



新創建集團有限公司*
NWS Holdings Limited

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

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

RESULTS

The board of directors (the "Board") of NWS Holdings Limited (the "Company") announces the unaudited and condensed consolidated results of the Company and its subsidiary companies (collectively, the "Group") for the six months ended 31 December 2005 (the "Current Period") together with comparative figures for the same period last year (the "Last Period") as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

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

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 | | 2,003.6 | 2,181.3 |
| Investment properties | | 1,043.3 | 1,040.3 |
| Leasehold land and land use rights | | 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 |
| | | <u>16,982.8</u> | <u>16,333.8</u> |
| Current assets | | | |
| Inventories | | 130.7 | 145.5 |
| Trade and other receivables | 7 | 5,461.0 | 5,004.3 |
| Other current assets | | 17.4 | 32.0 |
| Bank balances and cash | | 3,044.4 | 3,649.9 |
| | | <u>8,653.5</u> | <u>8,831.7</u> |
| Current liabilities | | | |
| Trade and other payables | 8 | 4,985.1 | 4,647.8 |
| Taxation | | 60.9 | 107.4 |
| Borrowings | | 2,255.2 | 2,279.9 |
| | | <u>7,301.2</u> | <u>7,035.1</u> |
| Net current assets | | <u>1,352.3</u> | <u>1,796.6</u> |
| Total assets less current liabilities | | <u>18,335.1</u> | <u>18,130.4</u> |
| Non-current liabilities | | | |
| Borrowings | | 2,783.9 | 3,703.7 |
| Other non-current liabilities | | 1,037.3 | 1,039.6 |
| | | <u>3,821.2</u> | <u>4,743.3</u> |
| Net assets | | <u>14,513.9</u> | <u>13,387.1</u> |
| EQUITY | | | |
| Share capital | | 1,837.1 | 1,825.1 |
| Reserves | | 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 | | <u>14,513.9</u> | <u>13,387.1</u> |

Notes:

1. Basis of preparation and 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 financial 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 amended 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 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.

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 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 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.

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 | | Increase/(decrease) in earnings per share | |
|-------------|--|---|--|--|--|
| | | Six months ended 31 December 2005 HK\$’m | Six months ended 31 December 2004 HK\$’m | Six months ended 31 December 2005 HK\$ | Six months ended 31 December 2004 HK\$ |
| | | HKAS 17 | (9.3) | 0.3 | 0.3 |
| HKAS 32 | 100.5 | (8.8) | (8.4) | (0.01) | (0.01) |
| HKAS 40 | – | 3.0 | – | – | – |
| HKAS-Int 21 | (8.3) | (0.5) | – | – | – |
| HKFRS 2 | – | (1.7) | (5.9) | – | – |
| | <u>82.9</u> | <u>(7.7)</u> | <u>(14.0)</u> | <u>(0.01)</u> | <u>(0.01)</u> |

2. Turnover and segment information

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

| | Container handling, logistics and warehousing 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 | <u>7.2</u> | <u>122.4</u> | <u>-</u> | <u>435.9</u> | <u>1,385.1</u> | <u>3,996.2</u> | <u>-</u> | <u>127.4</u> | <u>(320.5)</u> | <u>5,753.7</u> |
| 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 | - | - | - | - | - | - | - | - | - | <u>920.6</u> |
| | | | | | | | | | | |
| | 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 | | | | | | | | | | |
| 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 | <u>6.5</u> | <u>106.5</u> | <u>-</u> | <u>398.8</u> | <u>1,365.0</u> | <u>3,360.0</u> | <u>-</u> | <u>190.6</u> | <u>(295.0)</u> | <u>5,132.4</u> |
| 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 | - | - | - | - | - | - | - | - | - | <u>870.7</u> |

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 | 2004 |
| | HK\$'m | HK\$'m |
| 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 |

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 | 2004 |
| | HK\$'m | HK\$'m |
| 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 | 2004 |
| | HK\$'m | 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. Trade and other receivables

Included in trade and other receivables are trade debtors with their ageing analysis 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 |
| | <u>1,617.3</u> | <u>1,105.3</u> |

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

8. Trade and other payables

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

| | At 31 December 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 |
| | <u>688.9</u> | <u>578.5</u> |

INTERIM DIVIDEND

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 Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and they be given the option to elect to receive payment in cash of HK\$0.24 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 |

FINANCIAL REVIEW

For easy reference, management has presented the Group's performance by Attributable Operating Profit ("AOP") further to the above presentation 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 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.

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.

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

Operational Review – Infrastructure

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 Tangu 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.

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.

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.

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.

Hong Kong Convention and Exhibition Centre ("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 Logistics Centre ("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.

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.

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.

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 retail 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.

OUTLOOK

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 the Chongqing Water Holding (Group) Co. Ltd. to explore water projects in the area where we have already established a significant presence.

Eyeing on its extensive trading activities, the Group signed a framework agreement on major terms with the Wenzhou Port Group under which the Group will have a 55% stake to develop 2 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 across Mainland China with our prospective partners in September 2005, an independent economic feasibility study has been conducted on this project. Prospective shareholders are now in discussion on the 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 Contracting segment will continue to improve.

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.

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

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.

REVIEW OF INTERIM RESULTS

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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 28 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 exacting terms than the Model Code as set out in Appendix 10 of the Listing Rules for relevant employees in respect of their dealings 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.

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.

THE BOARD

As at the date of this announcement, the Board comprises 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^{##}.

[#] *Non-executive director*

^{##} *Independent non-executive director*

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 13 March 2006

** For identification purposes only*

Please also refer to the published version of this announcement in The Standard.