



Sustaining **Business Growth**
Upholding **Corporate Citizenship**



NWS Holdings Limited

Annual Report 2007

Stock code: 0659

Vision

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

Mission

Synergize and develop business units that:

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

Core Values

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

Contents

- 2 Corporate Profile
- 4 Milestones
- 6 Financial Highlights

8 Chairman's Statement

10 Board of Directors

12 Corporate Governance Report

18 Key Information for Shareholders

22 Human Capital

24 Corporate Citizenship

26 Management Discussion and Analysis

- 44 Reports and Financial Statements
- 142 Five-year Financial Summary
- 144 Project Key Facts and Figures
- 158 Glossary of Terms
- 160 Corporate Information



“We are a Big Family!”

At NWS Holdings, we cherish our people because they always have and always will be the cornerstone on which our success is built.”



Infrastructure

With 55 major Roads, Energy, Water and Ports projects, NWS Holdings has built a strong track record in managing and operating infrastructure assets across Mainland China.

Roads

The Group owns interests in 20 key road and bridge projects covering approximately 671 km in strategically located Mainland China's transport hubs such as Guangdong and Tianjin.

Energy

Offering a total installed capacity of approximately 3,142MW, NWS Holdings' interest in five power plants in Guangdong, Sichuan and Macau ensure a reliable energy supply.

Water

The Group has been investing in Mainland China's and Macau's vast water markets for more than

20 years. In conjunction with its joint venture company, Sino-French Holdings (Hong Kong) Limited, the Group now operates 21 water plants and one waste incineration plant, treating up to 5.68 million m³ of water and wastewater daily and 60,000 tonnes of waste per year. The Group also holds stake in a 61-hectare landfill in Hong Kong.

Ports

NWS Holdings operates seven Ports projects with a total handling capacity of approximately 6.12 million TEUs annually in strategically important Mainland Chinese coastal cities such as Xiamen and Tianjin.



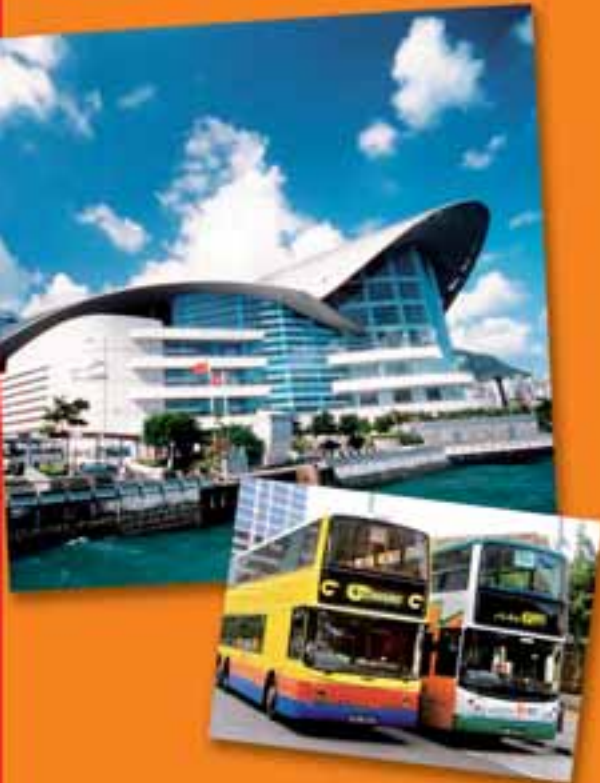


About NWS Holdings

NWS Holdings Limited (“NWS Holdings” or the “Group”, Hong Kong stock code: 0659) is the infrastructure and service flagship of New World Development Company Limited (Hong Kong stock code: 0017). Over the years, NWS Holdings has built up a diversified business portfolio covering Hong Kong, Mainland China and Macau. Listed on the Hong Kong Stock Exchange, the Group remains a constituent stock of the Hang Seng HK MidCap Index.

NWS Holdings’ Infrastructure portfolio spans Roads, Energy, Water and Ports, while its Service & Rental businesses embrace Facilities Rental, Contracting and Financial Services, etc. Staffed by a dedicated team of 42,000, the Group is committed to achieving sustainable growth by providing dynamic, premium services, and creating synergies across its two core business areas.

From left to right: Ada Cheong (Companhia de Electricidade de Macau-CEM, S.A.), Cho Tak Kin (Tate’s Cairn Tunnel Company Limited), Fong Hong Mun (Macao Water Supply Company Limited), Ryan Chan (Hip Hing Construction Company Limited), Amy Li (Hong Kong Convention and Exhibition Centre (Management) Limited), Li Wai Pang (New World First Bus Services Limited)



Service & Rental

The Group offers a comprehensive range of top quality services in Hong Kong, Mainland China and Macau, leveraging its extensive expertise to sustain successful long-term growth across the region.

Facilities Rental

Hong Kong Convention and Exhibition Centre and ATL Logistics Centre provide both local and overseas customers with a comprehensive range of facilities rental services. Through its China United International Rail Containers Co., Limited joint venture, the Group is set forth to develop and manage 18 pivotal rail container terminals across Mainland China which are scheduled for completion by 2010.

Contracting

NWS Holdings’ Contracting segment provides one-stop professional construction, electrical and mechanical engineering services for many leading clients and developers in Hong Kong, Mainland China and Macau.

Financial Services

The Group’s Financial Services segment has built up an all-inclusive portfolio. Key services in this area include investment banking, securities brokerage service, risk and insurance management consultancy, corporate administration and business support for corporate clients, institutional and individual investors.

Other Services

NWS Holdings further enhances people’s quality of life with diversified services ranging from bus and ferry transportation, property management to duty free sales.

Milestones



2006

August

Annual Report 2005 of NWS Holdings was honoured with a Silver Award in Interior Design and Honoured Status in the Cover Design/Photo section in the Conglomerate category of the International ARC Awards. Organized by MerComm, Inc., the ARC Awards are widely recognized as the "Academy Awards for Annual Reports".

Tate's Cairn Tunnel Company Limited received an ISO9001 certification from BVQI (HK) Limited for the quality of its operations, electrical and mechanical systems.

September

NWSH Green Kindergarten Network created www.greenkindergarten.net as an environmental educational initiative for pre-schools.

NWS Holdings signed an agreement with China Railway Container Transport Corp. Ltd., a subsidiary company of the Ministry of Railways, and other independent third parties to establish China United International Rail Containers Co., Limited. The resultant 50-year joint venture will develop and manage pivotal, large-scale rail container terminals in 18 major Mainland Chinese cities.

October

At the Web Care Award 2006, NWS Holdings' website received an Excellence Award while Urban Property Management Limited's website was honoured with a Gold Award and the websites of CiF Solutions Limited and 55 property sites operated under the i-Urban™ Portal under Urban Property Management Limited were recognized with Silver Awards. The Web Care Award is organized by the Internet Professional Association.

The Hong Kong Convention and Exhibition Centre was voted Best Convention & Exhibition Centre at the 17th TTG Travel Awards.

The Macao Water Supply Co. Ltd. received an Innovation Trophy from SUEZ Group (International) for its innovative work in Non-Revenue Water projects.

November

The Board received the Directors of the Year Awards – Listed Companies (SEHK – Non Hang Seng Index Constituents) Boards from the Hong Kong Institute of Directors. The Award recognized the Group's good corporate governance and outstanding management team.

NWS Holdings was honoured with a Corporate & Public Category – Financial Award in the Asia Pacific PR Awards 2006 in recognition of its outstanding investor relations strategies.

NWS Holdings announced that three new strategic shareholders joined China United International Rail Containers Co., Limited.

The Macao Water Supply Co. Ltd. was awarded a turnkey contract for the Main Storage Reservoir Water Treatment Plant II Project.

December

Shanghai SCIP Water Treatment Plants were awarded an ISO9001:2000 certificate by Lloyd's Register Quality Assurance (Shanghai) Ltd.

NWS Holdings has expanded its water treatment business in Changshu of Mainland China's Jiangsu Province by beginning a joint venture with Sino-French Holdings (Hong Kong) Limited.

Guangzhou New World Bus Services Limited, a joint venture of New World First Bus Services (China) Limited and The Second Bus Company of Guangzhou, was set up.



2007

January

The Hong Kong Convention and Exhibition Centre was voted Best Convention and Exhibition Centre in Asia Pacific in CEI Asia Pacific magazine's 2007 Reader's Choice Awards' survey.

NWS Holdings was awarded Innovative Partners Award in the Employees Retraining Board's 11th Employers Gold Star Award. Urban Parking Limited, Uniformity Security Company Limited and Care & Services Company Limited also received Certificates of Outstanding Performance in recognition of their active provision of employee development opportunities.

Sino-French Holdings (Hong Kong) Limited ranked No. 1 among the 2006 Top Ten Influential Enterprises survey conducted by h2o-China.com.

Xiamen New World Xiangyu Terminals Co., Ltd. received a Best Management Award for outstanding management and operations from Fujian Carriers Informal Committee.

Chongqing Tangjiatuo Waste Water Plant commenced operation.

The Macao Water Supply Co. Ltd. held the ground-breaking ceremony for its Main Storage Reservoir Water Treatment Plant II Project.

February

NWS Holdings Charities Foundation was launched.

NWS Holdings and its 16 member companies were recognized and rewarded with a 2006/07 Caring Company logo from the Hong Kong Council of Social Service. NWS Holdings and four of its member companies also received Caring Company 5-year awards.

March

Six staff from the Hong Kong Convention and Exhibition Centre (Management) Limited were honoured for their outstanding performance and contribution to the food and beverage industry with "Oscar in F&B" titles from the Les Amis d' Escoffier Society.

April

Annual Report 2006 of NWS Holdings was honoured with a Gold Award in the Covers category at the 17th International Astrid Awards.

May

China United International Rail Containers Co., Limited was officially launched in Beijing.

June

NWS Holdings was presented with Best HR Team and Best Change Management Practices Awards at the Hong Kong HR Awards 2007 organized by Key Media International Limited.

NWS Holdings achieved a Best Brand Enterprise Award and Outstanding Corporate Strategy, while Urban Property Management Limited received the Best Brand Enterprise Award at the Best Brand Enterprise Award 2007 (Greater China) of the Hong Kong Productivity Council.

NWS Holdings acquired additional existing issued shares of Taifook Securities Group Limited.

“We Achieve Results!”

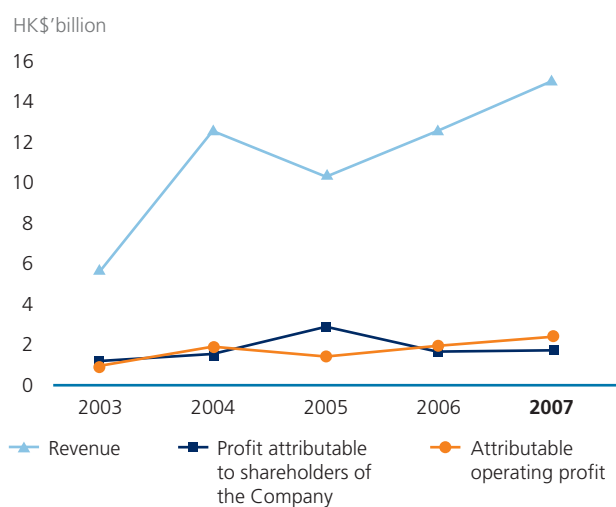
Financial Highlights

	Note	2007 HK\$'m	2006 HK\$'m
Revenue		15,047.1	12,543.9
Profit attributable to shareholders of the Company		2,005.4	1,656.6
Net Debt		8,438.4	1,980.6
Total assets		39,782.0	25,587.6
Net Assets		18,198.5	14,853.4
Shareholders' Funds		17,196.5	14,466.3
Net Tangible Assets		16,970.7	13,958.7
Earnings per Share – Basic	1	HK\$1.01	HK\$0.89
Net Assets per Share	2	HK\$9.04	HK\$7.64
Gearing Ratio	3	46%	13%
Gearing Ratio (excluding borrowings for IPO financing)	3	15%	13%
Return on Shareholders' Funds	4	12%	11%
Return on Capital Employed	5	9%	9%

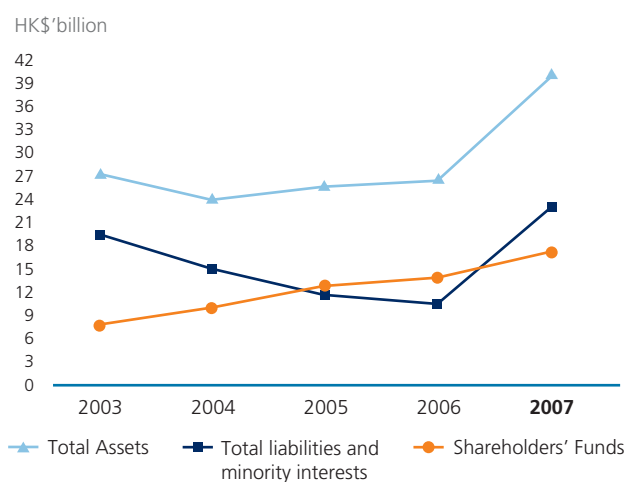
Notes:

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

Consolidated Income Statement Highlights

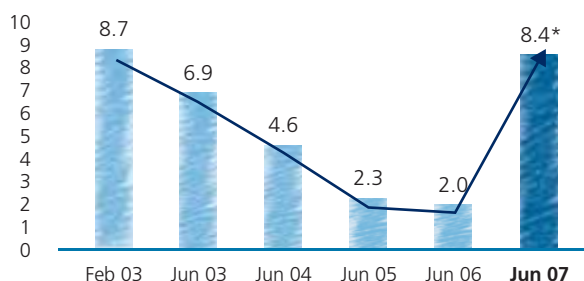


Consolidated Balance Sheet Highlights



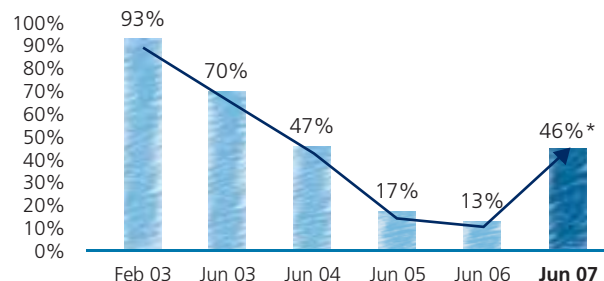
Net Debt

HK\$'billion



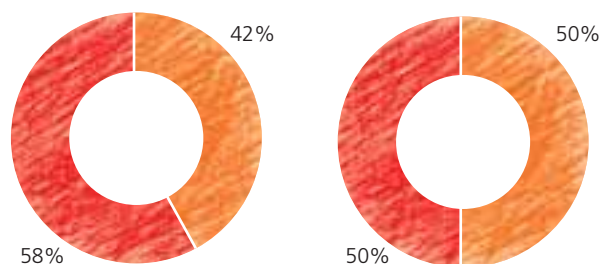
* including borrowings for IPO financing (HK\$5.644 billion)

Gearing Ratio



* including borrowings for IPO financing (HK\$5.644 billion)

AOP Mix by Division



2006 - Total HK\$1,937.6 million

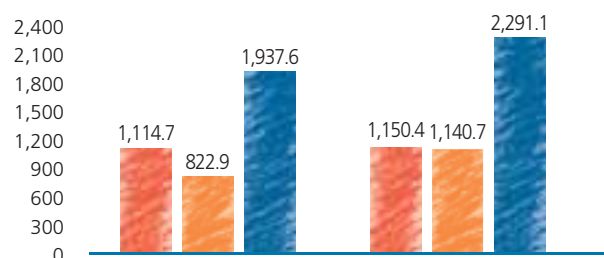
2007 - Total HK\$2,291.1 million

■ Infrastructure
■ Service & Rental

■ Infrastructure
■ Service & Rental

AOP by Division

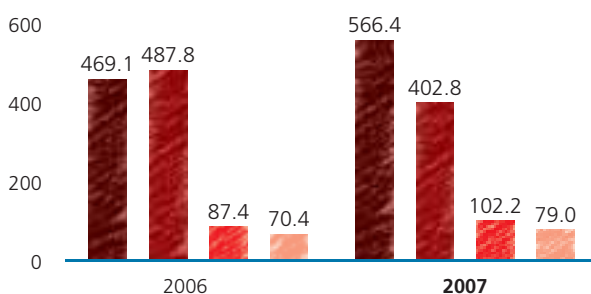
HK\$'million



■ Infrastructure ■ Service & Rental ■ Group

AOP – Infrastructure

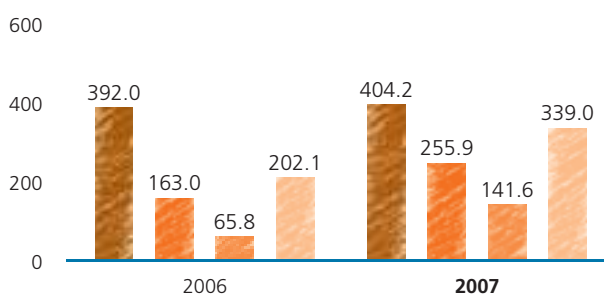
HK\$'million



■ Roads ■ Energy ■ Water ■ Ports

AOP – Service & Rental

HK\$'million



■ Facilities Rental ■ Contracting ■ Other Services ■ Financial Services

Chairman's Statement

“We Build on Solid Foundations!”

FY2007 saw the Group succeed in leveraging its steady recent investment in infrastructure in driving its business forward.”



Dear Shareholders,

On behalf of your Board, I am delighted to report that FY2007 marked yet another 12 months of healthy growth for NWS Holdings. The Group reported a profit attributable to shareholders of HK\$2.005 billion, a solid increase of 21% as compared to FY2006. Especially encouraging was our Service & Rental division, in which the AOP surged substantially by 39%. Capitalizing on major projects awarded from Macau's booming entertainment sector, our Contracting segment saw its AOP increase by a remarkable 57%. The AOP of our Roads segment was another source of encouragement, rising a strong 21% as a result of the sustained strong economic performance of the Pearl River Delta region.

The Board is particularly pleased with the steady progress the Group has made as a result of its clear and forward-looking growth strategy. In the last three years, we have invested substantially in infrastructure projects in order to capitalize on Mainland China's strong economic growth. With the Central Government's Eleventh Five-year Plan opening up water and sewage markets and emphasizing the expansion of road networks, the Infrastructure division will remain our core capital expenditure focus during the coming year.

New infrastructure investments beginning to bear fruit

I am also pleased to report that many of our new infrastructure investments are already beginning to make positive contributions to the Group. Notable successes include Guangdong Baolihua New Energy Stock Co., Ltd. in which we hold a 9.45% share. The company currently operates two power plants with a total capacity of 270MW in Guangdong Province. The 600MW second phase of this facility is now under construction and will commence operation in 2008.

Our investments in the Changshu Water Project in Jiangsu Province and a waste-water treatment project in Chongqing are also beginning to deliver results. As regarding our current 40.8% equity interest in the Guangzhou Dongxin Expressway, it is expected to become partially operational by mid-2008 and fully operational by the end of 2009.

FY2007 also saw the Group bolster its Financial Services by further acquiring approximately 40% shareholding of Taifook Securities Group Limited ("Taifook Securities") to approximately 61.3% and has become its largest shareholder. In addition to offering solid growth potential, Taifook Securities will play a vital role in

strengthening our presence in Mainland China's vibrant capital market. The Central Government's policy on Qualified Domestic Institutional Investors (QDII) and the "Through Train" pilot schemes allowing Mainland Chinese investors to invest directly in Hong Kong stock market will no doubt benefit Taifook Securities and in turn NWS Holdings.

Subsequent to the further acquisition of shareholding in Taifook Securities, the management has decided to reclassify the businesses of Service & Rental division into four different segments, namely "Facilities Rental", "Contracting", "Financial Services" and "Other Services" to better facilitate the analysis of their performance.

In September 2006, the Group formed a 50-year joint venture company, China United International Rail Containers Co., Limited, between a company under China's Ministry of Railways and other partners. With a 22% stake, NWS Holdings is the second largest shareholder. While terminals in Shanghai and Kunming already completed and to be injected into the joint venture company by the Ministry of Railways, construction work will soon start at Chongqing, Zhengzhou and Qingdao. Ultimately, a total of 18 terminals will be constructed in 18 major cities in Mainland China respectively by 2010. Currently, Mainland China's annual rail containerized cargo volume is just 3% of the total rail freight – far behind the 20-30% levels in the United States and Europe. With the target of the current three million-TEU annual shipping volume within this segment rising to 10 million TEUs in the next three years, the long-term outlook for this business remains extremely promising.

Facing the future with confidence

The coming year will see the Group continue its proven policy of investing in core businesses in which we can demonstrate both a sound track record and solid results. We will pursue growth opportunities in our core businesses. To this end, we are prepared to increase our gearing ratio to around 35-45% in the coming three years.

To ensure the Group's continued success, management has clearly identified the initiatives that will drive our business between now and 2010. We are determined to seek a long-term growth of our core businesses and enhance shareholders' value. Progressive but prudent management, sound corporate governance and effective internal control policies will all continue to be of vital importance in our effort to achieve long-term success. Branding and the maintenance of our already high levels of service quality are other areas to which our subsidiary companies and associated companies must continue to give full attention.

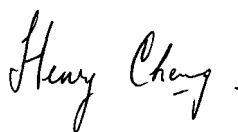
Good corporate governance remains our watchword

As a service-focused enterprise, we never forget that integrity and transparency in our dealings with others are the cornerstones on which our business is built. For this reason, our Corporate Governance Steering Committee continues to do everything possible to ensure our operations are always carried out to an exceptionally high ethical standard. All business units will also be expected to continue to formulate their own risk management policies and procedures, and to perform periodic reviews of all businesses in their existing portfolios. I am delighted to report that our commitment to good corporate governance was recently recognized with the accolade of the Hong Kong Institute of Directors' coveted "Directors of the Year Awards – Listed Companies (SEHK-Non Hang Seng Index Constituents) Boards".

The Group has always been an eager and enthusiastic contributor to the societies that sustain it. Our key activities in this area during FY2007 included the establishment of NWS Holdings Charities Foundation Limited in November 2006. The Group has already pledged HK\$5 million to expand the scope of our voluntary activities, sponsorships and donations.

Thank you all for your support

In closing, I would like to express my thankfulness to my fellow Board members, the management and our 42,000-strong workforce for their continued dedication, determination and support. Your tireless efforts during FY2007 were pivotal in not only helping us to improve our bottom line but also in achieving several prestigious accolades. They included a Best Brand Enterprise Award and Outstanding Corporate Strategy from the Hong Kong Productivity Council and the Best HR Team and the Best Change Management Practices Awards in the Hong Kong HR Awards 2007. As we move forward towards 2010, we will continue to strengthen our open management style and foster staff unity. At the end of the day, we must never lose sight of the fact that it is people who are the mainstay of our business both internally and externally.



Dr Cheng Kar Shun, Henry

Chairman

Hong Kong, 10 October 2007

Board of Directors



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

BOARD OF DIRECTORS

Dr Cheng Kar Shun, Henry *GBS*

Chairman

Dr Cheng (60) was appointed as Executive Director in March 2000 and became the Chairman in March 2001. Dr Cheng is the Managing Director of NWD, a substantial shareholder of the Company, the Chairman and Managing Director of New World China Land Limited and the Chairman of New World Department Store China Limited, Taifook Securities Group Limited and International Entertainment Corporation. He is also a director of Chow Tai Fook Enterprises Limited, Centennial Success Limited and Cheng Yu Tung Family (Holdings) Limited, all of them are substantial shareholders of the Company. Dr Cheng is also the Managing Director of New World Hotels (Holdings) Limited, an independent non-executive director of HKR International Limited and a non-executive director of Lifestyle International Holdings Limited. Dr Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Committee Member of the Tenth Chinese People's Political Consultative Conference of The People's Republic of China. In 2001, he was awarded the Gold Bauhinia Star by the Government of the HKSAR. Dr Cheng is the brother-in-law of Mr Doo Wai Hoi, William and uncle of Mr William Junior Guilherme Doo.

Mr Doo Wai Hoi, William *JP*

Deputy Chairman

Mr Doo (63) was appointed as Executive Director in March 2000 and became the Deputy Chairman in January 2003. Mr Doo's corporate positions include: Vice Chairman of New World China Land Limited; Deputy Chairman of Taifook Securities Group Limited; Executive Director of Lifestyle International Holdings Limited, as well as Director of New World Hotels (Holdings) Limited and Fung Seng Diamond Company Limited. Mr Doo is a member of the Executive Committee of the Tenth Chinese People's Political Consultative Conference in Shanghai and the Convener of the Shanghai Committee in Hong Kong. He has served as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. Mr Doo has been appointed as the Honorary Consul of the Kingdom of Morocco in Hong Kong in May 2005. Mr Doo is the brother-in-law of Dr Cheng Kar Shun, Henry and the father of Mr William Junior Guilherme Doo.

Mr Chan Kam Ling *BBS*

Executive Director and Chief Executive Officer

Mr Chan (67) was appointed as Executive Director and the Chief Executive Officer in January 2003. He is currently the Managing Director of Sino-French Holdings (Hong Kong) Limited and The Macao Water Supply Company Limited. He is also a director of New World First Bus Services Limited and Companhia de Electricidade de Macau-CEM, S.A. Mr Chan has been a part-time member of the HKSAR Government's Central Policy Unit and a member of the Construction Industry Review Committee, the Provisional Construction Industry Co-ordination Board, the Professional Services Committee and the China Trade Advisory Committee of the Hong Kong Trade Development Council as well as the Departmental Advisory Committee of the Department of Building and Construction of the City University of Hong Kong. Mr Chan has more than 35 years of experience in construction, property development and infrastructure industry in Mainland China, Hong Kong and Macau. In 2001, Mr Chan was awarded the Bronze Bauhinia Star by the Government of the HKSAR.

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

Executive Director

Mr Tsang (61) was appointed as Executive Director in June 2004. He is currently the Vice Chairman of New World First Bus Services Limited, New World First Bus Services (China) Limited, Citybus Limited, New World First Ferry Services Limited and New World First Ferry Services (Macau) Limited. He is also a director of Mapletree Investments Pte Ltd in Singapore. Mr Tsang also serves as a member on the Audit Committee of The University of Hong Kong and a member of Interpol's Strategic Advisory Panel in Lyon, France. Prior to joining the Company, Mr Tsang

had served with the Hong Kong Police Force for 38 years and retired from the Force as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. Mr Tsang was awarded the Gold Bauhinia Star, the OBE, the Queen's Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner's Commendation, and the HKSAR Police Long Service Medal.

Mr Wong Kwok Kin, Andrew

Executive Director

Mr Wong (61) was appointed as Executive Director in January 2003. Mr Wong is an executive director of Sky Connection Limited and several subsidiary companies and affiliates of New World Group providing duty-free liquor and tobacco concessions, communication services, cleaning and laundry services, and estate management in both Hong Kong and Mainland China. He is also a director of New World First Holdings Limited, Citybus Limited, New World Telephone Holdings Limited and Taifook Securities Group Limited. Mr Wong had been an executive director of New World Hotels (International) Limited and Renaissance Hotel Group N.V., a company listed on the New York Stock Exchange, from 1995 to 1997. Mr Wong has over 25 years of experience in the hospitality and the service industries, as well as finance and human resources administration.

Mr Lam Wai Hon, Patrick

Executive Director and Qualified Accountant

Mr Lam (45) was appointed as Executive Director in January 2003 and is currently the Qualified Accountant of the Company. He is also a director of Taifook Securities Group Limited, Wai Kee Holdings Limited and Build King Holdings Limited as well as the Assistant General Manager of NWD, a substantial shareholder of the Company. He is mainly responsible for overseeing the facilities rental business of the Group and managing the financial and human resources aspects of the Company. His area of responsibilities in New World Group includes property investment and development as well as service business. Mr Lam is a Chartered Accountant by training; a Fellow of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada.

Mr Cheung Chin Cheung

Executive Director

Mr Cheung (51) was appointed as Executive Director in October 2003. He had been an executive director of the Company during the period from May 1998 to January 2003. Mr Cheung is also a director of NWS Infrastructure Management Limited, NWS Ports Management Limited, Sino-French Holdings (Hong Kong) Limited and The Macao Water Supply Company Limited as well as a director of a number of companies in Mainland China. He is mainly responsible for managing the infrastructure business of the Group. Mr Cheung is a member of the China Trade Advisory Committee and the Infrastructure Development Advisory Committee of the Hong Kong Trade Development Council. He has more than 16 years of experience in business development, investment and management in the infrastructure business in Mainland China.

Mr William Junior Guilherme Doo

Executive Director

Mr Doo (33) was appointed as Director on 19 December 2005. Mr Doo is a solicitor admitted in the HKSAR and is currently a non-practising solicitor in England and Wales. Before joining the Company, he had more than five years' legal practice experience in one of the largest global law firms specializing in finance and corporate transactions. Since joining the Company in March 2003, Mr Doo has been holding the position of Assistant to Chairman of the Company and acting as members of various management committees responsible for overseeing the financial and operational performances of the Group. He is also acting as an alternate director to Mr Doo Wai Hoi, William in the board of directors of Citybus Limited and a management committee member of NWS Transport Services Limited, the holding company of Citybus Limited, New World First Bus Services Limited and



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

New World First Ferry Services Limited. He is currently a member of the Beijing Committee of the Tenth Chinese People's Political Consultative Conference of The People's Republic of China. Mr Doo is the son of Mr Doo Wai Hoi, William and nephew of Dr Cheng Kar Shun, Henry.

Mr Wilfried Ernst Kaffenberger

Non-executive Director

Mr Kaffenberger (63) was appointed as Non-executive Director in January 2003. He is the Chief Executive Officer of AIG Asian Infrastructure Fund II, a US\$1.67 billion direct equity investment pool he organized in 1997. Mr Kaffenberger is also the Managing Director of Emerging Markets Partnership ("EMP"), a Washington-based asset management firm. Prior to joining EMP, he was the Vice President, Operations, of International Finance Corporation ("IFC"), a World Bank affiliate. His career at IFC covered 25 years.

Mr To Hin Tsun, Gerald

Non-executive Director

Mr To (58) was appointed as Independent Non-executive Director in May 1998 and was re-designated to Non-executive Director in August 2002. Mr To has been a practising solicitor in Hong Kong since 1975. He is also qualified solicitor in the United Kingdom as well as an advocate and a solicitor in Singapore. He is currently the senior and managing partner of Messrs. T. S. Tong & Co., Solicitors and Notaries. Mr To is also a non-executive director of Mongolia Energy Corporation and Taifook Securities Group Limited, both of them are companies whose shares are listed on the Main Board of the Hong Kong Stock Exchange. Mr To is also an executive director of International Entertainment Corporation, a company whose shares are listed on the Growth Enterprise Market of the Hong Kong Stock Exchange.

Mr Dominic Lai

Non-executive Director

Mr Lai (60) was appointed as Independent Non-executive Director in August 2002 and was re-designated to Non-executive Director on 28 September 2004. Mr Lai is a practicing solicitor in Hong Kong and is also admitted in England and Wales, the Republic of Singapore, the States of New South Wales and Victoria, Australia. Mr Lai is a senior partner of the Hong Kong law firm, Lu, Lai & Li and has been in practice for more than 30 years. He is also a non-executive director of several other public companies listed on the Hong Kong Stock Exchange.

Mr Yeung Kun Wah, David

Alternate Director to Mr Wilfried Ernst Kaffenberger

Mr Yeung (57) was appointed as Alternate Director to Mr Wilfried Ernst Kaffenberger in January 2003. Mr Yeung is the President and Chief Executive Officer of AIG Capital Partners Inc., a wholly owned subsidiary company of AIG Global Investment Group. He is responsible for AIG's Emerging Market Private Equity Investment activities globally. He represents AIG on AIG-sponsored infrastructure funds with total committed funds of US\$4.7 billion and sits on the Investment Committees of other AIG sponsored global and regional direct investment funds and on the board of various companies in AIG's investment portfolio. Mr Yeung is a U.S. Certified Public Accountant and a Canadian Chartered Accountant.

Mr Kwong Che Keung, Gordon

Independent Non-executive Director

Mr Kwong (58) was appointed as Independent Non-executive Director in October 2002. He is also an independent non-executive director of a number of Hong Kong listed companies. Mr Kwong graduated from the University of Hong Kong in 1972, qualifying as a chartered accountant in England in 1977 and was a Partner of Price Waterhouse from 1984 to 1998. He had served as a part-time panel member of the Hong Kong Government's Central Policy Unit from 1993 to 1995 and was

an independent member of the Council of the Hong Kong Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee.

Mr Cheng Wai Chee, Christopher GBS, OBE, JP

Independent Non-executive Director

Mr Cheng (59) was appointed as Independent Non-executive Director in January 2003. He is the Chairman of USI Holdings Limited and Winsor Properties Holdings Limited and a non-executive director of several listed and unlisted companies in Hong Kong, including New World China Land Limited, PICC Property and Casualty Company Limited, Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust) and DBS Bank (Hong Kong) Limited. Mr Cheng plays an active role in the public services, particularly noteworthy are his efforts in promoting the development of Hong Kong as an international trade, commercial and financial centre. He currently serves as a non-executive director of the Hong Kong Securities and Futures Commission and a member of the Exchange Fund Advisory Committee. He is also a former Chairman of the Hong Kong General Chamber of Commerce. Mr Cheng also has a keen interest in management of the public services and is acting as the Chairman of the Standing Committee on Judicial Salaries and Conditions of Service. Mr Cheng is a Steward of the Hong Kong Jockey Club and serves on the Council of the University of Hong Kong. Mr Cheng holds a BBA from the University of Notre Dame, Indiana, USA and an MBA from Columbia University, New York.

The Honourable Shek Lai Him, Abraham SBS, JP

Independent Non-executive Director

Mr Shek (62) was appointed as Independent Non-executive Director in September 2004. Mr Shek graduated from the University of Sydney with Bachelor of Arts. He is a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. Currently, Mr Shek is a member of the Council of The Hong Kong University of Science & Technology and member of the Court of The University of Hong Kong. He is also a member of the Managing Board of Kowloon-Canton Railway Corporation and a director of The Hong Kong Mortgage Corporation Limited. Mr Shek is an independent non-executive director of Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, See Corporation Limited, ITC Corporation Limited, Titan Petrochemicals Group Limited, Hop Hing Holdings Limited and Country Garden Holdings Company Limited, all of which are companies whose shares are listed on the Hong Kong Stock Exchange. He is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both of the trusts are listed on the Hong Kong Stock Exchange. Mr Shek was awarded the Silver Bauhinia Star by the Government of the HKSAR in 2007.

SENIOR MANAGEMENT

Mr Chow Tak Wing

Group Financial Controller and Company Secretary

Mr Chow (40) joined the Company in 2002 and was appointed as Company Secretary of the Company in October 2004. He is also the Group Financial Controller of the Company. Mr Chow is an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators and a fellow member of the Association of Chartered Certified Accountants (UK). He has more than 18 years' experience in accounting and financial management and corporate governance. Prior to joining the Group, he was a manager of an international accounting firm and senior executive of several Hong Kong listed companies.

Corporate Governance Report

Maintaining a high standard of the corporate governance practices has always been a high priority task of the Group and all the staff of the Group has made every endeavour to achieve this goal. The Group has adopted various guidelines and procedures, such as the "Corporate Governance Manual" (the "CG Manual") and the "Guidelines on Internal Control System" (the "IC Guidelines"), for ensuring proper compliance of the Code of Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules and the enhancement of the corporate governance practices of the Group as a whole.

The Corporate Governance Steering Committee was established under the Executive Committee of the Company during the year. Being chaired by Mr Tsang Yam Pui, Executive Director of the Company, the committee consists of department head from each of the Group Finance Department, Company Secretarial Department, Group Audit & Management Services Department and Risk Management Department of the Company. It is a further step taken by the Company to improve the effectiveness of the Group's corporate governance practices. The main duties of this committee include identifying the corporate governance standards and practices applicable to the Company, reviewing the existing corporate governance practices of the Group and considering promotion and enhancement on the corporate governance of the Group.

The Company has complied with the applicable code provisions of the CG Code throughout the year ended 30 June 2007 except for the deviation with considered reasons as explained below.

Securities Transactions of Directors and Relevant Employees

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code. Having made specific enquiry of all directors, they have complied with the required standards of the said code during the year. Securities interests held by each of the directors of the Company are disclosed in the Report of the Directors on pages 49 to 53 of this annual report.

As required under code provision A.5.4 of the CG Code, the Board should establish written guidelines on no exacting terms than the Model Code for relevant employees in respect of their dealing in the securities of the Company. The Board has established the guidelines for employees in respect of their dealing in the Company's securities as set out in the handbook for "Corporate Policy on Staff Responsibility" but they are not on no less exacting terms than the Model Code. The deviation is mainly due to the fact that the Company currently has over 42,000 employees and operates diversified businesses, it will cause immense administrative burden for processing written notifications from the relevant employees by the Company.

Board of Directors

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

The Board currently comprises 14 members whose biographical details are set out on pages 10 and 11 of this annual report. The Board meets regularly at least 4 times a year at quarterly intervals and holds additional meetings as and when they are deemed necessary.

Six meetings of the Board were held during the year ended 30 June 2007 and the record of attendance of each director is as follows:

Name of Director	Attended/ Eligible to Attend
Executive directors	
Dr Cheng Kar Shun, Henry (Chairman)	5/6
Mr Doo Wai Hoi, William (Deputy Chairman)	6/6
Mr Chan Kam Ling (Chief Executive Officer)	6/6
Mr Tsang Yam Pui	6/6
Mr Wong Kwok Kin, Andrew	6/6
Mr Lam Wai Hon, Patrick	6/6
Mr Cheung Chin Cheung	6/6
Mr William Junior Guilherme Doo	6/6
Non-executive directors	
Mr Wilfried Ernst Kaffenberger	6/6
Mr To Hin Tsun, Gerald	6/6
Mr Dominic Lai	6/6
Independent non-executive directors	
Mr Kwong Che Keung, Gordon	6/6
Mr Cheng Wai Chee, Christopher	6/6
Mr Shek Lai Him, Abraham	6/6

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

The Company provides extensive background information about its history, mission and businesses to its directors. Directors visit the Group's operational facilities from time to time and meet with the management to gain a better understanding of business operations of the Group.

The Board has separate and independent access to the senior management and the Company Secretary at all times. By submitting request to the Company Secretary, the Board can access to independent professional advice any time when it thinks appropriate.

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

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

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

Comprising all executive directors of the Company, the Executive Committee met regularly during the year for ensuring proper management of the Group's businesses.

NON-EXECUTIVE DIRECTORS

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

Corporate Governance Report

REMUNERATION OF DIRECTORS

The Remuneration Committee was established under the Board in July 2005 with major functions of the Remuneration Committee include the following:

- (a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (b) to determine the remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments and make recommendations to the Board of the remuneration of non-executive directors;
- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and
- (e) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

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

The Remuneration Committee has held two meetings during the year and the attendance record of its members at the said meetings is as follows:

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

Works performed by the Remuneration Committee for the year ended 30 June 2007 are summarized below:

- (i) reviewing the remuneration policy, structure and packages for directors and senior management;
- (ii) making recommendations to the Board of the directors' fee for the year ended 30 June 2007;
- (iii) making recommendations to the Board for remuneration package of the executive directors; and
- (iv) reviewing the performance-based remuneration.

Each director will be entitled to a director's fee which is determined by the Board with authorization granted by the shareholders at the Company's annual general meetings. In order to motivate and retain valuable employees, the remuneration packages of executive directors and senior management are determined by considering their duties and responsibilities with the Company, their performance against corporate goals and objectives and by comparing with the remuneration standard in the market.

The amount of remuneration paid to each director for the year ended 30 June 2007 is set out on Note 13 to the financial statements.

NOMINATION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has not established a Nomination Committee and the role and function of this committee was performed by the Board. Every Board member is welcome to nominate suitable person for appointing as director of the Company. Such nomination will then be discussed and determined by the Board for his suitability on the basis of qualifications, experience and background.

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

DIRECTORS' RESPONSIBILITIES FOR PREPARING ACCOUNTS

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

Chairman and Chief Executive Officer

For ensuring clear distinction of the independence, accountability and area of responsibility of the Chairman and the Chief Executive Officer (the "CEO") of the Company, the two roles are separated and the areas of their respective responsibility are being stated in the CG Manual of the Company.

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

- (a) to ensure all directors are properly briefed on matters to be discussed at Board meetings;

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

The key responsibilities of the CEO includes:

- (a) to provide the leadership for the management of the Company;
- (b) to implement and report to the Board on the Company's strategy;
- (c) to oversee the realization of the Company of the objectives set by the Board; and
- (d) to provide all such information to the Board as is necessary to enable the Board to monitor the performance of management.

During the year, the Chairman held a meeting with the non-executive directors for discussing the business operation and prospect of the Group without the presence of the executive directors.

Audit Committee

The Audit Committee is appointed by the Board from amongst the non-executive directors of the Company with the majority of the members being independent non-executive directors. The major duties of the Audit Committee include the following:

- (a) to make recommendation to the Board on the appointment, re-appointment and removal of external auditors and to approve its remuneration and terms of engagement;

Corporate Governance Report

- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with the applicable standard;
- (c) to monitor integrity of financial statements of the Company and its annual reports and accounts, half-year reports and to review significant financial reporting judgements contained in them;
- (d) to review the Company's financial control, internal control and risk management systems;
- (e) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function; and
- (f) to review the Group's financial and accounting polices and practices.

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

During the year, three meetings has been held by the Audit Committee and the following works have been performed:

- (i) review of the audited financial statements of the Company for the year ended 30 June 2006;
- (ii) review of the interim results of the Company for the year ended 30 June 2007;
- (iii) approval of internal audit plans for the year ending 30 June 2008;
- (iv) review of the internal audit reports prepared by Group Audit & Management Services Department;
- (v) review of the system of internal control of the Company;
- (vi) review of the audit plan from external auditors; and
- (vii) review of the remuneration of external auditors.

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

Name of committee member	Attended/ Eligible to Attend
Mr Kwong Che Keung, Gordon (Chairman)	3/3
Mr Dominic Lai	3/3
Mr Cheng Wai Chee, Christopher	2/3
Mr Shek Lai Him, Abraham	3/3

The Audit Committee reviewed the audited financial statements of the Group for the year ended 30 June 2007 and the accounting principles and practices adopted by the Group.

External Auditors

The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditors subject to endorsement by the Board and final approval and authorization by the shareholders of the Company in general meetings. The existing auditor of the Company, who is also the Group's principal auditor, is PricewaterhouseCoopers who was first appointed in 2000. Its reporting responsibilities are stated in the Independent Auditor's Report on page 65 of this annual report.

Total auditors' remuneration in relation to statutory audit work of the Group amounted to HK\$21.8 million (2006: HK\$18.1 million), of which a sum of HK\$19.6 million was paid to PricewaterhouseCoopers. The remuneration paid to PricewaterhouseCoopers and its affiliated firms for services rendered is listed as follows:

	2007 HK\$m	2006 HK\$m
Statutory audit	19.6	17.4
Non-audit services	3.4	3.0
	23.0	20.4

Internal Control

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

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

Besides, the CEO and the Qualified Accountant will submit a written report half yearly on the effectiveness of the Group's internal control system to the Audit Committee for review. The Board has conducted a review on the effectiveness of the system of internal control of the Group for the year ended 30 June 2007. This review covered the areas of operational, financial and compliance controls and risk management functions of the Group.

Shareholders' Rights

The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Company's bye-laws, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Shareholders who hold not less than one-tenth of the paid up capital of the Company shall have the right, by written requisitions to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

Chairmen of the various Board Committees, or failing the Chairman, any member from the respective committees, must attend the annual general meetings of the Company to address shareholders' queries. External auditors are also invited to attend the Company's annual general meetings and are available to assist the directors

in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

Investor Relations

The Group has always regarded ongoing dialogue with shareholders and the investment community at large as being a cornerstone of good corporate governance. To engage with interested parties such as institutional investors, the Company utilises an Investor Relations team comprising directors and senior managers who conduct frequent one-on-one local meetings and overseas roadshows. In FY2007, the team undertook 269 meetings with analysts and fund managers in Hong Kong and overseas and hosted nine roadshows in New York, Chicago, New Jersey, Milwaukee, London, Zurich, Paris, Tokyo and Shanghai.

Our commitment to ensuring disclosure of the highest possible standard has recently generated wide coverage among leading research institutions such as BNP Paribas, Credit Suisse, Nomura International, CLSA, Merrill Lynch and DBS Vickers.

The Company also continues to keep investors updated with the timely flow of information via interim and annual reports, press releases, announcements, the www.nwsh.com.hk corporate website and e-news alerts. Regular conference calls are yet another way we update investors and analysts regarding important deals and the reasoning behind them.

As we move forward, the Group will continue to pursue fair disclosure, corporate transparency and effective communication. The ultimate aim is to enhance investors' understanding of our performance and business strategies by keeping them fully apprised of our operational efficiency and new business developments.

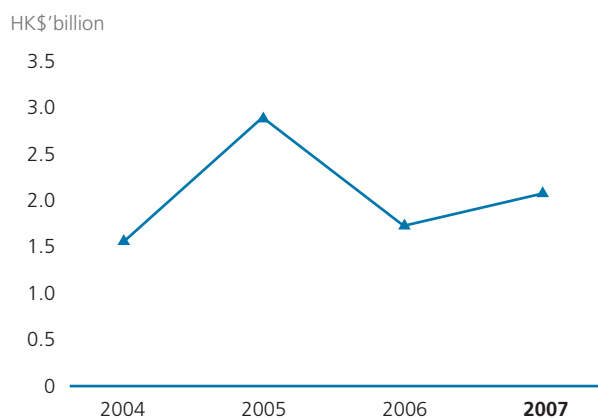
Corporate Social Responsibilities

For enhancing the social responsibilities of the Group, a Corporate and Social Responsibility Committee was set up by the Board in 2004. It is responsible for formulating the social responsibilities strategies and policies of the Group, overseeing the development and implementation of the Group's social responsibilities strategies, policies and practices as well as the Group's corporate volunteer team, NWS Volunteer Alliance, and other charitable activities.

Key Information For Shareholders

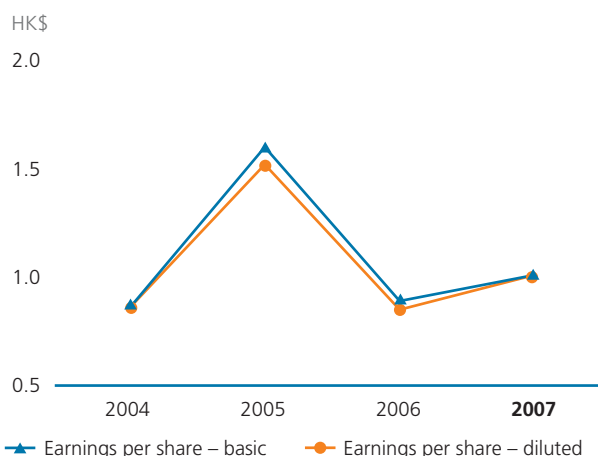
Profit attributable to shareholders

for the years ended 30 June 2004 to 2007



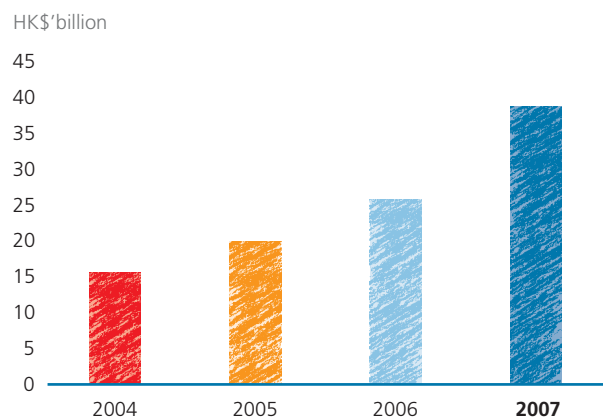
Earnings per Share

for the years ended 30 June 2004 to 2007



Market capitalization

as at 30 June 2004 to 2007



Share price movement

for the period from 1 July 2003 to 30 June 2007



Analysis of Shareholding Structure

(as at 30 June 2007)

Category	Number of shares	Percentage of issued share capital	Percentage of number of shareholders
NWD and its subsidiary companies	1,129,925,041	56.10%	0.60%
Chow Tai Fook Enterprises Limited	59,831,893	2.97%	0.12%
Directors	47,017,086	2.33%	0.96%
Individuals	17,128,199	0.85%	94.73%
Institutions, corporates and nominees	760,343,216	37.75%	3.59%
Total	2,014,245,435	100.00%	100.00%

Note: the total number of registered shareholders of the Company as at 30 June 2007 was 836.

Stock Code

0659 (Listed on the Main Board of the Hong Kong Stock Exchange)

Board Lot

1,000 Shares

Shareholder Services

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

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

Dividend Policy

Subject to the financial performance of the Company, we expect to pay two dividends each financial year with interim and final dividends usually payable around June and January respectively. As stated in the 2005 annual report of the Company, barring unforeseen special circumstances, the Company intends to maintain a dividend payout ratio at 50%.

Financial Calendar

Announcement of 2007 final results	10 October 2007
Last day to register for 2007 final dividend	20 November 2007
Closure of register of members	21 to 26 November 2007 (both dates inclusive)
2007 annual general meeting	26 November 2007
2007 final dividend payment date	16 January 2008

Dividend per share (in HK\$)

Year	Interim	Final	Total	Payout ratio
2004	0.15	0.25	0.40	46.8%
2005	0.18	0.62	0.80	50.2%
2006	0.24	0.20	0.44	51.3%
2007	0.25	0.30	0.55	55.1%

Annual Report

This Annual Report is printed in English and Chinese and is available on our corporate website at www.nwsh.com.hk. Printed copies in either or both languages are posted to shareholders in accordance with their indicated preference. Shareholders may at any time change their choice of language of the Company's corporate communications to be received free of charge by notice in writing to the Company's branch share registrars, Tricor Standard Limited.

Annual General Meeting

The 2007 annual general meeting ("AGM") of the Company will be held on Monday, 26 November 2007. Details of the AGM are set out in the notice of the AGM which constitutes part of the circular to shareholders sent together with this annual report. Notice of the AGM and the proxy form are also available on our corporate website.

“We Care !

Our commitment to people extends to not only our staff and customers, but everyone in every market to which we contribute.”





Through the adventure of Fairy Villa, the Fairy Kiddos learnt story writing and drama outdoor

A Strength that Comes from Within

NWS Holdings firmly believes that high quality talent is the engine that drives all strong companies, and that high productivity is the result of good morale and strategic talent integration. As our people remain the key to sustained growth, competitiveness and success, we are committed to fostering their sense of pride.

Rewarding high-calibre talents

We optimize our investment in people by maximizing the value of staff. In order to attract and retain highly motivated individuals, we offer attractive compensation packages composed of salaries, benefits and performance-related bonuses. In nurturing and developing young talents, our Management Officer Training Programme continues to attract and groom high-calibre local and overseas graduates for managerial roles.

We further emphasize the premium we place on those who have made exceptional contributions to our success by recognizing them at the yearly NWSH Awards Presentation Ceremony. Open to all managerial, office and frontline staff in Hong Kong, Mainland China and Macau, the NWSH Outstanding Employee Grand Awards plays a vital role in encouraging groupwide service excellence.

Encouraging continuous learning

The Group firmly believes that continuous self-improvement is the most effective way of equipping people with essential knowledge and skills. To this end, we regularly conduct comprehensive training for staff at every level.

FY2007 saw some 3,500 team members participate in fully 121 training courses hosted by our Training and Development Department. Over 13,000 of these training hours covered vital topics such as quality management, language and management development.

The annual NWSH Management Conference also provides a valuable interactive forum where senior management from our Corporate Office and subsidiary companies can exchange insights and establish best practice benchmarks.

Last year also saw us host luncheon talks where staff gained useful insights into important work-related subjects such as personal image, stress management and health awareness. To simplify the learning process, team members are also encouraged to visit the Group's in-house library and exchange ideas at regular NWSH Reading Club gatherings.

Promoting staff wellbeing

We understand that a balanced and healthy lifestyle is the key to outstanding performance, and view our



Staff participated in cheering team competition on annual Fun Day

Dressing down at work



The "Fruit for Care" campaign brings healthiness to the workplace



Luncheon talks add value to our staff

people's personal wellbeing as being every bit as important as their day-to-day work. Through its early adoption of the Government's five-day working week, our Corporate Office helped greatly enhance both staff morale and productivity.

We regularly bring people from different subsidiary companies together and encourage a healthy lifestyle via regular sports competitions and relaxing leisure classes such as volleyball, basketball and tennis, Tai Chi and cookery. FY2007 also marked the third year of our innovative and health-enhancing companywide "Fruit for Care" campaign.

Strengthening team spirit

Effective internal communications remain a proven way of bringing our staff closer. Our staff newsletters, *New Voice* and 《創建集》, and intranet tell team members all they need to know about important new developments. Attracting over 5,000 staff and family members, our annual Fun Day further underlines our commitment to fostering groupwide integration. Chinese Chess and singing contests are other ways in which we strive to enhance our people's sense of belonging.

Enhancing our working environment

In its efforts to create a more relaxing working environment and cut its carbon footprint by reducing people's reliance on air-conditioning, our Corporate Office has now implemented a "dress-down" policy. We have also established an NWSH Green Office Steering Committee to ensure our office is even more environmental-friendly and promote green awareness among staff.

An extremely rewarding year

Over the years, NWS Holdings has consistently demonstrated excellence in maximizing human capital by implementing human resources initiatives in line with its expanding business. Our efforts in this area were recently rewarded with the Best HR Team and Best Change Management Practices awards at Hong Kong HR Awards 2007 organized by Key Media International Limited. In moving forward, we will continue to enrich and ensure that our people are genuinely proud of being part of our success.



The Group is pleased to receive various awards at the Hong Kong HR Awards 2007



A Genuine Commitment to the Community

NWS Holdings strongly believes sustainable business growth must be underpinned by good corporate citizenship. To this end, our Corporate Social Responsibility Committee strives to not only ensure a caring corporate culture but also make a positive and lasting contribution to the local community.



NWSH Caring Day 2007 marked the establishment of NWS Holdings Charities Foundation

A new era in caring

In order to provide a permanent platform for our voluntary work, sponsorships and donations, November 2006 saw us establish NWS Holdings Charities Foundation (the "Charities Foundation"). NWS Holdings has contributed fully HK\$5 million in support of the Charities Foundation's work on behalf of worthy causes such as community welfare, environmental protection, education and health care.

Ensuring a socially-aware corporate culture

The fourth anniversary of our First Trading Day was marked by a groupwide NWSH Caring Day 2007 voluntary initiative aimed at encouraging subsidiary companies to realize their potentials by helping the

needy. In all, some 500 volunteers from our Corporate Office and 17 subsidiary companies generously gave up their time to serve in 18 service units of the Tung Wah Group of Hospitals. The more than 1,300 beneficiaries of their kindness included the elderly, children and the physically challenged. Services provided covered everything from home safety and computer workshops to home cleaning.

Determined to make a lasting difference

The Group has always believed that caring relationships between volunteers and beneficiaries should be of lasting value to both parties. Launched in 2002, our long-term Life Rejuvenation Scheme is an excellent example of what is being achieved in this area.

Ran in conjunction with the Hans Andersen Club, last year's Fairy Kiddo Programme enabled some 30 primary school students achieve their dreams of becoming authors and actors or actresses. The creative participants in the year-long series of writing and drama workshops saw their work published in a book called *Kiddo Fairy Tale* and performed in a drama called *Fairy Villa* at New World Centre.

In 2007, we also joined forces with Tung Wah Group of Hospitals' Fong Shu Chuen Day Activity Centre cum Hostel to launch the Art for More initiative. This interactive workshop-based programme aims at developing mentally challenged participants' artistic talents. The Fairy Kiddos who participated in this event were among the many who went home understanding it is always better to give than to receive.

Indeed, our NWS Volunteer Alliance members have carried out a wide spectrum of community services including special classes for psychiatric patients, hair-styling and home visits for the elderly, flag days and Oxfam rice sales. Youth development is another core element of our corporate social responsibility activities. This year, we partnered CCC Heep Woh College in a School Business Mentorship Programme which enabled matriculating students to gain valuable experience of business operations under the guidance of mentors from management of the Group.



The mentally disabled of Tung Wah Group of Hospitals' Fong Shu Chuen Day Activity Centre cum Hostel practised their brushstrokes at Art for More

Safeguarding the environment for all

We have also long been committed to the concept of a cleaner, greener Hong Kong. During the year, our Green Office Steering Committee partnered Green Council in running a NWSH Green Office Campaign at our Corporate Office. Our waste reduction efforts made us achieve the Wastewi\$e Scheme's targets organized by the Environmental Protection Department. We also continued to make steady progress towards our indoor air quality enhancement and water and energy conservation targets.

Community education remains a cornerstone of our environmental activities. 2007 marks the third successive year we work with Green Power in running the NWSH Green Kindergarten Network. In addition to the unveiling of an environmental education website, the NWSH Green Kindergarten Network has recently published a 3-D "Waste Reduction" book and a CD-ROM teaching aid for kindergarten teachers. A series of environmental workshops for kindergarten teachers followed by a survey aimed at studying pre-schoolers' knowledge of nature was also conducted. To date, over 40% of all local kindergartens and nurseries have signed up for the NWSH Green Kindergarten Network.



Volunteers used their expertise to serve the community on NWSH Caring Day 2007

Rewarding eager volunteers

The members of the NWS Volunteer Alliance play a key role in the effectiveness of our community and environmental initiatives. To honour their selfless contribution to society, outstanding volunteers were presented with awards at NWSH Awards Presentation Ceremony 2007.

Our volunteers' tireless hard work in helping to build a more harmonious society has won widespread recognition. This year, our 1,000 volunteers' donation of over 10,000 service hours saw the NWS Volunteer Alliance receive its sixth successive Gold Award for Volunteer Service from the Social Welfare Department. The Group was also honoured with a coveted Caring Company 5-year Award from the Hong Kong Council of Social Service. Founded in 2001, the NWS Volunteer Alliance has now donated more than 30,000 service hours.

The coming year will see the Group strive to further sharpen its environmental focus by mounting a large-scale, sustainable tree conservation programme called HK • Love • Trees. Jointly organized with Green Power, the initiative aims at enhancing awareness of the need to conserve trees and address people's growing concerns about climate change. Looking ahead, we will endeavour to support an even broader scope of community projects via the newly established Charities Foundation.



Poster of HK • Love • Trees Programme

Management Discussion and Analysis

Group Overview

The Group reported a profit attributable to shareholders of HK\$2.005 billion for FY2007, an increase of HK\$348.8 million or 21%, as compared to HK\$1.657 billion for FY2006. AOP increased by 18% from HK\$1.938 billion in FY2006 to HK\$2.291 billion in FY2007. Infrastructure division generated an AOP of HK\$1.150 billion, a slight increase of 3% as compared to HK\$1.115 billion in FY2006. Service & Rental division achieved a significant growth of 39% and its AOP increased from HK\$822.9 million in FY2006 to HK\$1.141 billion in FY2007.

Apart from the operating results, impairment provisions of HK\$13.0 million were made for two roadways in Shanxi Province and a provision previously made for the proceeds from the disposal of a roadway was written back and amounted to HK\$58.0 million. In addition, securities investments provided a net gain of HK\$32.3 million in FY2007 compared to HK\$5.7 million in FY2006.

Contributions from operations in Hong Kong accounted for 44% of AOP in FY2007 as compared to 38% in FY2006. Mainland China and Macau contributed 45% and 11% respectively, as compared to 51% and 11% respectively in FY2006.

In addition, we have restated certain comparative figures to conform with this year's presentation.

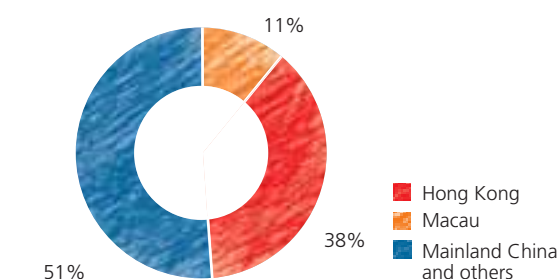
Earnings per Share

Basic Earnings per Share increased by 13% from HK\$0.89 in FY2006 to HK\$1.01 in FY2007.

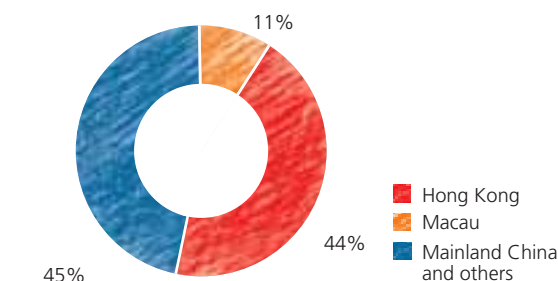
Treasury Management and Cash Funding

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

AOP by Region



2006 – Total HK\$1.938 billion



2007 – Total HK\$2.291 billion

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

Contribution by Division

For the year ended 30 June

	2007 HK\$'m	2006 HK\$'m
Infrastructure	1,150.4	1,114.7
Service & Rental	1,140.7	822.9
Attributable Operating Profit	2,291.1	1,937.6
<i>Head office and non-operating items</i>		
Net profit on disposal of infrastructure projects	–	152.5
Assets impairment loss, net of tax	(13.0)	(30.0)
Write-back of provision for receivables	58.0	–
Net gain on redemption of convertible bonds	–	39.6
Net fair value gains on investment properties	19.2	2.5
Net gain from securities investment	32.3	5.7
Other interest income	78.2	74.3
Other finance costs	(208.0)	(227.6)
Others	(252.4)	(298.0)
	(285.7)	(281.0)
Profit attributable to shareholders of the Company	2,005.4	1,656.6

Liquidity

As at 30 June 2007, the Group's total cash and bank balances amounted to HK\$3.247 billion, as compared to HK\$2.548 billion as at 30 June 2006. The increase was mainly attributable to the consolidation of the balance sheet of Taifook Securities Group Limited ("Taifook Securities") following the further acquisition of approximately 40% interests in Taifook Securities in June 2007. Net Debt increased from HK\$1.981 billion at the end of FY2006 to HK\$8.438 billion at the end of FY2007. The sharp increase of Net Debt was resulted from the provision of IPO financing to clients of Taifook Securities at the end of June 2007 amounted to HK\$5.644 billion. The Group's Gearing Ratio, as a result, also increased from 13% as at 30 June 2006 to 46% as at 30 June 2007. The aforesaid IPO loans were borrowed back-to-back from banks and were repaid in early July 2007. Taking out these short-lived IPO loans, the Gearing Ratio would be only 15%.

With the allotted IPO shares as the underlying collateral and different credit limits being applied to individual customer and each new share issue, the credit risks of these IPO financing activities are well managed and not concentrated on any individual customer or share issue. In addition, the maximum amount of IPO financing is governed by the Securities and Futures Commission based on the liquid capital of Taifook Securities. Therefore, IPO financing is considered as a low risk high margin business and does not materially affect the credit risk profile of the Group.

The capital structure of the Group was 39% debt and 61% equity as at 30 June 2007, as compared to 23% debt and 77% equity as at 30 June 2006.

Debt Profile and Maturity

As at 30 June 2007, the Group's Total Debt increased to HK\$11.686 billion from HK\$4.528 billion as at 30 June 2006. Long-term bank loans and borrowings increased from HK\$2.792 billion as at 30 June 2006 to HK\$3.938 billion as at 30 June 2007, with HK\$950.1 million maturing in the second year and the remaining in the third to fifth year. The zero coupon guaranteed

convertible bonds due 2009 were fully converted in February 2007. Secured bank loans and overdrafts amounted to HK\$629.6 million as at 30 June 2007 and were secured by the securities clients' listed shares pledged to the Group. All bank loans were denominated in Hong Kong dollars and were bearing interest at floating rate. The Group did not have any material exposure in exchange risk other than RMB during FY2007. No property, plant and equipment, investment properties nor leasehold land and land use rights were pledged as at 30 June 2007.

Commitments

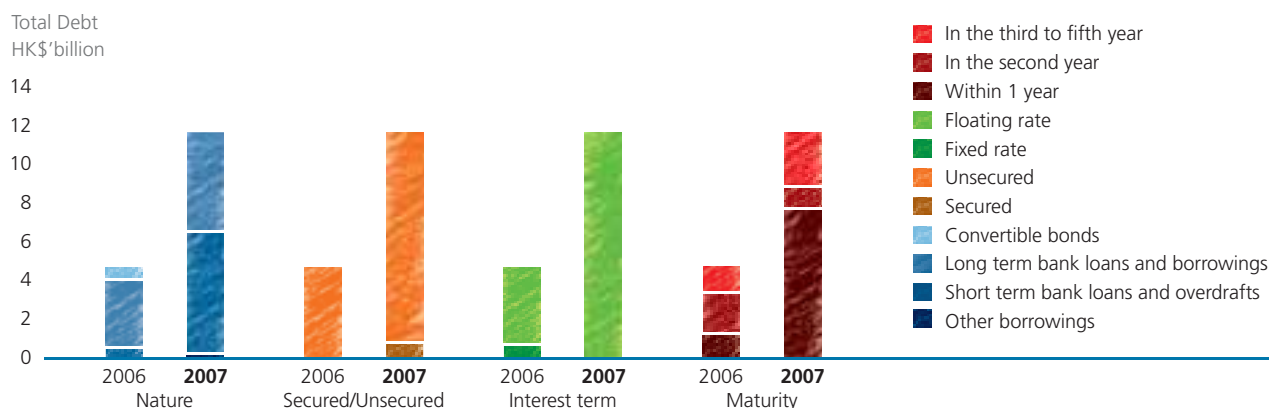
The Group's commitments for capital expenditure were HK\$1.665 billion as at 30 June 2007 as compared to HK\$1.214 billion as at 30 June 2006. This represented commitment for capital contributions in certain associated companies and jointly controlled entities and other projects of HK\$1.451 billion as at 30 June 2007 as compared to HK\$928.1 million as at 30 June 2006, and commitments for property, plant and equipment of HK\$213.8 million as at 30 June 2007 as compared to HK\$286.3 million as at 30 June 2006. The share of commitments for capital expenditure committed by jointly controlled entities was HK\$1.055 billion as at 30 June 2007 as compared to HK\$1.303 billion as at 30 June 2006. Sources of funding for capital expenditure are internally generated resources and banking facilities.

Contingent Liabilities

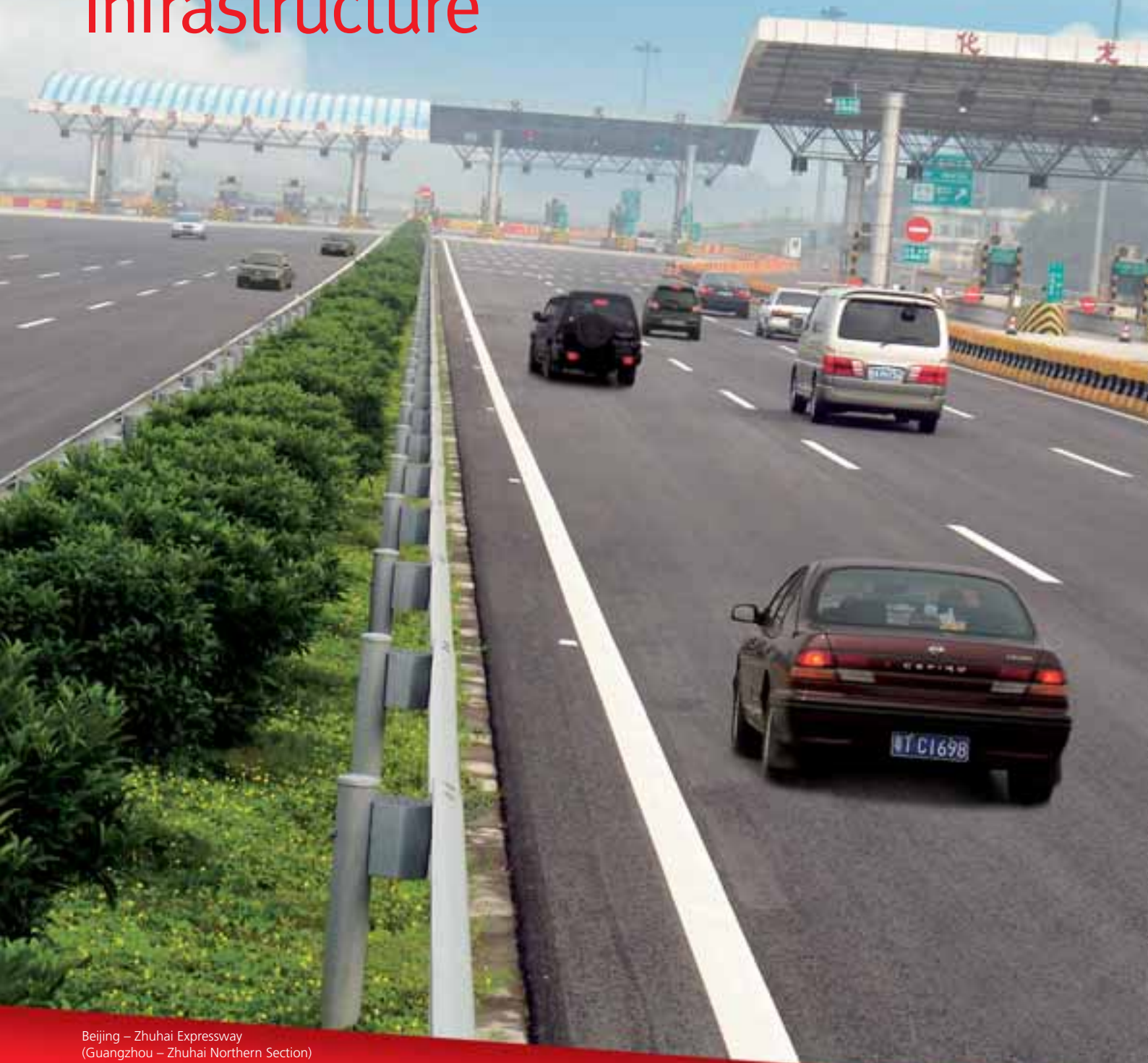
Contingent liabilities of the Group were HK\$1.107 billion as at 30 June 2007 as compared to HK\$1.141 billion as at 30 June 2006. These were composed of guarantees for credit facilities granted to associated companies, jointly controlled entities and a related company of HK\$11.9 million, HK\$1.041 billion and HK\$55.0 million as at 30 June 2007 as compared to HK\$11.9 million, HK\$1.074 billion and HK\$55.0 million respectively as at 30 June 2006. The share of contingent liabilities of jointly controlled entities was HK\$70.6 million as at 30 June 2007 as compared to HK\$65.0 million as at 30 June 2006.

Debt Profile

as at 30 June



Infrastructure



Beijing – Zhuhai Expressway
(Guangzhou – Zhuhai Northern Section)

“We Grow our Business Portfolio!”

FY2007 saw Roads, Energy, Water and Ports all remain the foundations of the Group’s sustained success.”





Chongqing Water Plant

Infrastructure

Operational Review

The excellent economic development of Mainland China was one of the key drivers behind the Group's healthy 3% rise in AOP within its Infrastructure division.



Macau Power

AOP Contribution by Segment

For the year ended 30 June	2007 HK\$'m	2006 HK\$'m	Change % Fav./Unfav.
Roads	566.4	469.1	21
Energy	402.8	487.8	(17)
Water	102.2	87.4	17
Ports	79.0	70.4	12
Total	1,150.4	1,114.7	3

Roads

The AOP of the Roads segment for FY2007 grew HK\$97.3 million or 21% to HK\$566.4 million in FY2007. Appreciation of RMB during the year has contributed to the increase in AOP.

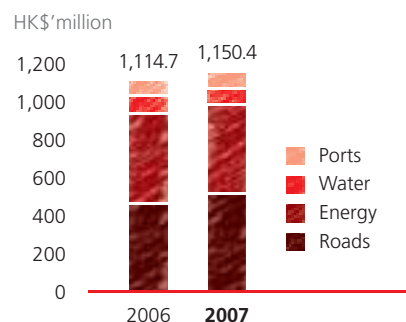
Performance of projects within the Pearl River Delta Region continues to shine. Average daily traffic flow of Guangzhou City Northern Ring Road increased by 11% and toll income grew by RMB39.7 million in FY2007. Toll income of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) soared by RMB202.9 million or 28% in FY2007 as benefited by the strong economic development of the Pearl River Delta Region. The combined average daily traffic flow of Shenzhen-Huizhou Roadway and Expressway increased by 13% when compared to FY2006.

AOP of Guangxi Roadways Network increased slightly attributable to an increase in combined average daily traffic flow of 1% in FY2007.

AOP contribution from Shanxi Roadways Network increased 1% in FY2007. Continuous closure of small coal mines since late 2005 drove its average daily traffic flow, on a combined basis, down 9% in FY2007. The effect was offset by the decrease in repair and maintenance expenses and exchange gain on RMB shareholder's loan recognized during the year.

The average daily traffic flow of Tangjin Expressway (Tianjin North Section) increased 19% and toll income rose by RMB69.9 million, as a result of economic development of the Bohai Rim region and renovation of a competing roadway network since mid-2006. However, result was partly affected by the increase in repair and maintenance expenses.

AOP Contribution by Segment



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 11% in FY2007.

AOP from Tate's Cairn Tunnel ("TCT") grew slightly by 2% when compared to FY2006. The average daily traffic flow of TCT grew slightly by 1% in FY2007.

The newly acquired Guangzhou Dongxin Expressway that the Group owns 40.8% equity interest will become partially operational in mid-2008, while full operation is expected at the end of 2009.

The expressway running from Fangcun District to Panyu District in Guangzhou connects to Guangzhou East-South-West Ring Road and Guangzhou City Nansha Port Expressway.

"We ensure smooth traffic."

Cho Tak Kin
Traffic Supervisor
Tate's Cairn Tunnel
Company Limited



Management Discussion and Analysis

Energy

AOP of the Energy segment reduced 17% or HK\$85.0 million to HK\$402.8 million in FY2007.

The combined AOP of Zhujiang Power Plants dropped by 24% during FY2007. The decrease was partly due to a one-off gain recognized in FY2006 and partly due to more new generation units coming into the market. Such adverse impact was partly compensated by the increase in average tariff of 5% arising mainly from the coal-link tariff adjustments during the current year.

AOP from Macau Power reported a decrease of 10% in FY2007 as its rate of permitted return had been revised from 14% to 12% retrospectively with effect from 1 January 2006 although its electricity sales grew satisfactorily by 16% on a year-on-year basis.

The Group acquired 35% interest in Chengdu Jintang Power Plant, a 2 x 600MW coal-fired power plant, which supplies electricity in Chengdu, Sichuan Province. The project commenced operation in June 2007.

In December 2006, the Group acquired a 9.45% interest in Guangdong Baolihua New Energy Stock Co., Limited, which mainly engages in the operation of a 2 x 135MW coal-fired power plant in Guangdong and its shares are listed on the Shenzhen Stock Exchange. In addition, two additional 300MW coal-fired power plants are being built and expected to commence operations in 2008.



“We power up the city.”

Ada Cheong
Customer Service Assistant Officer
Companhia de Electricidade de Macau-CEM, S.A.



Zhujiang Power Plants

Water

AOP contribution from the Water segment grew to HK\$102.2 million, up HK\$14.8 million or 17% when compared to last year.

Macau Water Plant reported a 10% increase in average daily water sales volume while performance of water projects in Mainland China is promising. Water sales revenue of Tanggu Water Plant in Tianjin increased as its tariff was raised since April 2006. The Chongqing Water Plant and Shanghai SCIP Water Treatment Plants had an impressive growth of 19% and 47% respectively in water sales volume. The newly-acquired Changshu Water Plant and Chongqing Tangjiatuo Waste Water Plant have also contributed to the increase in profit during the year.



Changshu Water Plant

Ports

AOP contribution of the Ports segment increased from HK\$70.4 million to HK\$79.0 million in FY2007.

Xiamen New World Xiangyu Terminals Co., Ltd. reported an 8% volume growth to 794,000 TEUs in FY2007. Throughput of Tianjin Orient Container Terminals Co., Ltd. decreased slightly by 1% to 1,136,000 TEUs while there is an increase in average revenue per TEU as a result of more foreign cargo volume in FY2007. Tianjin Five Continents International Container Terminal Co., Ltd., in which interest was acquired in November 2005, produced positive AOP contribution to this segment and handled 1,988,000 TEUs during FY2007. In August 2006, the Group acquired 55% interest in Wenzhou Zhuangyuan Ao New World International Terminals Company Limited, which operates two multi-purpose berths in Zhuangyuanao, Zhejiang Province. The project is expected to be operational by 2008.



Xiamen New World Xiangyu Terminals

Business Outlook

Annual GDP growth rate of Mainland China for the Eleventh Five-Year Plan period (2006-2010) is forecasted in the range of 7.5%-8.5%. Actual GDP for 2006 and the first half year of 2007 are even higher, at 10.7% and 11.5% respectively. According to the latest forecast of State Information Centre, Mainland China's 2007 GDP growth is expected to reach 11.3%, slightly higher than last year. More macroeconomic control measures are expected to be introduced to cool down the GDP growth and inflation.

In March 2007, the National People's Congress passed the revised "Corporate Income Tax Law". This legislation, which unifies the income tax policies for domestic and foreign invested enterprises ("FIEs"), will take effect on 1 January 2008. Income tax rate for FIEs will increase to 25% and the existing five-year tax holiday will be revoked. FIEs subject to a reduced income tax rate under the existing law will be eligible for a five-year transitional period during which the tax rate will gradually increase to the unified rate of 25%. Foreign investors' tax burden will inevitably increase. The new law stipulates that encouraged basic infrastructure projects will continue to enjoy tax preferential policy but the details are yet to be announced.

Roads

According to The Ministry of Communications, at least 60% of the Mainland China's economy is facilitated by road transportation. Roadways, being the mostly utilized and flexible means of transportation for passengers and goods, continue to play an important role to serve the booming economy of Mainland China. Under the national highway network plan of total length of 85,000 km, the total mileage of expressways in Mainland China will be increased by approximately 3,000 km annually up to 2010. This situation will create immense investment opportunities for road investors.

Mainland China economic prosperity leads to more frequent passenger and cargo flows which in turn generate enormous traffic demand. Sustained economic development has led to growth in personal income and purchasing new cars has become a major spending



Guangzhou City Northern Ring Road

hotspot. Despite high oil prices, car ownership rate continues to surge which is advantageous to road business. Adoption of toll-by-weight policy for goods-carrying vehicles in some provinces or municipal cities has proved to be successful in reducing traffic accidents and damage to roadways caused by over-loaded trucks. Toll revenue will generally increase under this new mode of toll calculation. The policy has become more popular and is another growth momentum for road business.

The toll road market in Mainland China has been opened for overseas private investment for many years. However, the reserve of quality road with high investment value is diminishing. In recent years, the investment market has been joined by many competitive qualified local investors. In March 2006, the China Insurance Regulatory Commission published paper permitting insurance funds to invest in state-level infrastructure projects in areas such as transportation, energy and communications. The insurers can invest up to 15% of their total assets. As a result, competition for quality road investments is becoming more vigorous which leads to higher cost of acquisitions.

Energy

The operating environment for power industry in Mainland China remains challenging. Although the power producers are compensated by tariff increments in May 2005 and July 2006, utilization is under pressure across the country. Contract coal price is rising thereby narrowing its gap with spot price to reflect the higher

regulatory costs in coal market during the course of liberalization.

Electricity consumption growth in 2006 was 14.0% and further rose to 15.6% in the first half year of 2007, which has exceeded the expectation of the National Development and Reform Commission (“NDRC”). Installed capacity increased by 20.3% or 101GW to 622GW in 2006 while another 95GW is coming on-grid in 2007. In general view, utilisation rate in Mainland China is expected to decelerate starting from 2007 to early 2009. The extent of deceleration will depend on the capacity construction schedule for 2008 to 2010, which will be announced in later 2007.

At present, almost 24% of Mainland China’s thermal power is generated by small coal-fired units of capacity below 100MW. The NDRC planned to shut down small thermal power plants of 40GW from 2006 to 2010 and will allocate more on-grid quota to highly efficient and low emission units. Therefore, investment opportunities still exist for sizeable, low emission coal-fired power plants, although renewable energy continues to be accorded with favourable policy treatment by the Central Government.

Water

The development in the Shanghai Chemical Industry Park (the “Park”) is optimistic as most projects have commenced their commercial operations. The return from our water treatment project in the Park exceeded



Shanghai Chemical Industry Park

expectation. Due to large demand in the waste water treatment service in the Park, the waste water treatment plant had almost achieved its capacity at the end of 2006. The joint venture company has already started the third phase of investment which is expected to be operational around the end of 2007 so as to cope with the increasing demand. Also, our hazardous waste incinerator project in the Park has been in operation since August 2006.

With the completion of the Zhuhai Ping Gang Project in December 2006, the seasonal salinity problem in Macau had been temporarily resolved. In addition, to cope with the increasing water demand, Macau Water Plant has contracted to expand its existing treatment capacity and is to be completed by mid 2008.

Ports

Mainland China container throughput for the first half of 2007 reported a 24% growth and reached 52.5 million TEUs.

A 14.4% growth in container throughput was reported in Xiamen which reached 2.20 million TEUs in the first half of 2007. Xiamen municipal government has been actively liaising with Jiangxi and Hunan Provinces to secure cargoes from the hinterland, and the multi-modal container transportation between Jiangxi and Xiamen was launched in June 2007. The expansion of Dongdu port area’s navigation channel was completed in June 2007 and a total of RMB1.5 billion is planned to invest in developing channel during the Eleventh Five-Year Plan period.

A 21% growth in container throughput was reported in Tianjin which reached 3.36 million TEUs in the first half of 2007. Tianjin speeds up its port development in the Eleventh Five-Year Plan by increasing the total investment from RMB36.7 billion to RMB45.0 billion. Phase 1 of Dongjiang and 250,000 tonnes navigation channel are to be completed by the end of 2007. Tianjin has also entered into the Memorandum of Custom Co-operation with other 11 provinces (mainly inland provinces) to improve the custom clearance and secure Tianjin as their designated seaport.

“We Serve with Heart !

At NWS Holdings, we never forget that our partners and customers have a choice. ”



Service & Rental





Grand Lisboa Hotel and Casino, Macau

Service & Rental

Operational Review

Following the acquisition of additional shareholding in Taifook Securities and the Group's subsequent restructuring of the business segments, our Service & Rental division continued to make encouraging strides in all directions.



ATL Logistics Centre

AOP Contribution by Segment

For the year ended 30 June	2007 HK\$'m	2006 HK\$'m	Change % Fav./Unfav.)
Facilities Rental	404.2	392.0	3
Contracting	255.9	163.0	57
Financial Services	141.6	65.8	115
Other Services	339.0	202.1	68
Total	1,140.7	822.9	39

Service & Rental division achieved an AOP of HK\$1.141 billion. A significant increase of AOP by HK\$317.8 million or 39% was mainly attributable to the continuing growth of businesses under different segments and increase in contribution from Taifook Securities after the completion of further acquisition of Taifook Securities' shareholding to 61.29% on 8 June 2007.

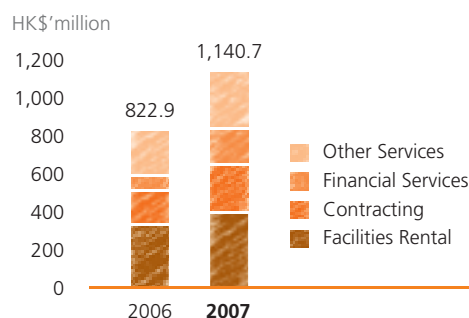
After the further acquisition of the Taifook Securities' shareholding, the management decided to reclassify the business of Service & Rental division into four segments, namely "Facilities Rental", "Contracting", "Financial Services" and "Other Services" to facilitate a better analysis of the performance of different business segments under this division.

Facilities Rental

The Group's Facilities Rental segment continued to be a steady source of profit and cash inflow to the Group. This segment recorded an AOP of HK\$404.2 million for FY2007, an increase of 3% over FY2006.

Hong Kong Convention and Exhibition Centre ("HKCEC") continued to achieve satisfactory result in FY2007 with more than 1,300 events held during the year serving over 4 million guests. AsiaWorld-Expo and other conference and exhibition facilities in Macau, Mainland China and other Asian countries have increased competition in this market. Construction works of the Atrium Link expansion in HKCEC has commenced in August 2006 and is due for completion in 2009. The new 19,400 sq m expansion will

AOP Contribution by Segment



increase its available space for lease up to a total of 83,400 sq m.

ATL Logistics Centre ("ATL") recorded a steady profit with average occupancy rate reaching 98% in FY2007. It has benefited from the growth of the local economy and the Mainland China's market. Being Hong Kong's largest multi-storey drive-in warehousing/container freight station complexes, ATL continues to provide professional warehousing and terminal services for a demanding global clientele. As such, it remains as the market leader in the industry. The Group expects that ATL will continue to deliver stable profits as a result of the continuous growth of Hong Kong economy, increase in domestic consumption, improving job market and the buoyant stock market, which continue to fuel the strong growth in the warehousing business in Hong Kong.



Hong Kong Convention and Exhibition Centre

Management Discussion and Analysis

Contracting

The Contracting segment recorded AOP of HK\$255.9 million in FY2007, representing an increase of 57% as compared to HK\$163.0 million in FY2006. The significant improvement in operating results is due to a combination of factors including effective cost control measures and increase in volume of works.

Leveraging its proven expertise in managing mega-sized and high quality construction projects and following the recent recovery of the private property development sector, Hip Hing Construction Company Limited (“Hip Hing”) has secured contracts of substantial size with a total contract sum of approximately HK\$30.8 billion as at 30 June 2007. It was also among the most competitive and successful specialist builder in Macau’s rapidly expanding construction market. Notable among the number of large-scale projects for which Hip Hing secured in Macau were the Grand Lisboa Hotel, the MGM Grand Macau and One Central Macau.

Performance of the Group’s engineering business remained satisfactory during FY2007. Overall, the mechanical and electrical engineering industry remained competitive due to the financial risks arising from material price fluctuation and subcontractors’ repudiation. Contracts on hand as at 30 June 2007 amounted to HK\$5.1

billion, while the contracts awarded for FY2007 amounted to HK\$1.6 billion of which 59% was secured in Mainland China and Macau.



Top: The Grandiose at Tseung Kwan O
Bottom: MGM Grand Macau

**“We build
prestigious assets.”**

Ryan Chan
Safety Officer
Hip Hing Construction Company Limited

Financial Services

The Financial Services segment mainly comprises the results of Taifook Securities and Tricor Holdings Limited (“Tricor”). The contribution attributable to this segment has become more significant after the further acquisition of Taifook Securities shareholding and the benefit of buoyant stock market.

In view of Taifook Securities’ enviable reputation in financial services business and satisfactory growth history, the Group increased its shareholding in Taifook Securities to 61.3% on 8 June 2007 and thereafter Taifook Securities became a subsidiary company of the Group. Given the promising outlook of financial markets in Hong Kong and Mainland China, the Group is confident that the acquisition of Taifook Securities will enhance its long-term profitability and align with its balanced investment strategy.

Taifook Securities achieved excellent results in FY2007, setting a record for its operating history. Its major businesses benefited from the buoyant activities across different investment markets, including equities and their derivatives, foreign exchange, bullion and other commodities. The brokerage service together with

the margin finance services made up for a dominant part of Taifook Securities’ earnings. The bull market run continued throughout the year, in particular, the investment sentiment towards China stocks was extremely hectic despite the macro economic control on the Mainland China. Significant growths were witnessed in other areas such as trading and investment, asset management and wealth management, which have emerged as solid earnings contributors to Taifook Securities on our increased commitments.

Also benefited from the booming stock market, Tricor achieved excellent results with a growth of 31% during FY2007. Tricor had successfully expanded into the Mainland China and Singapore markets following the opening of offices in Shanghai and Beijing and the acquisition of Singapore business.

“We show our dedication and professionalism.”

Nick Tang
Customer Service Manager
Taifook Securities Group Limited



Taifook Securities



Management Discussion and Analysis

Other Services

This segment comprises various service businesses including the transport and other general services such as retail, property management, cleaning and security guarding.

The Group's transport business achieved an AOP of HK\$101.4 million in FY2007, an 18% increase as compared with FY2006. The increase was mainly attributed to a rise in patronage in the local bus businesses and the investment in Kwoon Chung Bus Holdings Limited. Although the gains from the growth of bus patronage were eroded by the rising operating costs such as fuel costs, staff wages and insurance payments, this was compensated by the reduction in interest expenses resulting from repayment of borrowings and a decrease in asset depreciation charges. Despite the 5% growth in fare revenue, the local ferry business recorded a loss due mainly to the rising staff costs and higher fuel prices. The Macau ferry services achieved a satisfactory growth of 14% in patronage but, also due to the high fuel costs, were unable to exceed the guaranteed profit from Chow Tai Fook Enterprises Limited under the current vessel leasing arrangement.

Free Duty engaged in retail business selling duty free tobacco and liquor at Hong Kong International Airport and the ferry terminals in China Hong Kong City and Shun Tak Centre. Robust patronage arising from the rebound in Hong Kong's tourism sector made a major contribution to the company's excellent performance during FY2007. Following the increasing trend in spending per passenger and the opening of its new retail outlets totaling approximately 28,000 sq ft at the Lok Ma Chau KCRC Station in August 2007, it is expected that Free Duty will continually deliver steady revenues for the Group.

The property management business contributed a stable profit to the Group despite tough market competitions and maintained a clientele of over 134,000 residential units under management. The Group continued to explore new market opportunities in Mainland China.



Citybus and New World First Bus



Free Duty at Hong Kong International Airport



“We drive safely and environmental-friendly.”

Left: **Choi Nga Kei**
Bus Captain
Citybus Limited

Right: **Li Wai Pang**
Bus Captain
New World First Bus Services Limited

Business Outlook

The Hong Kong economy continues to show above-trend growth with real GDP rising by 6.9% in the second quarter of 2007 on a year-to-year basis. Thriving external trades, resilient consumer spending and escalating investor confidence have fuelled growth of the local economy and benefited the Service & Rental division of the Group. Given the continued robust performance of the Mainland China's economy and the ongoing expansion of Hong Kong's tourism sector, the Group remains cautiously optimistic regarding economic outlook in the coming years.

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

The overall operating environment of the Contracting segment has improved during FY2007. Although the recovery of the construction industry in Hong Kong is still lagging behind, it has shown clear signs of a bottom-out. In Mainland China, we are still cautious and selective in tendering new projects and the contribution thereof is

stable. The business in Macau is very encouraging with contracts awarded or to be tendered are usually of mega size. In addition to the Macau market, the Group also expand its contracting business to the Middle East.

The Group will continue to strengthen Financial Services business. Both market activity and Taifook Securities' overall business showed a rising trend. The impending influx of capital from the Mainland China will certainly be a driver for local market activity. The Mainland China has expanded the scope of overseas investments by its qualified institutional investors, which are expected to target mainly on Hong Kong equities initially, and individual investors will be allowed to invest directly into Hong Kong equities. Taifook Securities has solidly established its platforms in the past several years, focusing primarily on the Mainland China market, enabling us to capture future opportunities that come forth.

For the transport business, the overall business environment continues to be volatile and challenging. The lingering high fuel prices, the impending merger of MTR Corporation Limited and Kowloon-Canton Railway Corporation, the proposed new rail lines on Hong Kong Island and the bus fleet replacement programme are some of the major issues which the management has to contend with in the next few years. Therefore, further streamlining in bus utilization through route rationalisation programmes and greater overall cost control will continue.




Expansion of Hong Kong Convention and Exhibition Centre
Photo by Mr Cliff Wallace



Kunming Rail Container Logistics Centre

Reports and Financial Statements



Report of the Directors	45
Independent Auditor's Report	65
Consolidated Income Statement	66
Consolidated Balance Sheet	67
Balance Sheet	68
Consolidated Statement of Changes in Equity	69
Consolidated Cash Flow Statement	71
Notes to the Financial Statements	72

Report of the Directors

The directors of the Company submit their report together with the audited financial statements of the Group for the year ended 30 June 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of its subsidiary companies include:

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

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year and the state of affairs of the Company and of the Group as at 30 June 2007 are set out in the financial statements on pages 66 to 141.

The directors have resolved to recommend a final dividend for the year ended 30 June 2007 in scrip form equivalent to HK\$0.30 per share (2006: HK\$0.20 per share) with a cash option to shareholders registered on 26 November 2007. Together with the interim dividend of HK\$0.25 per share (2006: HK\$0.24 per share) paid in June 2007, total distributions for the year ended 30 June 2007 will thus be HK\$0.55 per share (2006: HK\$0.44 per share).

Subject to the Listing Committee of the Hong Kong Stock Exchange granting the listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholder could elect to receive in cash and they will be given the option to elect to receive payment in cash of HK\$0.30 per share instead of the allotment of shares. Full details of the final scrip dividend will be set out in a circular to be sent to shareholders together with a form of election for cash on or about 26 November 2007.

The register of members of the Company will be closed from Wednesday, 21 November 2007 to Monday, 26 November 2007, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with Tricor Standard Limited, the Company's branch share registrars in Hong Kong, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 20 November 2007.

SUBSIDIARY COMPANIES

Particulars of the Company's principal subsidiary companies are set out in Note 43 to the financial statements.

ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal associated companies and jointly controlled entities are set out in Notes 44 and 45 to the financial statements respectively.

Report of the Directors

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2007, the Company's reserves available for distribution amounted to HK\$1,028.4 million (2006: HK\$976.0 million).

DONATIONS

During the year, the Group made charitable donations amounting to HK\$9.7 million (2006: HK\$2.3 million).

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in Note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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

During the year, Financial Concepts Investment Limited, an indirect wholly owned subsidiary company of the Company, sold 55,000 shares of the Company at HK\$21.62 per share. Such shares were received by Financial Concepts Investment Limited due to the distribution of shares of the Company under its reorganization in 2003.

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers respectively accounted for less than 30% of the Group's total turnover and purchases for the year ended 30 June 2007.

MANAGEMENT CONTRACTS

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

Report of the Directors

DIRECTORS

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

Executive directors

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

Non-executive directors

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

Independent non-executive directors

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

In accordance with bye-law 87 of the Company's bye-laws, Messrs Tsang Yam Pui, To Hin Tsun, Gerald, Dominic Lai, Kwong Che Keung, Gordon and Shek Lai Him, Abraham will retire by rotation at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

Pursuant to the share purchase agreement (the "Share Purchase Agreement") dated 26 April 2007 entered into among Chow Tai Fook Nominee Limited, Chow Tai Fook Enterprises Limited ("CTF"), Mr Lo Lin Shing, Simon, Wellington Equities Inc., Grand Partners Group Limited and Mr William Junior Guilherme Doo, collectively as the vendors (the "Vendors"), and NWS Financial Management Services Limited ("NWSFM", an indirect wholly owned subsidiary company of the Company) as the purchaser whereby the Vendors agreed to sell and NWSFM agreed to purchase an aggregate of 246,986,763 shares (the "Sale Shares") in Taifook Securities Group Limited ("Taifook Securities") at the purchase price of HK\$2.43 per Sale Share. Mr Doo Wai Hoi, William and Mr William Junior Guilherme Doo, both are directors of the Company, were interested in this transaction to the extent that they had beneficial interests in certain of the Sale Shares.

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

DIRECTORS' SERVICE CONTRACTS

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

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Dr Cheng Kar Shun, Henry	CTF group of companies	Investment in transport services business	Director
	HKR International Limited group of companies	Construction and property management	Director
	Shun Tak Holdings Limited group of companies	Investment in ferry services business	Director
	Tamman Developments Limited	Investment in airport operation business	Director
Mr Chan Kam Ling	Qingyuan Qiaoyuan Power Plant Company Limited	Operation of power plant	Director
Mr Lam Wai Hon, Patrick	Wai Kee Holdings Limited group of companies	Construction, toll road and infrastructure	Director
	Certain subsidiary companies of East Asia Secretaries (BVI) Limited	Provision of corporate advisory services, nominee and custodian services	Director of East Asia Secretaries (BVI) Limited and certain of its subsidiary companies

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2007, the directors and their respective associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO:

(a) Interests in shares of the Company

Name	Number of shares			Total	Approximate percentage of issued share capital of the Company as at 30.06.07
	Personal interests	Family interests	Corporate interests		
Dr Cheng Kar Shun, Henry	9,179,199	587,000 ⁽¹⁾	8,000,000 ⁽²⁾	17,766,199	0.88%
Mr Doo Wai Hoi, William	2,006,566	–	9,130,000 ⁽³⁾	11,136,566	0.55%
Mr Chan Kam Ling	828,991	–	10,254,321 ⁽⁴⁾	11,083,312	0.55%
Mr Wong Kwok Kin, Andrew	3,021,981	–	–	3,021,981	0.15%
Mr Lam Wai Hon, Patrick	979,111	–	5,008 ⁽⁵⁾	984,119	0.05%
Mr Cheung Chin Cheung	980,386	–	–	980,386	0.05%
Mr William Junior Guilherme Doo	–	–	167,516 ⁽⁶⁾	167,516	0.01%
Mr Wilfried Ernst Kaffenberger	557,248	–	–	557,248	0.03%
Mr Kwong Che Keung, Gordon	608,757	–	–	608,757	0.03%
Mr Cheng Wai Chee, Christopher	711,002	–	–	711,002	0.04%

Notes:

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

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

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

	Number of shares/ amount of registered capital			Total	Approximate percentage of issued share capital/ registered capital as at 30.06.07
	Personal interests	Family interests	Corporate interests		
NWD					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar Shun, Henry	–	300,000 ⁽¹⁾	–	300,000	0.01%
Mr Chan Kam Ling	141,844	–	–	141,844	0.00%
Mr Wong Kwok Kin, Andrew	400,000	–	–	400,000	0.01%
Mr Cheung Chin Cheung	62,200	–	–	62,200	0.00%
Mr Kwong Che Keung, Gordon	30,000	–	–	30,000	0.00%
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr Cheng Kar Shun, Henry	12,500,000	–	52,271,200 ⁽²⁾	64,771,200	1.69%
Mr Doo Wai Hoi, William	8,750,000	–	66,160,000 ⁽³⁾	74,910,000	1.96%
Mr Chan Kam Ling	1,250,000	–	–	1,250,000	0.03%
Mr Wong Kwok Kin, Andrew	400,000	–	–	400,000	0.01%
Mr Lam Wai Hon, Patrick	100,000	–	–	100,000	0.00%
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr Doo Wai Hoi, William	–	–	US\$3,000,000 ⁽⁴⁾	US\$3,000,000	30.00%
HH Holdings Corporation					
(Ordinary shares of HK\$1.00 each)					
Mr Chan Kam Ling	15,000	–	–	15,000	2.50%
Master Services Limited					
(Ordinary shares of US\$0.01 each)					
Mr Chan Kam Ling	16,335	–	–	16,335	1.63%
Mr Wong Kwok Kin, Andrew	44,915	–	–	44,915	4.49%

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

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

	Number of shares/ amount of registered capital			Total	Approximate percentage of issued share capital/ registered capital as at 30.06.07
	Personal interests	Family interests	Corporate interests		
Mega Choice Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar Shun, Henry	–	–	3,710 ⁽²⁾	3,710	34.61%
New World Hotel Management (BVI) Limited					
(Ordinary shares of US\$1.00 each)					
Mr William Junior Guilherme Doo	–	–	55 ⁽⁵⁾	55	5.50%
Ramada Property Ltd.					
(Ordinary shares of US\$1.00 each)					
Mr Doo Wai Hoi, William	–	–	250 ⁽³⁾	250	25.00%
Shanghai Juyi Real Estate Development Co., Ltd.					
(Registered capital in RMB)					
Mr Doo Wai Hoi, William	–	–	RMB229,500,000 ⁽⁴⁾	RMB229,500,000	30.00%
Wai Kee Holdings Limited					
(Ordinary shares of HK\$0.10 each)					
Mr Lam Wai Hon, Patrick	300,000	–	–	300,000	0.04%

Notes:

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

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

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

Name	Date of grant	Exercisable period	Number of share options			Balance as at 30.06.07	Exercise price per share HK\$
			Balance as at 01.07.06	Exercised during the year	Lapsed during the year		
Mr Wilfried Ernst Kaffenberger	21 July 2003	Note (1)	607,248	(607,248) ⁽²⁾	–	–	3.711

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 exercise dates were 19 January 2007, 16 April 2007 and 6 June 2007 for options representing 50,000 shares, 250,000 shares and 307,248 shares respectively. The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$21.06.
- (3) The cash consideration paid by the above director for the grant of share options was HK\$10.
- (4) All the interests stated above represent long positions.

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

(i) *NWD*

Under the share option scheme of NWD, a holding company of the Company, the following director of the Company had personal interests in options to subscribe for shares in NWD which were granted to him as follows:

Name	Date of grant	Exercisable period	Number of share options outstanding as at 30.06.07	Exercise price per share HK\$
Dr Cheng Kar Shun, Henry	19 March 2007	Note (1)	36,500,000	17.756

Notes:

- (1) Exercisable from 19 March 2007 to 18 March 2012.
- (2) No share option was exercised during the year.
- (3) The cash consideration paid by the above director for the grant of share options was HK\$10.
- (4) All the interests stated above represent long positions.

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

(d) Interests in underlying shares of associated corporations of the Company – Share options (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 during the year), the following directors of the Company had personal interests in options to subscribe for shares in NWMH which were granted to them as follows:

Name	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$	
			Balance as at 01.07.06	Exercised during the year	Cancelled during the year		
Dr Cheng Kar Shun, Henry	28 January 2005	Note (1)	780,000	(780,000)	–	–	1.26
Mr Doo Wai Hoi, William	28 January 2005	Note (1)	300,000	(300,000)	–	–	1.26
Mr To Hin Tsun, Gerald	28 January 2005	Note (1)	482,000	–	(482,000)	–	1.26
Mr Kwong Che Keung, Gordon	28 January 2005	Note (1)	78,000	(78,000)	–	–	1.26

Notes:

- (1) Exercisable from 28 January 2005 to 31 December 2010.
- (2) The cash consideration paid by each director for each grant of the share options was HK\$1.
- (3) All the interests stated above represent long positions.

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

SHARE OPTION SCHEMES

(a) The Company

On 6 December 2001, the Company adopted a share option scheme (the “Scheme”) and certain rules of this Scheme were amended on 12 March 2003 and 24 November 2006. Under such Scheme, the directors of the Company may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in the Company.

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

Purpose of the Scheme

To reward directors and employees of the Group for past service or performance, to provide incentive and motivation or reward to eligible participants for increase performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for the Group and to foster a sense of corporate identity.

Report of the Directors

SHARE OPTION SCHEMES (CONTINUED)

(a) The Company (continued)

Participants of the Scheme	<p>Eligible participant may be a person or an entity belonging to any of the following classes:</p> <ul style="list-style-type: none">(i) any eligible employee;(ii) any non-executive director (including independent non-executive director) of the Group or any invested entity of the Group (the “Invested Entity”);(iii) any supplier of goods or services to any member of the Group or any Invested Entity;(iv) any customer of any member of the Group or any Invested Entity;(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and(viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.
Total number of shares available for issue under the Scheme and percentage of issued share capital as at the date of this report	<p>The Company has granted options to certain eligible participants to subscribe for a total of 71,805,125 shares of the Company under this Scheme, which included certain adjustments made pursuant to the rules of the Scheme, up to the date of this report.</p> <p>The total number of shares available for issue under the Scheme is 108,109,514 shares representing approximately 5.37% of the Company's issued share capital as at the date of this report.</p>
Maximum entitlement of each participant under the Scheme	<p>Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the share capital of the Company in issue.</p>
The period which the shares must be taken up under an option	<p>At any time during a period as specified by the directors, however in any event the share options must be exercised within 10 years from the date of grant of options.</p>

Report of the Directors

SHARE OPTION SCHEMES (CONTINUED)

(a) The Company (continued)

The minimum period for which an option must be held before it can be exercised	Any period as determined by the directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The basis of determining the exercise price	The exercise price is determined by the directors which must be at least the higher of the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant or the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.
The remaining life of the Scheme	The Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 6 December 2001.

During the financial year ended 30 June 2007, movement of share options granted by the Company under the Scheme were as follows:

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

Date of grant	Exercisable period	Number of share options			Balance as at 30.06.07	Exercise price per share HK\$
		Balance as at 01.07.06	Exercised during the year	Lapsed during the year		
21 July 2003	Note (1)	1,941,689	(454,678)	(6,844)	1,480,167	3.711

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\$17.361.

Report of the Directors

SHARE OPTION SCHEMES (CONTINUED)

(b) Taifook Securities

On 23 August 2002, the shareholders of Taifook Securities approved the adoption of a share option scheme (the "Taifook Scheme"). Summary of the Taifook Scheme disclosed in accordance with the Listing Rules is as follows:

Purpose of the Taifook Scheme

To attract, retain and motivate talented employees to strive towards long term performance targets set by Taifook Securities and its subsidiary companies and at the same time to allow the participants to enjoy the results of Taifook Securities attained through their effort and contribution.

Participants of the Taifook Scheme

Any full time employees, executive and non-executive directors of Taifook Securities or any of its subsidiary companies or associates.

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

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

As at the date of this report, the total number of shares available for issue under the Taifook Scheme was 57,936,169 shares, which represented approximately 9.42% of the issued share capital of Taifook Securities.

Report of the Directors

SHARE OPTION SCHEMES (CONTINUED)

(b) Taifook Securities (continued)

Maximum entitlement of each participant under the Taifook Scheme

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the Taifook Scheme and any other share option schemes of Taifook Securities (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Taifook Securities' shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of Taifook Securities at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of Taifook Securities, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Taifook Securities, or to any of their associates, in excess of 0.1% of the total number of shares in issue of Taifook Securities at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of Taifook Securities' shares at the date on which such grant is proposed by the directors) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of Taifook Securities.

The period which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised

The exercise period of the share options granted is determinable by the directors, and such period shall commence not earlier than six months from the date of the grant of the options and expire not later than 10 years after the date of grant of the options.

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

The offer of a grant of share options may be accepted within 30 days from the date of the offer upon payment of a consideration of HK\$1 by the grantee.

The basis of determining the exercise price

The exercise price of the share options is determinable by the directors, and shall be at least the highest of (i) the closing price of Taifook Securities' shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of Taifook Securities' shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of Taifook Securities' shares.

The remaining life of the Taifook Scheme

The Taifook Scheme shall be valid and effective for a period of 10 years commencing from the date on which it is conditionally adopted by resolution of Taifook Securities at general meeting and will expire on 22 August 2012.

Report of the Directors

SHARE OPTION SCHEMES (CONTINUED)

(b) Taifook Securities (continued)

During the financial year ended 30 June 2007, movement of share options granted by Taifook Securities under the Taifook Scheme were as follows:

Date of grant	Exercisable period (Note)	Number of share options			Balance as at 30.06.07	Exercise price per share HK\$	Weighted average closing price immediately before the dates of exercise of share options HK\$
		Balance as at 01.07.06	Exercised during the year	Lapsed during the year			
5 September 2003	(1)	10,528,000	(8,828,000)	(400,000)	1,300,000	1.20	2.08
10 February 2006	(2)	30,450,000	(27,850,000)	(600,000)	2,000,000	0.94	2.16

Notes:

- (1) Exercisable from 5 March 2004 to 4 March 2009.
- (2) Exercisable from 10 August 2006 to 9 August 2014.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2007, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Number of shares			Approximate percentage to the issued share capital of the Company
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited	–	1,189,756,934 ⁽¹⁾	1,189,756,934	59.07%
Centennial Success Limited	–	1,189,756,934 ⁽²⁾	1,189,756,934	59.07%
CTF	59,831,893	1,129,925,041 ⁽³⁾	1,189,756,934	59.07%
NWD	742,803,985	387,121,056 ⁽⁴⁾	1,129,925,041	56.10%
Mombasa Limited	339,150,282	–	339,150,282	16.84%

Notes:

- (1) Cheng Yu Tung Family (Holdings) Limited holds 51% direct interest in Centennial Success Limited ("CSL") and is accordingly deemed to have an interest in the shares deemed to be interested by CSL.
- (2) CSL holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.
- (3) CTF, together with its subsidiary companies, hold more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.
- (4) NWD holds 100% indirect interest in Mombasa Limited and is accordingly deemed to have an interest in the shares held by Mombasa Limited in the Company. NWD is also deemed to be interested in 1,986,513 shares held by Financial Concepts Investment Limited, 14,669,037 shares held by Hing Loong Limited, 14,669,037 shares held by Fine Reputation Incorporated, 13,493,674 shares held by New World Hotels Corporation Limited and 3,152,513 shares held by Hong Kong Island Development Limited, all of them are subsidiary companies of NWD.
- (5) All the interests stated above represent long positions.

Save as disclosed above, there was no other interest recorded in the register that was required to be kept under Section 336 of the SFO as at 30 June 2007.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED TRANSACTIONS

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

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

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

During the year ended 30 June 2007, the contract amounts for each category of services under the NWST Master Services Agreement were summarized as follows:

Category of services	Approximate total contract amount HK\$'000	Annual cap HK\$'000
Facility management services	1,558.2	15,500.0
Construction services	–	27,000.0
E & M engineering services	128.7	900.0
Property management services	462.5	900.0
Security and guarding services	850.6	5,500.0
Cleaning and landscaping services	23,204.4	35,000.0
Financial services	245.8	1,300.0
Rental or licensing of spare spaces	3,421.7	6,600.0

Due to the expiry of the NWST Master Services Agreement, NWST and the Company entered into a new master services agreement (the "New NWST Master Services Agreement") on 18 May 2007 for a further term of three years in respect of the provision of certain operational services and rental or licensing of spare spaces. The New NWST Master Services Agreement and all the transactions contemplated thereunder also constituted continuing connected transactions for the Company under the Listing Rules.

Report of the Directors

CONNECTED TRANSACTIONS (CONTINUED)

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

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

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

During the year ended 30 June 2007, the contract amounts for each category of services under the NWD Master Services Agreement were summarized as follows:

Category of services	Approximate total contract amount HK\$'m	Annual cap HK\$'m
Contracting services	1,454.4	4,083.0
Facility Management services	13.3	18.0
Security and guarding services	34.0	37.0
Cleaning and landscaping services	61.1	78.0
Financial services	2.7	10.0
Property management services	25.8	55.0
Other services:		
(a) Rental of properties and vessels	22.2	40.0
(b) Sale of food products	–	2.0

Report of the Directors

CONNECTED TRANSACTIONS (CONTINUED)

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

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

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

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

The total rent, air-conditioning charge and management fee incurred pursuant to the Tenancy Agreement during the year amounted to approximately HK\$2.5 million.

(4) On 26 April 2007, the Vendors and NWSFM entered into the Share Purchase Agreement whereby the Vendors agreed to sell and NWSFM agreed to purchase the 246,986,763 Sales Shares, which represent about 41% of the then issued share capital of Taifook Securities for the purchase price of HK\$2.43 per Sale Share (the aggregate purchase price was HK\$600,177,834.09) (the "Acquisition").

CTF, being one of the Vendors, is the substantial shareholder of NWD, which is a holding company of the Company. Grand Partners Group Limited, also being one of the Vendors, is wholly owned by Mr Doo Wai Hoi, William, a director of the Company. Furthermore, Mr William Junior Guilherme Doo, a director of the Company, is also one of the Vendors. Accordingly, CTF, Grand Partners Group Limited and Mr William Junior Guilherme Doo are connected persons of the Company within the meaning of the Listing Rules. The Acquisition constituted a discloseable and connected transaction of the Company under the Listing Rules and was approved by the independent shareholders at the special general meeting of the Company on 5 June 2007. The Acquisition was completed on 8 June 2007 and thereafter, Taifook Securities became a subsidiary company of the Company.

Report of the Directors

CONNECTED TRANSACTIONS (CONTINUED)

(5) On 27 June 2007, NWD, New World Department Store China Limited (“NWDS”), Deutsche Bank AG, Hong Kong Branch and The Hongkong and Shanghai Banking Corporation Limited (together, the “Joint Global Coordinators”) and Taifook Securities entered into an underwriting agreement (the “Hong Kong Underwriting Agreement”) relating to the offering for subscription of shares of NWDS for cash by way of a public offer in Hong Kong on and subject to the terms and conditions stated in the relevant prospectus and application forms, pursuant to which, the underwriters as named in the Hong Kong Underwriting Agreement (including Taifook Securities) received a commission of 3% of the aggregate offer price in respect of the shares of NWDS underwritten by them. The maximum underwriting commitment of Taifook Securities under the Hong Kong Underwriting Agreement was 1,218,900 shares of NWDS.

Moreover, Taifook Securities was also one of the underwriters in the international placing of shares of NWDS and therefore have entered into an international placing underwriting agreement (the “International Placing Underwriting Agreement”) with NWD, NWDS and the Joint Global Coordinators in respect of the said international placing. The maximum underwriting commitment of Taifook Securities under the International Placing Underwriting Agreement was 10,970,100 shares of NWDS.

Pursuant to the Hong Kong Underwriting Agreement and the International Placing Underwriting Agreement, Taifook Securities would receive approximately HK\$1.8 million to HK\$2.1 million in commission for the then expected maximum underwriting commitments.

Taifook Securities is a subsidiary company of the Company and NWDS was a then wholly owned subsidiary company of NWD. Given that NWD is the holding company of the Company and is, therefore, a connected person of the Company within the meaning of the Listing Rules, accordingly, NWDS is also a connected person of the Company within the meaning of the Listing Rules. Both the Hong Kong Underwriting Agreement and the International Placing Underwriting Agreement constituted connected transactions of the Company under the Listing Rules.

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

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

In accordance with paragraph 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed-upon procedures on the continuing connected transactions mentioned in (1) to (3) above in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported to the Board that the transactions:

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

Report of the Directors

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

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

(a) Advance to an entity

As at 30 June 2007, the Group has made advances to First Star Development Limited ("First Star", a jointly controlled entity of the Company which is engaged in the investment of a property development project) in the aggregate amount of HK\$1.963 billion for financing its project costs which represents approximately 5.0% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

As announced by the Company on 28 September 2007, the Group has made advances to First Star in the aggregate amount of HK\$3.097 billion which represents approximately 11.8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. These advances include the sum of HK\$2.097 billion 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.

(b) Financial assistance and guarantees to affiliated companies

As at 30 June 2007, the Group has provided financial assistance, by way of shareholders' loans/advances, in the aggregate amount of HK\$2.793 billion to its affiliated companies (included in amounts disclosed in Notes 19, 20 and 24 to the financial statements), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$1.052 billion (included in the amounts disclosed in Note 37 to the financial statements) and contracted to provide an aggregate amount of HK\$1.451 billion in capital and loans to affiliated companies. The said amounts, in aggregate, represents approximately 13.5% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

The advances are unsecured, interest free and have no definite repayment terms except for an aggregate amount of HK\$248.6 million which carries interest ranging from 6% to 10% per annum, an amount of HK\$105.0 million which carries interest at 0.6% over Hong Kong Interbank Offered Rate per annum, an amount of HK\$41.4 million which carries interest at Hong Kong prime rate per annum, and an amount of HK\$179.8 million which is repayable on or before 2009. Contracted capital and loan contributions to affiliated companies would be funded by borrowings or internal resources of the Group.

Pursuant to Rule 13.2 of the Listing Rules, a proforma combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2007 are presented as follows:

	Proforma combined balance sheet HK\$'m	Group's attributable interest HK\$'m
Non-current assets	35,532.1	14,989.4
Current assets	10,204.0	4,141.1
Current liabilities	(10,898.9)	(4,556.6)
Non-current liabilities	(13,294.5)	(5,502.3)
	21,542.7	9,071.6

The proforma combined balance sheet of the affiliated companies is prepared by combining their balance sheets, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant balance sheet classification, as at 30 June 2007.

Report of the Directors

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, over 42,000 staff were employed by entities under the Group's management of which some 23,000 were employed in Hong Kong. Total staff related costs, excluding directors' remunerations, were HK\$2.249 billion, of which provident funds and staff bonuses were included, as compared to HK\$2.190 billion for FY2006. Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed accordingly to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 142 and 143.

AUDITOR

The financial statements for the year ended 30 June 2007 have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Dr Cheng Kar Shun, Henry

Chairman

Hong Kong, 10 October 2007

Independent Auditor's Report



羅兵咸永道會計師事務所

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TO THE SHAREHOLDERS OF NWS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of NWS Holdings Limited (the "Company") and its subsidiary companies (together, the "Group") set out on pages 66 to 141, which comprise the consolidated and Company balance sheets as at 30 June 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 October 2007

Consolidated Income Statement

for the year ended 30 June

	Note	2007 HK\$'m	2006 HK\$'m
Revenue	5	15,047.1	12,543.9
Cost of sales		(13,750.8)	(11,444.6)
Gross profit		1,296.3	1,099.3
Other income	6	291.5	355.1
General and administrative expenses		(755.8)	(774.7)
Other charges	6	(14.4)	(30.0)
Operating profit	6	817.6	649.7
Finance costs	8	(221.1)	(253.8)
Share of results of			
Associated companies		542.6	476.6
Jointly controlled entities		1,034.8	909.4
Profit before income tax		2,173.9	1,781.9
Income tax expenses	9	(136.0)	(104.7)
Profit for the year		2,037.9	1,677.2
Attributable to			
Shareholders of the Company	10	2,005.4	1,656.6
Minority interests		32.5	20.6
		2,037.9	1,677.2
Dividends	11	1,104.4	849.4
Earnings per share attributable to shareholders of the Company	12		
Basic		HK\$1.01	HK\$0.89
Diluted		HK\$1.01	HK\$0.85

Consolidated Balance Sheet

as at 30 June

	Note	2007 HK\$'m	2006 HK\$'m
ASSETS			
Non-current assets			
Investment properties	14	1,103.3	1,043.6
Property, plant and equipment	15	1,957.1	1,944.2
Leasehold land and land use rights	16	99.1	107.0
Intangible assets	17	499.0	329.9
Associated companies	19	4,103.8	3,635.6
Jointly controlled entities	20	10,787.5	9,401.1
Available-for-sale financial assets	21	623.3	474.2
Other non-current assets	22	229.2	287.8
		19,402.3	17,223.4
Current assets			
Inventories	23	151.1	122.8
Trade and other receivables	24	14,692.1	5,692.6
Financial assets at fair value through profit or loss	25	246.9	1.1
Cash held on behalf of customers	26	2,042.4	–
Short term deposits	27	126.4	126.4
Cash and bank balances	27	3,120.8	2,421.3
		20,379.7	8,364.2
Total assets		39,782.0	25,587.6
EQUITY			
Share capital	29	2,014.2	1,943.8
Reserves	30	14,577.9	12,131.7
Proposed final dividend	30	604.4	390.8
Shareholders' funds		17,196.5	14,466.3
Minority interests		1,002.0	387.1
Total equity		18,198.5	14,853.4
LIABILITIES			
Non-current liabilities			
Borrowings	31	3,937.9	3,311.6
Other non-current liabilities	32	683.8	775.7
		4,621.7	4,087.3
Current liabilities			
Trade and other payables	33	9,030.3	5,333.6
Taxation		183.8	96.6
Borrowings	31	7,747.7	1,216.7
		16,961.8	6,646.9
Total liabilities		21,583.5	10,734.2
Total equity and liabilities		39,782.0	25,587.6
Net current assets		3,417.9	1,717.3
Total assets less current liabilities		22,820.2	18,940.7

Dr Cheng Kar Shun, Henry
Director

Mr Chan Kam Ling
Director

Balance Sheet

as at 30 June

	Note	2007 HK\$'m	2006 HK\$'m
ASSETS			
Non-current assets			
Property, plant and equipment	15	5.4	9.6
Subsidiary companies	18	7,893.3	7,893.3
		7,898.7	7,902.9
Current assets			
Trade and other receivables	24	9,532.1	7,604.0
Cash and bank balances	27	19.7	231.0
		9,551.8	7,835.0
Total assets		17,450.5	15,737.9
EQUITY			
Share capital	29	2,014.2	1,943.8
Reserves	30	10,054.0	9,181.4
Proposed final dividend	30	604.4	390.8
Total equity		12,672.6	11,516.0
LIABILITIES			
Non-current liabilities			
Borrowings	31	–	1,448.6
Other non-current liabilities	32	–	110.2
		–	1,558.8
Current liabilities			
Trade and other payables	33	4,178.4	1,588.6
Borrowings	31	599.5	1,074.5
		4,777.9	2,663.1
Total liabilities		4,777.9	4,221.9
Total equity and liabilities		17,450.5	15,737.9
Net current assets		4,773.9	5,171.9
Total assets less current liabilities		12,672.6	13,074.8

Dr Cheng Kar Shun, Henry
Director

Mr Chan Kam Ling
Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2007

	Shareholders' funds			Minority interests HK\$'m	Total HK\$'m
	Share capital HK\$'m	Reserves HK\$'m	Total HK\$'m		
Balance at 1 July 2006	1,943.8	12,522.5	14,466.3	387.1	14,853.4
Fair value changes on available-for-sale financial assets, net of tax	–	964.0	964.0	4.0	968.0
Reclassification of available-for-sale financial assets to associated companies, net of tax	–	(789.9)	(789.9)	–	(789.9)
Disposal of available-for-sale financial assets	–	(5.8)	(5.8)	–	(5.8)
Currency translation differences	–	400.6	400.6	20.6	421.2
Net income recognized directly in equity	–	568.9	568.9	24.6	593.5
Profit for the year	–	2,005.4	2,005.4	32.5	2,037.9
Total recognized income and expense for the year	–	2,574.3	2,574.3	57.1	2,631.4
Dividend paid					
to shareholders of the Company	–	(894.4)	(894.4)	–	(894.4)
to minority interests	–	–	–	(8.8)	(8.8)
Scrip dividends					
new shares issued – nominal value	26.4	–	26.4	–	26.4
share premium on issue of new shares	–	489.2	489.2	–	489.2
Convertible bonds					
new shares issued – nominal value	43.0	–	43.0	–	43.0
share premium on issue of new shares	–	519.1	519.1	–	519.1
equity component, net of tax	–	(31.3)	(31.3)	–	(31.3)
Share options					
new shares issued – nominal value	1.0	–	1.0	–	1.0
share premium on issue of new shares	–	2.9	2.9	–	2.9
Acquisition of subsidiary companies	–	–	–	568.4	568.4
Capital contribution from minority interests	–	–	–	4.4	4.4
Derecognition of minority interests upon disposal of subsidiary companies	–	–	–	(6.2)	(6.2)
Balance at 30 June 2007	2,014.2	15,182.3	17,196.5	1,002.0	18,198.5

Consolidated Statement of Changes in Equity

for the year ended 30 June 2006

	Shareholders' funds			Minority interests HK\$'m	Total HK\$'m
	Share capital HK\$'m	Reserves HK\$'m	Total HK\$'m		
Balance at 1 July 2005	1,825.1	11,199.8	13,024.9	362.2	13,387.1
Fair value changes on available-for-sale financial assets, net of tax	–	31.4	31.4	–	31.4
Currency translation differences	–	121.8	121.8	9.2	131.0
Net income recognized directly in equity	–	153.2	153.2	9.2	162.4
Profit for the year	–	1,656.6	1,656.6	20.6	1,677.2
Total recognized income and expense for the year	–	1,809.8	1,809.8	29.8	1,839.6
Dividend paid					
to shareholders of the Company	–	(1,593.9)	(1,593.9)	–	(1,593.9)
to minority interests	–	–	–	(0.7)	(0.7)
Scrip dividends					
new shares issued – nominal value	79.3	–	79.3	–	79.3
share premium on issue of new shares	–	838.2	838.2	–	838.2
Convertible bonds					
new shares issued – nominal value	26.8	–	26.8	–	26.8
share premium on issue of new shares	–	322.0	322.0	–	322.0
equity component, net of tax	–	(89.2)	(89.2)	–	(89.2)
Share options					
value of services provided	–	1.7	1.7	–	1.7
new shares issued – nominal value	12.6	–	12.6	–	12.6
share premium on issue of new shares	–	34.1	34.1	–	34.1
Capital contribution from minority interests	–	–	–	0.6	0.6
Derecognition of minority interests upon disposal of subsidiary companies	–	–	–	(4.8)	(4.8)
Balance at 30 June 2006	1,943.8	12,522.5	14,466.3	387.1	14,853.4

Consolidated Cash Flow Statement

for the year ended 30 June

	Note	2007 HK\$'m	2006 HK\$'m
Cash flows from operating activities			
Net cash generated from operations	38(a)	697.7	754.1
Finance costs paid		(206.2)	(218.4)
Interest received		115.5	76.6
Hong Kong profits tax paid		(56.9)	(81.2)
Mainland China and overseas taxation paid		(20.3)	(18.4)
Net cash generated from operating activities		529.8	512.7
Cash flows from investing activities			
Dividends received from associated companies		615.8	153.1
Dividends received from jointly controlled entities		760.9	786.7
Disposal of jointly controlled entities		214.6	48.1
Disposal of subsidiary companies, net of cash disposed of	38(c)	–	97.2
Acquisition of subsidiary companies	39	(177.4)	–
Increase in investments in associated companies		(715.1)	(250.0)
Increase in investments in jointly controlled entities		(946.4)	(395.7)
Additions of property, plant and equipment, investment properties, leasehold land and land use rights		(116.5)	(120.5)
Sale of property, plant and equipment, investment properties, leasehold land and land use rights		8.0	137.9
Decrease / (increase) in available-for-sale financial assets and financial assets at fair value through profit or loss		24.6	(167.6)
Increase in short term deposits with maturity more than three months		–	(126.4)
Dividends received from available-for-sale financial assets and financial assets at fair value through profit or loss		8.4	2.5
Decrease in other non-current assets		73.3	71.3
Net cash (used in) / generated from investing activities		(249.8)	236.6
Cash flows from financing activities			
New bank loans and other borrowings		3,000.8	1,580.9
Repayment of bank loans and other borrowings		(2,303.4)	(2,296.4)
Redemption of convertible bonds		–	(425.7)
Issue of new shares		3.9	46.7
Repayment of amount due to related companies		–	(184.0)
Decrease in loans from minority shareholders		(20.9)	(25.8)
Capital contribution from minority shareholders		4.4	0.6
Dividends paid to shareholders		(378.8)	(676.4)
Dividends paid to minority shareholders		(8.8)	(0.7)
Net cash generated from / (used in) financing activities		297.2	(1,980.8)
Net increase / (decrease) in cash and cash equivalents		577.2	(1,231.5)
Cash and cash equivalents at the beginning of year		2,421.3	3,649.9
Currency translation differences		42.3	2.9
Cash and cash equivalents at the end of year		3,040.8	2,421.3
Analysis of cash and cash equivalents			
Cash and bank balances	27	3,120.8	2,421.3
Bank overdrafts		(80.0)	–
		3,040.8	2,421.3

Notes to the Financial Statements

1 General information

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

The principal activity of the Company is investment holding.

The principal activities of its subsidiary companies include:

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

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

The financial statements have been approved for issue by the Board on 10 October 2007.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

(i) Adoption of new/revised HKFRSs

For the year ended 30 June 2006, the Group early adopted the amendment to HKAS 21 "The effects of changes in foreign exchange rates – Net investment in a foreign operation". For the year ended 30 June 2007, the Group has adopted all the remaining new standards, amendments to standards and interpretations that are effective for the accounting periods beginning on or after 1 January 2006. However, the adoption of these new standards does not have any significant effect on the accounting policies or results and financial position of the Group.

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Certain new standards, amendments and interpretations that have been issued and are mandatory for accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not yet adopted, are as follows:

Effective for the year ending 30 June 2008

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

Effective for the year ending 30 June 2009

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Effective for the year ending 30 June 2010

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments

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

(b) Subsidiary companies

Subsidiary companies are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiary companies are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

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

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(b) Subsidiary companies (continued)

Intra group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

(c) Associated companies

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

Investments in associated companies are accounted for by the equity method of accounting and are initially recognized at cost. Investments in associated companies include goodwill, net of any accumulated impairment loss, identified on acquisition.

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

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the interest in the associated companies held by the Group. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Jointly controlled entities

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

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

Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(d) Jointly controlled entities (continued)

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

(i) *Equity joint ventures*

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

(ii) *Co-operative joint ventures*

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

(iii) *Companies limited by shares*

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

(e) Minority interests

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

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the differences between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary company being acquired.

(f) Intangible assets

(i) *Goodwill*

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

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(f) Intangible assets (continued)

(ii) Trademark and licences

Trademark has a finite useful life and is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight line method to allocate the cost of trademark over their estimated useful lives.

Licences have an indefinite lives and are carried at cost less impairment. Such licences are not amortized.

(g) Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services rendered in the ordinary course of the activities of the Group. Revenue is shown net of sales tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

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

(i) Construction and engineering

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

(ii) Toll revenue

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

(iii) Port revenue

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

(iv) Service fee income

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

(v) Rental income

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

(vi) Insurance brokerage premium

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

(vii) Sales of goods

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

(viii) Commission and profit or loss on trading of financial instruments

Commission on dealing in securities, futures, options and bullion contracts and the profit and loss on trading in securities, futures, options and bullion contracts, are recognized on the transaction dates when the relevant contract notes are executed.

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(g) Revenue recognition (continued)

(ix) *Consultancy, financial advisory, fund management and related fees*

Consultancy and financial advisory fees, placing, underwriting and sub-underwriting commissions, and commission income from the sale of savings plans are recognized on an accrual basis in accordance with the terms of the underlying agreements. Income from fund management, custodian and handling services are recognized when services are rendered.

(x) *Income from leveraged foreign exchange transactions*

Income from leveraged foreign exchange transactions are recognized on an accrual basis.

(xi) *Interest income*

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

(xii) *Dividend income*

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

(h) Leases

(i) *Finance leases*

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

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

(ii) *Operating leases*

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

(i) Leasehold land and land use rights

The upfront 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.

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(j) Investment properties

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation conducted as at the balance sheet date. Changes in fair values are recognized in the income statement.

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

(k) Property, plant and equipment

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

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

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

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

No depreciation is provided in respect of construction in progress.

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

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

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(l) Impairment of non-financial assets

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

For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(m) Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) *Loans and receivables*

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

(iii) *Available-for-sale financial assets*

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

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(m) Financial assets (continued)

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

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

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

(n) Trade and other receivables

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

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(o) Inventories and contracts in progress

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

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

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

(p) Cash and cash equivalents

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

(q) Provisions

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

(r) Contingent liabilities and contingent assets

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

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

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(s) Deferred income tax

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

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

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

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(u) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(u) Foreign currencies (continued)

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

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

(v) Employee benefits

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

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

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

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

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

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(v) Employee benefits (continued)

Share-based compensation

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

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

(w) Borrowings

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

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(x) Segment reporting

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

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

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

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

(y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period when the dividends become obligations of the Company.

3 Financial risk management and fair value estimation

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

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

(a) Interest rate risk

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

(b) Foreign exchange risk

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

Notes to the Financial Statements

3 Financial risk management and fair value estimation (continued)

(c) Price risk

The Group is exposed to equity securities price risk because certain investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group performs periodic evaluations of the investment portfolio in order to minimise the risk associated with the investments whilst continuing to follow the Group's investment objectives.

(d) Credit risk

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

(e) Liquidity risk

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

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

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

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

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

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, debtors and prepayments, cash and cash equivalents, creditors and accruals and current borrowings approximate their fair value.

Notes to the Financial Statements

4 Critical accounting estimates and judgements

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

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

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

(a) Fair value of investment property

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

(b) Impairment of assets

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

(c) Estimate of revenue and costs of construction works

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

Notes to the Financial Statements

4 Critical accounting estimates and judgements (continued)

(d) Income taxes

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

Recognition of deferred tax assets, which principally relate to tax losses, depends on the expectation of future taxable profit that will be available against which tax losses can be utilized. The outcome of their actual utilization may be different.

5 Revenue and segment information

The Group's revenue comprises revenue from ports, roads and bridges operation, facilities rental income, facilities management income, revenue from contracting business, financial services and sales of goods and rendering of other services.

	2007 HK\$'m	2006 HK\$'m
Ports	17.9	16.3
Roads and bridges	239.7	239.2
Facilities rental	890.6	858.0
Facilities management	2,467.9	2,629.4
Contracting	11,205.0	8,619.9
Financial services	148.0	15.0
Other services	78.0	166.1
	15,047.1	12,543.9

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.

Notes to the Financial Statements

5 Revenue and segment information (continued)

(a) Primary reporting format – business segments

HK\$'m	Ports	Roads and bridges	Energy, water treatment and waste management	Facilities rental	Facilities management	Contracting	Financial services	Other services	Eliminations	Consolidated
2007										
External sales	17.9	239.7	–	890.6	2,467.9	11,205.0	148.0	78.0	–	15,047.1
Inter-segment sales	–	–	–	0.4	107.2	725.5	13.2	5.7	(852.0)	–
Total revenue	17.9	239.7	–	891.0	2,575.1	11,930.5	161.2	83.7	(852.0)	15,047.1
Segment results	1.1	130.2	13.5	229.7	247.4	137.3	60.4	10.9	–	830.5
Write-back of provision for receivables	–	58.0	–	–	–	–	–	–	–	58.0
Fair value gains on investment properties	–	–	–	7.0	–	16.2	–	–	–	23.2
Assets impairment loss	–	(14.4)	–	–	–	–	–	–	–	(14.4)
Unallocated corporate expenses										(79.7)
Operating profit										817.6
Finance costs										(221.1)
Share of results of										
Associated companies	25.6	(14.9)	272.0	–	0.2	103.3	107.5	48.9	–	542.6
Jointly controlled entities	53.0	493.8	144.2	214.4	0.2	33.8	–	95.4	–	1,034.8
Profit before income tax										2,173.9
Income tax expenses										(136.0)
Profit for the year										2,037.9
Segment assets	67.1	1,647.4	–	1,341.5	714.9	5,521.4	11,076.5	128.7	–	20,497.5
Associated companies	300.5	422.9	1,656.2	–	1.2	870.5	364.4	488.1	–	4,103.8
Jointly controlled entities	589.0	3,988.0	1,774.4	2,043.9	10.1	1,019.6	3.0	1,359.5	–	10,787.5
Unallocated assets										4,393.2
Total assets										39,782.0
Segment liabilities	4.1	677.2	0.4	305.6	460.9	4,770.8	3,005.1	15.6	–	9,239.7
Unallocated liabilities										12,343.8
Total liabilities										21,583.5
Capital expenditure	0.4	1.2	–	27.6	36.8	42.9	1.2	6.4	–	116.5
Depreciation	1.2	89.0	–	23.8	34.2	39.5	2.5	11.0	–	201.2
Amortization of leasehold land and land use rights	–	–	–	–	0.2	4.2	–	0.4	–	4.8

Notes to the Financial Statements

5 Revenue and segment information (continued)

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

HK\$'m	Ports	Roads and bridges	Energy, water treatment and waste management	Facilities rental	Facilities management	Contracting	Financial services	Other services	Eliminations	Consolidated
2006										
External sales	16.3	239.2	–	858.0	2,629.4	8,619.9	15.0	166.1	–	12,543.9
Inter-segment sales	–	–	–	0.1	158.7	494.8	12.7	5.4	(671.7)	–
Total revenue	16.3	239.2	–	858.1	2,788.1	9,114.7	27.7	171.5	(671.7)	12,543.9
Segment results	6.5	107.7	12.5	241.8	142.2	88.0	10.2	(3.5)	–	605.4
Profit on disposal of subsidiary companies	–	65.7	–	–	–	–	–	–	–	65.7
Profit on disposal of jointly controlled entities	–	68.7	–	–	–	–	–	–	–	68.7
Fair value gains on investment properties	–	–	–	3.0	–	–	–	–	–	3.0
Profit on disposal of land use rights and properties	22.7	–	–	–	–	–	–	–	–	22.7
Assets impairment loss	–	–	–	–	–	–	–	(30.0)	–	(30.0)
Gain on redemption of convertible bonds	–	–	–	–	–	–	–	–	–	48.0
Unallocated corporate expenses	–	–	–	–	–	–	–	–	–	(133.8)
Operating profit	–	–	–	–	–	–	–	–	–	649.7
Finance costs	–	–	–	–	–	–	–	–	–	(253.8)
Share of results of										
Associated companies	11.7	(11.9)	368.5	–	0.3	51.0	57.0	–	–	476.6
Jointly controlled entities	54.8	420.7	123.2	188.1	(0.1)	37.6	–	85.1	–	909.4
Profit before income tax	–	–	–	–	–	–	–	–	–	1,781.9
Income tax expenses	–	–	–	–	–	–	–	–	–	(104.7)
Profit for the year	–	–	–	–	–	–	–	–	–	1,677.2
Segment assets	139.9	1,872.5	–	1,237.8	671.7	4,860.0	61.3	107.4	–	8,950.6
Associated companies	292.5	413.2	1,527.9	–	0.8	774.5	626.7	–	–	3,635.6
Jointly controlled entities	409.6	3,699.9	1,451.3	1,818.1	9.2	760.8	–	1,252.2	–	9,401.1
Unallocated assets	–	–	–	–	–	–	–	–	–	3,600.3
Total assets	–	–	–	–	–	–	–	–	–	25,587.6
Segment liabilities	3.4	627.8	0.4	287.9	465.2	4,016.4	82.4	98.7	–	5,582.2
Unallocated liabilities	–	–	–	–	–	–	–	–	–	5,152.0
Total liabilities	–	–	–	–	–	–	–	–	–	10,734.2
Capital expenditure	0.1	1.1	–	42.8	23.2	42.0	0.3	11.0	–	120.5
Depreciation	1.5	88.8	–	19.3	39.5	39.3	0.7	9.3	–	198.4
Amortization of leasehold land and land use rights	–	–	–	–	0.2	2.3	–	0.5	–	3.0

Notes to the Financial Statements

5 Revenue and segment information (continued)

(b) Secondary reporting format – geographical segments

HK\$m	Segment revenue	Segment results	Capital expenditure	Segment assets
2007				
Hong Kong	8,313.1	519.2	105.5	16,842.8
Mainland China	1,622.6	168.0	10.7	2,223.2
Macau	5,108.8	142.8	0.3	1,425.6
Others	2.6	0.5	–	5.9
	15,047.1	830.5	116.5	20,497.5
2006				
Hong Kong	8,955.0	365.5	98.8	5,629.9
Mainland China	1,427.3	137.2	17.4	2,694.8
Macau	2,159.4	97.3	4.3	613.2
Others	2.2	5.4	–	12.7
	12,543.9	605.4	120.5	8,950.6

Notes to the Financial Statements

6 Operating profit

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

	Note	2007 HK\$'m	2006 HK\$'m
Crediting			
Gross rental income from investment properties		43.2	42.2
Less: Outgoings		(10.6)	(12.5)
		32.6	29.7
Exchange gains		23.2	17.6
Other income			
Profit on disposal of subsidiary companies		–	65.7
Profit on disposal of jointly controlled entities		–	68.7
Profit on disposal of land use rights and properties		–	22.7
Profit on disposal of available-for-sale financial assets		18.4	5.4
Net profit on disposal of financial assets at fair value through profit or loss		9.1	0.2
Fair value gains on financial assets at fair value through profit or loss		7.6	–
Interest income		115.5	76.6
Management fee income		35.9	44.8
Machinery hire income		12.2	14.2
Fair value gains on investment properties		23.2	3.0
Gain on redemption of convertible bonds		–	48.0
Write-back of provision for receivables		58.0	–
Dividends and others		11.6	5.8
		291.5	355.1
Charging			
Auditor's remuneration		21.8	18.1
Cost of inventories sold		802.5	827.3
Impairment of trade and other receivables		25.7	31.1
Write-down of inventories		0.7	7.2
Depreciation		201.2	198.4
Amortization of leasehold land and land use rights		4.8	3.0
Operating lease rental expense			
Properties		66.6	57.8
Other equipment		2.8	2.8
Staff costs	7	1,966.3	1,916.5
Other charges			
Assets impairment loss		14.4	30.0

Notes to the Financial Statements

7 Staff costs (including directors' emoluments)

	Note	2007 HK\$'m	2006 HK\$'m
Wages and salaries		2,197.0	2,131.9
Share-based payment		–	1.7
Long service payment obligations		1.7	2.2
Defined contribution plans	35(a)	86.9	84.3
Defined benefits plans	35(b)(ii)	(0.3)	0.1
		2,285.3	2,220.2
Less: capitalized under contracts in progress		(319.0)	(303.7)
		1,966.3	1,916.5

8 Finance costs

	2007 HK\$'m	2006 HK\$'m
Interest on loans and borrowings		
wholly repayable within five years	199.4	207.6
Interest on loans from minority shareholders		
wholly repayable within five years	5.8	13.4
Interest on convertible bonds		
wholly repayable within five years	4.3	23.9
Other borrowing costs	11.6	8.9
	221.1	253.8

9 Income tax expenses

Hong Kong profits tax is provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 3% to 33% (2006: 3% to 33%).

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), pursuant to which the corporate income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. The New CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. However, at the date of this report, detailed measures concerning these matters have yet to be issued by the State Council. The New CIT Law has an impact on the deferred income tax assets and liabilities of the Group and accordingly, the amount of deferred taxation as at 30 June 2007 has been reassessed on the best estimation of the applicable corporate income tax rates. The Group will continue to evaluate the impact when more detailed regulations on these areas are announced.

Notes to the Financial Statements

9 Income tax expenses (continued)

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

	Note	2007 HK\$'m	2006 HK\$'m
Current income tax			
Hong Kong profits tax		85.3	58.4
Mainland China and overseas taxation		38.9	30.3
Deferred income tax	34	11.8	16.0
		136.0	104.7

Share of associated companies' and jointly controlled entities' taxation of HK\$117.8 million (2006: HK\$64.0 million) and HK\$186.8 million (2006: HK\$139.0 million) respectively are included in the consolidated income statement as share of results of associated companies and jointly controlled entities respectively.

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

	2007 HK\$'m	2006 HK\$'m
Profit before income tax	2,173.9	1,781.9
Share of results of associated companies	(542.6)	(476.6)
Share of results of jointly controlled entities	(1,034.8)	(909.4)
	596.5	395.9
Tax calculated at domestic tax rates applicable to profits in respective countries	104.9	70.6
Tax exemption granted	(9.5)	(14.0)
Income not subject to taxation	(46.8)	(57.2)
Expenses not deductible for taxation purposes	75.1	41.2
Unused tax losses not recognized	37.6	74.7
Utilization of previously unrecognized tax losses	(30.1)	(15.8)
Others	4.8	5.2
Income tax expenses	136.0	104.7

The weighted average applicable tax rate was 17.6% (2006: 17.8%). The decrease is caused by a change in the profitability of the Group's subsidiary companies in respective countries.

10 Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$969.4 million (2006: HK\$1,187.7 million).

Notes to the Financial Statements

11 Dividends

	2007 HK\$'m	2006 HK\$'m
Interim dividend paid of HK\$0.25 (2006: HK\$0.24) per share	500.0	455.0
Final dividend proposed of HK\$0.30 (2006: paid of HK\$0.20) per share	604.4	394.4
	1,104.4	849.4

On 10 October 2007, the Board recommended a final dividend of HK\$0.30 per share. This dividend will be accounted for as an appropriation of the retained profits for the year ending 30 June 2008.

12 Earnings per share

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

	2007 HK\$'m	2006 HK\$'m
Profit attributable to shareholders of the Company	2,005.4	1,656.6
Effect of dilutive potential ordinary shares		
Interest on convertible bonds, net of tax	3.5	19.7
Profit for calculation of diluted earnings per share	2,008.9	1,676.3

	Number of shares	
	2007	2006
Weighted average number of shares for calculating basic earnings per share	1,978,273,528	1,869,586,707
Effect of dilutive potential ordinary shares		
Share options	1,735,910	1,800,667
Convertible bonds	15,962,978	89,225,798
Weighted average number of shares for calculating diluted earnings per share	1,995,972,416	1,960,613,172

13 Emoluments of directors and senior management

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

	2007 HK\$'m	2006 HK\$'m
Fees	2.5	2.4
Basic salaries, allowances and other benefits	31.9	25.2
Share option benefits	10.6	38.4
Employer's contribution to retirement benefits schemes	1.8	1.5
	46.8	67.5

Notes to the Financial Statements

13 Emoluments of directors and senior management (continued)

The remunerations of individual directors are set out below:

Name of director	Fees HK\$'m	Basic salaries, allowances and other benefits HK\$'m	Share option benefits HK\$'m	Employer's contribution to retirement benefits schemes HK\$'m	2007 Total emoluments HK\$'m	2006 Total emoluments HK\$'m
Dr Cheng Kar Shun, Henry	0.25	4.16	–	0.10	4.51	10.23
Mr Doo Wai Hoi, William	0.15	2.88	–	0.18	3.21	8.93
Mr Chan Kam Ling	0.15	5.27	–	0.39	5.81	11.00
Mr Tsang Yam Pui	0.15	4.77	–	0.19	5.11	4.85
Mr Wong Kwok Kin, Andrew	0.15	4.00	–	0.22	4.37	7.83
Mr Lam Wai Hon, Patrick	0.15	3.95	–	0.29	4.39	8.25
Mr Cheung Chin Cheung	0.15	3.90	–	0.29	4.34	5.30
Mr William Junior Guilherme Doo	0.15	2.95	–	0.11	3.21	2.89
Mr Wilfried Ernst Kaffenberger [#]	0.15	–	10.68	–	10.83	0.15
Mr To Hin Tsun, Gerald [#]	0.15	0.01	–	–	0.16	1.91
Mr Dominic Lai [#]	0.15	–	–	–	0.15	1.87
Mr Kwong Che Keung, Gordon*	0.25	–	–	–	0.25	1.97
Mr Cheng Wai Chee, Christopher*	0.25	–	–	–	0.25	2.07
Mr Shek Lai Him, Abraham*	0.25	–	–	–	0.25	0.25
Total	2.50	31.89	10.68	1.77	46.84	67.50

Non-executive director

* Independent non-executive director

Notes:

- (a) Remuneration package including basic salaries, allowances and other benefits, contribution to retirement benefits scheme and share option benefits are determined according to individual performance, job responsibility and seniority, and are reviewed with reference to market conditions.
- (b) There is no payment on inducement fees and compensation for loss of office as director.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2006: five) directors whose emoluments are reflected in the above analysis. The emoluments payable to the remaining one (2006: nil) individual during the year are as follows:

	2007 HK\$'m	2006 HK\$'m
Basic salaries, allowances and other benefits	4.39	–
Employer's contribution to retirement benefits schemes	0.01	–
	4.40	–

Notes to the Financial Statements

14 Investment properties

	Note	Group	
		2007 HK\$m	2006 HK\$m
At the beginning of year		1,043.6	1,040.3
Additions		–	0.3
Transfer from leasehold land and land use rights, property, plant and equipment	15,16	36.5	–
Fair value changes		23.2	3.0
At the end of year		1,103.3	1,043.6

The investment properties were revalued on 30 June 2007 and 30 June 2006 on an open market value basis by Vigers Hong Kong Limited, independent professional property valuers.

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

	2007 HK\$m	2006 HK\$m
In Hong Kong, held on leases of over 50 years	1,092.0	1,041.1
In Hong Kong, held on leases of between 10 to 50 years	6.6	–
In Mainland China, held on leases of over 50 years	4.7	2.5
	1,103.3	1,043.6

Notes to the Financial Statements

15 Property, plant and equipment

HK\$m	Note	Group				Total	Company
		Properties	Roads and bridges	Port facilities and terminal equipment	Other plant and equipment		Other plant and equipment
Cost							
At 1 July 2006		185.8	1,823.3	11.1	1,361.3	3,381.5	16.6
Currency translation differences		–	121.5	0.7	6.0	128.2	–
Additions		3.2	–	–	113.3	116.5	2.8
Acquisition of subsidiary companies	39	3.1	–	–	234.2	237.3	–
Disposals		(2.8)	–	–	(47.3)	(50.1)	–
Disposal of subsidiary companies	38(b)	–	–	–	(17.7)	(17.7)	–
Transfer to investment properties	14	(36.4)	–	–	–	(36.4)	–
At 30 June 2007		152.9	1,944.8	11.8	1,649.8	3,759.3	19.4
Accumulated depreciation and impairment							
At 1 July 2006		27.5	409.3	5.9	994.6	1,437.3	7.0
Currency translation differences		–	28.2	0.3	2.9	31.4	–
Acquisition of subsidiary companies	39	0.8	–	–	162.6	163.4	–
Depreciation		3.8	87.3	1.0	109.1	201.2	7.0
Impairment		–	14.4	–	–	14.4	–
Disposals		(1.0)	–	–	(42.4)	(43.4)	–
Transfer to investment properties	14	(2.1)	–	–	–	(2.1)	–
At 30 June 2007		29.0	539.2	7.2	1,226.8	1,802.2	14.0
Net book value							
At 30 June 2007		123.9	1,405.6	4.6	423.0	1,957.1	5.4
At 30 June 2006		158.3	1,414.0	5.2	366.7	1,944.2	9.6

Notes to the Financial Statements

15 Property, plant and equipment (continued)

HK\$m	Note	Group				Company	
		Properties	Roads and bridges	Port facilities and terminal equipment	Other plant and equipment	Total	Other plant and equipment
Cost							
At 1 July 2005		558.4	1,892.6	11.1	1,368.8	3,830.9	10.6
Currency translation differences		2.6	55.7	0.3	2.2	60.8	–
Additions		3.7	–	–	109.6	113.3	6.4
Disposals		(378.9)	–	(0.3)	(119.3)	(498.5)	(0.4)
Disposal of subsidiary companies	38(b)	–	(125.0)	–	–	(125.0)	–
At 30 June 2006		185.8	1,823.3	11.1	1,361.3	3,381.5	16.6
Accumulated depreciation and impairment							
At 1 July 2005		337.9	321.0	5.0	985.7	1,649.6	3.3
Currency translation differences		1.5	9.4	0.1	0.9	11.9	–
Depreciation		3.4	86.6	1.0	107.4	198.4	4.1
Disposals		(315.3)	–	(0.2)	(99.4)	(414.9)	(0.4)
Disposal of subsidiary companies	38(b)	–	(7.7)	–	–	(7.7)	–
At 30 June 2006		27.5	409.3	5.9	994.6	1,437.3	7.0
Net book value							
At 30 June 2006		158.3	1,414.0	5.2	366.7	1,944.2	9.6
At 30 June 2005		220.5	1,571.6	6.1	383.1	2,181.3	7.3

Notes to the Financial Statements

16 Leasehold land and land use rights

	Note	Group	
		2007 HK\$'m	2006 HK\$'m
Cost			
At the beginning of year		144.5	173.7
Currency translation differences		0.3	0.6
Additions		–	6.9
Disposals		(1.6)	(36.7)
Transfer to investment properties	14	(3.4)	–
At the end of year		139.8	144.5
Accumulated amortization and impairment			
At the beginning of year		37.5	39.5
Currency translation differences		–	0.1
Amortization		4.8	3.0
Disposals		(0.4)	(5.1)
Transfer to investment properties	14	(1.2)	–
At the end of year		40.7	37.5
Net book value			
At the end of year		99.1	107.0

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

	2007 HK\$'m	2006 HK\$'m
In Hong Kong, held on		
Leases of over 50 years	17.6	18.7
Leases of between 10 to 50 years	50.7	53.2
In Mainland China and overseas, held on		
Leases of over 50 years	12.2	15.7
Leases of between 10 to 50 years	18.3	19.1
Leases of below 10 years	0.3	0.3
	99.1	107.0

Notes to the Financial Statements

17 Intangible assets

HK\$'m	Note	Group		Total
		Goodwill	Trademark and licenses	
Cost				
At 1 July 2005 and 1 July 2006		345.3	–	345.3
Acquisition of subsidiary companies	39	9.8	162.8	172.6
At 30 June 2007		355.1	162.8	517.9
Accumulated impairment and amortization				
At 1 July 2005 and 1 July 2006		15.4	–	15.4
Acquisition of subsidiary companies	39	–	3.5	3.5
At 30 June 2007		15.4	3.5	18.9
Net book value				
At 30 June 2007		339.7	159.3	499.0
At 30 June 2006		329.9	–	329.9

(a) Goodwill

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segment. The recoverable amount of a CGU is determined based on value-in-use calculations. The key assumptions adopted on growth rates and discount rates used in the value-in-use calculations are based on management's best estimates. Discount rates used also reflect specific risks relating to the relevant segments. Growth rates are determined by considering both internal and external factors relating to the relevant segments.

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

HK\$'m	Hong Kong	Mainland China	Total
2007			
Contracting	136.8	–	136.8
Facilities management	89.6	–	89.6
Roads and bridges	–	19.4	19.4
Financial services	93.9	–	93.9
	320.3	19.4	339.7
2006			
Contracting	136.8	–	136.8
Facilities management	89.6	–	89.6
Roads and bridges	–	19.4	19.4
Financial services	84.1	–	84.1
	310.5	19.4	329.9

Discount rates used for value-in-use calculations range from 7.26% to 7.61%.

Notes to the Financial Statements

17 Intangible assets (continued)

(b) Trademark and licences

Trademark as at 30 June 2007 primarily resulted from the acquisition of financial service business and are assessed to have a finite useful life. Trademark is tested for impairment when there is indication of impairment and amortized over their finite useful lives.

Licences represent the Group's eligibility rights to trade on or through the Hong Kong Stock Exchange and The Hong Kong Futures Exchange Limited, which are considered to have indefinite lives, which are not amortized.

18 Subsidiary companies

	Company	
	2007 HK\$m	2006 HK\$m
Unlisted shares, at cost	7,893.3	7,893.3

As at 30 June 2006, the Group held approximately 22% of the share capital of Taifook Securities Group Limited ("Taifook Securities"), a company listed on the Hong Kong Stock Exchange. On 8 June 2007, the Group acquired approximately an additional 40% of Taifook Securities for a consideration of HK\$600.2 million. Since then, Taifook Securities became an indirectly owned subsidiary company of the Company. As at 30 June 2007, the Group held 376,619,103 shares of Taifook Securities and the market value of these shares was HK\$1,544.1 million. Further details of the acquisition is disclosed in Note 39.

Particulars of principal subsidiary companies are given in Note 43.

19 Associated companies

	Note	Group	
		2007 HK\$m	2006 HK\$m
Group's share of net assets			
Companies listed in Hong Kong	19(a)	731.1	904.1
Company listed in Mainland China	19(a)	183.5	–
Unlisted companies	19(b)	2,665.9	2,408.9
		3,580.5	3,313.0
Goodwill		267.5	103.5
Amounts receivable	19(c)	255.8	219.1
		4,103.8	3,635.6

Notes to the Financial Statements

19 Associated companies (continued)

- (a) The market value of the Group's listed investment in associated companies in Hong Kong amounts to HK\$756.4 million (2006: HK\$698.7 million). The market value of the Group's listed investment in associated companies in Mainland China amounts to HK\$1,125.7 million (2006: nil).
- (b) Included in the unlisted associated companies are two investment companies which the Group has set up for yield enhancement. For the year ended 30 June 2007, the Group's share of results of these two investment companies amounted to HK\$48.9 million (2006: nil). The Group's share of net assets as at 30 June 2007 amounted to HK\$405.5 million (2006: nil), which mainly represents the market value of investments in various Hong Kong listed shares.
- (c) The amounts receivable are unsecured, interest free and have no fixed terms of repayment except for an amount of HK\$93.1 million (2006: HK\$100.4 million) which bears interest at 8% per annum. The carrying amounts of the amounts receivable are not materially different from their fair values.
- (d) Dividend income from associated companies was HK\$624.8 million (2006: HK\$153.1 million).
- (e) Particulars of principal associated companies of the Group are disclosed under Note 44.
- (f) Contingent liabilities relating to the Group's interest in the associated companies are disclosed under Note 37.
- (g) The Group's share of assets, liabilities, revenue and results of associated companies are summarized below:

	Group	
	2007 HK\$'m	2006 HK\$'m
Non-current assets	4,359.0	3,663.7
Current assets	1,509.6	1,737.9
Current liabilities	(1,187.7)	(1,334.2)
Non-current liabilities	(1,100.4)	(754.4)
Net assets	3,580.5	3,313.0
Revenue	2,415.2	1,975.7
Profit for the year	542.6	476.6

Notes to the Financial Statements

20 Jointly controlled entities

	Note	Group	
		2007 HK\$'m	2006 HK\$'m
Co-operative joint ventures			
Cost of investment less provision		1,366.0	1,371.9
Goodwill		98.3	98.3
Share of undistributed post-acquisition results		1,182.1	767.0
Amounts receivable	20(a)	984.6	1,064.8
		3,631.0	3,302.0
Equity joint ventures			
Group's share of net assets		1,003.0	453.1
Amounts receivable	20(a)	–	20.7
		1,003.0	473.8
Companies limited by shares			
Group's share of net assets		4,539.4	4,252.7
Goodwill		363.0	363.0
Amounts receivable	20(a)	1,283.8	1,009.6
Amounts payable	20(b)	(32.7)	–
		6,153.5	5,625.3
		10,787.5	9,401.1

(a) Amounts receivable are analyzed as follows:

	Note	Group	
		2007 HK\$'m	2006 HK\$'m
Interest bearing			
Fixed rates	20(a)(i)	155.5	159.7
Variable rates	20(a)(ii)	128.7	116.4
Non-interest bearing		1,984.2	1,819.0
		2,268.4	2,095.1

(i) Charged interest at fixed rates ranging from 6% to 10% per annum (2006: 2% to 10% per annum).

(ii) Represents variable rates ranging from 0.6% over one-month Hong Kong Interbank Offered Rate to Hong Kong prime rate.

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

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

Notes to the Financial Statements

20 Jointly controlled entities (continued)

- (b) The amounts payable are unsecured, non-interest bearing and have no fixed term of repayment. The carrying amount is not materially different from its fair value.
- (c) Dividend income from jointly controlled entities was HK\$708.1 million (2006: HK\$747.5 million).
- (d) Particulars of principal jointly controlled entities are disclosed under Note 45.
- (e) Contingent liabilities relating to the Group's interest in the jointly controlled entities are disclosed under Note 37.
- (f) The Group's share of assets, liabilities, revenue and results of jointly controlled entities are summarized below:

	Group	
	2007 HK\$'m	2006 HK\$'m
Non-current assets	13,412.3	11,909.1
Current assets	3,802.4	3,326.1
Current liabilities	(4,163.8)	(4,781.3)
Non-current liabilities	(4,960.4)	(3,609.2)
Net assets	8,090.5	6,844.7
Revenue	4,186.4	4,049.1
Profit for the year	1,034.8	909.4

21 Available-for-sale financial assets

	Group	
	2007 HK\$'m	2006 HK\$'m
Listed securities		
Equity securities listed in Hong Kong	340.8	147.9
Unlisted securities		
Equity securities	243.5	287.3
Debt securities	39.0	39.0
	623.3	474.2
Market value of listed securities	340.8	147.9

The fair values of the listed securities are determined based on the quoted market bid prices available on the relevant exchanges. The fair values of the unlisted securities are determined using financial models, such as discounted cash flow model, and by reference to quoted prices from relevant financial institutions.

Notes to the Financial Statements

21 Available-for-sale financial assets (continued)

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

	Group	
	2007 HK\$'m	2006 HK\$'m
Hong Kong dollar	378.8	157.9
Renminbi	84.4	57.5
United States dollar	97.8	196.5
Others	62.3	62.3
	623.3	474.2

22 Other non-current assets

	Note	Group	
		2007 HK\$'m	2006 HK\$'m
Long term receivable	22(a)	194.6	272.3
Retirement benefit assets	35(b)(i)	11.1	10.0
Deferred tax assets	34	6.3	5.5
Other receivables		17.2	–
		229.2	287.8

(a) Long term receivable

	Note	Group	
		2007 HK\$'m	2006 HK\$'m
Long term receivable		272.3	350.0
Current portion included in trade and other receivables	24	(77.7)	(77.7)
		194.6	272.3

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

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

Notes to the Financial Statements

23 Inventories

	Group	
	2007 HK\$'m	2006 HK\$'m
Raw materials	26.4	17.5
Work-in-progress	9.5	9.0
Finished goods	115.2	96.3
	151.1	122.8

24 Trade and other receivables

	Note	Group		Company	
		2007 HK\$'m	2006 HK\$'m	2007 HK\$'m	2006 HK\$'m
Trade receivables	24(a)	8,118.4	1,193.5	–	–
Retention money receivables		1,192.3	904.2	–	–
Current portion of long term receivable	22(a)	77.7	77.7	–	–
Amounts due from customers for contract works	28	506.3	356.2	–	–
Advances to customers	24(b)	2,205.6	–	–	–
Other receivables, deposits and prepayments		2,322.6	2,869.2	3.8	7.5
Amounts due from associated companies	24(c)	68.9	26.7	–	–
Amounts due from jointly controlled entities	24(c)	200.3	265.1	–	–
Amounts due from subsidiary companies	24(d)	–	–	9,528.3	7,596.5
		14,692.1	5,692.6	9,532.1	7,604.0

Notes to the Financial Statements

24 Trade and other receivables (continued)

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

	Note	Group	
		2007 HK\$'m	2006 HK\$'m
Receivables arising from securities business	24(a)(i)	6,215.6	–
Other trade receivables		1,902.8	1,193.5
		8,118.4	1,193.5

- (i) The balance represents mainly accounts receivable attributable to dealing in securities and equity options transactions which are to be settled two days after the trade date, accounts receivable attributable to dealing in futures, options and bullion contracts transactions which are to be settled one day after the trade date, and accounts receivable attributable to new shares subscription on clients' behalf which are normally settled within one week.

The ageing analysis of trade receivables is as follows:

	Group	
	2007 HK\$'m	2006 HK\$'m
Under 3 months	7,803.5	962.4
4 to 6 months	104.0	108.2
Over 6 months	210.9	122.9
	8,118.4	1,193.5

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

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

- (b) The Group has made loans to margin clients for its securities businesses. Such loans are secured by the underlying pledged securities and are interest bearing. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group. As at 30 June 2007, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK\$15,942.2 million (2006: Nil).
- (c) The amounts receivable are interest free, unsecured and have no fixed repayment terms except for an amount of HK\$17.7 million (2006: HK\$10.5 million) which carries interest at Hong Kong Prime Rate.
- (d) The amounts due from subsidiary companies are unsecured, interest free and have no fixed repayment terms.

The Group has recognized a loss of HK\$25.7 million (2006: HK\$31.1 million) for the impairment of its trade and other receivables during the year ended 30 June 2007. The loss has been included in general and administrative expenses in the income statement.

Included in the Group's trade and other receivables are HK\$603.9 million (2006: HK\$992.7 million) denominated in Renminbi and HK\$1,517.8 million (2006: HK\$468.7 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong Dollar.

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

Notes to the Financial Statements

25 Financial assets at fair value through profit or loss

	Group	
	2007 HK\$'m	2006 HK\$'m
Listed securities		
Equity securities listed in Hong Kong	111.9	1.1
Equity securities listed overseas	9.7	–
	121.6	1.1
Unlisted securities		
Equity securities	54.7	–
Debt securities	70.6	–
	125.3	–
Total	246.9	1.1
Market value of listed securities	121.6	1.1

The fair values of the listed securities are determined based on the quoted market bid prices available on the relevant exchanges. The fair values of the unlisted securities are determined using financial models, such as discounted cashflow model, and by reference to quoted prices from relevant financial institutions.

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

	Group	
	2007 HK\$'m	2006 HK\$'m
Hong Kong dollar	111.9	1.1
United States dollar	102.2	–
Others	32.8	–
	246.9	1.1

Notes to the Financial Statements

26 Cash held on behalf of customers

The Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from its securities businesses. The Group has classified the clients' monies as cash held on behalf of customers and recognized the corresponding accounts payable to respective customers on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

27 Cash and bank balances

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Time deposits	1,212.9	1,057.0	–	140.1
Other cash at bank and in hand	2,034.3	1,490.7	19.7	90.9
	3,247.2	2,547.7	19.7	231.0
Less: Short term deposits	(126.4)	(126.4)	–	–
Cash and bank balances	3,120.8	2,421.3	19.7	231.0

The short term deposits of HK\$126.4 million (2006: HK\$126.4 million) were pledged as securities for banking facilities.

The effective interest rate on time deposits was 3.88% per annum (2006: 3.91%); these deposits have an average maturity of 23 days (2006: 48 days).

28 Contracts in progress

	Note	Group	
		2007 HK\$m	2006 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses		23,871.3	16,002.4
Progress payments received and receivable		(24,163.7)	(16,131.6)
		(292.4)	(129.2)
Representing			
Gross amount due from customers for contract works	24	506.3	356.2
Gross amount due to customers for contract works	33	(798.7)	(485.4)
		(292.4)	(129.2)

Notes to the Financial Statements

29 Share capital

	Ordinary Shares	
	No. of shares	HK\$'m
Authorized		
At 30 June 2006 and 30 June 2007	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	12,559,250	12.6
Issued as scrip dividend	79,302,675	79.3
Conversion of convertible bonds	26,760,231	26.8
At 30 June 2006	1,943,752,725	1,943.8
Exercise of share options	1,061,926	1.0
Issued as scrip dividend	26,388,306	26.4
Conversion of convertible bonds	43,042,478	43.0
At 30 June 2007	2,014,245,435	2,014.2

Share Option Schemes

(a) The Company

A share option scheme was adopted by the Company on 6 December 2001 and amended on 12 March 2003 and 24 November 2006 (the "Share Option Scheme") which will be valid and effective for a period of ten years from the date of adoption. The Board may, at their discretion, grant options to any eligible participant as defined under the Share Option Scheme to subscribe for the shares of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the share capital of the Company in issue as at 12 March 2003, i.e. 1,780,759,001 shares.

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

	Note	Number of options	
		2007	2006
At the beginning of year	29(a)(i)	2,548,937	14,679,656
Exercised		(1,061,926)	(12,559,250)
Lapsed		(6,844)	(42,871)
Adjusted	29(a)(ii)	–	471,402
At the end of year		1,480,167	2,548,937

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

Notes to the Financial Statements

29 Share capital (continued)

Share Option Schemes (continued)

- (ii) Pursuant to the existing share option scheme of the Company, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of the Company. The Company approved the distributions of final dividend for the year ended 30 June 2005 and interim dividend for the year ended 30 June 2006 both in scrip form (with cash option) on 29 November 2005 and 13 March 2006 respectively, which gave rise to adjustments to the number of unexercised share options and the exercise price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK\$3.719 to HK\$3.711 with effect from 6 January 2006. Since then, no further adjustment was made to both the number of unexercised share options and the exercise price.

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

	Expiry Date	Number of options		Vested percentage	
		2007	2006	2007	2006
Exercise price		HK\$3.711	HK\$3.711		
Director	21 July 2008	–	607,248	100%	100%
Other eligible participants	21 July 2008	1,480,167	1,941,689	100%	100%
		1,480,167	2,548,937		

(b) Taifook Securities

Taifook Securities, a subsidiary company of the Company, operates a share option scheme whereby options may be granted to eligible employees and directors, to subscribe for shares of Taifook Securities.

Details of Taifook Securities' share option scheme and its movements in the number of share options outstanding from 8 June 2007, date of being a subsidiary company of the Group, to year end are as follows:

Date of grant	Exercise price	Number of options			Exercisable period
		8 June 2007	Exercised	30 June 2007	
5 September 2003	HK\$1.20	1,660,000	(360,000)	1,300,000	5 March 2004 – 4 March 2009
10 February 2006	HK\$0.94	2,000,000	–	2,000,000	10 August 2006 – 9 August 2014
		3,660,000	(360,000)	3,300,000	

Notes to the Financial Statements

30 Reserves

HK\$'m	Group					Total
	Share premium	Special reserves	revaluation reserve	Exchange reserve	Revenue reserve	
At 1 July 2006	8,596.2	336.8	43.2	123.5	3,422.8	12,522.5
Profit for the year	–	–	–	–	2,005.4	2,005.4
Dividends to shareholders of the Company	–	–	–	–	(894.4)	(894.4)
Fair value changes on available-for-sale financial assets	–	–	1,227.3	–	–	1,227.3
Deferred tax on fair value change on available-for-sale financial assets	–	–	(263.3)	–	–	(263.3)
Disposal of available-for-sale financial assets	–	–	(5.8)	–	–	(5.8)
Reclassification of available-for-sale financial assets to associated companies	–	–	(1,053.2)	–	–	(1,053.2)
Deferred tax on reclassification of available-for-sale financial assets to associated companies	–	–	263.3	–	–	263.3
Currency translation differences						
Group	–	–	–	84.2	–	84.2
Associated companies	–	–	–	137.5	–	137.5
Jointly controlled entities	–	–	–	178.9	–	178.9
Scrip dividends						
share premium on issue of new shares	489.2	–	–	–	–	489.2
Convertible bonds						
share premium on issue of new shares	519.1	–	–	–	–	519.1
equity component	–	(37.9)	–	–	–	(37.9)
deferred tax on equity component	–	6.6	–	–	–	6.6
Share options						
share premium on issue of new shares	2.9	–	–	–	–	2.9
Transfer	22.6	(23.2)	–	–	0.6	–
At 30 June 2007	9,630.0	282.3	211.5	524.1	4,534.4	15,182.3
Representing						
Balance at 30 June 2007	9,630.0	282.3	211.5	524.1	3,930.0	14,577.9
Proposed final dividend	–	–	–	–	604.4	604.4
	9,630.0	282.3	211.5	524.1	4,534.4	15,182.3

Notes to the Financial Statements

30 Reserves (continued)

HK\$'m	Group					Total
	Share premium	Special reserves	Investments revaluation reserve	Exchange reserve	Revenue reserve	
At 1 July 2005	7,401.9	423.4	11.8	1.7	3,361.0	11,199.8
Profit for the year	–	–	–	–	1,656.6	1,656.6
Dividends to shareholders of the Company	–	–	–	–	(1,593.9)	(1,593.9)
Fair value changes on available-for-sale financial assets	–	–	31.4	–	–	31.4
Currency translation differences						
Group	–	–	–	23.1	–	23.1
Associated companies	–	–	–	33.8	–	33.8
Jointly controlled entities	–	–	–	64.9	–	64.9
Scrip dividends						
share premium on issue of new shares	838.2	–	–	–	–	838.2
Convertible bonds						
share premium on issue of new shares	322.0	–	–	–	–	322.0
equity component	–	(108.1)	–	–	–	(108.1)
deferred tax on equity component	–	18.9	–	–	–	18.9
Share options						
value of services provided	–	1.7	–	–	–	1.7
share premium on issue of new shares	34.1	–	–	–	–	34.1
Transfer	–	0.9	–	–	(0.9)	–
At 30 June 2006	8,596.2	336.8	43.2	123.5	3,422.8	12,522.5
Representing						
Balance at 30 June 2006	8,596.2	336.8	43.2	123.5	3,032.0	12,131.7
Proposed final dividend	–	–	–	–	390.8	390.8
	8,596.2	336.8	43.2	123.5	3,422.8	12,522.5

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

Notes to the Financial Statements

30 Reserves (continued)

HK\$m	Company				Total
	Share premium	Contributed surplus	Special reserves	Revenue reserve	
At 1 July 2005	7,401.9	237.3	24.0	1,119.2	8,782.4
New issue of shares	838.2	–	–	–	838.2
Profit for the year	–	–	–	1,187.7	1,187.7
Dividends	–	–	–	(1,593.9)	(1,593.9)
Share options					
value of services provided	–	–	1.7	–	1.7
share premium on issue of new shares	34.1	–	–	–	34.1
Convertible bonds					
share premium on issue of new shares	322.0	–	–	–	322.0
At 30 June 2006	8,596.2	237.3	25.7	713.0	9,572.2
At 1 July 2006	8,596.2	237.3	25.7	713.0	9,572.2
New issue of shares	489.2	–	–	–	489.2
Profit for the year	–	–	–	969.4	969.4
Dividends	–	–	–	(894.4)	(894.4)
Share options					
share premium on issue of new shares	2.9	–	–	–	2.9
Convertible bonds					
share premium on issue of new shares	519.1	–	–	–	519.1
Transfer	22.6	–	(22.6)	–	–
At 30 June 2007	9,630.0	237.3	3.1	788.0	10,658.4
Representing					
Balance at 30 June 2007	9,630.0	237.3	3.1	183.6	10,054.0
Proposed final dividend	–	–	–	604.4	604.4
	9,630.0	237.3	3.1	788.0	10,658.4

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

Special reserves include capital redemption reserve and share option reserve.

Notes to the Financial Statements

31 Borrowings

	Note	Group		Company	
		2007 HK\$'m	2006 HK\$'m	2007 HK\$'m	2006 HK\$'m
Non-current					
Bank loans	31(a),(b)	3,937.9	2,791.6	–	1,448.6
Convertible bonds	31(d)	–	520.0	–	–
		3,937.9	3,311.6	–	1,448.6
Current					
Current portion of bank loans	31(a),(b)	1,287.4	882.9	599.5	834.5
Short term bank loans and overdrafts – secured	31(b),(c)	629.6	–	–	–
Short term bank loans and overdrafts – unsecured	31(b)	5,732.3	333.8	–	240.0
Other borrowings	31(b)	98.4	–	–	–
		7,747.7	1,216.7	599.5	1,074.5
		11,685.6	4,528.3	599.5	2,523.1

(a) Bank loans

	Group		Company	
	2007 HK\$'m	2006 HK\$'m	2007 HK\$'m	2006 HK\$'m
Bank loans, unsecured and wholly repayable within five years	5,225.3	3,674.5	599.5	2,283.1
Amounts repayable within one year included in current liabilities	(1,287.4)	(882.9)	(599.5)	(834.5)
	3,937.9	2,791.6	–	1,448.6

Notes to the Financial Statements

31 Borrowings (continued)

(a) Bank loans (continued)

	Group	
	2007 HK\$'m	2006 HK\$'m
The maturity of bank loans is as follows:		
Within one year	1,287.4	882.9
In the second year	950.1	1,997.5
In the third to fifth year	2,987.8	794.1
	5,225.3	3,674.5

(b) The effective interest rates of borrowings at the balance sheet date were as follows:

	2007 HK\$	2006 HK\$
Bank overdraft	5.69%	7.70%
Bank loans	4.83%	4.84%
Other loans	4.85%	–

The carrying amounts of the borrowings approximate their fair values.

The carrying amounts of the borrowings are mainly denominated in Hong Kong dollars.

As at 30 June 2007, the Group's long term borrowings of HK\$5.225 billion (2006: HK\$3.675 billion) are exposed to interest rate risk of contractual repricing dates falling within one year.

(c) The secured bank loans and overdrafts of the Group are secured by the listed shares of customers held by a subsidiary company as security for advances to the customers (with the customers' consent). The market value of the shares pledged is HK\$2,011.6 million (2006: nil).

Notes to the Financial Statements

31 Borrowings (continued)

(d) Convertible bonds

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

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

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

The fair value of the liability component at the date of the issuance of the bonds, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in special reserves as disclosed in Note 30.

For the year ended 30 June 2006, the issuer redeemed part of the convertible bonds, totalling HK\$430.0 million. In addition, certain bondholders had elected to convert their bonds into shares of the Company and the amount involved was HK\$352.7 million.

During the year ended 30 June 2007, the remaining bondholders have also elected to fully convert their bonds into shares of the Company at a conversion price of HK\$13.18 per share and the amount involved was HK\$567.3 million. A total of 43,042,478 shares of HK\$1 each of the Company were issued under such conversions.

Interest expense on the bonds was calculated using effective interest method by applying the effective interest rate of 2.2% per annum to the liability component.

Notes to the Financial Statements

32 Other non-current liabilities

	Note	Group		Company	
		2007 HK\$'m	2006 HK\$'m	2007 HK\$'m	2006 HK\$'m
Long service payment obligations		41.9	55.3	–	–
Deferred tax liabilities	34	111.3	102.3	–	–
Deferred interest income		154.9	133.0	–	–
Loans from minority shareholders	32(a)	375.7	374.9	–	–
		683.8	665.5	–	–
Amount due to a fellow subsidiary company	32(b)	117.0	321.0	117.0	321.0
Current portion included in current liabilities	33	(117.0)	(210.8)	(117.0)	(210.8)
		–	110.2	–	110.2
		683.8	775.7	–	110.2

- (a) The loans are interest free, unsecured and not repayable within one year except for an aggregate amount of HK\$85.5 million (2006: HK\$81.2 million) which carries interest at 10% per annum.
- (b) The amount is due to New World TMT Limited (“NWTMT”) and represents the Company’s undertaking of a bank loan of NWTMT as part of the consideration for acquisition of the infrastructure assets under the reorganization of the Group which was completed in January 2003. Interest charged on the amount due to NWTMT is by reference to the actual interest charged on the bank loan. The underlying bank loan is secured, interest bearing at 6.48% per annum (2006: 5.751%) and repayable within five years.

Notes to the Financial Statements

33 Trade and other payables

	Note	Group		Company	
		2007 HK\$'m	2006 HK\$'m	2007 HK\$'m	2006 HK\$'m
Trade payables	33(a)	3,473.0	685.1	–	–
Retention money payables		817.3	566.8	–	–
Advance received from customers for contract works		35.1	123.4	–	–
Amounts due to customers for contract works	28	798.7	485.4	–	–
Amount due to a fellow subsidiary company	32(b)	117.0	210.8	117.0	210.8
Amounts due to minority interests	33(b)	48.6	31.6	–	–
Other payables and accruals		3,701.1	3,212.2	40.4	43.4
Amounts due to associated companies	33(b)	2.7	3.3	–	–
Amounts due to jointly controlled entities	33(b)	36.8	15.0	–	–
Amount due to a subsidiary company		–	–	4,021.0	1,334.4
		9,030.3	5,333.6	4,178.4	1,588.6

(a) Trade payables are further analyzed as follows:

	Note	Group	
		2007 HK\$'m	2006 HK\$'m
Payables arising from securities business	33(a)(i)	2,811.4	–
Other trade payables	33(a)(ii)	661.6	685.1
		3,473.0	685.1

- (i) Payables arising from securities business represent accounts payable attributable to various financial services transactions, including securities, equity options, leveraged foreign exchange, futures and options contracts, bullion contracts and other financial services. The balances are mainly repayable on demand. No ageing analysis is disclosed in respect of these balances as an ageing analysis is not meaningful in view of the nature of these transactions.

Notes to the Financial Statements

33 Trade and other payables (continued)

(a) Trade payables are further analyzed as follows: (continued)

(ii) The ageing analysis of other trade payables is as follows:

	Group	
	2007 HK\$'m	2006 HK\$'m
Under 3 months	566.1	567.4
4 to 6 months	32.9	51.3
Over 6 months	62.6	66.4
	661.6	685.1

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

(c) Included in the Group's trade and other payables are HK\$790.3 million (2006: HK\$1,011.9 million) denominated in Renminbi and HK\$1,501.1 million (2006: HK\$178.3 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong Dollar.

(d) Included in the Company's trade and other payables are HK\$117.0 million (2006: HK\$210.8 million) denominated in Renminbi, the remaining balances are mainly denominated in Hong Kong Dollar.

34 Deferred income tax

	Note	Group	
		2007 HK\$'m	2006 HK\$'m
At the beginning of year		96.8	96.0
Currency translation differences		3.2	1.4
Net amount charged to income statement	9	11.8	16.0
Net credited to equity		(6.6)	(18.9)
Disposal of subsidiary companies		(0.2)	2.3
At the end of year		105.0	96.8

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%).

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK\$555.4 million (2006: HK\$1,112.0 million) to carry forward against future taxable income. The tax losses have no expiry date.

Included in the net amount charged to income statement is HK\$12.5 million (2006: Nil) related to the estimated impact as a result of the change in the Mainland China corporate income tax rates.

Notes to the Financial Statements

34 Deferred income tax (continued)

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

Deferred tax assets

		Group									
HK\$'m	Note	Accelerated accounting depreciation		Provisions		Tax losses		Others		Total	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
At the beginning of year		0.6	3.7	0.1	0.4	2.4	4.2	3.9	1.8	7.0	10.1
Disposal of subsidiary companies	38(b)	–	(2.3)	–	–	–	–	–	–	–	(2.3)
(Charged)/credited to income statement		0.5	(0.8)	–	(0.3)	–	(1.8)	(0.4)	2.1	0.1	(0.8)
At the end of year		1.1	0.6	0.1	0.1	2.4	2.4	3.5	3.9	7.1	7.0

Deferred tax liabilities

		Group									
HK\$'m	Note	Accelerated tax depreciation		Fair value gains		Convertible bonds		Others		Total	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
At the beginning of year		86.5	77.3	8.8	8.3	8.3	20.3	0.2	0.2	103.8	106.1
Disposal of subsidiary companies	38(b)	(0.2)	–	–	–	–	–	–	–	(0.2)	–
Currency translation differences		3.2	1.4	–	–	–	–	–	–	3.2	1.4
Charged/(credited) to income statement		9.6	7.8	4.0	0.5	(1.7)	6.9	–	–	11.9	15.2
Charged/(credited) to equity		–	–	–	–	(6.6)	(18.9)	–	–	(6.6)	(18.9)
At the end of year		99.1	86.5	12.8	8.8	–	8.3	0.2	0.2	112.1	103.8

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

Notes to the Financial Statements

34 Deferred income tax (continued)

	Note	Group	
		2007 HK\$'m	2006 HK\$'m
Deferred tax assets	22	(6.3)	(5.5)
Deferred tax liabilities	32	111.3	102.3
		105.0	96.8

35 Retirement benefits

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

(a) Defined contribution plans

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

Contributions to defined contribution plans and MPF scheme amounted to HK\$86.9 million (2006: HK\$84.3 million) during the year. Forfeited contributions totalling HK\$4.6 million (2006: HK\$12.3 million) were utilized during the year leaving HK\$1.1 million (2006: HK\$1.0 million) available at 30 June 2007 to reduce future contributions. Contributions totaling HK\$1.1 million (2006: HK\$1.7 million) were payable to the plans at the year end.

(b) Defined benefits plans

Defined benefits plans are valued by independent qualified actuaries annually using the projected unit credit method. The defined benefit plans were valued by Watson Wyatt Hong Kong Limited as at 30 June 2007.

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

	Note	Group	
		2007 HK\$'m	2006 HK\$'m
Present value of funded obligations		(46.5)	(47.1)
Fair value of plan assets		78.0	65.5
		31.5	18.4
Present value of unfunded obligations		–	(0.1)
Unrecognized actuarial gains		(20.4)	(8.3)
Retirement benefits assets	22	11.1	10.0

Notes to the Financial Statements

35 Retirement benefits (continued)

(b) Defined benefits plans (continued)

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

	Note	Group	
		2007 HK\$'m	2006 HK\$'m
Current service cost		2.6	2.1
Interest cost		2.0	1.5
Expected return on plan assets		(4.6)	(3.5)
Net actuarial gains recognized		(0.3)	–
Total, included in staff costs	7	(0.3)	0.1

(iii) Movements in the liability recognized in the balance sheet is as follows:

	Group	
	2007 HK\$'m	2006 HK\$'m
At the beginning of year	47.2	43.6
Current service cost	2.6	2.1
Interest cost	2.0	1.5
Contributions by plan participants	1.1	1.3
Actuarial (gains) / losses	(3.7)	1.2
Benefits paid	(4.1)	(1.8)
Transfer from / (to) other plans	1.4	(0.7)
At the end of year	46.5	47.2

Notes to the Financial Statements

35 Retirement benefits (continued)

(b) Defined benefits plans (continued)

(iv) Movements in the fair value of plan assets of the year is as follows:

	Group	
	2007 HK\$m	2006 HK\$m
At the beginning of year	65.5	57.2
Expected return on plan assets	4.6	3.5
Actuarial gains	8.7	4.5
Employer contributions	0.8	1.5
Employee contributions	1.1	1.3
Benefits paid	(4.1)	(1.8)
Transfer from / (to) other plans	1.4	(0.7)
At the end of year	78.0	65.5

The principal actuarial assumptions used are as follows:

	2007	2006
Discount rate	5%	5%
Expected rate of return on plan assets	7%	7%
Expected rate of future salary increases	4%	4%

The actual return on plan assets was HK\$13.3 million (2006: HK\$7.6 million).

Fair value of the plan assets are analysed as follows::

	2007	2006
Equity instruments	71%	68%
Debt instruments	21%	22%
Other assets	8%	10%
	100%	100%

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity reflect long-term real rates of return experienced in the respective markets.

Notes to the Financial Statements

35 Retirement benefits (continued)

(b) Defined benefits plans (continued)

(v) Expected contributions to defined benefit plans for the year ending 30 June 2008 are HK\$0.2 million.

	2007 HK\$'m	2006 HK\$'m
Present value of defined benefit obligations	(46.5)	(47.2)
Fair value of plan assets	78.0	65.5
Surplus	31.5	18.3
Experience adjustments on defined benefit obligations	1.4	(1.1)
Experience adjustments on plan assets	8.7	3.9

36 Commitments

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

	Note	Group	
		2007 HK\$'m	2006 HK\$'m
Contracted but not provided for			
Property, plant and equipment		3.8	1.3
Investment properties		210.0	285.0
Capital contributions to associated companies and jointly controlled entities	36(a)(i)	1,451.2	928.1
		1,665.0	1,214.4

(i) The Group has committed to provide sufficient funds in the form of capital and loan contributions to certain associated companies and jointly controlled entities to finance relevant projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$1,451.2 million (2006: HK\$928.1 million) which represents the attributable portion of the capital and loan contributions to be made to the associated companies and jointly controlled entities.

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

	Group	
	2007 HK\$'m	2006 HK\$'m
Contracted but not provided for		
Property, plant and equipment	312.7	385.7
Capital contributions to jointly controlled entities	82.9	115.0
Properties under development and for sale	515.6	701.1
Authorized but not contracted for		
Property, plant and equipment	143.6	101.0
	1,054.8	1,302.8

Notes to the Financial Statements

36 Commitments (continued)

(c) Commitments under operating leases

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

	Group	
	2007 HK\$'m	2006 HK\$'m
Buildings		
In the first year	66.4	45.3
In the second to fifth year inclusive	89.2	38.8
After the fifth year	25.6	3.8
	181.2	87.9
Equipment		
In the first year	8.4	1.8
In the second to fifth year inclusive	7.3	–
	196.9	89.7

(d) Commitment under leveraged foreign exchange trading contracts

	Group	
	2007 HK\$'m	2006 HK\$'m
Purchase foreign currencies	298.5	–
Sell foreign currencies	298.1	–

Total commitments to purchase or sell foreign currencies under leveraged foreign exchange contracts consist of a basket of currencies which cannot be offset against each other.

(e) Future minimum rental payment receivable

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

	Group	
	2007 HK\$'m	2006 HK\$'m
In the first year	9.8	10.1
In the second to fifth year inclusive	7.5	11.8
	17.3	21.9

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

Notes to the Financial Statements

37 Contingent liabilities

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

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Guarantees for credit facilities granted to				
Subsidiary companies	–	–	7,143.9	2,221.9
Associated companies	11.9	11.9	11.9	11.9
Jointly controlled entities	1,040.5	1,074.0	1,000.0	1,000.0
A related company	55.0	55.0	–	–
Guarantee for convertible bonds issued by a subsidiary company	–	–	–	567.3
	1,107.4	1,140.9	8,155.8	3,801.1

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

	Group	
	2007 HK\$m	2006 HK\$m
Share of contingent liabilities of jointly controlled entities	70.6	65.0

Notes to the Financial Statements

38 Notes to consolidated cash flow statement

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

	2007 HK\$'m	2006 HK\$'m
Operating profit	817.6	649.7
Depreciation and amortization	206.0	201.4
Share-based payment	–	1.7
Assets impairment loss	14.4	30.0
Profit on disposal of land use rights and properties	–	(22.7)
Net profit on disposal of subsidiary companies, jointly controlled entities and an investment	–	(134.4)
Interest income	(115.5)	(76.6)
Change in fair value of financial asset at fair value through profit or loss	(7.6)	–
Fair value gains on investment properties	(23.2)	(3.0)
Gain on redemption of convertible bonds	–	(48.0)
Gain on disposal of available-for-sale financial assets and financial assets at fair value through profit or loss	(27.5)	(5.6)
Dividend income from available-for-sale financial assets and financial assets at fair value through profit or loss	(8.4)	(2.5)
Write-back of provision for receivables	(58.0)	–
Other non-cash items	(5.9)	(2.4)
Operating profit before working capital changes	791.9	587.6
Decrease in long service payment obligations	(13.4)	(9.6)
Increase in retirement benefit assets	(1.1)	(1.4)
(Increase) / decrease in inventories	(28.3)	22.7
Increase in trade and other receivables	(5,776.5)	(521.1)
Increase in trade and other payables	138.7	684.0
Decrease in balances with associated companies and jointly controlled entities	86.2	1.8
Increase / (decrease) in amounts due to minority shareholders	15.5	(9.9)
Increase in IPO and margin financing loans of securities business	5,155.7	–
Decrease in cash held on behalf of customers	329.0	–
Net cash generated from operations	697.7	754.1

Notes to the Financial Statements

38 Notes to consolidated cash flow statement (continued)

(b) Disposal of subsidiary companies

	Note	2007 HK\$'m	2006 HK\$'m
Net assets disposed			
Property, plant and equipment	15	17.7	117.3
Deferred tax assets	34	–	2.3
Trade and other receivables		0.1	16.1
Cash and bank balances		–	0.3
Trade and other payables		(0.8)	(29.0)
Borrowings		–	(42.1)
Deferred tax liabilities	34	(0.2)	–
Loans from minority shareholders		(0.7)	(18.2)
Minority interests		(6.2)	(4.8)
		9.9	41.9
Net gain on disposals		–	65.7
		9.9	107.6
Represented by			
Cash received		–	97.5
Trade and other receivables		9.9	10.1
		9.9	107.6

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

	2007 HK\$'m	2006 HK\$'m
Cash consideration	–	97.5
Cash and bank balances disposed of	–	(0.3)
	–	97.2

(d) Non-cash transactions

The principal non-cash transaction was the issue of shares from the conversion of convertible bonds as disclosed in Note 31.

Notes to the Financial Statements

39 Business combinations

As at 30 June 2006, the Group held approximately 22% of the share capital of Taifook Securities. Taifook Securities was accounted for as an associated company.

On 8 June 2007, the Group further acquired approximately 40% of the share capital of Taifook Securities, at a consideration of HK\$600.2 million. Since then, Taifook Securities became a subsidiary company. The acquired business contributed revenue of HK\$129.4 million and net profit of HK\$23.0 million to the Group for the period since the date of acquisition. If the acquisition had occurred on 1 July 2006, the Group's revenue would have been increased by HK\$838.4 million and net profit would have been increased by HK\$81.5 million.

Details of net assets acquired are as follows:

	HK\$'m
Purchase consideration	
Cash paid	600.2
Direct costs relating to the acquisition	6.9
Total purchase consideration	607.1
Fair value of net assets acquired – shown below	607.1

The assets and liabilities acquired as at the date of acquisition are as follows:

	Note	Fair value HK\$'m	Acquiree's carrying amount HK\$'m
Property, plant and equipment	15	73.9	73.9
Jointly controlled entities		3.0	3.0
Intangible assets	17	169.1	14.5
Other non-current assets		141.8	141.8
Trade and other receivables		3,314.8	3,314.8
Financial assets at fair value through profit or loss		87.3	87.3
Cash held on behalf of customers		2,371.4	2,371.4
Cash and bank balances		429.7	429.7
Trade and other payables		(3,353.4)	(3,353.4)
Taxation		(39.8)	(39.8)
Borrowings		(1,733.4)	(1,733.4)
Minority interests		(4.4)	(4.4)
		1,460.0	1,305.4
Minority interests thereon		(564.0)	
		896.0	
Interest held by the Group as an associated company		(288.9)	
Net assets acquired		607.1	
Purchase consideration settled in cash			607.1
Cash and bank balances in subsidiary companies acquired			(429.7)
Cash outflow on acquisition			177.4

Notes to the Financial Statements

40 Related party transactions

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

	Note	2007 HK\$'m	2006 HK\$'m
Transactions with affiliated companies	40(a)(i)		
Provision of contracting work service	40(a)(ii)	634.9	227.7
Provision of other services	40(a)(iii)	200.1	32.3
Interest income	40(a)(iv)	15.9	15.2
Management fee	40(a)(v)	16.3	12.7
Rental and other related expenses	40(a)(vi)	(6.2)	(4.5)
Transactions with other related parties	40(a)(i)		
Provision of contracting work services	40(a)(ii)	1,457.0	1,962.9
Provision of other services	40(a)(iii)	148.7	126.1
Rental and other related expenses	40(a)(vi)	(24.8)	(23.7)

- (i) Affiliated companies include associated companies and jointly controlled entities of the Group. Related parties are group companies, associated companies and jointly controlled entities of NWD which are not companies within the Group. NWD is the ultimate holding company of the Company.
- (ii) Revenue from the provision of contracting work services was charged on normal contract terms no less favourable than those charged to and contracted with third party customers of the Group.
- (iii) The Group provided various kinds of services including facilities management, financial, environmental and other services to certain related parties. Revenue was made in the normal course of business at prices and at terms no less favourable than those charged to third party customers of the Group in accordance with the relevant contracts.
- (iv) Interest income was charged at interest rates as specified in Notes 19 and 20 on the outstanding balances due by the affiliated companies.
- (v) Management fee was charged at rates in accordance with relevant contracts.
- (vi) Rental and other related expenses were charged at rates in accordance with respective tenancy agreements.
- (b) Key management compensation
No significant transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in Note 13 and loan to a director as disclosed in Note 40(d).

Notes to the Financial Statements

40 Related party transactions (continued)

- (c) The amounts of outstanding balances with associated companies, jointly controlled entities, minority shareholders and a fellow subsidiary company are disclosed in Notes 19, 20, 24, 32 and 33. The amounts receivable are unsecured, of which HK\$394.9 million (2006: HK\$387.0 million) are interest bearing. The amounts payable are unsecured, of which HK\$202.5 million (2006: HK\$ 402.2 million) are interest bearing.
- (d) Loan to a director

	2007 HK\$m	2006 HK\$m
Loan to a director of the Company	4.2	4.6

The loan is secured, bear interest at 3% per annum and have repayment terms as specified in the loan agreement. No provision has been made in FY2007.

- (e) On 8 June 2007, the Group entered into a Share Purchase Agreement to acquire additional share capital of Taifook Securities. The Vendors agreed to sell and the Group agreed to purchase the 246,986,763 Sales Shares, which represent approximately 40% of the then issued share capital of Taifook Securities for the purchase price of HK\$2.43 per Sale Share, with the aggregate purchase price being HK\$600.2 million.

The Vendors included, but were not limited to, Chow Tai Fook Enterprises Limited, the substantial shareholder of NWD, which is the holding company of the Company; Grand Partners Group Limited, a limited liability company wholly-owned by Mr Doo Wai Hoi, William, a director of the Company; and Mr William Junior Guilherme Doo, a director of the Company.

41 Comparative figures

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

42 Ultimate holding company

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

Notes to the Financial Statements

43 Principal subsidiary companies

As at 30 June 2007

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share HK\$	Company	Group	
Incorporated and operated in Hong Kong					
Anway Limited	1	1	–	100.0	Duty free operation and general trading
Barbican Construction Company, Limited	230,000	100	–	100.0	Civil engineering
Billionable Investment Limited	20,000 *	100	–	100.0	Investment holding
	4,998	1	–	100.0	
	2 *	1	–	–	
Broadway-Nassau Investments Limited	2	10,000	–	100.0	Property management
	3,000 *	10,000	–	–	
Care & Services Company Limited	15,000,000	1	–	100.0	Elderly care services
CiF Solutions Limited	10	100	–	100.0	Provision of information technology solutions
	160,000 *	100	–	100.0	
Companion Glory Limited	100	100	–	100.0	Retail trade of ceramic tiles
Environmental Pioneers & Solutions Limited	1,000	100	–	100.0	Environmental products and engineering
Extensive Trading Company Limited	8,500,000	1	–	100.0	Trading of building and engineering materials
	1,500,000 *	1	–	100.0	
Far East Engineering Services Limited	766,714	10	–	100.0	Mechanical and electrical engineering
	233,288 *	10	–	100.0	
General Security (H.K.) Limited	8,402	100	–	100.0	Security services
	11,600 *	100	–	20.7	
Hip Hing Builders Company Limited	40,000	1,000	–	100.0	Construction
	10,000 *	1,000	–	100.0	
Hip Hing Construction Company Limited	400,000	100	–	100.0	Construction and civil engineering
	600,000 *	100	–	100.0	
Hip Hing – Leader JV Limited	10,000	1	–	66.7	Construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	–	100.0	Management of Hong Kong Convention and Exhibition Centre (“HKCEC”)
	1 *	1	–	100.0	
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	–	100.0	Investment holding
Hong Kong Island Landscape Company Limited	1,980,000	10	–	100.0	Landscaping and project contracting
	20,000 *	10	–	–	
Hong Kong Ticketing Limited	11,481,580	1	–	100.0	Ticketing services
International Property Management Limited	450,000	10	–	99.0	Property management
	95,500 *	10	–	83.5	

Notes to the Financial Statements

43 Principal subsidiary companies (continued)

As at 30 June 2007

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share HK\$	Company	Group	
Incorporated and operated in Hong Kong (continued)					
Kentfull Contracting Limited	10	1	–	100.0	Interior decoration
	5,000,000 *	1	–	100.0	contracting
Kentfull Engineering Company Limited	6,000'A'	1	–	60.0	Building construction
	4,000'B'				
Kiu Lok Property Services (China) Limited	2	1	–	100.0	Property agency
	2 *	1	–	100.0	management and consultancy
Kiu Lok Service Management Company Limited	2	100	–	100.0	Property management
	1,002 *	100	–	100.0	
Kleaners Limited	5,000,000	1	–	100.0	Laundry services
KLPS Group Limited	20,000,000	1	–	100.0	Investment holding
Majestic Engineering Company Limited	30,000	1,000	–	100.0	Mechanical and electrical engineering
Millennium Engineering Limited	18,750,000	1	–	90.4	Supply and installation of aluminium windows and curtain wall
New China Laundry Limited	40,000,002	1	–	100.0	Laundry services
	704,000 *	1	–	100.0	
New Waly Interior Products Limited	1,000,000	1	–	100.0	Trading of interior products
New World-Guangdong Highway Investments Co. Limited	100	100	–	100.0	Investment holding
	100 *	100	–	50.0	
New World Insurance Management Limited	100,000	1	–	100.0	Insurance broking
New World Port Investments Limited	2	1	–	100.0	Investment holding
Ngo Kee Construction Company Limited	670,000	100	–	100.0	Building construction
	1 **	1	–	–	
NWS (Finance) Limited	2	1	–	100.0	Financial services
NWS Holdings (China) Limited	1	1	–	100.0	Investment holding
NWS Holdings (Finance) Limited	1	1	100.0	100.0	Financing
Pollution & Protection Services Limited	18,057,780	1	–	100.0	Cleaning services
	500,020 *	1	–	85.0	
Polytown Company Limited	2	10	–	100.0	Property investment, operation, marketing, promotion and management of HKCEC
	100,000 *	10	–	100.0	
Sky Connection Limited	100	1	–	100.0	Duty free, liquor and tobacco sales
Team Deco International Limited	2	1	–	100.0	Interior design
True Hope Investment Limited	4,998	1	–	100.0	Investment holding
	2 *	1	–	–	
Try Force Limited	4,998	1	–	100.0	Investment holding
	2 *	1	–	–	

Notes to the Financial Statements

43 Principal subsidiary companies (continued)

As at 30 June 2007

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share HK\$	Company	Group	
Incorporated and operated in Hong Kong (continued)					
Uniformity Security Company Limited	2 2,500 *	100 100	– –	100.0 –	Security services
Urban Parking Limited	10,000,000	1	–	100.0	Carpark management
Urban Property Management Limited	49,995,498 4,502 *	1 1	– –	100.0 66.7	Property management
Vibro (H.K.) Limited	20,000,004	3	–	99.8	Piling, ground investigation and civil engineering
Wai Hong Cleaning & Pest Control Company Limited	400,000	100	–	100.0	Cleaning and pest control services
Waking Builders, Limited	20,000	1,000	–	100.0	Construction
Young's Engineering Company Limited	4,000,000	10	–	100.0	Mechanical and electrical engineering
Incorporated in Bermuda and operated in Hong Kong					
Taifook Securities Group Limited	614,849,699	0.10	–	61.3	Investment holding
Incorporated in Cayman Islands and operated in Hong Kong					
NWS Service Management Limited	1,323,943,165	0.10	100.0	100.0	Investment holding
Incorporated in British Virgin Islands					
Beauty Ocean Limited	1	US\$1	–	100.0	Investment holding
Hetro Limited	101	US\$1	–	100.0	Investment holding
NWSH Capital Finance Limited	1	US\$1	100.0	100.0	Dormant
NWS CON Limited	1	1	–	100.0	Investment holding
NWS Construction Limited	1	US\$1	–	100.0	Investment holding
NWS Engineering Group Limited	50,000,000	1	–	100.0	Investment holding
NWS Financial Management Services Limited	1	US\$1	–	100.0	Investment holding
NWS Infrastructure Bridges Limited	1	US\$1	–	100.0	Investment holding
NWS Infrastructure Management Limited	2	US\$1	100.0	100.0	Investment holding
NWS Infrastructure Power Limited	1	US\$1	–	100.0	Investment holding
NWS Infrastructure Roads Limited	1	US\$1	–	100.0	Investment holding
NWS Infrastructure Water Limited	1	US\$1	–	100.0	Investment holding
NWS Ports Management Limited	2	US\$1	100.0	100.0	Investment holding
NWS Ports Management (Wenzhou) Limited	1	US\$1	–	100.0	Investment holding
Righteous Corporation	1	US\$1	–	100.0	Investment holding
Stockfield Limited	1	US\$1	–	100.0	Investment holding

Notes to the Financial Statements

43 Principal subsidiary companies (continued)

As at 30 June 2007

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
Incorporated and operated in Mainland China				
Foshan Gaoming Xinming Bridge Co., Ltd.	Rmb60,000,000	–	30.0	Operation of toll bridge
Guangxi Beiliu Xinbei Highways Co., Ltd.	Rmb99,200,000	–	60.0 (a)	Operation of toll road
Guangxi Cangwu Xincang Highways Limited	Rmb64,000,000	–	70.0 (a)	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	Rmb82,400,000	–	70.0 (a)	Operation of toll road
Guangxi Yulin Xinye Highways Co., Ltd.	Rmb63,800,000	–	60.0 (a)	Operation of toll road
Guangxi Yulin Xinyu Highways Co., Ltd.	Rmb96,000,000	–	60.0 (a)	Operation of toll road
Hip Hing Construction (China) Company Limited	HK\$50,000,000	–	100.0	Construction
NWS Engineering Ltd	Rmb50,000,000	–	100.0	Mechanical and electrical engineering
Shanxi Xinda Highways Ltd.	Rmb49,000,000	–	90.0 (b)	Operation of toll road
Shanxi Xinhuang Highways Ltd.	Rmb56,000,000	–	90.0 (b)	Operation of toll road
Taiyuan Xintai Highways Limited	Rmb72,120,000	–	90.0 (b)	Operation of toll road
Taiyuan Xinyuan Highways Limited	Rmb85,880,000	–	90.0 (b)	Operation of toll road
Wuzhou Xinwu Highways Limited	Rmb72,000,000	–	45.0 (c)	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	–	100.0	Development of warehousing, processing and logistics facilities
Xiamen Xinyuan Container Terminal Co., Ltd.	Rmb17,000,000	–	70.0	Cargo consolidation container storage, repairs and maintenance

	Issued share capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
Incorporated and operated in Macau				
Barbican (Macau) Limited	MOP25,000	–	100.0	Construction
Hip Hing Engineering (Macau) Company Limited	MOP100,000	–	100.0	Construction
Majestic Engineering (Macao) Company Limited	MOP25,000	–	100.0	Mechanical and electrical engineering
Ngo Kee (Macau) Limited	MOP25,000	–	100.0	Construction
Vibro (Macau) Limited	MOP1,000,000	–	99.8	Construction
Young's Engineering (Macao) Company Limited	MOP100,000	–	100.0	Mechanical and electrical engineering

Represented ordinary shares, unless otherwise stated

* Non-voting deferred shares

** Redeemable preference shares

(a) Percentage of interest in ownership and profit sharing

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

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

Notes to the Financial Statements

44 Principal associated companies

As at 30 June 2007

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated and operated in Hong Kong					
Quon Hing Concrete Company Limited	200,000	HK\$100	–	50.0	Production and sales of concrete
Yargoan Company Limited	150,000	HK\$100	–	42.0	Stone quarrying
Incorporated in British Virgin Islands					
East Asia Secretaries (BVI) Limited	300,000,000	HK\$1	–	24.4	Investment holding
Tricor Holdings Limited	7,001	US\$1	–	24.4	Investment holding
VMS Private Investment Partners II Limited	2,500 *	US\$0.01	–	–	Securities investment
VMS Private Investment Partners III Limited	200 **	US\$0.01	–	100.0	Securities investment
VMS Private Investment Partners III Limited	1,500 *	US\$0.01	–	–	Securities investment
VMS Private Investment Partners III Limited	430 **	US\$0.01	–	60.0	Securities investment
Incorporated in Bermuda and operated in Hong Kong					
Build King Holdings Limited	821,408,494	HK\$0.10	–	22.3	Investment holding
Wai Kee Holdings Limited	1,100,000,000 ***	HK\$0.01	–	–	Investment holding
Wai Kee Holdings Limited	793,124,034	HK\$0.10	–	27.0	Investment holding

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
Incorporated and operated in Mainland China				
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Northern Section Company Limited	Rmb650,953,325	–	15.0 (a)	Operation of toll road
Guangdong Baolihua New Energy Stock Co., Limited	Rmb740,730,000	–	9.45	Generation and supply of electricity
Guangzhou Oriental Power Co., Ltd.	Rmb990,000,000	–	25.0 (a)	Generation and supply of electricity
Guang Zhou Pearl River Power Company Limited	Rmb420,000,000	–	50.0 (b)	Generation and supply of electricity
Tianjin Five Continents International Container Terminal Co., Ltd.	Rmb1,125,000,000	–	18.0 (c)	Operation of container terminal
Zhaoqing Yuezhao Expressway Co., Ltd.	Rmb818,300,000	–	25.0 (c)	Operation of toll road

Represented ordinary shares, unless otherwise stated

* Voting, non-participating, non-redeemable management shares

** Non-voting, redeemable participating shares

*** Preference shares

(a) Percentage of equity interest in equity joint venture

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

(c) Percentage of interest in ownership and profit sharing

Notes to the Financial Statements

45 Principal jointly controlled entities

As at 30 June 2007

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
Incorporated and operated in Mainland China				
<i>Equity joint ventures</i>				
ATL Logistics Centre Yantian (Shenzhen) Limited	HK\$3,500,000	–	46.2	Operation of cargo handling and storage facilities
China United International Rail Containers Co., Limited	Rmb1,400,000,000	–	22.0	Operation of rail container terminal and related business
Guodian Chengdu Jintang Power Plant Co. Ltd.	Rmb653,784,615	–	35.0 (a)	Generation and supply of electricity
Tianjin Orient Container Terminals Co., Ltd.	US\$29,200,000	–	24.5 (a) 22.2 (b) 24.5 (c)	Operation of container terminal
Wenzhou Zhuangyuan Ao New World International Terminals Company Limited	Rmb300,000,000	–	55.0	Development, operation and management of pier and related business
Xiamen New World Xiangyu Terminals Co. Ltd.	Rmb384,040,000	–	50.0 (a)	Container handling and storage and road freight operations
<i>Co-operative joint ventures</i>				
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	Rmb580,000,000	–	25.0 (d)	Operation of toll road
Guangzhou Northring Freeway Company Limited	US\$19,255,000	–	65.3 (d)	Operation of toll road
Huishen (Yantian) Expressway Huizhou Company Limited	Rmb139,980,000	–	33.3 (d)	Operation of toll road
Huizhou City Huixin Expressway Company Limited	Rmb34,400,000	–	50.0 (d)	Investment holding and operation of toll road
Tianjin Xindi Expressway Co., Ltd.	Rmb93,688,000	–	90.0 (e)	Operation of toll road
Tianjin Xinlong Expressway Co., Ltd.	Rmb99,400,000	–	90.0 (e)	Operation of toll road
Tianjin Xinlu Expressway Co., Ltd.	Rmb99,092,000	–	90.0 (e)	Operation of toll road

Notes to the Financial Statements

45 Principal jointly controlled entities (continued)

As at 30 June 2007

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
<i>Co-operative joint ventures (continued)</i>				
Tianjin Xinming Expressway Co., Ltd.	Rmb85,468,000	–	90.0 (e)	Operation of toll road
Tianjin Xinqing Expressway Co., Ltd.	Rmb99,368,000	–	90.0 (e)	Operation of toll road
Tianjin Xinquan Expressway Co., Ltd.	Rmb92,016,000	–	90.0 (e)	Operation of toll road
Tianjin Xinsen Expressway Co., Ltd.	Rmb87,300,000	–	90.0 (e)	Operation of toll road
Tianjin Xinshi Expressway Co., Ltd.	Rmb99,388,000	–	90.0 (e)	Operation of toll road
Tianjin Xinsi Expressway Co., Ltd.	Rmb96,624,000	–	90.0 (e)	Operation of toll road
Tianjin Xintong Expressway Co., Ltd.	Rmb99,448,000	–	90.0 (e)	Operation of toll road
Tianjin Xintuo Expressway Co., Ltd.	Rmb99,316,000	–	90.0 (e)	Operation of toll road
Tianjin Xinxiang Expressway Co., Ltd.	Rmb90,472,000	–	90.0 (e)	Operation of toll road
Tianjin Xinyan Expressway Co., Ltd.	Rmb89,028,000	–	90.0 (e)	Operation of toll road
Tianjin Xinzhan Expressway Co., Ltd.	Rmb89,392,000	–	90.0 (e)	Operation of toll road
Wuhan Airport Road Development Limited	Rmb60,000,000	–	40.0 (d)	Operation of toll road

Notes to the Financial Statements

45 Principal jointly controlled entities (continued)

As at 30 June 2007

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated and operated in Hong Kong					
ATL Logistics Centre Hong Kong Limited	100,000'A'	HK\$1	–	56.0	Operation of cargo handling and storage facilities
	20,000'B' **	HK\$1	–	79.6	
	54,918 *	HK\$1	–	–	
ATL Logistics Centre Yantian Limited	10,000	HK\$1	–	46.2	Investment holding
Far East Landfill Technologies Limited	1,000,000	HK\$1	–	47.0	Landfill
First Star Development Limited	100	HK\$1	–	50.0	Property development
Poly Rising Development Limited	1	HK\$1	–	50.0	Property development
Supertime Holdings Limited	100	HK\$1	–	50.0	Property development
Tate's Cairn Tunnel Company Limited	1,100,000	HK\$0.01	–	29.5	Operation of toll tunnel
	600,000,000 *	HK\$1	–	–	
United Asia Terminals (Yantian) Limited	52,000'A'	HK\$1	–	–	Operation of cargo handling and storage facilities
	52,000'B'	HK\$1	–	100.0	
	26,000'C'	HK\$1	–	–	
Incorporated in British Virgin Islands					
DP World New World Limited	2,000	US\$1	–	50.0	Investment holding
NWS Transport Services Limited	500,000,016	HK\$1	–	50.0	Investment holding
Success Concept Investments Limited	1,000	US\$1	–	50.0	Investment holding
Incorporated in Cayman Islands					
DP World New World (Tianjin) Limited	1,000	US\$1	–	50.0	Investment holding
Incorporated in Hong Kong and operated in Macau and Mainland China					
Sino-French Holdings (Hong Kong) Limited	1,450,280'A'	HK\$100	–	–	Investment holding and operation of water and electricity plants
	2,789,000'B'	HK\$100	–	100.0	
	1,338,720'C'	HK\$100	–	–	

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

Represented ordinary shares, unless otherwise stated.

* Non-voting deferred shares.

** Non-voting preference shares.

Five-year Financial Summary

	Year ended 30 June				
	2007	2006	2005	2004	2003
Earnings per share – Basic (HK\$)	1.01	0.89	1.60	0.86	1.36
Earnings per share – Diluted (HK\$)	1.01	0.85	1.52	0.86	N/A
Key ratios					
Gearing Ratio	46%	13%	17%	47%	70%
Return on Shareholders' Funds	12%	11%	22%	16%	14%
Return on Capital Employed	9%	9%	16%	9%	6%
Income statement data					
(HK\$'m)					
Revenue	15,047.1	12,543.9	10,286.1	12,552.9	5,770.0
Revenue by activities					
Ports	17.9	16.3	13.4	17.3	12.8
Roads and bridges	239.7	239.2	221.1	368.4	182.6
Energy, water treatment and waste management	–	–	–	0.9	1.2
Facilities rental	890.6	858.0	776.5	751.3	159.4
Facilities management	2,467.9	2,629.4	2,588.2	2,250.3	558.2
Contracting	11,205.0	8,619.9	6,386.7	7,696.5	4,158.2
Financial services	148.0	15.0	14.9	16.9	7.5
Other services	78.0	166.1	285.3	1,451.3	690.1
Revenue by region					
Hong Kong	8,313.1	8,955.0	8,822.5	10,527.2	4,362.2
Macau	5,108.8	2,159.4	167.5	7.5	0.4
Mainland China and others	1,625.2	1,429.5	1,296.1	2,018.2	1,407.4
Profit attributable to shareholders of the Company					
	2,005.4	1,656.6	2,886.1	1,538.2	1,193.2
Attributable operating profit					
	2,291.1	1,937.6	1,411.9	1,903.3	945.7
Attributable operating profit / (loss) by activities					
Roads	566.4	469.1	372.3	291.0	107.1
Energy	402.8	487.8	489.9	463.1	182.8
Water	102.2	87.4	80.6	66.3	24.7
Ports	79.0	70.4	64.8	185.8	238.0
Facilities rental	404.2	392.0	384.0	353.0	180.3
Contracting	255.9	163.0	(252.7)	253.6	157.2
Financial services	141.6	65.8	54.4	59.1	14.8
Other services	339.0	202.1	218.6	231.4	40.8

Five-year Financial Summary

	2007	Year ended 30 June			
		2006	2005	2004	2003
Income statement data (continued)					
(HK\$'m)					
Attributable operating profit by region					
Hong Kong	1,003.5	738.6	463.9	1,045.0	597.5
Macau	250.5	208.2	129.4	149.7	86.6
Mainland China and others	1,037.1	990.8	818.6	708.6	261.6
Head office and non-operating items					
Net profit on disposal of infrastructure projects	–	152.5	2,030.2	378.7	27.1
Assets impairment loss, net of tax	(13.0)	(30.0)	(57.8)	(375.4)	(74.8)
Recognition of one-off negative goodwill	–	–	–	–	474.0
Write-back of provision for receivables	58.0	–	–	–	–
Net gain on redemption of convertible bonds	–	39.6	–	–	–
Net fair value gains on investment properties	19.2	2.5	–	–	–
Net gain from securities investment	32.3	5.7	–	–	–
Amortization of net negative goodwill	–	–	–	70.8	69.0
Other interest income	78.2	74.3	56.8	4.4	6.5
Other finance costs	(208.0)	(227.6)	(196.9)	(170.8)	(131.5)
Others	(252.4)	(298.0)	(358.1)	(272.8)	(122.8)
Balance sheet data					
(HK\$'m)					
Total assets	39,782.0	25,587.6	25,165.5	23,915.1	27,218.2
Total liabilities and minority interests	22,585.5	11,121.3	12,140.6	14,364.5	18,967.7
Total debt	11,685.6	4,528.3	5,983.6	8,119.9	9,441.1
Shareholders' funds	17,196.5	14,466.3	13,024.9	9,550.6	8,250.5

Comparative figures for the two years ended 30 June 2004 and 30 June 2003 have not been restated to reflect the adoption of new / revised HKFRSs as the directors are of the opinion that it is impracticable to do so.

Project Key Facts and Figures

Infrastructure



As at 30 June 2007



Roads

Guangdong Province



Roads

Expressway

Grade 1 Highway



1. Guangzhou City Northern Ring Road

Attributable Interest	65.29%		
Form of Investment	CJV		
Length	22 km		
Lanes	Dual 3-Lane		
Location	Guangzhou City		
Operation Date	January 1994		
Expiry Date	2023		
Current Toll Rates	RMB2 – RMB65		
Average Daily Traffic Flow	2007	2006	2005
	159,580	143,134	126,833

2. Beijing-Zhuhai Expressway (Guangzhou – Zhuhai Section)

3. Beijing-Zhuhai Expressway (Guangzhou – Zhuhai Northern Section)

4a. Guangzhou – Zhaoqing Expressway

Attributable Interest	25%	15%	25%																																									
Form of Investment	CJV	CJV	CJV																																									
Length	Section I: 8.6 km Section II: 53.8 km	37 km*	48 km																																									
Lanes	Section I: Dual 3-Lane Section II: Dual 2 to 3-Lane	Dual 3-Lane	Dual 2-Lane																																									
Location	Guangdong Province	Guangzhou City	Zhaoqing City																																									
Operation Date	Section I: May 1997 Section II: December 1999	December 2005	April 2005																																									
Expiry Date	2030	2032	2031																																									
Current Toll Rates	Section I: RMB6 – RMB18.58 Section II: RMB3 – RMB160	RMB5 – RMB55	RMB5 – RMB75																																									
Average Daily Traffic Flow	<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2006</th> <th>2005</th> <th>2005</th> </tr> <tr> <th></th> <th>Jan-Jun</th> <th>Jul-Dec</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>* Combined:</td> <td>83,634</td> <td>72,368</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>Section I:</td> <td>N/A</td> <td>N/A</td> <td>43,386</td> <td>40,725</td> </tr> <tr> <td>Section II:</td> <td>N/A</td> <td>N/A</td> <td>46,233</td> <td>41,040</td> </tr> </tbody> </table>		2007	2006	2005	2005		Jan-Jun	Jul-Dec			* Combined:	83,634	72,368	N/A	N/A	Section I:	N/A	N/A	43,386	40,725	Section II:	N/A	N/A	46,233	41,040	<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2006</th> <th>2005</th> </tr> </thead> <tbody> <tr> <td></td> <td>7,341</td> <td>6,450</td> <td>N/A</td> </tr> </tbody> </table>		2007	2006	2005		7,341	6,450	N/A	<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2006</th> <th>2005</th> </tr> </thead> <tbody> <tr> <td></td> <td>20,422</td> <td>17,458</td> <td>15,177</td> </tr> </tbody> </table>		2007	2006	2005		20,422	17,458	15,177
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	7,341	6,450	N/A																																									
	2007	2006	2005																																									
	20,422	17,458	15,177																																									

* After the implementation of Unitoll System at the end of 2005, the calculation of traffic flow of Section I and II is combined.

* Seeking approval to change to 27 km.

4b. Guangzhou – Zhaoqing Expressway (Roadway No. 321)

5a. Shenzhen – Huizhou Expressway (Huizhou Section)

5b. Shenzhen – Huizhou Roadway (Huizhou Section)

Attributable Interest	25%	33.33%	50%																								
Form of Investment	CJV	CJV	CJV																								
Length	60.37 km	34.7 km	21.8 km																								
Lanes	Dual 2-Lane	Dual 2-Lane	Dual 2-Lane																								
Location	Zhaoqing City	Huizhou City	Huizhou City																								
Operation Date	April 2005	June 1993	December 1997																								
Expiry Date	2031	2027	2023																								
Current Toll Rates	RMB2 – RMB28	RMB2 – RMB75	RMB1 – RMB21																								
Average Daily Traffic Flow	<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2006</th> <th>2005</th> </tr> </thead> <tbody> <tr> <td></td> <td>26,670</td> <td>22,414</td> <td>20,860</td> </tr> </tbody> </table>		2007	2006	2005		26,670	22,414	20,860	<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2006</th> <th>2005</th> </tr> </thead> <tbody> <tr> <td></td> <td>23,731</td> <td>19,735</td> <td>14,997</td> </tr> </tbody> </table>		2007	2006	2005		23,731	19,735	14,997	<table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2006</th> <th>2005</th> </tr> </thead> <tbody> <tr> <td></td> <td>10,989</td> <td>10,890</td> <td>11,853</td> </tr> </tbody> </table>		2007	2006	2005		10,989	10,890	11,853
	2007	2006	2005																								
	26,670	22,414	20,860																								
	2007	2006	2005																								
	23,731	19,735	14,997																								
	2007	2006	2005																								
	10,989	10,890	11,853																								

Project Key Facts and Figures



	6. Gaoming Bridge	7. Guangzhou Dongxin Expressway
Attributable Interest	30% / 80%	25.5%*
Form of Investment	CJV	Equity
Length	1.1 km	46.22 km
Lanes	Dual 1-Lane	Dual 3 to 4-Lane
Location	Gaoming District, Foshan City	Guangzhou City
Operation Date	November 1996	Mid 2008 (partial operation)
Expiry Date	2021	2033
Current Toll Rates	N/A (annual toll ticket system has been implemented since March 2003)	N/A
Average Daily Traffic Flow	2007 N/A 2006 N/A 2005 N/A	2007 N/A 2006 N/A 2005 N/A

* In July 2007, the Group acquired an additional 15.3% effective interest in the project.

Guangxi Province

Roads

- Grade 1 Highway
- Grade 2 Highway

	8. Beiliu City Roadways
Attributable Interest	60%
Form of Investment	CJV
Length	Phase I: 18.2 km Phase II: 21.6 km
Lanes	Dual 1 to 2-Lane
Location	Beiliu City
Operation Date	Phase I: August 1997 Phase II: May 1998
Expiry Date	2022
Current Toll Rates	RMB1 – RMB30
Average Daily Traffic Flow	2007 4,485 2006 4,617 2005 4,482

	9. Rongxian Roadways	10. Yulin – Shinan Roadway	11. Yulin Shinan – Dajiangkou Roadway
Attributable Interest	70%	60%	60%
Form of Investment	CJV	CJV	CJV
Length	Phase I: 9.2 km Phase II: 16.8 km	27.8 km	Phase I: 8.7 km Phase II: 30 km
Lanes	Dual 1 to 2-Lane	Dual 2-Lane	Dual 1 to 2-Lane
Location	Rongxian	Yulin City	Yulin City
Operation Date	Phase I: October 1997 Phase II: May 1998	May 1998	Phase I: August 1997 Phase II: January 1999
Expiry Date	2022	2022	2022
Current Toll Rates	RMB1 – RMB30	RMB1 – RMB30	RMB1 – RMB30
Average Daily Traffic Flow	2007 4,500 2006 4,481 2005 4,266	2007 7,831 2006 7,624 2005 6,655	2007 3,089 2006 3,091 2005 2,764

	12. Roadway No. 321 (Wuzhou Section)	13. Cangwu County Roadway
Attributable Interest	45%	70%
Form of Investment	CJV	CJV
Length	Phase I: 8.7 km Phase II: 4.3 km	10.1 km
Lanes	Dual 2-Lane	Dual 2 to 3-Lane
Location	Wuzhou City	Cangwu County
Operation Date	Phase I: March 1997 Phase II: December 1998	January 1999
Expiry Date	2022	2022
Current Toll Rates	RMB1 – RMB35	RMB1 – RMB25
Average Daily Traffic Flow	2007 5,155 2006 4,688 2005 5,851	2007 3,955 2006 4,135 2005 5,065



Shanxi Province



Roads

Grade 1 Highway

Grade 2 Highway



14. Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)

Attributable Interest	60% / 90%		
Form of Investment	CJV		
Length	23.18 km		
Lanes	Dual 1-Lane		
Location	Taiyuan City		
Operation Date	July 2000		
Expiry Date	2025		
Current Toll Rates	RMB10 – RMB60		
Average Daily Traffic Flow	2007	2006	2005
	298	235	636

15. Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)

Attributable Interest	60% / 90%		
Form of Investment	CJV		
Length	36.02 km		
Lanes	Dual 1-Lane		
Location	Gujiao City		
Operation Date	April 1999		
Expiry Date	2025		
Current Toll Rates	RMB10 – RMB60		
Average Daily Traffic Flow	2007	2006	2005
	774	966	1,534

16. Roadway No. 309 (Changzhi Section)

Attributable Interest	60% / 90%		
Form of Investment	CJV		
Length	22.2 km		
Lanes	Dual 1 to 2-Lane		
Location	Changzhi City		
Operation Date	July 2000		
Expiry Date	2023		
Current Toll Rates	RMB10 – RMB60		
Average Daily Traffic Flow	2007	2006	2005
	1,957	2,381	2,106

17. Taiyuan – Changzhi Roadway (Changzhi Section)

Attributable Interest	60% / 90%		
Form of Investment	CJV		
Length	18.3 km		
Lanes	Dual 1 to 2-Lane		
Location	Changzhi City		
Operation Date	August 2000		
Expiry Date	2023		
Current Toll Rates	RMB10 – RMB70		
Average Daily Traffic Flow	2007	2006	2005
	3,122	3,202	2,533

Wuhan City



Roads

Expressway



18. Wuhan Airport Expressway

Attributable Interest	40%		
Form of Investment	CJV		
Length	18 km		
Lanes	Dual 2-Lane		
Location	Wuhan City		
Operation Date	April 1995		
Expiry Date	2025		
Current Toll Rates	RMB5 – RMB50		
Average Daily Traffic Flow	2007	2006	2005
	12,610	11,405	9,971

Tianjin Municipality



Roads

Expressway






19. Tangjin Expressway (Tianjin North Section)

Attributable Interest	90% distributable cash for the first 15 years; 60% distributable cash for the last 15 years		
Form of Investment	CJV		
Length	Section I: 43.4 km Section II: 17 km		
Lanes	Dual 2 to 3-Lane		
Location	Tianjin Municipality		
Operation Date	Section I: December 1998 Section II: December 2000		
Expiry Date	Section I: 2028 Section II: 2028		
Current Toll Rates	RMB5 – RMB115		
Average Daily Traffic Flow	2007	2006	2005
	21,095	17,723	17,181

Project Key Facts and Figures



Hong Kong		20. Tate's Cairn Tunnel			
 Roads  Expressway		Attributable Interest	29.5%		
		Form of Investment	Equity		
		Length	4 km		
		Lanes	Dual 2-Lane		
		Location	Hong Kong		
		Operation Date	June 1991		
		Expiry Date	2018		
		Current Toll Rates	HK\$10 – HK\$26		
		Average Daily Traffic Flow	2007	2006	2005
			55,619	55,333	59,986

Energy

	1. Zhujiang Power Station – Phase I	2. Zhujiang Power Station – Phase II	3. Macau Power
Attributable Interest	50%	25%	19%
Form of Investment	EJV	EJV	Equity
Installed Capacity	600 MW	600 MW	472 MW
Location	Nansha Economic Development Zone, Guangzhou City	Nansha Economic Development Zone, Guangzhou City	One in Macau and two in Coloane
Type of Power	Coal-Fired Thermal	Coal-Fired Thermal	Oil-Fired Thermal
Operation Date	January 1994	April 1996	November 1985
Expiry Date	2017	2020	2010
Electricity Sales (GWh)	2007 3,677 2006 3,940 2005 3,990	2007 3,793 2006 4,408 2005 4,251	2007 2,572 2006 2,213 2005 1,997

	4. Chengdu Jintang Power Plant	5. Guangdong Baolihua New Energy Stock Co., Ltd.
Attributable Interest	35%	9.45%
Form of Investment	Equity	Equity
Installed Capacity	1,200 MW	Phase 1: 2 x 135 MW Phase 2: 2 x 300 MW (under construction)
Location	Huailou Industrial Zone, Jintang, Chengdu City, Sichuan Province	Meixian, Guangdong
Type of Power	Coal-Fired Thermal	Coal Gangue Inferior Coal-Fired Thermal
Operation Date	600 MW: June 2007 600 MW: December 2007 (Estimate)	Phase 1: September 2005 Phase 2: The two power generators are expected to start operation in April and August 2008 respectively
Expiry Date	2040	N/A
Electricity Sales (GWh)	2007 185 2006 N/A 2005 N/A	

Water

	1. Macau Water Plant	2. Lianjiang Water Plant	3. Zhongshan Tanzhou Water Plant
Attributable Interest	42.5%	30%	29%
Form of Investment	Equity	Equity	Equity
Capacity	330,000m ³ / day	100,000m ³ / day	Phase 1: 60,000m ³ / day Phase 2: 90,000m ³ / day
Location	Macau	Lianjiang, Guangdong Province	Zhongshan, Guangdong Province
Operation Date	1985	N/A	Phase 1: January 1994 Phase 2: May 2007
Expiry Date	2010	2027	2027
Average Daily Volume Sold (m³)	2007 172,744 2006 157,581 2005 148,734	N/A	2007 79,816 2006 67,877 2005 58,600

	4. Zhongshan Dafeng Water Plant	5. Zhongshan Quanlu Water Plant	6. Dongguan Microfiltration Equipment Plant
Attributable Interest	33.06%	33.06%	25%
Form of Investment	Equity	Equity	Equity
Capacity	Phase 1: 200,000m ³ / day Phase 2: 200,000m ³ / day	500,000m ³ / day	N/A
Location	Zhongshan, Guangdong Province	Zhongshan, Guangdong Province	Dongguan, Guangdong Province
Operation Date	Phase 1: April 1998 Phase 2: January 2008 (Estimate)	April 1998	September 1995
Expiry Date	2020	2020	2014
Average Daily Volume Sold (m³)	2007 610,473	2006 591,852	N/A
			2005 641,677

	7. Nanchang Water Plant	8. Baoding Water Plant	9. Siping Water Plant
Attributable Interest	25%	27.5%	25%
Form of Investment	Equity	Equity	Equity
Capacity	Phase 1: 50,000m ³ / day Phase 2: 50,000m ³ / day	260,000m ³ / day	118,000m ³ / day
Location	Nanchang, Jiangxi Province	Baoding, Hebei Province	Siping, Jilin Province
Operation Date	Phase 1: January 1996 Phase 2: January 2008 (Estimate)	June 2000	September 2000
Expiry Date	2023	2020	2030
Average Daily Volume Sold (m³)	2007 56,922 2006 58,959 2005 72,315	2007 234,000 2006 234,000 2005 234,000	2007 59,781 2006 52,479 2005 39,918

	10. Zhengzhou Water Plant	11. Xinchang Water Plant	12. Changtu Water Plant
Attributable Interest	25%	25%	35%
Form of Investment	Equity	Equity	Equity
Capacity	360,000m ³ / day	100,000m ³ / day	50,000m ³ / day
Location	Zhengzhou, Henan Province	Xinchang, Zhejiang Province	Tieling, Liaoning Province
Operation Date	August 2001	March 2002	December 2000
Expiry Date	2031	2032	2029
Average Daily Volume Sold (m³)	2007 288,000 2006 288,000 2005 288,000	2007 64,000 2006 71,058 2005 75,370	2007 20,142 2006 18,284 2005 16,762

Project Key Facts and Figures



	13. Panjin Water Plant	14. Shanghai Spark Water Plant	15. Shanghai SCIP Water Treatment Plants
Attributable Interest	30%	25%	25%
Form of Investment	Equity	Equity	Equity
Capacity	110,000m ³ / day	100,000m ³ / day	Waste Water: 50,000m ³ / day Industrial Water: 200,000m ³ / day
Location	Panjin, Liaoning Province	Shanghai	Shanghai
Operation Date	April 2002	January 2002	April 2005
Expiry Date	2032	2031	2052
Average Daily Volume Sold (m³)	2007 78,113 2006 75,580 2005 74,391	2007 43,311 2006 44,155 2005 42,192	2007 45,289 2006 27,467 2005 21,969 Waste Water Industrial Water 97,900 70,015 60,504

	16. Qingdao Water Plant	17. Chongqing Water Plant	18. Sanya Water Plant
Attributable Interest	25%	30%	25%
Form of Investment	Equity	Equity	Equity
Capacity	Phase 1: 543,000m ³ / day Phase 2: 183,000m ³ / day	Phase 1: 345,000m ³ / day Phase 2: 160,000m ³ / day	235,000m ³ / day
Location	Qingdao, Shandong Province	Chongqing	Sanya, Hainan Province
Operation Date	Phase 1: August 2002 Phase 2: September 2006	Phase 1: November 2002 Phase 2: July 2006	January 2004
Expiry Date	2027	2052	2030
Average Daily Volume Sold (m³)	2007 531,231 2006 495,357 2005 530,121	2007 237,153 2006 199,192 2005 174,964	2007 129,910 2006 122,187 2005 110,315

	19. Tanggu Water Plant	20. Changshu Water Plant	21. Chongqing Tangjiatuo Waste Water Plant
Attributable Interest	25%	24.5%	25%
Form of Investment	Equity	Equity	Equity
Capacity	310,000m ³ / day	675,000m ³ / day	300,000m ³ / day
Location	Tanggu, Tianjin	Changshu, Jiangsu Province	Chongqing
Operation Date	April 2005	December 2006	January 2007
Expiry Date	2039	2036	2036
Average Daily Volume Sold (m³)	2007 156,983 2006 154,794 2005 137,734	2007 332,508 2006 N/A 2005 N/A	Average Daily Volume Treated (m³) 2007 236,533 2006 N/A 2005 N/A

	22. Shanghai SCIP Waste Incineration Plant	23. Far East Landfill Technologies Limited
Attributable Interest	10%	47%
Form of Investment	Equity	Equity
Capacity	60,000 tonnes / year	35 million m ³
Location	Shanghai	Hong Kong
Operation Date	August 2006	June 1995
Expiry Date	2053	2045
Annual Volume Treated (tonnes)	2007 30,186 2006 N/A 2005 N/A	N/A

Ports

	1. Xiamen New World Xiangyu Terminals Co., Ltd.	2. Tianjin Orient Container Terminals Co., Ltd.	3. Tianjin Five Continents International Container Terminal Co., Ltd.
Attributable Interest	50%	24.5%	18%
Form of Investment	EJV	EJV	EJV
Handling Capacity	1 million TEUs pa	1.4 million TEUs pa	1.5 million TEUs pa
Total Area	488,000 sq m	469,000 sq m	517,000 sq m
Location	Huli Industrial Zone, Xiamen, Fujian	Xingang Dongtudi South Terminal, Tanggu, Tianjin	Xingang Dongtudi North Terminal, Tanggu, Tianjin
Operation Date	April 1997	January 1999	November 2005
Expiry Date	2052	2027	2035
Length of Berths	976 m	1,136 m	1,202 m
No. of Cranes	9	10	12
Throughput Achieved (TEUs)	2007 794,000 2006 736,000 2005 635,000	2007 1,136,000 2006 1,145,000 2005 1,087,000	2007 1,988,000 2006 831,000 2005 N/A

	4. Dalian Container Terminal Co., Ltd.	5. Xiamen Xinyuan Container Terminal Co., Ltd.
Attributable Interest	4.8%	70%
Form of Investment	EJV	EJV
Handling Capacity	2.2 million TEUs pa	23,000 TEUs pa
Total Area	740,000 sq m	55,000 sq m (area leased from Xiamen New World Xiangyu Terminals Co., Ltd.)
Location	Berths 3 to 7, 9 and 10, Dayaowan, Dalian	Huli Industrial Zone, Xiamen, Fujian
Operation Date	June 2002	January 1999
Expiry Date	2046	2018
Length of Berths	1,856 m	N/A
Throughput Achieved (TEUs)	2007 1,859,000 2006 1,906,000 2005 1,861,000	Throughput Achieved (TEUs) 2007 25,111 2006 22,069 2005 19,329 (Cargo Consolidation)

	6. Xiamen New World Xiangyu Warehouse & Processing Zone Limited	7. Wenzhou Zhuangyuan Ao New World International Terminals Company Limited
Attributable Interest	100%	55%
Form of Investment	WFOE	EJV
Location	Huli Industrial Zone, Xiamen, Fujian	Zhuangyuan Ao Port Area, Wenzhou
Operation Date	January 1998	June 2008 (Estimate)
Expiry Date	2045	2056
Yearly Average Occupancy Rate	2007 N/A 2006 N/A 2005 87%	Length of Berths 683 m
		Throughput Achieved (tonnes) 2007 N/A 2006 N/A 2005 N/A

Project Key Facts and Figures

Service & Rental

Facilities Rental

- HKCEC (Management)
- ATL Logistics Centre Hong Kong (56%)
- ATL Logistics Centre Yantian (46.17%)
- United Asia Terminals (Yantian) (40%)
- China United International Rail Containers (22%)

Contracting

- Hip Hing Construction
- Vibro (99.83%)
- Ngo Kee Construction
- Barbican Construction
- Extensive Trading
- Team Deco
- Millennium Engineering (90.4%)
- Kentfull Contracting
- Quon Hing (50%)
- Wai Kee (26.97%)
- Build King (22.30%)
- NWS Engineering Group
- Young's Engineering
- Majestic Engineering
- Far East Engineering
- NWS Engineering

Financial Services

- New World Insurance
- Taifook Securities (61.25%)
- Tricor (24.39%)

Other Services

- New World First Bus (50%)
- Citybus (50%)
- New World First Bus (China) (50%)
- New World First Ferry (50%)
- New World First Ferry (Macau) (50%)
- New World First Travel (50%)
- Guangzhou New World Bus (30.32%)
- Kwoon Chung Bus (14.95%)
- Urban Property
- International Property (99%)
- KLPS
- Urban Parking
- General Security
- Uniformity
- Pollution & Protection Services
- Wai Hong Cleaning
- New China Laundry
- Sky Connection
- Care & Services
- CiF Solutions
- Hong Kong Island Landscape

Facilities Rental

	Hong Kong Convention and Exhibition Centre (Management) Limited
Services Offered	Management and operation of venues for exhibitions, conventions, meetings, entertainment, banquets and catering events, etc
Gross Rentable Space	70,086 sq m
No. of Events Held This Year	1,341
No. of Attendants This Year	4,890,199
Expansion	Expansion to Halls 1, 2 & 3 to be completed in 2009 adds a further 19,400 sq m of rentable space for Hong Kong Convention and Exhibition Centre

	ATL Logistics Centre Hong Kong Limited
Attributable Interest	56%
Form of Investment	Equity
Lettable Area	5.9 million sq ft
Location	Berth 3, Kwai Chung Container Terminals, Hong Kong
Operation Dates	Phase I: February 1987 Phase II: March 1988 Phase III: February 1992 Phase IV: January 1994 Phase V: November 1994
Expiry Date	2047
Yearly Average Occupancy Rate	2007 97.5% 2006 95.9% 2005 92.8%
CFS Handling Volume (cb m)	895,000 918,000 1,052,000

	ATL Logistics Centre Yantian Limited
Attributable Interest	46.17%
Form of Investment	Equity
Handling Capacity	600,000 cb m pa
Total Area	26,000 sq m
Location	Yantian, Shenzhen
Operation Date	January 2002
Expiry Date	2019
CFS Handling Volume (cb m)	2007 392,000 2006 320,000 2005 305,000

	United Asia Terminals (Yantian) Limited
Attributable Interest	40%
Form of Investment	Equity
Handling Capacity	800,000 cb m pa
Total Area	37,000 sq m
Location	Yantian, Shenzhen
Operation Date	February 1997
Expiry Date	2008
CFS Handling Volume (cb m)	2007 594,000 2006 504,000 2005 417,000

Contracting

	Hip Hing Construction Company Limited
Service Offered	Construction engineering service
Total Contract Sum This Year	HK\$9,234 million
Contract on Hand	HK\$27,577 million (remaining work: HK\$16,302 million)
Major Projects	Management contract for MGM Grand Paradise, Macau; management contract for Grand Lisboa Hotel and Casino, Macau; management contract for Shanghai Hong Kong New World Gardens; management contract for One Central Macau; design and build contract for Hong Kong Convention and Exhibition Centre Atrium Link Extension, etc

	Vibro (H.K.) Limited
Services Offered	Design and construction of foundation, site investigation and civil engineering works
Total Contract Sum This Year	HK\$531 million
Contract on Hand	HK\$546 million (remaining work: HK\$346 million)
Major Projects	Foundation works for Macao Studio City, Macau; site formation works for residential redevelopment at Ap Lei Chau Inland Lot 129; ground investigation works and urban term contract for Civil Engineering and Development Department; gas pipe replacement works in New Territories East, Kowloon West and East regions, etc

Project Key Facts and Figures



	Ngo Kee Construction Company Limited
Services Offered	Construction, refurbishment and maintenance of buildings
Total Contract Sum This Year	HK\$1,692 million
Contract on Hand	HK\$2,179 million (remaining work: HK\$1,407 million)
Major Projects	Teaching hotel at Chinese University of Hong Kong; new Block D at Hong Kong Baptist Hospital; Chai Wan new public fill barging point; external theming work package 3224 for Venetian Macao, Cotai, etc

	Barbican Construction Company Limited
Services Offered	Construction, civil engineering and slope stabilizing works
Total Contract Sum This Year	HK\$492 million
Contract on Hand	HK\$1,681 million (remaining work: HK\$694 million)
Major Projects	Landslip preventive measures projects in Kowloon and New Territories; retrofitting on noise barriers on Cheung Pei Shan Road; infrastructure works for development at Choi Wan Road and Jordan Valley Stage 2; transmission cable trenching work for CLP Power HK Limited; Shatin New Town, Stage II, Road T3 and associated roadworks, etc

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

	Team Deco International Limited
Service Offered	Interior Design
Major Projects	Qingdao Laigang Kempinski Hotel; Wuhan New World Hotel (public areas); Hui Zhou Kempinski Hotel; Dalian Kempinski Service Apartment; Vietnam New World Hotel Saigon Guestroom renovation; Beijing Niceline Villa Resident's Club House, etc

	NWS Engineering Group Limited
Major Operating Companies	Young's Engineering Company Limited, Majestic Engineering Company Limited, Far East Engineering Services Limited and NWS Engineering Limited
Services Offered	Mechanical and electrical engineering services
Total Contract Sum This Year	HK\$2,142 million
Contract on Hand	HK\$5,097 million (remaining work: HK\$2,615 million)
Major Projects	Area 86 Tseung Kwan O Town Lot No. 70 (Package One); SkyPier Building at Hong Kong International Airport; Venetian Hotel Tower 5 in Cotai, Macau; Building A Galaxy Resort in Cotai, Macau; Beijing China World Trade Centre Phase 3; Ningbo Shangri-La Hotel, etc



Financial Services

	New World Insurance Management Limited
Services Offered	Risk and insurance management consultancy services
Annual Premium Handled	HK\$593 million
Major Clients	Asia Television Ltd, CALYON Corporate and Investment Bank, Embry Holdings Ltd, GlaxoSmithKline Ltd, Linfox Holdings Hong Kong Ltd, Societe Generale, Whirlpool (Hong Kong) Ltd, Ye Yuen Industrial (Holdings) Ltd, etc

	Taifook Securities Group Limited
Services Offered	Total quality investment banking, asset management and securities brokerage services for institutional, corporate and individual investors
Network	11 branches in Hong Kong and Macau; 6 investment consultancy centres in Mainland China
Client Assets Managed	Over HK\$50 billion

Other Services

	New World First Bus Services Limited
Service Offered	Franchised bus service in Hong Kong
Fleet Size	695 buses
No. of Routes	94
Average Daily Patronage	513,000
Average Fleet Age	8.8 years

	Citybus Limited
Service Offered	Franchised bus service on Hong Kong Island
Fleet Size	743 buses
No. of Routes	92
Average Daily Patronage	527,000
Average Fleet Age	10.6 years
Service Offered	Franchised bus service for Airport and Tung Chung
Fleet Size	171 buses
No. of Routes	18
Average Daily Patronage	59,000
Average Fleet Age	8.8 years

New World First Bus Services (China) Limited

	Kunming New World First Bus Services Ltd
Service Offered	Public bus service in Kunming
Fleet Size	881 buses
No. of Routes	54
Daily Patronage	About 567,000
Average Fleet Age	5.7 years

	Guangzhou New World Bus Services Ltd
Service Offered	Public bus service in Guangzhou
Fleet Size	268 buses
No. of Routes	14
Daily Patronage	About 95,000
Average Fleet Age	3.2 years

	New World First Ferry Services Limited
Service Offered	Passenger ferry service within Hong Kong waters
Fleet Size	25 vessels (including 3 chartered vessels)
No. of Routes	7
Average Daily Patronage	About 40,000

	New World First Ferry Services (Macau) Limited
Service Offered	Passenger ferry service between Tsim Sha Tsui, Hong Kong and Macau
Fleet Size	8 vessels
Average Daily Patronage	About 10,000

Project Key Facts and Figures



	New World First Travel Services Limited
Services Offered	Provision of travel services and travel related products, including vessel charter hire, hotel packages and air ticketing, etc

	Urban Property Management Limited
Services Offered	Property and facility assets management, including large-scale residential projects, Grade-A industrial and commercial premises, luxurious properties, regional shopping centres, car parks and private and public facilities
No. of Properties Managed	230
Gross Floor Area Managed	15 million sq m
Major Projects	Grand Millennium Plaza, City One Shatin, Parc Palais, Park Lane Shopper's Boulevard, Clovelly Court, Queensway Government Offices, etc

	KLPS Group Limited
Services Offered	Property sales and leasing agency, commercial planning, property and facility management
Gross Floor Area Managed	5.11 million sq m
Major Projects	New World Centre, Shun Tak Centre, Convention Plaza, Beijing Shadow Creek, Beijing Chateau Regalia, Beijing Eastern International Apartment, Beijing Park Way Court No.9 Apartment, Beijing Yi Dong Yang Fang, Shanghai Royal Garden, Guangzhou Shun Tak Business Centre, Guangzhou King Tai Centre, Guangzhou Huadu Royal Island, etc

	Urban Parking Limited
Services Offered	Car park management, car park consultancy and design services, 24-hour centralized control center, procurement of car park equipments and parking meters, etc
No. of Parking Spaces Managed	Over 6,000
Major Projects	Hong Kong Convention and Exhibition Centre car park; Convention Plaza car park, Wan Chai; New World Centre car park, Tsim Sha Tsui; New World Tower car park, Central; Prince Wales Hospital staffs and visitors car park, Shatin; Hong Kong Octopus and Visa Express car park system projects; Beijing Capital International Airport Car Park system project; Beijing New World Centre car park (Phase 1 and 2), etc

	General Security (H.K.) Limited
Services Offered	Security and guarding services; gurkha guard services; armed and armoured transportation; exhibition and special events security management; tele-protection services through computerized tele-recording system; supply, installation and maintenance of security systems
Security Force	About 1,500
No. of Guarding Locations	105
Major Clients	The Hong Kong Jockey Club, Jones Lang LaSalle, City One Shatin, Hong Kong Convention and Exhibition Centre, Cyberport, etc.

	Uniformity Security Company Limited
Services Offered	Security guard services; exhibition, flat sale activities and special event security management; security consultancy; VIP protection; key-holding service; mobile patrol; security training; security system installation and maintenance, etc
Security Force	About 1,100
No. of Guarding Locations	72
Major Clients	MTR Corporation Ltd, Sino Estates Management Ltd, Kai Shing Management Services Ltd, Paliburg Estate Management Ltd, The Kowloon Motor Bus Co. (1933) Ltd, Hang Yick Properties Management Ltd, etc



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

	Wai Hong Cleaning & Pest Control Company Limited
Services Offered	Cleaning management, pest and termite control services, waste collection, disposal and recycling, etc
No. of Contracts	About 200
Major Clients	Airport Authority Hong Kong, MTR Corporation Ltd, Hong Kong Science Park, Hong Kong University of Science and Technology, Standard Chartered Bank, Taikoo Shing (Management) Ltd, etc

	New China Laundry Limited
Services Offered	Laundry and dry cleaning, linen product trading, maintenance and replenishment services to major hotels, restaurants and retail clients in Hong Kong, laundry and dry cleaning services for hotels and restaurants and industrial textile wash for clients in Guangdong Province

	Sky Connection Limited
Service Offered	Retail of duty free liquor, tobacco, perfume, cosmetics and general merchandise
Locations of Shops	Hong Kong International Airport, Hong Kong-Macau Ferry Terminal, China Ferry Terminal and Kowloon-Canton Railway Lok Ma Chau Station

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

	CIF Solutions Limited
Services Offered	Packaged IT applications, enterprise solutions and professional IT consultancy services
Major Clients	Convoy Financial Group Ltd, CIGNA Worldwide Life Insurance Company Ltd, Merck Sharp and Dohme (Asia) Ltd, OTIS Elevator Co., (HK) Ltd, YKK Hong Kong Ltd, Zung Fu Co., Ltd, Zuellig Pharma Ltd, etc

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

Glossary of Terms

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

GENERAL TERMS

“Board”	the board of directors of NWS Holdings
“FY2006”	the financial year ended 30 June 2006
“FY2007”	the financial year ended 30 June 2007
“GDP”	gross domestic product
“Group”	NWS Holdings and its subsidiary companies
“HK\$”	the lawful currency of Hong Kong
“Hong Kong” or “HKSAR”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Macau”	The Macau Special Administrative Region of the PRC
“Mainland China”	The PRC excluding Hong Kong, Macau and Taiwan
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
“MOP”	the lawful currency of Macau
“MPF”	Mandatory Provident Fund
“NWD”	New World Development Company Limited
“NWS Holdings” or “Company”	NWS Holdings Limited
“PRC”	The People’s Republic of China
“RMB” or “Rmb”	the lawful currency of the PRC
“US\$”	the lawful currency of the United States of America

TECHNICAL TERMS

“cbm(s)”	cubic metre(s)
“CJV”	co-operative joint venture company
“EJV”	equity joint venture company
“ft”	feet
“GW”	gigawatt(s), equal to 1,000,000 kilowatts
“ha”	hectare(s), equal to 10,000 square metres
“km”	kilometre(s)
“kWh”	kilowatt hour(s), a unit of measurement of electric energy, which is equal to the work done by one kilowatt of electric power in one hour

Glossary of Terms

TECHNICAL TERMS

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

FINANCIAL TERMS

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

COMMITTEES

Executive Committee

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

Audit Committee

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

Remuneration Committee

Mr Chan Kam Ling (Chairman)
Mr Lam Wai Hon, Patrick
Mr Kwong Che Keung, Gordon
Mr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Corporate Social Responsibility Committee

Mr Tsang Yam Pui (Chairman)
Mr Lam Wai Hon, Patrick
Mr Dominic Lai

QUALIFIED ACCOUNTANT

Mr Lam Wai Hon, Patrick

COMPANY SECRETARY

Mr Chow Tak Wing

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28/F, New World Tower
18 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

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

AUDITOR


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

PRINCIPAL BANKERS

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

WEBSITE

www.nwsh.com.hk



NWS Holdings Limited would like to acknowledge its staff and their children for taking part in the photography of this annual report.

This annual report was produced by Corporate Communication Department.

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



This annual report is also available at www.nwsh.com.hk.

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**This annual report is printed on
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