion as its portion of the JV Enterprise’s registered capital and to provide financial support for any possible financing arrangement in proportion to its interest in the JV Enterprise up to approximately HK\$1.6 billion.

39 COMPARATIVE FIGURES

Certain comparative figures have been restated or reclassified to conform with current year’s presentations.

40 ULTIMATE HOLDING COMPANY

The directors regard NWD, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as being the ultimate holding company. The Company is immediately held by a number of subsidiary companies of NWD.

41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 9 October 2006.

Notes to the Financial Statements

42 PRINCIPAL SUBSIDIARY COMPANIES

As at 30 June 2006

	Issued share capital #		Approximate percentage		Principal activities
	Number	Par value per share HK\$	Company	Group	
Incorporated and operated in Hong Kong					
Barbican Construction Company, Limited	230,000 20,000*	100 100	– –	100.0 100.0	Construction
Billionable Investment Limited	4,998 2*	1 1	– –	100.0 –	Investment holding
Broadway-Nassau Investments Limited	2 3,000*	10,000 10,000	– –	100.0 –	Property management
Care & Services Company Limited	15,000,000	1	–	100.0	Elderly care services
CiF Solutions Limited	10 160,000*	100 100	– –	100.0 100.0	Provision of computer software development, computer system consultancy and maintenance services
Environmental Pioneers & Solutions Limited	1,000	100	–	100.0	Investment holding
Extensive Trading Company Limited	8,500,000 1,500,000*	1 1	– –	100.0 100.0	Trading and retail of building materials and environmental consultancy
Far East Engineering Services Limited	766,714 233,288*	10 10	– –	100.0 100.0	Mechanical and electrical engineering
General Security (H.K.) Limited	8,402 11,600*	100 100	– –	100.0 20.5	Security services
Hip Hing Builders Company Limited	40,000 10,000*	1,000 1,000	– –	100.0 100.0	Construction
Hip Hing Construction Company Limited	400,000 600,000*	100 100	– –	100.0 100.0	Construction and civil engineering
Hong Kong Convention and Exhibition Centre (Management) Limited	3 1*	1 1	– –	100.0 100.0	Management of Hong Kong Convention and Exhibition Centre ("HKCEC")
Hong Kong Island Landscape Company Limited	980,000 20,000*	10 10	– –	100.0 –	Landscaping and project contracting
Hong Kong Ticketing Limited	11,481,580	1	–	100.0	Ticketing services
International Property Management Limited	450,000 95,500*	10 10	– –	99.0 83.5	Property management
Kentfull Contracting Limited	10 5,000,000*	1 1	– –	100.0 100.0	Interior decoration contracting
Kentfull Engineering Company Limited	6,000'A' 4,000'B'	1 1	– –	100.0 –	Building construction
Kiu Lok Property Services (China) Limited	2 2*	1 1	– –	100.0 100.0	Property agency management and consultancy
Kiu Lok Service Management Company Limited	2 1,002*	100 100	– –	100.0 100.0	Property management
Kleaners Limited	5,000,000	1	–	100.0	Laundry services
Majestic Engineering Company Limited	30,000	1,000	–	100.0	Mechanical and electrical engineering
Millennium Engineering Limited	18,750,000	1	–	90.4	Supply and installation of aluminium windows and curtain wall
New China Laundry Limited	40,000,002 704,000*	1 1	– –	100.0 100.0	Laundry services

42 PRINCIPAL SUBSIDIARY COMPANIES (CONTINUED)

As at 30 June 2006

	Issued share capital #		Approximate percentage		Principal activities
	Number	Par value per share HK\$	Company	Group	
Incorporated and operated in Hong Kong (Continued)					
New Waly Interior Products Limited	1,000,000	1	–	100.0	Trading of interior products
New World-Guangdong Highway Investments Co. Limited	100 100*	100 100	– –	100.0 50.0	Investment holding
New World Insurance Management Limited	100,000	1	–	100.0	Insurance broking
New World Port Investments Limited	2	1	–	100.0	Investment holding
Ngo Kee Construction Company Limited	270,000 1**	100 1	– –	100.0 –	Building and construction
NWS (Finance) Limited	2	1	–	100.0	Financial services
NWS Holdings (China) Limited	1	1	–	100.0	Investment holding
NWS Holdings (Finance) Limited	1	1	100.0	100.0	Financing
Pollution & Protection Services Limited	18,057,780 500,020*	1 1	– –	100.0 85.0	Cleaning services
Polytown Company Limited	2 100,000*	10 10	– –	100.0 100.0	Property investment, operation, marketing, promotion and management of HKCEC
Sky Connection Limited	100	1	–	100.0	Duty free, liquor and tobacco sales
Team Deco International Limited	2	1	–	100.0	Interior design
True Hope Investment Limited	4,998 2*	1 1	– –	100.0 –	Investment holding
Try Force Limited	4,998 2*	1 1	– –	100.0 –	Investment holding
Uniformity Security Company Limited	2 2,500*	100 100	– –	100.0 –	Security services
Urban Parking Limited	10,000,000	1	–	100.0	Carpark management
Urban Property Management Limited	49,995,498 4,502*	1 1	– –	100.0 66.7	Property management
Vibro (H.K.) Limited	20,000,004	3	–	99.8	Piling, caisson and civil engineering
Wai Hong Cleaning & Pest Control Company Limited	400,000	100	–	100.0	Cleaning and pest control services
Waking Builders, Limited	20,000	1,000	–	100.0	Construction
Young's Engineering Company Limited	4,000,000	10	–	100.0	Mechanical and electrical engineering
Incorporated in Cayman Islands and operated in Hong Kong					
NWS Service Management Limited	1,323,943,165	0.10	100.0	100.0	Investment holding

Represented ordinary shares, unless otherwise stated

* Non-voting deferred shares

** Redeemable preference shares

Notes to the Financial Statements

42 PRINCIPAL SUBSIDIARY COMPANIES (CONTINUED)

As at 30 June 2006

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
Incorporated and operated in Mainland China				
Foshan Gaoming Xinming Bridge Company Limited (formerly Gaoming Xinming Bridge Company Limited)	RMB60,000,000	–	30.0 (a)	Operation of toll bridge
Guangxi Beiliu Xinbei Highways Limited	RMB99,200,000	–	60.0 (a)	Operation of toll road
Guangxi Cangwu Xincang Highways Limited	RMB64,000,000	–	70.0 (a)	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	RMB82,400,000	–	70.0 (a)	Operation of toll road
Guangxi Yulin Xinye Highways Limited	RMB63,800,000	–	60.0 (a)	Operation of toll road
Guangxi Yulin Xinyu Highways Limited	RMB96,000,000	–	60.0 (a)	Operation of toll road
Hip Hing Construction (China) Company Limited	HK\$50,000,000	–	100.0	Construction
NWS Engineering Ltd	RMB50,000,000	–	100.0	Mechanical and electrical engineering
Shanxi Xinda Highways Limited	RMB49,000,000	–	90.0 (b)	Operation of toll road
Shanxi Xinhuang Highways Limited	RMB56,000,000	–	90.0 (b)	Operation of toll road
Taiyuan Xintai Highways Limited	RMB72,120,000	–	90.0 (b)	Operation of toll road
Taiyuan Xinyuan Highways Limited	RMB85,880,000	–	90.0 (b)	Operation of toll road
Wuzhou Xinwu Highways Limited	RMB72,000,000	–	45.0 (a)	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	–	100.0	Development of warehousing, processing and logistics facilities
Xiamen Xinyuan Container Terminal Co., Ltd.	RMB17,000,000	–	70.0	Cargo consolidation container storage, repairs and maintenance
Incorporated and operated in Macau				
Hip Hing Engineering (Macau) Company Limited	MOP100,000	–	100.0	Construction
Ngo Kee (Macau) Limited	MOP25,000	–	100.0	Construction
Vibro (Macau) Limited	MOP1,000,000	–	100.0	Construction

Notes:

(a) Profit sharing percentage in co-operative joint ventures

(b) Cash sharing ratio for the first 12 years of the joint venture period, and thereafter 60%

42 PRINCIPAL SUBSIDIARY COMPANIES (CONTINUED)

As at 30 June 2006

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated in British Virgin Islands					
Beauty Ocean Limited	1	US\$1	–	100.0	Investment holding
Hetro Limited	101	US\$1	–	100.0	Investment holding
NWSH Capital Finance Limited	1	US\$1	100.0	100.0	Issuance of convertible bonds
NWS CON Limited	1	HK\$1	–	100.0	Investment holding
NWS Engineering Group Limited	50,000,000	HK\$1	–	100.0	Investment holding
NWS Infrastructure Bridges Limited	1	US\$1	–	100.0	Investment holding
NWS Infrastructure Management Limited	2	US\$1	100.0	100.0	Investment holding
NWS Infrastructure Power Limited	1	US\$1	–	100.0	Investment holding
NWS Infrastructure Roads Limited	1	US\$1	–	100.0	Investment holding
NWS Infrastructure Water Limited	1	US\$1	–	100.0	Investment holding
NWS Ports Management Limited	2	US\$1	100.0	100.0	Investment holding
Righteous Corporation	1	US\$1	–	100.0	Investment holding
Stockfield Limited	1	US\$1	–	100.0	Investment holding

Represented ordinary shares, unless otherwise stated

Notes to the Financial Statements

43 PRINCIPAL ASSOCIATED COMPANIES

As at 30 June 2006

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated and operated in Hong Kong					
Quon Hing Concrete Company Limited	200,000	HK\$100	–	50.0	Production and sales of concrete
Yargoan Company Limited	150,000	HK\$100	–	42.0	Stone quarrying
Incorporated in British Virgin Islands					
East Asia Secretaries (BVI) Limited	300,000,000	HK\$1	–	24.4	Investment holding
Tricor Holdings Limited	7,001	US\$1	–	24.4	Investment holding
Incorporated in Bermuda and operated in Hong Kong					
Build King Holdings Limited	781,408,494	HK\$0.10	–	22.2	Investment holding
	1,500,000,000*	HK\$0.01	–	–	
Taifook Securities Group Limited (formerly Tai Fook Securities Group Limited)	578,669,699	HK\$0.10	–	22.2	Investment holding
Wai Kee Holdings Limited	793,124,034	HK\$0.10	–	26.97	Investment holding

43 PRINCIPAL ASSOCIATED COMPANIES (CONTINUED)

As at 30 June 2006

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
Incorporated and operated in Mainland China				
<i>Equity joint ventures</i>				
Guangzhou Oriental Power Company Limited	RMB990,000,000	–	25.0 (a)	Generation and supply of electricity
Guang Zhou Pearl River Power Company Limited	RMB420,000,000	–	50.0 (b)	Generation and supply of electricity
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,125,000,000	–	18.0 (a)	Operation of container terminal
<i>Co-operative joint ventures</i>				
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	–	25.0 (a)	Operation of toll road
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Northern Section Company Limited	RMB650,953,325	–	15.0 (a)	Operation of toll road

Represented ordinary shares, unless otherwise stated

* Preference shares

(a) Percentage of interest in ownership and profit sharing

(b) Percentage of equity interest in equity joint venture for the 11th year and onwards of the joint venture period. For the first 10 years of the joint venture period, the Group is entitled to a fixed return.

Notes to the Financial Statements

44 PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at 30 June 2006

	Amount of Registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
Incorporated and operated in Mainland China				
<i>Equity joint ventures</i>				
ATL Logistics Centre Yantian (Shenzhen) Limited	HK\$3,500,000	–	46.2	Operation of cargo handling and storage facilities
Tianjin Orient Container Terminals Co., Limited (formerly CSX Orient (Tianjin) Container Terminals Co., Limited)	US\$29,200,000	–	24.5 (a) 22.2 (b) 24.5 (c)	Operation of container terminal
Xiamen New World Xiangyu Terminals Co. Ltd.	RMB384,040,000	–	50.0 (a)	Container handling and storage and road freight operations
<i>Co-operative joint ventures</i>				
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	RMB580,000,000	–	25.0 (d)	Operation of toll road
Guangzhou Northring Freeway Company Limited	US\$19,255,000	–	65.3 (e)	Operation of toll road
Huishen (Yantian) Expressway Huizhou Company Limited	RMB139,980,000	–	33.3 (d)	Operation of toll road
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	–	50.0 (d)	Investment holding and operation of toll road
Tianjin Xindi Expressway Company Limited	RMB93,688,000	–	90.0 (f)	Operation of toll road
Tianjin Xinlong Expressway Company Limited	RMB99,400,000	–	90.0 (f)	Operation of toll road
Tianjin Xinlu Expressway Company Limited	RMB99,092,000	–	90.0 (f)	Operation of toll road
Tianjin Xinming Expressway Company Limited	RMB85,468,000	–	90.0 (f)	Operation of toll road
Tianjin Xinqing Expressway Company Limited	RMB99,368,000	–	90.0 (f)	Operation of toll road
Tianjin Xinquan Expressway Company Limited	RMB92,016,000	–	90.0 (f)	Operation of toll road
Tianjin Xinsen Expressway Company Limited	RMB87,300,000	–	90.0 (f)	Operation of toll road
Tianjin Xinshi Expressway Company Limited	RMB99,388,000	–	90.0 (f)	Operation of toll road
Tianjin Xinsi Expressway Company Limited	RMB96,624,000	–	90.0 (f)	Operation of toll road
Tianjin Xintong Expressway Company Limited	RMB99,448,000	–	90.0 (f)	Operation of toll road
Tianjin Xintuo Expressway Company Limited	RMB99,316,000	–	90.0 (f)	Operation of toll road
Tianjin Xinxiang Expressway Company Limited	RMB90,472,000	–	90.0 (f)	Operation of toll road
Tianjin Xinyan Expressway Company Limited	RMB89,028,000	–	90.0 (f)	Operation of toll road
Tianjin Xinzhan Expressway Company Limited	RMB89,392,000	–	90.0 (f)	Operation of toll road
Wuhan Airport Road Development Limited	RMB60,000,000	–	40.0 (d)	Operation of toll road

Notes:

- (a) Percentage of equity interest in equity joint ventures
- (b) Voting power percentage in equity joint ventures
- (c) Profit sharing percentage in equity joint ventures
- (d) Percentage of interest in ownership and profit sharing
- (e) Profit sharing percentage in co-operative joint ventures
- (f) Cash sharing ratio for the first 15 years of the joint venture period, and thereafter 60%

44 PRINCIPAL JOINTLY CONTROLLED ENTITIES (CONTINUED)

As at 30 June 2006

	Issued share capital #		Approximate percentage of share held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated and operated in Hong Kong					
ATL Logistics Centre Hong Kong Limited	100,000 'A'	HK\$1	–	56.0	Operation of cargo handling and storage facilities
	20,000 'B' **	HK\$1	–	79.6	
	54,918 *	HK\$1	–	–	
ATL Logistics Centre Yantian Limited	10,000	HK\$1	–	46.2	Investment holding
Far East Landfill Technologies Limited	1,000,000	HK\$1	–	47.0	Landfill
First Star Development Limited	100	HK\$1	–	50.0	Property development
New Green Environmental Sciences Limited	10,000	HK\$1	–	50.0	Environmental products and services
Poly Rising Development Limited	1	HK\$1	–	50.0	Property development
Supertime Holdings Limited	100	HK\$1	–	50.0	Property development
Tate's Cairn Tunnel Company Limited	1,100,000	HK\$0.01	–	29.5	Operation of toll tunnel
	600,000,000 *	HK\$1	–	–	
United Asia Terminals (Yantian) Limited	52,000 'A'	HK\$1	–	–	Operation of cargo handling and storage facilities
	52,000 'B'	HK\$1	–	100.0	
	26,000 'C'	HK\$1	–	–	
Incorporated in British Virgin Islands					
DP World New World Limited (formerly DPI Terminals New World Limited)	2,000	US\$1	–	50.0	Investment holding
NWS Transport Services Limited	500,000,016	HK\$1	–	50.0	Investment holding
Incorporated in Cayman Islands					
DP World New World (Tianjin) Limited (formerly DPI Terminals New World (Tianjin) Limited)	1,000	US\$1	–	50.0	Investment holding
Incorporated in Hong Kong and operated in Macau and Mainland China					
Sino-French Holdings (Hong Kong) Limited	1,086,280 'A'	HK\$100	–	–	Investment holding and operation of water and electricity plants
	2,089,000 'B'	HK\$100	–	100.0	
	1,002,720 'C'	HK\$100	–	–	

Represented ordinary shares, unless otherwise stated

* Non-voting deferred shares

** Non-voting preference shares

Glossary of Terms

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

GENERAL TERMS

“Board”	the board of directors of NWS Holdings Limited
“FY2005”	the financial year ended 30 June 2005
“FY2006”	the financial year ended 30 June 2006
“GDP”	gross domestic product, a measure of the size of a territory's economy
“Group”	NWS Holdings Limited and its subsidiary companies
“HK\$”	the lawful currency of Hong Kong
“Hong Kong” or “HKSAR”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Macau”	The Macau Special Administrative Region of the PRC
“Mainland China”	The People's Republic of China excluding Hong Kong, Macau and Taiwan
“MOP”	the lawful currency of Macau
“MPF”	Mandatory Provident Fund
“New World Group”	New World Development Company Limited and its subsidiary companies
“NWD”	New World Development Company Limited
“NWS Holdings” or “Company”	NWS Holdings Limited
“PRC”	The People's Republic of China
“RMB”	the lawful currency of the PRC
“US\$”	the lawful currency of United States of America

TECHNICAL TERMS

“cbm(s)”	cubic metre(s)
“CJV”	co-operative joint venture company
“EJV”	equity joint venture company
“ft”	feet
“ha”	hectare(s), equals to 10,000 square metres
“km”	kilometre(s)
“kWh”	kilowatt hour(s), a unit of measurement of electric energy, which is equal to the work done by one kilowatt of electric power in one hour

TECHNICAL TERMS

“m”	metre(s)
“MW”	megawatt(s), equals to 1,000 kilowatts
“PMPH(s)”	productive moves per hour, a measure of the productivity of quay cranes
“sq ft”	square feet
“sq km”	square kilometre(s)
“sq m”	square metre(s)
“TEU(s)”	twenty-foot equivalent unit, a standard measurement unit of a container. It is based on the dimensions of a container 20 feet long by 8 feet wide by 8.5 feet high with an average load of approximately nine tonnes.
“tonne(s)”	equals to 1,000 kilograms

FINANCIAL TERMS

“Attributable Operating Profit” or “AOP”	Profit available for appropriation before head office and non-operating items
“Earnings per Share – Basic”	$\frac{\text{Profit/(Loss) attributable to shareholders of the Company}}{\text{Weighted average number of shares in issue during the year/period}}$
“Gearing Ratio”	$\frac{\text{Net debt}}{\text{Equity}}$
“Net Assets”	Total assets less total liabilities
“Net Assets per Share”	$\frac{\text{Net assets}}{\text{Number of issued shares at the end of year}}$
“Net Debt”	Total Debt less cash and bank balances
“Net Tangible Assets”	Total assets excluding intangible assets less total liabilities
“Net Tangible Assets per Share”	$\frac{\text{Net tangible assets}}{\text{Number of issued shares at the end of year}}$
“Return on Capital Employed”	$\frac{\text{Profit attributable to shareholders of the Company}}{\text{Shareholders' Funds + Non-current liabilities}}$
“Return on Shareholders’ Funds”	$\frac{\text{Profit attributable to shareholders of the Company}}{\text{Shareholders' Funds}}$
“Shareholders’ Funds”	Capital and reserves attributable to shareholders of the Company
“Total Debt”	The aggregate of bank loans, other loans, overdrafts, finance leases and convertible bonds

Five-year Financial Summary

	2006	2005 (restated)	2004	2003	2002
Earnings per share – Basic (HK\$)	0.89	1.60	0.86	1.36	0.05
Earnings per share – Diluted (HK\$)	0.85	1.52	0.86	N/A	N/A
Key ratios					
Gearing Ratio	13%	17%	47%	70%	–
Return on Shareholders' Funds	11%	22%	16%	14%	4%
Return on Capital Employed	9%	16%	9%	6%	4%
Income statement data (HK\$'m)					
Turnover	12,543.9	10,286.1	12,552.9	5,770.0	125.1
Turnover by segment					
Container handling, logistics and warehousing	16.3	13.4	17.3	12.8	125.1
Roads and bridges	239.2	221.1	368.4	182.6	–
Energy, water treatment and waste management	–	–	0.9	1.2	–
Facilities rental	858.0	776.5	751.3	159.4	–
Facilities management	2,629.4	2,588.2	2,250.3	558.2	–
Contracting	8,619.9	6,386.7	7,696.5	4,158.2	–
Transport	–	–	1,138.1	603.3	–
Others	181.1	300.2	330.1	94.3	–
Turnover by region					
Hong Kong	8,955.0	8,822.5	10,527.2	4,362.2	–
Macau	2,159.4	167.5	7.5	0.4	–
Mainland China and others	1,429.5	1,296.1	2,018.2	1,407.4	125.1
Profit attributable to shareholders of the Company	1,656.6	2,886.1	1,538.2	1,193.2	143.9
Attributable operating profit/(loss) by activity					
Energy	487.8	489.9	463.1	182.8	–
Roads	469.1	372.3	291.0	107.1	–
Water	87.4	80.6	66.3	24.7	–
Ports	71.7	64.8	185.8	238.0	187.0
Facilities Rental	390.7	384.0	353.0	180.3	173.8
Contracting	163.0	(252.7)	253.6	157.2	–
Transport	85.6	64.4	65.7	(23.6)	–
Others	182.3	208.6	224.8	79.2	–
Attributable operating profit by region					
Hong Kong	738.6	463.9	1,045.0	597.5	338.5
Macau	208.2	129.4	149.7	86.6	–
Mainland China and others	990.8	818.6	708.6	261.6	22.3

	2006	2005 (restated)	2004	2003	2002
Income statement data (Continued) (HK\$'m)					
Head office and non-operating items					
Net profit on disposal of infrastructure projects	152.5	2,030.2	378.7	27.1	(68.3)
Assets impairment loss	(30.0)	(57.8)	(375.4)	(74.8)	(119.5)
Net gain on redemption of convertible bonds	39.6	–	–	–	–
Recognition of one-off negative goodwill	–	–	–	474.0	–
Amortization of net negative goodwill	–	–	70.8	69.0	–
Other interest income	74.3	56.8	4.4	6.5	4.3
Other finance costs	(227.6)	(196.9)	(170.8)	(131.5)	–
Others	(289.8)	(358.1)	(272.8)	(122.8)	(33.4)
Balance sheet data (HK\$'m)					
Total assets	25,587.6	25,165.5	23,915.1	27,218.2	3,817.1
Total liabilities and minority interests	11,121.3	12,140.6	14,364.5	18,967.7	99.7
Total debt	4,528.3	5,983.6	8,119.9	9,441.1	–
Shareholders' funds	14,466.3	13,024.9	9,550.6	8,250.5	3,717.4

* Comparative figures for the year ended 30 June 2005 have been restated to reflect the adoption of new/revised HKFRSs. The comparative figures for the three years ended 30 June 2004, 30 June 2003 and 30 June 2002 have not been restated as the directors are of the opinion that it is impracticable to do so.

Project Key Facts and Figures

INFRASTRUCTURE



As at 30 June 2006



Energy



Roads



Water



Ports

ENERGY

	1. Zhujiang Power Station – Phase I	2. Zhujiang Power Station – Phase II	3. Macau Power
Attributable Interest	50%	25%	19%
Form of Investment	EJV	EJV	Equity
Installed Capacity	600 MW	600 MW	488 MW
Location	Nansha Economic Development Zone, Guangzhou City	Nansha Economic Development Zone, Guangzhou City	One in Macau and two in Coloane
Type of Power	Coal-Fired Thermal	Coal-Fired Thermal	Oil-Fired Thermal
Operation Date	January 1994	April 1996	November 1985
Expiry Date	2017	2020	2010
	2006 2005 2004	2006 2005 2004	2006 2005 2004
Electricity Sales (GWh)	3,940 3,990 4,271	4,408 4,251 3,792	2,213 1,997 1,795

WATER

	1. Macau Water Plant	2. Lianjiang Water Plant	3. Zhongshan Tanzhou Water Plant
Attributable Interest	42.5%	30%	29%
Form of Investment	Equity	Equity	Equity
Capacity	255,000 m ³ / day	100,000 m ³ / day	Phase 1: 60,000 m ³ / day Phase 2: 90,000 m ³ / day
Location	Macau	Lianjiang, Guangdong Province	Zhongshan, Guangdong Province
Operation Date	1985	N/A	Phase 1: January 1994 Phase 2: June 2007 (Estimate)
Expiry Date	2010	2027	2027
	2006 2005 2004		2006 2005 2004
Average Daily Volume Sold (m ³)	157,581 148,734 143,981	N/A	67,877 58,600 56,257

	4. Zhongshan Dafeng Water Plant	5. Zhongshan Quanlu Water Plant	6. Dongguan Microfiltration Equipment Plant
Attributable Interest	33.06%	33.06%	25%
Form of Investment	Equity	Equity	Equity
Capacity	200,000 m ³ / day	500,000 m ³ / day	N/A
Location	Zhongshan, Guangdong Province	Zhongshan, Guangdong Province	Dongguan, Guangdong Province
Operation Date	April 1998	April 1998	September 1995
Expiry Date	2020	2020	2014
	2006 2005 2004	2006 2005 2004	
Average Daily Volume Sold (m ³)	591,852	641,677	598,669

	7. Nanchang Water Plant	8. Baoding Water Plant	9. Siping Water Plant
Attributable Interest	25%	27.5%	25%
Form of Investment	Equity	Equity	Equity
Capacity	Phase 1: 50,000 m ³ / day Phase 2: 50,000 m ³ / day	260,000 m ³ / day	118,000 m ³ / day
Location	Nanchang, Jiangxi Province	Baoding, Hebei Province	Siping, Jilin Province
Operation Date	Phase 1: January 1996 Phase 2: June 2007 (Estimate)	June 2000	September 2000
Expiry Date	2023	2020	2030
	2006 2005 2004	2006 2005 2004	2006 2005 2004
Average Daily Volume Sold (m ³)	58,959 72,315 63,937	234,000 234,000 234,000	52,479 39,918 20,606


	10. Zhengzhou Water Plant	11. Xinchang Water Plant	12. Changtu Water Plant
Attributable Interest	25%	25%	35%
Form of Investment	Equity	Equity	Equity
Capacity	360,000 m ³ / day	100,000 m ³ / day	50,000 m ³ / day
Location	Zhengzhou, Henan Province	Xinchang, Zhejiang Province	Tieling, Liaoning Province
Operation Date	August 2001	March 2002	December 2000
Expiry Date	2031	2032	2029
	2006 2005 2004	2006 2005 2004	2006 2005 2004
Average Daily Volume Sold (m ³)	288,000 288,000 286,475	71,058 75,370 65,851	18,284 16,762 16,084

Project Key Facts and Figures









Attributable Interest Form of Investment Capacity	13. Panjin Water Plant	14. Shanghai Spark Water Plant	15. Shanghai SCIP Water Treatment Plants
	30% Equity 110,000 m ³ / day	25% Equity 100,000 m ³ / day	25% Equity Waste Water: 50,000 m ³ / day Industrial Water: 200,000 m ³ / day Shanghai April 2005 2052
Location Operation Date Expiry Date	Panjin, Liaoning Province April 2002 2032	Shanghai January 2002 2031	Shanghai April 2005 2052
Average Daily Volume Sold (m ³)	2006 75,580 2005 74,391 2004 71,832	2006 44,155 2005 42,192 2004 38,758	2006 27,467 2005 21,969 2004 N/A Waste Water 2006 70,015 2005 60,504 2004 N/A Industrial Water
Attributable Interest Form of Investment Capacity	16. Qingdao Water Plant	17. Chongqing Water Plant	18. Sanya Water Plant
	25% Equity Phase 1: 543,000 m ³ / day Phase 2: 183,000 m ³ / day Qingdao, Shandong Province Phase 1: August 2002 Phase 2: September 2006 2027	30% Equity Phase 1: 345,000 m ³ / day Phase 2: 160,000 m ³ / day Chongqing Phase 1: November 2002 Phase 2: July 2006 2052	25% Equity 235,000 m ³ / day Sanya, Hainan Province January 2004 2033
Location Operation Date Expiry Date	Qingdao, Shandong Province Phase 1: August 2002 Phase 2: September 2006 2027	Chongqing Phase 1: November 2002 Phase 2: July 2006 2052	Sanya, Hainan Province January 2004 2033
Average Daily Volume Sold (m ³)	2006 495,357 2005 530,121 2004 421,954	2006 199,192 2005 174,964 2004 155,734	2006 122,187 2005 110,315 2004 93,304
Attributable Interest Form of Investment Capacity	19. Tanggu Water Plant	20. Shanghai SCIP Waste Incineration Plant	21. Far East Landfill Technologies Limited
	25% Equity 310,000 m ³ / day Tanggu, Tianjin April 2005 2039	10% Equity 60,000 tonnes / year Shanghai August 2006 2053	47% Equity 35 million m ³ Hong Kong June 1995 2045
Location Operation Date Expiry Date	Tanggu, Tianjin April 2005 2039	Shanghai August 2006 2053	Hong Kong June 1995 2045
Average Daily Volume Sold (m ³)	2006 154,794 2005 137,734 2004 N/A	N/A	N/A

ROADS

	Guangdong Province	Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow	1. Guangzhou City Northern Ring Road
			65.29% CJV 22 km Dual 3-Lane Guangzhou City January 1994 2023 RMB2 – RMB65 2006 143,134 2005 126,833 2004 122,917
Attributable Interest Form of Investment Length	2. Beijing – Zhuhai Expressway (Guangzhou – Zhuhai Section)	15% CJV 37 km Dual 3-Lane Guangzhou City December 2005 2032 RMB5 – RMB55 2006 6,450 2005 N/A 2004 N/A	4a. Guangzhou – Zhaoqing Expressway
	25% CJV Section I: 8.6 km Section II: 53.8 km Section I: Dual 3-Lane Section II: Dual 3-Lane/Dual 2-Lane Guangdong Province Section I: May 1997 Section II: December 1999 2030 Section I: RMB6 – RMB18.58 Section II: RMB3 – RMB160 2006 2005 2005 2004 Jan-Jun Jul-Dec * Combined: 72,368 N/A N/A N/A Section I: N/A 43,386 40,725 37,078 Section II: N/A 46,233 41,040 34,617 * After the implementation of Unified Toll System at the end of 2005, the calculation of traffic flow of Section I and II is combined.		25% CJV 48 km Dual 2-Lane Zhaoqing City April 2005 2031 RMB5 – RMB75 2006 17,458 2005 15,177 2004 N/A

Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates	4b. Guangzhou – Zhaoqing Expressway (Roadway No. 321)	5a. Shenzhen – Huizhou Expressway (Huizhou Section)	5b. Shenzhen – Huizhou Roadway (Huizhou Section)
	25% CJV 60.37 km Dual 2-Lane Zhaoqing City April 2005 2031 RMB2 – RMB28 2006 2005 2004 22,414 20,860 N/A	33.33% CJV 34.7 km Dual 2-Lane Huizhou City June 1993 2027 RMB2 – RMB75 2006 2005 2004 19,735 14,997 11,245	50% CJV 21.8 km Dual 2-Lane Huizhou City December 1997 2023 RMB1 – RMB21 2006 2005 2004 10,890 11,853 11,204
Average Daily Traffic Flow			
Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates	6. Gaoming Bridge		
	30% / 80% CJV 1.1 km Dual 1-Lane Gaoming District, Foshan City November 1996 2021 N/A (annual toll ticket system has been implemented since March 2003) 2006 2005 2004 N/A N/A N/A		
Average Daily Traffic Flow	N/A N/A N/A		
	Guangxi Province 	Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow	7. Beiliu City Roadways
			60% CJV Phase I: 18.2 km Phase II: 21.6 km Dual 1 to 2-Lane Beiliu City Phase I: August 1997 Phase II: May 1998 2022 RMB1 – RMB25 2006 2005 2004 4,617 4,482 5,076
Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates	8. Rongxian Roadways	9. Yulin – Shinan Roadway	10. Yulin Shinan – Dajiangkou Roadway
	70% CJV Phase I: 9.2 km Phase II: 16.8 km Dual 1 to 2-Lane Rongxian Phase I: October 1997 Phase II: May 1998 2022 RMB1 – RMB25 2006 2005 2004 4,481 4,266 4,281	60% CJV 27.8 km Dual 2-Lane Yulin City May 1998 2022 RMB1 – RMB25 2006 2005 2004 7,624 6,655 6,278	60% CJV Phase I: 8.7 km Phase II: 30 km Dual 1 to 2-Lane Yulin City Phase I: August 1997 Phase II: January 1999 2022 RMB1 – RMB25 2006 2005 2004 3,091 2,764 2,777
Average Daily Traffic Flow			
Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates	11. Roadway No. 321 (Wuzhou Section)	12. Cangwu County Roadway	
	45% CJV Phase I: 8.7 km Phase II: 4.3 km Dual 2-Lane Wuzhou City Phase I: March 1997 Phase II: December 1998 2022 RMB1 – RMB30 2006 2005 2004 4,688 5,851 5,640	70% CJV 10.1 km Dual 2 to 3-Lane Cangwu County January 1999 2022 RMB1 – RMB20 2006 2005 2004 4,135 5,065 5,000	
Average Daily Traffic Flow			

Project Key Facts and Figures

	<h2>Shanxi Province</h2> 		<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates</p> <p>Average Daily Traffic Flow</p>		<h3>13. Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)</h3> <p>60% / 90% CJV 23.18 km Dual 1-Lane Taiyuan City July 2000 2025 RMB10 – RMB60</p> <table border="1"> <tr> <td>2006</td> <td>2005</td> <td>2004</td> </tr> <tr> <td>235</td> <td>636</td> <td>864</td> </tr> </table>	2006	2005	2004	235	636	864										
2006	2005	2004																			
235	636	864																			
<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates</p> <p>Average Daily Traffic Flow</p>	<h3>14. Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)</h3> <p>60% / 90% CJV 36.02 km Dual 1-Lane Gujiao City April 1999 2025 RMB10 – RMB60</p> <table border="1"> <tr> <td>2006</td> <td>2005</td> <td>2004</td> </tr> <tr> <td>966</td> <td>1,534</td> <td>805</td> </tr> </table>	2006	2005	2004	966	1,534	805	<h3>15. Roadway No. 309 (Changzhi Section)</h3> <p>60% / 90% CJV 22.2 km Dual 1-Lane (16.75 km) Dual 2-Lane (5.45 km) Changzhi City July 2000 2023 RMB10 – RMB60</p> <table border="1"> <tr> <td>2006</td> <td>2005</td> <td>2004</td> </tr> <tr> <td>2,381</td> <td>2,106</td> <td>1,319</td> </tr> </table>	2006	2005	2004	2,381	2,106	1,319	<h3>16. Taiyuan – Changzhi Roadway (Changzhi Section)</h3> <p>60% / 90% CJV 18.3 km Dual 1-Lane (4.05 km) Dual 2-Lane (14.25 km) Changzhi City August 2000 2023 RMB10 – RMB70</p> <table border="1"> <tr> <td>2006</td> <td>2005</td> <td>2004</td> </tr> <tr> <td>3,202</td> <td>2,533</td> <td>2,186</td> </tr> </table>	2006	2005	2004	3,202	2,533	2,186
2006	2005	2004																			
966	1,534	805																			
2006	2005	2004																			
2,381	2,106	1,319																			
2006	2005	2004																			
3,202	2,533	2,186																			
	<h2>Wuhan City</h2> 		<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates</p> <p>Average Daily Traffic Flow</p>		<h3>17. Wuhan Airport Expressway</h3> <p>40% CJV 18 km Dual 2-Lane Wuhan City April 1995 2025 RMB5 – RMB50</p> <table border="1"> <tr> <td>2006</td> <td>2005</td> <td>2004</td> </tr> <tr> <td>11,405</td> <td>9,971</td> <td>9,073</td> </tr> </table>	2006	2005	2004	11,405	9,971	9,073										
2006	2005	2004																			
11,405	9,971	9,073																			
	<h2>Tianjin Municipality</h2> 		<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates</p> <p>Average Daily Traffic Flow</p>		<h3>18. Tangjin Expressway (Tianjin North Section)</h3> <p>90% distributable cash for the first 15 years; 60% distributable cash for the last 15 years CJV Section I: 43.4 km Section II: 17 km Dual 2 to 3-Lane Tianjin Municipality Section I: December 1998 Section II: December 2000 Section I: 2028 Section II: 2028 RMB5 – RMB115</p> <table border="1"> <tr> <td>2006</td> <td>2005</td> <td>2004</td> </tr> <tr> <td>17,723</td> <td>17,181</td> <td>15,170</td> </tr> </table>	2006	2005	2004	17,723	17,181	15,170										
2006	2005	2004																			
17,723	17,181	15,170																			
	<h2>Hong Kong</h2> 		<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates</p> <p>Average Daily Traffic Flow</p>		<h3>19. Tate's Cairn Tunnel</h3> <p>29.5% Equity 4 km Dual 2-Lane Hong Kong June 1991 2018 HK\$10 – HK\$26</p> <table border="1"> <tr> <td>2006</td> <td>2005</td> <td>2004</td> </tr> <tr> <td>55,333</td> <td>59,986</td> <td>61,213</td> </tr> </table>	2006	2005	2004	55,333	59,986	61,213										
2006	2005	2004																			
55,333	59,986	61,213																			

PORTS

Attributable Interest Form of Investment Handling Capacity Total Area Location Operation Date Expiry Date Length of Berths No. of Cranes Throughput Achieved (TEUs)	1. Xiamen New World Xiangyu Terminals Co., Ltd.	Attributable Interest Form of Investment Handling Capacity Total Area Location Operation Date Expiry Date Length of Berths No. of Cranes Throughput Achieved (TEUs)	2. Tianjin Orient Container Terminals Co., Ltd.
	50% EJV 1 million TEUs pa 488,000 sq m Huli Industrial Zone, Xiamen, Fujian April 1997 2052 976 m 9 (3 new cranes commenced operation in September 2005) 2006 2005 2004 736,000 635,000 603,000		24.5% EJV 1.4 million TEUs pa 469,000 sq m Xingang Dongtudi South Terminal, Tanggu, Tianjin January 1999 2027 1,136 m 8 2006 2005 2004 1,145,000 1,087,000 1,145,000
Attributable Interest Form of Investment Handling Capacity Total Area Location Operation Date Expiry Date Length of Berths No. of Cranes Throughput Achieved (TEUs)	3. Tianjin Five Continents International Container Terminal Co., Ltd.	Attributable Interest Form of Investment Handling Capacity Total Area Location Operation Date Expiry Date Length of Berths Throughput Achieved (TEUs)	4. Dalian Container Terminal Co., Limited
	18% EJV 1.5 million TEUs pa 517,000 sq m Xingang Dongtudi North Terminal, Tanggu, Tianjin November 2005 2035 1,202 m 12 2006 2005 2004 831,000 N/A N/A		4.8% EJV 2.7 million TEUs pa 848,000 sq m Berths 3 to 7, 9 and 10, Dayaowan, Dalian June 2002 2046 1,856 m 2006 2005 2004 1,906,000 1,861,000 1,587,000
Attributable Interest Form of Investment Handling Capacity Total Area Location Operation Date Expiry Date Throughput Achieved (TEUs) (Cargo Consolidation)	5. Xiamen Xinyuan Container Terminal Co., Ltd.	Attributable Interest Form of Investment Location Operation Date Expiry Date Yearly Average Occupancy Rate	6. Xiamen New World Xiangyu Warehouse & Processing Zone Limited
	70% EJV 23,000 TEUs pa 55,000 sq m (area leased from Xiamen New World Xiangyu Terminals Co., Ltd.) Huli Industrial Zone, Xiamen, Fujian January 1999 2018 2006 2005 2004 22,069 19,329 18,225		100% WFOE Huli Industrial Zone, Xiamen, Fujian January 1998 2045 2006 2005 2004 N/A 87% 85%
Attributable Interest Form of Investment Handling Capacity Total Area Location Operation Date Expiry Date CFS handling volume (cbm)	7. United Asia Terminals (Yantian) Limited		
	40% Equity 700,000 cbm pa 12,000 sq m Yantian, Shenzhen February 1997 2008 2006 2005 2004 504,000 417,000 325,000		

Project Key Facts and Figures

SERVICE & RENTAL

Facilities Rental

- HKCEC (Management)
- ATL Logistics Centre Hong Kong (56%)
- ATL Logistics Centre Yantian (46.17%)

Contracting

- Hip Hing Construction
- Vibro (99.83%)
- Ngo Kee Construction
- Barbican Construction
- Extensive Trading
- Team Deco
- Millennium Engineering (90.4%)
- Kentfull Contracting
- Quon Hing (50%)
- Wai Kee (26.97%)
- Build King (22.24%)
- NWS Engineering Group
- Young's Engineering
- Majestic Engineering
- Far East Engineering
- NWS Engineering

Transport

- New World First Bus (50%)
- Citybus (50%)
- New World First Bus (China) (50%)
- New World First Ferry (50%)
- New World First Ferry (Macau) (50%)
- New World First Travel (50%)
- Kwoon Chung Bus (14.95%)

Others

- Urban Property
- International Property (99%)
- Kiu Lok
- Kiu Lok (China)
- Urban Parking
- General Security
- Uniformity
- Pollution & Protection Services
- Wai Hong Cleaning
- New China Laundry
- Sky Connection
- Care & Services
- CiF Solutions
- New World Insurance
- Hong Kong Island Landscape
- Tricor Holdings (24.39%)
- Taifook Securities (22.22%)

As at 30 June 2006

FACILITIES RENTAL

Hong Kong Convention and Exhibition Centre (Management) Limited

Services Offered	Management and operation of venues for exhibitions, conventions, meetings, entertainment, special events, banquets and catering events, etc
Gross Rentable Space	70,086 sq m*
No. of Events Held This Year	1,322
No. of Attendants This Year	4,907,648

* Expansion to Halls 1, 2 & 3 to be completed in 2009 adds a further 19,400 sq m of rentable space

ATL Logistics Centre Yantian Limited

Attributable Interest	46.17%						
Form of Investment	Equity						
Handling Capacity	600,000 cbm pa						
Total Area	26,000 sq m						
Location	Yantian, Shenzhen						
Operation Date	January 2002						
Expiry Date	2019						
CFS handling volume (cbm)	<table> <tr> <th>2006</th> <th>2005</th> <th>2004</th> </tr> <tr> <td>320,000</td> <td>305,000</td> <td>352,000</td> </tr> </table>	2006	2005	2004	320,000	305,000	352,000
2006	2005	2004					
320,000	305,000	352,000					

CONTRACTING

Hip Hing Construction Company Limited

Service Offered	Construction engineering service
Total Contract Sum This Year	HK\$6,292 million
Contract on Hand	HK\$18,507 million (remaining work: HK\$14,926 million)
Major Projects	Management contract for MGM Grand Paradise, Macau; management contract for Grand Lisboa Hotel and Casino, Macau; addition and alteration works for residential development at Hung Hom Bay reclamation area; design and build contract for HKCEC atrium link extension; superstructure work for Ho Tung Lau Development in Shatin, etc

Ngo Kee Construction Company Limited

Service Offered	Construction engineering service
Total Contract Sum This Year	HK\$648 million
Contract on Hand	HK\$642 million (remaining work: HK\$405 million)
Major Projects	Refurbishment of North and South Wing Blocks and construction of new lift tower and link bridge to St Teresa's Hospital; Wu Kwai Sha Youth Village improvement project for Chinese YMCA of Hong Kong; external theming work package 3224 for the Venetian Macao, Cotai, etc

ATL Logistics Centre Hong Kong Limited

Attributable Interest	56%						
Form of Investment	Equity						
Lettable Area	5.9 million sq ft						
Location	Berth 3, Kwai Chung Container Terminals, Hong Kong						
Operation Dates	Phase I: February 1987 Phase II: March 1988 Phase III: February 1992 Phase IV: January 1994 Phase V: November 1994						
Expiry Date	2047						
Yearly Average Occupancy Rate	<table> <tr> <th>2006</th> <th>2005</th> <th>2004</th> </tr> <tr> <td>95.9%</td> <td>92.8%</td> <td>90.8%</td> </tr> </table>	2006	2005	2004	95.9%	92.8%	90.8%
2006	2005	2004					
95.9%	92.8%	90.8%					
CFS handling volume (cbm)	<table> <tr> <th>2006</th> <th>2005</th> <th>2004</th> </tr> <tr> <td>918,000</td> <td>1,052,000</td> <td>1,257,000</td> </tr> </table>	2006	2005	2004	918,000	1,052,000	1,257,000
2006	2005	2004					
918,000	1,052,000	1,257,000					

Vibro (H.K.) Limited

Services Offered	Design and construction of foundation, site investigation, civil engineering works
Total Contract Sum This Year	HK\$372 million
Contract on Hand	HK\$379 million (remaining work: HK\$244 million)
Major Projects	Foundation for Sha Tin Area 11 Shek Mun; link bridge at Tuen Mun Hospital; piling works for Tao Fung Shan, Phase II, Site A, Area 39 Shatin; bored piles and socketed H-Piles at NKIL 6308, San Po Kong; site formation works at Ap Lei Chau Island lot 129, etc

Barbican Construction Company, Limited

Services Offered	Construction, civil engineering and slope stabilizing works
Total Contract Sum This Year	HK\$273 million
Contract on Hand	HK\$1,696 million (remaining work: HK\$428 million)
Major Projects	Landslip preventive measures projects in Hong Kong Island, Kowloon and New Territories; Route 5 section between Shek Wai Kok Road and Chai Wan Kok; road works in Areas 13 and 14 Yuen Long; Shatin New Town, Stage II, Road T3 and associated road works; retrofitting on noise barriers on Cheung Pei Shan Road, etc

Project Key Facts and Figures

Extensive Trading Company Limited

Services Offered	Trading, retail and environmental consultancy
Types of Products	Tiles, sanitarywares, ironmongery, mechanical equipments, waterworks, fittings, building automation system, IAQ products, environmental products and systems, etc
No. of Retail Shops	5

Kentfull Contracting Limited

Service Offered	Fitting out works
Total Contract Sum This Year	HK\$158 million
Contract on Hand Major Projects	HK\$30 million Show houses at Lai Loi Villa, Beijing; LKF Hotel, 33 Wyndham Street, Central; club house of La Baie Du Noble, Macau; Levels 1 and 2 of Shunde Courtyard Hotel, etc

Team Deco International Limited

Service Offered	Interior design service
Major Projects	Qingdao Laigang Kempinski Hotel, Shanghai Eton Place Hotel, Wuhan New World Hotel (podium level - public areas), Beijing Niceline Villa show flat, Hong Kong Renaissance Harbour View Hotel guestroom floors renovation, etc

NWS Engineering Group Limited

Major Operating Companies	Young's Engineering Company Limited, Majestic Engineering Company Limited, Far East Engineering Services Limited and NWS Engineering Limited
Services Offered	Mechanical and electrical engineering services
Total Contract Sum This Year	HK\$2,036 million
Contract on Hand	HK\$4,602 million (remaining work: HK\$2,715 million)
Major Projects	URA's Hanoi Road K11; teaching hotel at Chinese University of Hong Kong; Tiu Keng Leng Station development; MGM Grand Paradise Macau; Venetian Casino Resort Hotel Complex in Cotai, Macau; Shanghai Grand Gateway; Chengdu Shangri-La Hotel, etc

TRANSPORT

New World First Bus Services Limited

Service Offered	Franchised bus service in Hong Kong
Fleet Size	694 buses
No. of Routes	94
Daily Patronage	530,000
Average Fleet Age	7.8 years

Citybus Limited

Services Offered	Franchised bus service on Hong Kong Island	Franchised bus service for Airport and Tung Chung new town
Fleet Size	736 buses	170 buses
No. of Routes	93	18
Daily Patronage	557,000	67,000
Average Fleet Age	9.6 years	7.7 years

New World First Bus Services (China) Limited

Service Offered	Public bus service in Mainland China (JV "Kunming New World First Bus Services Limited" commenced operation in January 2004)
Fleet Size	847 buses
No. of Routes	53
Daily Patronage	526,000
Average Fleet Age	4.9 years

New World First Ferry Services Limited

Service Offered	Passenger ferry service within Hong Kong waters
Fleet Size	23 vessels (including 3 chartered vessels)
No. of Routes	8
Daily Patronage	39,000

New World First Ferry Services (Macau) Limited

Service Offered	Passenger ferry service between Tsim Sha Tsui, Hong Kong and Macau
Fleet Size	8 vessels
Daily Patronage	8,900

New World First Travel Services Limited

Services Offered	Provision of travel services and travel related products, including harbour cruises, vessel charter hire, hotel packages and air ticketing, etc
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OTHERS

Urban Property Management Limited

Services Offered	Property asset and facility management
No. of Properties Managed	1,100 blocks of building
Gross Floor Area Managed	15 million sq m
Major Projects	Grand Millennium Plaza, Park Lane Shopper's Boulevard, Clovelly Court, City One Shatin, Riviera Gardens, etc

Kiu Lok Service Management Company Limited

Services Offered	Asset and facility management, agency and marketing, market research and promotion
Gross Floor Area Managed	730,000 sq m
Major Projects	New World Centre, Shun Tak Centre, Convention Plaza, etc

Kiu Lok Property Services (China) Limited

Services Offered	Asset and facility management, agency and marketing, market research and promotion
Gross Floor Area Managed Major Projects	4.7 million sq m Beijing Chateau Regalia, Beijing Eastern International Apartment, Beijing Park Way Court No. 9 Apartment, Beijing Embassy of Malaysia, Shanghai Ladoll Service Apartment, Xiamen Mingfa Commercial Centre, Guangzhou Shun Tak Business Centre, etc

General Security (HK) Limited

Services Offered	Guarding services including gurkha; armed and armoured transportation; ad hoc events security management; TP (24 hr computerized phone recording); supply, installation and maintenance of security systems
Security Force No. of Guarding Locations Major Clients	About 1,500 97 Hong Kong Jockey Club, Jones Lang Lasalle, City One Shatin, Hong Kong Convention and Exhibition Centre, etc

Pollution & Protection Services Limited

Services Offered	Cleaning management, service apartment maid service, marble and granite protection and restoration, curtain wall cleaning, carpet/fabric protection treatment, etc
No. of Projects Managed Major Clients	About 200 Airport Authority Hong Kong, Hong Kong Academy of Performing Arts, Island Shangri-La Hong Kong, The American Club, The Peak Tower, etc

New China Laundry Limited

Services Offered	Laundry and dry cleaning, linen product trading, maintenance and replenishment services to major hotels, restaurants and retail clients in Hong Kong; laundry and dry cleaning service for hotels and restaurant and industrial textile wash for Guangdong Province in Mainland China
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Care & Services Company Limited

Service Offered	Provision of 24-hour residential and nursing care for the elderly
No. of Elderly under Care Total No. of Beds	305 330

New World Insurance Management Limited

Service Offered	Risk and insurance management consultancy services
Annual Premium Handled Major Clients	HK\$503 million Asia Television Ltd, CALYON Corporate and Investment Bank, GlaxoSmithKline Ltd, Linfox Holdings Hong Kong Ltd, Societe Generale, Whirlpool (Hong Kong) Ltd, etc

Urban Parking Limited

Services Offered	Car park operations and management, sales and installation of car park equipment
No. of Parking Spaces Major Projects	About 26,000 Hong Kong International Airport, Hong Kong Convention and Exhibition Centre, New World Centre, public housing estates car parks of Hong Kong Housing Authority, etc

Uniformity Security Company Limited

Services Offered	Security and guarding services; gurkha guard services; special events security management; design, installation and maintenance of security systems
Security Force No. of Guarding Locations Major Clients	About 1,200 85 MTR Corporation Ltd, Sino Estates Management Ltd, Leisure and Cultural Services Department, Hong Kong Housing Society, etc

Wai Hong Cleaning & Pest Control Company Limited

Services Offered	Cleaning management, pest and termite management, waste collection, disposal and recycling, etc
No. of Projects Managed Major Clients	About 200 Airport Authority Hong Kong, MTR Corporation Ltd, Hong Kong Science Park, Hong Kong University of Science and Technology, Standard Chartered Bank, Swire Properties, etc

Sky Connection Limited

Service Offered Locations of Shops	Retail of duty free liquor and tobacco Hong Kong International Airport, Hong Kong-Macau Ferry Terminal and China Ferry Terminal
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CiF Solutions Limited

Services Offered	Packaged IT applications, enterprise solutions and professional IT consultancy services
Major Clients	Bausch and Lomb (HK) Ltd, Merck Sharp and Dohme (Asia) Ltd, OTIS Elevator Co., (HK) Ltd, YKK Hong Kong Ltd, Zuellig Pharma Ltd, etc

Hong Kong Island Landscape Company Limited

Services Offered	Sale and hiring of plant products; design, building and maintenance of soft landscape work
Total Area of Nurseries Major Clients	3.7 million sq ft Hotel Inter-Continental, The Peninsula, Grand Hyatt Hong Kong, Hong Kong Academy of Performing Arts, The Dynasty Club, etc

Corporate Information

EXECUTIVE DIRECTORS

Dr Cheng Kar Shun, Henry (Chairman)
 Mr Doo Wai Hoi, William (Deputy Chairman)
 Mr Chan Kam Ling (Chief Executive Officer)
 Mr Tsang Yam Pui
 Mr Wong Kwok Kin, Andrew
 Mr Lam Wai Hon, Patrick
 Mr Cheung Chin Cheung
 Mr William Junior Guilherme Doo

NON-EXECUTIVE DIRECTORS

Mr Wilfried Ernst Kaffenberger
 Mr To Hin Tsun, Gerald
 Mr Dominic Lai
 Mr Yeung Kun Wah, David
 (Alternate Director to Mr Wilfried Ernst Kaffenberger)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Kwong Che Keung, Gordon
 Mr Cheng Wai Chee, Christopher
 The Honourable Shek Lai Him, Abraham

QUALIFIED ACCOUNTANT

Mr Lam Wai Hon, Patrick

COMPANY SECRETARY

Mr Chow Tak Wing

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28/F, New World Tower
 18 Queen's Road Central
 Hong Kong
 Tel : (852) 2131 0600
 Fax : (852) 2131 0611

REGISTERED OFFICE

Clarendon House
 2 Church Street
 Hamilton HM 11
 Bermuda

AUDITORS

PricewaterhouseCoopers
 Certified Public Accountants
 22/F, Prince's Building
 Central
 Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
 Rosebank Centre
 11 Bermudiana Road
 Pembroke
 Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Standard Registrars Limited
 26/F, Tesbury Centre
 28 Queen's Road East
 Wanchai
 Hong Kong

PRINCIPAL BANKERS

Bank of America, National Association
 Bank of China (Hong Kong) Limited
 Bank of Communications, Hong Kong Branch
 BNP Paribas
 Calyon
 Hang Seng Bank Limited
 The Bank of Tokyo – Mitsubishi UFJ, Ltd.,
 Hong Kong Branch
 The Hongkong and Shanghai Banking Corporation Limited
 Standard Chartered Bank (Hong Kong) Limited
 Sumitomo Mitsui Banking Corporation

SHARE LISTINGS

The Company's shares are listed on
 The Stock Exchange of Hong Kong Limited

STOCK CODE

Hong Kong Stock Exchange 0659



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Where the English and the Chinese texts conflict,
the English text prevails.

Concept & Design
Yellow Creative (HK) Limited

This Annual Report is also available at
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(incorporated in Bermuda with limited liability)

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