

NWS Holdings Limited
(stock code: 0659)



Sustaining Growth Building Value

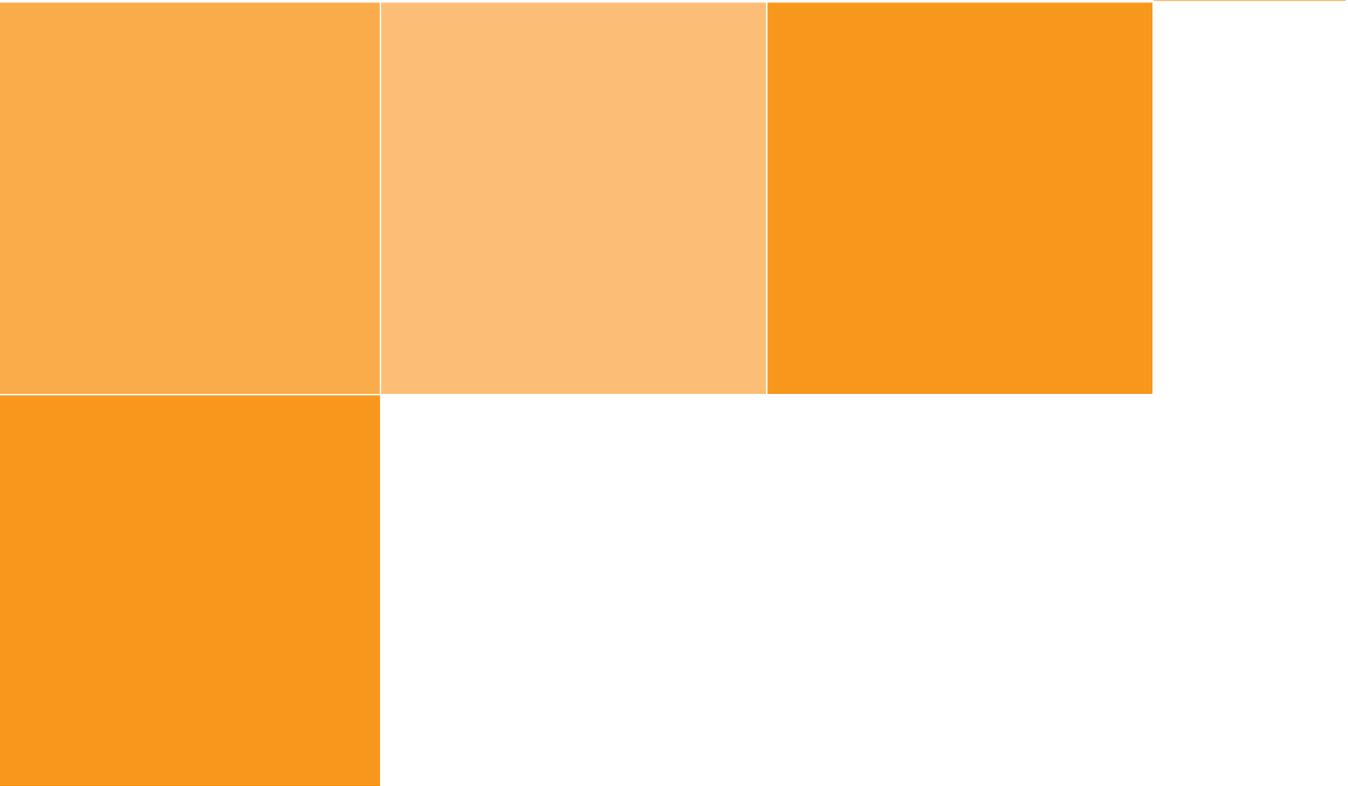
Interim Report 2005-2006

infrastructure
service
& rental



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Chairman's Message

Dear shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to report that the financial results in the first half of the financial year ending 30 June 2006 of NWS Holdings Limited ("NWS Holdings" or the "Company", together with its subsidiary companies, the "Group") was again satisfactory. Net profit of the Group for the six months ended 31 December 2005 increased by 5% to HK\$909.0 million. Attributable Operating Profit ("AOP") from our Infrastructure division was up 3% to HK\$627.3 million, while the Service & Rental division had an impressive growth of 73% to HK\$397.1 million.

Interim dividend

The Board declared an interim dividend for the six months ended 31 December 2005 of HK\$0.24 per share.

Solid performance

Infrastructure

Benefiting from the robust economic development in Mainland China, the portfolio of Roads and Water under our Infrastructure division performed well while the Energy segment also recorded a moderate increase in sales. As compared with the same period of last year, earnings from Ports experienced a drop as a result of our disposal of Kwai Chung Container Terminal No.3 and Container Terminal No.8 West in Hong Kong in February and March 2005 respectively.

During the period, we disposed of our interest in Roadway No.1906 (Qingcheng Section) and recorded a gain of HK\$65.7 million. Owing to

increasing car ownership and strong GDP growth in Mainland China, our major expressways including Guangzhou City Northern Ring Road, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and Shenzhen-Huizhou Roadway and Expressway had a double-digit growth in traffic flow. In addition, one of our new expressway projects, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section) commenced operation during the period.

Being reckoned as world factory, Mainland China has had strong GDP growth which generated intense demand for electricity. The utilization rate of our Zhujiang Power Station – Phase 1 and Phase 2 stood high.

Our Water portfolio once again recorded impressive growth. With the expertise of SUEZ, our joint venture partner, and the strong networking of NWS Holdings in Mainland China, we concluded new investments in phase two extension of the water treatment plants in Chongqing and Qingdao which would be operational in mid 2006.

As a result of the disposal of our interests in the container terminals in Hong Kong, the earnings from the Ports segment dropped. However, Xiamen New World Xiangyu Terminals recorded a significant increase in both AOP and throughput while our newly invested Tianjin Five Continents International Container Terminal was operational.

Service & Rental

The leap in AOP from our Service & Rental division was attributed to the business turnaround of the Contracting segment. The segment had a profit of HK\$73.5 million in the current period when compared with a

loss of HK\$135.8 million incurred in the same period of last year. This was attributed to our strategic move of seizing the promising opportunities in Macau. As of 31 December 2005, contract-on-hand was HK\$20.8 billion, out of which HK\$7 billion was from Macau.

Facilities Rental segment continued to provide stable income to the Group. During our interim period, Hong Kong Convention and Exhibition Centre ("HKCEC") organized over 600 events which attracted 3.2 million visitors. Also, the occupancy rate of ATL Logistics Centre ("ATL") remained high, with an average of 96%.

Surging fuel cost and high interest rate continued to mar the profitability of the Transport segment. In February 2006, the long-awaited Fare Adjustment Mechanism governing the fare levels of franchised bus companies was put in place together with a built-in fare discount system offering a special discount to the elderly as well as a discount on the return journey on many of our bus routes. One of our two Citybus franchises, due for renewal this year, has been renewed for 10 years. After incurring cumulative losses, New World First Ferry Services Limited moderately raised its ferry fares to partly compensate the escalating fuel cost. As a responsible corporate citizen, NWS Holdings will continue to provide reliable and quality transport services to commuters at reasonable rates.

Poised for long-term growth

Keeping our promise that we made in our reorganization exercise in January 2003, we have divested projects that performed below our expectations. At

the same time, we are earnestly seeking new projects with promising returns.

Water conservation and resources management are top priorities of the Mainland Chinese Government. Considering Chongqing is strategically important for the economic development of the middle-western part of the country, in early 2006, we signed a contract to form an investment company with Chongqing Water Holding (Group) Co Ltd to explore water projects in the area where we have already established a significant presence.

Eyeing on the extensive trading activities of Wenzhou, we signed a framework agreement on major terms with the Wenzhou Port Group under which the Group will have a 55% stake to develop two multi-purpose terminals to be operational in early 2008.

Following the signing of the letter of intent on building pivotal railway container terminals in 18 major cities in Mainland China with our prospective partners in September 2005, an independent economic feasibility study has been conducted on this project. Also, prospective shareholders are now in discussion on a joint venture agreement. The Group will be the second largest shareholder in this project after China's Ministry of Railways.

HKCEC is going to expand its atrium link and convert its carpark this year to provide additional exhibition space of 19,400 square metres and 6,950 square metres respectively. The carpark conversion is scheduled for completion by end of March this year.

We are optimistic about the contracting industry in the near future. With the current strong

economic rebound, the HKSAR Government is pushing to start up certain infrastructure and construction projects that have been held up for many years. Coupled with our on-going projects in Macau, we are confident that the performance of the Contracting segment will continue to improve.

Positive outlook

The Group will continue to seek long-term growth and sustain profitability. We shall keep our promises to enhance shareholder value and maintain a healthy capital structure. The Group is well positioned to explore and develop promising expansion opportunities. Mainland China remains to be the primary focus of our investments. On the other hand, Hong Kong's economy is picking up and the business sentiments have turned positive. With our synergistic efforts, our Service & Rental business is expected to continue to recover and yield good results. The Group is committed to upholding service excellence and corporate branding.

Corporate development

Corporate governance, which is fundamental to our management philosophy, is an area that we have been committed to enhance over the years. Our Corporate Social Responsibility Committee under the Board has devised the corporate policy on social responsibilities. We have also published the *Corporate Policy on Staff Responsibility* that sets integrity standards for all our staff.

It is our determination to invest in people. To enhance training and development of senior management for advancement, we launched the Executive Education and

Development Scheme in August 2005. With this scheme, management executives will be sent to reputable educational institutes to upgrade their professional knowledge and skills. We will also continue to nurture young talents for our succession plan by recruiting graduates from local and overseas universities to join our three-year management trainee programme for all-rounded development with ample executive exposure.

Corporate citizenship

To share our fruitful results with the community, NWS Holdings chose to celebrate its third anniversary of the First Trading Day by hosting NWSH Caring Day on 15 January 2006, where the Corporate Office and 17 member companies delivered community services across all the 18 districts in Hong Kong. Our corporate volunteer team, NWS Volunteer Alliance, has gained extensive recognition from various organizations and the members will continue to devote their time to benefit our society.

Vote of thanks

Finally, I would like to convey my sincere thanks to my staff, the management and fellow directors for their dedication and efforts that have contributed to the successful results of the Company.



Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 13 March 2006

MILESTONES

- October**
- Hong Kong Convention and Exhibition Centre was named Best Convention & Exhibition Centre in the 16th TTG Travel Awards.
 - NWS Holdings' corporate website received Web Care Silver Award for providing a barrier-free website.
- November**
- Tianjin Five Continents International Container Terminal commenced operation.
 - NWS Holdings won the Runner-up of Private Sector Department of the Year in the Asia Pacific PR Awards 2005.
 - NWS Holdings' Annual Report 2004 received Honours in the international Galaxy Awards 2005.
 - NWS Holdings received an Honourable Mention in Most Progress in Investor Relations in the IR Magazine Hong Kong and Taiwan Awards 2005.
- December**
- Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section) commenced operation.
 - NWS Holdings won a Merit award in Corporate Volunteer Service Project Competition by Social Welfare Department for its Companion Storytelling Scheme co-organized with Hans Andersen Club.
-
- January**
- NWS Holdings organized NWSH Caring Day to celebrate the third anniversary of its First Trading Day, on which Corporate Office and member companies carried out community services across 18 districts in Hong Kong.
 - The Corporate Social Responsibility Committee adopted Corporate Policy on CSR to promote CSR principles in business practice across the Group.
 - Sino French Water Development Company Limited was named one of the Top Ten Most Influential Enterprises in Mainland China's Water Supply Industry for the second consecutive year.
 - Hong Kong Convention and Exhibition Centre was voted the most popular exhibition venue in the Asia Pacific region for the fourth consecutive year in the industry survey conducted by *CEI Asia Pacific* magazine.
- February**
- NWS Holdings and its 16 member companies were awarded Caring Company logo by the Hong Kong Council of Social Service.
 - NWS Holdings launched a brand awareness campaign comprising programme sponsorship on TV and radio, as well as an investment seminar for retail investors.



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TO THE BOARD OF DIRECTORS OF NWS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial statements set out on pages 6 to 26.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the interim financial statements to be in compliance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial statements are the responsibility of, and have been approved by, the Board of Directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with the Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the management and applying analytical procedures to the interim financial statements and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial statements.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial statements for the six months ended 31 December 2005.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 13 March 2006

Interim Results

The Board is pleased to present the interim financial statements of the Group for the six months ended 31 December 2005 (the "Current Period"). The interim financial statements of the Group include the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the Current Period and the consolidated balance sheet as at 31 December 2005, all of which are unaudited and condensed, along with explanatory notes, and are set out on pages 6 to 26 of this report.

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

	Note	For the six months ended 31 December	
		2005 HK\$m	2004 HK\$m (restated)
Turnover	2	5,753.7	5,132.4
Cost of sales		(5,176.4)	(4,783.3)
Gross profit		577.3	349.1
Other income	3	160.4	228.9
General and administrative expenses		(375.4)	(307.9)
Other charges	3	-	(9.5)
Operating profit	3	362.3	260.6
Finance costs		(125.4)	(82.7)
Share of results of			
Jointly controlled entities		433.3	549.7
Associated companies		297.5	175.0
Profit before income tax		967.7	902.6
Income tax expense	4	(47.1)	(31.9)
Profit for the period		920.6	870.7
Attributable to:			
Shareholders of the Company		909.0	867.6
Minority interests		11.6	3.1
		920.6	870.7
Dividend	5	454.9	325.3
Earnings per share attributable to the shareholders of the Company	6	HK\$0.50	HK\$0.48

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

	Note	At 31 December 2005 HK\$'m	At 30 June 2005 HK\$'m (restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	2,003.6	2,181.3
Investment properties	7	1,043.3	1,040.3
Leasehold land and land use rights	7	102.8	134.2
Goodwill		329.9	329.9
Jointly controlled entities		9,252.4	9,002.7
Associated companies		3,343.8	3,010.0
Other non-current assets		907.0	635.4
		16,982.8	16,333.8
Current assets			
Inventories		130.7	145.5
Trade and other receivables	8	5,461.0	5,004.3
Other current assets		17.4	32.0
Bank balances and cash		3,044.4	3,649.9
		8,653.5	8,831.7
Current liabilities			
Trade and other payables	9	4,985.1	4,647.8
Taxation		60.9	107.4
Borrowings	10	2,255.2	2,279.9
		7,301.2	7,035.1
Net current assets			
		1,352.3	1,796.6
Total assets less current liabilities			
		18,335.1	18,130.4
Non-current liabilities			
Borrowings	10	2,783.9	3,703.7
Other non-current liabilities		1,037.3	1,039.6
		3,821.2	4,743.3
Net assets			
		14,513.9	13,387.1
EQUITY			
Share capital	11	1,837.1	1,825.1
Reserves	12	12,298.7	11,199.8
Capital and reserves attributable to the shareholders of the Company			
		14,135.8	13,024.9
Minority interests		378.1	362.2
Total equity			
		14,513.9	13,387.1

Interim Results

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	For the six months ended 31 December 2005			
	Note	Attributable to the shareholders of the Company HK\$'m	Minority interests HK\$'m	Total HK\$'m
Balance at 1 July 2005, as previously reported as equity		12,942.0	–	12,942.0
Balance at 1 July 2005, as previously reported as minority interests		–	362.2	362.2
Prior year adjustments in respect of changes in accounting policies	1	82.9	–	82.9
Balance at 1 July 2005, as restated		13,024.9	362.2	13,387.1
Fair value changes of available-for-sale financial assets		36.3	–	36.3
Currency translation differences		119.4	9.1	128.5
Net gains recognized directly in equity		155.7	9.1	164.8
Profit for the period		909.0	11.6	920.6
Dividend paid to minority interests		–	(0.6)	(0.6)
Share option scheme:				
– value of services provided		1.7	–	1.7
– new shares issued		12.0	–	12.0
– share premium on issue of new shares		32.5	–	32.5
Capital contribution from minority interests		–	0.6	0.6
Derecognition of minority interests upon disposal of a subsidiary company		–	(4.8)	(4.8)
Balance at 31 December 2005		14,135.8	378.1	14,513.9

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED (CONTINUED)

	For the six months ended 31 December 2004			
	Note	Attributable to the shareholders of the Company HK\$'m	Minority interests HK\$'m	Total HK\$'m
Balance at 1 July 2004, as previously reported as equity		10,527.1	–	10,527.1
Balance at 1 July 2004, as previously reported as minority interests		–	359.2	359.2
Prior year adjustments in respect of changes in accounting policies	1	108.2	–	108.2
Balance at 1 July 2004, as restated		10,635.3	359.2	10,994.5
Fair value changes of non-trading securities		16.3	–	16.3
Currency translation differences		(0.7)	–	(0.7)
Net gains recognized directly in equity		15.6	–	15.6
Profit for the period		867.6	3.1	870.7
Dividend paid:				
– to shareholders of the Company		(451.6)	–	(451.6)
– to minority interests		–	(0.2)	(0.2)
Share option scheme:				
– value of services provided		5.9	–	5.9
– new shares issued		13.9	–	13.9
– share premium on issue of new shares		42.1	–	42.1
Balance at 31 December 2004		11,128.8	362.1	11,490.9

Interim Results

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	For the six months ended 31 December	
	2005 HK\$'m	2004 HK\$'m
Net cash generated from operating activities	119.4	771.4
Net cash generated from/(used in) investing activities	144.2	(623.1)
Net cash used in financing activities	(872.0)	(428.3)
Net decrease in cash and cash equivalents	(608.4)	(280.0)
Cash and cash equivalents at 1 July	3,649.9	3,501.8
Exchange gains on cash and cash equivalents	2.9	–
Cash and cash equivalents at 31 December	3,044.4	3,221.8
Bank balances and cash, including short term deposits with maturity within three months	3,044.4	3,221.8

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The unaudited and condensed consolidated interim financial statements for the Current Period (the “interim financial statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and in compliance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2005.

The principal accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the audited financial statements for the year ended 30 June 2005, except for the changes in certain accounting policies made following the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and interpretations (“HKAS-Int”) (collectively, “HKFRSs”).

For the year ended 30 June 2005, the Group early adopted HKFRS 3 “Business combinations”, HKAS 36 “Impairment of assets” and HKAS 38 “Intangible assets”. With effect from 1 July 2005, the Group has adopted retrospectively, where required, all remaining HKFRSs that are currently in issue and effective for the accounting periods commencing on or after 1 January 2005. The major changes in the principal accounting policies or presentation of financial statements as a result of the adoption of these HKFRSs are set out below. The comparatives have been restated in accordance with the relevant requirements.

(i) Presentation of financial statements

The adoption of HKAS 1 “Presentation of financial statements” has affected the presentation of minority interests, share of net after-tax results of jointly controlled entities and associated companies and other disclosures.

(ii) Leasehold land and land use rights

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

(iii) Financial instruments

The adoption of HKAS 32 “Financial instruments: disclosure and presentation” and HKAS 39 “Financial instruments: recognition and measurement” has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. HKAS 39 does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis.

Interim Results

1. Basis of preparation and principal accounting policies (Continued)

(iii) Financial instruments (Continued)

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

(iv) Investment properties

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

The Group has applied the relevant transitional provisions under HKAS 40 and elected to apply HKAS 40 from 1 July 2005 onwards. As a result, investment property revaluation reserve as at 1 July 2005 has been transferred to the opening retained profits.

(v) Deferred tax on revaluation surplus of investment properties

The adoption of revised HKAS-Int 21 "Income taxes – recovery of revalued non-depreciable assets" has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

(vi) Share-based compensation

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

1. Basis of preparation and principal accounting policies (Continued)

The effects, where material, of the changes in accounting policies on opening reserves, the profit attributable to shareholders of the Company and earnings per share are summarized below:

	Increase/ (decrease) in reserves at 30 June 2005 HK\$'m	Increase/(decrease) in profit attributable to shareholders of the Company for the six months ended 31 December		Increase/(decrease) in earnings per share for the six months ended 31 December	
		2005	2004	2005	2004
		HK\$'m	HK\$'m	HK\$	HK\$
HKAS 17 (revised)	(9.3)	0.3	0.3	–	–
HKAS 32	100.5	(8.8)	(8.4)	(0.01)	(0.01)
HKAS 40 (revised)	–	3.0	–	–	–
HKAS-Int 21 (revised)	(8.3)	(0.5)	–	–	–
HKFRS 2	–	(1.7)	(5.9)	–	–
	82.9	(7.7)	(14.0)	(0.01)	(0.01)

2. Turnover and segment information

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

	For the six months ended 31 December	
	2005 HK\$'m	2004 HK\$'m
Container handling, logistics and warehousing	7.2	6.5
Roads and bridges	122.4	106.5
Facilities rental	435.9	398.6
Facilities management	1,304.6	1,295.7
Contracting	3,767.3	3,144.9
Sales of goods and rendering of other services	116.3	180.2
Turnover	5,753.7	5,132.4

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

Interim Results

2. Turnover and segment information (Continued)

(a) Primary reporting format – business segments

	Container handling, logistics and warehousing HK\$m	Roads and bridges HK\$m	Energy, water treatment and waste management HK\$m	Facilities rental HK\$m	Facilities management HK\$m	Contracting HK\$m	Transport HK\$m	Others HK\$m	Eliminations HK\$m	Consolidated HK\$m
For the six months ended										
31 December 2005										
External sales	7.2	122.4	-	435.9	1,304.6	3,767.3	-	116.3	-	5,753.7
Inter-segment sales	-	-	-	-	80.5	228.9	-	11.1	(320.5)	-
Total turnover	7.2	122.4	-	435.9	1,385.1	3,996.2	-	127.4	(320.5)	5,753.7
Segment results	3.4	70.7	6.1	130.8	73.9	58.3	-	(5.5)	-	337.7
Profit on disposal of a subsidiary company	-	65.7	-	-	-	-	-	-	-	65.7
Fair value gains on investment properties	-	-	-	3.0	-	-	-	-	-	3.0
Profit on disposal of land use rights and properties	22.7	-	-	-	-	-	-	-	-	22.7
Unallocated corporate expenses										(66.8)
Operating profit										362.3
Finance costs										(125.4)
Share of results of										
Jointly controlled entities	26.6	192.5	76.7	94.6	(0.1)	6.1	37.4	(0.5)	-	433.3
Associated companies	8.3	(2.1)	235.6	-	0.1	27.5	-	28.1	-	297.5
Profit before income tax										967.7
Income tax expense										(47.1)
Profit for the period										920.6
Capital expenditure	0.1	0.3	-	14.1	10.8	17.0	-	1.6		43.9
Depreciation	1.0	37.9	-	9.0	19.7	21.2	-	3.8		92.6
Amortization of leasehold land and land use rights	-	-	-	-	0.1	0.7	-	0.2		1.0
At 31 December 2005										
Segment assets	312.3	1,649.9	2.0	1,255.0	526.5	4,679.1	-	582.9		9,007.7
Jointly controlled entities	416.3	3,804.1	1,413.8	1,806.4	8.7	699.1	1,104.0	-		9,252.4
Associated companies	93.7	397.2	1,481.4	-	1.0	775.5	-	595.0		3,343.8
Unallocated assets										4,032.4
Total assets										25,636.3
Segment liabilities	3.0	661.0	0.4	271.2	381.7	3,666.3	-	140.7		5,124.3
Unallocated liabilities										5,998.1
Total liabilities										11,122.4

2. Turnover and segment information (Continued)

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

	Container handling, logistics and warehousing HK\$m	Roads and bridges HK\$m	Energy, water treatment and waste management HK\$m	Facilities rental HK\$m	Facilities management HK\$m	Contracting HK\$m	Transport HK\$m	Others HK\$m	Eliminations HK\$m	Consolidated HK\$m
For the six months ended										
31 December 2004										
(restated)										
External sales	6.5	106.5	-	398.6	1,295.7	3,144.9	-	180.2	-	5,132.4
Inter-segment sales	-	-	-	0.2	69.3	215.1	-	10.4	(295.0)	-
Total turnover	6.5	106.5	-	398.8	1,365.0	3,360.0	-	190.6	(295.0)	5,132.4
Segment results	2.6	48.2	5.9	133.8	95.2	(148.3)	-	2.3	-	139.7
Profit on disposal of an investment	-	190.7	-	-	-	-	-	-	-	190.7
Loss on disposal of a jointly controlled entity	-	-	(2.1)	-	-	-	-	-	-	(2.1)
Assets impairment loss	(7.4)	-	-	-	-	-	-	-	-	(7.4)
Unallocated corporate expenses										(60.3)
Operating profit										260.6
Finance costs										(82.7)
Share of results of										
Jointly controlled entities	15.9	166.9	251.0	73.0	(1.8)	(10.3)	46.5	8.5	-	549.7
Associated companies	48.0	-	61.0	31.9	0.1	18.9	-	15.1	-	175.0
Profit before income tax										902.6
Income tax expense										(31.9)
Profit for the period										870.7
Capital expenditure	0.8	0.5	-	8.7	15.5	8.7	-	7.4		41.6
Depreciation	2.2	37.5	-	8.4	18.8	34.7	-	3.6		105.2
Amortization of leasehold land and land use rights	-	-	-	-	0.1	0.7	-	0.2		1.0
At 30 June 2005 (restated)										
Segment assets	126.0	1,854.1	-	1,199.9	531.9	4,588.6	-	345.5		8,646.0
Jointly controlled entities	410.2	3,753.4	1,339.0	1,804.5	8.7	620.3	1,066.6	-		9,002.7
Associated companies	94.9	375.7	1,219.0	-	0.9	750.0	-	569.5		3,010.0
Unallocated assets										4,506.8
Total assets										25,165.5
Segment liabilities	3.2	688.8	0.4	272.9	373.3	3,458.3	-	74.4		4,871.3
Unallocated liabilities										6,907.1
Total liabilities										11,778.4

Interim Results

2. Turnover and segment information (Continued)

(b) Secondary reporting format – geographical segments

	Turnover HK\$m	Segment results HK\$m	Capital expenditure HK\$m	Segment assets HK\$m
				At
		For the six months ended 31 December 2005		31 December 2005
Hong Kong	4,063.0	214.8	35.2	6,134.6
Mainland China	866.0	85.3	7.5	2,418.3
Macau	824.4	35.8	1.2	449.5
Others	0.3	1.8	–	5.3
	5,753.7	337.7	43.9	9,007.7
				At
		For the six months ended 31 December 2004 (restated)		30 June 2005 (restated)
Hong Kong	4,394.9	80.5	38.8	6,068.0
Mainland China	734.5	58.7	2.8	2,471.5
Macau	2.1	0.2	–	106.5
Others	0.9	0.3	–	–
	5,132.4	139.7	41.6	8,646.0

3. Operating profit

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

	For the six months ended 31 December	
	2005 HK\$m	2004 HK\$m (restated)
Crediting:		
Gross rental income from investment properties	19.8	20.4
Less: Outgoings	(5.1)	(5.2)
	14.7	15.2
Exchange gains	16.3	0.8
Other income		
Profit on disposal of a subsidiary company	65.7	–
Profit on disposal of an investment	–	190.7
Profit on disposal of land use rights and properties	22.7	–
Interest income	40.3	6.3
Management fee	19.3	19.2
Machinery hire income	0.2	10.2
Fair value gains on investment properties	3.0	–
Others	9.2	2.5
	160.4	228.9
Charging:		
Cost of inventories sold	429.0	440.2
Depreciation	92.6	105.2
Amortization of leasehold land and land use rights	1.0	1.0
Operating lease rental expenses – buildings	29.6	27.2
Other charges		
Assets impairment loss	–	7.4
Loss on disposal of a jointly controlled entity	–	2.1
	–	9.5

Interim Results

4. Income tax expense

Hong Kong profits tax is provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the Current Period. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the Current Period at the rates of taxation prevailing in the countries in which the Group operates.

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

	For the six months ended 31 December	
	2005 HK\$m	2004 HK\$m (restated)
Current income tax		
Hong Kong profits tax	36.8	35.3
Mainland China and overseas taxation	10.9	3.4
Deferred income tax	(0.6)	(6.8)
	47.1	31.9

Share of jointly controlled entities' and associated companies' taxation for the Current Period of HK\$77.0 million (2004: HK\$91.2 million) and HK\$37.4 million (2004: HK\$31.2 million) respectively are included in the income statement as share of results of jointly controlled entities and associated companies.

5. Dividend

	For the six months ended 31 December	
	2005 HK\$m	2004 HK\$m
Interim dividend proposed of HK\$0.24 (2004: paid of HK\$0.18) per share	454.9	325.3

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$909.0 million (2004: HK\$867.6 million) and the weighted average of 1,832.5 million (2004: 1,800.4 million) shares in issue during the Current Period.

The calculation of diluted earnings per share was not presented as the share options granted by the Company did not have a dilutive effect.

7. Capital expenditure

	Investment properties HK\$m	Leasehold land and land use rights HK\$m	Land and buildings HK\$m	Roads and bridges HK\$m	Port facilities and terminal equipment HK\$m	Other assets HK\$m	Construction in progress HK\$m	Total HK\$m
Cost or valuation								
At 1 July 2005, as previously reported	1,040.3	–	732.1	1,892.6	11.1	1,348.4	20.4	5,044.9
Prior year adjustments in respect of changes in accounting policies	–	173.7	(173.7)	–	–	–	–	–
At 1 July 2005, as restated	1,040.3	173.7	558.4	1,892.6	11.1	1,348.4	20.4	5,044.9
Additions	–	–	3.7	–	–	40.2	–	43.9
Currency translation differences	–	0.6	1.5	55.7	0.3	1.1	0.8	60.0
Disposal of a subsidiary company	–	–	–	(125.0)	–	–	–	(125.0)
Disposals	–	(35.9)	(305.0)	–	(0.2)	(35.8)	(4.5)	(381.4)
Fair value gains	3.0	–	–	–	–	–	–	3.0
At 31 December 2005	1,043.3	138.4	258.6	1,823.3	11.2	1,353.9	16.7	4,645.4
Accumulated depreciation, amortization and impairment								
At 1 July 2005, as previously reported	–	–	373.9	321.0	5.0	985.7	–	1,685.6
Prior year adjustments in respect of changes in accounting policies	–	39.5	(36.0)	–	–	–	–	3.5
At 1 July 2005, as restated	–	39.5	337.9	321.0	5.0	985.7	–	1,689.1
Charge for the period	–	1.0	2.4	36.8	0.5	52.9	–	93.6
Currency translation differences	–	0.1	0.3	9.4	0.1	0.7	–	10.6
Disposal of a subsidiary company	–	–	–	(7.7)	–	–	–	(7.7)
Disposals	–	(5.0)	(250.0)	–	(0.2)	(34.7)	–	(289.9)
At 31 December 2005	–	35.6	90.6	359.5	5.4	1,004.6	–	1,495.7
Net book value								
At 31 December 2005	1,043.3	102.8	168.0	1,463.8	5.8	349.3	16.7	3,149.7
At 30 June 2005, as restated	1,040.3	134.2	220.5	1,571.6	6.1	362.7	20.4	3,355.8

Interim Results

8. Trade and other receivables

	Note	At 31 December 2005 HK\$'m	At 30 June 2005 HK\$'m (restated)
Trade debtors	(a)	1,617.3	1,105.3
Retention money receivables		782.2	683.3
Current portion of long-term receivables		77.8	71.3
Amounts due from customers for contract works		465.8	362.5
Other debtors, deposits and prepayments		2,269.7	2,491.5
Amounts due from jointly controlled entities		229.8	270.8
Amounts due from associated companies		18.4	19.6
		5,461.0	5,004.3

(a) Ageing analysis of trade debtors of the Group is as follows:

	At 31 December 2005 HK\$'m	At 30 June 2005 HK\$'m
Under 3 months	1,328.9	865.3
Between 4 – 6 months	96.1	56.1
Over 6 months	192.3	183.9
	1,617.3	1,105.3

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

9. Trade and other payables

	Note	At 31 December 2005 HK\$'m	At 30 June 2005 HK\$'m
Trade creditors	(a)	688.9	578.5
Retention money payables		476.1	393.1
Advance received from customers		64.1	50.3
Amounts due to customers for contract works		552.4	368.3
Amount due to a fellow subsidiary company		198.5	192.9
Amounts due to minority shareholders		35.9	40.3
Other payables and accruals		2,931.6	3,009.8
Amounts due to jointly controlled entities		16.8	14.6
Amounts due to associated companies		20.8	–
		4,985.1	4,647.8

(a) Ageing analysis of trade creditors of the Group is as follows:

	At 31 December 2005 HK\$'m	At 30 June 2005 HK\$'m
Under 3 months	540.8	479.6
Between 4 – 6 months	75.6	35.2
Over 6 months	72.5	63.7
	688.9	578.5

10. Borrowings

	At 31 December 2005 HK\$'m	At 30 June 2005 HK\$'m (restated)
Non-current		
Bank loans and borrowings	1,559.9	2,493.2
Convertible bonds	1,224.0	1,210.5
	2,783.9	3,703.7
Current		
Current portion of bank loans and borrowings	1,597.9	1,319.0
Short term bank loans and overdrafts – secured	–	0.5
Short term bank loans and overdrafts – unsecured	657.3	960.4
	2,255.2	2,279.9
	5,039.1	5,983.6

Interim Results

11. Share capital

	Ordinary shares	
	No. of shares	HK\$m
Authorized:		
At 30 June 2005 and 31 December 2005	2,400,000,000	2,400.0
Issued and fully paid:		
At 1 July 2005	1,825,130,569	1,825.1
Exercise of share options	11,962,003	12.0
At 31 December 2005	1,837,092,572	1,837.1

Share option scheme

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

On 21 July 2003, a total of 41,497,000 share options were granted to directors and certain eligible participants at the exercise price of HK\$3.725 per share, which represents the average of the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the five trading days immediately preceding the date of grant. Such share options will expire on 21 July 2008.

Pursuant to the Share Option Scheme, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of the Company. The Company declared the interim dividend for the year ended 30 June 2005 in scrip form (with cash option) on 14 March 2005 which gave rise to an adjustment to the number of unexercised share options and the exercise price in accordance with the Share Option Scheme. The exercise price per share of share options was adjusted from HK\$3.725 to HK\$3.719 with effect from 30 June 2005. 11,962,003 (2004: 12,572,468) share options were exercised at the exercise price of HK\$3.719 (2004: HK\$3.725) per share during the Current Period.

12. Reserves

	Group						
	Share premium HK\$'m	Special reserves HK\$'m	Investment properties revaluation reserve HK\$'m	Investment revaluation reserve HK\$'m	Exchange reserve HK\$'m	Retained profits HK\$'m	Total HK\$'m
At 1 July 2005, as previously reported	7,401.9	279.4	47.6	11.8	1.7	3,374.5	11,116.9
Changes in accounting policies upon adoption of:							
– HKFRS 2	–	22.9	–	–	–	(22.9)	–
– HKAS 17 (revised)	–	–	–	–	–	(9.3)	(9.3)
– HKAS 32	–	121.1	–	–	–	(20.6)	100.5
– HKAS-Int 21 (revised)	–	–	(8.3)	–	–	–	(8.3)
At 1 July 2005, as restated	7,401.9	423.4	39.3	11.8	1.7	3,321.7	11,199.8
Changes in accounting policies upon adoption of HKAS 40 (revised)	–	–	(39.3)	–	–	39.3	–
At 1 July 2005, as adjusted	7,401.9	423.4	–	11.8	1.7	3,361.0	11,199.8
Fair value changes of available-for-sale financial assets	–	–	–	36.3	–	–	36.3
Currency translation differences:							
– Group	–	–	–	–	20.1	–	20.1
– Jointly controlled entities	–	–	–	–	65.5	–	65.5
– Associated companies	–	–	–	–	33.8	–	33.8
Profit for the period	–	–	–	–	–	909.0	909.0
Share option scheme:							
– Value of services provided	–	1.7	–	–	–	–	1.7
– Share premium on issue of new shares	32.5	–	–	–	–	–	32.5
Transfer	–	1.3	–	–	–	(1.3)	–
At 31 December 2005	7,434.4	426.4	–	48.1	121.1	4,268.7	12,298.7

Interim Results

13. Commitments

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

	At 31 December 2005 HK\$m	At 30 June 2005 HK\$m
Contracted but not provided for	1.2	22.0
Authorized but not contracted for	1,171.8	–
	1,173.0	22.0

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

	At 31 December 2005 HK\$m	At 30 June 2005 HK\$m
Contracted but not provided for	49.0	121.0
Authorized but not contracted for	46.8	45.2
	95.8	166.2

- (c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to certain jointly controlled entities and associated companies under various contracts to finance relevant infrastructure projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$411.1 million (30 June 2005: HK\$15.8 million) which represents the attributable portion of the capital and loan contributions to be made to the jointly controlled entities and associated companies.
- (d) The Group has committed to acquire interests in various infrastructure projects in Mainland China. The estimated total relevant commitments as at 31 December 2005 are approximately HK\$383.5 million (30 June 2005: HK\$829.2 million).

13. Commitments (Continued)

(e) Commitments under operating leases

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

	At 31 December 2005 HK\$m	At 30 June 2005 HK\$m
Buildings		
In the first year	44.4	31.7
In the second to fifth year inclusive	48.5	32.4
After the fifth year	3.5	4.7
	96.4	68.8
Other equipment		
In the first year	0.5	1.8
	96.9	70.6

(f) Future minimum rental payment receivable

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

	At 31 December 2005 HK\$m	At 30 June 2005 HK\$m
In the first year	4.7	7.3
In the second to fifth year inclusive	1.4	1.7
	6.1	9.0

14. Contingent liabilities

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

	At 31 December 2005 HK\$m	At 30 June 2005 HK\$m
Guarantees for credit facilities granted to:		
Jointly controlled entities	1,074.0	1,047.6
Associated companies	19.2	19.2
A related company	55.0	55.0
	1,148.2	1,121.8

Interim Results

14. Contingent liabilities (Continued)

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

	At 31 December 2005 HK\$m	At 30 June 2005 HK\$m
Share of contingent liabilities of jointly controlled entities	63.3	95.1

15. Related party transactions

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

		For the six months ended 31 December	
	Note	2005 HK\$m	2004 HK\$m
Transactions with affiliated companies			
Provision of contracting work service	(a)		
Provision of other services	(b)	136.2	47.8
Interest income	(c)	13.4	13.5
Management fee	(d)	7.1	8.2
	(e)	6.2	6.0
Transactions with other related parties			
Provision of contracting work service	(a)		
Provision of other services	(b)	1,099.7	620.8
Rental and other related expenses	(c)	64.4	59.8
	(f)	(12.9)	(9.4)

- (a) Affiliated companies include associated companies and jointly controlled entities of the Group. Related parties are group companies, associated companies and jointly controlled entities of New World Development Company Limited ("NWD") which are not companies within the Group. NWD is the ultimate holding company of the Company.
- (b) Revenue from the provision of contracting work services was charged on normal contract terms no less favourable than those charged to and contracted with third party customers of the Group.
- (c) The Group provided various kinds of services including facilities management, financial, environmental and other services to certain affiliated companies and related parties. Revenue was made in the normal course of business at prices and at terms no less favourable than those charged to third party customers of the Group in accordance with the relevant contracts.
- (d) Interest income was charged at interest rates in accordance with relevant contracts.
- (e) Management fee was charged at rates in accordance with relevant contracts.
- (f) The Group entered into a number of lease agreements with certain related parties to lease office space with various terms based on fixed monthly rates in accordance with tenancy agreements.

16. Comparative figures

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

The Board has resolved to declare an interim dividend for the year ending 30 June 2006 in scrip form equivalent to HK\$0.24 per share with a cash option to shareholders registered on 7 April 2006.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting the listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and they be given the option to elect to receive payment in cash of HK\$0.24 per share instead of the allotment of shares. Full details of the interim scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 28 April 2006.

BOOK CLOSE DATE

Book close dates (both days inclusive): 3 April 2006 to 7 April 2006

Latest time to lodge transfer with transfer office: 4:00pm on 31 March 2006

Name and address of transfer office: Standard Registrars Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Wanchai,
Hong Kong

Management Discussion and Analysis

For easy reference, management has presented the Group's performance by AOP further to the segment information presented in the interim financial statements which is prepared in accordance with the HKFRSs issued by HKICPA.

GROUP OVERVIEW

The Group reported a profit attributable to shareholders of HK\$909.0 million for the Current Period, an increase of HK\$41.4 million or 5%, as compared to HK\$867.6 million for the six months ended 31 December 2004 (the "Last Period"). AOP rose by 22% from HK\$838.9 million in the Last Period to HK\$1.024 billion in the Current Period. Infrastructure division achieved a stable AOP of HK\$627.3 million, a slight increase of 3% as compared to HK\$609.0 million in the Last Period. Service & Rental division reported an AOP of HK\$397.1 million, an increase of 73% from HK\$229.9 million in the Last Period. Apart from the operating results, a profit of HK\$83.8 million was recognized for the disposal of certain infrastructure projects in the Current Period.

Contribution by Division

	For the six months ended 31 December	
	2005 HK\$'m	2004 HK\$'m
Infrastructure	627.3	609.0
Service & Rental	397.1	229.9
Attributable operating profit	1,024.4	838.9
<i>Head office and non-operating items</i>		
Net profit on disposal of infrastructure projects	83.8	188.6
Assets impairment loss	–	(7.4)
Other interest income	43.3	25.4
Other finance costs	(109.9)	(67.8)
Others	(132.6)	(110.1)
	(115.4)	28.7
Profit attributable to shareholders	909.0	867.6

Contributions from Hong Kong accounted for 35% of AOP while Mainland China and Macau contributed 65%, as compared to 33% and 67% respectively in the Last Period.

GROUP OVERVIEW (CONTINUED)

Earnings per Share

Basic earnings per share were HK\$0.50 for the Current Period, a slight increase over HK\$0.48 in the Last Period.

Liquidity and financial resources

The Group's funding and treasury policy is to maintain a balanced debt profile with significant risk diversification. As at 31 December 2005, total cash and bank balances amounted to HK\$3.044 billion, as compared to HK\$3.650 billion as at 30 June 2005. Net debt dropped by 15% from HK\$2.334 billion as at 30 June 2005 to HK\$1.995 billion as at 31 December 2005. The gearing ratio, which represents net debt to total equity, decreased from 17% as at 30 June 2005 to 14% as at 31 December 2005. The capital structure of the Group was 26% debt and 74% equity as at 31 December 2005, as compared to 31% debt and 69% equity as at 30 June 2005.

As at 31 December 2005, total debt decreased to HK\$5.039 billion from HK\$5.984 billion as at 30 June 2005. Besides the HK\$1.350 billion zero coupon guaranteed convertible bonds due 2009, long-term bank loans and borrowings decreased from HK\$2.493 billion as at 30 June 2005 to HK\$1.560 billion as at 31 December 2005, with HK\$810.1 million maturing in the second year and the remaining in the third to fifth year. No bank loans and overdrafts were secured as at 31 December 2005. All of the bank loans were denominated in Hong Kong dollars. Except for the convertible bonds, all other debts were bearing interest at floating rate. The People's Bank of China announced on 21 July 2005 that RMB be revaluated to be at a rate of RMB8.11 per US\$1 and, as a result, the Group's net assets increased by HK\$128.5 million. The Group did not have any material exposure in exchange risk other than RMB during the period. No fixed assets were pledged as at 31 December 2005.

Total Group commitments for capital expenditure were HK\$1.173 billion as at 31 December 2005 as compared to HK\$22.0 million as at 30 June 2005, and the share of commitments for capital expenditure committed by jointly controlled entities was HK\$95.8 million as at 31 December 2005 as compared to HK\$166.2 million as at 30 June 2005. Sources of funding for commitments for capital expenditure are internally generated resources and banking facilities.

Contingent liabilities of the Group were HK\$1.148 billion as at 31 December 2005 as compared to HK\$1.122 billion as at 30 June 2005. These were composed of guarantees for credit facilities granted to associated companies, jointly controlled entities and a related company of HK\$19.2 million, HK\$1.074 billion and HK\$55.0 million as at 31 December 2005 as compared to HK\$19.2 million, HK\$1.048 billion and HK\$55.0 million respectively as at 30 June 2005. The share of contingent liabilities of jointly controlled entities was HK\$63.3 million as at 31 December 2005 as compared to HK\$95.1 million as at 30 June 2005.

Employees and remuneration policies

As at 31 December 2005, about 43,000 staff were employed by entities under the Group's management of which over 27,000 were employed in Hong Kong. Total staff related costs incurred were HK\$1.216 billion, of which provident funds and staff bonuses were included. Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes are provided to employees on an ongoing basis.

Management Discussion and Analysis

OPERATIONAL REVIEW – INFRASTRUCTURE

AOP Contribution by Segment

	For the six months ended 31 December		
	2005 HK\$m	2004 HK\$m	Change % Fav./Unfav.)
Energy	299.4	306.8	(2)
Water	51.2	44.8	14
Roads	238.7	192.0	24
Ports	38.0	65.4	(42)
Total	627.3	609.0	3

The AOP of Infrastructure division rose from HK\$609.0 million to HK\$627.3 million, an increase of HK\$18.3 million or 3% over the Last Period.

Energy

AOP of the Energy segment decreased by HK\$7.4 million or 2% to HK\$299.4 million in the Current Period.

Although the combined electricity sales of Zhujiang Power Plants increased by 2% and tariff was also raised in May 2005, their AOP as a whole dropped 2% mainly due to higher fuel cost and income tax expenses after the tax concession period granted to Phase II ended in January 2005. Performance of Macau Power was satisfactory with 10% increase in electricity sales but its contribution remains at the same level due to restriction under its profit control mechanism.

Water

The AOP of the Water segment increased by 14% to HK\$51.2 million for the Current Period. Commencement of operations of Tanggu Water Plant and Shanghai SCIP Water Treatment Plants in April 2005 and the impressive performance of Chongqing Water Plant contributed to the increase in AOP. The Chongqing Water Plant had a satisfactory growth of 9% in water sales revenue and also a substantial increase in income derived from water connection works. The average daily water sales volume of Macau Water Plant increased by 5% in the Current Period. Performance of other water projects in Mainland China was satisfactory. Contribution from Far East Landfill Technologies Limited also grew by 31% in the Current Period.

Roads

The AOP of the Roads segment was HK\$238.7 million, an increase of 24% when compared with the Last Period.

Performance of projects within the Pearl River Delta region was outstanding. Average daily traffic flow of Guangzhou City Northern Ring Road increased by 10% and toll income increased by RMB23.0 million during the Current Period. Average daily traffic flow of Sections I and II of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) increased by 7% and 13% respectively and the overall toll income of both sections increased by RMB29.0 million. The combined average daily traffic flow of Shenzhen-Huizhou Roadway and Expressway increased by 12%. During the Current Period, one of our new expressway projects, Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section), commenced operation in December 2005.

OPERATIONAL REVIEW – INFRASTRUCTURE (CONTINUED)

Roads (Continued)

Performance of the Guangxi Roadways Network was satisfactory with toll revenue increased 11% or RMB6.6 million over the Last Period. Although the reduction of toll rate for larger trucks was effective on 1 January 2005, the toll revenue of the roadways in Guangxi had not been negatively affected due to an increase in revenue from passenger vehicles despite the fact that average daily traffic flow of the Network decreased slightly by 2%.

The average traffic flow of Tangjin Expressway (Tianjin North Section) dropped by 5% and toll income reduced by RMB5.6 million, as a result of the maintenance works being undertaken in the Expressway and a connecting road during the Current Period.

The increase in the utilization of Wuhan Tianhe Airport boosted the traffic flow of the Wuhan Airport Expressway. The average daily traffic flow increased by 13% during the Current Period. AOP increased significantly when compared to the Last Period.

AOP from Tate's Cairn Tunnel ("TCT") grew 7% in the Current Period. A rate hike, which became effective in August 2005, drove the average daily traffic flow of TCT down by 9% but its toll revenue increased by 5% in the Current Period. The drop in traffic flow was also due to the negative impact arising from the opening of Ma On Shan Rail and the increase in toll rate of the Eastern Harbour Tunnel.

In September 2005, the sale and purchase agreement in respect of the disposal of our interest in Roadway No. 1906 (Qingcheng Section) was approved. Accordingly, a gain on disposal of HK\$65.7 million was recognized in the Current Period.

Ports

AOP contribution from the Ports segment decreased from HK\$65.4 million to HK\$38.0 million in the Current Period. It was mainly due to the cessation of contribution from Container Terminal No. 3 since the disposal of our interests in February 2005.

Xiamen New World Xiangyu Terminals Co., Ltd. reported a significant increase in AOP of 49% in the Current Period. The AOP increment was mainly due to a 19% volume growth from 307,000 TEUs to 365,000 TEUs in the Current Period.

AOP contribution from Tianjin Orient Container Terminals Co., Ltd. (formerly known as CSX Orient (Tianjin) Container Terminals Co., Limited) ("TOCT"), an operator of four container berths and one coal berth in Xingang, Tianjin, fell by 48% when compared to the Last Period. AOP of TOCT was affected by the cessation of the coal handling business since March 2005. Throughput grew slightly by 1% to 568,000 TEUs. The coal berth will be converted to handle containers by 2007.

In September 2005, the Group entered into a letter of intent with China Railway Container Transport Corp. Ltd. and other independent third parties to set up a sino-foreign joint venture, in which the Group will hold 22% interest, to develop, operate and manage 18 large-scale pivotal rail container terminals in 18 major cities of Mainland China. The terms of the joint venture agreement are still under negotiations among all parties.

A framework agreement was signed in March 2006 with the Wenzhou Port Group to develop two multi-purpose berths in Zhuangyuanao, Zhejiang. The project shall be developed in two phases and is expected to be operational by early 2008.

Management Discussion and Analysis

OPERATIONAL REVIEW – SERVICE & RENTAL

Service & Rental division reported an AOP of HK\$397.1 million with a turnover of HK\$5.607 billion for the Current Period. The Contracting segment improved the performance by exploring the opportunities in Mainland China and Macau. The Facilities Rental, Transport and Others segments had pressure on profit margin due to increasing operating costs and keen competition. Nevertheless, the overall result of Service & Rental division achieved a 73% growth as compared with the Last Period.

AOP Contribution by Segment

	For the six months ended 31 December		
	2005 HK\$m	2004 HK\$m	Change % Fav./Unfav.)
Facilities Rental	205.3	220.3	(7)
Contracting	73.5	(135.8)	154
Transport	37.4	46.4	(19)
Others	80.9	99.0	(18)
Total	397.1	229.9	73

Facilities Rental

The Facilities Rental segment recorded an AOP of HK\$205.3 million, representing around 7% decrease as compared with that of the Last Period. It continued to contribute a stable profit and cash inflow to the Group.

HKCEC recorded satisfactory results during the Current Period. The total number of guests reached 3.2 million, attracted by 607 events held during the Current Period. Facing the threats from the AsiaWorld-Expo as well as conferences and exhibitions from Mainland China and other Asian countries, HKCEC is going to commence the extension plan in order to increase its total exhibition space and maintain its leading position in the market.

ATL recorded a stable profit margin during the Current Period with the average occupancy rate of 96%. Despite the modest growth in Hong Kong's container throughput in year 2005, ATL still maintained high space utilization and lease rental as a result of robust local economy. Stronger local consumption demand will encourage local distribution tenants to increase their leasing and this would help ATL to maintain at a high occupancy rate. Being a market leader in the premier warehousing industry, ATL strives to improve its warehousing facilities and customer service to its tenants.

Contracting

The Contracting segment reported an AOP of HK\$73.5 million for the Current Period, a significant increase of 154% over the results of the Last Period. Despite continuous recovery of Hong Kong economy, the construction industry's growth is still slow but gradually improving. Building on the entrenched reputation in managing mega-sized and high quality construction projects and following recent recovery of private property development sector, the Group has secured contracts which are of substantial size. In addition, with fast expanding market potential in the Macau construction industry, the Group has successfully demonstrated its competitiveness and market-leading capability in securing a number of mega-sized projects, notably the Grand Lisboa Hotel project and the MGM Casino project.

OPERATIONAL REVIEW – SERVICE & RENTAL (CONTINUED)

Contracting (Continued)

Hip Hing Construction Group continued to put great emphasis on scoring high performance on all current projects, and at the same time explores all possible means to diversify the operations across Mainland China and Macau to seek new business opportunities. The booming economy of Macau offers remarkable opportunities to Hip Hing Construction Group. As at 31 December 2005, gross value of contract-on-hand was HK\$20.8 billion, which was 18% higher than the HK\$17.7 billion as at 30 June 2005. NWS Engineering Group has taken strong initiatives in monitoring material price fluctuations and optimizing the organizational structure in order to enhance its cost and project management controls. The Group's long-term strategic expansion in the fast growing Mainland market should ensure sustainable growth in the years ahead.

The strategic investment in Wai Kee Holdings Limited reported a good performance for the Current Period, which was mainly contributed by its associated company, Road King Infrastructure Limited.

Transport

The Transport segment recorded an AOP of HK\$37.4 million for the Current Period, 19% below that of the Last Period. The drop in AOP was mainly due to rising fuel price and increase in interest rates.

Citybus Limited and New World First Bus Services Limited reported a significant drop in profit as compared with the Last Period. Surge in fuel price, salaries rise and continuous increase in interest rates led to a heavy burden to the performance of the bus operation, which at the same time suffered from a keen competition from railways, in spite of cost savings from resource integration. However, the airport bus network delivered an improved result due to the recovery of economy in Hong Kong. The franchise for Citybus Limited was approved in January 2006 and shall expire in 2016. The fare adjustment mechanism with a fare discount system became effective in February 2006. With these two critical matters being finalized with the HKSAR Government, the operating environment should be stable.

New World First Ferry Services Limited, which operates ferry business in Hong Kong, still incurred a loss, mainly due to high fuel costs. However, a fare rise of 6.5% was approved by the HKSAR Government in February 2006 and this can partly mitigate the loss situation. New World First Ferry Services (Macau) Limited, which provides ferry services between Hong Kong and Macau, continued to benefit from guaranteed profit from Chow Tai Fook Enterprises Limited ("CTF").

Others

The Others segment reported an AOP of HK\$80.9 million, a drop of 18% as compared with the Last Period, mainly due to provision made for the cessation of certain businesses.

Free Duty sells duty free tobacco and liquor at Hong Kong International Airport as well as the ferry terminals in China Hong Kong City and Shun Tak Centre. Patronage of these retails outlets remains robust due to the persistent growth of Hong Kong's tourist sector.

The profitability of Tricor Holdings Limited and Tai Fook Securities Group Limited benefited from an increase in IPO activities, rebound of market sentiment and increasing demand from Hong Kong and Chinese enterprises for financial management service.

The property management business maintained a stable profit through the clientele of over 165,000 residential units under management. The Group continues to expand its business in Mainland China. During the Current Period, it had rendered management services to clients over 17 cities in Mainland China.

Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules

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

(a) Advance to an entity

As at 31 December 2005, the Group has made advances to First Star Development Limited ("First Star", a jointly controlled entity of the Group which is engaged in the investment of a property development project) in the aggregate amount of HK\$1.644 billion for financing its project costs. Such advances include the sum of HK\$644.3 million due from First Star, which is interest free, unsecured and has no fixed repayment term, and guarantees provided by the Group up to the amount of HK\$1.0 billion for certain banking facilities offered to First Star. These advances represent approximately 8% of the total market capitalization of the Company.

(b) Financial assistance and guarantees to affiliated companies

As at 31 December 2005, the Group has provided financial assistance, by way of shareholders' loans/advances, in the aggregate amount of HK\$2.723 billion to its affiliated companies, guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$1.093 billion and contracted to provide an aggregate amount of HK\$411.1 million in capital and loans to affiliated companies. The said amounts, in aggregate, represent approximately 20% of the total market capitalization of the Company.

The advances are unsecured, interest free and have no definite repayment terms except for an aggregate amount of 471.9 million which carry interest ranging from 2% to 10% per annum, an amount of HK\$19.8 million which carries interest at Hong Kong prime rate per annum, and an amount of HK\$738.1 million which is repayable on or before 2010. Contracted capital and loan contributions to affiliated companies would be funded by borrowings or internal resources of the Group.

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 31 December 2005 are presented as follows:

	Proforma combined balance sheet HK\$m	Group's attributable interest HK\$m
Non-current assets	25,726.1	11,395.8
Current assets	10,563.1	4,089.5
Current liabilities	(8,116.0)	(3,218.9)
Non-current liabilities	(6,024.8)	(2,401.7)
Shareholders' loan and advances	(6,708.7)	(2,722.7)
	15,439.7	7,142.0

NWS Holdings endeavours to commit in achieving high standards of corporate governance practices. During the period under review, the Company has taken active steps for establishing well-defined corporate governance processes to enhance corporate performance and accountability.

The Board

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

The Board currently consists of 14 members which includes Dr Cheng Kar Shun, Henry (Chairman), Mr Doo Wai Hoi, William (Deputy Chairman), Mr Chan Kam Ling (Chief Executive Officer), Mr Tsang Yam Pui, Mr Wong Kwok Kin, Andrew, Mr Lam Wai Hon, Patrick, Mr Cheung Chin Cheung, Mr William Junior Guilherme Doo, Mr Wilfried Ernst Kaffenberger, (alternate director to Mr Wilfried Ernst Kaffenberger: Mr Yeung Kun Wah, David), Mr To Hin Tsun, Gerald, Mr Dominic Lai, Mr Kwong Che Keung, Gordon *, Mr Cheng Wai Chee, Christopher * and The Honourable Shek Lai Him, Abraham *.

Board Committees

Executive Committee

The Executive Committee was set up by the Board for developing and recommending to it the overall strategy for the Group, considering and approving investments and divestments, as well as reviewing the Group's performance and managing its assets and liabilities in accordance with the policies and directives of the Board. Current members of the Executive Committee include Dr Cheng Kar Shun, Henry (Committee Chairman), Mr Doo Wai Hoi, William, Mr Chan Kam Ling, Mr Tsang Yam Pui, Mr Wong Kwok Kin, Andrew, Mr Lam Wai Hon, Patrick and Mr Cheung Chin Cheung.

Audit Committee

The Audit Committee is appointed by the Board from amongst the non-executive directors of which its main responsibilities are to assist the Board in discharging its statutory and other responsibilities relating to internal controls, financial and accounting matters, compliance and business and financial risk management. The Audit Committee reports to the Board on the audits undertaken by the external and internal auditors, the adequacy of disclosure of information and the appropriateness and quality of the internal control systems. It reviews the interim and annual financial statements with management and external auditors, and reviews and approves the annual audit plans for the external and internal auditors. It makes recommendations to the Board on the appointment and re-appointment of the external auditors and is also tasked to evaluate the cost effectiveness of audits, the independence objectivity of the external auditors, and the nature and extent of the non-audit services provided by the external auditors.

Current members of the Audit Committee include Mr Kwong Che Keung, Gordon * (Committee Chairman), Mr Cheng Wai Chee, Christopher *, The Honourable Shek Lai Him, Abraham * and Mr Dominic Lai.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial statements for the six months ended 31 December 2005.

* *independent non-executive director*

Corporate Governance

Board Committees (Continued)

Remuneration Committee

The Remuneration Committee was established to review the Group's remuneration policies, determine the specific packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, and make recommendations to the Board of the remuneration of non-executive directors. Current members of the Remuneration Committee include Mr Chan Kam Ling (Committee Chairman), Mr Lam Wai Hon, Patrick, Mr Kwong Che Keung, Gordon *, Mr Cheng Wai Chee, Christopher * and The Honourable Shek Lai Him, Abraham *.

Corporate Social Responsibility Committee (the "CSR Committee")

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

Model Code for Securities Transactions by Directors

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors contained in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, they had complied with the required standards of the Model Code during the six months ended 31 December 2005.

Code on Corporate Governance Practices

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (the "CGP Code") during the six months ended 31 December 2005 except for the deviations from the code provisions A.4.2 and A.5.4 as described below.

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

Moreover, as required under code provision A.5.4 of the CGP Code, the Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealing in the securities of the Company. The Board has established guidelines for employees in respect of their dealings in the securities of the Company as set out in the handbook for "Corporate Policy on Staff Responsibility" but they are not on no less exacting terms than the Model Code. The deviation is mainly due to the fact that the Company currently has over 40,000 employees and operates diversified businesses, it will cause immense administrative burden for processing written notifications from the relevant employees by the Company.

* *independent non-executive director*

Directors' interests in securities

As at 31 December 2005, the directors and their respective associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO:

(a) Interests in shares of the Company

Name	Number of shares			Total	Approximate percentage of issued share capital of the Company as at 31.12.05
	Personal interests	Family interests	Corporate interests		
Dr Cheng Kar Shun, Henry	3,179,199	587,000 ⁽¹⁾	8,000,000 ⁽²⁾	11,766,199 ⁽³⁾	0.64%
Mr Doo Wai Hoi, William	2,006,566	–	3,130,000 ⁽⁴⁾	5,136,566	0.28%
Mr Chan Kam Ling	1,343,891	–	10,254,321 ⁽⁵⁾	11,598,212	0.63%
Mr Wong Kwok Kin, Andrew	4,539,611	2,650,051 ⁽⁶⁾	–	7,189,662	0.39%
Mr Lam Wai Hon, Patrick	939,686	–	4,807 ⁽⁷⁾	944,493 ⁽⁸⁾	0.05%
Mr Cheung Chin Cheung	973,692	–	–	973,692	0.05%
Mr William Junior Guilherme Doo	–	–	160,772 ⁽⁹⁾	160,772 ⁽¹⁰⁾	0.01%
Mr Kwong Che Keung, Gordon	601,969	–	–	601,969	0.03%
Mr Cheng Wai Chee, Christopher	653,835	–	–	653,835	0.04%

Notes:

- (1) The shares are held by the spouse of Dr Cheng Kar Shun, Henry.
- (2) The shares are held by a company wholly owned by Dr Cheng Kar Shun, Henry.
- (3) The interest includes the right to receive 169,350 shares, which were allotted on 6 January 2006, under the final scrip dividend scheme of the Company for the year ended 30 June 2005.
- (4) The shares are held by a company wholly owned by Mr Doo Wai Hoi, William.
- (5) The shares are held by a company of which Mr Chan Kam Ling holds 50% equity interests.
- (6) The shares are held by the spouse of Mr Wong Kwok Kin, Andrew.
- (7) The shares are held by a company wholly owned by Mr Lam Wai Hon, Patrick.
- (8) The interest includes the right to receive an aggregate of 50,310 shares, which were allotted on 6 January 2006, under the final scrip dividend scheme of the Company for the year ended 30 June 2005.
- (9) The shares are held by a company wholly owned by Mr William Junior Guilherme Doo.
- (10) The interest includes the right to receive 8,564 shares, which were allotted on 6 January 2006, under the final scrip dividend scheme of the Company for the year ended 30 June 2005.
- (11) All the interests stated above represent long position.

Corporate Governance

Directors' interests in securities (Continued)

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

Name	Number of shares/amount of registered capital				Approximate percentage of issued share/registered capital as at 31.12.05
	Personal interests	Family interests	Corporate interests	Total	
New World Development Company Limited					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar Shun, Henry	–	300,000 ⁽¹⁾	–	300,000	0.01%
Mr Chan Kam Ling	135,335	–	–	135,335	0.00%
Mr Wong Kwok Kin, Andrew	300,000	100,000 ⁽²⁾	–	400,000	0.01%
Mr Cheung Chin Cheung	61,405	–	–	61,405	0.00%
Mr Kwong Che Keung, Gordon	30,000	–	–	30,000	0.00%
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr Cheng Kar Shun, Henry	–	–	52,271,200 ⁽³⁾	52,271,200	1.38%
Mr Doo Wai Hoi, William	3,750,000	–	45,050,000 ⁽⁴⁾	48,800,000	1.29%
Mr Chan Kam Ling	1,000,000	–	–	1,000,000	0.03%
New World TMT Limited					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar Shun, Henry	–	1,000,000 ⁽¹⁾	–	1,000,000	0.11%
Mr Doo Wai Hoi, William	–	–	12,000,000 ⁽⁴⁾	12,000,000	1.26%
Mr Chan Kam Ling	6,800	–	–	6,800	0.00%
Mr Cheung Chin Cheung	100,000	–	–	100,000	0.01%
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr Doo Wai Hoi, William	–	–	US\$3,000,000 ⁽⁵⁾	US\$3,000,000	30.00%
HH Holdings Corporation					
(Ordinary shares of HK\$1.00 each)					
Mr Chan Kam Ling	15,000	–	–	15,000	2.50%
Master Services Limited					
(Ordinary shares of US\$0.01 each)					
Mr Chan Kam Ling	16,335	–	–	16,335	1.63%
Mr Wong Kwok Kin, Andrew	44,915	–	–	44,915	4.49%
Ramada Property Ltd.					
(Ordinary shares of US\$1.00 each)					
Mr Doo Wai Hoi, William	–	–	200 ⁽⁴⁾	200	20.00%

Directors' interests in securities (Continued)

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

Name	Number of shares/amount of registered capital				Approximate percentage of issued share/registered capital as at 31.12.05
	Personal interests	Family interests	Corporate interests	Total	
Shanghai Ju Yi Real Estate Development Co., Ltd.					
(Registered capital in RMB)					
Mr Doo Wai Hoi, William	–	–	RMB105,000,000 ⁽⁶⁾	RMB105,000,000	30.00%
Tai Fook Securities Group Limited					
(Ordinary shares of HK\$0.10 each)					
Mr Doo Wai Hoi, William	–	–	4,346,000 ⁽⁴⁾	4,346,000	0.75%
Mr William Junior Guilherme Doo	24,406,085	–	–	24,406,085	4.23%
Wai Kee Holdings Limited					
(Ordinary shares of HK\$0.10 each)					
Mr Lam Wai Hon, Patrick	300,000	–	–	300,000	0.04%

Notes:

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

Corporate Governance

Directors' interests in securities (Continued)

(c) Interests in underlying shares of the Company

As at 31 December 2005, the following directors of the Company have personal interests in options to subscribe for shares of the Company:

Name	Date of grant	Exercisable period (Note)	Number of share options			Balance as at 31.12.05	Exercise price per share HK\$
			Balance as at 01.07.05	Exercised during the period	Lapsed during the period		
Dr Cheng Kar Shun, Henry	21 July 2003	(1)	1,009,849	(1,009,849) ⁽⁴⁾	–	–	3.719
Mr Doo Wai Hoi, William	21 July 2003	(1)	673,233	(673,233) ⁽⁵⁾	–	–	3.719
Mr Chan Kam Ling	21 July 2003	(1)	673,233	(673,233) ⁽⁶⁾	–	–	3.719
Mr Wong Kwok Kin, Andrew	21 July 2003	(1)	471,263	(471,263) ⁽⁷⁾	–	–	3.719
Mr Lam Wai Hon, Patrick	21 July 2003	(2)	572,248	(572,248) ⁽⁸⁾	–	–	3.719
Mr Cheung Chin Cheung	21 July 2003	(1)	201,969	(201,969) ⁽⁶⁾	–	–	3.719
Mr Wilfried Ernst Kaffenberger	21 July 2003	(3)	605,909	–	–	605,909	3.719
Mr To Hin Tsun, Gerald	21 July 2003	(1)	201,969	(201,969) ⁽⁹⁾	–	–	3.719
Mr Dominic Lai	21 July 2003	(1)	201,969	(201,969) ⁽¹⁰⁾	–	–	3.719
Mr Kwong Che Keung, Gordon	21 July 2003	(1)	201,969	(201,969) ⁽¹¹⁾	–	–	3.719
Mr Cheng Wai Chee, Christopher	21 July 2003	(1)	201,969	(201,969) ⁽¹²⁾	–	–	3.719

Notes:

- (1) Exercisable from 21 July 2005 to 20 July 2008, both dates inclusive.
- (2) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.
- (3) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.
- (4) The exercise date was 29 September 2005. On 28 September 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.35.
- (5) The exercise date was 3 October 2005. On 30 September 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.50.
- (6) The exercise date was 14 September 2005. On 13 September 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.50.
- (7) The exercise date was 22 July 2005. On 21 July 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.25.
- (8) The exercise date was 10 November 2005. On 9 November 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$11.85.

Directors' interests in securities (Continued)

(c) Interests in underlying shares of the Company (Continued)

- (9) The exercise date was 12 October 2005. On 10 October 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.65.
- (10) The exercise date was 26 July 2005. On 25 July 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.35.
- (11) The exercise date was 8 September 2005. On 7 September 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.55.
- (12) The exercise date was 5 October 2005. On 4 October 2005, being the trading date immediately before the share options were exercised, the closing price per share was HK\$12.55.
- (13) The cash consideration paid by each director for the share options granted on 21 July 2003 was HK\$10.
- (14) All the interests stated above represent long positions.

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

(i) *New World China Land Limited*

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

Name	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$
			Balance as at 01.07.05	Exercised during the period	Balance as at 31.12.05	
Dr Cheng Kar Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	12,500,000	–	12,500,000	1.782
Mr Doo Wai Hoi, William	8 February 2001	9 March 2002 to 8 March 2006	7,000,000	(2,000,000)	5,000,000	1.782
Mr Chan Kam Ling	9 February 2001	10 March 2005 to 9 March 2006	250,000	–	250,000	1.782

Notes:

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

Corporate Governance

Directors' interests in securities (Continued)

(d) Interests in underlying shares of the associated corporations of the Company (Continued)

(II) *New World Mobile Holdings Limited*

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

Name	Date of grant	Exercisable period	Number of share options as at 31.12.05	Exercise price per share HK\$
Dr Cheng Kar Shun, Henry	28 January 2005	28 January 2005 to 31 December 2010	780,000	1.26
Mr Doo Wai Hoi, William	28 January 2005	28 January 2005 to 31 December 2010	300,000	1.26
Mr To Hin Tsun, Gerald	28 January 2005	28 January 2005 to 31 December 2010	482,000	1.26
Mr Kwong Che Keung, Gordon	28 January 2005	28 January 2005 to 31 December 2010	78,000	1.26

Notes:

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

Save as disclosed above, no interests and short positions were held or deemed to be taken to be held under Part XV of the SFO by 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 or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein.

Share option scheme

Pursuant to the terms of the Share Option Scheme, the Board may at their discretion grant options to any eligible participants (as defined in the Share Option Scheme) to subscribe for shares of the Company.

During the six months ended 31 December 2005, movements of share options granted by the Company under the Share Option Scheme were as follows:

- (a) Movement of share options to directors of the Company was disclosed under the section headed “Directors’ interests in securities” above.
- (b) Movement of share options to other eligible participants was as follows:

Date of grant	Exercisable period (Note)	Number of share options			Balance as at 31.12.05	Exercise price per share HK\$
		Balance as at 01.07.05	Exercised during the period	Lapsed during the period		
21 July 2003	(1)	9,664,076	(7,552,332)	(35,344)	2,076,400	3.719

Notes:

- (1) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.
- (2) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$12.276.

Corporate Governance

Substantial shareholders' interest in securities

As at 31 December 2005 so far as are known to the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Number of shares			Approximate percentage to the issued share capital of the Company
	Beneficial interests	Corporate interests	Total	
Chow Tai Fook Enterprises Limited ⁽¹⁾	59,831,893	1,041,393,291	1,101,225,184	59.94%
New World Development Company Limited ⁽²⁾	713,669,375	327,723,916	1,041,393,291	56.69%
Mombasa Limited ⁽³⁾	325,606,375	–	325,606,375	17.72%

Notes:

- (1) CTF, together with its subsidiary companies, have interests in more than one-third of the issued shares of NWD and CTF is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD. The interest includes the right to receive an aggregate of 37,757,165 shares by NWD and an aggregate of 17,457,283 shares by the companies controlled by NWD, which were allotted on 6 January 2006, under the final scrip dividend scheme of the Company for the year ended 30 June 2005. Following the allotment of scrip shares by the Company on 6 January 2006, the percentage of interest held by CTF dropped from 59.94% to 58.10%.
- (2) 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 2,117,541 shares in the Company which are held by Financial Concepts Investment Limited ("FCIL", a non wholly owned subsidiary company of NWD). The interest includes the right to receive an aggregate of 37,757,165 shares by NWD, 112,797 shares by FCIL and 17,344,486 shares by Mombasa Limited, which were allotted on 6 January 2006, under the final scrip dividend scheme of the Company for the year ended 30 June 2005. Following the allotment of scrip shares by the Company on 6 January 2006, the percentage of interest held by NWD dropped from 56.69% to 54.95%.
- (3) The interest includes the right to receive an aggregate of 17,344,486 shares, which were allotted on 6 January 2006, under the final scrip dividend scheme of the Company for the year ended 30 June 2005.
- (4) 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 31 December 2005.

Purchase, sale or redemption of listed securities

The Company has not redeemed any of its shares during the six months ended 31 December 2005. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's listed securities during the six months ended 31 December 2005.

Dr Cheng Kar Shun, Henry

Chairman

Hong Kong, 13 March 2006

NWS Holdings Limited



NWS Holdings Limited

(incorporated in Bermuda with limited liability)

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