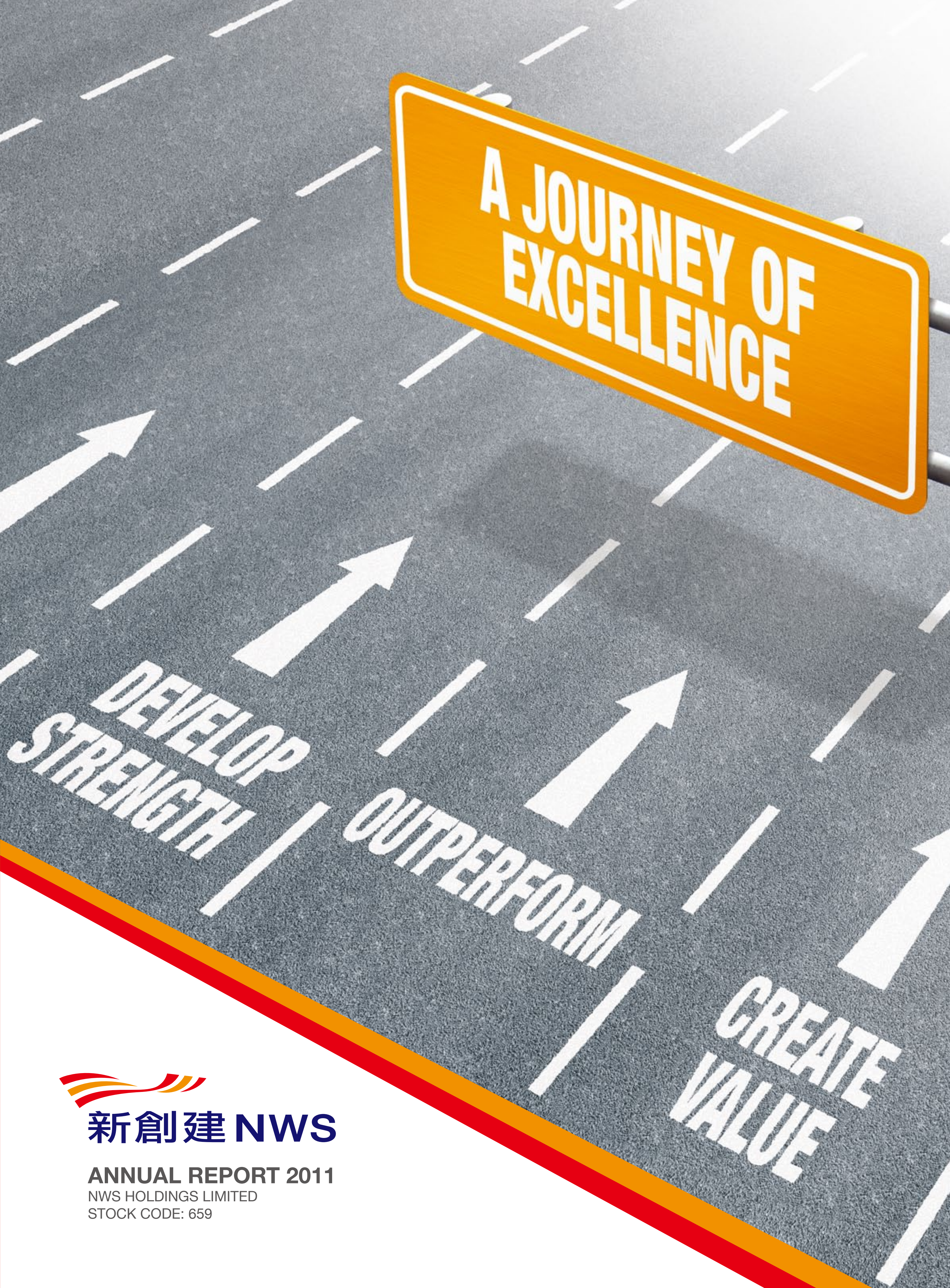


新創建 NWS

ANNUAL REPORT 2011

NWS HOLDINGS LIMITED
STOCK CODE: 659


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

Contents

Design rationale

"A JOURNEY OF EXCELLENCE"

The forward-looking prospects of NWS Holdings' growing portfolio is expressed with the thematic treatment of roads throughout the design of this Annual Report. On our journey of excellence we develop strength in the market, which allows us to outperform and in turn create new value.

Download the
NWS Holdings Annual Report 2011

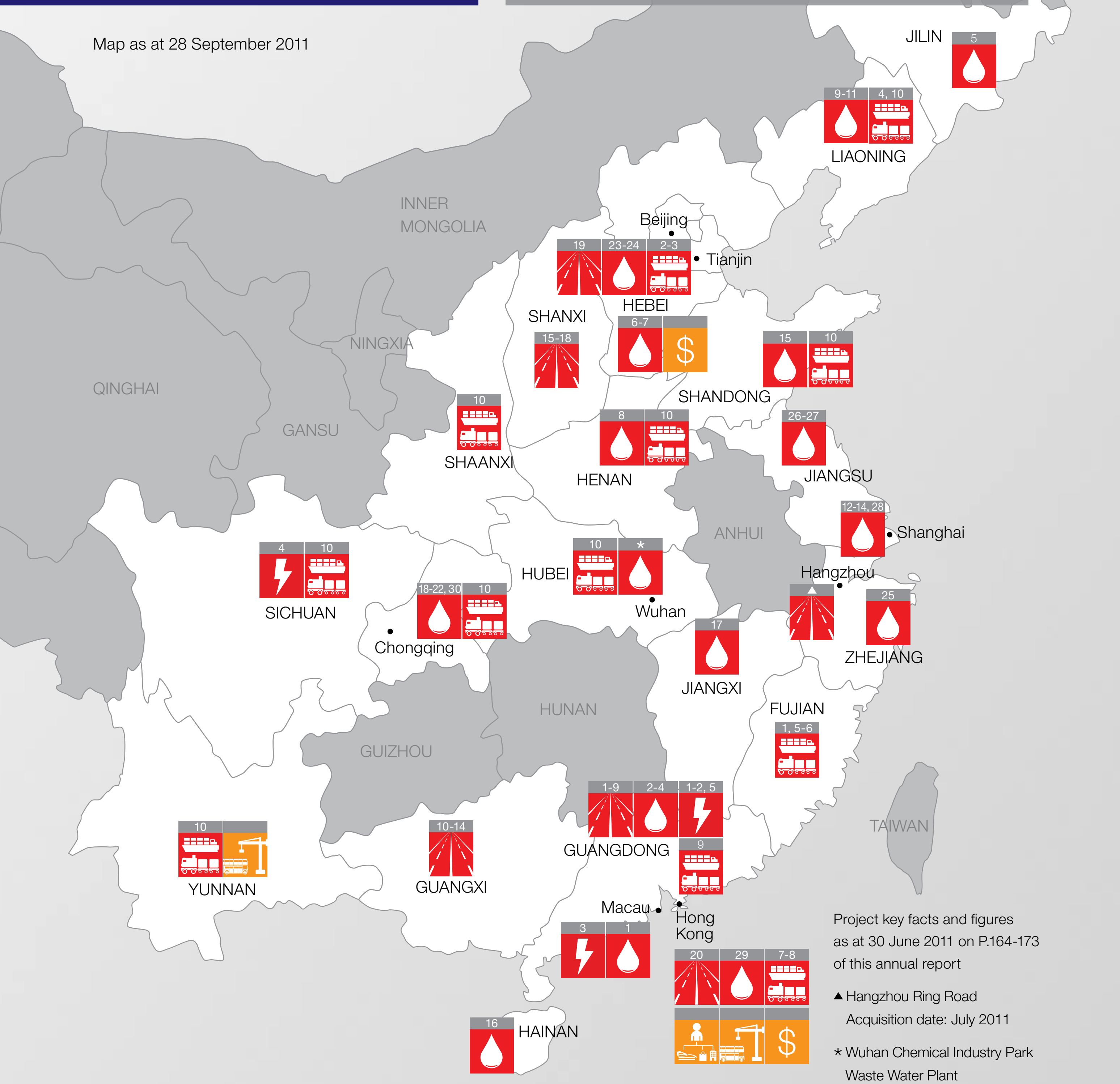
CORPORATE PROFILE

ABOUT NWS HOLDINGS

NWS Holdings (Hong Kong stock code: 659) is the infrastructure and service flagship of NWD (Hong Kong stock code: 17). Listed on the Hong Kong Stock Exchange, NWS Holdings embraces a range of businesses in Hong Kong, Mainland China and Macau.

With approximately 27,000-strong workforce, NWS Holdings is committed to achieving sustainable growth in its two core business areas, infrastructure and services.

Map as at 28 September 2011



Project key facts and figures as at 30 June 2011 on P.164-173 of this annual report

▲ Hangzhou Ring Road
Acquisition date: July 2011

* Wuhan Chemical Industry Park Waste Water Plant
Completion date: September 2011

INFRASTRUCTURE

As one of the leading infrastructure players in Mainland China, NWS Holdings possesses an extensive business network in managing and operating 64 projects and one strategic investment in four major segments, including Roads, Energy, Water as well as Ports & Logistics.

Roads

The road portfolio comprises 20 roads and related projects in strategic locations in Hong Kong and Mainland China, namely Guangdong, Guangxi, Shanxi and Tianjin, covering approximately 618 km in length.

Energy

The Group operates four power plants in Guangdong, Sichuan and Macau with a total installed capacity of approximately 2,892 MW and a coal distributor in Guangdong operating the coal handling pier with capacity of seven million tonnes per year.

Water

The Group has invested in 27 water treatment and waste treatment projects in Mainland China and Macau through its joint venture company Sino-French Holdings (Hong Kong) Limited. The water projects treat up to a total of seven million cbms of water and waste water as well as 540 tonnes of sludge per day. The Group also holds stake in a 61-hectare landfill project in Hong Kong and a strategic investment in Chongqing, and invests in a hazardous chemical waste incineration plant in Shanghai with annual capacity of 60,000 tonnes.

Ports & Logistics

The Group operates six port projects in strategic coastal locations in Mainland China, such as Xiamen and Tianjin, with an aggregate container handling capacity of 7.1 million TEUs per year. In collaboration with its joint venture enterprise, China United International Rail Containers Co., Limited, the Group develops and operates 18 large-scale pivotal rail container terminals across Mainland China. Three logistics centres developed and/or operated in Hong Kong and Mainland China also provide logistics services for local and overseas clients.

SERVICES

As a pioneer in the services industry, NWS Holdings leverages its unique expertise in providing excellent services in Hong Kong and Mainland China to capture business opportunities in the region.

Facilities Management

The portfolio includes facilities rental and duty free sales. Hong Kong Convention and Exhibition Centre, managed and operated by the Group, is an award-winning venue for international exhibitions and conventions. Free Duty retails duty free liquor, tobacco, perfume, cosmetics, package food and general merchandise at the immigration zones.

Construction & Transport

With abundant experience in constructing large-scale projects, the Group provides professional construction services in Hong Kong. The Group is also dedicated to providing reliable public transport services, including bus and/or ferry services, in Hong Kong and Kunming.

Strategic Investments

The Group's strategic investments segment includes Newton Resources Ltd (iron ore mine operation), Tricor Holdings Limited (share registration and company secretarial services), Haitong International Securities Group Limited (corporate finance, asset management and brokerage services), Hyva Holding B.V. (manufacturing and supply of components used in hydraulic loading and unloading systems on trucks and trailers) and other securities investment.

MAJOR EVENTS AND ACCOLADES

JULY 2010

- NWS Holdings disposed of certain non-core service businesses, including laundry, landscaping, security and guarding, trading of building materials, senior residents' homes and insurance brokerage businesses to Fung Seng Enterprises Limited.
- NWS Hong Kong Geo Wonders Hike and the Group's newsletters, *New Voice* and《創建集》, both garnered Silver Awards under the categories of Environmental Protection and Internal Communication respectively in the Ninth China Golden Awards for Excellence in Public Relations.

- NWS Holdings received the Gold Award for Volunteer Service from the Social Welfare Department for the ninth consecutive year.
- The Rickshaw Sightseeing Bus of New World First Bus Services Limited garnered Gold Award under the Marketing Public Relations (Services) category in the Ninth China Golden Awards for Excellence in Public Relations.

AUGUST 2010

- Zhengzhou Water Plant was granted Quality Management System ISO 9001:2008 by BSI China.

OCTOBER 2010

- NWS Holdings donated RMB6 million in support of the Greening the Yangtze River Chongqing Action.

NOVEMBER 2010

- *New Voice* and《創建集》won Bronze Award in the Brochures: Newsletters category in the 2010 International Galaxy Awards organized by MerComm, Inc.
- NWS Holdings garnered the "Best Work Life Balance Practices" in the HRM Awards 2010 Hong Kong and the "Best Practices in Mentoring Program Development" category in the Best Practice Awards 2010.

- NWS Holdings won Silver Award in the Corporate Volunteer Team category in the Hong Kong Outstanding Corporate Citizen Award organized by Hong Kong Productivity Council.
- The Rickshaw Sightseeing Bus of New World First Bus Services Limited garnered Certificate of Merit and Citation for Outstanding Small Budget Campaign in the HKMA/TVB Awards for Marketing Excellence 2010.
- The Macau Government and Companhia de Electricidade de Macau – CEM, S.A. signed the Power Supply Contract Extension for 15 years.

DECEMBER 2010

- NWS Holdings and Unitas Capital Pte Ltd, a leading regional private equity fund, formed a 50-50 joint venture company to acquire the entire issued share capital of Hyva Holding B.V.. NWS Holdings indirectly holds approximately 38% interest in Hyva Holding B.V. after the acquisition.
- Guangzhou Dongxin Expressway, in which NWS Holdings holds 40.8% equity interest, was officially opened to traffic.

- Companhia de Electricidade de Macau – CEM, S.A. was the first electricity company in Hong Kong and Macau to obtain the ISO 14064 Greenhouse Gases Management System Certification.
- Suzhou Industrial Park Sludge Treatment Plant was awarded the Circular Economy Model Enterprise in Suzhou by Suzhou Finance Bureau, Suzhou Economic & Information Technology Commission, as well as Structural Engineering Prize in Suzhou by Suzhou Housing and Urban-rural Development Bureau.

JANUARY 2011

- The Topping Out Ceremony for the Tamar Development Project, one of the projects of Hip Hing Construction Company Limited, was held to mark the completion of the superstructure works and the commencement of associated fitting-out works.

- Hong Kong Convention and Exhibition Centre was voted Asia's Best Convention and Exhibition Centre eight times in a row in the Industry Awards 2011 organized by *CEI Asia magazine*.

FEBRUARY 2011

- The acquisition of up to approximately 60% effective interest in Newton Resources Ltd, which owns and operates a major privately-owned iron ore mine in Hebei Province, by NWS Holdings was completed.

MARCH 2011

- Sino French Water Development Company Limited was named one of the Top Ten Most Influential Enterprises in Mainland China's Water Industry Annual Award for 2010.

APRIL 2011

- NWS Holdings Annual Report 2010 and *New Voice* garnered Bronze Awards under the categories of "Annual Reports-Corporations-Traditional: Between 161-200 Pages" and "Employee Publications: Staff Publications" respectively in the 2011 Astrid Awards organized by MerComm, Inc.
- *New Voice* captured the Award of Merit in the "Publications" category in 2011 Gold Quill Awards.

APRIL 2011

- Jiangsu Province's first sludge drying unit, a joint project by Sino French Water Development Company Limited, marked the official opening.

- New World First Ferry Services Limited was awarded the licences of operating Central – Mui Wo and Inner Harbour ferry services.
- Hip Hing Construction Company Limited celebrated its 50th Anniversary.

JUNE 2011

- NWS Holdings announced the signing of sale and purchase agreement with Widefaith Group Limited for the acquisition of approximately 21.55% effective interest in Hangzhou Ring Road in Zhejiang Province.
- Tate's Cairn Tunnel Company Limited celebrated its 20th Anniversary.

FINANCIAL HIGHLIGHTS

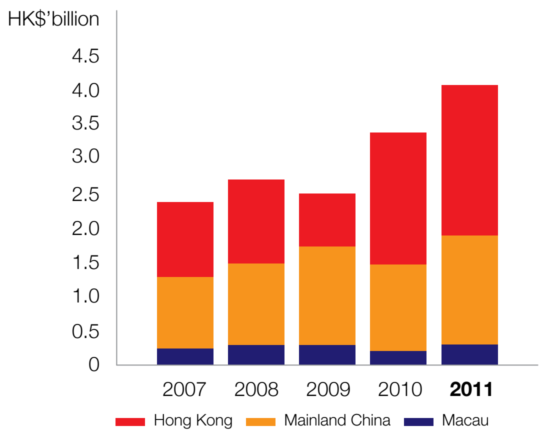
	2011 HK$'m	2010 HK$'m
Revenue	**9,560.6**	12,089.0
Profit Attributable to Shareholders of the Company	**4,626.8**	4,011.7
Net Debt	**2,161.5**	N/A
Total Assets	**44,137.8**	37,680.9
Net Assets	**32,346.1**	26,452.1
Shareholders' Funds	**31,077.5**	26,187.0

	2011 HK$	2010 HK$
Earnings per Share – Basic and diluted	**1.40**	1.26*
Net Assets per Share	**9.55**	8.09*

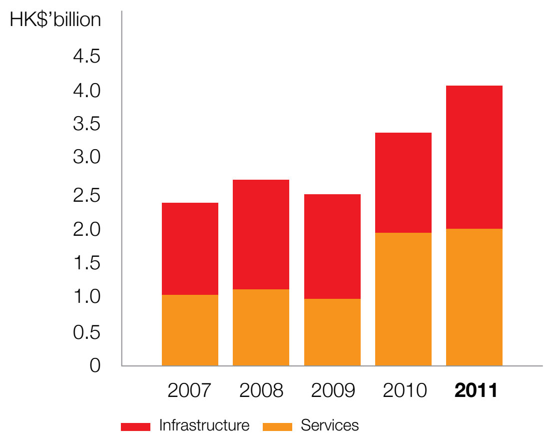
** 2010 figures were adjusted for the bonus issue of shares in FY2011*

	2011	2010
Net Gearing Ratio	**7%**	N/A
Return on Equity	**14%**	15%
Return on Capital Employed	**13%**	13%
Dividend Payout Ratio	**51%**	51%

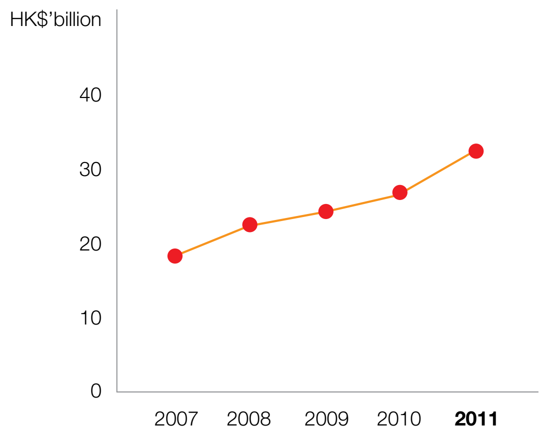
AOP by Region
for the year ended 30 June



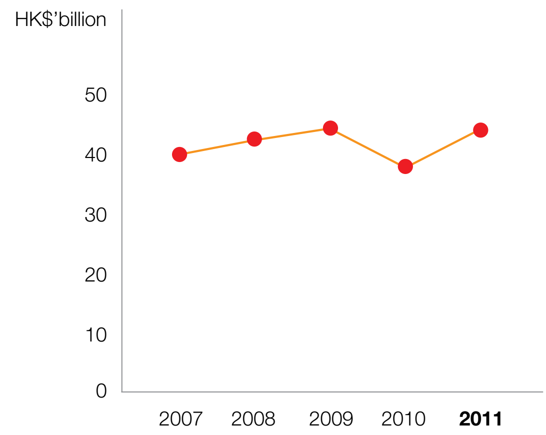
AOP by Division
for the year ended 30 June



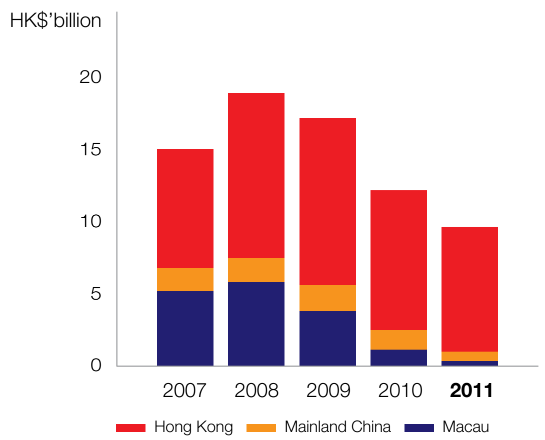
Total Equity
as at 30 June



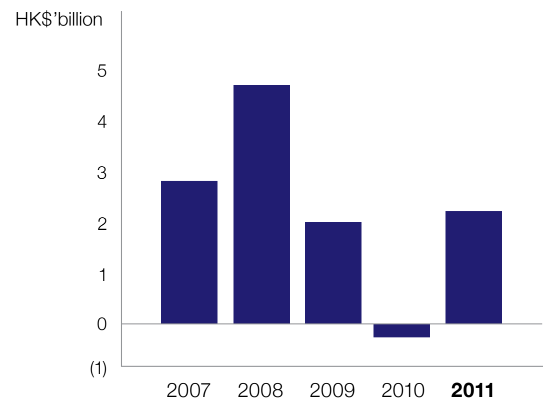
Total Assets
as at 30 June



Revenue by Region
for the year ended 30 June



Net Debt/(Net Cash)
as at 30 June



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am delighted to report that the Group performed remarkably well during the year with Profit Attributable to Shareholders growing by 15% to reach a record high of HK$4.6 billion despite the fact that the global economy remained overshadowed by uncertainties and market volatility. The Group's diversified portfolio of high quality infrastructure assets generated outstanding performance and growth under the Infrastructure division, particularly in the Roads and Water segments. The Facilities Management segment under Services division continued to produce high level of profitability and cash flow by capitalizing on Hong Kong's vibrant retail market and unique strength as an international business hub and tourist destination.

In line with the corporate strategy in streamlining its business structure, the Group announced the completion of the divestment of certain non-core service businesses through a management buyout in June 2011, which realized an exceptional gain of HK$343.9 million for the year. Despite the divestment, the Group still managed to enhance both profitability and margins thereby demonstrating the underlying strength of the Group's core businesses and long-term competitiveness. The strong growth in FY2011 also confirms that the Group has a well-established and integrated business model to maximize cash flow and ensure optimal development of growth projects.

To share the outstanding results with our shareholders, a final dividend of HK$0.33 per share was proposed, representing a payout ratio of 50.7%.

Continuous rewards from defensive infrastructure assets

The Group has continued to apply its experience and strength in identifying, operating and expanding infrastructure projects in areas that will benefit from economic growth in the near term. This is evident from the most promising growth in Attributable Operating Profit ("AOP") under the Roads and Water segments of 118% and 28% respectively.

Although part of the increase in AOP under the Roads segment was caused by the extra profit distribution of approximately HK$387.5 million in Tangjin Expressway (Tianjin North Section) and the increased revenue of Guangzhou Northern Ring Road after its partial closure for major repairs and maintenance in the preceding financial year, the overall traffic volume for most of the projects also increased in line with local economic development.

The Water segment, with its high growth rate and prospective outlook, will remain a high priority within the Group's core investment. The Group will continue to add new water projects to its existing portfolio.

The downturn in AOP under the Energy segment was mainly caused by surging fuel costs since the end of 2009. As the demand for electricity remains strong, the Group will endeavour to further improve the operational efficiency of individual power plants to ensure a reasonable rate of return.

Solid performance from streamlined Services division on home turf

The Group's Services division continued to generate strong recurring and profitable stream of income for the Group. Notwithstanding the absence of contribution from the disposed engineering and mechanical and several services businesses and Haitong International Securities Group Limited which became an associated company in December 2009, the AOP of the Services division still experienced 3% growth. The Facilities Management segment also performed superbly with the Hong Kong Convention and Exhibition Centre taking full advantage of its Atrium Link Extension and Free Duty benefitting from the high throughput at cross-border terminals. The overall results of the Services division was however partly affected by inflationary pressure experienced by Construction & Transport segment, including costs of building materials, labour and fuel.

Relentless effort in building a gateway for sustainable growth and profitability

During the year, the Group held a majority interest in Newton Resources Ltd ("Newton Resources"), which owns and operates a major privately-owned iron ore mine in Hebei Province in Mainland China. On 4 July 2011, shares of Newton Resources were listed on the Main Board of the Hong Kong Stock Exchange. As a development project, Newton Resources will in time become a significant iron ore producer thereby enhancing the overall performance of the Group.

Between July and September 2011, the Group acquired a total of approximately 58.66% effective interest in Hangzhou Ring Road, an expressway situated in Hangzhou City in Mainland China with a total length of 103.4 km. As an operating road with high traffic volume and concession rights ending in 2029, this acquisition is expected to make significant contribution to the Group by boosting the existing portfolio of roads assets and bringing significant revenue during the concession period.

China United International Rail Containers Co., Limited ("CUIRC") is making good progress in developing its network of rail container terminals. With eight out of 18 terminals in operation, its aggregate throughput surpassed 1.25 million TEUs during the year. Tianjin and Harbin terminals, which form part of the phase two development, are under construction preparation. In view of the potential growth in rail intermodal transportation in Mainland China and concession period lasting 50 years, the Group has strong confidence in the long-term success of CUIRC.

> **The Group's strategy to strengthen and streamline its core businesses has contributed to its record-breaking profit as the Group strives to develop potential opportunities in the best interest of our shareholders.**

To strengthen our war-chest and to take advantage of investment opportunities particularly in Mainland China and high growth areas, the Group raised approximately RMB1 billion from a bond issue on 14 July 2011.

Right path for sustainability

The fact that the Group highly values corporate social responsibility is well demonstrated through our long-term commitment in organizing environmental protection campaigns and supporting community service projects. We proudly held the NWS Hong Kong Geo Wonders Hike for the third consecutive year to promote geoconservation in Hong Kong. The campaign garnered Silver Award under the Environmental Protection category in the Ninth China Golden Awards for Excellence in Public Relations in recognition of the Group's unceasing efforts in arousing environmental awareness amongst the public.

A word of thanks

Finally, I would like to take this opportunity to thank all our staff and management team for their wholehearted commitment and dedication and my fellow Board members for their unwavering support and leadership. There is no doubt that our excellent teamwork and spirits will continue to lead us to exciting new heights and opportunities.

Dr Cheng Kar Shun, Henry
Chairman
Hong Kong, 28 September 2011

BOARD OF DIRECTORS

Dr Cheng Kar Shun, Henry
Chairman

Mr Doo Wai Hoi, William
Deputy Chairman

Mr Tsang Yam Pui
Executive Director

Mr Lam Wai Hon, Patrick
Executive Director

Mr Cheung Chin Cheung
Executive Director

Mr William Junior Guilherme Doo
Executive Director

Mr Cheng Chi Ming, Brian
Executive Director

Dr Cheng Kar Shun, Henry GBS

Chairman

Dr Cheng (64) was appointed as Executive Director in March 2000 and became the Chairman in March 2001. He is also a member of the Executive Committee of the Company and a director of certain subsidiaries of the Group. 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, the Chairman and Non-executive Director of New World Department Store China Limited and the Chairman of International Entertainment Corporation, an independent non-executive director of HKR International Limited and a non-executive director of Lifestyle International Holdings Limited, all being listed public companies in Hong Kong. He was the Chairman of Taifook Securities Group Limited (now known as Haitong International Securities Group Limited), a listed public company in Hong Kong, up to his resignation on 13 January 2010. Dr Cheng is also the Managing Director of New World Hotels (Holdings) Limited and a director of several substantial shareholders of the Company, namely Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited and Mombasa Limited. Dr Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Eleventh 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 father of Mr Cheng Chi Ming, Brian, the brother-in-law of Mr Doo Wai Hoi, William and the uncle of Mr William Junior Guilherme Doo.

Mr Wilfried Ernst Kaffenberger
Non-executive Director

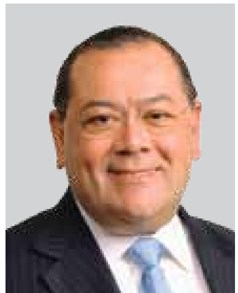
Mr To Hin Tsun, Gerald
Non-executive Director

Mr Dominic Lai
Non-executive Director

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

Mr Kwong Che Keung, Gordon
Independent Non-executive Director

Dr Cheng Wai Chee, Christopher
Independent Non-executive Director



The Honourable Shek Lai Him, Abraham
Independent Non-executive Director

Mr Doo Wai Hoi, William JP

Deputy Chairman

Mr Doo (67) was appointed as Executive Director in March 2000 and became the Deputy Chairman in January 2003. He was re-designated to Non-executive Director in October 2009. He is also a director of a subsidiary of the Group. Mr Doo's corporate positions include: Vice Chairman and Non-executive Director of New World China Land Limited; Executive Director of Lifestyle International Holdings Limited and Independent Non-executive Director of The Bank of East Asia, Limited and Shanghai Industrial Urban Development Group Limited, all being listed public companies in Hong Kong. Moreover, he was the Deputy Chairman of Taifook Securities Group Limited (now known as Haitong International Securities Group Limited), a listed public company in Hong Kong, up to his resignation on 13 January 2010. He is also a director of New World Hotels (Holdings) Limited and Fung Seng Diamond Company Limited. Mr Doo is a member of the Standing Committee of the Eleventh Chinese People's Political Consultative Conference in Shanghai and the Convener of the Shanghai Committee in Hong Kong and Macau. He has been also serving as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. He is the Honorary Consul of the Kingdom of Morocco in Hong Kong. In 2008, he was awarded the Chevalier de la Légion d'Honneur by the Republic of France. Mr Doo is the father of Mr William Junior Guilherme Doo, the brother-in-law of Dr Cheng Kar Shun, Henry and the uncle of Mr Cheng Chi Ming, Brian.

Mr Tsang Yam Pui GBS, OBE, QPM, CPM

Executive Director

Mr Tsang (65) was appointed as Executive Director in June 2004 and is also a member of the Executive Committee and the Chairman of each of the Remuneration Committee and the Corporate Social Responsibility Committee of the Company. He is also a director of certain subsidiaries of the Group. On 20 May 2011, Mr Tsang was appointed as the Chairman and a non-executive director of Newton Resources Ltd, the shares of which were listed on the Hong Kong Stock Exchange on 4 July 2011. He is the Vice Chairman of New World First Bus Services Limited, Citybus Limited, New World First Bus Services (China) Limited and New World First Ferry Services Limited. He is also the Vice Chairman of China United International Rail Containers Co., Limited in Mainland China and a director of Mapletree Investments Pte Ltd in Singapore. Mr Tsang is the Chairman and a non-executive director of Mapletree Commercial Trust Management Ltd. (as manager of Mapletree Commercial Trust which was listed on the Singapore Stock Exchange on 27 April 2011). Mr Tsang also serves as a member of the Hong Kong Sanatorium & Hospital's Clinical Governance Committee. 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 Lam Wai Hon, Patrick

Executive Director

Mr Lam (49) was appointed as Executive Director in January 2003 and is also a member of each of the Executive Committee, the Remuneration Committee and the Corporate Social Responsibility Committee of the Company. He is also a director of certain subsidiaries of the Group. On 20 May 2011, Mr Lam was appointed as the Vice Chairman and a non-executive director of Newton Resources Ltd, the shares of which were listed on the Hong Kong Stock Exchange on 4 July 2011. He is also a non-executive director of Wai Kee Holdings Limited and Road King Infrastructure Limited, both being listed public companies in Hong Kong, and the Assistant General Manager of New World Development Company Limited, a substantial shareholder of the Company. He is mainly responsible for overseeing the services 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. Moreover, Mr Lam was a non-executive director of Build King Holdings Limited and Taifook Securities Group Limited (now known as Haitong International Securities Group Limited), both being listed public companies in Hong Kong, up to his resignation on 24 October 2008 and 13 January 2010 respectively. He was also a director of Guangdong Baolihua New Energy Stock Co., Ltd., a listed company in the PRC, up to his resignation on 1 April 2011. Mr Lam is a Chartered Accountant by training and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and a member of the Institute of Chartered Accountants of Ontario, Canada.

Mr Cheung Chin Cheung

Executive Director

Mr Cheung (55) was appointed as Executive Director in October 2003 and is also a member of each of the Executive Committee and the Corporate Social Responsibility Committee of the Company. He had been an executive director of the Company during the period from May 1998 to January 2003. Mr Cheung is also a director of NWS Infrastructure Management Limited, Sino-French Holdings (Hong Kong) Limited, Far East Landfill Technologies Limited and a number of companies in Mainland China. He is the Vice Chairman of Companhia de Electricidade de Macau – CEM, S.A. and the Managing Director of The Macao Water Supply Company Limited. He is a director of certain subsidiaries of the Group and is mainly responsible for managing the Group's infrastructure business. Mr Cheung had been a member of the Infrastructure Development Advisory Committee and the China Trade Advisory Committee of the Hong Kong Trade Development Council. He has over 20 years of experience in business development, investment and management in the infrastructure business in Mainland China. Mr Cheung is a member of the Hebei Province Committee of the Tenth Chinese People's Political Consultative Conference of The People's Republic of China.

Mr William Junior Guilherme Doo

Executive Director

Mr Doo (37) was appointed as Director in December 2005 and is also a member of each of the Executive Committee and the Corporate Social Responsibility Committee of the Company. He is also a director of certain subsidiaries of the Group. 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 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 acting as members of various management committees of the Group. His area of responsibilities includes managing ports investment and operations, and overseeing transport, logistics and water business. He is currently a Standing Committee member of the Eleventh Chinese People's Political Consultative Conference in Beijing of The People's Republic of China. Mr Doo is the son of Mr Doo Wai Hoi, William, the nephew of Dr Cheng Kar Shun, Henry and the cousin of Mr Cheng Chi Ming, Brian.

Mr Cheng Chi Ming, Brian

Executive Director

Mr Cheng (28) was appointed as Executive Director on 1 July 2009 and is also a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Group. He has been with the Company since January 2008 and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of the Group. On 20 May 2011, Mr Cheng was appointed as a non-executive director of Newton Resources Ltd, the shares of which were listed on the Hong Kong Stock Exchange on 4 July 2011. He is currently a non-executive director of Haitong International Securities Group Limited and Fook Woo Group Holdings Limited, both being listed public companies in Hong Kong. He is also a director of Sino-French Holdings (Hong Kong) Limited, Sino-French Energy Development Company Limited, The Macao Water Supply Company Limited and a director of a number of companies in Mainland China. Moreover, Mr Cheng was a non-executive director of Freeman Financial Corporation Limited, a listed public company in Hong Kong, up to his retirement on 30 August 2011. Before joining the Company, Mr Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. Mr Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, U.S.A. Mr Cheng is the son of Dr Cheng Kar Shun, Henry, the nephew of Mr Doo Wai Hoi, William and the cousin of Mr William Junior Guilherme Doo.

Mr Wilfried Ernst Kaffenberger

Non-executive Director

Mr Kaffenberger (67) was appointed as Non-executive Director in January 2003. He is an independent financial advisor. In June 2008, he completed his role as Chief Executive Officer of the AIG Asian Infrastructure Fund II (the "Fund"), a US$1.67 billion direct equity investment fund he organized in 1997. Prior to organizing the Fund, he was the Vice President, Operations, of the International Finance Corporation ("IFC"), a World Bank affiliate. His career at IFC covered 25 years. Mr Kaffenberger is, since August 2009, a director of AEI, a Houston, USA, based energy infrastructure company operating in Latin America, Central and Eastern Europe and Asia. Mr Kaffenberger is, with effect from September 2009, a director of BAA Airports Limited, which owns and operates airports throughout the United Kingdom.

Mr To Hin Tsun, Gerald

Non-executive Director

Mr To (62) 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 qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr To is also a non-executive director of Mongolia Energy Corporation Limited and an executive director of International Entertainment Corporation, both companies' shares being listed on the Main Board of the Hong Kong Stock Exchange. He was formerly also a non-executive director of Taifook Securities Group Limited (now known as Haitong International Securities Group Limited), a listed public company in Hong Kong, up to his resignation on 13 January 2010.

Mr Dominic Lai

Non-executive Director

Mr Lai (64) was appointed as Independent Non-executive Director in August 2002 and was re-designated to Non-executive Director in September 2004. He is also a member of each of the Audit Committee and the Corporate Social Responsibility Committee of the Company. Mr Lai is a practising 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 35 years. He is also a non-executive director of Midas International Holdings Limited and Oriental Press Group Limited, both being listed public companies in Hong Kong. Moreover, he was an independent non-executive director of Winfoong International Limited, a listed public company in Hong Kong, up to his retirement on 24 May 2011.

Mr Yeung Kun Wah, David

Alternate Director to Mr Wilfried Ernst Kaffenberger

Mr Yeung (61) was appointed as Alternate Director to Mr Wilfried Ernst Kaffenberger in January 2003. Mr Yeung is the President and Chief Executive Officer of PineBridge Investments Partners LLC, a wholly owned subsidiary of PineBridge Investment ("PineBridge") and is concurrently the Managing Director of PineBridge. He represents PineBridge on PineBridge-sponsored emerging market infrastructure funds with total committed capital of US$4.7 billion and sits on the Investment Committees of various PineBridge sponsored regional emerging market private equity funds and on the board of various companies in PineBridge'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 (62) was appointed as Independent Non-executive Director in October 2002 and is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is also an independent non-executive director of a number of Hong Kong listed public companies including Agile Property Holdings Limited, CITIC Telecom International Holdings Limited, China COSCO Holdings Company Limited (appointed on 17 May 2011), China Chengtong Development Group Limited, China Power International Development Limited, Global Digital Creations Holdings Limited, Henderson Investment Limited, Henderson Land Development Company Limited, OP Financial Investments Limited and Quam Limited. Moreover, he was an independent non-executive director of Ping An Insurance (Group) Company of China, Limited (retired on 3 June 2009), Tianjin Development Holdings Limited (retired on 26 May 2010), China Oilfield Services Limited (resigned on 28 May 2010), Frasers Property (China) Limited (retired on 14 January 2011), COSCO International Holdings Limited (retired on 9 June 2011) and Beijing Capital International Airport Company Limited (retired on 15 June 2011), all of which are listed public companies in Hong Kong. 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, 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.

Dr Cheng Wai Chee, Christopher

GBS, OBE, JP

Independent Non-executive Director

Dr Cheng (63) was appointed as Independent Non-Executive Director in January 2003 and is a member of each of the Audit Committee and the Remuneration Committee of the Company. Dr Cheng is the Chairman of Wing Tai Properties Limited and Winsor Properties Holdings Limited and an independent non-executive director of New World China Land Limited and Kingboard Chemical Holdings Limited, all being listed public companies in Hong Kong, and an independent non-executive director of DBS Group Holdings Limited, a listed public company in Singapore. He is also a non-executive director of Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust). Moreover, he was an independent non-executive director of PICC Property and Casualty Company Limited, a listed public company in Hong Kong, up to his resignation on 23 October 2009. Dr Cheng has a keen interest in the public services. He is currently the Chairman of the Governance Committee of the Hong Kong Government Exchange Fund Advisory Committee, a member of the Council of The University of Hong Kong and a steward of the Hong Kong Jockey Club. He also serves as a member of the board of Overseers at Columbia Business School, the board of Temasek Foundation CLG Limited, and a member on the President's Council on International Activities of the Yale University. Dr Cheng is the former Chairman of the Hong Kong General Chamber of Commerce. Dr Cheng holds a BBA from the University of Notre Dame, Indiana, USA, and an MBA from Columbia University, New York and was conferred the degree of Doctor of Social Sciences *honoris causa* by The University of Hong Kong.

The Honourable Shek Lai Him, Abraham SBS, JP

Independent Non-executive Director

Mr Shek (66) was appointed as Independent Non-executive Director in September 2004 and is a member of each of the Audit Committee and the Remuneration Committee of the Company. 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 Court of each of The Hong Kong University of Science & Technology and The University of Hong Kong. Mr Shek is a director of The Hong Kong Mortgage Corporation Limited and an independent non-executive director of MTR Corporation Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, Chuang's China Investments Limited (also acts as Chairman), ITC Corporation Limited, ITC Properties Group Limited (also acts as Vice Chairman), Titan Petrochemicals Group Limited, Country Garden Holdings Company Limited, Hsin Chong Construction Group Limited, Hop Hing Group Holdings Limited, SJM Holdings Limited, Kosmopolito Hotels International Limited and China Resources Cement Holdings Limited, all of which are companies whose shares are listed on the Hong Kong Stock Exchange. He is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both of the trusts are listed on the Hong Kong Stock Exchange. Moreover, he was a director of See Corporation Limited, a listed public company in Hong Kong, up to his resignation on 1 October 2008. Mr Shek was awarded the Silver Bauhinia Star by the Government of the HKSAR in 2007.

Senior Management

Mr Chow Tak Wing

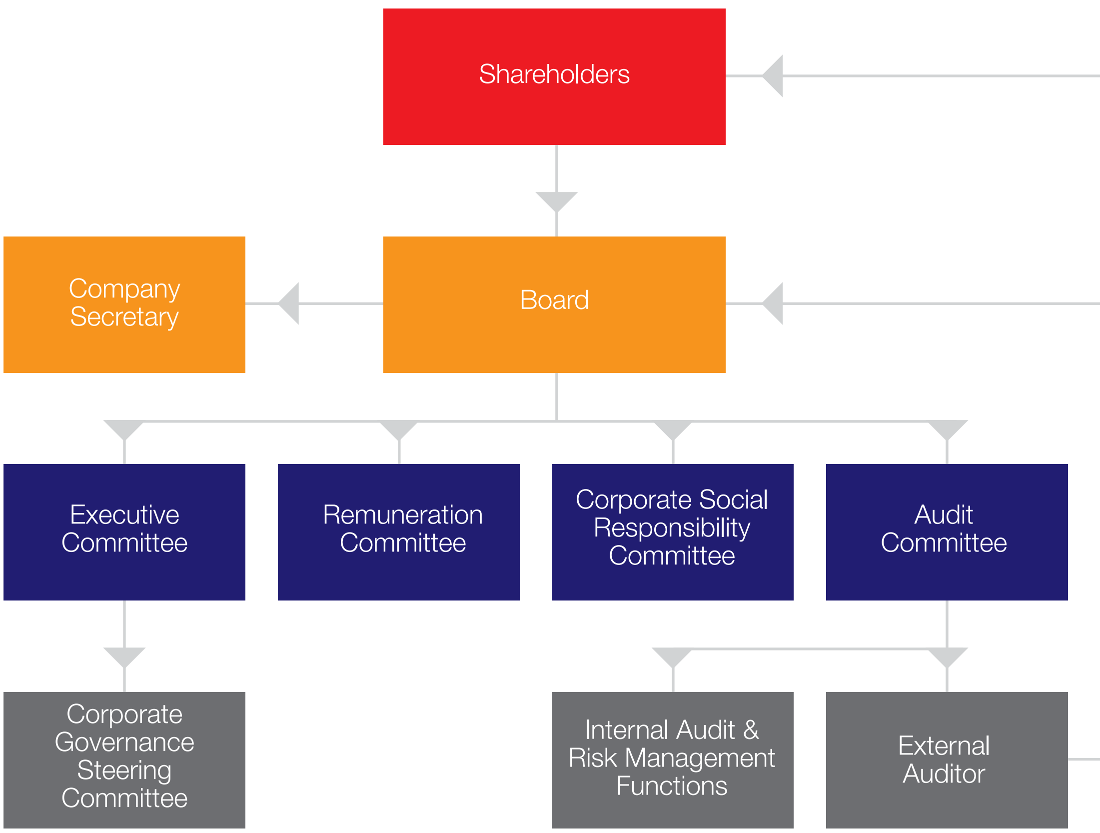
Group Financial Controller and Company Secretary

Mr Chow (44) joined the Company in 2002 and was appointed as Company Secretary of the Company in October 2004. He is also the Group 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 Accountants (UK). He has over 20 years' experience in accounting and financial management and corporate governance. Prior to joining the Group, he was a manager of an international accounting firm and senior executive of several Hong Kong listed public companies.

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining a high standard of corporate governance practices within the Group and devotes considerable effort to identify and formalize best practices. We believe that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholders' value.

Set out below is the corporate governance framework of the Group:



Certain guidelines, policies, and procedures were formulated by the Board for supporting the Group's corporate governance framework including the "*Director's Manual*", "*Corporate Governance Manual*", "*Guidelines on Internal Control System*", "*Risk Management Manual*", "*Corporate Policy on Staff Responsibility*" and the terms of reference for various board committees. These documents are reviewed regularly by the Board and the relevant board committees and are updated in line with the amendments of applicable legislations and rules as well as the current market practices.

Compliance with the Code on Corporate Governance Practices

Throughout FY2011, the Company has fully complied with all the applicable code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules.

In addition, the Company has made effort in following the recommendations as set out in the recommended best practices contained in the CG Code so as to enhance the corporate governance standard within the Group. The following actions were taken by the Company for implementing some of the recommended best practices within the Group:

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

- Every board committee has its own written terms of reference which includes similar principles, procedures and arrangements as set out in the code provisions from A.1.1 to A.1.8 of the CG Code.

- The Chairman of the Board plays an active role in facilitating the effective operation of the Board. Draft agenda of each Board meeting is reviewed by the Chairman prior to the meeting. Chairman invites all Board members to express their opinion on the business operations and the corporate governance practices of the Group in every Board meeting so that they would contribute their expertise to the Board and provide constructive ideas for the management.

- The Chairman of the Board invites shareholders of the Company to raise their queries at the annual general meetings of the Company. Shareholders' enquiries, either received by telephone or by email, are properly attended by the Company Secretarial Department and are addressed to the Executive Committee, if necessary.

- The Company's website includes an updated list of directors of the Company in which their roles in the Board and memberships in the board committees are clearly stated. Besides, all updated information regarding the activities and publications of the Group is also included in the Company's website in order to provide comprehensive information of the Group for the shareholders of the Company as well as the general public.

- The Company includes in the "*Corporate Governance Manual*" a provision to govern the tenure in re-election of independent non-executive directors. Any appointment of such independent non-executive directors, who have served more than nine years, shall be subject to a separate resolution to be approved by the shareholders of the Company.

- For continuous professional development of the Company's directors and senior executives, the Company organizes training courses and seminars for them from time to time. A wide range of training courses were provided in particular courses relating to corporate governance practices.

- Non-executive directors play an active role in participation of the board committees. Except for the Executive Committee, all board committees consisted of at least one non-executive director and they have made significant contribution of their skills and expertise to these committees.

- The Company provides a formal letter of appointment for each of its directors which sets out key terms and conditions in relation to their appointment.

Securities Transactions of Directors and Relevant Employees

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code. Having made specific enquiry of all directors, the Company is satisfied that they have complied with the required standards of the said code during FY2011. Securities interests in the Company and its associated corporations held by each of the directors of the Company are disclosed in the Report of Directors on pages 57 to 60 of this annual report.

Moreover, following specific enquiry by the Company, all relevant employees have confirmed that they complied with the standard set out in the "*Code for Securities Transactions by Relevant Employees*" during FY2011.

Formal notifications are sent by the Company to its directors and relevant employees reminding them that they should not deal in the securities of the Company during the "black-out period" specified in the Model Code.

The Board

The primary role of the Board is to protect and enhance long-term shareholders' 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 13 members whose biographical details are set out on pages 10 to 15 of this annual report. An updated list of directors of the Company containing biographical information and identifying the independent non-executive directors is maintained on the website of the Company.

The Company provides extensive background information about its history, mission and businesses to its directors. Directors are also invited to visit the Group's operational facilities from time to time and to meet with the management for gaining better understanding of business operations of the Group. Furthermore, the Board has separate and independent access to the senior management and the Company Secretary at all times. With prior request to the Company Secretary, the Board is given access to independent professional advice any time when it thinks appropriate.

Board Meetings

The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate.

During the year, four Board meetings were held and the Company has given to the directors of not less than 14 days' notices for regular Board meetings. Draft agenda for Board meetings is prepared by the Company Secretary and is circulated to all directors for comment before the meetings. They are given an opportunity to include any other matters in the agenda for all Board meetings. The agenda, together with Board papers, are sent in full to the directors at least four business days before the intended date of the Board meeting.

Minutes of Board meetings are prepared by the Company Secretary with details of decisions reached, any concerns raised and dissenting views expressed. The draft minutes are sent to all directors within a reasonable time after each meeting for their comment before being formally signed by the chairman of the meeting. Copies of the final version of board minutes are sent to the directors for information and record.

At each regular Board meeting, executive directors of the Company make report to the Board on various aspects, including the business performance, financial performance, corporate governance and outlook, etc. A written report reviewing all the key operational aspects of the Group is provided to all members of the Board before each regular Board meeting to enable them to make informed decisions for the benefit of the Company.

Pursuant to the bye-laws of the Company, a director, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement of the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered. Furthermore, a director shall not vote (nor be counted in the quorum) on any resolution of the directors in respect of any contract or arrangement or proposal in which he or any of his associate(s) is to his knowledge materially interested. Matters to be decided at Board meetings are decided by a majority of votes from directors allowed to vote.

The attendance record of each of the directors for the Board meetings, the board committees meetings and general meetings held during FY2011 is listed as follows:

	Meetings attended / held				
Name of director	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Corporate Social Responsibility Committee meeting	General meeting
Executive directors:					
Dr Cheng Kar Shun, Henry	4/4	–	–	–	3/3
Mr Tsang Yam Pui	4/4	–	1/1	2/2	3/3
Mr Wong Kwok Kin, Andrew (Note 1)	0/4	–	–	–	0/3
Mr Lam Wai Hon, Patrick	4/4	4/4 (Note 2)	1/1	2/2	3/3
Mr Cheung Chin Cheung	4/4	–	–	–	3/3
Mr William Junior Guilherme Doo	4/4	–	–	2/2	2/3
Mr Cheng Chi Ming, Brian	4/4	–	–	–	2/3
Non-executive directors:					
Mr Doo Wai Hoi, William	4/4	–	–	–	0/3
Mr Wilfried Ernst Kaffenberger	4/4	–	–	–	3/3 (Note 3)
Mr To Hin Tsun, Gerald	4/4	–	–	–	0/3
Mr Dominic Lai	4/4	4/4	–	2/2	0/3
Independent non-executive directors:					
Mr Kwong Che Keung, Gordon	4/4	4/4	1/1	–	3/3
Dr Cheng Wai Chee, Christopher	4/4	4/4	1/1	–	0/3
Mr Shek Lai Him, Abraham	4/4	4/4	1/1	–	2/3

Notes:

1. Mr Wong Kwok Kin, Andrew resigned as executive director of the Company with effect from 1 August 2010.
2. Mr Lam Wai Hon, Patrick attended the Audit Committee meetings as an invitee.
3. Three general meetings were attended by the alternate director to Mr Wilfried Ernst Kaffenberger.

Board Committees

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. Four board committees have been established and each of them has its specific duties and authorities setting out in its own terms of reference.

(a) *Executive Committee*

The Executive Committee serves as an executive arm of the Board to review the Group's performance and manage its assets and liabilities in accordance with the policies and directives of the Board. It also makes recommendation to the Board in respect of the overall strategy for the Group from time to time.

Members of the Executive Committee comprise all executive directors of the Company including Dr Cheng Kar Shun, Henry (Chairman), Mr Tsang Yam Pui, Mr Lam Wai Hon, Patrick, Mr Cheung Chin Cheung, Mr William Junior Guilherme Doo and Mr Cheng Chi Ming, Brian.

(b) *Audit Committee*

The major responsibilities of the Audit Committee are to monitor the financial reporting process of the Company and to review the Company's financial control, internal control and risk management systems. It also governs the engagement of external auditor and its performance. The Audit Committee meets regularly with at least two meetings annually. It also has separate meeting with the Company's external auditor at least once a year with the absence of the management.

Members of the Audit Committee comprise three independent non-executive directors of the Company, namely, Mr Kwong Che Keung, Gordon (Chairman), Dr Cheng Wai Chee, Christopher and Mr Shek Lai Him, Abraham, and a non-executive director of the Company, namely, Mr Dominic Lai.

Written terms of reference of the Audit Committee are in line with the CG Code and are available on the Company's website.

During FY2011, the Audit Committee reviewed the audited financial statements of the Company for FY2010 and the interim results of the Company for FY2011. It also reviewed the system of internal control of the Company, the internal audit plan of the Group for FY2011 and FY2012 and the internal audit reports prepared by the Group Audit & Management Services Department of the Company ("GAMS"). The audit plans from external auditor and its remuneration were reviewed by the Audit Committee and recommendation was made on the re-appointment of the external auditor. Manpower of the Group's finance team was also reviewed by the Audit Committee.

(c) *Remuneration Committee*

The Remuneration Committee is mainly responsible for reviewing and making recommendation 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. Remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments are determined by the Remuneration Committee.

Members of the Remuneration Committee comprise two executive directors of the Company, namely Mr Tsang Yam Pui (Chairman) and Mr Lam Wai Hon, Patrick, and three independent non-executive directors of the Company, namely, Mr Kwong Che Keung, Gordon, Dr Cheng Wai Chee, Christopher and Mr Shek Lai Him, Abraham.

Written terms of reference of the Remuneration Committee are in line with the CG Code and are available on the Company's website.

During FY2011, the Remuneration Committee reviewed the remuneration policy, structure and packages for directors and senior management. Recommendations regarding the directors' fee and other allowances for FY2011 and the remuneration package of executive directors were made by the Remuneration Committee to the Board. The performance-based remuneration of the Group was also reviewed.

(d) *Corporate Social Responsibility Committee*
The Corporate Social Responsibility Committee is responsible for formulating the social responsibilities strategies and policies of the Group and 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.

Members of the Corporate Social Responsibility Committee comprise Mr Tsang Yam Pui (Chairman), Mr Lam Wai Hon, Patrick, Mr Cheung Chin Cheung, Mr William Junior Guilherme Doo, Mr Dominic Lai, Ms Cheung Yat Sum, Maria and Ms Lam Yuet Wan, Elina.

Non-executive Directors

Coming from diverse business and professional backgrounds, the non-executive directors of the Company have shared their valuable experiences to the Board for promoting the best interests of the Company and its shareholders. They 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.

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

Remuneration of Directors

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. The Company's Human Resources Department assists the Remuneration Committee by providing relevant remuneration data and market conditions for the Remuneration Committee's consideration. The remuneration of executive directors and senior management of the Company is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions. Remuneration is performance-based and coupled with an incentive system is competitive to attract and retain talented employees.

The emoluments paid to each director for FY2011 are shown in note 15 to the financial statements on pages 117 and 118 of this annual report.

Nomination, Appointment and Re-election of Directors

The Company has not established a nomination committee and the role and function of this committee is 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.

Newly appointed directors receive a director's manual from the Company which contains a package of orientation materials on the operations and businesses of the Group, together with information relating to duties and responsibilities of directors under statutory regulations and the Listing Rules. The Company Secretary updates directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties.

Pursuant to the 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.

None of the directors of the Company has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Responsibilities for Financial Reporting and Disclosures

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. The directors consider that in preparing financial statements, the Group ensures statutory requirements are met and applies appropriate accounting policies that are consistently adopted and makes judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group. They consider that the Group has adequate resources to continue in operational existence for the foreseeable future and are not aware of material uncertainties in relation to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Group's financial statements have accordingly been prepared on a going concern basis.

The Board is aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of price sensitive information, announcements and financial disclosures and authorizes their publication as and when required.

Internal Control and Risk Management

The Board is responsible for ensuring that a sound and effective internal control is maintained, while management ensure the sufficient and effective operational controls over the key business processes are properly implemented with regular review and update.

The Board believes that an effective and efficient internal control system will enable the Company to respond appropriately to significant business, operational, financial, compliance and other risks in achieving its objectives. This includes the safeguard of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed. Furthermore, it helps ensure the quality of internal and external reporting within the Group and the compliance with applicable laws and regulations, and also internal policies with respect to the conduct of businesses of the Group.

The Company has in place an integrated framework of internal control which is consistent with the principles outlined in the "*Internal Control and Risk Management – A Basic Framework*" issued by the Hong Kong Institute of Certified Public Accountants as illustrated below:

Monitoring
- Ongoing assessment of control systems' performance.
- Internal audits performed by GAMS.

Information and Communication
- Information in sufficient detail is provided to the right person timely.
- Channels of communication across the Group and with customers, suppliers and external parties.
- Channels of communication for people to report any suspected improprieties.

Control Activities
- Policies and procedures for ensuring management directives are carried out.
- Control activities include performance review, segregation of duties, authorization, approvals, physical count, access control, documentation and records, etc.

Risk Assessment
- Identification, evaluation and assessment of the key risk factors affecting the achievement of the Company's objectives are performed regularly.
- Undertake proper actions to manage the risks so identified.

Control Environment
- Channels to communicate the Company's commitment to integrity and high ethical standards to the staff are established.
- Organizational chart and limits of authority are set and communicated to staff concerned.
- Reporting lines in accordance with organizational chart and line of authority are set.

Effectiveness and efficiency of operations

Reliability of financial reporting

Compliance with applicable laws and regulations

We have the "*Guidelines on Internal Control System*" for enhancing the internal control and risk management within the Group. Under the "*Guidelines on Internal Control System*", key aspects of internal control are identified and guidelines and procedures are provided for helping subsidiaries to conduct the control works.

The Board has conducted a review on the effectiveness of the system of internal control of the Group for FY2011. The review covers the areas of control environment, risk assessment, control activities, information and communication and monitoring within the Group. Management of all subsidiaries are required to submit to GAMS an Internal Control Compliance Certificate and an Internal Control Assessment Checklist for reporting the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations half-yearly. Executive directors of the Company would also submit a written report on the effectiveness of the Group's internal control system to the Audit Committee for review half-yearly.

In addition to the above, the Board also monitors the Group's internal control through the GAMS. Staffed by seven professionals, GAMS is responsible for reviewing the major operational, financial, compliance and risk management control of the Group on a continuous basis. GAMS schedules its work in an internal audit plan which is reviewed by the Audit Committee annually. The audit plan is derived from risk assessment basis and is aimed at covering each significant unit in which the Group involves in day-to-day management within a reasonable period.

Internal audit reports are submitted to the Audit Committee regularly. Key audit findings are presented in Executive Committee meetings and diligently followed up. Management is responsible for ensuring appropriate actions are taken to rectify any control deficiencies highlighted in the audit reports within a reasonable period. GAMS reports the status of internal audit findings to the Audit Committee half-yearly. Besides, GAMS also follows up the implementation progress of internal control recommendations given by the external auditor to the Group to ensure any issues noted are properly resolved within a reasonable period.

Risk management is an essential part of corporate governance. Effective risk management facilitates the Group's business development and operation by setting the appropriate risk appetite, maintaining an optimal risk level and most importantly, proactively managing risks.

While the Group's risk management is the responsibility of every management and embedded in daily operation of every business unit and staff, Risk Management Department of the Company ("RMD") acts as a central promoter, facilitator and communicator on areas concerning the Group's risk management.

The Group identifies and assesses risks both at Group and individual business unit levels. In FY2011, RMD oversaw the Group's risks in actual and potential legal cases, insurance coverage and claims, business performance, tendering, Capex transactions and investment. It reviewed relevant information from business units and submitted reports to the Executive Committee on a regular basis. Recommendations on risk responses were provided as well.

RMD and GAMS monitor and update the Group's risk profile and exposure, and review the effectiveness of the Group's system of internal control in mitigating risks. They collaborate to enhance the risk resilience of business units by assuring proper execution of risk management measures set up following risk assessment exercises.

In addition, RMD has provided various risk management tools, such as "*Business Continuity Management Implementation Guide*" as well as a risk assessment checklist which supplements the Group's Internal Control Assessment Checklist, to substantiate the Group and its business units' compliance with Listing Rules' requirements on risk management.

The Group strives to enhance risk awareness and resilience of business units through education and promotion. To this end, about 14 classes on risk management related topics were conducted for over 150 management staff in FY2011. In addition, market news, management tools, training materials and other information on risk management were shared with staff via the Group's intranet and staff newsletter.

External Auditor

The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditor subject to endorsement by the Board and final approval and authorization by the shareholders of the Company in general meetings. The existing auditor of the Company, who is also the Group's principal auditor, is PricewaterhouseCoopers who was first appointed in 2000. PricewaterhouseCoopers adopts a policy of rotating every seven years the engagement partner servicing their client companies and the last rotation took place during FY2010. The reporting responsibilities of PricewaterhouseCoopers are stated in the Independent Auditor's Report on page 78 of this annual report.

Total auditor's remuneration for FY2011 in relation to statutory audit work of the Group amounted to HK$16.0 million (2010: HK$20.8 million), of which a sum of HK$15.4 million was paid to PricewaterhouseCoopers. The remuneration paid to PricewaterhouseCoopers and its affiliated firms for services rendered is listed as follows:

	2011 **HK$'m**	2010 HK$'m
Statutory audit	**15.4**	19.8
Non-audit services (Note)	**3.9**	3.6
	19.3	23.4

Note: Non-audit services comprise primarily accounting, tax advisory and other related services.

A resolution for re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming annual general meeting.

Review of Audited Financial Statements

The Audit Committee reviewed the audited financial statements of the Group for FY2011 and the accounting principles and practices adopted by the Group.

Shareholders' Rights

The Board recognizes the importance of communication with the Company's shareholders. The "Key Information For Shareholders" section contained in this annual report provides comprehensive information regarding the Company's results and share price performance, shareholding structure, dividend policy and financial calendar.

Moreover, the annual general meeting of the Company provides an opportunity for face-to-face communication between the Board and the shareholders of the Company. Shareholders are welcome to raise any query in relation to the Group's businesses at the annual general meeting.

The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Company's bye-laws, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Shareholders who hold not less than one-tenth of the paid up capital of the Company shall have the right, by written requisitions to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The procedures for shareholders to put forward proposals at general meetings are clearly set out in the relevant notices of general meetings. Any vote of shareholders at a general meeting must be taken by poll and the Company will announce the results of the poll in the manner prescribed under the Listing Rules.

Chairman of each of the board committees, or failing the Chairman, any member from the respective committees, must attend the annual general meetings of the Company to address shareholders' queries. External auditor is also invited to attend the Company's annual general meetings and is available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

Shareholders may at any time change their choice of language (English or Chinese or both) or means of receipt (printed copies or through the Company's website) of corporate communications by writing to the Company's branch share registrar in Hong Kong.

Investor Relations

NWS Holdings attributes strategic importance in upholding the highest standard of corporate governance and maintaining effective communication with shareholders and financial community. To this end, the Company maintains a constant dialogue with investors and analysts to facilitate transparent, timely and accurate disclosure of information including operating performance, strategies and latest developments.

The Company's investor relations team comprising executive directors and senior management maintains an open dialogue with potential and existing shareholders, research analysts and fund managers. During FY2011, the team took part in 50 one-on-one meetings or conferences and hosted 76 road-shows in Macau, London, Edinburgh, Tokyo, New York, San Francisco, Singapore, Hong Kong and Beijing. To ensure that the market has up-to-date information at its disposal, analyst meetings in connection with the results announcement are arranged as soon as practicable.

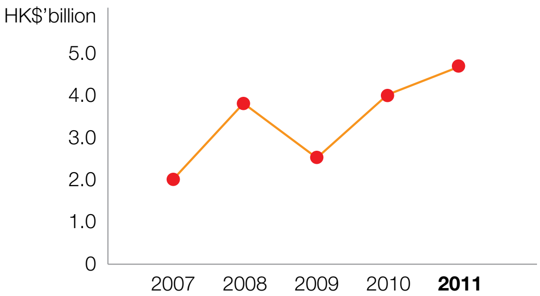
The fact that the Company is widely covered by leading research institutions including BNP Paribas, BOC International, Citigroup, CLSA, Credit Suisse, Macquarie Securities, Nomura International and UOB Kay Hian is a good reflection of our openness and willingness in establishing two-way communication with institutional investors.

With a firm belief in the principles of equality and fairness, the Company utilizes a wide spectrum of communication channels with potential and existing stakeholders, including the Investor World section of the Company's website www.nws.com.hk, e-news alerts, press releases, results announcements, interim and annual reports to keep them abreast of the Group's latest developments.

KEY INFORMATION FOR SHAREHOLDERS

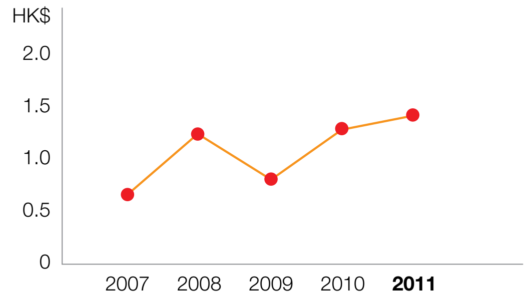
Profit Attributable to Shareholders

for the year ended 30 June



Earnings Per Share – Basic*

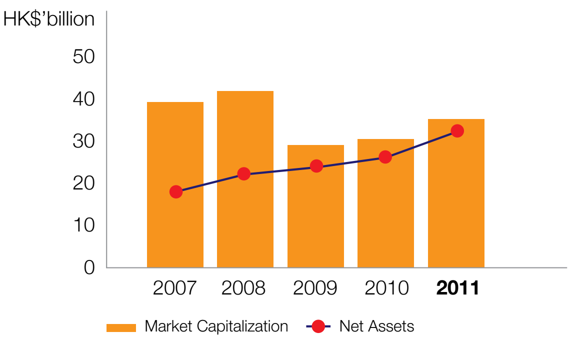
for the year ended 30 June



* 2007 to 2010 figures were adjusted for the bonus issue of shares in FY2011.

Market Capitalization and Net Assets

as at 30 June



Share Price Movement

for the period from 1 July 2010 to 30 June 2011

Note: Share prices for the period from 1 July 2010 to 15 November 2010 were adjusted due to the bonus issue of shares of the Company in FY2011 pursuant to the daily quotations sheets of the Hong Kong Stock Exchange.

Analysis of Shareholding Structure

as at 30 June 2011

Category	Number of shares	Percentage of total issued share capital	Percentage of total number of shareholders
NWD and its subsidiaries	2,025,552,908	59.79%	0.60%
Chow Tai Fook Enterprises Limited	89,747,839	2.65%	0.12%
Directors	48,708,901	1.44%	1.09%
Individuals	24,052,037	0.71%	94.77%
Institutions, corporates and nominees	1,199,549,070	35.41%	3.42%
Total	3,387,610,755	100.00%	100.00%

Note: The total number of registered shareholders of the Company as at 30 June 2011 was 827.

Stock Code

659 (Listed on the Main Board of the Hong Kong Stock Exchange)

Board Lot

1,000 shares

Shareholder Services

Any matter in relation to the transfer of shares, change of name or address, or loss of share certificates should be addressed to the Company's branch share registrar as follows:

Tricor Standard Limited
26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong
Tel: 2980 1333
Fax: 2810 8185

Dividend Policy

Subject to the financial performance of the Company, we expect to pay two dividends each financial year. Barring unforeseen special circumstances, the Company intends to maintain a dividend payout ratio at approximately 50%.

Dividend per share (HK$)

Year	Interim	Final	Total	Payout ratio
2007	0.25	0.30	0.55	55.1%
2008	0.55	0.40	0.95	50.8%
2009	0.20	0.42	0.62	50.7%
2010	0.62	0.33	0.95	50.6%
2011	0.37	0.33	0.70	50.7%

Financial Calendar

Announcement of 2011 final results	28 September 2011

For ascertaining shareholders' right to attend and vote at the 2011 annual general meeting of the Company ("AGM"):

Book close dates (both days inclusive)	17 to 21 November 2011
Latest time to lodge transfers	4:30 pm on 16 November 2011
Record date	21 November 2011
AGM	21 November 2011

For ascertaining shareholders' entitlement to the proposed final dividend:

Book close date	25 November 2011
Latest time to lodge transfers	4:30 pm on 24 November 2011
Record date	25 November 2011
Final dividend payment date	on or about 29 December 2011

Annual Report

To ensure all shareholders have equal and timely access to important company information, the Company makes extensive use of the Company's website to deliver up-to-date information. This annual report is printed in both English and Chinese and is available on our website at www.nws.com.hk. Shareholders may at any time change their choice of means of receiving the Company's corporate communications free of charge by notice in writing to the Company's branch share registrar, Tricor Standard Limited.

AGM

The AGM will be held on 21 November 2011. Details of the AGM are set out in the notice of the AGM which constitutes part of the circular to shareholders sent together with this annual report. Notice of the AGM and the proxy form are also available on our corporate website.

SUSTAINABILITY

Sustainability is at the heart of our business philosophy. We strive to build an eco-friendly environment and a harmonious community together with the stakeholders in the society we live in, and continue to be the employer of choice through adopting Corporate Social Responsibility principles in our business practices.


GROWING
WITH THE
COMMUNITY

EMBRACING TALENTS' NEEDS, WINNING TALENTS' HEARTS

Staffed by a dedicated team of approximately 27,000 staff members, NWS Holdings always perceives human capital as a key factor to long-term business success. Our philosophy of human capital management can be best described as three "C"s – Caring for staff, Creative initiatives and Compassionate policies.

Caring for staff

We treat our staff like family members and therefore we stress the importance of sharing joyful events. For example, a birthday party is held every month for staff to relax and share such memorable moments; individual birthday stars also receive red pocket money as a small token from the Company.

In addition, "Fruit for Care" campaign is held every year to promote a balanced diet and healthy lifestyle. A wide range of sports and recreational activities such as dart competition, low-carbon cooking contest, hiking and wine tasting classes are organized to encourage a better work-life balance.

We offer staff members attractive compensation packages composed not only of salaries and bonus, but also all-round medical and dental benefits as well as insurance policies. Free influenza vaccination is also provided as a preventive measure. Staff are welcome to include their spouses and children in the Group's insurance policies at preferential rates.

Creative initiatives

NWS Holdings is proud of the scale and diversity of the events we held. NWS Adventure Day is organized for staff and family members to relax and have fun. It attracts more than 2,000 staff and family members by numerous game booths and exciting variety shows.

NWS Awards Presentation Ceremony further emphasizes the importance we place on those who have made a significant and exceptional contribution to the Group's success. The award winners' family and friends will be invited to join the awards presentation ceremony and share the splendid moment together. Throughout the years, we are delighted by the overwhelming responses of their families, especially by the enthusiasm of those who came all the way from Mainland China and Macau to attend the ceremony.

Compassionate policies

NWS Holdings believes that work and family life are not mutually exclusive, but complementary to each other. Our flexibility and compassion extend beyond work to our staff's families. For example, three-day paternity leave is offered to fathers of new-born babies so that they can share the most precious moment in life with their loved ones.

NWS Holdings launched "Fruit for Care" campaign in 2010 again, in which seasonal fresh fruits were delivered to Corporate Office's staff each day to raise their awareness of balanced diet

The marvelous variety shows on NWS Adventure Day attracted the participation of more than 2,000 staff and family members

Participants practised team building skills via active engagement in an in-class exercise

Staff enjoyed a half-day off to go hiking at Cheung Chau and had a taste of fresh seafood in NWS Corporate Outing

To encourage our staff to take part in continuous learning, all employees are entitled to three-day paid examination leave each year. In addition, one day of paid birthday leave, three days of paid marriage leave and three days of paid bereavement leave are granted to our employees in these special circumstances.

Moreover, the Group implemented five-day week back in 2006 to allow more time for individuals to engage in further studies, volunteer services, as well as family and sports activities.

Promoting life-long learning and development

NWS Holdings endeavours to foster a culture of continuous learning and talent development. The Corporate Office's Training and Development Department provides plenty of training opportunities for staff at every level. In FY2011, about 850 staff members participated in 47 training classes, visits or seminars. Nearly 3,000 of these training hours covered a wide range of topics including management, legal and financial knowledge, innovation, Enneagram and other soft skills. External professionals like lawyers, business consultants, information technology experts and psychologists were engaged to provide specialized trainings to staff.

Staff demonstrated excellent team spirit and sportsmanship in the volleyball competition

Apart from training courses for career development, more relaxing luncheon talks on soft topics such as wedding planning, healthcare and investment were arranged for staff. The book exchange fairs held by the NWS Reading Club, which encouraged knowledge sharing, were well received by staff.

Member companies of the Group have also offered 1,306 training sessions or 90,045 hours of training to 10,709 staff members.

Being part of the New World Group, NWS Holdings has engaged actively in the former's training and development initiatives including the Annual Management Forum on "A Journey in Pursuit of Quality Excellence" held in July 2011; the New World Star Executive Development Programme, a 16-month training programme tailor-made for the New World Group's executives and powered by the Richard Ivey School of Business of the University of Western Ontario; the Accelerating Management Talent Programme, a six-month talent development programme for senior management focusing on sharing and interaction with external parties; and a customized training programme on "Pursuit of Quality in Work Process and Business Performance".

A rewarding year

In return for our unremitting efforts in promoting staff wellness, NWS Holdings has won employees' loyalty and recognition from many external professional organizations. In year 2010, we were awarded the Best Practices in Mentoring Program Development category in the Best Practice Awards by the Best Practice Management Group and Best Work Life Balance Practices in the HRM Awards 2010 Hong Kong by an international publishing media, Key Media International Ltd.

As we move forward, we will continue to enrich our human assets and ensure that our people can take real pride in being part of NWS Holdings' success.

COMMUNITY CARE

ADDRESSING SOCIAL NEEDS WITH NEW ASPIRATIONS

Regarding Corporate Social Responsibility ("CSR") as an integral part of its corporate culture, NWS Holdings has always been engaging in community services which span over different social groups. Besides joining hands with non-profit organizations in helping the underprivileged, an array of self-initiated volunteering schemes was launched to make a difference. Through such servicing opportunities, members of the corporate volunteer team, NWS Volunteer Alliance, were able to unleash their energy and power to lighten up more lives.

Keeping an eye on worthy causes

Being the first corporation to organize interpretation tours to raise public awareness of geoconservation, the Group proudly presented NWS Hong Kong Geo Wonders Hike, with sponsorship from NWS Holdings Charities Foundation Limited, for its third consecutive year in November 2010. A series of hiking activities and "I ❤ Hong Kong Geo Wonders" video competition were launched with an aim to promote the appreciation of geodiversity and the importance of sustainable development of geological resources in Hong Kong. Riding on this large-scale public guided tour event, we also showed its care and concern for the underprivileged by arranging six interpretation tours for them to enjoy exploring spectacular landforms in Hong Kong.

The Group's vision for enhancing community environment is never confined to the locals. In support of Gansu Province mudslide emergency relief work, the Group promptly donated HK$100,000 to UNICEF in August 2010 for its vaccination campaign, which protected vulnerable children and families against preventable diseases.

As a responsible corporate citizen and a member of Caring Company Patron's Club, we shared our CSR experience with other business counterparts through various platforms during the year.

Corporate volunteering with hearts and talents

It is always more blessed to give than to receive, so the Group unceasingly promotes the giving and sharing culture. To celebrate the eighth anniversary of the First Trading Day of NWS Holdings, NWS Caring Day 2011 was held on 12 February 2011 where social harmony was well-demonstrated. More than 130 management and staff members from the Group's Corporate Office and seven member companies visited the psychiatric rehabilitants at Caritas Jockey Club Lai King Rehabilitation Centre. Volunteers delivered some 600 pieces of warm clothes and 2,000 origami cranes, which represented hopes and best wishes, to the

NWS Hong Kong Geo Wonders Hike 2010-11 organized an interpretation tour for teenagers and their families from Tin Shui Wai to explore the unique landforms in Hong Kong National Geopark

NWS Volunteer Alliance Dancing Team taught healthy Chinese dance to the psychiatric rehabilitants and staff members on NWS Caring Day 2011

Under the Life Rejuvenation Scheme 2011 — Cheer · Together, NWS Volunteer Alliance members celebrated the birthdays of South-Asian children with birthday cakes and interesting games

A mentor of "Stand by You" Mentorship Programme taught his mentee haircutting skills for the elderly

beneficiaries in celebration of the Chinese New Year. It is the active participation and hearty blessings of the volunteers that counts.

In the year-long community project, Life Rejuvenation Scheme 2011 — Cheer · Together, jointly organized by the Group and Methodist Centre Aldrich Bay Integrated Children & Youth Services, volunteers and the South-Asian children and their families established strong ties with each other. Activities such as festive celebrations, birthday parties, handcraft workshops and outings were organized for the ethnic minorities to facilitate their integration into the community. With volunteers' care and guidance, the beneficiaries fully experienced Hong Kong traditions and customs throughout the programme.

Several volunteer talented groups provided diversified services that unveiled volunteers' talents. In August 2010, NWS Volunteer Alliance Dancing Team was set up and incorporated Chinese dance into a wide range of community work, benefitting the elderly, psychiatric rehabilitants and heart disease patients. Besides, the Clown Team brought laughter and joy to the Mid-Autumn festival celebration event, which was co-organized by the Group and YWCA Ming Yue District Elderly Community Centre for the ninth consecutive year in September 2010. They also took the initiative to teach the younger generation balloon-twisting skills, which will in turn spread positive impact around.

Passing the spirit on

Children and youth are future leaders of Hong Kong. The Group was glad to launch the second phase of the "Stand by You" Mentorship Programme with Hong Kong Playground Association and provided mentoring to youth-at-risk. In the six-month programme, mentors and mentees joined volunteering work together, such as providing haircutting services and paying visits to the elderly. Through this kind of meaningful volunteering work, the youths' lives were enriched.

Another volunteer activity, namely the Fairy Mentorship Programme, was jointly held by NWS Volunteer Alliance and Hans Andersen Club in 2008. Fairy mentors and mentees together participated in community services and gatherings to strengthen their bondings. Such experience encouraged the beneficiaries to pave the way for future and to live a better life.

Unremitting support for Fair Trade

Fair Trade Fortnight, an annual event organized by Fair Trade Hong Kong to promote fair and ethical trading values, received the Group's tremendous support this year again. Apart from serving fair-trade products at the Monthly Employee Birthday Party in March 2011 and providing fair-trade tea bags for office staff; a fair-trade wine tasting session was also held.

Fruitful achievements give a warm boost

In recognition of NWS Volunteer Alliance members' outstanding contributions to the community, they garnered a number of volunteering awards, including The Outstanding Second Career Award from the Lion Rock Junior Chamber and Tung Wah Group of Hospitals, and one of the outstanding families under Social Welfare Department's Best Family Volunteers Recognition Scheme. We were also honoured to receive Silver Award in the Corporate Volunteer Team category in the Hong Kong Outstanding Corporate Citizen Award from the Hong Kong Productivity Council, showcasing our enormous efforts in building a better community. Committed to upholding CSR, the Group and its 12 member companies were proud to receive the 2010/11 Caring Company Logos again from the Hong Kong Council of Social Service in April 2011.

With concerted efforts and commitment, the Group will continue to take the lead in corporate citizenship and expand the scope of voluntary work.

ENVIRONMENTAL FRIENDLINESS

COMMITMENT IN CARBON REDUCTION FOR SUSTAINABLE DEVELOPMENT

At NWS Holdings, we believe it is our responsibility to play an active role in preserving natural resources. Committed to being a sustainable corporation, we pledge to lead carbon reduction across the Group. We take significant and lasting steps to spread the green message across all member companies and our stakeholders, as we believe the road to sustainability is close at hand when we all share the same value.

Group-wide efforts in environmental conservation

Environmental awareness is one of the key consideration factors throughout the decision-making process of NWS Holdings. The Group sets out clear objectives and implemented practical initiatives for environmental conservation along with business growth. NWS Environmental Committee, comprising senior management of the Group, has taken hold of devising long-term green strategies since its establishment in 2007. The Group's member companies have also adopted the same approach to appoint Green Managers to set specific green targets that fit well with the business model and report the progress regularly every year.

The commitment of upholding environmental conservation from top management is also a strong motivation for NWS Holdings to lead the way towards a low carbon future. The group-wide annual Environmental Seminar aiming to share our sustainability targets and efforts, was held in September 2010 under the theme "Low-carbon Era driven by New Green Solutions" during which best practices for carbon reduction were introduced.

Green measures to minimize carbon emissions

Throughout the year, the Group and its member companies carried out numerous green measures for carbon reduction. For example, New World First Bus Services Limited ("NWFB") and Citybus Limited ("Citybus") invested substantially on fleet replacement to further improve emissions and purchased 163 Euro 5 green buses. Hong Kong Convention and Exhibition Centre ("HKCEC") implemented different environmental measures in its food and beverage outlets, including utilizing biodegradable utensils and promoting eco-friendly alternatives to shark fin soup. Hong Kong Convention and Exhibition Centre (Management) Limited ("HML") also joined the Food Angel food recovery programme in which the unconsumed food in Congress Restaurant was repacked and delivered to people in need.

Green practices are not limited to projects in Hong Kong. Tangjin Expressway (Tianjin North Section)

Environmental Seminar is annually held to promote the Group's targets in sustainability

Euro 5 green buses of NWFB and Citybus

utilized 3,500 tonnes of Crumb Tire Rubber Modified Asphalt, which were produced from 65,000 waste tires, for road maintenance in 2010. Macau Power adopted the stringent European standards to control emissions, reducing more than 84% in NO_x and SO_2 and 36% of CO_2.

Encouraging staff to go green

Apart from putting the comprehensive measures on environmental conservation into business practices, the Group promotes sustainability at workplace. To spread the green message across all staff, various green initiatives took place during the year, such as the Low-carbon Cooking Contest, Love Food Hate Waste Slogan Competition and green birthday party. Besides, a Green Wear Day was held by NWFB and Citybus, New World First Ferry Services Limited and Macau Water Plant. The Group also encourages the staff to adopt green lifestyle. NWS Reading Club organized the book and disc exchange fairs with an aim to promote reusing and recycling of resources. HML even set up a Sky Garden for staff to plant organic vegetable.

Raising the community's awareness

Green actions within the Group are not enough to lead the way toward a green future. We strive to raise the community's awareness of environmental protection. NWS Hong Kong Geo Wonders Hike, aiming at protecting natural landscapes and promoting geoconservation, is one of the major events sponsored by NWS Holdings Charities Foundation for the third year with over 10,000 participants. During the year, three public guided tours were organized and tours to Hong Kong National Geopark were arranged for the underprivileged. "I ❤ Hong Kong Geo Wonders" video competition was also launched to generate a wider participation from the public.

Under the Corporate Sustainability for Schools Programme organized by Business Environment Council, the Group arranged a series of visits for secondary school students to learn more about the Group's best practices and sustainability strategies through environmental-friendly operations.

To echo with carbon reduction, the Group fully supported the Earth Hour staged by World Wide Fund for Nature, as well as Hong Kong Car Free Day organized by Greenpeace.

Seamless efforts earn regional recognitions

NWS Holdings' dedicated efforts in environmental protection brought us various accolades. The Group was proud to be honoured with the following achievements during the year:

A Sky Garden was opened on the roof of HKCEC for staff members to enjoy planting of organic vegetables

NWS Hong Kong Geo Wonders Hike 2010-11, a community-wide event, attracted over 10,000 citizens to take part in

- The Group's Corporate Office was awarded the Carbon"Less"12% Certificate of the Hong Kong Awards for Environmental Excellence ("HKAEE") for reducing 12% or 11 tonnes of carbon emissions during the year.
- A number of member companies garnered Wastewi$e, Energywi$e and IAQwi$e labels of HKAEE.
- Companhia de Electricidade de Macau – CEM, S.A. became the first electricity company in Hong Kong and Macau with the ISO 14064 Greenhouse Gases Management System Certification.
- NWS Hong Kong Geo Wonders Hike won Silver Award under the Environmental Protection category in the Ninth China Golden Awards for Excellence in Public Relations.

Looking ahead, NWS Holdings will continue to play its leading role in environmental protection along with sustainable business growth. Together with our member companies, we will further develop green initiatives to contribute to a low-carbon and eco-friendly environment.

MANAGEMENT DISCUSSION AND ANALYSIS

NWS Holdings' quest for enduring success yielded new records in FY2011. A strong performance is contributed by its defensive and diversified asset portfolio. The Group is well positioned to capture additional value-added investments on the horizon.


Clear focus and strategy paid off
On track to reach new heights
INFRASTRUCTURE
SERVICES

GROUP OVERVIEW

The Group has enjoyed unprecedented success this year and achieved a profit attributable to shareholders of HK$4.627 billion for FY2011, representing an increase of HK$615.1 million or 15%, as compared to HK$4.012 billion for FY2010. Attributable Operating Profit ("AOP") rose by 20% to HK$4.056 billion in FY2011. Infrastructure division generated an AOP of HK$2.067 billion, marking a significant increase of 42% as compared to HK$1.452 billion in FY2010. The AOP of Services division recorded an increase of 3% to HK$1.989 billion.

A gain on fair value of HK$479.9 million from revaluation of investment properties was recognized during FY2011 as a result of a robust property market.

Moreover, the disposal of the Disposal Group recognized a net gain of HK$343.9 million during FY2011. This is in line with the Group's continuing corporate strategy to consolidate its non-core businesses in order to enhance shareholders' value.

Contributions from operations in Hong Kong accounted for 54% of AOP in FY2011 as compared to 57% in FY2010. Mainland China and Macau & others contributed 38% and 8% respectively, as compared to 36% and 7% respectively in FY2010.

Earnings per Share

The basic earnings per share in FY2010 has been adjusted to HK$1.26 due to the issuance of bonus shares in FY2011. The basic earnings per share in FY2011 increased to HK$1.40, representing an increase of 11%.

Contribution by Division

for the year ended 30 June

	2011 HK$'m	2010 HK$'m
Infrastructure	**2,066.9**	1,451.9
Services	**1,989.3**	1,932.2
Attributable operating profit	**4,056.2**	3,384.1
Head office and non-operating items		
Gain on fair value of investment properties	**479.9**	5.5
Gain on disposal of projects, net of tax	**343.9**	944.9
Excess of fair value of net assets acquired over the cost of acquisition of interests of a jointly controlled entity	**26.8**	–
Share of profit from Harbour Place	**1.2**	337.9
Goodwill impairment loss	**–**	(226.4)
Assets impairment loss	**–**	(30.5)
Corporate net exchange gain/(loss)	**109.3**	(4.2)
Corporate interest income	**40.1**	22.7
Corporate finance costs	**(102.8)**	(110.9)
Share-based payments	**(0.5)**	(15.3)
Corporate expenses and others	**(327.3)**	(296.1)
	570.6	627.6
Profit attributable to shareholders	**4,626.8**	4,011.7

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 the Group's financial risks. Management of the Group's financing and treasury activities is centralized at the corporate level. The Group's treasury function regularly reviews the funding requirements in order to enhance the cost-efficiency of funding initiatives. With adequate cash deposits and available banking facilities, the Group maintains a strong liquidity position to provide sufficient financial resources to finance its operations and potential investments.

Liquidity

As at 30 June 2011, the Group's total cash and bank balances amounted to HK$4.501 billion, as compared to HK$5.158 billion as at 30 June 2010. The Group's Net Debt as at 30 June 2011 was HK$2.162 billion, as compared to the Net Cash position of HK$267.3 million as at 30 June 2010. The capital structure of the Group was 17% debt and 83% equity as at 30 June 2011, as compared to 16% debt and 84% equity as at 30 June 2010.

Debt Profile and Maturity

As at 30 June 2011, the Group's Total Debt increased to HK$6.662 billion from HK$4.890 billion as at 30 June 2010. Long-term bank loans decreased to HK$2.764 billion as at 30 June 2011 from HK$3.496 billion as at 30 June 2010, with HK$1.355 billion maturing in the second year and the remainder in the third to fifth year. Bank loans were all unsecured, mainly denominated in Hong Kong dollars and were mainly floating rate interest-bearing. The Group did not have any material exposure to exchange risk other than Renminbi during FY2011. No property, plant and equipment or investment properties were pledged as at 30 June 2011.

Commitments

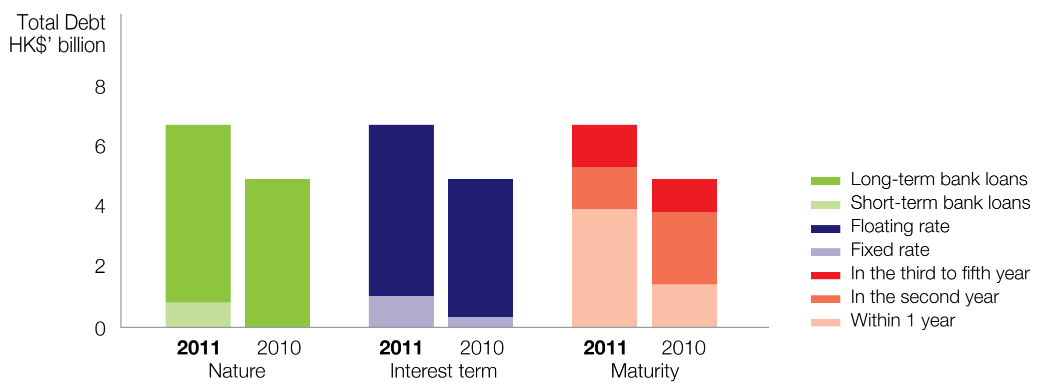
The Group's commitments for capital expenditure were HK$1.390 billion as at 30 June 2011 as compared to HK$2.710 billion as at 30 June 2010. This represented commitment for capital contributions to/acquisition of certain associated companies, jointly controlled entities and listed investments of HK$1.373 billion as at 30 June 2011 as compared to HK$2.097 billion as at 30 June 2010, and commitments for properties and equipment of HK$16.9 million as at 30 June 2011 as compared to HK$613.0 million as at 30 June 2010. The above has excluded the capital commitments of Newton Resources Ltd ("Newton Resources") as at 30 June 2011 which amounted to HK$1.157 billion. The Group's share of commitments for capital expenditure committed by jointly controlled entities was HK$1.083 billion as at 30 June 2011 as compared to HK$982.8 million as at 30 June 2010. Sources of funding for capital expenditure include internally generated resources and banking facilities.

Contingent Liabilities

Contingent liabilities of the Group were HK$753.5 million as at 30 June 2011 as compared to HK$239.0 million as at 30 June 2010. These were composed of guarantees for credit facilities granted to an associated company, jointly controlled entities and related companies of HK$11.9 million, HK$593.1 million and HK$148.5 million respectively as at 30 June 2011 as compared to HK$11.9 million, HK$115.4 million and HK$111.7 million respectively as at 30 June 2010. The Group's share of contingent liabilities of a jointly controlled entity was HK$2.6 million as at both 30 June 2011 and 30 June 2010.

Debt Profile

as at 30 June



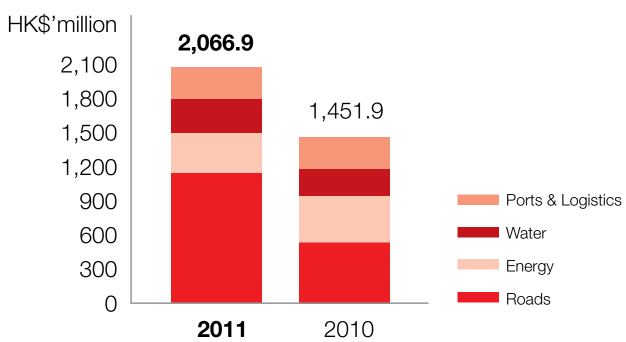
INFRASTRUCTURE

AOP of the Infrastructure division reported a growth of 42% or HK$615.0 million to HK$2.067 billion in FY2011 which was mainly due to the significant AOP increment from the Roads segment.

AOP Contribution by Segment

for the year ended 30 June

HK$'m	**2011**	2010	Change % Fav./(Unfav.)
Roads	**1,134.9**	520.6	118
Energy	**352.4**	420.0	(16)
Water	**297.7**	233.3	28
Ports & Logistics	**281.9**	278.0	1
Total	**2,066.9**	1,451.9	42



OPERATIONAL REVIEW

Roads

The AOP of the Roads segment amounted to HK$1,134.9 million in FY2011, up 118% or HK$614.3 million when compared to FY2010.

The increase in AOP was substantially due to an additional gain of approximately HK$387.5 million mainly on extra profit distribution from Tangjin Expressway (Tianjin North Section) recognized in FY2011. Its average daily traffic flow rose by 35%, partly due to the economic development of the Bohai Rim Region and partly due to traffic diversion to this expressway as other roads in the region were mostly undergoing maintenance during FY2011.

After the partial closure for major repair and maintenance works carried out in FY2010, operation of Guangzhou City Northern Ring Road has returned to normal and reported a traffic growth of 28% in FY2011. Performance of other expressways within the Pearl River Delta Region continued to perform satisfactorily in FY2011. Average daily traffic flow of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and Shenzhen-Huizhou Expressway grew by 9% and 31% respectively. Guangzhou-Zhaoqing Expressway also reported a strong traffic growth of 29% during FY2011 and the opening of phase two in September 2010 had greatly enhanced the project's competitiveness in the region. Guangzhou Dongxin Expressway also commenced operation in December 2010.

Benefitting from the implementation of toll-by-weight policy in March 2010, the AOP contribution from Guangxi Roadways Network increased in FY2011. Its combined toll revenue grew by 20% when compared to FY2010.

The average daily traffic flow of Tate's Cairn Tunnel in Hong Kong rose by 3% in FY2011. The toll increase, which became effective in December 2010, also contributed to its increase in AOP.

Energy

The AOP of the Energy Segment reduced by 16% from HK$420.0 million to HK$352.4 million in FY2011, mainly due to surging fuel costs.

Electricity sales of Zhujiang Power Plants dropped slightly by 2% in FY2011, as a result of lower electricity demand during the Asian Games period. Chengdu Jintang Power Plant, on the other hand, registered an increment of 8% in electricity sales.

AOP from the Group's coal distributor company, Guangzhou Fuel Company, rose significantly on the strength of the booming coal market during FY2011. Its operation has mitigated the impact of fuel costs on the Group's power plants.

Electricity sales of Macau Power reported a stable growth of 3% during FY2011. In November 2010, the concession rights of Macau Power were renewed successfully for 15 years with permitted return reduced from 12% to 9.5% per annum.

Tangjin Expressway (Tianjin North Section)

Chengdu Jintang Power Plant

Tianjin Five Continents International Container Terminal

Water

The AOP of the Water segment increased from HK$233.3 million to HK$297.7 million in FY2011, representing a growth of 28%.

Contribution from water projects in Mainland China continued to serve as the growth engine for the segment. Sales volume of Zhongshan Dafeng and Quanlu Water Plants, Changshu Water Plant and Chongqing Water Plant increased by 8%, 6% and 14% respectively. Water sales revenue also benefitted from the tariff hikes of several water plants since FY2010. Sales volume of Macau Water Plant remained at a similar level when compared to FY2010.

Benefitting from the development of Chongqing and tax exemption on waste water treatment revenue, the AOP from Chongqing Water Group grew satisfactorily during FY2011.

Ports & Logistics

The AOP of the Ports & Logistics segment increased slightly by 1% to HK$281.9 million in FY2011.

The throughput of Xiamen New World Xiangyu Terminals Co., Ltd. rose by 3% to 774,000 TEUs as trade activities rebounded during FY2011. The throughput of Tianjin Five Continents International Container Terminal Co., Ltd. grew by 4% to 1,983,000 TEUs while Tianjin Orient Container Terminals Co., Ltd. dropped by 3% to 863,000 TEUs in FY2011.

ATL Logistics Centre continued to make stable AOP contribution to the Group. Average occupancy rate was maintained at a consistently high level of 96% in FY2011.

In addition to the four existing terminals in Kunming, Chongqing, Chengdu and Zhengzhou, China United International Rail Containers Co., Ltd. ("CUIRC") rolled out another four new terminals in Dalian, Qingdao, Wuhan and Xian during FY2011. These eight terminals of the phase one development formed a network covering both coastal ports and inland regions in Central China. As a result, the total throughput handled by CUIRC increased substantially from 366,000 TEUs in FY2010 to 1,255,000 TEUs in FY2011. Tianjin and Harbin terminals, which form part of the phase two development, are under construction preparation.

BUSINESS OUTLOOK

Comparing with other countries in Asia, Mainland China has been less damaged by the financial tsunami and was able to continue to register strong economic growth. However, with the rapid changing global economic conditions and market sentiments, the business environment is expected to be challenging in FY2012. Tightening of monetary and other policies by the Central Government may slow down the growth rate in Mainland China. However, the Group's balanced portfolio will continue to prove its worth in weathering unfavourable and volatile economic climate and turning challenges into opportunities in order to sustain long term growth.

Roads

In the 12th Five-Year Plan, the reinforcement of expressway network remains an important target for Mainland China. Toll road operators will not only benefit from greater investment opportunities but also a more developed and comprehensive road network. Increasing public concerns on toll rate may attract more government interventions. In June 2011, Five Ministries of the Central Government jointly issued a notification requiring the investigation of all toll roads in relation to excessive toll collection activities to be carried out and completed by May 2012. The Group is currently conducting an internal review of toll roads and based on the preliminary findings to date, the Group does not expect the notification to have a material adverse impact on existing toll revenue.

To capture the high economic growth trend in Tianjin Binhai New Area, Tangjin Expressway (Tianjin North Section) will be expanded from four to six driving lanes and the related construction works will be commenced in FY2012. The recent acquisitions of an aggregate of approximately 58.66% effective interest in Hangzhou Ring Road in the first quarter of FY2012 also extended the Group's footprint to the Yangtze River Delta Region. This operating expressway, which measures 103.4 km in length and has an average daily traffic volume of over 100,000 vehicles, is expected to bring significant AOP and cash flows in the years to come.

Energy

National power consumption has been recovering since the third quarter of 2009 and achieved a satisfactory growth of 12.2% in the first half of 2011 on a period-to-period basis. Coal price has gone up noticeably since the fourth quarter of 2009 while on-grid tariff has been frozen for over a year until April 2011. These will put pressure on the profitability of power producers. In order to secure the coal supply, the Group has acquired 10.5% stake in a coal mine project in Shanxi which will commence operation by the end of 2011.

In Macau, the electricity demand is expected to grow stably in 2011. In November 2010, the concession rights of Macau Power has been renewed for further 15 years. The permitted return mechanism will bring stable AOP to the Group.

Water

Environmental issues will remain as a top priority on the Mainland Government's agenda. The Central Government's increased support for environmental initiatives, such as wastewater and sludge treatment, has created investment opportunities for this segment. Water demand is expected to grow healthily in line with the continuous development in Mainland China. One of

Chongqing Water Plant

the Group's new investments, Chongqing CCIP Water Treatment Plants commenced operation in September 2011. Through Sino French Water Development Company Limited, the Group has also committed to acquire interests in three operating water projects in Jiangsu Province.

Water demand in Macau is expected to remain stable in 2011. The water tariff reform introduced in January 2011 has no significant impact on the results of Macau Water Plant.

Ports & Logistics

Although a strong recovery was noted in major Chinese container ports in 2010, the growth rate is expected to slow down in 2011 due to decline in export growth. The Central Government has adopted many measures to stimulate domestic consumption to compensate for the decline in foreign trade volume and the total throughput is expected to reach a double-digit throughput growth in Mainland China. The new Xiamen Haicang Xinhaida Container Terminals, which became operational in September 2011, are strategically located to take advantage of the booming trade across the Taiwan Strait and further enhance the Group's presence in Xiamen.

CUIRC has continued to develop its scale of operation. Individual terminals in the existing network are registering remarkable throughput growth, in particular Kunming, Chongqing and Chengdu. Driven by the increasing volume of logistics and transportation business in Mainland China, as well as the need for more environmental friendly transportation mode, the demand for rail freight transportation is expected to accelerate at a fast pace in the coming years. The CUIRC terminals are therefore well-positioned to capture future growth in rail freight volume.

In view of the increasing demand for logistics and distribution facilities in Hong Kong, the Group capitalized on the opportunity in developing a new logistics warehouse in Kwai Chung with a total leasable area of approximately 920,000 sq ft and the facility is scheduled to be operational in late 2011. This warehouse project is expected to generate a steady operating profit as the Group has already entered into an agreement with one of the world's leading global logistics companies to lease the entire warehouse.

Chengdu Rail Container Terminal

NWS Kwai Chung Logistics Centre

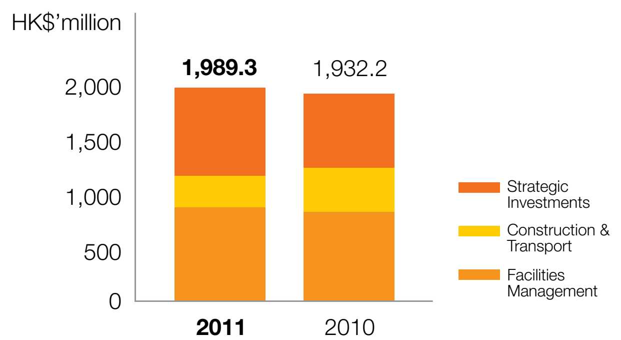
SERVICES

The Services division recorded an AOP of HK$1.989 billion for FY2011, representing an increase of 3% from FY2010.

AOP Contribution by Segment

for the year ended 30 June

HK$'m	2011	2010	Change % Fav./(Unfav.)
Facilities Management	**876.9**	825.1	6
Construction & Transport	**279.1**	410.1	(32)
Strategic Investments	**833.3**	697.0	20
Total	**1,989.3**	1,932.2	3



OPERATIONAL REVIEW

Facilities Management

Following the disposal of certain non-core service businesses, the Facilities Management segment now comprises mainly the Hong Kong Convention and Exhibition Centre ("HKCEC") and Free Duty. The loss of profit contributions from the disposed facility services businesses was fully compensated by the outstanding performance of duty free business.

The Group continued to benefit from the growth of exhibition industry in FY2011. During the year, 1,235 events were held at HKCEC with total patronage of approximately 6.0 million. Most recurrent international trade exhibitions experienced growth in both gross exhibition space and overall attendance from previous year. Food and beverage revenue continued to improve following the opening of three new restaurants and modifications to provide additional banqueting space. HKCEC will endeavour to enhance its services, facilities and equipment in order to maintain its leading position in the market.

Benefitting from strong patronage of affluent travellers especially Mainland Chinese visitors, Free Duty's tobacco and liquor retail business at various cross-boundary transportation terminals in Hong Kong continued to achieve outstanding results during FY2011. The increased throughput, coupled with the growth in individual travellers' spending on duty free goods, contributed to the significant growth in this business.

Construction & Transport

As a result of the disposal of the mechanical and engineering business, this segment has been renamed as "Construction & Transport". The segment achieved an AOP of HK$279.1 million during FY2011, representing a decrease of 32% over FY2010.

The Construction business recognized an AOP of HK$164.1 million in FY2011, representing a 37% decrease over FY2010. The reduction in AOP was caused by provision of job costs approximating HK$231.9 million for projects in Hong Kong and overseas. As at 30 June 2011, the gross value of contracts on hand for the Construction business was approximately HK$20.1 billion. After the discontinuation of business in Mainland China and certain overseas markets, the management will continue to focus on cost reduction and right-sizing of its workforce while making every effort to minimize exposure to losses incurred by high-risk contracts.

Masdar Institute of Science and Technology, Abu Dhabi, a project undertaken by Hip Hing Construction

Hong Kong Convention and Exhibition Centre

Free Duty at MTR Lo Wu Station

New World First Bus and Citybus

The Group's Transport business reported an AOP of HK$115.0 million during FY2011, representing a 24% decrease over FY2010. This was attributed to an increase in fuel cost during the year.

Strategic Investments

Previously known as "Financial Services", this segment has been renamed as "Strategic Investments" to include contributions from Tricor Holdings Limited ("Tricor"), Haitong International Securities Group Limited ("Haitong", formerly known as Taifook Securities Group Limited) and net gains from the securities investments held by the Group for strategic investment purposes. These strategic investments have a clear investment mandate from the Board and have become an established feature in the Group's investment portfolio as well as a significant contributor to segment results. Comparative figures have been reclassified to conform to FY2011's presentation.

Tricor recorded a steady growth in its corporate services and investor services businesses during FY2011. It captured about 40.7% of the total share of new listings in Hong Kong during the year. Its business operations in Hong Kong, Singapore and Mainland China together contributed approximately 84% of the total profit during FY2011.

After the disposal of the Group's controlling interest in Haitong in December 2009, its profit contribution dropped significantly in FY2011.

With reference to notes 30 and 44 to the financial statements, as at 30 June 2011, the Group held an effective interest of approximately 60% in Newton Resources, which owns and operates a major privately-owned iron ore mine in Hebei Province in Mainland China. On 4 July 2011, NWD and the Company jointly announced that the spin-off of Newton Resources had been completed and dealings of Newton Resources' shares on the Main Board of the Hong Kong Stock Exchange commenced on that date. As a result, the Group's effective interest in Newton Resources decreased to approximately 48% and Newton Resources ceased to be a subsidiary of the Group immediately upon listing. The Group's investment in Newton Resources was classified as assets held for sale and liabilities directly associated with assets held for sale as at 30 June 2011.

During the year, the Group also acquired an approximately 38% effective interest of Hyva Holding B.V., a company headquartered in the Netherlands and engaged in the manufacturing and supply of components used in hydraulic loading and unloading systems on trucks and trailers.

BUSINESS OUTLOOK

Locally in Hong Kong, a solid growth of 5.1% in GDP was recorded in the second quarter of 2011. Domestic demand provided the major impetus to overall economic growth. Private consumption expenditure grew robustly while overall investment spending regained strength.

Facilities Management

HKCEC will continue to benefit from the growth of exhibition and convention industries globally. In particular, the rapid growth in high-end luxury consumer products market such as art, jewellery, watches and collectibles in Asia has led to keen booking enquiries for related exhibitions. The Group is confident that both the rental and food and beverages businesses will continue to sustain healthy growth as the utilization rate and service level continue to improve by making full use of the Atrium Link expansion and providing multi-purpose venues through upgrading works.

The Free Duty business is expected to thrive with the increase in the number of high-spending visitors from Mainland China. Passenger traffic volume through the MTR Stations at Lo Wu, Lok Ma Chau and Hung Hom reached 126 million during the year. The drop in tobacco sales resulting from government policies has been more than compensated by the growth in liquor sales. As part of the business development plan in conjunction with upcoming contract renewals, the Group will actively consider different duty free concessions in Hong Kong and abroad.

Construction & Transport

The construction industry in Hong Kong is expected to pick up in light of the forthcoming public sector construction works including government infrastructure projects. The Group's Construction business will focus its effort on mega-sized building projects on which the Group has an edge. The Group will also concentrate

Hong Kong Convention and Exhibition Centre

Free Duty at Hong Kong International Airport on serving the needs of group companies and continue to focus on sizeable employers that demand high quality services. Increasing labour and materials costs together with competition from existing market players and new entrants from Mainland China and overseas will continue to make planning and budgeting more complex. More resources will have to be deployed on tendering, contract execution and staff training in order to cope with these challenges.

The profit of the Transport business is highly dependent on the fuel prices which have been affected by the financial derivatives in addition to the supply and demand in the energy markets. Fuel hedging is part of the Group's strategy to temper fuel price volatility. In addition, the bus companies will continue to seek consolidation and rationalisation of the existing bus routes in order to save fuel and enhance efficiency. In line with the Group's ongoing corporate strategy, the Group announced the divestment of its Macau ferry operations in August 2011.

Conclusion

As evidenced by the robust operational performance for FY2011, the Group firmly believes that its defensive and balanced portfolio of high quality assets will remain resilient against unfavourable market conditions including inflationary pressure and financial credit crunch. Furthermore, the infrastructure projects, which are predominantly Renminbi denominated assets, will provide a solid platform both in terms of capital resources and expansion capacity for the Group to target and capture new growth opportunities in Mainland China and continue to enjoy the potential return gain from Renminbi appreciation at the same time.

Tamar Development Project, a joint venture project with the participation of Hip Hing Construction

Transport service

Contents

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 2011.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

(i) the investment in and/or operation of facilities, construction, transport and strategic investments; and

(ii) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as ports and logistics facilities.

An analysis of the Group's performance for the year by business and geographical segment is set out in note 6 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 2011 are set out in the financial statements on pages 79 to 161.

The Board has resolved to recommend a final dividend for the year ended 30 June 2011 in scrip form equivalent to HK$0.33 per share (2010: HK$0.33 per share) with a cash option to the shareholders whose names appear on the register of members of the Company on 25 November 2011. Together with the interim dividend of HK$0.37 per share (2010: HK$0.62 per share) paid in May 2011, total distribution of dividend by the Company for the year ended 30 June 2011 will thus be HK$0.70 per share (2010: HK$0.95 per share).

Subject to the passing of the relevant resolution at the 2011 annual general meeting of the Company and 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 shareholders could elect to receive in cash and they will be given the option of electing to receive payment in cash of HK$0.33 per share instead of the allotment of shares. Full details of the final scrip dividend will be set out in a circular to be sent to the shareholders together with a form of election for cash dividend on or about 28 November 2011.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 47 to the financial statements.

Associated Companies and Jointly Controlled Entities

Particulars of the Group's principal associated companies and jointly controlled entities are set out in notes 48 and 49 to the financial statements respectively.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements.

Distributable Reserves

At 30 June 2011, the Company's reserves available for distribution amounted to HK$2,409.8 million (2010: HK$1,816.9 million).

Donations

During the year, the Group made charitable donations amounting to HK$6.8 million (2010: HK$0.4 million).

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.

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 17 to the financial statements.

Share Capital

An ordinary resolution was passed by the shareholders of the Company on 23 November 2010 to increase the Company's authorized share capital from HK$4.0 billion to HK$6.0 billion by the creation of an additional 2.0 billion shares of HK$1.00 each in the capital of the Company.

Details of movements in the share capital of the Company during the year are set out in note 32 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

Neither the Company nor any of its subsidiaries 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 2011.

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:

Executive directors

Dr Cheng Kar Shun, Henry
Mr Tsang Yam Pui
Mr Lam Wai Hon, Patrick
Mr Cheung Chin Cheung
Mr William Junior Guilherme Doo
Mr Cheng Chi Ming, Brian
Mr Wong Kwok Kin, Andrew (Resigned on 1 August 2010)

Non-executive directors

Mr Doo Wai Hoi, William
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
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

In accordance with bye-law 87 of the Company's bye-laws, Dr Cheng Kar Shun, Henry, Mr Doo Wai Hoi, William, Mr Lam Wai Hon, Patrick and Mr Cheng Chi Ming, Brian will retire by rotation at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

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.

Directors' Interests in Contracts

On 11 June 2010, two sale and purchase agreements were entered into among NWS Service Management Limited ("NWSSM", an indirect wholly owned subsidiary of the Company) as vendor, Fung Seng Enterprises Limited ("FSE") as purchaser, Mr Doo Wai Hoi, William and Mr Wong Kwok Kin, Andrew jointly as warrantors whereby FSE agreed to purchase and NWSSM agreed to sell and/or to procure the sale of (i) the entire issued share capital of each of NWS Facility Services Limited, Building Material Supplies Limited, Clever Basis Limited, New World Risk Management (L) Limited and NWS International Insurance Limited; and (ii) the entire issued share capital of each of NWS Engineering Group Limited, Elite Master Holdings Limited and Waihong Cleaning Limited, the engineering business of NWS Engineering Ltd. and the contracts of property management in Hong Kong. Mr Doo Wai Hoi, William is currently a non-executive director of the Company and Mr Wong Kwok Kin, Andrew was an executive director of the Company during the year and they were considered having material interests in this transaction to the extent that they held 90% and 10% beneficial interest in FSE respectively. Both of the sale and purchase agreements were completed during the year and details regarding these agreements are explained in the section headed "Connected Transactions".

Directors' Interests in Contracts (continued)

Moreover, a master services agreement was entered into between the Company and Mr Doo Wai Hoi, William on 27 July 2010 which was superseded by another master services agreement entered into between the Company and Mr Doo Wai Hoi, William on 19 May 2011 for the purpose of streamlining the continuing connected transactions between the Group and the companies controlled by Mr Doo Wai Hoi, William. Mr Doo Wai Hoi, William was considered having material interests in the said master services agreements. Details of these agreements are explained in the section headed "Connected Transactions".

Save as disclosed above and the contracts amongst group companies, no other contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its holding company or its fellow subsidiaries was a party, and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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 business 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	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
Mr Doo Wai Hoi, William	KLPS Group Limited group of companies	Provision of property management services in Hong Kong	Substantial shareholder
Mr Lam Wai Hon, Patrick	Wai Kee Holdings Limited	Construction, investment in toll roads and infrastructure businesses and sale of general merchandized goods	Director
	Road King Infrastructure Limited	Development, operation and management of toll roads	Director
Mr Wilfried Ernst Kaffenberger	AEI	Investment in power plants	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, its holding company, or any of its subsidiaries or fellow subsidiaries 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 2011, 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) Long position in shares

	Number of shares				Approximate percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Total	as at 30.06.11
The Company					
(Ordinary shares of HK$1.00 each)					
Dr Cheng Kar Shun, Henry	13,768,798	–	12,000,000(1)	25,768,798	0.761%
Mr Doo Wai Hoi, William	3,009,849	–	13,695,000(2)	16,704,849	0.493%
Mr Tsang Yam Pui	180,000	–	–	180,000	0.005%
Mr Lam Wai Hon, Patrick	1,486,786	–	7,608(3)	1,494,394	0.044%
Mr Cheung Chin Cheung	1,470,579	–	–	1,470,579	0.043%
Mr William Junior Guilherme Doo	–	–	104,780(4)	104,780	0.003%
Mr Wilfried Ernst Kaffenberger	723,372	–	–	723,372	0.021%
Mr Kwong Che Keung, Gordon	961,100	–	–	961,100	0.028%
Dr Cheng Wai Chee, Christopher	1,301,029	–	–	1,301,029	0.038%
NWD					
(Ordinary shares of HK$1.00 each)					
Dr Cheng Kar Shun, Henry	–	300,000(5)	–	300,000	0.008%
Mr Doo Wai Hoi, William	–	–	1,000,000(2)	1,000,000	0.025%
Mr Cheung Chin Cheung	62,200	–	–	62,200	0.002%
Mr William Junior Guilherme Doo	–	20,000(6)	–	20,000	0.001%
Mr Kwong Che Keung, Gordon	30,000	–	–	30,000	0.001%
New World China Land Limited					
(Ordinary shares of HK$0.10 each)					
Dr Cheng Kar Shun, Henry	18,750,000	2,925,000(5)	78,406,800(1)	100,081,800	1.737%
Mr Doo Wai Hoi, William	13,125,000	–	52,258,400(2)	65,383,400	1.135%
Mr Lam Wai Hon, Patrick	270,000	–	–	270,000	0.005%
Mr William Junior Guilherme Doo	–	75,000(6)	270,000(4)	345,000	0.006%
Mr Cheng Chi Ming, Brian	106,400	–	–	106,400	0.002%
Dr Cheng Wai Chee, Christopher	83,600	–	–	83,600	0.001%
Newton Resources Ltd					
(Ordinary shares of HK$0.10 each)					
Mr Cheung Chin Cheung	7,154	–	–	7,154(7)	714.685%
Mr Kwong Che Keung, Gordon	11,307	–	–	11,307(7)	1,129.570%
Wai Kee Holdings Limited					
(Ordinary shares of HK$0.10 each)					
Mr Lam Wai Hon, Patrick	300,000	–	–	300,000	0.038%
Mega Choice Holdings Limited (In liquidation)					
(Ordinary shares of HK$1.00 each)					
Dr Cheng Kar Shun, Henry	–	–	420,585,070(1)	420,585,070	34.608%

Directors' Interests in Securities (continued)

(a) Long position in shares (continued)

Notes:

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

(2) The shares are held by a company/companies wholly owned by Mr Doo Wai Hoi, William.

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

(4) The shares are held by companies wholly owned by Mr William Junior Guilherme Doo.

(5) The shares are held by the spouse of Dr Cheng Kar Shun, Henry.

(6) The shares are held by the spouse of Mr William Junior Guilherme Doo.

(7) The interests referred to the entitlement of new shares of Newton Resources Ltd ("Newton Resources") under its preferential offering (as part of its global offering). The allotment of new shares of Newton Resources under its global offering was made on 4 July 2011. Thus, the percentage of issued share capital stated therein reflected the percentage with reference to the number of issued shares of Newton Resources before the said allotment of new shares.

(b) Long position in underlying shares – share options

(i) The Company

The following directors of the Company have personal interests in options to subscribe for shares of the Company:

			Number of share options						
Name	Date of grant	Exercisable period (Note)	Balance as at 01.07.10	Granted during the year	Exercised during the year	Adjusted during the year[2]	Lapsed during the year	Balance as at 30.06.11	Exercise price per share[2] HK$
Dr Cheng Kar Shun, Henry	21 August 2007	(1)	3,026,828	–	–	1,527,043	–	4,553,871	10.672
Mr Doo Wai Hoi, William	21 August 2007	(1)	2,017,885	–	–	1,018,029	–	3,035,914	10.672
Mr Tsang Yam Pui	21 August 2007	(1)	1,513,413	–	–	763,520	–	2,276,933	10.672
Mr Wong Kwok Kin, Andrew[3]	21 August 2007	(1)	1,513,413	–	(908,045)[4]	–	(605,368)	–	–
Mr Lam Wai Hon, Patrick	21 August 2007	(1)	1,513,413	–	–	763,520	–	2,276,933	10.672
Mr Cheung Chin Cheung	21 August 2007	(1)	1,513,413	–	–	763,520	–	2,276,933	10.672
Mr William Junior Guilherme Doo	21 August 2007	(1)	1,513,413	–	–	763,520	–	2,276,933	10.672
Mr Wilfried Ernst Kaffenberger	21 August 2007	(1)	302,681	–	–	152,702	–	455,383	10.672
Mr To Hin Tsun, Gerald	21 August 2007	(1)	302,681	–	–	152,702	–	455,383	10.672
Mr Dominic Lai	21 August 2007	(1)	302,681	–	–	152,702	–	455,383	10.672
Mr Kwong Che Keung, Gordon	21 August 2007	(1)	605,364	–	–	305,407	–	910,771	10.672
Dr Cheng Wai Chee, Christopher	21 August 2007	(1)	605,364	–	–	305,407	–	910,771	10.672
Mr Shek Lai Him, Abraham	21 August 2007	(1)	605,364	–	–	305,407	–	910,771	10.672

Notes:

(1) 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.

(2) The Company declared bonus issue of shares, final dividend for the year ended 30 June 2010 and interim dividend for the six months ended 31 December 2010 both in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$16.055 to HK$10.692 on 29 December 2010, and further to HK$10.672 on 20 May 2011.

(3) Mr Wong Kwok Kin, Andrew resigned as an executive director of the Company with effect from 1 August 2010.

(4) The exercise date was 3 November 2010. The closing price of shares immediately before the date on which the share options were exercised was HK$18.700.

(5) The cash consideration paid by each of the directors for the grant of share options is HK$10.

Directors' Interests in Securities (continued)

(b) Long position in underlying shares – share options (continued)

(ii) NWD

Under the share option scheme of NWD, the holding company of the Company, the following director of the Company has personal interest in options to subscribe for its shares. Details of the share options of NWD granted to him are as follows:

Name	Date of grant	Exercisable period	Number of share options: Balance as at 01.07.10	Adjusted during the year[1]	Exercised during the year	Balance as at 30.06.11	Exercise price per share[1] HK$
Dr Cheng Kar Shun, Henry	19 March 2007	19 March 2007 to 18 March 2012	36,710,652	3,740	–	36,714,392	17.652

Notes:

(1) NWD declared final dividend for the year ended 30 June 2010 and interim dividend for the six months ended 31 December 2010 both in scrip form (with cash option) during the year which gave rise to the adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$17.654 to HK$17.653 on 28 December 2010, and further to HK$17.652 on 23 May 2011.

(2) The cash consideration paid by the director for the grant of the share options is HK$10.

(iii) New World China Land Limited

Under the share option scheme of New World China Land Limited, a fellow subsidiary of the Company, the following directors of the Company have personal interests in options to subscribe for its shares. Details of the share options of New World China Land Limited granted to them are as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.07.10	Granted during the year[3]	Exercised during the year	Lapsed during the year	Balance as at 30.06.11	Exercise price per share HK$
Dr Cheng Kar Shun, Henry	7 January 2008	(1)	2,238,806	–	–	(2,238,806)	–	6.228
	29 December 2008	(2)	1,791,045	–	–	–	1,791,045	1.340
	18 January 2011	(3)	–	2,000,000	–	–	2,000,000	3.154
Mr Doo Wai Hoi, William	7 January 2008	(1)	895,522	–	–	(895,522)	–	6.228
	29 December 2008	(2)	727,612	–	–	–	727,612	1.340
	18 January 2011	(3)	–	800,000	–	–	800,000	3.154
Dr Cheng Wai Chee, Christopher	7 January 2008	(1)	335,821	–	–	(335,821)	–	6.228
	29 December 2008	(2)	252,221	–	–	–	252,221	1.340
	18 January 2011	(3)	–	300,000	–	–	300,000	3.154

Notes:

(1) Divided into 3 tranches exercisable from 8 February 2008, 8 February 2009 and 8 February 2010 respectively to 7 February 2011.

(2) Divided into 4 tranches exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012 respectively to 29 January 2013.

(3) Divided into 5 tranches exercisable from 19 February 2011, 19 February 2012, 19 February 2013, 19 February 2014 and 19 February 2015 respectively to 18 February 2016.

(4) The cash consideration paid by each of the directors for each grant of the share options is HK$10.

Directors' Interests in Securities (continued)

(b) Long position in underlying shares – share options (continued)

(iv) New World Department Store China Limited

Under the share option scheme of New World Department Store China Limited, a fellow subsidiary of the Company, the following director of the Company has personal interest in options to subscribe for its shares. Details of the share options of New World Department Store China Limited granted to him are as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.07.10	Exercised during the year	Balance as at 30.06.11	Exercise price per share HK$
Dr Cheng Kar Shun, Henry	27 November 2007	(1)	1,000,000	–	1,000,000	8.660

Notes:

(1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013 provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.

(2) The cash consideration paid by the director for the grant of share option is HK$1.

(v) Wai Kee Holdings Limited

Under the share option scheme of Wai Kee Holdings Limited, an associated company of the Company, the following director of the Company has personal interest in options to subscribe for its shares. Details of the share options of Wai Kee Holdings Limited granted to him are as follows:

Name	Date of grant	Exercisable period	Number of share options: Balance as at 01.07.10	Exercised during the year	Balance as at 30.06.11	Exercise price per share HK$
Mr Lam Wai Hon, Patrick	9 July 2007	9 July 2008 to 8 July 2011	330,000	–	330,000	3.390

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 which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

Share Option Schemes

(a) The Company

On 6 December 2001, the Company adopted a share option scheme (the "Share Option Scheme") and certain rules of this scheme were amended on 12 March 2003 and 24 November 2006. Under the Share Option 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 Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

Purpose of the Share Option 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 increasing 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 Share Option Scheme	Eligible participant may be a person or an entity belonging to any of the following classes: (i) any eligible employee; (ii) any non-executive director (including independent non-executive director) of 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 Schemes (continued)

(a) The Company (continued)

Total number of shares available for issue under the Share Option Scheme and percentage of the issued share capital as at the date of this report	The Company had granted options to certain eligible participants to subscribe for a total of 84,232,011 shares of the Company under the Share Option Scheme, which included certain adjustments made pursuant to the rules of the Share Option Scheme, up to the date of this report. The total number of shares available for issue under the Share Option Scheme is 101,126,105 shares representing approximately 2.99% of the Company's issued share capital as at the date of this report.
Maximum entitlement of each participant under the Share Option 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 within 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 Share Option Scheme	The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 6 December 2001.

Share Option Schemes (continued)

(a) The Company (continued)

During the financial year ended 30 June 2011, movement of share options granted by the Company under the Share Option Scheme is as follows:

(1) Details of the movement of share options granted to directors of the Company are disclosed under the section headed "Directors' Interests in Securities" above.

(2) Details of the movement of share options to other eligible participants are as follows:

		Number of share options					
Date of grant	Exercisable period (Note)	Balance as at 01.07.10	Exercised during the year	Adjusted during the year[2]	Lapsed during the year	Balance as at 30.06.11	Exercise price per share[2] HK$
21 August 2007	(1)	11,401,974	(3,616,492)[3]	4,157,091	(1,242,317)	10,700,256	10.672
28 January 2008	(1)	706,253	–	356,298	–	1,062,551	13.570

Notes:

(1) 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.

(2) The Company declared bonus issue of shares, final dividend for the year ended 30 June 2010 and interim dividend for the six months ended 31 December 2010 both in scrip form (with cash option) during the year which give rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 21 August 2007 was adjusted from HK$16.055 to HK$10.692 on 29 December 2010, and further to HK$10.672 on 20 May 2011 and the exercise price per share of the share options granted on 28 January 2008 was adjusted from HK$20.417 to HK$13.596 on 29 December 2010, and further to HK$13.570 on 20 May 2011.

(3) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$16.612.

(4) The cash consideration paid by each eligible participant for each grant of share options is HK$10.

(b) Newton Resources

Newton Resources, a subsidiary of the Company during the year ended 30 June 2011, adopted two share option schemes, one conditional share option scheme on 9 April 2010 (the "Newton Share Option Scheme") and one unconditional share option scheme on 25 January 2011 (the "Newton Pre-IPO Share Option Scheme"). Upon listing of shares of Newton Resources on the Hong Kong Stock Exchange on 4 July 2011, the shareholding interest in Newton Resources held by the Group dropped from approximately 60% to approximately 48% and therefore, Newton Resources ceased to be a subsidiary of the Company since 4 July 2011. Summary of each of the Newton Share Option Scheme and the Newton Pre-IPO Share Option Scheme as at 3 July 2011, i.e. the date immediately preceding the listing of Newton Resources, disclosed in accordance with the Listing Rules is as follows:

Share Option Schemes (continued)

(b) Newton Resources (continued)

(i) Newton Share Option Scheme

Under the Newton Share Option Scheme, the directors of Newton Resources may at their discretion grant options to any qualifying grantee (as mentioned hereinafter) to subscribe for shares in Newton Resources. Summary of the Newton Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

Purpose of the Newton Share Option Scheme	To attract and retain the best quality personnel for the development of Newton Resources' businesses; to provide additional incentives to the Qualifying Grantees (as defined below); and to promote the long-term financial success of Newton Resources by aligning the interests of the Option Holders (as defined below) to Newton Resources' shareholders.
Qualifying grantees of the Newton Share Option Scheme (the "Qualifying Grantees")	(1) any employee (whether full-time or part-time employee) of any member of the Newton Group or any Affiliates and any person who is an officer of the Newton Group or any Affiliates, provided that an Option Holder shall not cease to be an employee of the Newton Group in the case of (a) any leave of absence approved by Newton Resources or the relevant Affiliate; or (b) transfers between Newton Resources and any Affiliates or any successor; (2) any person who is seconded to work for any member of the Newton Group or any Affiliates; (3) any consultant, agent, representative, advisor, customer, contractor of the Newton Group or any Affiliates; or (4) (i) any business partner/ally/alliance, joint venture partner, supplier of goods or services to the Newton Group or any Affiliates or any employee thereof (collectively, the "Eligible Person"); and (ii) any trust for the benefit of an Eligible Person or his immediate family members or any company controlled by an Eligible Person or his immediate family members. "Affiliate" means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, Newton Resources and includes any company which is (a) the holding company of Newton Resources; or (b) a subsidiary of the holding company of Newton Resources; or (c) a subsidiary of Newton Resources; or (d) a fellow subsidiary of Newton Resources; or (e) the controlling shareholder of Newton Resources; or (f) a company controlled by the controlling shareholder of Newton Resources; or (g) a company controlled by Newton Resources; or (h) an Associated Company of the holding company of Newton Resources; or (i) an Associated Company of Newton Resources; or (j) an Associated Company of controlling shareholder of Newton Resources; "Associated Company" means a company in the equity share capital of which a company, directly or indirectly, has 20.0% or greater beneficial interest but excluding the subsidiaries of that company;

Share Option Schemes (continued)

(b) Newton Resources (continued)

(i) Newton Share Option Scheme (continued)

"immediate family members" means spouse or person co-habiting as the spouse of an Eligible Person, and any child or step-child, parent or step-parent, brother, sister, step-brother, step-sister, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of an Eligible Person;

"Newton Group" means Newton Resources and its subsidiaries;

"officer" means company secretary or director (whether executive or non-executive); and

"Option Holder" means any Qualifying Grantee who accepts an offer of the grant of an option in accordance with the terms of the Newton Share Option Scheme or (where the context so requires) the legal personal representatives of such Qualifying Grantee.

Total number of shares available for issue under the Newton Share Option Scheme and percentage of the issued share capital of Newton Resources as at 3 July 2011

No share option has been granted since adoption.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Newton Share Option Scheme and any other share option schemes of Newton Resources shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the Newton Share Option Scheme (the "Scheme Mandate Limit") but Newton Resources may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of Newton Resources under the Newton Share Option Scheme and any other share option schemes of Newton Resources shall not exceed 10% of the issued share capital of Newton Resources as at the date of approval by the shareholders of Newton Resources at general meetings where such limit is refreshed. Options previously granted under the Newton Share Option Scheme and any other share option schemes of Newton Resources (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% limit as refreshed. Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Newton Share Option Scheme and any other share option schemes of Newton Resources shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue of Newton Resources from time to time.

As the Newton Share Option Scheme only became unconditional on the day of listing of Newton Resources' shares on the Hong Kong Stock Exchange, i.e. 4 July 2011, no share was available for issue under the Newton Share Option Scheme as at 3 July 2011.

Share Option Schemes (continued)

(b) Newton Resources (continued)

(i) Newton Share Option Scheme (continued)

Maximum entitlement of each participant under the Newton Share Option Scheme	The maximum number of shares issued and to be issued upon exercise of the options granted to each Qualifying Grantee under the Newton Share Option Scheme and any other share option schemes of Newton Resources (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of Newton Resources in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of Newton Resources at a general meeting. Share options granted to a director, chief executive or substantial shareholders of Newton Resources, or to any of their associates, are subject to approval in advance by the independent non-executive directors of Newton Resources. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Newton Resources, or to any of their associates, in excess of 0.1% of the total number of shares in issue of Newton Resources at the date on which such grant is proposed by the directors of Newton Resources or with an aggregate value (based on the closing price of shares of Newton Resources at the date on which such grant is proposed by the directors of Newton Resources) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of Newton Resources.
The period within which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised	The exercise period of the share options granted is determinable by the directors of Newton Resources, and is specified in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein) and shall expire not later than 10 years after the date of grant of the options.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HK$1 by the Qualifying Grantee.
The basis of determining the exercise price	The exercise price of the share options is determinable by the directors of Newton Resources, and shall be at least the highest of (i) the closing price of Newton Resources' shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of Newton Resources' shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Newton Resources' share.
The remaining life of the Newton Share Option Scheme	The Newton Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date of listing of Newton Resources' shares on the Hong Kong Stock Exchange, i.e. 4 July 2011.

During the financial year ended 30 June 2011, no option has been granted under the Newton Share Option Scheme.

Share Option Schemes (continued)

(b) Newton Resources (continued)

(ii) Newton Pre-IPO Share Option Scheme

Under the Newton Pre-IPO Share Option Scheme, the directors of Newton Resources may at their discretion grant options to any eligible participant (as mentioned hereinafter) to subscribe for shares in Newton Resources. Summary of the Newton Pre-IPO Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

Purpose of the Newton Pre-IPO Share Option Scheme	To attract, retain and motivate the eligible participants to optimize their performance efficiency for the benefit of the Newton Group and at the same time recognize and acknowledge their contributions have or may have made to the Newton Group.
Participants of the Newton Pre-IPO Share Option Scheme	Any full-time or part-time employees or potential employees, executives or officers, any directors (including non-executive directors and independent non-executive directors) or any one who, in the sole opinion of the board, have contributed or will contribute to Newton Resources and/or any Affiliates.
Total number of shares available for issue under the Newton Pre-IPO Share Option Scheme and percentage of the issued share capital of Newton Resources as at 3 July 2011	Newton Resources had granted options to certain eligible participants to subscribe for a total of 133,300,000 shares of Newton Resources under the Newton Pre-IPO Share Option Scheme up to 3 July 2011. As all the options granted under the Newton Pre-IPO Share Option Scheme were based on the issued share capital of Newton Resources upon listing of Newton Resources' shares on the Hong Kong Stock Exchange, i.e. 4 July 2011, no share was available for issue under the Newton Pre-IPO Share Option Scheme as at 3 July 2011.
Maximum entitlement of each participant under the Newton Pre-IPO Share Option Scheme	Unless approved by shareholders of Newton Resources, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant under the Newton Pre-IPO Share Option Scheme and any other share option schemes of Newton Resources (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the share capital of Newton Resources in issue.
The period within which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised	The exercise period of the share options shall commence not earlier than the date of the first anniversary of 4 July 2011 (if such anniversary date is not a business day, on the business day immediately prior to such anniversary date) and expire not later than the first business day after the fourth anniversary of 4 July 2011.

Share Option Schemes (continued)

(b) Newton Resources (continued)

(ii) Newton Pre-IPO Share Option Scheme (continued)

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The offer of a grant of share options may be accepted within seven days from the date of the offer upon payment of a consideration of HK$1 by the grantee.
The basis of determining the exercise price	The exercise price of the share options shall be the final offer price (HK$1.75) as defined in the prospectus of Newton Resources.
The remaining life of the Newton Pre-IPO Share Option Scheme	The Newton Pre-IPO Share Option Scheme expired on 23 February 2011. However, the share options granted under the Newton Pre-IPO Share Option Scheme are still exercisable.

During the financial year ended 30 June 2011, details of the movement of share options granted by Newton Resources under the Newton Pre-IPO Share Option Scheme are as follows:

		Number of share options					
Date of grant	Exercisable period (Note)	Balance as at 01.07.10	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 30.06.11	Exercise price per share HK$
28 January 2011	(1)	–	133,300,000[2]	–	–	133,300,000	1.75

Notes:

(1) 40% of the share options are exercisable from 4 July 2012 to 6 July 2015 while the remaining 60% of the share options are divided into two equal tranches exercisable from 4 July 2013 and 4 July 2014 respectively to 6 July 2015.

(2) Share options were granted based on the issued share capital of Newton Resources upon listing of Newton Resources' shares on the Hong Kong Stock Exchange. The shares of Newton Resources have been listed on the Hong Kong Stock Exchange since 4 July 2011.

(3) The cash consideration paid by each eligible participant for each grant of share options is HK$1.

Substantial Shareholders' Interests in Securities

As at 30 June 2011, 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 of the issued share capital of the Company
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited	–	2,115,300,747[1]	2,115,300,747	62.44%
Centennial Success Limited	–	2,115,300,747[2]	2,115,300,747	62.44%
Chow Tai Fook Enterprises Limited	89,747,839	2,025,552,908[3]	2,115,300,747	62.44%
NWD	1,340,426,579	685,126,329[4]	2,025,552,908	59.79%
Mombasa Limited	608,580,373	–	608,580,373	17.96%

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 Enterprises") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Enterprises.

(3) CTF Enterprises, together with its subsidiaries, 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 2,979,975 shares held by Financial Concepts Investment Limited, 26,322,510 shares held by Hing Loong Limited, 26,322,510 shares held by Fine Reputation Incorporated and 20,920,961 shares held by New World Hotels Corporation Limited, all of them are subsidiaries 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 2011.

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.

Connected Transactions

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

(1) On 22 November 2006, a tenancy agreement (the "Tenancy Agreement") was entered into between Newly Development Limited ("NDL") as landlord and Urban Property Management Limited ("UPML") as tenant and pursuant to which, NDL offered UPML a tenancy in respect of the Premises A, B, C and D at 16th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong (the "Leasehold Premises") under the following lease terms:

Premise A	:	9 years and 5 months commencing from 1 November 2006 and expiring on 31 March 2016 (both days inclusive)
Premise B	:	9 years and 4 months commencing from 1 December 2006 and expiring on 31 March 2016 (both days inclusive)
Premise C	:	9 years and 3 months commencing from 1 January 2007 and expiring on 31 March 2016 (both days inclusive)
Premise D	:	8 years commencing from 1 April 2008 and expiring on 31 March 2016 (both days inclusive)

As at the date of signing of the Tenancy Agreement, UPML was an indirect wholly owned subsidiary of the Company. The Leasehold Premises, the subject of the Tenancy Agreement, was owned by NDL which was an indirect wholly owned subsidiary of NWD. Given that NWD was the holding company of the Company and accordingly, NDL was a connected person of the Company within the meaning of the Listing Rules and the entering into of the Tenancy Agreement constituted a continuing connected transaction of the Company under the Listing Rules.

An annual cap of HK$8.0 million had been set in relation to the total rent, air-conditioning charge and management fee incurred under the Tenancy Agreement during the financial years ending from 30 June 2007 to 2016 pursuant to Rule 14A.35(2) of the Listing Rules. Such an annual cap was set based on the maximum annual amounts of rent, air-conditioning charge and management fee as agreed under the Tenancy Agreement with an estimated increase of approximately 10% on the air-conditioning charges and management fee annually.

The total rent, air-conditioning charge and management fee incurred pursuant to the Tenancy Agreement during the year amounted to approximately HK$5.8 million.

Upon completion of the Group B SP Agreement (as defined hereinafter) on 30 June 2011, UPML was disposed by the Group and the continuing connected transaction contemplated under the Tenancy Agreement was terminated.

(2) On 7 May 2010, a master services agreement (the "CTF Master Services Agreement") was entered into between CTF Enterprises and the Company whereby each of the Company and CTF Enterprises agreed to, and agreed to procure that members of the Group or the CTF Enterprises Group (being CTF Enterprises and its subsidiaries and any other company in the equity capital of which CTF Enterprises and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings which excluding the Group) (to the extent practicable) engage relevant members of the CTF Enterprises Group or the Group to provide certain operational services to relevant members of the Group or the CTF Enterprises Group during the term of the CTF Master Services Agreement.

As at the date of signing of the CTF Master Services Agreement, NWD held approximately 57.9% of the total issued share capital of the Company, it is a substantial shareholder of the Company and hence a connected person of the Company. As at the date of signing of the CTF Master Services Agreement, CTF Enterprises held approximately 39.9% of the total issued share capital of NWD, it is a controlling shareholder of NWD and hence a connected person of the Company. Accordingly, the CTF Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

Connected Transactions (continued)

(2) (continued)

The CTF Master Services Agreement and the transactions contemplated thereunder were approved by the independent shareholders at the special general meeting of the Company held on 8 June 2010.

The CTF Master Services Agreement would have an initial term of three years commencing from 1 July 2010 to 30 June 2013 (both days inclusive). Subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules at the relevant time, the CTF Master Services Agreement may be renewed for a further term of three years.

During the year ended 30 June 2011, the contract amount for each category of the operational services under the CTF Master Services Agreement are summarized as follows:

Operational services categories	Approximate total contract sum HK$'m	Annual cap HK$'m
Contracting services by members of the Group to members of the CTF Enterprises Group	1,958.8	5,708.0
General and rental services by members of the Group to members of the CTF Enterprises Group	46.6	121.9
General and rental services by members of the CTF Enterprises Group to members of the Group	36.6	51.1

Upon completion of the Group B SP Agreement, the New CTF Master Services Agreement and the NWD Master Services Agreement (both as defined hereinafter) were entered into by the Company on 30 June 2011 to supersede the CTF Master Services Agreement. The CTF Master Services Agreement was terminated with effect from 1 July 2011.

(3) On 11 June 2010, a sale and purchase agreement (the "Group A SP Agreement") was entered into among NWSSM (an indirect wholly owned subsidiary of the Company) as vendor, FSE as purchaser, Mr Doo Wai Hoi, William ("Mr Doo") and Mr Wong Kwok Kin, Andrew ("Mr Wong") jointly as warrantors whereby FSE agreed to purchase and NWSSM agreed to sell and/or procure the sale of the entire issued share capital of each of NWS Facility Services Limited, Building Material Supplies Limited, Clever Basis Limited, New World Risk Management (L) Limited and NWS International Insurance Limited at the consideration of HK$445.90 million. 10% of such consideration, being HK$44.59 million, was paid by FSE on the date of signing of the Group A SP Agreement while the remaining balance was paid on the date of completion of the Group A SP Agreement.

Furthermore, on the same day, another sale and purchase agreement (the "Group B SP Agreement") was entered into among NWSSM as vendor, FSE as purchaser, Mr Doo and Mr Wong jointly as warrantors whereby FSE agreed to purchase and NWSSM agreed to sell and/or procure the sale of the entire issued share capital of each of NWS Engineering Group Limited, Elite Master Holdings Limited and Waihong Cleaning Limited, the engineering business of NWS Engineering Ltd. (an indirect wholly owned subsidiary of the Company) and the contracts of property management in Hong Kong at the consideration of HK$442.60 million. 10% of such consideration, being HK$44.26 million, was paid by FSE on the date of signing of the Group B SP Agreement. Another 70% of the said consideration, being HK$309.82 million was paid within five business days after obtaining of the independent shareholders' approval of both NWD and the Company to the Group B SP Agreement and the transaction contemplated thereunder while the remaining balance was paid on the date of completion of the Group B SP Agreement.

Connected Transactions (continued)

(3) (continued)

For ensuring the stability of both the Group and the companies disposed under each of the Group A SP Agreement and the Group B SP Agreement (the "Disposal Group") during the transitional period immediately after completion of the relevant sale and purchase agreements, NWSSM provided certain consultancy services to members of the Disposal Group for a term of one year commencing from the date of completion of the Group A SP Agreement at a fixed monthly fee of HK$100,000 payable to NWSSM for the consultancy services of up to 40 working hours per month. All out-of-pocket expenses reasonably incurred by NWSSM in providing the consultancy services and working hours beyond the 40 working hours per month was charged on an "as incurred" basis. Furthermore, in order to allow time for FSE in obtaining fresh banking or other credit facilities for the operation of the Disposal Group following completion of each of the Group A SP Agreement and the Group B SP Agreement, bank guarantees provided by member(s) of the Group that were subsisting at the respective dates of completion of the Group A SP Agreement and the Group B SP Agreement (the "Bank Guarantees") were to remain in place for a period of six months from the said respective dates of completion (or such longer period as may be agreed by NWSSM at its sole discretion) unless any of the Bank Guarantees shall have expired earlier according to their terms. FSE is to pay NWSSM a monthly maintenance fee of 1/12% on the aggregate amount of banking facilities granted to the Disposal Group and guaranteed by the Bank Guarantees as at the last day of a calendar month immediately preceding the date of payment of monthly fee of the next calendar month from and on the first business day of the fourth month after the respective dates of completion of the Group A SP Agreement and the Group B SP Agreement.

As at the date of signing of each of the Group A SP Agreement and the Group B SP Agreement, Mr Doo and Mr Wong (both of them were directors of the Company and connected persons of the Company under the Listing Rules) held 90% and 10% indirect interest of FSE respectively. Accordingly, FSE was an associate of Mr Doo and hence a connected person of the Company under the Listing Rules. The aforesaid disposal constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Group A SP Agreement, the Group B SP Agreement and the transactions contemplated thereunder were approved by the independent shareholders at the special general meeting of the Company held on 20 July 2010.

Completion of the Group A SP Agreement and the Group B SP Agreement took place on 27 July 2010 and 30 June 2011 respectively. As at the date of completion of the Group B SP Agreement (the "Group B Completion"), bank guarantee provided by a member of the Group to a company disposed under the Group B SP Agreement amounted to approximately MOP38.0 million (equivalent to approximately HK$37.0 million).

(4) Following completion of the Group A SP Agreement on 27 July 2010 and in the ordinary course of their businesses, members of the Group regularly enter into continuing connected transactions with members of the Services Group (being any company in the equity capital of which Mr Doo is directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings which comprising the companies disposed under the Group A SP Agreement). In order to streamline such continuing connected transactions, a master services agreement (the "Master Services Agreement") was entered into between Mr Doo and the Company on 27 July 2010 whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (to the extent practicable) engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group or the Services Group. The Master Services Agreement has an initial term of three years commencing from its date of signing. Subject to re-compliance with the reporting and announcement requirements under the Listing Rules, the Master Services Agreement may be renewed for a further term of three years.

Connected Transactions (continued)

(4) (continued)

Mr Doo is a director of the Company and hence a connected person of the Company under the Listing Rules. Accordingly, the Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

During the year ended 30 June 2011, the contract amount for each category of the operational services under the Master Services Agreement are summarized as follows:

Categories	Approximate total contract sum HK$'m	Annual cap HK$'m
Operational services by members of the Group to members of the Services Group	48.7	94.3
Operational services by members of the Services Group to members of the Group	77.8	90.1

In order to streamline the continuing connected transactions between the Group and the Enlarged Services Group (as defined hereinafter) after the Group B Completion, the New Master Services Agreement (as defined hereinafter), which was taken effective on 1 July 2011, was entered into between the Company and Mr Doo on 19 May 2011 to supersede the Master Services Agreement. The Master Services Agreement was therefore terminated with effect from 1 July 2011.

(5) It was anticipated that there would be a surge in the volume of continuing connected transactions between members of the Group and members of the Enlarged Services Group (being Mr Doo and any company in the equity capital of which Mr Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary, which in particular comprised the Disposal Group) after the Group B Completion. On 19 May 2011, a master services agreement (the "New Master Services Agreement") was entered into between the Company and Mr Doo in relation to the provision of certain operational services between members of the Group and members of the Enlarged Services Group.

Mr Doo is a director of the Company and hence a connected person of the Company under the Listing Rules. Accordingly, the New Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

The New Master Services Agreement and the transactions contemplated thereunder were approved by the independent shareholders at the special general meeting of the Company held on 29 June 2011.

The New Master Services Agreement has an initial term of three years commencing from 1 July 2011. Subject to re-compliance with the reporting and announcement requirements under the Listing Rules, the New Master Services Agreement may be renewed for a further term of three years.

(6) In the ordinary course of businesses prior to the Group B Completion, members of the Group have regularly entered into transactions (the "Existing Continuing Transactions") with the companies disposed under the Group B SP Agreement (the "Group B"). As a result of the Group B Completion, members of the Group B became associates of Mr Doo, who is a connected person of the Company, and are regarded as connected persons of the Company. The Existing Continuing Transactions therefore became continuing connected transactions of the Company upon the Group B Completion. Pursuant to Rule 14A.41 of the Listing Rules, the Company has to comply in full with all applicable reporting, annual review and disclosure requirements under Chapter 14A of the Listing Rules.

The Existing Continuing Transactions involved the provision of the mechanical and electrical engineering services, property management services and cleaning services from members of the Group B to members of the Group. A total of not exceeding 20 agreements, of which the remaining term is not exceeding three years, are included in these Existing Continuing Transactions with the aggregate transaction values for the remaining term of the relevant agreements amount to approximately HK$428.1 million.

Connected Transactions (continued)

(7) Upon the Group B Completion, the scope of services to be provided by members of the Group to the CTF Enterprises Group (excluding NWD Group (as defined hereinafter)) and/or the NWD Group and vice versa has been narrowed, and the annual caps in relation to the continuing connected transactions contemplated under the CTF Master Services Agreement would be correspondingly reduced.

On 30 June 2011, the Company and CTF Enterprises entered into the a new master services agreement (the "New CTF Master Services Agreement") whereby each of the Company and CTF Enterprises agrees to procure that members of the Group or the CTF Enterprises Group (being CTF Enterprises, its subsidiaries, any other company in the equity capital of which CTF Enterprises and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors, and/or the subsidiaries of such other companies, but excluding members of the NWD Group) (to the extent practicable) engage relevant members of the CTF Enterprises Group or the Group to provide certain operational services to relevant members of the Group or the CTF Enterprises Group during the term of the New CTF Master Services Agreement.

As at the date of signing of the New CTF Master Services Agreement, NWD held approximately 59.79% of the total issued share capital of the Company, it is a substantial shareholder of the Company, and hence a connected person of the Company. CTF Enterprises held approximately 40.51% of the total issued share capital of NWD and is a controlling shareholder of NWD and is considered a connected person of the Company. Accordingly, the New CTF Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

The New CTF Master Services Agreement would have an initial term of three years commencing from 1 July 2011 to 30 June 2014 (both days inclusive). Subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules at the relevant time, the New CTF Master Services Agreement may be renewed for a further term of three years.

Moreover, a master services agreement (the "NWD Master Services Agreement") was entered into between the Company and NWD on 30 June 2011 whereby each of the Company and NWD agrees to procure that members of the Group or the NWD Group (being NWD, its subsidiaries, any other company in the equity capital of which NWD and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings from time to time or to control the composition of a majority of the board of directors, and/or the subsidiaries of such other companies) (to the extent practicable) engage relevant members of the Group or the NWD Group during the term of the NWD Master Services Agreement.

As at the date of signing of the NWD Master Services Agreement, NWD held approximately 59.79% of the total issued share capital of the Company, it is a substantial shareholder of the Company, and hence a connected person of the Company. The NWD Master Services Agreement and the transactions contemplated thereunder were approved by the independent shareholders at the special general meeting of the Company held on 8 August 2011.

The NWD Master Services Agreement would have an initial term of three years commencing from 1 July 2011 to 30 June 2014 (both days inclusive). Subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules at the relevant time, the NWD Master Services Agreement may be renewed for a further term of three years.

Connected Transactions (continued)

(8) On 24 August 2011, a capital increase agreement (the "Capital Increase Agreement") was entered into between Grace Crystal Limited ("Grace Crystal", an indirect wholly owned subsidiary of the Company) and Tianjin Expressway Group Co., Ltd. ("Tianjin Expressway Group") under which, the total investment amount of Tianjin Xinzhan Expressway Company Limited ("Tianjin Xinzhan", in which Grace Crystal and Tianjin Expressway Group holds 60% and 40% equity interest respectively) shall be increased from RMB3,300.00 million to RMB6,957.23 million and the registered capital of Tianjin Xinzhan shall be increased from RMB1,320.00 million to RMB2,539.10 million. The increase of the total investment amount of RMB3,657.23 million shall be made up of (i) the increase of the registered capital of RMB1,219.10 million (the "Capital Increase"); and (ii) bank loans of RMB2,438.13 million.

Pursuant to the Capital Increase Agreement, Grace Crystal shall contribute 60% of the Capital Increase, being RMB731.46 million (equivalent to approximately HK$881.28 million), in cash while Tianjin Expressway Group shall contribute 40% of the Capital Increase, being RMB487.64 million (equivalent to approximately HK$587.52 million), in cash. Upon completion of the Capital Increase, the equity interest held by Grace Crystal and Tianjin Expressway Group in Tianjin Xinzhan shall remain the same at 60% and 40% respectively.

As at the date of signing of the Capital Increase Agreement, Tianjin Xinzhan is a subsidiary of the Company. As Tianjin Expressway Group is a substantial shareholder of Tianjin Xinzhan before and after completion of the Capital Increase, Tianjin Expressway Group falls within the definition of a connected person of the Company under the Listing Rules. Accordingly, the Capital Increase constitutes a connected transaction of the Company under the Listing Rules.

The continuing connected transactions mentioned in (1), (2), (4) and (6) 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 or the aggregate transaction values set out in the relevant announcements or circular.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Company in this annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

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 43 to the financial statements.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 30 June 2011, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK$2,857.9 million to its affiliated companies (included in amounts disclosed in notes 22, 23 and 27 of the financial statements), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK$605.0 million (included in the amounts disclosed in note 41 of the financial statements) and contracted to provide an aggregate amount of HK$1,136.0 million in capital and loans to affiliated companies. The said amounts, in aggregate, represent approximately 10.7% 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$104.7 million which carries interest at 8% per annum and an amount of HK$20.5 million which carries interest at Hong Kong prime rate per annum. Contracted capital and loan contributions to affiliated companies would be funded by internally generated resources and banking facilities of the Group.

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2011 are presented as follows:

	Proforma combined statement of financial position HK$'m	Group's attributable interest HK$'m
Non-current assets	39,505.6	19,132.5
Current assets	9,058.6	4,220.4
Current liabilities	(13,100.4)	(6,242.2)
Non-current liabilities	(7,165.2)	(3,333.0)
	28,298.6	13,777.7

The proforma combined statement of financial position of the affiliated companies is prepared by combining their statement of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 30 June 2011.

Employees and Remuneration Policies

As at 30 June 2011, approximately 27,000 staff were employed by entities under the Group's management of which approximately 9,300 were employed in Hong Kong. Total staff related costs, including provident funds and staff bonus but excluding directors' remunerations, were HK$1.204 billion (2010: HK$2.468 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. 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 162 and 163.

Auditor

The financial statements for the year ended 30 June 2011 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, 28 September 2011

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF NWS HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of NWS Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 79 to 161, which comprise the consolidated and Company statements of financial position as at 30 June 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 September 2011

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CONSOLIDATED INCOME STATEMENT

For the year ended 30 June

	Note	**2011 HK$'m**	2010 HK$'m
Revenue	6	**9,560.6**	12,089.0
Cost of sales		**(7,901.7)**	(10,111.7)
Gross profit		**1,658.9**	1,977.3
Other income/gains (net)	7	**1,715.3**	1,090.0
General and administrative expenses		**(717.2)**	(1,145.7)
Operating profit	8	**2,657.0**	1,921.6
Finance costs	10	**(104.3)**	(114.4)
Share of results of			
Associated companies		**620.4**	485.0
Jointly controlled entities		**1,922.9**	2,122.0
Profit before income tax		**5,096.0**	4,414.2
Income tax expenses	11	**(440.4)**	(332.2)
Profit for the year		**4,655.6**	4,082.0
Attributable to			
Shareholders of the Company	12	**4,626.8**	4,011.7
Non-controlling interests		**28.8**	70.3
		4,655.6	4,082.0
Dividends	13	**2,344.9**	2,029.2
Earnings per share attributable to the shareholders of the Company	14		
Basic and diluted		**HK$1.40**	HK$1.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June

	2011 HK$'m	2010 HK$'m
Profit for the year	**4,655.6**	4,082.0
Other comprehensive income/(loss)		
Fair value changes on available-for-sale financial assets	**51.2**	55.0
Release of investment revaluation deficit to the income statement upon impairment of an available-for-sale financial asset	**63.1**	–
Release of reserve upon disposal of available-for-sale financial assets	**(63.5)**	(248.4)
Release of reserves upon disposal of the Disposal Group and other assets held for sale	**(29.7)**	(7.2)
Release of exchange reserve upon disposal of a subsidiary	**(10.0)**	–
Share of other comprehensive (loss)/income of associated companies and jointly controlled entities	**(13.8)**	6.0
Cash flow hedges	**1.4**	(5.8)
Currency translation differences	**873.2**	(10.0)
	871.9	(210.4)
Total comprehensive income for the year	**5,527.5**	3,871.6
Total comprehensive income attributable to		
Shareholders of the Company	**5,484.3**	3,799.4
Non-controlling interests	**43.2**	72.2
	5,527.5	3,871.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

	Note	**2011 HK$'m**	2010 HK$'m
ASSETS			
Non-current assets			
Investment properties	16	**3,121.2**	2,060.0
Property, plant and equipment	17	**332.5**	321.2
Land use rights	18	**–**	16.6
Intangible concession rights	19	**894.6**	911.1
Intangible assets	20	**548.8**	580.2
Associated companies	22	**4,136.0**	4,505.4
Jointly controlled entities	23	**21,136.1**	15,962.1
Available-for-sale financial assets	24	**1,654.9**	1,508.8
Other non-current assets	25	**814.3**	1,069.2
		32,638.4	26,934.6
Current assets			
Inventories	26	**340.6**	213.0
Trade and other receivables	27	**3,410.9**	3,510.2
Financial assets at fair value through profit or loss	28	**1.6**	35.5
Cash and bank balances	29	**4,500.5**	5,157.6
		8,253.6	8,916.3
Assets held for sale	30	**3,245.8**	1,830.0
		11,499.4	10,746.3
Total assets		**44,137.8**	37,680.9
EQUITY			
Share capital	32	**3,387.6**	2,178.9
Reserves	33	**26,571.9**	23,289.1
Proposed final dividend	33	**1,118.0**	719.0
Shareholders' funds		**31,077.5**	26,187.0
Non-controlling interests		**1,268.6**	265.1
Total equity		**32,346.1**	26,452.1
LIABILITIES			
Non-current liabilities			
Borrowings	34	**2,763.7**	3,496.4
Other non-current liabilities	35	**463.7**	315.3
		3,227.4	3,811.7
Current liabilities			
Trade and other payables	36	**3,742.4**	4,473.9
Taxation		**322.6**	254.9
Borrowings	34	**3,898.3**	1,393.9
		7,963.3	6,122.7
Liabilities directly associated with assets held for sale	30	**601.0**	1,294.4
		8,564.3	7,417.1
Total liabilities		**11,791.7**	11,228.8
Total equity and liabilities		**44,137.8**	37,680.9
Net current assets		**2,935.1**	3,329.2
Total assets less current liabilities		**35,573.5**	30,263.8

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

STATEMENT OF FINANCIAL POSITION

As at 30 June

	Note	2011 HK$'m	2010 HK$'m
ASSETS			
Non-current assets			
Property, plant and equipment	17	**4.1**	4.2
Subsidiaries	21	**8,064.6**	7,893.3
		8,068.7	7,897.5
Current assets			
Trade and other receivables	27	**15,805.4**	11,153.2
Cash and bank balances	29	**372.4**	1,257.4
		16,177.8	12,410.6
Total assets		**24,246.5**	20,308.1
EQUITY			
Share capital	32	**3,387.6**	2,178.9
Reserves	33	**13,512.8**	13,176.5
Proposed final dividend	33	**1,118.0**	719.0
Total equity		**18,018.4**	16,074.4
LIABILITIES			
Current liabilities			
Trade and other payables	36	**6,228.1**	4,233.7
Total liabilities		**6,228.1**	4,233.7
Total equity and liabilities		**24,246.5**	20,308.1
Net current assets		**9,949.7**	8,176.9
Total assets less current liabilities		**18,018.4**	16,074.4

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

		Shareholders' funds						
HK$'m	Note	Share capital	Share premium	Revenue reserve	Other reserves	Total	Non-controlling interests	Total
At 1 July 2010		2,178.9	12,078.6	9,800.9	2,128.6	26,187.0	265.1	26,452.1
Total comprehensive income for the year		–	–	4,626.8	857.5	5,484.3	43.2	5,527.5
Dividends paid to								
Shareholders of the Company		–	–	(1,947.1)	–	(1,947.1)	–	(1,947.1)
Non-controlling interests		–	–	–	–	–	(19.5)	(19.5)
Scrip dividends								
Nominal value of new shares issued		113.0	–	–	–	113.0	–	113.0
Share premium on new shares issued		–	1,171.7	–	–	1,171.7	–	1,171.7
Share options								
Value of services provided		–	–	–	2.2	2.2	–	2.2
Nominal value of new shares issued		4.6	–	–	–	4.6	–	4.6
Share premium on new shares issued		–	61.8	–	–	61.8	–	61.8
Issue of bonus shares		1,091.1	(1,091.1)	–	–	–	–	–
Acquisition of non-controlling interests of Newton Resources	30(a)	–	–	–	–	–	979.8	979.8
Transfer		–	–	(0.5)	0.5	–	–	–
At 30 June 2011		3,387.6	12,221.0	12,480.1	2,988.8	31,077.5	1,268.6	32,346.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

HK$'m	Note	Shareholders' funds: Share capital	Share premium	Revenue reserve	Other reserves	Total	Non-controlling interests	Total
At 1 July 2009		2,071.3	10,814.9	7,981.1	2,307.9	23,175.2	1,084.2	24,259.4
Total comprehensive income for the year		–	–	4,011.7	(212.3)	3,799.4	72.2	3,871.6
Dividends paid to								
Shareholders of the Company		–	–	(2,178.9)	–	(2,178.9)	–	(2,178.9)
Non-controlling interests		–	–	–	–	–	(59.7)	(59.7)
Scrip dividends								
Nominal value of new shares issued		107.6	–	–	–	107.6	–	107.6
Share premium on new shares issued		–	1,263.7	–	–	1,263.7	–	1,263.7
Share options								
Value of services provided		–	–	–	17.6	17.6	–	17.6
Disposal of a subsidiary	42(b)	–	–	30.9	(28.5)	2.4	(826.2)	(823.8)
Derecognition of non-controlling interests		–	–	–	–	–	(5.4)	(5.4)
Transfer		–	–	(43.9)	43.9	–	–	–
At 30 June 2010		2,178.9	12,078.6	9,800.9	2,128.6	26,187.0	265.1	26,452.1

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June

	Note	2011 HK$'m	2010 HK$'m
Cash flows from operating activities			
Net cash generated from operations	42(a)	**1,022.3**	1,978.2
Finance costs paid		**(67.3)**	(78.1)
Interest received		**79.2**	348.5
Hong Kong profits tax paid		**(159.7)**	(94.5)
Mainland China and overseas taxation paid		**(116.1)**	(106.6)
Net cash from operating activities		**758.4**	2,047.5
Cash flows from investing activities			
Dividends received from associated companies		**567.8**	154.6
Dividends received from jointly controlled entities		**1,158.4**	1,598.7
Disposal of jointly controlled entities		**7.0**	235.1
Settlement of proceeds from disposal of a subsidiary in previous years		**–**	60.0
Disposal of subsidiaries	42(c)	**(48.6)**	1,393.2
Decrease/(increase) in investments in associated companies		**413.2**	(750.1)
Increase in investments in jointly controlled entities		**(3,790.0)**	(176.8)
Additions of investment properties		**(589.2)**	–
Additions of property, plant and equipments		**(585.0)**	(343.5)
Additions of intangible assets		**(1,438.9)**	–
Disposal of investment properties		**11.3**	–
Disposal of property, plant and equipment, intangible assets and land use rights		**4.7**	46.4
Additions of available-for-sale financial assets and financial assets at fair value through profit or loss		**(1,226.4)**	(1,612.0)
Disposal of available-for-sale financial assets and financial assets at fair value through profit or loss		**1,490.5**	565.7
Disposal of other assets held for sale		**160.1**	389.7
Disposal of the Disposal Group (net of cash and cash equivalents disposed)		**319.3**	–
Dividends received from available-for-sale financial assets and financial assets at fair value through profit or loss		**8.9**	22.5
Decrease/(increase) in other non-current assets		**5.2**	(475.0)
Net cash (used in)/from investing activities		**(3,531.7)**	1,108.5
Cash flows from financing activities			
New bank loans and other borrowings		**3,955.6**	1,527.8
Repayment of bank loans and other borrowings		**(1,729.1)**	(3,262.1)
Issuance of new shares		**66.4**	–
Increase in loans from non-controlling interests		**1.9**	–
Dividends paid to shareholders of the Company		**(662.4)**	(807.6)
Dividends paid to non-controlling interests		**(19.5)**	(59.7)
Net cash from/(used in) financing activities		**1,612.9**	(2,601.6)
Net (decrease)/increase in cash and cash equivalents		**(1,160.4)**	554.4
Cash and cash equivalents at beginning of year		**5,726.8**	5,172.4
Currency translation differences		**132.2**	–
Cash and cash equivalents at end of year		**4,698.6**	5,726.8
Analysis of cash and cash equivalents			
Cash and bank balances	29	**4,500.5**	5,157.6
Cash and bank balances of subsidiaries reclassified as assets held for sale	30	**198.1**	569.2
		4,698.6	5,726.8

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

(a) the investment in and/or operation of facilities, construction, transport and strategic investments; and

(b) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as ports and logistics facilities.

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

The financial statements were approved for issuance by the Board on 28 September 2011.

2 Basis of preparation

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

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

(a) Adoption of new or revised standards

During the year, the Group adopted the following amendments to standards and interpretations which are mandatory for the financial year ended 30 June 2011:

HKFRSs Amendments	Improvements to HKFRSs 2009
HKFRS 1 Amendment	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HKAS 32 Amendment	Classification of Rights Issues
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of these amendments to standards and interpretations has no material effect on the results and financial position of the Group.

HKAS 17 Amendment Classification of Leases of Land and Buildings

The improvements to HKFRSs 2009 include an amendment to HKAS 17 "Leases", which deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortized over the lease term.

2 Basis of preparation (continued)

(a) Adoption of new or revised standards (continued)

HKAS 17 Amendment — Classification of Leases of Land and Buildings (continued)

The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 July 2010 on the basis of information existing at the inception of those leases, and recognized the leasehold land in Hong Kong and Macau as finance lease. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The land interest of the Group that is held for own use is accounted for as "Property, plant and equipment" and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

The amendment requires a retrospective application in accordance with the effective date and transitional provisions of the amendment. However, the adoption of this amendment has no material effect on the results and financial position of the Group and therefore no comparative figures have been restated.

HK – Int 5 — Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK – Int 5 is a clarification of an existing standard, HKAS 1 "Presentation of Financial Statements". This interpretation requires that loans under loan agreements containing a clause which gives the lenders the unconditional right to demand repayment at any time should be classified as current liabilities, irrespective of the probability that the lenders will invoke the clause.

The Group has reassessed the classification of borrowings and the effect of the changes in the accounting policy following the adoption of HK-Int 5 on the consolidated statement of financial position is as follows:

At 30 June	**2011 HK$'m**	2010 HK$'m
Increase/(decrease) in:		
Current liabilities – borrowings	**742.4**	298.9
Non-current liabilities – borrowings	**(742.4)**	(298.9)
	–	–

The interpretation requires a retrospective application, however, such changes have no material effect on the financial position of the Group and the comparative figures have not been restated.

In addition, the Group has early adopted the following amendment to standard which is effective for accounting periods beginning on or after 1 January 2012:

HKAS 12 Amendment — Deferred Tax: Recovery of Underlying Assets

In December 2010, the HKICPA amended HKAS 12 "Income Taxes", to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale.

2 Basis of preparation (continued)

(a) Adoption of new or revised standards (continued)

HKAS 12 Amendment — Deferred Tax: Recovery of Underlying Assets (continued)

The adoption of this amendment has resulted in a change in accounting policy on the provision of deferred tax on revaluation of investment properties. Previously, provision for deferred tax was made at the income tax rates on the revaluation of, and the tax bases of, investment properties held under operating leases on the basis that their values would be recovered through use rather than through sale. In accordance with the amendment, deferred tax is provided at the income tax rates on allowances claimed on these properties and at the capital gains tax rates on the valuation in excess of cost. As the Group's investment properties are located in Hong Kong where sales proceeds in excess of cost are not taxable, deferred tax liabilities relating to investment properties have been reduced. This change in accounting policy should be accounted for retrospectively. However, such change has no material effect on the results and financial position of the Group and the comparative figures have not been restated.

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

The following new or revised standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 July 2011 or later periods but which the Group has not early adopted:

Effective for the year ending 30 June 2012

HKFRSs Amendments	Improvements to HKFRSs 2010
HKFRS 1 Amendment	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendment	Disclosure – Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement

Effective for the year ending 30 June 2013 or after

HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 1 Amendment	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

3 Principal accounting policies

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

(a) Consolidation

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

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Any investment retained in the former subsidiary is recognized at its fair value at the date when control is lost.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the entity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice, on the basis of each acquisition, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(ii) Associated companies

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

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

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

3 Principal accounting policies (continued)

(a) Consolidation (continued)

(ii) Associated companies (continued)

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

(iii) 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 themselves to define their joint control over the economic activity of the entity.

Interests in jointly controlled entities are stated in the consolidated financial statements at cost including goodwill on acquisition plus the share of post-acquisition results and reserves less provision for impairment losses. The interests in jointly controlled entities also include long term interests that, in substance, form part of the Group's net investment in the jointly controlled entities. 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 set out as follows:

(1) Equity joint ventures

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

(2) Co-operative joint ventures

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

(3) Companies limited by shares

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

The Group recognizes the portion of gains or losses on the disposal of assets by the Group to the jointly controlled entity that is attributable to the other venturers. The Group does not recognize its share of profit or loss from the jointly controlled entity that results from the purchase of assets from the jointly controlled entity until it resells the assets to an independent party. However, a loss on the transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

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

(b) Non-controlling interests

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

3 Principal accounting policies (continued)

(c) Intangible assets

(i) Goodwill

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

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

(ii) Trademark and licences

Acquired trademark and licences are shown at historical cost. Trademark has a finite useful life and is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method to allocate the cost of trademark over its estimated useful life.

Licences have an indefinite useful lives and are carried at cost less impairment. Such licences are not amortized. The useful lives of licences are reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(iii) Operating right

Operating right primarily resulted from the acquisition of right to operate facilities management business. Operating right is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method to allocate the cost over the period of the operating right.

(iv) Intangible concession rights

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

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

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

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

3 Principal accounting policies (continued)

(c) Intangible assets (continued)

(v) Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortized over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method. Mining rights are written off to the income statement if the mining property is abandoned.

(d) Revenue recognition

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

Revenue is recognized when the amount can be reliably measured and when it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activities have been resolved. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Port revenue

Port revenue from cargo, container handling and storage is recognized when services are rendered.

(ii) Toll revenue

Toll revenue from road and bridge operations is recognized when services are rendered.

(iii) Service fee income

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

(iv) Rental income

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

(v) Construction revenue

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

When the outcome of construction service contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

(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.

3 Principal accounting policies (continued)

(d) 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 the original effective interest rate of the instrument, and continues to unwind the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(viii) Dividend income

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

(e) Leases

(i) Finance leases

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

(ii) Operating leases

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

(f) Land use rights

The upfront prepayments made for the land use rights is 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, except for upfront prepayments made for the land use rights for property development as stated in note 3(i).

(g) Investment properties

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

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it 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. Fair value is determined by professional valuation conducted at the end of each reporting period. Changes in fair values are recognized in the income statement.

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

3 Principal accounting policies (continued)

(g) Investment properties (continued)

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is stated at fair value.

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

(h) Property, plant and equipment

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

(i) Assets under construction

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

(ii) Depreciation

No depreciation is provided in respect of construction in progress.

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

Leasehold land classified as finance lease	over the period of lease terms
Properties	2.5% – 3%
Ports facilities and terminal equipment	2.25% – 15%
Other plant and equipment	4% – 50%

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

(iii) Gain or loss on disposal

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

(i) Property for development

Property for development comprises prepayments for land use rights, development expenditure and borrowing costs capitalized, and are carried at the lower of cost or net realizable value.

3 Principal accounting policies (continued)

(j) Impairment of investments in subsidiaries, associated companies, jointly controlled entities and non-financial assets

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

(k) Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading and those designated as at fair value through profit or loss at inception.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods and services directly to a debtor with no intention of trading the receivable and are included in current assets, except for those with maturities more than twelve months after the end of the reporting period, which are classified as non-current assets. These are accounted for in accordance with the policy set out in note 3(m).

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets 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 twelve months of the end of the reporting period.

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

3 Principal accounting policies (continued)

(k) Financial assets (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the financial period in which they arise. Changes in the fair value of available-for-sale financial assets are recognized in equity. When available-for-sale financial assets are sold, the accumulated fair value adjustments are included in the income statement as gains or losses from financial assets. Changes in the fair value of monetary available-for-sale financial assets denominated in a foreign currency are analyzed between translation differences resulting from changes in amortized cost of the financial asset and other changes in the carrying amount of the financial asset. The translation differences of monetary financial assets are recognized in the income statement; translation differences on non-monetary financial assets are recognized in equity.

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether the asset is impaired. In the case of debt instruments, objective evidence of impairment includes significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial reorganization. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement, is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(l) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

(m) Trade and other receivables

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

(n) Inventories

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

3 Principal accounting policies (continued)

(o) Contracts in progress

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

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

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for progress billings exceed costs incurred plus recognized profits (less recognized losses).

(p) Assets held for sale

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

(q) Cash and cash equivalents

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

(r) Trade payables

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

(s) Provisions

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

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

(t) Share capital

Ordinary shares are classified as equity.

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

(u) Contingent liabilities and contingent assets

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

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

3 Principal accounting policies (continued)

(u) Contingent liabilities and contingent assets (continued)

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

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

(v) Current and deferred income tax

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

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

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

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

(w) Borrowing costs

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

(x) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

3 Principal accounting policies (continued)

(x) Foreign currencies (continued)

(iii) Group companies

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

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

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

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

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

(y) Employee benefits

(i) Employee leave entitlements

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

(ii) Bonus plans

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

(iii) Defined contribution plans

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

(iv) Defined benefit plans

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation. Defined benefit costs under defined benefit plans, which are assessed using the projected unit credit method, are charged to the income statement. Under this method, plan assets are measured at fair value and defined benefit obligations are measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. The actuarial gains and losses to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets are recognized in the income statement using the excess amount divided by the expected average remaining service lives of the participating employees.

3 Principal accounting policies (continued)

(y) Employee benefits (continued)

(v) Share-based compensation

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

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

(z) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement or capitalized as stated in note 3(w) over the period of the borrowings using the effective interest method.

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

(aa) Segment reporting

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

Segment assets consist primarily of property, plant and equipment, land use rights, investment properties, intangible concession rights, intangible assets, available-for-sale financial assets, held-to-maturity investments, financial assets at fair value through profit or loss, properties for development, other non-current assets, stock and receivables and cash and bank balances. Segment liabilities primarily comprise operating liabilities, taxation and borrowings. Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets comprise additions to investment properties, property, plant and equipment, intangible concession rights and intangible assets.

(ab) Dividend distribution

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

(ac) Insurance contracts

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognized in the income statement.

The Group and the Company account for its financial guarantee contracts as insurance contracts.

4 Financial risk management and fair value estimation

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

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

(a) Market risk

(i) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include cash deposits and amounts due from associated companies and jointly controlled entities.

The Group's borrowings are principally on a floating rate basis, which will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk.

The Group's interest rate risk concentrates on fluctuations of HIBOR as the Group's interest-bearing assets and liabilities are mainly Hong Kong dollar denominated.

Interest bearing financial assets and liabilities are mainly subject to an interest re-pricing risk of 3 months or below.

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been HK$45.3 million (2010: HK$27.4 million) lower/higher respectively.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to calculate the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the next annual end of the reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. As a consequence, they are included in the calculation of profit for the year sensitivities.

(ii) Foreign exchange risk

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

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arises.

At 30 June 2011, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in United States dollar of HK$1,060.0 million (2010: HK$873.4 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

At 30 June 2011, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Renminbi of HK$1,554.7 million (2010: HK$1,066.0 million). If Hong Kong dollar had strengthened/weakened by 5% against Renminbi with all other variables held constant, the Group's profit for the year would have been HK$77.7 million (2010: HK$53.3 million) lower/higher respectively.

4 Financial risk management and fair value estimation (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. There are no other significant monetary balances held by group companies at 30 June 2011 that are denominated in a non-functional currency. Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(iii) Price risk

The Group is exposed to equity securities price risk because the Group held listed and unlisted equity investments of which the fair value are subject to changes in market prices. Gains and losses arising from changes in the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are dealt with in equity and income statement respectively. The performance of the Group's listed and unlisted equity investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans. The Group is not exposed to commodity price risk.

At 30 June 2011, if the price of listed and unlisted equity investments had been 25% higher/lower with all other variables held constant, the Group's profit for the year and investment revaluation reserve would have been HK$0.3 million and HK$413.7 million higher/lower respectively (2010: HK$7.4 million and HK$377.2 million). The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(b) Credit risk

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

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

In addition, the Group and the Company monitor the exposure to credit risk in respect of the financial assistance provided to subsidiaries, associated companies and jointly controlled entities through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

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

4 Financial risk management and fair value estimation (continued)

(c) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group and the Company to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group and the Company also maintain undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

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

Group

At 30 June 2011

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Trade payables	36	323.1	323.1	323.1	–	–
Retention money payables and other payables		3,043.7	3,043.7	2,489.6	554.1	–
Amounts due to non-controlling interests	36	55.7	55.7	55.7	–	–
Amounts due to associated companies	36	15.9	15.9	15.9	–	–
Amounts due to jointly controlled entities	36	45.2	45.2	45.2	–	–
Borrowings and contracted interest payment	34	6,662.0	6,761.6	3,945.9	2,815.7	–
Loans from non-controlling interests	35	104.6	104.6	–	104.6	–
Derivative financial instruments	35	45.9	120.1	13.3	53.1	53.7
		10,296.1	10,469.9	6,888.7	3,527.5	53.7

4 Financial risk management and fair value estimation (continued)

(c) Liquidity risk (continued)

Group (continued)

At 30 June 2010

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years
Trade payables	36	413.0	413.0	413.0	–
Retention money payables and other payables		3,163.3	3,163.3	2,701.4	461.9
Amounts due to non-controlling interests	36	75.0	75.0	75.0	–
Amounts due to associated companies	36	304.1	304.1	304.1	–
Amounts due to jointly controlled entities	36	115.7	115.7	115.7	–
Borrowings and contracted interest payment	34	4,890.3	4,956.9	1,430.2	3,526.7
Loans from non-controlling interests	35	98.0	98.0	–	98.0
		9,059.4	9,126.0	5,039.4	4,086.6

Company

At 30 June 2011

HK$'m	Note	**Carrying amount**	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
Other payables		**46.7**	**46.7**	**46.7**
Amounts due to subsidiaries	36	**6,178.8**	**6,178.8**	**6,178.8**
		6,225.5	**6,225.5**	**6,225.5**

At 30 June 2010

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
Other payables		50.9	50.9	50.9
Amounts due to subsidiaries	36	4,179.6	4,179.6	4,179.6
		4,230.5	4,230.5	4,230.5

4 Financial risk management and fair value estimation (continued)

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group aims to maintain 50% dividend payout ratio. In order to maintain or adjust the capital structure, the Group may issue or repurchase shares, or raise new debt financing.

The net gearing ratios at 30 June were as follows:

	Note	**2011 HK$'m**	2010 HK$'m
Total borrowings	34	**(6,662.0)**	(4,890.3)
Add: Cash and bank balances and short-term deposits	29	**4,500.5**	5,157.6
Net (debt)/cash		**(2,161.5)**	267.3
Total equity		**32,346.1**	26,452.1
Net gearing ratio		**7%**	N/A

The change from net cash to net debt position as at 30 June 2011 was primarily resulted from the increase in demand on capital for new investments.

(e) Fair value estimation

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

(i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.

(ii) The fair value of long term financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4 Financial risk management and fair value estimation (continued)

(e) Fair value estimation (continued)

(iv) (continued)

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2011:

HK$'m	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	**–**	**3.7**	**–**	**3.7**
Financial assets at fair value through profit or loss				
Trading securities	**1.6**	**–**	**–**	**1.6**
Available-for-sale financial assets				
Equity securities	**659.7**	**–**	**405.0**	**1,064.7**
Debt securities	**–**	**–**	**590.2**	**590.2**
	661.3	**3.7**	**995.2**	**1,660.2**
Liabilities				
Derivative financial instruments	**–**	**(10.9)**	**(35.0)**	**(45.9)**

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2010:

HK$'m	Level 1	Level 3	Total
Assets			
Financial assets at fair value through profit or loss			
Trading securities	35.5	–	35.5
Available-for-sale financial assets			
Equity securities	1,327.0	171.8	1,498.8
Debt securities	–	10.0	10.0
	1,362.5	181.8	1,544.3

The following table presents the changes in level 3 instruments for the year ended 30 June 2011:

HK$'m	Available-for-sale financial assets	Derivative financial instruments
At 1 July 2010	**181.8**	**–**
Repayment	**(3.3)**	**–**
Additions	**794.1**	**–**
Total gain recognized in statement of comprehensive income	**22.6**	**–**
Total loss recognized in income statement	**–**	**(35.0)**
At 30 June 2011	**995.2**	**(35.0)**

The following table presents the changes in level 3 instruments for the year ended 30 June 2010:

HK$'m	Available-for-sale financial assets
At 1 July 2009	347.2
Disposal	(101.8)
Disposal of a subsidiary	(62.3)
Total loss recognized in statement of comprehensive income	(1.3)
At 30 June 2010	181.8

5 Critical accounting estimates and judgements

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

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

(a) Fair value of available-for-sale financial assets and financial assets at fair value through profit or loss

The fair value of available-for-sale financial assets and financial assets at fair value through profit or loss that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods (such as discounted cash flow model and option pricing models) and evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and short-term business outlook for the investee and historical price volatility of these investments. The key assumptions adopted on projected cash flows are based on management's best estimates.

(b) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by independent valuers based on a market value assessment. 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 cash flow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

At 30 June 2011, if the market value of investment properties had been 8% higher/lower with all other variables held constant, the carrying value of the Group's completed investment properties would have been HK$249.7 million (2010: HK$89.9 million) higher/lower respectively.

(c) Estimated useful lives and impairment of property, plant and equipment

Property, plant and equipment are long-lived but may be subject to technical obsolescence. The annual depreciation charges are affected by the estimated useful lives that the Group allocates to each type of property, plant and equipment. Management performs annual reviews to assess the appropriateness of the estimated useful lives. Such reviews take into account the technological changes, prospective economic utilization and physical condition of the assets concerned.

Management also regularly reviews whether there are any indications of impairment and will recognize an impairment loss if the carrying amount of an asset is higher than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(d) Impairment of assets other than property, plant and equipment

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the CGU based on value in use calculations and detailed in note 20(a). These calculations require the use of estimates which are subject to changes of economic environment in future.

The Group determines whether an available-for-sale financial assets is impaired by the duration or extent to which the fair value of an investment is less than its original cost.

5 Critical accounting estimates and judgements (continued)

(d) Impairment of assets other than property, plant and equipment (continued)

The Group assesses whether there is objective evidence as stated in note 3(m) that deposits, loans and receivables are impaired. It recognized impairment losses based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

(e) Income taxes

The Group is subject to income and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income taxes and deferred tax provisions in the period in which such determination is made.

(f) Estimate of revenue, costs and foreseeable loss 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 major contractors, suppliers or vendors involved and the experience of the management. Foreseeable loss will be provided when budgeted construction costs exceeds budgeted construction income. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

(g) Estimated volume of Infrastructures of public services

The amortization for intangible concession rights and impairment assessment of Infrastructures for public services using discounted cash flow model are affected by the estimated volume for public services, such as toll roads and bridges. Management performs annual reviews to assess the appropriateness of estimated volume by making reference to independent professional studies, if necessary.

The traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads and the existence of other means of transportation. The growth of the traffic flow is also highly tied to the future economic and transportation network development of the area in which the Infrastructures serve. Appropriate adjustment will be made should there be a material change.

6 Revenue and segment information

The Group's revenue is analyzed as follows:

	2011 HK$'m	2010 HK$'m
Roads	**254.3**	225.4
Energy & Water	**0.6**	2.9
Facilities Management	**5,792.8**	6,163.9
Construction & Transport	**3,505.3**	5,196.0
Strategic Investments	**7.6**	500.8
	9,560.6	12,089.0

6 Revenue and segment information (continued)

Management has determined the operating segments based on the reports reviewed by the Executive Committee of the Company that are used to make strategic decision. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee considers the business from product and service perspectives, which comprises (i) Ports & Logistics; (ii) Roads; (iii) Energy & Water; (iv) Facilities Management; (v) Construction & Transport and (vi) Strategic Investments.

The Executive Committee assesses the performance of the operating segments based on a measure of attributable operating profit. This measurement basis excludes the effects of head office and non-recurring items. Corporate interest income, finance costs and expenses are not allocated to segments.

(a) The information of the reportable segments provided to the Executive Committee for the year is as follows:

HK$'m	Ports & Logistics	Roads	Energy & Water	Facilities Management	Construction & Transport	Strategic Investments (iii)	Total	
2011								
Total revenue	–	254.3	0.6	5,808.7	3,897.1	7.6	9,968.3	
Inter-segment	–	–	–	(15.9)	(391.8)	–	(407.7)	
Revenue – external	–	254.3	0.6	5,792.8	3,505.3	7.6	9,560.6	
Attributable operating profit								
Company and subsidiaries	0.7	72.7	–	875.9	164.1	319.9	1,433.3	
Associated companies	25.7	2.7	–	–	85.0	510.2 (ii)	623.6	(b)
Jointly controlled entities	255.5	1,059.5	650.1	1.0	30.0 (i)	3.2	1,999.3	(b)
	281.9	1,134.9	650.1	876.9	279.1	833.3	4,056.2	
Reconciliation								
Gain on fair value of investment properties							479.9	
Gain on disposal of projects, net of tax							343.9	(iv)
Excess of fair value of net assets acquired over the cost of acquisition of interests of a jointly controlled entity							26.8	
Share of profit from Harbour Place							1.2	
Corporate net exchange gain							109.3	
Corporate interest income							40.1	
Corporate finance costs							(102.8)	
Share-based payments							(0.5)	
Corporate expenses and others							(327.3)	
Profit attributable to shareholders							4,626.8	

(i) The amount included the Group's share of attributable operating profit of HK$115.0 million from its Transport business.

(ii) The amount included the Group's share of profits of HK$430.1 million from three associated companies engaged in investment activities.

(iii) Previously known as "Financial Services", this segment has been renamed as "Strategic Investments" to include net gains from securities investments held by the Group for strategic investment purposes of HK$759.5 million and profit contributions from other financial services businesses of HK$73.8 million.

(iv) The amount represented the net gain on the disposal of certain non-core businesses under a management buyout arrangement, of which the details are included in note 30(b).

6 Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for the year is as follows (continued):

HK$'m	Ports & Logistics	Roads	Energy & Water	Facilities Management	Construction & Transport	Strategic Investments	Segment total	Corporate	Eliminations	Consolidated
2011										
Depreciation	-	3.6	-	47.5	24.8	1.3	77.2	6.1	-	83.3
Amortization of land use rights	-	-	-	-	0.1	-	0.1	-	-	0.1
Amortization of intangible concession rights	-	69.6	-	-	-	-	69.6	-	-	69.6
Amortization of intangible assets	-	-	-	31.2	-	-	31.2	-	-	31.2
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	589.2	8.7	-	52.2	27.6	2,886.9	3,564.6	2.8	-	3,567.4
Interest income	0.8	44.3	1.0	0.3	8.1	8.3	62.8	40.1	(7.3)	95.6
Finance costs	0.8	0.1	-	1.1	6.6	0.2	8.8	102.8	(7.3)	104.3
Income tax expenses	4.9	67.4	12.7	178.7	58.4	119.0	441.1	(0.7)	-	440.4
At 30 June 2011										
Company and subsidiaries	1,939.6	2,086.9	3.6	3,714.2	3,367.8	5,415.7	16,527.8	2,337.9	-	18,865.7
Associated companies	363.7	420.5	-	-	1,154.5	2,127.8	4,066.5	69.5	-	4,136.0
Jointly controlled entities	3,861.2	7,680.3	6,449.0	18.8	1,654.7 (i)	1,373.7	21,037.7	98.4	-	21,136.1
Total assets	6,164.5	10,187.7	6,452.6	3,733.0	6,177.0	8,917.2	41,632.0	2,505.8	-	44,137.8
Total liabilities	176.3	425.8	23.4	1,111.0	2,234.0	886.3	4,856.8	6,934.9	-	11,791.7

(i) The balance included the Group's investment in its Transport business of HK$1,672.1 million.

6 Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for the year is as follows (continued):

HK$'m	Ports & Logistics	Roads	Energy & Water	Facilities Management	Construction & Transport	Strategic Investments (iii)	Total	
2010								
Total revenue	–	225.4	2.9	6,266.4	5,654.6	516.4	12,665.7	
Inter-segment	–	–	–	(102.5)	(458.6)	(15.6)	(576.7)	
Revenue – external	–	225.4	2.9	6,163.9	5,196.0	500.8	12,089.0	
Attributable operating profit								
Company and subsidiaries	2.0	52.6	–	822.8	67.0	368.2	1,312.6	
Associated companies	30.7	3.0	–	1.5	125.7	328.8 (ii)	489.7	(b)
Jointly controlled entities	245.3	465.0	653.3	0.8	217.4 (i)	–	1,581.8	(b)
	278.0	520.6	653.3	825.1	410.1	697.0	3,384.1	
Reconciliation								
Gain on fair value of investment properties							5.5	
Gain on disposal of projects, net of tax							944.9	(iv)
Share of profit from Harbour Place							337.9	
Goodwill impairment loss							(226.4)	
Assets impairment loss							(30.5)	
Corporate net exchange loss							(4.2)	
Corporate interest income							22.7	
Corporate finance costs							(110.9)	
Share-based payments							(15.3)	
Corporate expenses and others							(296.1)	
Profit attributable to shareholders							4,011.7	

(i) The amount included the Group's share of attributable operating profit of HK$151.5 million from its Transport business.

(ii) The amount included the Group's share of profits of HK$263.6 million from three associated companies engaged in investment activities.

(iii) Previously known as "Financial Services", this segment has been renamed as "Strategic Investments" to include net gains from securities investments held by the Group for strategic investment purposes of HK$541.1 million and profit contributions from other financial services businesses of HK$155.9 million.

(iv) The amounts mainly represented gains on disposal of controlling interest in subsidiaries and other projects.

6 Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for the year is as follows (continued):

HK$'m	Ports & Logistics	Roads	Energy & Water	Facilities Management	Construction & Transport	Strategic Investments	Segment total	Corporate	Eliminations	Consolidated
2010										
Depreciation	–	2.1	–	61.9	26.7	17.2	107.9	7.6	–	115.5
Amortization of land use rights	–	–	–	0.2	1.3	–	1.5	0.4	–	1.9
Amortization of intangible concession rights	–	66.2	–	–	–	–	66.2	–	–	66.2
Amortization of intangible assets	–	–	–	31.2	–	3.9	35.1	–	–	35.1
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	144.7	2.2	–	117.1	60.4	17.1	341.5	2.0	–	343.5
Interest income	1.2	26.3	–	0.2	17.2	16.3	61.2	13.3	(6.0)	68.5
Finance costs	–	0.2	–	0.7	8.6	–	9.5	110.9	(6.0)	114.4
Income tax expenses	4.7	45.0	11.5	165.0	34.0	41.5	301.7	30.5	–	332.2
At 30 June 2010										
Company and subsidiaries	980.1	1,580.4	2.3	3,324.3	4,336.1	1,779.3	12,002.5	5,210.9	–	17,213.4
Associated companies	337.4	399.4	–	–	1,096.2	2,606.2	4,439.2	66.2	–	4,505.4
Jointly controlled entities	3,141.4	5,220.8	5,766.7	17.3	1,717.1 (i)	–	15,863.3	98.8	–	15,962.1
Total assets	4,458.9	7,200.6	5,769.0	3,341.6	7,149.4	4,385.5	32,305.0	5,375.9	–	37,680.9
Total liabilities	11.0	405.6	16.1	1,025.7	3,100.7	301.8	4,860.9	6,367.9	–	11,228.8

(i) The balance included the Group's investment in its Transport business of HK$1,554.9 million.

(b) Reconciliation of attributable operating profit from associated companies and jointly controlled entities to consolidated income statement:

	Associated companies		Jointly controlled entities	
HK$'m	**2011**	2010	**2011**	2010
Attributable operating profit	**623.6**	489.7	**1,999.3**	1,581.8
Corporate associated companies and jointly controlled entities				
Harbour Place	**–**	–	**1.2**	337.9
Disposal gains of projects	**–**	–	**–**	253.6
Others	**(3.2)**	(4.7)	**(77.6)**	(51.3)
Share of results of associated companies and jointly controlled entities	**620.4**	485.0	**1,922.9**	2,122.0

6 Revenue and segment information (continued)

(c) Information by geographical areas:

HK$'m	Revenue 2011	Revenue 2010	Non-current assets other than financial instruments, deferred tax assets and post-employment benefits assets 2011	Non-current assets other than financial instruments, deferred tax assets and post-employment benefits assets 2010
Hong Kong	**8,716.1**	9,671.8	**3,935.6**	2,906.0
Mainland China	**609.1**	1,421.9	**943.0**	958.2
Macau	**234.8**	992.1	**18.5**	24.9
Others	**0.6**	3.2	**–**	–
	9,560.6	12,089.0	**4,897.1**	3,889.1

7 Other income/gains (net)

	Note	2011 HK$'m	2010 HK$'m
Profit on disposal of a subsidiary		**21.4**	2.5
Profit on disposal of partial interest in a subsidiary		**–**	622.9
Gain on remeasuring non-controlling interest retained at fair value after disposal of partial interest in a subsidiary		**–**	105.8
Profit on disposal of available-for-sale financial assets		**336.7**	133.0
Profit on disposal of the Disposal Group and other assets held for sale	30(b)	**499.6**	257.8
Net profit on disposal of financial assets at fair value through profit or loss		**2.7**	16.8
Gain on fair value of financial assets at fair value through profit or loss		**0.1**	4.1
Gain on fair value of investment properties	16	**479.9**	6.6
Interest income		**95.6**	68.5
Management fee income		**71.2**	54.3
Machinery hire income		**42.8**	39.8
Net exchange gains		**214.6**	–
Dividends and other income		**13.8**	34.8
Available-for-sale financial assets impairment loss		**(63.1)**	–
Goodwill impairment loss		**–**	(226.4)
Assets impairment loss		**–**	(30.5)
		1,715.3	1,090.0

8 Operating profit

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

	Note	2011 HK$'m	2010 HK$'m
Crediting			
Gross rental income from investment properties		**47.6**	43.3
Less: outgoings		**(12.2)**	(11.5)
		35.4	31.8
Charging			
Auditor's remuneration		**16.0**	20.8
Cost of inventories sold		**1,936.1**	1,837.1
Cost of services rendered		**5,965.6**	8,274.6
Depreciation	17	**83.3**	115.5
Amortization of land use rights	18	**0.1**	1.9
Amortization of intangible concession rights	19	**69.6**	66.2
Amortization of intangible assets	20	**31.2**	35.1
Operating lease rental expenses			
Properties		**40.5**	95.3
Other equipments		**2.8**	3.8
Staff costs (including directors' emoluments)	9	**1,115.5**	2,233.5

9 Staff costs (including directors' emoluments)

	Note	2011 HK$'m	2010 HK$'m
Wages, salaries and other benefits		**1,198.9**	2,425.0
Share-based payments	33	**0.5**	15.3
Pension costs – defined contribution plans	38(a)	**53.4**	97.5
Pension costs – defined benefits plans	38(b)(ii)	**(0.4)**	(0.3)
		1,252.4	2,537.5
Less: capitalized under contracts in progress		**(136.9)**	(304.0)
	8	**1,115.5**	2,233.5

10 Finance costs

	2011 HK$'m	2010 HK$'m
Interest on borrowings wholly repayable within five years	**91.9**	101.7
Interest on loans from non-controlling interests wholly repayable within five years	**0.1**	0.1
Other borrowing costs	**12.3**	12.6
	104.3	114.4

11 Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the countries in which the Group operates. These rates range from 9% to 25% (2010: 9% to 25%).

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

	Note	**2011 HK$'m**	2010 HK$'m
Current income tax			
Hong Kong profits tax		**259.1**	198.0
Mainland China and overseas taxation		**86.8**	113.3
Deferred income tax charge	37	**94.5**	20.9
		440.4	332.2

Share of taxation of associated companies and jointly controlled entities of HK$24.5 million (2010: HK$38.7 million) and HK$310.2 million (2010: HK$347.1 million) respectively are included in the consolidated income statement as share of results of associated companies and jointly controlled entities respectively.

The tax expenses on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong as follows:

	2011 HK$'m	2010 HK$'m
Profit before income tax	**5,096.0**	4,414.2
Excluding share of results of associated companies	**(620.4)**	(485.0)
Excluding share of results of jointly controlled entities	**(1,922.9)**	(2,122.0)
	2,552.7	1,807.2
Calculated at a taxation rate of 16.5% (2010: 16.5%)	**421.2**	298.2
Effect of different taxation rates in other countries	**3.8**	(4.3)
Tax exemption granted	**(7.0)**	(13.9)
Income not subject to tax	**(213.0)**	(162.1)
Expenses not deductible for tax purposes	**75.6**	110.7
Tax losses not recognized	**21.6**	60.5
Utilization of previously unrecognized tax losses	**(2.2)**	(23.9)
Withholding tax	**144.5**	57.3
Others	**(4.1)**	9.7
Income tax expenses	**440.4**	332.2

12 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$2,538.3 million (2010: HK$2,373.3 million).

13 Dividends

	2011 HK$'m	2010 HK$'m
Interim dividend paid of HK$0.37 (2010: HK$0.62) per share	**1,226.9**	1,309.0
Final dividend proposed of HK$0.33 (2010: paid of HK$0.33) per share	**1,118.0**	720.2
	2,344.9	2,029.2

At the meeting held on 28 September 2011, the Board recommended a final dividend of HK$0.33 per share in scrip form with a cash option. This proposed dividend is not reflected as a dividend payable in the financial statements but will be reflected as an appropriation of the retained profits for the year ending 30 June 2012.

Subject to the passing of the relevant resolution at the forthcoming annual general meeting and 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 will be given the option to elect to receive payment in cash of HK$0.33 per share instead of the allotment of shares. Full details of the final scrip dividend will be set out in the circular to be sent to the shareholders together with a form of election for cash on or about 28 November 2011.

14 Earnings per share

The calculation of basic and diluted earnings per share for the year is based on earnings of HK$4,626.8 million (2010: HK$4,011.7 million) and the weighted average of 3,301,983,204 and 3,303,701,813 (2010: 3,184,370,370 shares after adjusting for the issuance of bonus shares in December 2010) ordinary shares outstanding during the year respectively, calculated as follows:

	2011 HK$'m	2010 HK$'m
Profit attributable to shareholders of the Company and for calculation of basic and diluted earnings per share	**4,626.8**	4,011.7

	Number of shares	
	2011	2010
Weighted average number of shares for calculating basic earnings per share	**3,301,983,204**	3,184,370,370
Effect of dilutive potential ordinary shares		
Share options	**1,718,609**	–
Weighted average number of shares for calculating diluted earnings per share	**3,303,701,813**	3,184,370,370

15 Emoluments of directors and senior management

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

	Note	2011 HK$'m	2010 HK$'m
Fees		**3.0**	3.1
Basic salaries, allowances and other benefits		**40.2**	56.4
Employer's contribution to retirement benefits schemes		**1.9**	2.2
	(a)	**45.1**	61.7
Share option benefits	(b)	**3.6**	8.3
		48.7	70.0

Remuneration package, including basic salaries, allowances and other benefits, contribution to retirement benefits schemes and share option benefits, is determined according to individual performance, job responsibility and seniority, and is reviewed with reference to market conditions.

During this year, the Group did not pay the directors or the five highest paid individuals any inducement to join or upon joining the Group, or as compensation for loss of office. No director waived or agreed to waive any emoluments during the year.

(a) The remunerations of individual directors are set out below:

Name of director	Fees HK$'m	Basic salaries, allowances and other benefits HK$'m	Employer's contribution to retirement benefits schemes HK$'m	2011 Total emoluments HK$'m	2010 Total emoluments HK$'m
Dr Cheng Kar Shun, Henry	0.30	10.21	0.41	**10.92**	10.90
Mr Doo Wai Hoi, William #	0.15	0.02	–	**0.17**	3.43
Mr Chan Kam Ling	–	–	–	**–**	1.00
Mr Tsang Yam Pui	0.35	7.79	0.34	**8.48**	7.03
Mr Wong Kwok Kin, Andrew	0.09	0.94	0.03	**1.06**	18.82 **
Mr Lam Wai Hon, Patrick	0.25	6.65	0.38	**7.28**	5.89
Mr Cheung Chin Cheung	0.15	5.62	0.36	**6.13**	5.66
Mr William Junior Guilherme Doo	0.20	5.21	0.25	**5.66**	4.86
Mr Cheng Chi Ming, Brian	0.15	3.63	0.11	**3.89**	2.47
Mr Wilfried Ernst Kaffenberger #	0.15	0.02	–	**0.17**	0.16
Mr To Hin Tsun, Gerald #	0.15	0.01	–	**0.16**	0.26
Mr Dominic Lai #	0.26	0.04	–	**0.30**	0.28
Mr Kwong Che Keung, Gordon *	0.32	0.03	–	**0.35**	0.33
Dr Cheng Wai Chee, Christopher *	0.26	0.03	–	**0.29**	0.28
Mr Shek Lai Him, Abraham *	0.26	0.03	–	**0.29**	0.28
	3.04	40.23	1.88	**45.15**	61.65

Non-executive director

* Independent non-executive director

** The amount includes the gratuity payment of HK$13.0 million in recognition of Mr Wong's long service and contribution to the Group.

15 Emoluments of directors and senior management (continued)

(b) The deemed share option benefits of individual directors are set out below:

Name of director	2011 HK$'m	2010 HK$'m
Dr Cheng Kar Shun, Henry	**0.79**	1.53
Mr Doo Wai Hoi, William #	**0.52**	1.02
Mr Chan Kam Ling	**–**	0.61
Mr Tsang Yam Pui	**0.39**	0.76
Mr Wong Kwok Kin, Andrew	**–**	0.76
Mr Lam Wai Hon, Patrick	**0.39**	0.76
Mr Cheung Chin Cheung	**0.39**	0.76
Mr William Junior Guilherme Doo	**0.39**	0.76
Mr Wilfried Ernst Kaffenberger #	**0.08**	0.15
Mr To Hin Tsun, Gerald #	**0.08**	0.15
Mr Dominic Lai #	**0.08**	0.15
Mr Kwong Che Keung, Gordon *	**0.16**	0.31
Dr Cheng Wai Chee, Christopher *	**0.16**	0.31
Mr Shek Lai Him, Abraham *	**0.16**	0.31
	3.59	8.34

Non-executive director

* Independent non-executive director

The deemed share option benefits are calculated in accordance with the requirement as stipulated in HKFRS 2 "Share-based payment".

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2010: five) directors whose emoluments are reflected above. The emoluments payable to the remaining one (2010: Nil) individual during the year are as follows:

	2011 HK$'m	2010 HK$'m
Basic salaries, allowances and other benefits	**5.74**	–
Employer's contribution to retirement benefits schemes	**0.01**	–
Share option benefits	**0.13**	–
	5.88	–

The emoluments of the individual fell within the following band:

	Number of individuals	
Emolument band (HK$)	**2011**	2010
5,000,001 – 6,000,000	**1**	–

16 Investment properties

	Note	Group 2011 HK$'m	Group 2010 HK$'m
At beginning of year		**2,060.0**	1,117.7
Transfer from property, plant and equipment and land use rights	17,18	**3.4**	935.7
Additions		**589.2**	–
Disposals		**(11.3)**	–
Fair value changes	7	**479.9**	6.6
At end of year		**3,121.2**	2,060.0

	Group 2011 HK$'m	Group 2010 HK$'m
Analyzed by		
Completed properties	**3,121.2**	1,124.3
Under construction	**–**	935.7
	3,121.2	2,060.0

The investment properties were revalued on 30 June 2011 and 30 June 2010 by independent, professionally qualified valuers, Vigers Hong Kong Limited or American Appraisal China Limited. As detailed in note 5(b), valuations for completed properties were based on market value assessment or the income approach. Valuations for properties under construction were based on the depreciated replacement cost approach.

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

	2011 HK$'m	2010 HK$'m
Held in Hong Kong, on		
Leases of over 50 years	**72.0**	53.0
Leases of between 10 to 50 years	**3,035.9**	2,002.3
Held in Mainland China, on		
Leases of over 50 years	**13.3**	4.7
	3,121.2	2,060.0

17 Property, plant and equipment

HK$'m	Note	Group: Land and properties	Group: Construction in progress	Group: Other plant and equipment	Group: Total	Company: Other plant and equipment
Cost						
At 1 July 2010		37.5	–	1,186.1	1,223.6	26.8
Translation differences		0.2	1.2	1.7	3.1	–
Additions		–	347.8	237.2	585.0	2.5
Disposals		(0.9)	–	(29.8)	(30.7)	–
Disposal of a subsidiary	42(b)	(6.4)	–	(5.8)	(12.2)	–
Reclassified as assets held for sale	30(a)	–	(349.0)	(145.8)	(494.8)	–
Transfer from land use rights	18	15.7	–	–	15.7	–
Transfer to investment properties	16	(1.7)	–	–	(1.7)	–
At 30 June 2011		44.4	–	1,243.6	1,288.0	29.3
Accumulated depreciation and impairment						
At 1 July 2010		12.4	–	890.0	902.4	22.6
Translation differences		–	–	1.2	1.2	–
Depreciation	8	0.7	–	82.6	83.3	2.6
Disposals		(0.2)	–	(27.5)	(27.7)	–
Disposal of a subsidiary	42(b)	(1.0)	–	(3.7)	(4.7)	–
Reclassified as assets held for sale	30(a)	–	–	(1.3)	(1.3)	–
Transfer from land use rights	18	2.8	–	–	2.8	–
Transfer to investment properties	16	(0.5)	–	–	(0.5)	–
At 30 June 2011		14.2	–	941.3	955.5	25.2
Net book value						
At 30 June 2011		30.2	–	302.3	332.5	4.1
At 30 June 2010		25.1	–	296.1	321.2	4.2

17 Property, plant and equipment (continued)

HK$'m	Note	Group: Land and properties	Group: Construction in progress	Group: Other plant and equipment	Group: Total	Company: Other plant and equipment
Cost						
At 1 July 2009		134.1	155.8	1,739.2	2,029.1	25.7
Additions		20.9	144.7	177.9	343.5	1.7
Amortization from land use rights capitalized	18	–	13.0	–	13.0	–
Disposals		(10.9)	–	(60.9)	(71.8)	(0.6)
Disposal of subsidiaries	42(b)	(3.1)	–	(348.8)	(351.9)	–
Reclassified as assets held for sale	30(b)	(103.5)	–	(321.3)	(424.8)	–
Transfer to investment properties	16	–	(313.5)	–	(313.5)	–
At 30 June 2010		37.5	–	1,186.1	1,223.6	26.8
Accumulated depreciation and impairment						
At 1 July 2009		32.6	–	1,276.8	1,309.4	20.4
Depreciation	8	3.8	–	111.7	115.5	2.7
Impairment		4.6	–	21.7	26.3	–
Disposals		(6.5)	–	(36.3)	(42.8)	(0.5)
Disposal of subsidiaries	42(b)	(1.0)	–	(232.0)	(233.0)	–
Reclassified as assets held for sale	30(b)	(21.1)	–	(251.9)	(273.0)	–
At 30 June 2010		12.4	–	890.0	902.4	22.6
Net book value						
At 30 June 2010		25.1	–	296.1	321.2	4.2
At 30 June 2009		101.5	155.8	462.4	719.7	5.3

The transfer from land use rights was resulted from the adoption of HKAS 17 Amendment as detailed in note 2(a). Following the adoption, the Group's interests in land use rights grouped under land and properties amounted to HK$12.7 million (2010: Nil) and their net book value are analyzed as follows:

	2011 HK$'m	2010 HK$'m
Held in Hong Kong, on		
Leases of over 50 years	**3.9**	–
Leases of between 10 to 50 years	**6.2**	–
Held in overseas, on		
Leases of over 50 years	**2.6**	–
	12.7	–

18 Land use rights

	Note	Group 2011 HK$'m	Group 2010 HK$'m
Cost			
At beginning of year		**22.5**	785.5
Disposals		**(2.0)**	(20.4)
Transfer to investment properties	16	**(4.8)**	(648.2)
Transfer to property, plant and equipment	17	**(15.7)**	–
Reclassified as assets held for sale	30(b)	**–**	(94.4)
At end of year		**–**	22.5
Accumulated amortization and impairment			
At beginning of year		**5.9**	57.8
Amortization charged to income statement	8	**0.1**	1.9
Amortization capitalized on construction in progress	17	**–**	13.0
Impairment		**–**	4.2
Disposals		**(0.6)**	(3.0)
Transfer to investment properties	16	**(2.6)**	(26.0)
Transfer to property, plant and equipment	17	**(2.8)**	–
Reclassified as assets held for sale	30(b)	**–**	(42.0)
At end of year		**–**	5.9
Net book value			
At end of year		**–**	16.6

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

	2011 HK$'m	2010 HK$'m
Held in Hong Kong, on		
Leases of over 50 years	**–**	3.9
Leases of between 10 to 50 years	**–**	6.4
Held in Mainland China and overseas, on		
Leases of over 50 years	**–**	4.7
Leases of between 10 to 50 years	**–**	1.6
	–	16.6

The transfer to property, plant and equipment was resulted from the adoption of HKAS 17 Amendment as detailed in note 2(a).

19 Intangible concession rights

	Note	Group 2011 HK$'m	Group 2010 HK$'m
Cost			
At beginning of year		**1,505.9**	1,505.9
Translation differences		**92.2**	–
At end of year		**1,598.1**	1,505.9
Accumulated amortization and impairment			
At beginning of year		**594.8**	528.6
Translation differences		**39.1**	–
Amortization	8	**69.6**	66.2
At end of year		**703.5**	594.8
Net book value			
At end of year		**894.6**	911.1

Intangible concession rights refer to the Group's investments in the Roads segment.

20 Intangible assets

HK$'m	Note	Group Goodwill	Group Operating right	Group Mining rights	Group Total
Cost					
At 1 July 2010		**293.6**	**567.4**	**–**	**861.0**
Additions	30(a)	**–**	**–**	**2,393.2**	**2,393.2**
Disposals		**(226.4)**	**(0.2)**	**–**	**(226.6)**
Reclassified as assets held for sale	30(a)	**–**	**–**	**(2,393.2)**	**(2,393.2)**
At 30 June 2011		**67.2**	**567.2**	**–**	**634.4**
Accumulated amortization and impairment					
At 1 July 2010		**241.8**	**39.0**	**–**	**280.8**
Disposals		**(226.4)**	**–**	**–**	**(226.4)**
Amortization	8	**–**	**31.2**	**–**	**31.2**
At 30 June 2011		**15.4**	**70.2**	**–**	**85.6**
Net book value					
At 30 June 2011		**51.8**	**497.0**	**–**	**548.8**
At 30 June 2010		**51.8**	**528.4**	**–**	**580.2**

20 Intangible assets (continued)

HK$'m	Note	Group: Goodwill	Group: Trademark and licences	Group: Operating right	Group: Total
Cost					
At 1 July 2009		358.7	162.8	567.4	1,088.9
Disposal of a subsidiary	42(b)	(65.1)	(162.8)	–	(227.9)
At 30 June 2010		293.6	–	567.4	861.0
Accumulated amortization and impairment					
At 1 July 2009		15.4	18.9	7.8	42.1
Amortization	8	–	3.9	31.2	35.1
Impairment	(a)	226.4	–	–	226.4
Disposal of a subsidiary	42(b)	–	(22.8)	–	(22.8)
At 30 June 2010		241.8	–	39.0	280.8
Net book value					
At 30 June 2010		51.8	–	528.4	580.2
At 30 June 2009		343.3	143.9	559.6	1,046.8

(a) Goodwill

Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified according to country of operation and business segment. For the purpose of impairment test, the recoverable amount of the business unit is determined based on value in use calculations. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management's best estimates and past experience.

A summary of the goodwill allocation to segments is presented below.

HK$'m	**Hong Kong**	**Mainland China**	**Total**
2011 and 2010			
Roads	**–**	**17.7**	**17.7**
Strategic Investments	**34.1**	**–**	**34.1**
	34.1	**17.7**	**51.8**

(b) Operating right

Operating right was primarily resulted from the acquisition of right to operate facilities management business. Operating right is tested for impairment when there is indication of impairment and amortized over the period of the operating right.

(c) Mining rights

Mining rights represent rights for the mining of iron ore reserves in Yanjiazhuang Mine located in Lincheng County, Hebei Province, the PRC. The balance was subsequently reclassified to assets held for sale as detailed in note 30(a).

21 Subsidiaries

	Company 2011 HK$'m	Company 2010 HK$'m
Unlisted shares, at cost	**8,064.6**	7,893.3

Particulars of principal subsidiaries are given in note 47.

22 Associated companies

	Note	Group 2011 HK$'m	Group 2010 HK$'m
Group's share of net assets			
Listed shares in Hong Kong	(a)	**1,351.7**	1,298.0
Unlisted shares	(b)	**2,599.7**	3,031.1
		3,951.4	4,329.1
Goodwill		**31.4**	31.4
Amounts receivable	(c)	**153.2**	144.9
		4,136.0	4,505.4

(a) The market value of the Group's listed associated companies in Hong Kong amounts to HK$631.4 million (2010: HK$718.5 million).

(b) Included in the HK$2,599.7 million unlisted associated companies are three investment companies in which the Group has participating interests and held for investment purposes. The Group's investment in these companies as at 30 June 2011 amounted to HK$1,345.8 million (2010: HK$1,869.7 million), which mainly represents various loans receivables and the fair value of investments in various listed and unlisted securities. For the year ended 30 June 2011, the Group's share of profits of these three investment companies amounted to HK$430.1 million (2010: HK$263.6 million) as detailed in note 6(a)(ii).

(c) The amounts receivable are unsecured, interest free and have no fixed terms of repayment except for an amount of HK$104.7 million (2010: HK$104.7 million) which bears interest at 8% per annum. As at 30 June 2011, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

(d) Dividend income from associated companies for the year was HK$569.6 million (2010: HK$149.3 million).

(e) Details of principal associated companies are given in note 48.

22 Associated companies (continued)

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

	Group	
	2011	2010
	HK$'m	HK$'m
Revenue	**1,144.1**	904.0
Profit for the year	**620.4**	485.0
Non-current assets	**4,151.7**	4,714.5
Current assets	**1,958.1**	1,725.3
Current liabilities	**(1,333.1)**	(1,515.0)
Non-current liabilities	**(825.3)**	(595.7)
Net assets	**3,951.4**	4,329.1

23 Jointly controlled entities

		Group	
		2011	2010
	Note	**HK$'m**	HK$'m
Co-operative joint ventures			
Cost of investment less provision		**1,169.8**	1,178.9
Goodwill		**90.0**	90.0
Share of undistributed post-acquisition results		**1,736.6**	991.5
Amounts receivable	(a)	**300.5**	341.4
		3,296.9	2,601.8
Equity joint ventures			
Group's share of net assets		**4,350.6**	3,270.8
Goodwill		**159.3**	159.3
Amounts receivable	(a)	**–**	230.9
		4,509.9	3,661.0
Companies limited by shares			
Group's share of net assets		**9,174.8**	7,421.4
Goodwill		**555.8**	555.8
Amounts receivable	(a)	**2,009.8**	1,722.1
		11,740.4	9,699.3
Deposit paid for a joint venture	(b)	**1,588.9**	–
		21,136.1	15,962.1

23 Jointly controlled entities (continued)

(a) Amounts receivable are analyzed as follows:

	Note	Group 2011 HK$'m	Group 2010 HK$'m
Bearing variable interest rates	(i)	**20.5**	12.1
Non-interest bearing		**2,289.8**	2,282.3
		2,310.3	2,294.4

(i) Represent Hong Kong prime rate (2010: Hong Kong prime rate).

As at 30 June 2011, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

(b) Deposit paid for a joint venture represented a deposit paid for the investment in Chinese Future Corporation as detailed in note 44(a).

(c) Dividend income from jointly controlled entities for the year was HK$1,233.4 million (2010: HK$2,168.1 million).

(d) Details of principal jointly controlled entities are given in note 49.

(e) Contingent liabilities relating to the Group's interests in the jointly controlled entities are disclosed in note 41.

(f) The Group's share of revenue, results, assets and liabilities of jointly controlled entities are summarized below:

	Group 2011 HK$'m	Group 2010 HK$'m
Revenue	**12,889.0**	10,298.6
Profit for the year	**1,922.9**	2,122.0
Non-current assets	**23,750.4**	18,811.7
Current assets	**6,972.0**	4,539.8
Current liabilities	**(7,659.1)**	(5,595.0)
Non-current liabilities	**(6,631.5)**	(4,893.9)
Net assets	**16,431.8**	12,862.6

24 Available-for-sale financial assets

	Group 2011 HK$'m	Group 2010 HK$'m
Listed securities		
Equity securities listed in Hong Kong	**659.7**	1,327.0
Unlisted securities		
Equity securities	**405.0**	171.8
Debt securities	**590.2**	10.0
	1,654.9	1,508.8
Market value of listed securities	**659.7**	1,327.0

The available-for-sale financial assets are denominated in the following currencies:

	Group 2011 HK$'m	Group 2010 HK$'m
Hong Kong dollar	**666.4**	1,298.2
Renminbi	**210.6**	–
United States dollar	**777.9**	210.6
	1,654.9	1,508.8

25 Other non-current assets

	Note	Group 2011 HK$'m	Group 2010 HK$'m
Retirement benefit assets	38(b)(i)	**9.5**	9.1
Deferred tax assets	37	**4.1**	3.3
Property for development		**163.4**	141.7
Security deposits		**389.3**	377.6
Investment deposits	(a)	**–**	291.5
Held-to-maturity investment	(b)	**244.3**	246.0
Derivative financial instruments		**3.7**	–
		814.3	1,069.2

(a) As at 30 June 2010, the Group paid an investment deposits amounting to HK$291.5 million for the purpose of acquiring an interest in an asset through an investment vehicle. As at 30 June 2011, the asset has been reclassified as assets held for sale as detailed in note 30(a).

25 Other non-current assets (continued)

(b) Held-to-maturity investment

	Group	
	2011 HK$'m	2010 HK$'m
Debt security listed overseas	**244.3**	246.0

Held-to-maturity investment is initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less impairment.

The market value of the held-to-maturity investment approximates its carrying value.

26 Inventories

	Group	
	2011 HK$'m	2010 HK$'m
Raw materials	**9.4**	8.0
Finished goods	**331.2**	205.0
	340.6	213.0

27 Trade and other receivables

		Group		Company	
	Note	**2011 HK$'m**	2010 HK$'m	**2011 HK$'m**	2010 HK$'m
Trade receivables	(a)	**657.5**	611.3	**–**	–
Retention money receivables		**505.9**	728.7	**–**	–
Current portion of long term receivable		**–**	38.6	**–**	–
Amounts due from customers for contract works	31	**155.8**	88.6	**–**	–
Other receivables, deposits and prepayments		**1,697.3**	1,781.9	**4.5**	4.7
Amounts due from associated companies	(b)	**56.2**	38.3	**–**	–
Amounts due from jointly controlled entities	(b)	**338.2**	222.8	**–**	–
Amounts due from subsidiaries	(b)	**–**	–	**15,800.9**	11,148.5
		3,410.9	3,510.2	**15,805.4**	11,153.2

27 Trade and other receivables (continued)

(a) Trade receivables can be further analyzed as follows:

The ageing analysis of trade receivables is as follows:

	Group	
	2011	2010
	HK$'m	HK$'m
Under 3 months	**528.4**	418.7
4 to 6 months	**9.8**	157.9
Over 6 months	**119.3**	34.7
	657.5	611.3

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

The maximum exposure of trade receivables equals their carrying amounts.

An allowance for impairment of trade receivables is made based on the estimated irrecoverable amount determined by reference to past default experience and where there are indicators that the debt is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or delinquency in payment are considered indicators that the debt is impaired.

At 30 June 2011, trade receivables of HK$274.1 million (2010: HK$381.7 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2011	2010
	HK$'m	HK$'m
Under 3 months	**145.1**	263.5
4 to 6 months	**10.0**	88.3
Over 6 months	**119.0**	29.9
	274.1	381.7

At 30 June 2011, trade receivables of HK$7.0 million (2010: HK$7.4 million) were impaired, which were related to customers that were in financial difficulties. The ageing analysis of these trade receivables is as follows:

	Group	
	2011	2010
	HK$'m	HK$'m
4 to 6 months	**–**	0.4
Over 6 months	**7.0**	7.0
	7.0	7.4

27 Trade and other receivables (continued)

(a) Trade receivables can be further analyzed as follows (continued):

Movements on provision for impairment of trade receivables are as follows:

	Group	
	2011 **HK$'m**	2010 HK$'m
At beginning of year	**7.4**	25.2
Increase in provision recognized in income statement	**–**	1.4
Amounts recovered	**–**	(0.1)
Amounts written off during the year	**(0.4)**	(3.4)
Reclassified as assets held for sale	**–**	(15.7)
At end of year	**7.0**	7.4

(b) The amounts receivable are interest free, unsecured and repayable on demand except for an amount of HK$598.2 million (2010: Nil) due from a subsidiary which bears interest at HIBOR plus 1.5% per annum. The amounts receivables are fully performing as at 30 June 2011.

Included in the Group's trade and other receivables are HK$556.2 million (2010: HK$327.4 million) denominated in Renminbi and HK$360.5 million (2010: HK$607.1 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.

28 Financial assets at fair value through profit or loss

	Group	
	2011 **HK$'m**	2010 HK$'m
Listed securities		
Equity securities listed in Hong Kong	**–**	34.0
Unlisted securities		
Equity securities	**1.6**	1.5
	1.6	35.5
Market value of listed securities	**–**	34.0

The financial assets at fair value through profit or loss are denominated in the following currencies:

	Group	
	2011 **HK$'m**	2010 HK$'m
Hong Kong dollar	**–**	34.0
United States dollar	**1.6**	1.5
	1.6	35.5

29 Cash and bank balances

	Group		Company	
	2011	2010	**2011**	2010
	HK$'m	HK$'m	**HK$'m**	HK$'m
Time deposits	**3,143.6**	2,301.0	**317.8**	1,038.9
Other cash at bank and in hand	**1,356.9**	2,856.6	**54.6**	218.5
Cash and bank balances	**4,500.5**	5,157.6	**372.4**	1,257.4

The effective interest rate on time deposits was 0.90% (2010: 0.66%) per annum; these deposits have an average maturity of 21 days (2010: 21 days).

The balances included HK$1,950.8 million equivalent (2010: HK$2,604.9 million) which are kept in the bank accounts opened with banks in PRC where the remittance of funds is subject to foreign exchange control.

The cash and bank balances are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'m	HK$'m	**HK$'m**	HK$'m
Hong Kong dollar	**2,298.4**	1,991.5	**287.2**	857.4
United States dollar	**82.4**	414.0	**78.3**	400.0
Renminbi	**2,026.8**	2,563.3	**–**	–
Macau Pataca	**83.2**	187.1	**–**	–
Others	**9.7**	1.7	**6.9**	–
	4,500.5	5,157.6	**372.4**	1,257.4

30 Assets held for sale/liabilities directly associated with assets held for sale

Assets held for sale		Group	
		2011	2010
	Note	**HK$'m**	HK$'m
Listed securities			
Equity security listed in Hong Kong		**13.3**	13.3
Equity security listed in Mainland China		**57.0**	115.9
Assets of Newton Resources reclassified as held for sale	(a)	**3,175.5**	–
Assets of the Disposal Group reclassified as held for sale	(b)	**–**	1,700.8
		3,245.8	1,830.0

Liabilities directly associated with assets held for sale		Group	
		2011	2010
	Note	**HK$'m**	HK$'m
Liabilities of Newton Resources reclassified as held for sale	(a)	**(601.0)**	–
Liabilities of the Disposal Group reclassified as held for sale	(b)	**–**	(1,294.4)
		(601.0)	(1,294.4)

30 Assets held for sale/liabilities directly associated with assets held for sale (continued)

(a) In August 2010, the Group acquired an effective interest of approximately 43.34% in Newton Resources which owns and operates a major privately-owned iron ore mine in Hebei Province in the PRC and was classified as an associated company of the Group. On 28 January 2011, the Group acquired an additional effective interest of approximately 11.68% in Newton Resources, increasing its interest to approximately 55.02% and accordingly, Newton Resources became a subsidiary of the Group. On 18 February 2011, the Group further acquired an effective interest of 4.98% of Newton Resources and the Group's effective interest in Newton Resources increased to approximately 60%. The further acquisitions during the year are regarded as acquisition of assets, which mainly represent the mining rights, instead of a business.

On 26 May 2011, the Hong Kong Stock Exchange approved the separate listing of Newton Resources on the Main Board and the shares of Newton Resources were subsequently listed on 4 July 2011, resulting in a dilution of the Group's interest in Newton Resources from approximately 60% to approximately 48%. As a result, the Group reclassified the assets and liabilities of Newton Resources as held for sale as at 30 June 2011 (note 44(b)).

	Note	2011 HK$'m
Assets		
Property, plant and equipment	17	**493.5**
Intangible assets	20	**2,393.2**
Cash and bank balances		**198.1**
Other assets		**90.7**
Assets of Newton Resources reclassified as held for sale		**3,175.5**
Liabilities		
Borrowings		**(486.5)**
Other liabilities		**(247.9)**
		(734.4)
Add: Amounts due to group companies		**133.4**
Liabilities of Newton Resources reclassified as held for sale		**(601.0)**

30 Assets held for sale/liabilities directly associated with assets held for sale (continued)

(b) On 11 June 2010, NWD and the Company jointly announced that agreements were entered into in respect of the disposal of certain of the Group's non-core businesses under a management buyout arrangement, including (a) laundry and landscaping; (b) security and guarding; (c) trading of building materials; (d) senior residents' home; (e) insurance and brokerage; (f) property management in Hong Kong; (g) cleaning and (h) electrical and mechanical engineering (collectively, the "Disposal Group") subject to certain conditions precedent. Total consideration for the disposal was HK$888.5 million. The disposal was completed during the financial year ended 30 June 2011, resulting in a net gain of approximately HK$343.9 million (included under profit on disposal of the Disposal Group and other assets held for sale in note 7). Assets and liabilities of the Disposal Group as at 30 June 2010 were reclassified as held for sale.

	Note	2010 HK$'m
Assets		
Property, plant and equipment	17	151.8
Land use rights	18	52.4
Associated companies		6.1
Jointly controlled entities		3.8
Other non-current assets		9.4
Inventories		31.0
Trade and other receivables		1,247.5
Cash and bank balances		569.2
		2,071.2
Less: Amounts due from group companies		(370.4)
Assets of the Disposal Group reclassified as held for sale		1,700.8
Liabilities		
Deferred tax liabilities		(1.5)
Other non-current liabilities		(25.0)
Trade and other payables		(1,478.8)
Taxation		(32.3)
Borrowings		(0.1)
		(1,537.7)
Add: Amounts due to group companies		243.3
Liabilities of the Disposal Group reclassified as held for sale		(1,294.4)

31 Contracts in progress

	Note	Group 2011 HK$'m	Group 2010 HK$'m
Contract costs incurred plus attributable profits less foreseeable losses		**23,015.2**	28,949.8
Progress payments received and receivable		**(22,995.1)**	(29,196.2)
		20.1	(246.4)
Representing			
Gross amount due from customers for contract works	27	**155.8**	88.6
Gross amount due to customers for contract works	36	**(135.7)**	(335.0)
		20.1	(246.4)

32 Share capital

	Ordinary Shares No. of shares	Ordinary Shares HK$'m
Authorized		
At 1 July 2010	4,000,000,000	4,000.0
Increase	2,000,000,000	2,000.0
At 30 June 2011	6,000,000,000	6,000.0
Issued and fully paid		
At 1 July 2009	2,071,307,860	2,071.3
Issued as scrip dividends	107,620,023	107.6
At 30 June 2010	2,178,927,883	2,178.9
Exercise of share options	4,524,537	4.6
Issued as scrip dividends	113,016,097	113.0
Issued as bonus shares	1,091,142,238	1,091.1
At 30 June 2011	**3,387,610,755**	**3,387.6**

Share Option Schemes

(a) The Company

The share option scheme of the Company (the "Share Option Scheme"), which was adopted on 6 December 2001 and amended on 12 March 2003 and 24 November 2006, 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.

32 Share capital (continued)

Share Option Schemes (continued)

(a) The Company (continued)

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

	Note	Number of options		Weighted average exercise price of each category (HK$)	
		2011	2010	**2011**	2010
At beginning of year		**27,444,140**	29,808,654	**16.270**	16.296
Exercised	(ii)	**(4,524,537)**	–	**14.671**	–
Lapsed		**(1,847,685)**	(2,601,374)	**14.501**	16.157
Adjusted	(iii)	**11,486,868**	236,860	**10.782**	16.267
At end of year		**32,558,786**	27,444,140	**10.767**	16.270

(i) On 21 August 2007 and 28 January 2008, 29,694,000 and 700,000 share options were granted to directors and certain eligible participants at the exercise price of HK$16.2 and HK$20.6 respectively, which represents the closing price of the Company's shares on the Hong Kong Stock Exchange on the dates of grant. Such share options will expire on 21 August 2012.

(ii) The weighted average share price at the date of exercise was HK$12.54 (2010: Nil).

(iii) Pursuant to the Share Option Scheme, the number of unexercised share options and exercise price may be subject to adjustment in case of alteration in the capital structure of the Company. The Company declared bonus shares and certain dividends in scrip form (with cash option) during the year which gave rise to adjustments to the number of unexercised share options and the exercise price in accordance with the Share Option Scheme. The exercise price per share for the share options granted on 21 August 2007 and 28 January 2008 were adjusted to HK$10.672 and HK$13.570 respectively, both with effect from 20 May 2011.

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

	Expiry Date	Number of options		Vested percentage	
		2011	2010	**2011**	2010
Exercise price		**HK$10.672**	HK$16.055		
Director	21 August 2012	**20,795,979**	15,335,913	**80%**	60%
Other eligible participants	21 August 2012	**10,700,256**	11,401,974	**80%**	60%
		31,496,235	26,737,887		

	Expiry Date	Number of options		Vested percentage	
		2011	2010	**2011**	2010
Exercise price		**HK$13.570**	HK$20.417		
Other eligible participants	21 August 2012	**1,062,551**	706,253	**80%**	60%

32 Share capital (continued)

Share Option Schemes (continued)

(b) The share options will be vested according to the Share Option Schemes and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date.

(c) During the financial year ended 30 June 2011, details of the movement of share options granted by Newton Resources under the Newton Pre-IPO Share Option Scheme are as follows:

		Number of share options		
Date of grant	**Exercisable period**	**Balance as at 1 July 2010**	**Granted during the year**	**Balance as at 30 June 2011**
28 January 2011	(i)	–	133,300,000 (ii)	133,300,000
Weighted average exercise price of share option (HK$)		–	1.75	1.75

(i) 40% of the share options are exercisable from 4 July 2012 to 6 July 2015 while the remaining 60% of the share options are divided into 2 tranches exercisable from 4 July 2013 and 4 July 2014 respectively to 6 July 2015.

(ii) Share options were granted conditional upon listing of shares of Newton Resources on the Hong Kong Stock Exchange. The shares of Newton Resources had been listed on the Hong Kong Stock Exchange since 4 July 2011.

(iii) The cash consideration paid by each eligible participant for each grant of share options is HK$1.

(iv) Newton Resources, together with the independent professional valuers, will perform assessment in respect of the fair value of the Newton Pre-IPO Share Option.

33 Reserves

HK$'m	Note	Group Share premium	Special reserves	Investments revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2010		12,078.6	440.4	88.4	1,599.8	9,800.9	24,008.1
Profit for the year		–	–	–	–	4,626.8	4,626.8
Dividends to shareholders of the Company		–	–	–	–	(1,947.1)	(1,947.1)
Fair value changes on available-for-sale financial assets							
Group		–	–	35.9	–	–	35.9
Associated companies		–	–	(15.7)	–	–	(15.7)
Jointly controlled entities		–	–	31.0	–	–	31.0
Release of reserve upon disposal of available-for-sale financial assets							
Group		–	–	0.9	–	–	0.9
Associated companies		–	–	(64.4)	–	–	(64.4)
Release of reserves upon disposal of the Disposal Group and other assets held for sale		–	(0.1)	1.1	(30.7)	–	(29.7)
Release of investment revaluation deficit to the income statement upon impairment of an available-for-sale financial asset		–	–	63.1	–	–	63.1
Release of exchange reserve upon disposal of a subsidiary	42(b)	–	–	–	(10.0)	–	(10.0)
Currency translation differences							
Group		–	–	–	135.9	–	135.9
Associated companies		–	–	–	80.3	–	80.3
Jointly controlled entities		–	–	–	642.6	–	642.6
Scrip dividends							
Share premium on new shares issued		1,171.7	–	–	–	–	1,171.7
Issue of bonus shares		(1,091.1)	–	–	–	–	(1,091.1)
Share options							
Value of services provided							
Group		–	0.5	–	–	–	0.5
Associated companies		–	1.6	–	–	–	1.6
Jointly controlled entities		–	0.1	–	–	–	0.1
Share premium on new shares issued		61.8	–	–	–	–	61.8
Share of other comprehensive loss of associated companies and jointly controlled entities		–	(13.8)	–	–	–	(13.8)
Transfer		–	0.5	–	–	(0.5)	–
Cash flow hedges		–	1.4	–	–	–	1.4
At 30 June 2011		12,221.0	430.6	140.3	2,417.9	12,480.1	27,689.9
Representing							
Balance at 30 June 2011		12,221.0	430.6	140.3	2,417.9	11,362.1	26,571.9
Proposed final dividend		–	–	–	–	1,118.0	1,118.0
		12,221.0	430.6	140.3	2,417.9	12,480.1	27,689.9

33 Reserves (continued)

HK$'m	Note	Share premium	Special reserves	Investments revaluation reserve	Exchange reserve	Revenue reserve	Total
		Group					
At 1 July 2009		10,814.9	409.0	278.1	1,620.8	7,981.1	21,103.9
Profit for the year		–	–	–	–	4,011.7	4,011.7
Dividends to shareholders of the Company		–	–	–	–	(2,178.9)	(2,178.9)
Fair value changes on available-for-sale financial assets							
Group		–	–	(105.1)	–	–	(105.1)
Associated companies		–	–	158.7	–	–	158.7
Release of reserve upon disposal of available-for-sale financial assets							
Group		–	–	(29.2)	–	–	(29.2)
Associated companies		–	–	(219.2)	–	–	(219.2)
Release of reserves upon disposal of assets held for sale		–	(0.2)	2.7	(9.7)	–	(7.2)
Release of reserve upon disposal of subsidiaries	42(b)	–	(30.9)	2.4	–	30.9	2.4
Currency translation differences							
Group		–	–	–	(3.6)	–	(3.6)
Associated companies		–	–	–	16.1	–	16.1
Jointly controlled entities		–	–	–	(23.0)	–	(23.0)
Scrip dividends							
Share premium on new shares issued		1,263.7	–	–	–	–	1,263.7
Share options							
Value of services provided							
Group		–	15.3	–	–	–	15.3
Associated companies		–	2.0	–	–	–	2.0
Jointly controlled entities		–	0.3	–	–	–	0.3
Share of other comprehensive income of a jointly controlled entity		–	6.0	–	–	–	6.0
Transfer		–	44.7	–	(0.8)	(43.9)	–
Cash flow hedges		–	(5.8)	–	–	–	(5.8)
At 30 June 2010		12,078.6	440.4	88.4	1,599.8	9,800.9	24,008.1
Representing							
Balance at 30 June 2010		12,078.6	440.4	88.4	1,599.8	9,081.9	23,289.1
Proposed final dividend		–	–	–	–	719.0	719.0
		12,078.6	440.4	88.4	1,599.8	9,800.9	24,008.1

33 Reserves (continued)

Special reserves include statutory reserves which are created in accordance with the terms of the joint venture agreements of subsidiaries and jointly controlled entities established in Mainland China and are required to be retained in the financial statements of these subsidiaries and jointly controlled entities for specific purposes. Special reserves also include capital redemption reserve and share option reserves.

	Company				
HK$'m	Share premium	Contributed surplus	Special reserves	Revenue reserve	Total
At 1 July 2010	**12,078.6**	**237.3**	**81.8**	**1,497.8**	**13,895.5**
Issue of new shares as scrip dividends	**1,171.7**	**–**	**–**	**–**	**1,171.7**
Profit for the year	**–**	**–**	**–**	**2,538.3**	**2,538.3**
Dividends	**–**	**–**	**–**	**(1,947.1)**	**(1,947.1)**
Share options					
Value of services provided	**–**	**–**	**1.7**	**–**	**1.7**
Share premium on new shares issued	**61.8**	**–**	**–**	**–**	**61.8**
Issue of bonus shares	**(1,091.1)**	**–**	**–**	**–**	**(1,091.1)**
At 30 June 2011	**12,221.0**	**237.3**	**83.5**	**2,089.0**	**14,630.8**
Representing					
Balance at 30 June 2011	**12,221.0**	**237.3**	**83.5**	**971.0**	**13,512.8**
Proposed final dividend	**–**	**–**	**–**	**1,118.0**	**1,118.0**
	12,221.0	**237.3**	**83.5**	**2,089.0**	**14,630.8**
At 1 July 2009	10,814.6	237.3	80.9	1,295.4	12,428.2
Issue of new shares as scrip dividends	1,263.7	–	–	–	1,263.7
Profit for the year	–	–	–	2,373.3	2,373.3
Dividends	–	–	–	(2,178.9)	(2,178.9)
Share options					
Value of services provided	–	–	9.2	–	9.2
Transfer	0.3	–	(8.3)	8.0	–
At 30 June 2010	12,078.6	237.3	81.8	1,497.8	13,895.5
Representing					
Balance at 30 June 2010	12,078.6	237.3	81.8	778.8	13,176.5
Proposed final dividend	–	–	–	719.0	719.0
	12,078.6	237.3	81.8	1,497.8	13,895.5

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

Special reserves mainly include capital redemption reserve and share option reserve.

34 Borrowings

	Note	Group 2011 HK$'m	Group 2010 HK$'m
Non-current			
Bank loans	(a),(b)	**2,763.7**	3,496.4
Current			
Current portion of bank loans	(a),(b)	**3,073.9**	1,393.9
Short-term bank loans – unsecured	(b)	**824.4**	–
		3,898.3	1,393.9
		6,662.0	4,890.3

(a) Bank loans

	Group 2011 HK$'m	Group 2010 HK$'m
Bank loans, unsecured and wholly repayable within five years	**5,837.6**	4,890.3
Amounts repayable within one year included in current liabilities	**(3,073.9)**	(1,393.9)
	2,763.7	3,496.4
The maturity of bank loans is as follows:		
Within one year	**3,073.9**	1,393.9
In the second year	**1,354.5**	2,444.7
In the third to fifth year	**1,409.2**	1,051.7
	5,837.6	4,890.3

As at 30 June 2011, the Group's borrowings of HK$5.838 billion (2010: HK$4.890 billion) are exposed to interest rate risk of contractual repricing dates falling within one year.

(b) The effective interest rates of borrowings at the end of the reporting period were as follows:

	2011	2010
Bank loans	**1.16%**	1.01%

The carrying amounts of the borrowings approximate their fair values and are mainly denominated in Hong Kong dollar.

35 Other non-current liabilities

	Note	Group 2011 HK$'m	Group 2010 HK$'m
Long service payment obligations		**29.4**	34.1
Deferred tax liabilities	37	**269.0**	168.4
Deferred interest income		**14.8**	14.8
Loans from non-controlling interests	(a)	**104.6**	98.0
Derivative financial instruments		**45.9**	–
		463.7	315.3

(a) The loans are interest free, unsecured and not repayable within one year.

36 Trade and other payables

	Note	Group 2011 HK$'m	Group 2010 HK$'m	Company 2011 HK$'m	Company 2010 HK$'m
Trade payables	(a)	**323.1**	413.0	**–**	–
Retention money payables		**418.4**	602.5	**–**	–
Amounts due to customers for contract works	31	**135.7**	335.0	**–**	–
Amounts due to non-controlling interests	(b)	**55.7**	75.0	**–**	–
Other payables and accruals		**2,748.4**	2,628.6	**49.3**	54.1
Amounts due to associated companies	(b)	**15.9**	304.1	**–**	–
Amounts due to jointly controlled entities	(b)	**45.2**	115.7	**–**	–
Amounts due to subsidiaries	(b)	**–**	–	**6,178.8**	4,179.6
		3,742.4	4,473.9	**6,228.1**	4,233.7

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

	Group 2011 HK$'m	Group 2010 HK$'m
Under 3 months	**297.6**	390.0
4 to 6 months	**7.3**	1.4
Over 6 months	**18.2**	21.6
	323.1	413.0

(b) The amounts payable are interest free, unsecured and have no fixed repayment terms, except for an amount of HK$598.2 million (2010: Nil) amount due to a subsidiary which bears interest at HIBOR plus 1.5% per annum.

(c) Included in the Group's trade and other payables are HK$199.6 million (2010: HK$551.9 million) denominated in Renminbi and HK$469.5 million (2010: HK$764.0 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong dollar.

(d) The Company's trade and other payables are mainly denominated in Hong Kong dollar.

37 Deferred income tax

	Note	Group 2011 HK$'m	Group 2010 HK$'m
At beginning of year		**165.1**	149.3
Translation differences		**5.3**	–
Net amount charged to income statement	11	**94.5**	20.9
Disposal of subsidiaries	42(b)	**–**	(3.6)
Reclassified as liabilities directly associated with assets held for sale		**–**	(1.5)
At end of year		**264.9**	165.1

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2010: 16.5%).

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK$1,368.6 million (2010: HK$1,323.8 million) to carry forward against future taxable income. These tax losses have no expiry date.

As at 30 June 2011, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized totalled approximately HK$155.6 million (2010: HK$118.9 million).

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

Deferred tax assets

	Group							
	Accelerated accounting depreciation		Tax losses		Others		Total	
HK$'m	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
At beginning of year	**–**	4.7	**1.2**	10.0	**3.7**	4.4	**4.9**	19.1
Disposal of subsidiaries	**–**	(4.4)	**–**	(7.7)	**–**	–	**–**	(12.1)
Reclassified as assets held for sale	**–**	(0.6)	**–**	(0.2)	**–**	–	**–**	(0.8)
Credited/(charged) to income statement	**–**	0.3	**–**	(0.9)	**1.1**	(0.7)	**1.1**	(1.3)
At end of year	**–**	–	**1.2**	1.2	**4.8**	3.7	**6.0**	4.9

37 Deferred income tax (continued)

Deferred tax liabilities

	Group											
	Accelerated tax depreciation		Fair value gains		Amortization of concession rights		Dividend income withholding tax		Others		Total	
HK$'m	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
At beginning of year	**37.9**	47.8	**9.0**	7.9	**79.1**	81.2	**43.6**	31.2	**0.4**	0.3	**170.0**	168.4
Translation differences	**–**	–	**–**	–	**4.6**	–	**0.7**	–	**–**	–	**5.3**	–
Disposal of subsidiaries	**–**	(15.7)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(15.7)
Reclassified as liabilities directly associated with assets held for sale	**–**	(2.3)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(2.3)
(Credited)/charged to income statement	**6.9**	8.1	**(9.0)**	1.1	**(1.8)**	(2.1)	**20.8**	12.4	**78.7**	0.1	**95.6**	19.6
At end of year	**44.8**	37.9	**–**	9.0	**81.9**	79.1	**65.1**	43.6	**79.1**	0.4	**270.9**	170.0

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

		Group	
	Note	**2011 HK$'m**	2010 HK$'m
Deferred tax assets	25	**(4.1)**	(3.3)
Deferred tax liabilities	35	**269.0**	168.4
		264.9	165.1

38 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

Mandatory provident fund schemes ("MPF Schemes") were established in Hong Kong under the MPF Schemes 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 Schemes or staying in existing schemes. Where staff elected to join the MPF Schemes, both the Group and staff are required to contribute 5% of the employees' relevant income (capped at HK$12,000 per annum).

Contributions made by the Group to defined contribution plans and MPF schemes amounted to HK$53.4 million (2010: HK$97.5 million) during the year. No forfeited contributions were utilized during the year (2010: HK$1.4 million), leaving HK$0.7 million (2010: HK$1.0 million) available at 30 June 2011 to reduce future contributions. HK$1.2 million (2010: Nil) contributions were payable to the plans at the end of the reporting period.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries and joint ventures in the PRC. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group.

38 Retirement benefits (continued)

(b) Defined benefits plans

The Group's defined benefits plans are valued by independent qualified actuaries annually using the projected unit credit method. Defined benefit plans were valued by Towers Watson Hong Kong Limited.

(i) The amounts recognized in the statement of financial position are as follows:

		Group	
	Note	**2011 HK$'m**	2010 HK$'m
Present value of defined benefit obligations	(iii)	**(44.4)**	(39.7)
Fair value of plan assets	(iv)	**50.7**	45.3
		6.3	5.6
Unrecognized actuarial losses		**3.2**	3.5
Retirement benefits assets	25	**9.5**	9.1

(ii) The amount recognized in the income statement, under general and administrative expenses, are as follows:

		Group	
	Note	**2011 HK$'m**	2010 HK$'m
Current service cost		**1.6**	3.1
Interest cost		**0.9**	2.6
Expected return on plan assets		**(2.9)**	(10.7)
Net actuarial losses recognized		**–**	4.7
Total included in staff costs	9	**(0.4)**	(0.3)

(iii) The movements in the present value of defined benefit obligations are as follows:

	Group	
	2011 HK$'m	2010 HK$'m
At beginning of year	**39.7**	63.0
Current service cost	**1.6**	3.1
Interest cost	**0.9**	2.6
Contributions by plan participants	**0.6**	1.5
Actuarial losses/(gains)	**2.4**	(0.2)
Benefits paid	**(0.8)**	(2.1)
Reclassified as assets held for sale	**–**	(28.1)
Net transfer	**–**	(0.1)
At end of year	**44.4**	39.7

38 Retirement benefits (continued)

(b) Defined benefits plans (continued)

(iv) The movements in the fair value of plan assets are as follows:

	Group	
	2011	2010
	HK$'m	HK$'m
At beginning of year	**45.3**	76.9
Expected return on plan assets	**2.9**	10.7
Actuarial gains/(losses)	**2.7**	(7.3)
Employer contributions	**–**	0.2
Employee contributions	**0.6**	1.5
Benefits paid	**(0.8)**	(2.1)
Reclassified as assets held for sale	**–**	(34.5)
Net transfer	**–**	(0.1)
At end of year	**50.7**	45.3

The principal actuarial assumptions used are as follows:

	2011	2010
Discount rates	**2.4-3.5%**	2.5-3.5%
Expected rate of return on plan assets	**7%**	7%
Expected rate of future salary increases	**4-5%**	0-4%

The actual return on plan assets was HK$5.7 million (2010: HK$3.4 million).

Fair value of the plan assets are analyzed as follows:

	2011	2010
Equity instruments	**73%**	69%
Debt instruments	**25%**	26%
Other assets	**2%**	5%
	100%	100%

The fair value of the plan assets does not include amounts relating to any of the Company's own financial instruments and property occupied by, or other assets used by the Group.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the end of the reporting period. Expected returns on equity instruments reflect long-term real rates of return experienced in the respective markets.

38 Retirement benefits (continued)

(b) Defined benefits plans (continued)

(v) There are no expected contributions to defined benefit plans for the year ending 30 June 2012.

HK$'m	**2011**	2010	2009	2008	2007
Present value of defined benefit obligations	**(44.4)**	(39.7)	(63.0)	(55.4)	(46.5)
Fair value of plan assets	**50.7**	45.3	76.9	88.8	78.0
Surplus	**6.3**	5.6	13.9	33.4	31.5
Experience adjustments on defined benefit obligations	**(1.6)**	(0.8)	0.4	0.3	1.4
Experience adjustments on plan assets	**2.7**	3.6	(18.2)	5.0	8.7

39 Financial instruments by category

Financial assets in the statement of financial position include available-for-sale financial assets, financial assets at fair value through profit or loss, derivative financial instruments, trade receivables, loan and other receivables, short term deposits and cash and bank balances. All these financial assets are carried at amortized cost using the effective interest method as "loans and receivables" and "held-to-maturity investments" except for the "available-for-sale financial assets", "financial assets at fair value through profit or loss" and "derivative financial instruments" which are carried at fair value.

Financial liabilities in the statement of financial position include borrowings, trade payables, derivative financial instruments, loan and other payables. All these financial liabilities are carried at amortized cost using the effective interest method except for the "derivative financial instruments" which are carried at fair value.

40 Commitments

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

		Group	
	Note	**2011 HK$'m**	2010 HK$'m
Contracted but not provided for			
Property, plant and equipment		**16.9**	10.2
Investment properties under development		**–**	389.4
Capital contributions to/acquisition of associated companies and jointly controlled entities	(i)	**1,312.8**	1,082.1
Listed investment		**–**	39.2
Authorized but not contracted for			
Investment properties under development		**–**	213.4
Capital contributions to/acquisition of associated companies		**60.0**	975.8
		1,389.7	2,710.1

40 Commitments (continued)

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

(i) The Group has committed to acquire certain associated companies and jointly controlled entities, and to provide sufficient funds in the form of advances, capital and loan contributions to certain associated companies and jointly controlled entities to finance relevant projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK$1,312.8 million (2010: HK$1,082.1 million) which represents the attributable portion of the advances, acquisition costs, capital and loan contributions to be made to the associated companies and jointly controlled entities.

(b) The Group's commitments for capital expenditure committed by Newton Resources not included above are as follows:

	Group	
	2011	2010
	HK$'m	HK$'m
Contracted but not provided for		
Plant and equipment	**194.8**	–
Authorized but not contracted for		
Plant and equipment	**589.1**	–
Resources fees	**373.4**	–
	1,157.3	–

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

	Group	
	2011	2010
	HK$'m	HK$'m
Contracted but not provided for		
Property, plant and equipment	**593.7**	590.9
Capital contributions to/acquisition of jointly controlled entities	**128.2**	–
Authorized but not contracted for		
Property, plant and equipment	**360.6**	391.9
	1,082.5	982.8

(d) Commitments under operating leases

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

	Group	
	2011	2010
	HK$'m	HK$'m
Buildings		
In the first year	**44.0**	70.3
In the second to fifth year inclusive	**54.9**	94.8
After the fifth year	**0.2**	5.0
	99.1	170.1

40 Commitments (continued)

(e) Future minimum rental payment receivable

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

	Group	
	2011 **HK$'m**	2010 HK$'m
In the first year	**47.5**	6.8
In the second to fifth year inclusive	**400.2**	1.9
After the fifth year	**90.5**	–
	538.2	8.7

The Group's operating leases terms range from one to five years.

41 Contingent liabilities and financial guarantee contracts

(a) The Group's and the Company's financial guarantee contracts are as follows:

	Group		Company	
	2011 **HK$'m**	2010 HK$'m	**2011** **HK$'m**	2010 HK$'m
Guarantees for credit facilities granted to:				
Subsidiaries	**–**	–	**12,236.4**	11,860.9
An associated company	**11.9**	11.9	**11.9**	11.9
Jointly controlled entities	**593.1**	115.4	**–**	–
Related companies	**148.5**	111.7	**–**	–
	753.5	239.0	**12,248.3**	11,872.8

(b) The Group's share of contingent liabilities of a jointly controlled entity not included above is HK$2.6 million as at 30 June 2011 (2010: HK$2.6 million).

42 Notes to consolidated statement of cash flows

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

	2011 HK$'m	2010 HK$'m
Operating profit	**2,657.0**	1,921.6
Depreciation and amortization	**184.2**	218.7
Share-based payments	**0.5**	15.3
Goodwill impairment loss	**–**	226.4
Assets impairment loss	**–**	30.5
Available-for-sale financial assets impairment loss	**63.1**	–
Net profit on disposal of subsidiaries	**(21.4)**	(731.2)
Interest income	**(95.6)**	(68.5)
Gain on fair value of financial assets at fair value through profit or loss	**(0.1)**	(4.1)
Gain on fair value of investment properties	**(479.9)**	(6.6)
Profit on disposal of the Disposal Group and other assets held for sale	**(499.6)**	(257.8)
Net profit on disposal of available-for-sale financial assets and financial assets at fair value through profit or loss	**(339.4)**	(149.8)
Dividend income from available-for-sale financial assets and financial assets at fair value through profit or loss	**(8.9)**	(22.5)
Other non-cash items	**48.1**	56.1
Operating profit before working capital changes	**1,508.0**	1,228.1
Increase in retirement benefit assets	**(0.4)**	(0.5)
(Increase)/decrease in inventories	**(131.7)**	3.6
Decrease in trade and other receivables	**166.2**	2,681.9
Increase in cash held on behalf of customers	**–**	(997.2)
(Decrease)/increase in trade and other payables	**(76.2)**	34.7
(Increase)/decrease in balances with associated companies and jointly controlled entities	**(452.9)**	456.6
Increase in long service payment obligations	**7.7**	16.8
Increase in amounts due to non-controlling interests	**1.6**	12.4
Decrease in initial public offerings and margin financing loans of securities business	**–**	(1,458.2)
Net cash generated from operations	**1,022.3**	1,978.2

42 Notes to consolidated statement of cash flows (continued)

(b) Disposal of subsidiaries

	Note	2011 HK$'m	2010 HK$'m
Net assets disposed			
Property, plant and equipment	17	**7.5**	118.9
Intangible assets	20	**–**	205.1
Associated companies		**–**	10.8
Available-for-sale financial assets		**–**	96.3
Deferred tax assets	37	**–**	10.6
Other non-current assets		**–**	21.1
Trade and other receivables		**233.6**	2,874.2
Financial assets at fair value through profit or loss		**–**	58.5
Cash held on behalf of customers		**–**	4,659.1
Cash and bank balances		**325.1**	417.7
Trade and other payables		**(298.5)**	(5,476.7)
Taxation		**(2.6)**	(44.8)
Borrowings		**–**	(726.0)
Deferred tax liabilities	37	**–**	(14.2)
Non-controlling interests		**–**	(826.2)
		265.1	1,384.4
Net gain on disposals		**21.4**	625.4
Release of reserve upon disposal	33	**(10.0)**	2.4
Gain on remeasuring non-controlling interest retained at fair value after disposal of a partial interest in a subsidiary		**–**	105.8
Included under associated companies		**–**	(307.1)
		276.5	1,810.9
Represented by			
Cash consideration received		**276.5**	1,810.9

(c) Analysis of net (outflow)/inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2011 HK$'m	2010 HK$'m
Cash consideration	**276.5**	1,810.9
Cash and bank balances disposed of	**(325.1)**	(417.7)
	(48.6)	1,393.2

43 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	2011 HK$'m	2010 HK$'m
Transactions with affiliated companies	(i)		
Provision of construction work services	(ii)	**110.3**	23.1
Provision of other services	(iii)	**2.3**	5.9
Interest income	(iv)	**16.7**	21.0
Management fee income	(v)	**23.9**	28.6
Rental and other related expenses	(vi)	**(12.1)**	(10.3)
Transactions with other related parties	(i)		
Provision of construction work services	(ii)	**1,671.2**	2,122.9
Provision of other services	(iii)	**52.2**	138.8
Rental and other related expenses	(vi)	**(93.6)**	(58.4)
Interest expenses	(vii)	**–**	(0.5)

(i) Affiliated companies include associated companies and jointly controlled entities of the Group. Related parties are subsidiaries, associated companies and jointly controlled entities of NWD, Chow Tai Fook Enterprises Limited ("CTF Enterprises") and Mr Doo Wai Hoi, William and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is the controlling shareholder of NWD. Mr Doo Wai Hoi, William is a non-executive director of the Company.

(ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts.

(iii) The Group provided various kinds of services including facilities management, property management and other services to certain related parties. The services were provided and charged in accordance with the relevant contracts.

(iv) Interest income was charged at interest rates as specified in notes 22 and 23 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.

(vii) Interest expenses were charged at interest rates in accordance with the relevant contracts on the outstanding balances due to related companies.

(b) On 11 June 2010, the Group entered into agreements with Fung Seng Enterprises Limited (the "Purchaser") which is beneficially owned by Mr Doo Wai Hoi, William and Mr Wong Kwok Kin, Andrew, to dispose of certain of its non-core businesses. Mr Doo Wai Hoi, William and Mr Wong Kwok Kin, Andrew were a non-executive director and an executive director of the Company respectively as at the agreement date, they hold 90% and 10% indirect interest of the Purchaser respectively. Details are set out in note 30(b).

43 Related party transactions (continued)

(c) Key management compensation

No significant compensation arrangement has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 15.

(d) The amounts of outstanding balances with associated companies, jointly controlled entities and non-controlling interests are disclosed in notes 22, 23, 27, 35 and 36.

44 Subsequent events

(a) On 13 June 2011, Moscan Developments Limited ("Moscan", an indirectly wholly–owned subsidiary of the Company) entered into a sale and purchase agreement with Widefaith Group Limited ("Widefaith") to acquire approximately 22.68% equity interest in Chinese Future Corporation ("CFC") at a consideration of US$226.9 million (equivalent to approximately HK$1,769.5 million). CFC indirectly owns 95% interest in a PRC company (the "Project Company") which operates Hangzhou Ring Road in Zhejiang Province in the PRC. As at 30 June 2011, the Group paid a deposit of approximately HK$1,588.9 million pursuant to this sale and purchase agreement. This acquisition was completed on 5 July 2011, and the Group held approximately 21.55% effective interest in the Project Company.

On 27 July 2011, Moscan entered into a sale and purchase agreement with, among others, Kaiming Holdings Limited ("Kaiming", which then held 100% equity interest in Widefaith) to acquire 25% equity interest in Widefaith at a consideration of US$145.2 million (equivalent to approximately HK$1,132.6 million). Upon completion of this acquisition on 29 July 2011, the Group's effective interest in the Project Company increased from approximately 21.55% to approximately 33.66%. Moscan has also granted a put option to Kaiming to sell and Kaiming has granted a call option to Moscan to further acquire for 65% equity interest in Widefaith, representing an effective interest of approximately 31.5% in the Project Company, for a maximum consideration of US$389.0 million (equivalent to approximately HK$3,034.2 million). The put/call option is exercisable within a period of three months after The Children's Investment Master Fund ("TCI", a shareholder which then held approximately 26.32% equity interest in CFC) ceases to be a shareholder of CFC.

On 9 September 2011, Moscan entered into another sale and purchase agreement with, among others, TCI to acquire approximately 26.32% equity interest in CFC at the purchase price of US$280.0 million (equivalent to approximately HK$2,184.0 million) together with interest at a rate of 8% per annum on the purchase price for the period from 1 July 2011 to 31 August 2011. Upon completion of this acquisition on 16 September 2011, Moscan directly owns 25% interest in Widefaith and 49% in CFC, which together represent approximately 58.66% effective interest in the Project Company, and CFC became a subsidiary of the Group.

The Group is assessing the fair value of assets and liabilities of the acquired business and it is impracticable to disclose the financial effects at this stage.

(b) As at 30 June 2011, the Company had an effective interest of approximately 60% in Newton Resources. On 4 July 2011, the spin-off of Newton Resources had completed and dealings of Newton Resources' shares on the Main Board of the Hong Kong Stock Exchange commenced on the same day. As a result, the Company's effective interest in Newton Resources decreased to approximately 48% and Newton Resources ceased to be a subsidiary of the Company immediately upon listing. This has resulted in a dilution gain of approximately HK$1.7 billion which will be recognized in the FY2012 (note 30(a)).

(c) On 24 August 2011, Grace Crystal Limited, an indirect wholly-owned subsidiary of the Company, entered into a capital increase agreement with the joint venture partner of Tianjin Xinzhan Expressway Company Limited, a company in which the Group holds 60% equity interest and is mainly engaged in the construction and management of Tangjin Expressway (Tianjin North Section). Pursuant to the said agreement, the Company is committed to contributing RMB731.5 million (equivalent to approximately HK$881.3 million) in cash to finance part of the construction costs for the expansion of the aforementioned expressway from four to six driving lanes.

45 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation as a result of changes in segment reporting.

46 Ultimate holding company

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

47 Principal subsidiaries

As at 30 June 2011

	Issued share capital #		Approximate percentage of shares held		
	Number	Par value per share HK$	Company	Group	Principal activities
Incorporated and operate in Hong Kong					
Anway Limited	1	1	–	100.0	Duty free operation and general trading
Billionoble Investment Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	100.0	
Cheering Step Investments Limited	1	1	–	100.0	Investment holding
CiF Solutions Limited	10	100	–	100.0	Provision of information technology solutions
	160,000*	100	–	100.0	
Grace Crystal Limited	1	1	–	100.0	Investment holding
Grand Express International Limited	1	1	–	100.0	Investment holding
Hip Hing Builders Company Limited	40,000	1,000	–	100.0	Construction
	10,000*	1,000	–	100.0	
Hip Hing Construction Company Limited	400,000	100	–	100.0	Construction and civil engineering
	600,000*	100	–	100.0	
Hip Hing Engineering Company Limited	670,000	100	–	100.0	Building construction
	1**	1	–	–	
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	–	100.0	Management of Hong Kong Convention and Exhibition Centre ("HKCEC")
	1*	1	–	100.0	
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	–	100.0	Investment holding
Kiu Lok Property Services (China) Limited	2	1	–	100.0	Property agency management and consultancy
	2*	1	–	100.0	
New World-Guangdong Highway Investments Co. Limited	100	100	–	100.0	Investment holding
	100*	100	–	50.0	
New World Port Investments Limited	2	1	–	100.0	Investment holding
New World (Xiamen) Port Investments Limited	2	1	–	100.0	Investment holding

47 Principal subsidiaries (continued)

As at 30 June 2011

	Issued share capital #		Approximate percentage of shares held		
	Number	Par value per share HK$	Company	Group	Principal activities
Incorporated and operate in Hong Kong (continued)					
NWS (Finance) Limited	2	1	–	100.0	Financial services
NWS Holdings (China) Limited	1,501	1	100.0	100.0	Investment holding
NWS Holdings (Finance) Limited	1	1	100.0	100.0	Financing
NWS Hong Kong Investment Limited	1	1	100.0	100.0	Investment holding
NWS Ports Management (Tianjin) Limited	1	1	–	100.0	Investment holding
Polytown Company Limited	2	10	–	100.0	Property investment, operation, marketing, promotion and management of HKCEC
	100,000*	10	–	100.0	
Profit Now Limited	1	1	–	100.0	Investment holding
Sky Connection Limited	100	1	–	100.0	Duty free, liquor and tobacco sales
Trend Wood Investments Limited	1	1	–	100.0	Investment holding
True Hope Investment Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	100.0	
Try Force Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	100.0	
Twinic International Limited	1	1	–	100.0	Investment holding
Vibro Construction Company Limited (formerly Barbican Construction Company, Limited)	1,630,000	100	–	100.0	Civil engineering
	20,000*	100	–	100.0	
Vibro (H.K.) Limited	20,000,004	3	–	99.8	Piling, ground investigation and civil engineering
Waking Builders, Limited	20,000	1,000	–	100.0	Construction
Wisemec Enterprises Limited	2	1	–	100.0	Investment holding
Incorporated in Cayman Islands and operates in Hong Kong					
NWS Service Management Limited	1,323,943,165	0.10	100.0	100.0	Investment holding
Incorporated in Cayman Islands and operates in Mainland China					
Newton Resources Ltd##	1,001	0.10	–	60.0	Mining, ore processing and sale of iron concentrate

47 Principal subsidiaries (continued)

As at 30 June 2011

	Issued share capital #		Approximate percentage of shares held		
	Number	Par value per share	Company	Group	Principal activities
Incorporated in British Virgin Islands and operate in Hong Kong					
Best Star Investments Limited	1	US$1	–	100.0	Investment holding
Creative Profit Group Limited	1	US$1	–	100.0	Investment holding
Forever Great Development Limited	1	US$1	–	100.0	Investment holding
Great Start Group Corporation	1	US$1	–	100.0	Investment holding
Hetro Limited	101	US$1	–	100.0	Investment holding
NWS Financial Management Services Limited	1	US$1	–	100.0	Investment holding
NWS Infrastructure Management Limited	2	US$1	100.0	100.0	Investment holding
NWS Ports Management Limited	2	US$1	100.0	100.0	Investment holding
Shine Fame Holdings Limited	1	US$1	–	100.0	Development of logistics centre
Sunny Start Group Limited	1	US$1	–	100.0	Investment holding
Tin Fook Development Limited	1	US$1	–	100.0	Investment holding
Incorporated in British Virgin Islands					
Beauty Ocean Limited	1	US$1	–	100.0	Investment holding
Economic Velocity Limited	1	US$1	–	100.0	Investment holding
Ideal Global International Limited	1	US$1	–	100.0	Investment holding
Lucky Strong Limited	1	US$1	–	100.0	Investment holding
Moscan Developments Limited	1	US$1	–	100.0	Investment holding
NWS CON Limited	1	HK$1	–	100.0	Investment holding
NWS Construction Limited	1	US$1	–	100.0	Investment holding
NWS Infrastructure Bridges Limited	1	US$1	–	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
Right Heart Associates Limited	4	US$1	–	100.0	Investment holding
Righteous Corporation	1	US$1	–	100.0	Investment holding
Rise Reach Group Limited	1	US$1	–	100.0	Investment holding
Silvery Castle Limited	1	US$1	–	100.0	Financing
Stockfield Limited	1	US$1	–	100.0	Investment holding

47 Principal subsidiaries (continued)

As at 30 June 2011

	Amount of fully paid capital	Approximate percentage of attributable interest Company	Group	Principal activities
Incorporated and operate in Mainland China				
Chaoming (Chongqing) Investment Company Limited	US$100,000,000	–	100.0	Investment holding
Foshan Gaoming Xinming Bridge Co., Ltd.	Rmb60,000,000	–	30.0(a)	Operation of toll bridge
Guangxi Beiliu Xinbei Highways Co., Ltd.	Rmb59,520,000	–	100.0	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	Rmb57,680,000	–	100.0	Operation of toll road
Guangxi Yulin Xinye Highways Co., Ltd.	Rmb63,800,000	–	60.0(b)	Operation of toll road
Guangxi Yulin Xinyu Highways Co., Ltd.	Rmb96,000,000	–	65.0(a)	Operation of toll road
Shanxi Xinda Highways Ltd.	Rmb49,000,000	–	90.0(c)	Operation of toll road
Shanxi Xinhuang Highways Ltd.	Rmb56,000,000	–	90.0(c)	Operation of toll road
Wuzhou Xinwu Highways Limited	Rmb72,000,000	–	52.0(a)	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US$5,000,000	–	100.0	Management consultation
Incorporated and operate in Macau				
Barbican (Macau) Limited	MOP25,000	–	100.0	Construction
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	–	99.8	Foundation works

\# Ordinary shares, unless otherwise stated
* Non-voting deferred shares
** Redeemable preference shares
\#\# Classified as assets held for sale/liabilities directly associated with assets held for sale

(a) Profit sharing percentage
(b) Percentage of interest in ownership and profit sharing
(c) Cash sharing ratio for the first 12 years and thereafter 60%

48 Principal associated companies

As at 30 June 2011

	Issued share capital #		Approximate percentage of shares held		
	Number	Par value per share	Company	Group	Principal activities
Incorporated and operate in Hong Kong					
Joy Fortune Investments Limited	10,000	HK$1	–	50.0	Investment holding
Quon Hing Concrete Company Limited	200,000	HK$100	–	50.0	Production and sales of concrete
Yargoon Company Limited	150,000	HK$100	–	42.0	Stone quarrying
Incorporated in British Virgin Islands and operates in Hong Kong					
VMS Private Investment Partners III Limited	1,500*	US$0.01	–	–	Securities investment
	270**	US$0.01	–	100.0(c)	
Incorporated in British Virgin Islands					
East Asia Secretaries (BVI) Limited	300,000,000	HK$1	–	24.4	Business, corporate and investor services
Tricor Holdings Limited	7,001	US$1	–	24.4	Business, corporate and investor services
VMS Private Investment Partners II Limited	2,500*	US$0.01	–	–	Securities investment
	1,372**	US$0.01	–	100.0(c)	
VMS Private Investment Partners IV Limited	1,500*	US$0.01	–	–	Securities investment
	35**	US$0.01	–	60.0(c)	
Incorporated in Bermuda and operate in Hong Kong					
Haitong International Securities Group Limited (formerly Taifook Securities Group Limited)	715,342,706	HK$0.10	–	9.0(a)	Investment holding
Wai Kee Holdings Limited	793,124,034	HK$0.10	–	27.0	Construction

48 Principal associated companies (continued)

As at 30 June 2011

	Amount of fully paid capital	Approximate percentage of attributable interest Company	Group	Principal activities
Incorporated and operate in Mainland China				
Tianjin Five Continents International Container Terminal Co., Ltd.	Rmb1,145,000,000	–	18.0(a)	Operation of container terminal
Zhaoqing Yuezhao Expressway Co., Ltd.	Rmb818,300,000	–	25.0(b)	Operation of toll road

\# Ordinary shares, unless otherwise stated

* Voting, non-participating, non-redeemable management shares

** Non-voting, redeemable participating shares

(a) The directors of the Company considered the Group has significant influence over Tianjin Five Continents International Container Terminal Co., Ltd ("TFCI") and Haitong International Securities Group Limited through its representatives on board of directors of TFCI and Haitong International Securities Group Limited respectively

(b) Percentage of interest in ownership and profit sharing

(c) The directors of the Company considered the Group has significant influence over these companies through its representative on the investment committee which governs the daily financial, operational and investment decisions

49 Principal jointly controlled entities

As at 30 June 2011

	Amount of fully paid capital	Approximate percentage of attributable interest Company	Group	Principal activities
Incorporated and operate in Mainland China				
ATL Logistics Centre Yantian (Shenzhen) Limited	HK$3,500,000	–	46.2	Operation of cargo handling and storage facilities
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	Rmb580,000,000	–	25.0(a)	Operation of toll road
China United International Rail Containers Co., Limited	Rmb3,977,267,380	–	30.0	Operation of rail container terminals and related business
Chongqing Suyu Business Development Company Limited	Rmb650,000,000	–	50.0	Investment holding
Guangzhou City Chuangyue Transport Electronic Technology Company Limited	HK$1,500,000	–	33.3	Development of transport electric technology
Guangzhou Development Nansha Power Co., Ltd.	Rmb350,000,000	–	22.0	Generation and supply of electricity
Guangzhou Northring Freeway Company Limited	US$19,255,000	–	65.3(a)	Operation of toll road
Guangzhou Oriental Power Co., Ltd.	Rmb990,000,000	–	25.0(b)	Generation and supply of electricity
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	Rmb449,676,800	–	35.0(b)	Wholesale assembling and storage of fuel
Guangzhou Pearl River Power Company Limited	Rmb420,000,000	–	50.0(a)	Generation and supply of electricity
Guodian Chengdu Jintang Power Generation Co., Ltd.	Rmb924,000,000	–	35.0(b)	Generation and supply of electricity
Huishen (Yantian) Expressway Huizhou Company Limited	Rmb139,980,000	–	33.3(a)	Operation of toll road
Huizhou City Huixin Expressway Company Limited	Rmb34,400,000	–	50.0(a)	Investment holding and operation of toll road
Tianjin Xinzhan Expressway Co., Ltd.	Rmb1,320,000,000	–	90.0(c)	Operation of toll road
Xiamen Haicang Xinhaida Container Terminals Co., Limited	Rmb756,000,000	–	46.0(b)	Operation of container terminal
Xiamen New World Xiangyu Terminals Co., Ltd.	Rmb384,040,000	–	50.0(b)	Operation of container terminal

49 Principal jointly controlled entities (continued)

As at 30 June 2011

	Issued share capital #		Approximate percentage of shares held		
	Number	Par value per share	Company	Group	Principal activities
Incorporated and operate in Hong Kong					
ATL Logistics Centre Hong Kong Limited	100,000'A'	HK$1	–	56.0(d)	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
NWS Infrastructure SITA Waste Services Limited	2	HK$1	–	50.0	Investment holding
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	–	–	
Wincon International Limited	300,000,000	HK$1	–	50.0	Investment holding
Incorporated in British Virgin Islands					
DP World New World Limited	2,000	US$1	–	50.0	Investment holding
NWS Transport Services Limited	500,000,016	HK$1	–	50.0	Investment holding and operation of transport service
Success Concept Investments Limited	1,000	US$1	–	80.0(d)	Investment holding
Incorporated and operates in Netherlands					
Hyva I B.V.	19,000	EUR1	–	50.0	Investment holding
Incorporated in Hong Kong and operates in Macau and Mainland China					
Sino-French Holdings (Hong Kong) Limited	3,748,680'A'	HK$100	–	–	Investment holding and operation of water and electricity plants
	7,209,000'B'	HK$100	–	100.0	
	3,460,320'C'	HK$100	–	–	
Unincorporated joint venture (Hong Kong)					
Gammon-Hip Hing Joint Venture	N/A	N/A	–	50.0	Construction
Hip Hing-Chun Wo Joint Venture	N/A	N/A	–	49.0	Construction

\# Ordinary shares, unless otherwise stated
* Non-voting deferred shares
** Non-voting preference shares

(a) Percentage of interest in ownership and profit sharing
(b) Percentage of equity interest in equity joint venture
(c) Cash sharing ratio for the first 15 years of the joint venture period, and thereafter 60%
(d) The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these jointly controlled entities

FIVE-YEAR FINANCIAL SUMMARY

	2011	2010	2009	2008	2007
Earnings per share – Basic (HK$)	**1.40**	1.26*	0.80*	1.23*	0.65*
Earnings per share – Diluted (HK$)	**1.40**	1.26*	0.80*	1.22*	0.65*
Key ratios					
Net Gearing Ratio	**7%**	N/A	15%	21%	46%
Return on Equity	**14%**	15%	11%	18%	11%
Return on Capital Employed	**13%**	13%	9%	14%	9%
Income statement data (HK$'m)					
Revenue	**9,560.6**	12,089.0	17,250.9	18,889.5	15,047.1
Revenue by segments					
Ports & Logistics	**–**	–	–	3.1	17.9
Roads	**254.3**	225.4	247.6	283.7	239.7
Energy & Water	**0.6**	2.9	8.2	16.8	23.7
Facilities Management	**5,792.8**	6,163.9	5,404.1	4,518.2	3,412.8
Construction & Transport	**3,505.3**	5,196.0	10,904.0	12,658.4	11,205.0
Strategic Investments	**7.6**	500.8	687.0	1,409.3	148.0
Revenue by region					
Hong Kong	**8,716.1**	9,671.8	11,672.5	11,496.9	8,313.1
Macau	**234.8**	992.1	3,742.4	5,716.8	5,108.8
Mainland China and others	**609.7**	1,425.1	1,836.0	1,675.8	1,625.2
Profit attributable to shareholders of the Company	**4,626.8**	4,011.7	2,528.8	3,836.9	2,005.4
Attributable operating profit	**4,056.2**	3,384.1	2,499.3	2,706.4	2,372.3
Attributable operating profit by segments					
Roads	**1,134.9**	520.6	789.4	744.7	566.4
Energy	**352.4**	420.0	245.0	383.5	402.8
Water	**297.7**	233.3	185.6	126.5	102.2
Ports & Logistics	**281.9**	278.0	300.1	344.6	292.5
Facilities Management	**876.9**	825.1	612.1	427.0	428.3
Construction & Transport	**279.1**	410.1	285.7	380.3	357.3
Strategic Investments	**833.3**	697.0	81.4	299.8	222.8

* Adjusted for the bonus issue of shares in FY2011

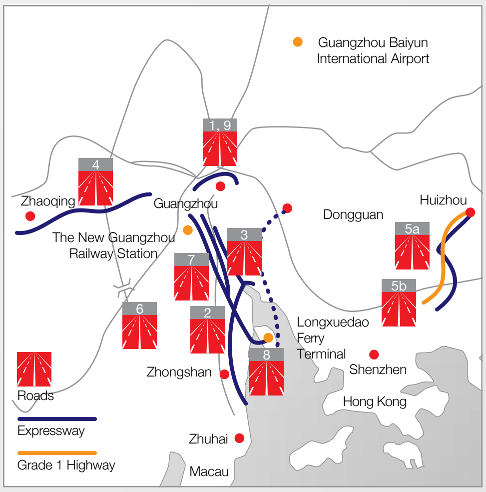
	2011	2010	2009	2008	2007
Income statement data (continued)					
(HK$'m)					
Attributable operating profit by region					
Hong Kong	**2,176.8**	1,926.3	771.2	1,229.5	1,084.7
Macau	**311.9**	220.6	309.6	311.6	250.5
Mainland China and others	**1,567.5**	1,237.2	1,418.5	1,165.3	1,037.1
Head office and non-operating items					
Gain/(loss) on fair value of investment properties	**479.9**	5.5	(10.0)	22.0	19.2
Gain/(loss) on disposal of projects, net of tax	**343.9**	944.9	215.7	(21.9)	–
Excess of fair value of net assets acquired over the cost of acquisition of interests of a jointly controlled entity	**26.8**	–	–	–	–
Share of profit from Harbour Place	**1.2**	337.9	338.0	1,632.6	–
Goodwill impairment loss	**–**	(226.4)	–	–	–
Assets impairment loss	**–**	(30.5)	(4.8)	(10.3)	(13.0)
Gain on deemed acquisition or disposal of interest in a subsidiary	**–**	–	32.6	75.3	–
Write-back of provision for receivables or accruals	**–**	–	–	17.3	58.0
Corporate net exchange gain/(loss)	**109.3**	(4.2)	(4.1)	3.2	2.7
Corporate interest income	**40.1**	22.7	16.1	43.7	78.2
Corporate finance costs	**(102.8)**	(110.9)	(214.1)	(284.3)	(208.0)
Share-based payments	**(0.5)**	(15.3)	(41.2)	(81.8)	–
Corporate expenses and others	**(327.3)**	(296.1)	(298.7)	(265.3)	(304.0)
Statement of financial position data					
(HK$'m)					
Total assets	**44,137.8**	37,680.9	44,278.6	42,593.9	39,782.0
Total liabilities and non-controlling interests	**13,060.3**	11,493.9	21,103.4	21,347.2	22,585.5
Total borrowings	**6,662.0**	4,890.3	8,806.0	8,790.9	11,685.6
Shareholders' funds	**31,077.5**	26,187.0	23,175.2	21,246.7	17,196.5

PROJECT KEY FACTS AND FIGURES (As at 30 June 2011)

INFRASTRUCTURE

ROADS

Guangdong Province

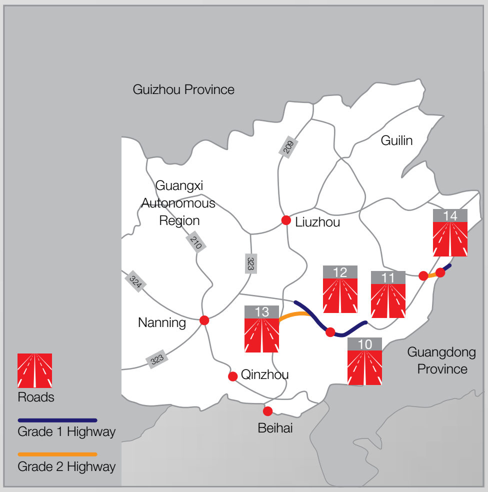


	1. Guangzhou City Northern Ring Road	2. Beijing – Zhuhai Expressway (Guangzhou – Zhuhai Section)
Attributable Interest	65.29%	25%
Form of Investment	CJV	CJV
Length	22 km	Section I: 8.6 km Section II: 53.8 km
Lanes	Dual 3-Lane	Section I: Dual 3-Lane Section II: Dual 2 to 3-Lane
Location	Guangzhou City	Guangdong Province
Operation Date	January 1994	Section I: May 1997 Section II: December 1999
Expiry Date	2023	2030
Current Toll Rates	RMB2 – RMB65	Section I: RMB6 – RMB18.58 Section II: RMB2 – RMB160
Average Daily Traffic Flow	**2011** 168,047 **2010** 131,756 **2009** 160,231	**2011** 112,726 **2010** 103,773 **2009** 90,076

	3. Beijing – Zhuhai Expressway (Guangzhou – Zhuhai Northern Section)	4. Guangzhou – Zhaoqing Expressway	5a. Shenzhen – Huizhou Expressway (Huizhou Section)	5b. Shenzhen – Huizhou Roadway (Huizhou Section)
Attributable Interest	15%	25%	33.33%	50%
Form of Investment	CJV	CJV	CJV	CJV
Length	27 km	Phase 1: 48 km Phase 2: 5.39km	34.7 km	21.8 km
Lanes	Dual 3-Lane	Phase 1: Dual 2-Lane Phase 2: Dual 3-Lane	Dual 2-Lane	Dual 2-Lane
Location	Guangzhou City	Zhaoqing & Foshan City	Huizhou City	Huizhou City
Operation Date	December 2005	Phase 1: April 2005 Phase 2: September 2010	June 1993	December 1997
Expiry Date	2032	2031	2027	2023
Current Toll Rates	RMB2 – RMB55	RMB3 – RMB85	RMB2 – RMB75	N/A (annual toll ticket system has been implemented since January 2011)
Average Daily Traffic Flow	**2011** 20,183 **2010** 17,595 **2009** 12,757	**2011** 41,299 **2010** 32,032 **2009** 26,142	**2011** 51,356 **2010** 39,118 **2009** 30,505	**2011** N/A **2010** 8,661 **2009** 9,716

	6. Gaoming Bridge	7. Guangzhou Dongxin Expressway	8. Guangzhou City Nansha Port Expressway	9. Guangzhou Chuangyue Transport Electronic Technology
Attributable Interest	30% / 80%	40.8%	22.5%	33.3%
Form of Investment	CJV	Equity	Equity	EJV
Length	1.1 km	46.22 km	72.4 km	N/A
Lanes	Dual 1-Lane	Dual 3 to 4-Lane	Dual 3 to 4-Lane	N/A
Location	Gaoming District, Foshan City	Guangzhou City	Guangzhou City	Guangzhou City
Operation Date	November 1996	December 2010	November 2007	November 2007
Expiry Date	2021	2035 (subject to approval)	2031	2037
Current Toll Rates	N/A (annual toll ticket system has been implemented since March 2003)	RMB2 – RMB100	RMB2 – RMB158	N/A
Average Daily Traffic Flow	**2011** N/A **2010** N/A **2009** N/A	**2011** 13,872 **2010** N/A **2009** N/A	**2011** 67,164 **2010** 74,037 **2009** N/A	**2011** N/A **2010** N/A **2009** N/A

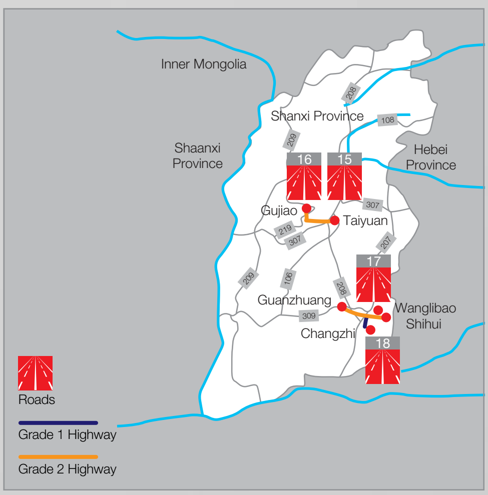
Guangxi Province



	10. Beiliu City Roadways		
Attributable Interest	100%		
Form of Investment	WFOE		
Length	16.3 km		
Lanes	Dual 1 to 2-Lane		
Location	Beiliu City		
Operation Date	May 1998		
Expiry Date	2026		
Current Toll Rates	RMB1 – RMB30 (Normal) RMB1.8/tonne (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2011** 1,902	**2010** 2,027	**2009** 2,342

	11. Rongxian Roadways	12. Yulin – Shinan Roadway	13. Yulin Shinan – Dajiangkou Roadway	14. Roadway No. 321 (Wuzhou Section)
Attributable Interest	100%	65%	60%	52%
Form of Investment	WFOE	CJV	CJV	CJV
Length	16.8 km	27.8 km	Phase 1: 8.7 km Phase 2: 30 km	Phase 1: 8.7 km Phase 2: 4.3 km
Lanes	Dual 1 to 2-Lane	Dual 2-Lane	Dual 1 to 2-Lane	Dual 2-Lane
Location	Rongxian	Yulin City	Yulin City	Wuzhou City
Operation Date	May 1998	May 1998	Phase 1: August 1997 Phase 2: January 1999	Phase 1: March 1997 Phase 2: December 1998
Expiry Date	2026	2026	Phase 1: 2026 Phase 2: 2024	2022
Current Toll Rates	RMB1 – RMB30 (Normal) RMB1.8/tonne (Toll-by-weight vehicle)	RMB1 – RMB30 (Normal) RMB1.8/tonne (Toll-by-weight vehicle)	RMB1 – RMB30 (Normal) RMB1.45 – RMB1.8/tonne (Toll-by-weight vehicle)	RMB1 – RMB35 (Normal) RMB1.8/tonne (Toll-by-weight vehicle)
Average Daily Traffic Flow	**2011** 1,884 / **2010** 2,008 / **2009** 2,320	**2011** 4,600 / **2010** 4,905 / **2009** 5,665	**2011** 2,714 / **2010** 2,713 / **2009** 2,733	**2011** 4,497 / **2010** 6,025 / **2009** 6,614

Shanxi Province



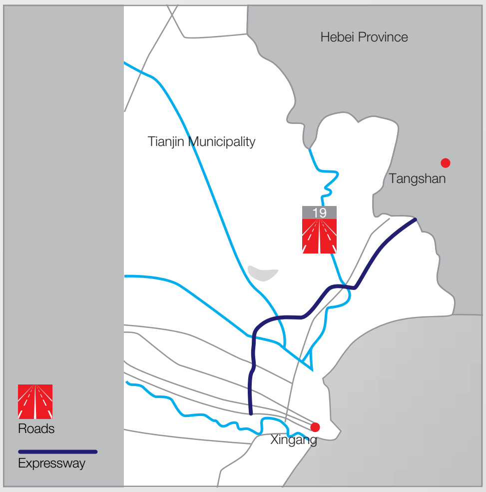
	15. Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)	16. Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)
Attributable Interest	60% / 90%	60% / 90%
Form of Investment	CJV	CJV
Length	23.18 km	36.02 km
Lanes	Dual 1-Lane	Dual 1-Lane
Location	Taiyuan City	Gujiao City
Operation Date	July 2000	April 1999
Expiry Date	2025	2025
Current Toll Rates	RMB10 – RMB60	RMB10 – RMB60
Average Daily Traffic Flow	**2011** 1,167 / **2010** 1,067 / **2009** 336	**2011** 2,860 / **2010** 1,223 / **2009** 769

PROJECT KEY FACTS AND FIGURES

Shanxi Province

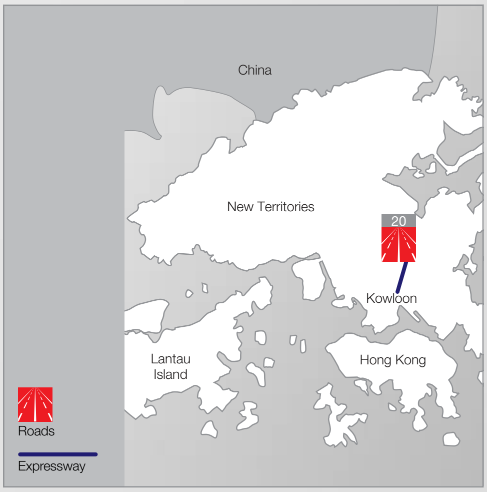
	17. Roadway No. 309 (Changzhi Section)			18. Taiyuan – Changzhi Roadway (Changzhi Section)		
Attributable Interest	60% / 90%			60% / 90%		
Form of Investment	CJV			CJV		
Length	22.2 km			18.3 km		
Lanes	Dual 1 to 2-Lane			Dual 1 to 2-Lane		
Location	Changzhi City			Changzhi City		
Operation Date	July 2000			August 2000		
Expiry Date	2023			2023		
Current Toll Rates	RMB10 – RMB60			RMB10 – RMB70		
Average Daily Traffic Flow	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
	2,856	2,705	2,523	1,752	2,191	2,649

Tianjin Municipality



	19. Tangjin Expressway (Tianjin North Section)		
Attributable Interest	90% distributable cash for the first 15 years; 60% distributable cash for the last 15 years		
Form of Investment	CJV		
Length	Section I: 43.45 km Section II: 17.22 km		
Lanes	Dual 2 to 3-Lane		
Location	Tianjin Municipality		
Operation Date	Section I: December 1998 Section II: December 2000		
Expiry Date	Section I: 2028 Section II: 2028		
Current Toll Rates	RMB5 – RMB105 (Normal) RMB0.1/tonne/km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2011**	**2010**	**2009**
	45,251	33,405	29,077

Hong Kong



	20. Tate's Cairn Tunnel		
Attributable Interest	29.5%		
Form of Investment	Equity		
Length	4 km		
Lanes	Dual 2-Lane		
Location	Hong Kong		
Operation Date	June 1991		
Expiry Date	2018		
Current Toll Rates	HK$12 – HK$32		
Average Daily Traffic Flow	**2011**	**2010**	**2009**
	53,031	51,502	51,497

ENERGY

	1. Zhujiang Power Station – Phase I	2. Zhujiang Power Station – Phase II	3. Macau Power	4. Chengdu Jintang Power Plant
Attributable Interest	50%	25%	19%	35%
Form of Investment	EJV	EJV	Equity	Equity
Installed Capacity	600 MW	620 MW	472 MW	1,200 MW
Location	Nansha Economic Development Zone, Guangzhou City	Nansha Economic Development Zone, Guangzhou City	One in Macau and two in Coloane	Huaikou Industrial Zone, Jintang, Chengdu City, Sichuan Province
Type of Power	Coal-Fired Thermal	Coal-Fired Thermal	Oil & Gas-Fired Thermal	Coal-Fired Thermal
Operation Date	January 1994	April 1996	November 1985	June 2007
Expiry Date	2017	2020	2025	2040
Electricity Sales (GWh)	**2011** 3,483 **2010** 3,498 **2009** 3,339	**2011** 3,609 **2010** 3,706 **2009** 3,091	**2011** 3,665 **2010** 3,566 **2009** 3,289	**2011** 6,471 **2010** 5,971 **2009** 5,735

	5. Guangzhou Fuel Company
Attributable Interest	35%
Form of Investment	EJV
Installed Capacity	7 million tonnes / year
Location	Nansha Economic Development Zone, Guangzhou City
Type of Power	Wholesale, assembling and storage of coal
Operation Date	January 2008
Expiry Date	2033

PROJECT KEY FACTS AND FIGURES

WATER

	1. Macau Water Plant	2. Zhongshan Tanzhou Water Plant	3. Zhongshan Dafeng Water Plant	4. Zhongshan Quanlu Water Plant
Attributable Interest	42.5%	29%	33.06%	33.06%
Form of Investment	Equity	Equity	Equity	Equity
Capacity	330,000m^3/ day	Phase 1: 60,000m^3/ day Phase 2: 90,000m^3/ day	Phase 1: 200,000m^3/ day Phase 2: 300,000m^3/ day	500,000m^3/ day
Location	Macau	Zhongshan, Guangdong Province	Zhongshan, Guangdong Province	Zhongshan, Guangdong Province
Operation Date	1985	Phase 1: January 1994 Phase 2: May 2007	Phase 1: April 1998 Phase 2: November 2008	April 1998
Expiry Date	2030	2027	2020	2020
Average Daily Volume Treated/Sold (m^3)	**2011** 187,391 **2010** 186,486 **2009** 184,125	**2011** 78,722 **2010** 77,263 **2009** 81,102	**2011** 637,392 **2010** 591,494 **2009** 585,240	

	5. Siping Water Plant	6. Qinhuangdao Changli Water Plant	7. Baoding Water Plant	8. Zhengzhou Water Plant
Attributable Interest	25%	40%	27.5%	25%
Form of Investment	Equity	Equity	Equity	Equity
Capacity	118,000m^3/ day	72,000m^3/ day	260,000m^3/ day	360,000m^3/ day
Location	Siping, Jilin Province	Qinhuangdao, Hebei Province	Baoding, Hebei Province	Zhengzhou, Henan Province
Operation Date	September 2000	September 2009	June 2000	August 2001
Expiry Date	2030	2029	2020	2031
Average Daily Volume Treated/Sold (m^3)	**2011** N/A **2010** N/A **2009** 75,000	**2011** 8,243 **2010** 7,274 **2009** N/A	**2011** 234,000 **2010** 234,000 **2009** 234,000	**2011** 218,919 **2010** 206,486 **2009** 202,789

	9. Panjin Water Plant	10. Changtu Water Plant	11. Dalian Changxing Island Environmental Services Company	12. Shanghai Spark Water Plant
Attributable Interest	30%	35%	47.5%	25%
Form of Investment	Equity	Equity	Equity	Equity
Capacity	110,000m^3/ day	50,000m^3/ day	Waste Water : 40,000 m^3/ day	100,000m^3/ day
Location	Panjin, Liaoning Province	Tieling, Liaoning Province	Dalian, Liaoning Province	Shanghai
Operation Date	April 2002	December 2000	June 2010	January 2002
Expiry Date	2032	2029	2040	2031
Average Daily Volume Treated/Sold (m^3)	**2011** 81,014 **2010** 81,014 **2009** 80,376	**2011** 21,949 **2010** 22,686 **2009** 21,540	**2011** 5,051 **2010** N/A **2009** N/A	**2011** 44,875 **2010** 48,730 **2009** 46,668

	13. Shanghai SCIP Water Treatment Plants				14. Sino French Water Environmental Technology Consulting Company			15. Qingdao Water Plant		
Attributable Interest	25%				50%			25%		
Form of Investment	Equity				Equity			Equity		
Capacity	Waste Water: Industrial Water: Demineralized Water:	50,000m³/ day 200,000m³/ day 4,800m³/ day			Waste Water : 5,000m³/ day			Phase 1: 543,000m³/ day Phase 2: 183,000m³/ day		
Location	Shanghai				Shanghai			Qingdao, Shandong Province		
Operation Date	Waste Water & Industrial Water: Demineralized Water:	April 2005 February 2008			October 2009			Phase 1: August 2002 Phase 2: September 2006		
Expiry Date	2052				2039			2027		
Average Daily Volume Treated/Sold (m³)		**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
	Waste Water:	48,811	44,606	38,669	3,596	3,975	N/A	558,671	545,872	495,805
	Industrial Water:	123,539	120,277	97,834						
	Demineralized Water:	1,063	997	568						

	16. Sanya Water Plant			17. Nanchang Water Plant			18. Chongqing Water Plant			19. Chongqing Yue Lai Water Plant
Attributable Interest	25%			25%			32.69%			28.36%
Form of Investment	Equity			Equity			Equity			Equity
Capacity	235,000m³/ day			Phase 1: 50,000m³/ day Phase 2: 50,000m³/ day			Phase 1: 380,000m³/ day Phase 2: 160,000m³/ day			200,000m³/ day
Location	Sanya, Hainan Province			Nanchang, Jiangxi Province			Chongqing			Chongqing
Operation Date	January 2004			Phase 1: January 1996 Phase 2: September 2008			Phase 1: November 2002 Phase 2: July 2006			July 2011
Expiry Date	2033			2023			2052			2038
Average Daily Volume Treated/Sold (m³)	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	N/A
	205,406	185,387	158,733	88,122	79,925	76,088	376,625	331,328	284,484	

	20. Chongqing Tangjiatuo Waste Water Plant		
Attributable Interest	28.36%		
Form of Investment	Equity		
Capacity	300,000m³/ day		
Location	Chongqing		
Operation Date	January 2007		
Expiry Date	2036		
Average Daily Volume Treated (m³)	**2011**	**2010**	**2009**
	258,342	255,746	234,951

	21. Chongqing Construction Company	
Attributable Interest	20.48%	
Form of Investment	Equity	
Capacity	Waste Water : Sludge Treatment :	100,000m³/ day 240 tonnes/day
Location	Chongqing	
Operation Date	Waste Water : Sludge Treatment :	1st half of 2012 (Estimate) 2011 (Estimate)
Expiry Date	2038	

PROJECT KEY FACTS AND FIGURES

	22. Chongqing CCIP Water Treatment Plants
Attributable Interest	25.52%
Form of Investment	Equity
Capacity	Waste Water : 40,000 m^3/ day Industrial Water : 120,000 m^3/ day
Location	Chongqing
Operation Date	September 2011
Expiry Date	2055

	23. Tianjin Jieyuan Water Plant	24. Tanggu Water Plant
Attributable Interest	26.03%	25%
Form of Investment	Equity	Equity
Capacity	500,000m^3/ day	310,000m^3/ day
Location	Tianjin	Tanggu, Tianjin
Operation Date	March 2009	April 2005
Expiry Date	2022	2039
Average Daily Volume Treated/Sold (m^3)		
2011	280,646	176,645
2010	254,055	171,812
2009	270,769	164,124

	25. Xinchang Water Plant	26. Changshu Water Plant
Attributable Interest	25%	24.5%
Form of Investment	Equity	Equity
Capacity	100,000m^3/ day	Phase 1: 675,000m^3/ day Phase 2: 200,000m^3/ day
Location	Xinchang, Zhejiang Province	Changshu, Jiangsu Province
Operation Date	March 2002	Phase 1: December 2006 Phase 2: 1st half of 2012 (Estimate)
Expiry Date	2032	2036
Average Daily Volume Treated/Sold (m^3)		
2011	72,189	453,040
2010	64,279	426,171
2009	62,934	400,155

	27. Suzhou Industrial Park Sludge Treatment Plant
Attributable Interest	24.5%
Form of Investment	Equity
Capacity	300 tonnes/ day
Location	Suzhou, Jiangsu Province
Operation Date	May 2011
Expiry Date	2039
Average Daily Volume Treated (tonnes)	
2011	193
2010	N/A
2009	N/A

	28. Shanghai SCIP Waste Incineration Plant	29. Far East Landfill Technologies Limited
Attributable Interest	10%	47%
Form of Investment	Equity	Equity
Capacity	60,000 tonnes/ year	35 million m^3
Location	Shanghai	Hong Kong
Operation Date	August 2006	June 1995
Expiry Date	2053	2045
Annual Treated Volume (tonnes)		
2011	44,351	905,835
2010	52,612	912,577
2009	24,195	872,350

	30. Chongqing Water Group
Attributable Interest	6.72%
Form of Investment	Equity
Location	Chongqing
Operation Date	August 2008

PORTS & LOGISTICS

	1. Xiamen New World Xiangyu Terminals Co., Ltd.			2. Tianjin Orient Container Terminals Co., Ltd.			3. Tianjin Five Continents International Container Terminal Co., Ltd.		
Attributable Interest	50%			24.5%			18%		
Form of Investment	EJV			EJV			EJV		
Handling Capacity	1 million TEUs pa			1.4 million TEUs pa			1.5 million TEUs pa		
Total Area	483,000 sq m			469,000 sq m			447,000 sq m		
Location	Huli Industrial Zone, Xiamen, Fujian Province			Xingang Dongtudi South Terminal, Tanggu, Tianjin			Xingang Dongtudi North Terminal, Tanggu, Tianjin		
Operation Date	April 1997			January 1999			November 2005		
Expiry Date	2052			2027			2035		
Length of Berths	976 m			1,136 m			1,202 m		
No. of Cranes	9			10			12		
Throughput Achieved (TEUs)	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
	774,000	753,000	696,000	863,000	886,000	857,000	1,983,000	1,910,000	1,920,000

	4. Dalian Container Terminal Co., Ltd.			5. Xiamen New World Xiangyu Warehouse & Processing Zone Limited	6. Xiamen Haicang Xinhaida Container Terminals Co., Limited		
Attributable Interest	4.8%			100%	46%		
Form of Investment	EJV			WFOE	EJV		
Handling Capacity	2.2 million TEUs pa			N/A	1 million TEUs pa		
Total Area	740,000 sq m			N/A	431,000 sq m		
Location	Berths 3 to 7, 9 and 10, Dayaowan, Dalian, Liaoning Province			Huli Industrial Zone, Xiamen, Fujian Province	Berths 18 to 19, Haicang Port Zone, Xiamen, Fujian Province		
Operation Date	June 2002			January 1998	September 2011		
Expiry Date	2046			2045	2058		
Length of Berths	1,856 m			N/A	754 m		
No. of Cranes	16			N/A	6		
Throughput Achieved (TEUs)	**2011**	**2010**	**2009**	N/A	**2011**	**2010**	**2009**
	1,520,000	1,673,000	1,609,000		N/A	N/A	N/A

PROJECT KEY FACTS AND FIGURES

	7. ATL Logistics Centre Hong Kong Limited	8. NWS Kwai Chung Logistics Centre
Attributable Interest	56%	100%
Form of Investment	Equity	Equity
Lettable Area	5.9 million sq ft	920,000 sq ft
Location	Berth 3, Kwai Chung Container Terminals, Hong Kong	Kwai Chung Container Terminals, Hong Kong
Operation Dates	Phase 1: February 1987 Phase 2: March 1988 Phase 3: February 1992 Phase 4: January 1994 Phase 5: November 1994	2^{nd} half of 2011 (Estimate)
Expiry Date	2047	2058
Yearly Average Occupancy Rate	**2011** **2010** **2009** 95.5% 97.0% 98.7%	N/A

	9. ATL Logistics Centre Yantian Limited
Attributable Interest	46.17%
Form of Investment	Equity
Handling Capacity	600,000 m^3 pa
Total Area	26,000 sq m
Location	Yantian, Shenzhen
Operation Date	January 2002
Expiry Date	2019
CFS Handling Volume (m^3)	**2011** **2010** **2009** 163,000 238,000 292,000

	10. China United International Rail Containers Co., Limited
Attributable Interest	30%
Form of Investment	EJV
Investment Scope	18 pivotal rail container terminals
Locations	Kunming, Chongqing, Chengdu, Zhengzhou, Dalian, Qingdao, Wuhan, Xian, Shanghai, Tianjin, Harbin, Ningbo, Shenzhen, Lanzhou, Beijing, Shenyang, Guangzhou, Urumqi
Operation Dates	Kunming: January 2008 Chongqing: December 2009 Chengdu: March 2010 Zhengzhou: April 2010 Dalian: July 2010 Qingdao: August 2010 Wuhan: August 2010 Xian: December 2010
Expiry Date	2057
Throughput Achieved (TEUs)	**2011** **2010** **2009** 1,255,000 366,000 159,000

SERVICES

FACILITIES MANAGEMENT

	Hong Kong Convention and Exhibition Centre (Management) Limited
Attributable Interest	100%
Services Offered	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc
Gross Rentable Space	91,500 sq m
No. of Events Held This Year	1,235
No. of Attendants This Year	Approximately 6 million

	Free Duty
Attributable Interest	100%
Services Offered	Retail of duty free liquor, tobacco, perfume, cosmetics, package food and general merchandise
Locations of Shops	Hong Kong International Airport, MTR Lo Wu, Hung Hom, Lok Ma Chau Stations, Hong Kong-Macau Ferry Terminal and China Ferry Terminal

CONSTRUCTION & TRANSPORT

	Hip Hing Construction Company Limited
Attributable Interest	100%
Services Offered	Management and construction of building and civil engineering works
Total Value of Contracts Awarded This Year	HK$10.293 billion
Value of Contracts on Hand	HK$20.085 billion (remaining value of works to be completed : HK$13.224 billion)
Major Projects	Construction of Cathay Pacific Air Cargo Terminal at Hong Kong International Airport; Public Rental Housing at Tai Pak Tin Street, Kwai Chung for Hong Kong Housing Authority; Residential Development at MTR Che Kung Temple Station; MTR Kwun Tong Line Extension, Whampoa Station and Overrun Tunnel; MTR South Island Line East, Wong Chuk Hang Depot Site Formation and Piling; Residential Development at Seymour Road, Mid-Levels for Swire Properties; Redevelopment of MacPherson Indoor Stadium, Mongkok; Design and Construction of Tseung Kwan O Hospital Expansion; Design, Build and Operation of a District Cooling System at Kai Tak for Hong Kong Government

	New World First Bus Services Limited
Attributable Interest	50%
Service Offered	Franchised bus service in Hong Kong
Fleet Size	713 buses
No. of Routes	96
Average Daily Patronage	477,000

	Citybus Limited
Attributable Interest	50%
Service Offered	Franchised bus service in Hong Kong
Fleet Size	934 buses
No. of Routes	110
Average Daily Patronage	596,000

	Kunming New World First Bus Services Ltd
Attributable Interest	25.5%
Service Offered	Urban public omnibus service
Fleet Size	1068 buses
No. of Routes	66
Average Daily Patronage	700,000

	New World First Ferry Services Limited
Attributable Interest	50%
Service Offered	Ferry services of outlying and inner harbour routes
Fleet Size	17 owned vessels and 3 chartered vessels
No. of Routes	5
Average Daily Patronage	Approximately 35,000

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
"EUR"	the official currency of the eurozone
"FY2010"	the financial year ended 30 June 2010
"FY2011"	the financial year ended 30 June 2011
"FY2012"	the financial year ending 30 June 2012
"GDP"	gross domestic product
"Group"	NWS Holdings and its subsidiaries
"HK$"	the lawful currency of Hong Kong
"Hong Kong" or "HKSAR"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Macau"	The Macau Special Administrative Region of the PRC
"Mainland China"	the PRC excluding Hong Kong, Macau and Taiwan
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
"MOP"	the lawful currency of Macau
"MPF"	Mandatory Provident Fund
"NWD"	New World Development Company Limited
"NWS Holdings" or "Company"	NWS Holdings Limited
"PRC"	The People's Republic of China
"RMB" or "Rmb"	the lawful currency of the PRC
"US$"	the lawful currency of the United States of America

Technical terms

"cbm(s)"	cubic metre(s)
"CJV"	co-operative joint venture company
"EJV"	equity joint venture company
"ft"	foot (feet)
"GW"	gigawatt(s), equals to 1,000,000 kilowatts
"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 foot (feet)
“sq km”	square kilometre(s)
“sq m”	square metre(s)
“TEU(s)”	twenty-foot equivalent unit(s), 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)”	equal to 1,000 kilograms

Financial terms

“Attributable operating profit” or “AOP”	Profit available for appropriation before head office and non-operating items
“Dividend Payout Ratio”	$\dfrac{\text{Dividends}}{\text{Profit attributable to shareholders of the Company}}$
“Earnings per Share – Basic”	$\dfrac{\text{Profit attributable to shareholders of the Company}}{\text{Weighted average number of shares in issue during the year}}$
“EBIT”	Earnings before interests and tax expenses
“Net Gearing Ratio”	$\dfrac{\text{Net Debt}}{\text{Total equity}}$
“Net Assets”	Total assets less total liabilities
“Net Assets per Share”	$\dfrac{\text{Net Assets}}{\text{Number of issued shares at the end of the year}}$
“Net Debt”	Total Debt less cash and bank balances and short term deposits
“Return on Capital Employed”	$\dfrac{\text{Profit for the year}}{\text{Total equity + Non-current liabilities}}$
“Return on Equity”	$\dfrac{\text{Profit for the year}}{\text{Total equity}}$
“Total Debt”	The aggregate of bank loans, other loans, overdrafts and finance leases

CORPORATE INFORMATION

Board of Directors

Executive Directors

Dr Cheng Kar Shun, Henry (Chairman)
Mr Tsang Yam Pui
Mr Lam Wai Hon, Patrick
Mr Cheung Chin Cheung
Mr William Junior Guilherme Doo
Mr Cheng Chi Ming, Brian

Non-executive Directors

Mr Doo Wai Hoi, William (Deputy Chairman)
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
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Board Committees

Executive Committee

Dr Cheng Kar Shun, Henry (Chairman)
Mr Tsang Yam Pui
Mr Lam Wai Hon, Patrick
Mr Cheung Chin Cheung
Mr William Junior Guilherme Doo
Mr Cheng Chi Ming, Brian

Audit Committee

Mr Kwong Che Keung, Gordon (Chairman)
Mr Dominic Lai
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Remuneration Committee

Mr Tsang Yam Pui (Chairman)
Mr Lam Wai Hon, Patrick
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Corporate Social Responsibility Committee

Mr Tsang Yam Pui (Chairman)
Mr Lam Wai Hon, Patrick
Mr Cheung Chin Cheung
Mr William Junior Guilherme Doo
Mr Dominic Lai
Ms Cheung Yat Sum, Maria
Ms Lam Yuet Wan, Elina

Company Secretary

Mr Chow Tak Wing

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

28/F, New World Tower
18 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

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

Auditor

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

Principal Bankers

Bank of America, National Association
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
BNP Paribas Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
CITIC Bank International Limited
Crédit Agricole Corporate and Investment Bank
Dah Sing Bank, Limited
DBS Bank Ltd. Hong Kong Branch
Hang Seng Bank Limited
Mizuho Corporate Bank, Ltd. Hong Kong Branch
Oversea-Chinese Banking Corporation Limited
Scotiabank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation Hong Kong Branch
The Bank of Tokyo – Mitsubishi UFJ, Ltd. Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank Limited

Website

www.nws.com.hk

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

This annual report is also available at www.nws.com.hk.

新創建 NWS

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NWS Holdings Limited takes every practicable measure to conserve resources and minimize waste.

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