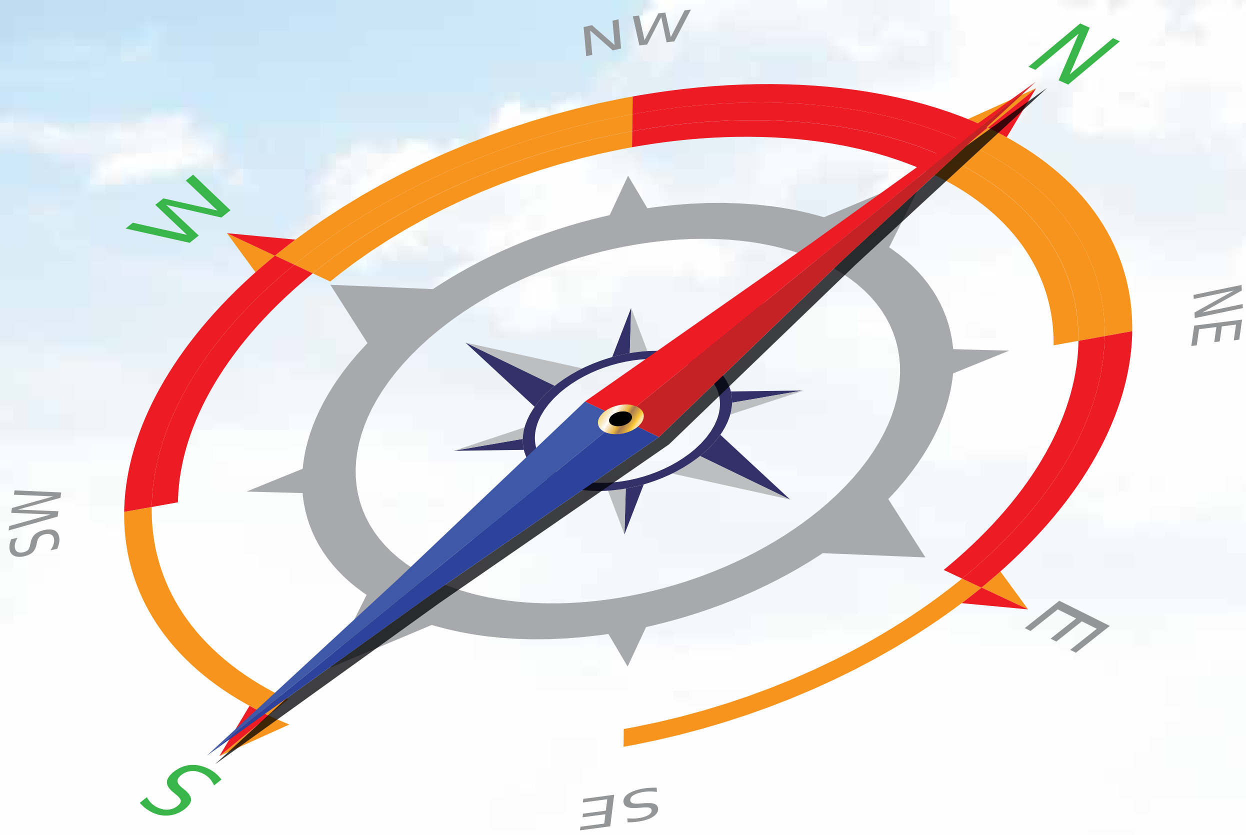
新創建 NWS



PAVING NEW HORIZONS

NWS HOLDINGS LIMITED
STOCK CODE: 659

ANNUAL REPORT 2012

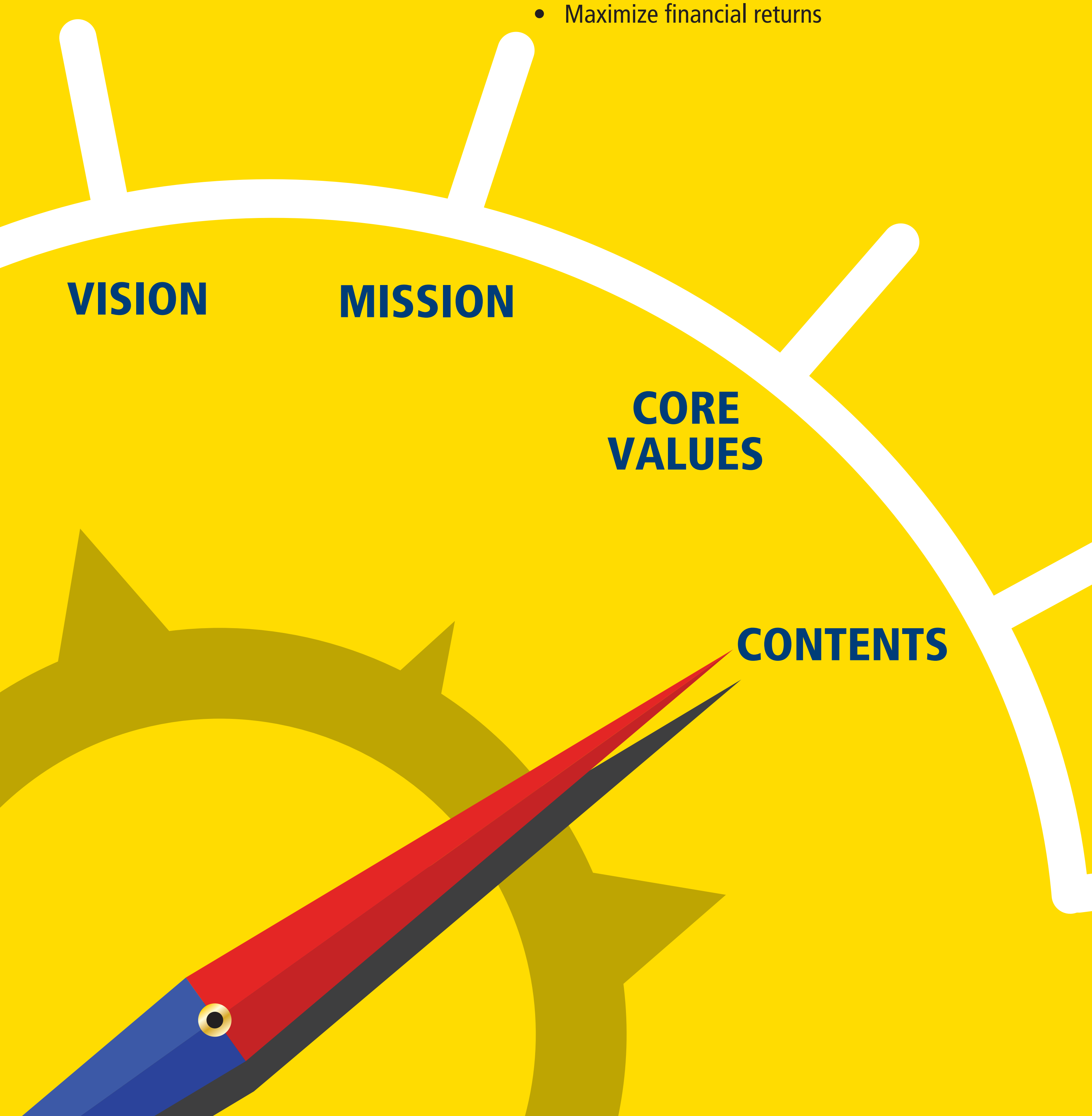
VISION

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

Design rationale

PAVING NEW HORIZONS

A compass theme is used extensively in NWS Holdings Annual Report 2012 to illustrate the Group's clear direction along its journey of excellence.

The Group's two major businesses, infrastructure and services, are symbolized by compass needles. With a direction to success and its dedication to corporate social responsibility, the Group is committed to paving new horizons and achieving sustainable growth in the years ahead.

Download the NWS Holdings Annual Report 2012

CONTENTS

Corporate Profile

About NWS Holdings

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

With a workforce of approximately 28,000 people, NWS Holdings is committed to achieving sustainable growth in its two core business areas of infrastructure and services.

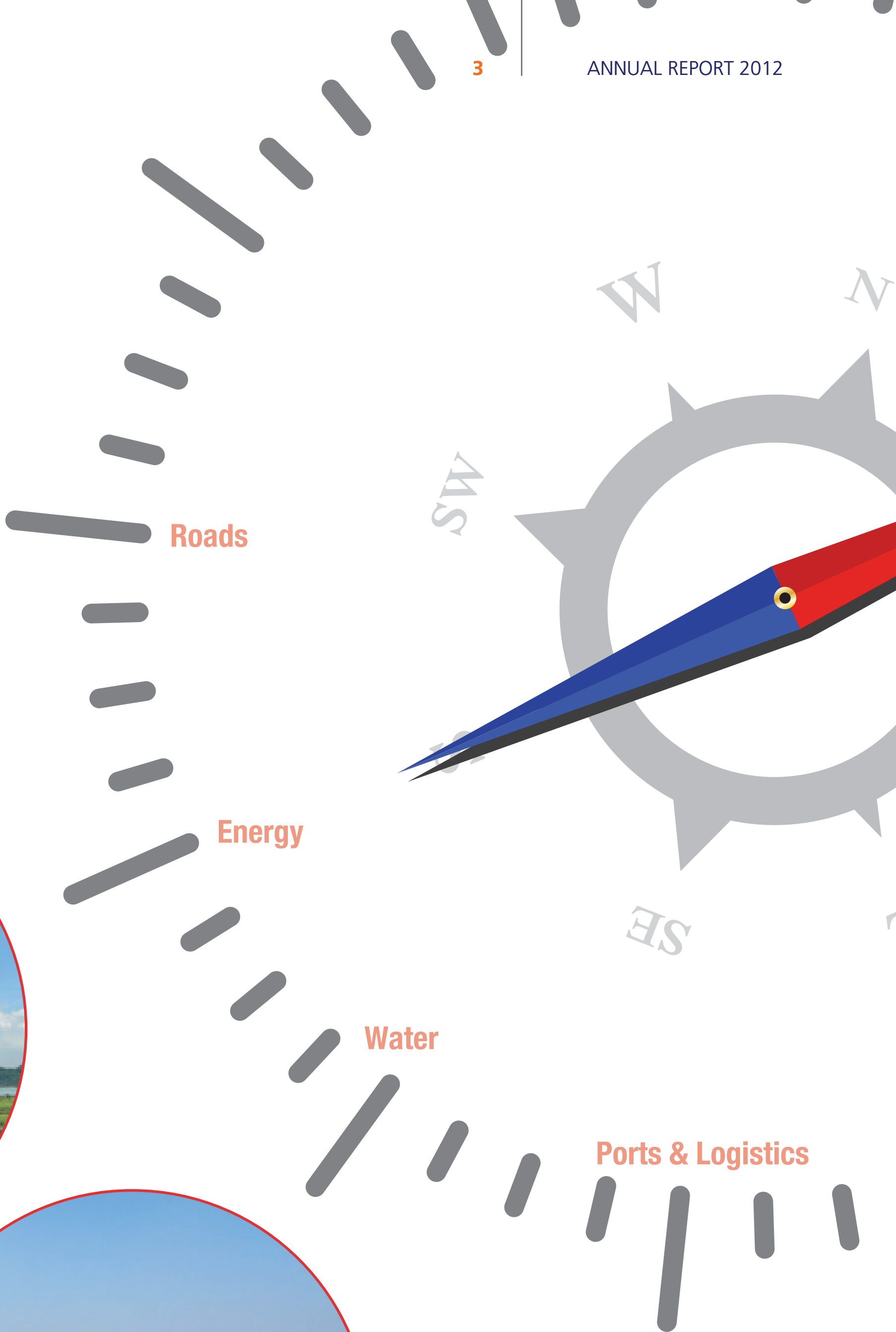
Services

As a pioneer in the services industry, NWS Holdings provides excellent services in supporting the needs of Hong Kong people and driving the city's growth.

Facilities Management

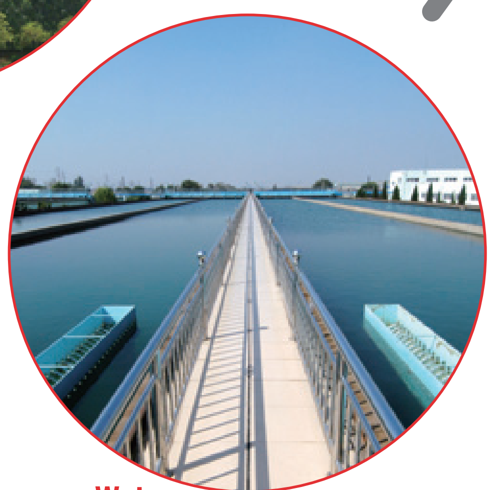
Construction & Transport

Strategic Investments




Roads


Energy


Water


Ports & Logistics

Infrastructure

As one of the leading infrastructure players in Mainland China, NWS Holdings possesses an extensive business network in managing and operating 62 projects and two strategic investments in four major segments, namely Roads, Energy, Water and Ports & Logistics.

Major Events and Accolades

2011

July

- The spin-off of Newton Resources Ltd (Hong Kong stock code: 1231) was completed and dealing in its shares on the Main Board of the Hong Kong Stock Exchange began on 4 July.
- A subsidiary of NWS Holdings issued RMB bonds in an aggregate principal amount of RMB1 billion.

August

- New World First Holdings Limited, which is jointly owned by Chow Tai Fook Enterprises Limited and NWS Holdings, disposed of New World First Ferry Services (Macau) Limited to Shun Tak – China Travel Shipping Investments Limited.
- NWS Holdings Annual Report 2010 won the Silver Award in the Overall Annual Report: Holding Companies category at the 2011 International ARC Awards.

September

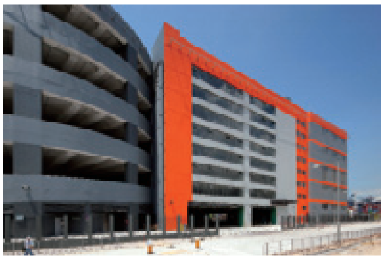
- Xiamen Haicang Xinhaida Container Terminals Co., Limited began operations with an annual handling capacity of 1,000,000 TEUs.
- NWS Holdings has been selected as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index 2011–2012, in recognition of the Group's outstanding performance in corporate social responsibility.

November

- NWS Holdings' corporate volunteer team, the NWS Volunteer Alliance, celebrated its 10th anniversary. The 2,000-strong team has accumulated over 90,000 hours of community service since its inception.
- NWS Holdings received the Best Practice Award in Corporate Wellness from the Best Practice Management Group and the Family-Friendly Employers Award from the Family Council.
- Hip Hing Construction Company Limited was presented with the IFAWPCA Gold Medal for Building Construction 2011 for the construction of the Atrium Link Extension at the Hong Kong Convention and Exhibition Centre.
- Tangjin Expressway (Tianjin North Section) started expansion works from dual 2-lane to dual 3-lane and are scheduled for completion by financial year 2015.

December

- NWS Kwai Chung Logistics Centre began operations, offering a leasable area of 920,000 sq ft.
- NWS Holdings won the Gold Award for Outstanding Volunteer Team in the Hong Kong Outstanding Corporate Citizenship Award scheme organized by the Hong Kong Productivity Council.



2012

January

- NWS Holdings completed the acquisition of an aggregate of 95% effective interest in Hangzhou Ring Road. The total consideration was approximately US$1.1 billion.
- Hong Kong Convention and Exhibition Centre was voted Asia's Best Convention and Exhibition Centre for the ninth time in the Industry Awards 2012 conducted by *CEI Asia magazine*.

February

- A subsidiary of NWS Holdings successfully issued US$500 million bonds.

March

- Sino French Water Development Company Limited ("Sino French Water"), a 50/50 joint venture with Suez Environnement, was named one of the Top 10 Most Influential Enterprises in Mainland China's Water Industry Annual Award for 2011.
- NWS Holdings received the Best Environmental Responsibility Award in the Second Asian Excellence Recognition Awards organized by *Corporate Governance Asia Journal*.

April

- The Government of the HKSAR granted two 10-year franchises for Citybus Limited's Airport and North Lantau Bus Network (Franchise 2) (from May 2013) and New World First Bus Services Limited (from July 2013).
- NWS Holdings Annual Report 2011 won the Silver Award in the Annual Reports-Corporate-Traditional category at the 2012 Astrid Awards.
- NWS Holdings received the Gold Award for Volunteer Service from the Social Welfare Department.

May

- NWS Holdings, through Sino French Water, expanded the cooperation scope of its 30-year concession contract with Wuhan Chemical Industry Park to provide exclusive integrated water and waste water services in the industry park.
- NWS Holdings, New World First Bus Services Limited and Hip Hing Construction Company Limited were awarded the 10 Consecutive Years Caring Company Logos in recognition of their performance in upholding corporate social responsibility.

Financial Highlights

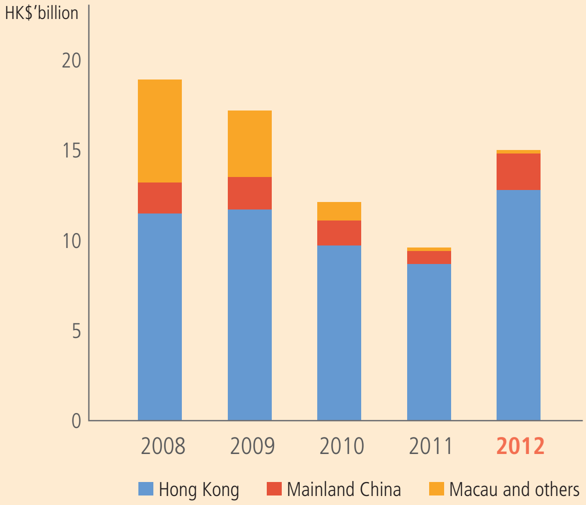
	2012 HK$'m	2011 HK$'m
Revenue	**14,954.3**	9,560.6
Profit Attributable to Shareholders of the Company	**5,251.1**	4,626.8
Net Debt	**12,280.1**	2,161.5
Total Assets	**62,086.2**	44,137.8
Net Assets	**36,632.8**	32,346.1
Shareholders' Funds	**35,794.3**	31,077.5

	2012 HK$	2011 HK$
Earnings per Share – Basic	**1.53**	1.40
Net Assets per Share	**10.23**	9.55

	2012	2011
Net Gearing Ratio	**34%**	7%
Return on Equity	**15%**	14%
Return on Capital Employed	**10%**	13%
Dividend Payout Ratio	**50%**	51%

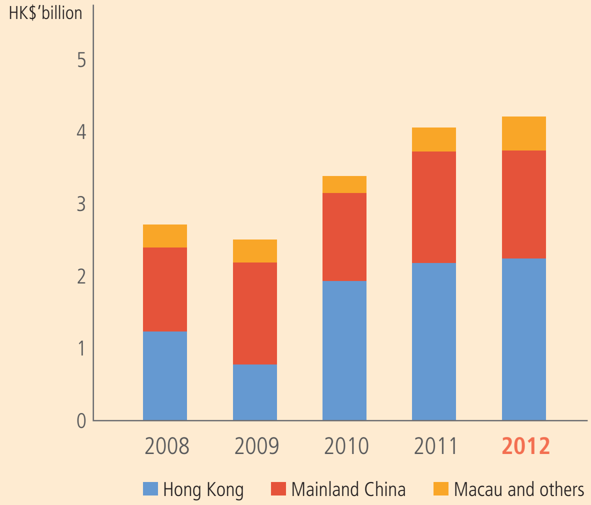
Revenue by Region

for the year ended 30 June



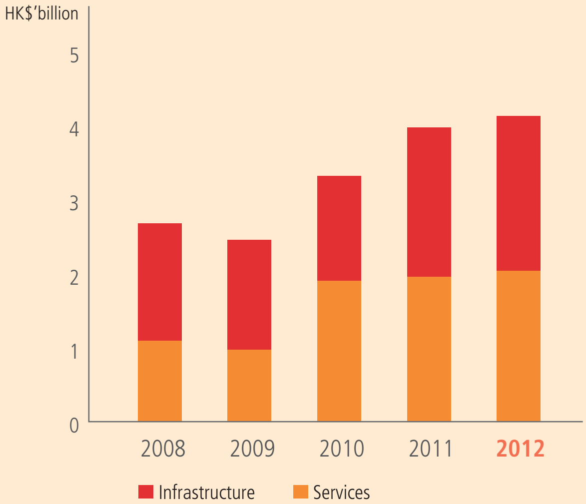
AOP by Region

for the year ended 30 June



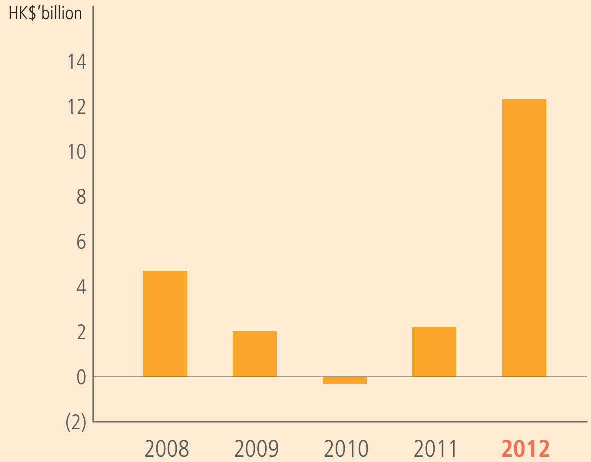
AOP by Division

for the year ended 30 June



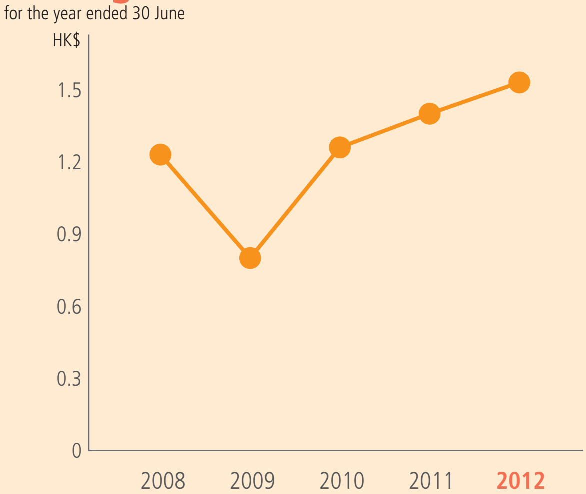
Net Debt/(Net Cash)

as at 30 June



Earnings Per Share – Basic*

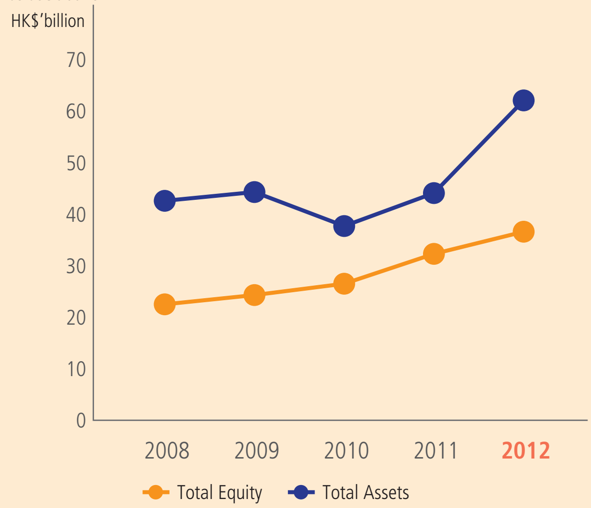
for the year ended 30 June



* 2008 to 2010 figures were adjusted for the bonus issue of shares in FY2011

Total Equity & Total Assets

as at 30 June



Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to report that NWS Holdings continued to forge its journey of excellence by turning in another year of solid performance across its business segments. Riding on a healthy revenue growth of 56% during the year, profit attributable to shareholders rose by 13% to reach a new record of HK$5.3 billion. This is an outstanding achievement despite the prolonged uncertain business environment arising from the sovereign debt crisis in Europe and the sluggish economic growth in the United States.

Attributable Operating Profit ("AOP") from our Infrastructure and Services divisions increased by 3% and 4% respectively during FY2012. These results reflect positively on the Group's strategy of maintaining sustainable growth by investing in high-quality yet defensive infrastructure assets, particularly under the Roads and Water segments in Mainland China; and by maximizing the profit and cash flow from core services assets on our home ground in Hong Kong.

In addition to the growth in AOP, profit attributable to shareholders was boosted by a dilution gain of approximately HK$1.8 billion from the successful listing of Newton Resources Ltd on 4 July 2011 as previously covered in the interim report for FY2012.

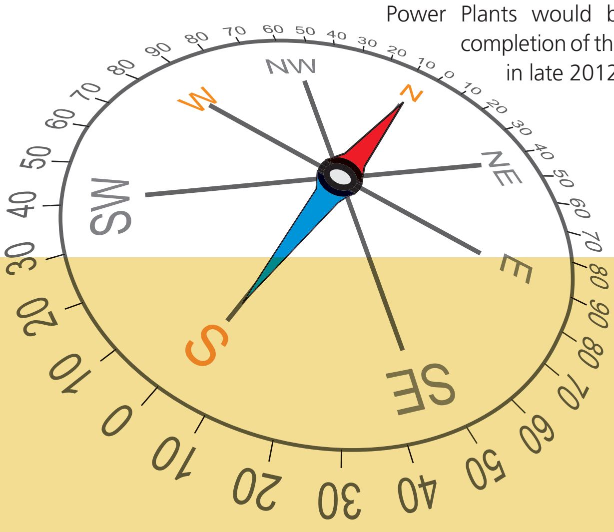
To share these remarkable results with our shareholders, a final dividend of HK$0.25 per share was proposed, representing a payout ratio of approximately 50.2%.

Continuous Growth from Strengthened Infrastructure Assets

The completion of the acquisition of Hangzhou Ring Road ("HZRR") in January 2012 not only strengthened the Group's roads portfolio significantly but also provided an immediate growth driver in terms of revenue and AOP. The impact of HZRR is even more apparent when recognizing the fact that the AOP of the Roads segment still rose by 7% in FY2012 despite an approximately HK$264 million reduction of extra profit recognition from Tangjin Expressway (Tianjin North Section). The Group looks forward to benefitting from the full-year impact of HZRR and traffic volume growth experienced by most of the other projects due to continuous local economic development in the coming years.

Following actions taken by the Guangdong Provincial Government, toll rates in the province were standardized with effect from 1 June 2012. In July 2012, the State Council of Mainland China also approved a "Holiday Toll-free Policy" for small passenger vehicles during four major statutory holidays including adjoining holidays. Based on our internal assessment, the negative impact from these policies could be defused by future revenue and traffic growth within our well-diversified roads portfolio. However, the Group will remain vigilant in monitoring the situation and make every effort to cooperate with local governments and authorities in striking a balance between enhancing the economic benefit of individual projects and safeguarding the interest of road users.

The performance of the Energy segment remained overshadowed by high coal prices and scheduled generator downtime at Zhujiang Power Plants, which underwent system upgrade and maintenance. The competitiveness of Zhujiang Power Plants would be enhanced upon completion of the technical upgrades in late 2012.



In May 2012, the Group expanded the cooperation scope of its 30-year concession contract with Wuhan Chemical Industry Park through Sino French Water Development Company Limited to provide exclusive integrated water and waste water services in the industry park. Having established a highly reputable and visible brand name with a good track record, technical expertise and a close working relationship with partners such as Suez Environnement, the Group is well poised to capture more water and waste treatment opportunities and extend the growth momentum of the Water segment through multiple channels, including mergers and acquisitions, and organic expansion.

Opportunities and Challenges for Services Division

Facilities Management segment lifted its AOP by 35% on the home front due to the Hong Kong Convention and Exhibition Centre's sturdy performance as the regional leader in the exhibition industry and Free Duty's exceptional growth as patronage across all cross-border terminals continued to increase. Regarding the status of Free Duty's concession contracts, the Group has renewed the concessions at all the land border crossings until 2017 but was not awarded a new contract at the Hong Kong International Airport when the current concession expires in November 2012. However, as the combined passenger throughput at the rail terminals have been much higher than the airport, the impact on the loss of the airport concession is relatively insignificant to the Group. While the Facilities Management segment performed strongly in FY2012, total AOP of the Services division was, however, affected by a substantial reduction in disposal gains from strategic investments due to on-going market volatility.

Development Projects on Track

The NWS Kwai Chung Logistics Centre, which the Group developed to capture the robust demand for logistics facilities in Hong Kong, commenced operations in December 2011 and has been fully leased out. The Group has therefore secured a steady stream of recurring revenue and cash flow from this new facility over the coming years.

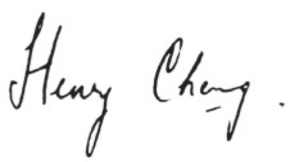
The aggregate annual throughput for China United International Rail Containers Co., Limited ("CUIRC") exceeded 1.5 million TEUs during FY2012. In light of its strong throughput growth, CUIRC has formulated plans to increase handling capacities at its Chengdu and Chongqing terminals. Development of new terminals in Tianjin and Urumqi is also progressing. CUIRC is uniquely positioned to capture the growing demand for rail freight fueled by government policy to support the development of sea-rail intermodal transportation and block train services to Europe.

Dedication to Social Responsibility

Building on our past success and recognition as an accountable corporate citizen, the Group will continue its effort to fully integrate corporate social responsibility and sustainability principles into our business operations. Members of the NWS Volunteer Alliance, which celebrated its 10th anniversary during the year, deserve a most special tribute for their dedication and commitment to community service. On the other hand, our work in promoting geoconservation and environmental protection continued to bear fruit, as evidenced by the increasing number of participants in the fourth NWS Hong Kong Geo Wonders Hike, our annual signature environmental programme. The recent renewal of NWS Holdings as a constituent stock of Hang Seng Corporate Sustainability Benchmark Index in 2012-2013 serves as a testimony of our outstanding performance in corporate responsibility.

Words of Appreciation

Last but not least, I would like to take this opportunity to thank our Board, our management team and all our committed staff for their contributions during the past year. I look forward to their continued support in bringing us sustainable results and creating long-term value for our shareholders.



Dr Cheng Kar Shun, Henry
Chairman
Hong Kong, 25 September 2012

" NWS Holdings continued to forge its journey of excellence by turning in another year of solid performance across its business segments. Profit attributable to shareholders rose by 13% to reach a new record of HK$5.3 billion. "

Board of Directors

Dr Cheng Kar Shun, Henry GBS

Chairman

Dr Cheng, aged 65, was appointed as Executive Director in March 2000 and became the Chairman in March 2001. He is also the Chairman of each of the Executive Committee and the Nomination Committee of the Company and a director of certain subsidiaries of the Group. Dr Cheng was re-designated to the Chairman and Executive Director of New World Development Company Limited, a substantial shareholder of the Company, with effect from 1 March 2012. He is also the Chairman and Managing Director of New World China Land Limited, the Chairman and Non-executive Director of New World Department Store China Limited, the Chairman and Executive Director of Chow Tai Fook Jewellery Group Limited and International Entertainment Corporation, an independent non-executive director of HKR International Limited and a non-executive director of Lifestyle International Holdings Limited, all being listed public companies in Hong Kong. Dr Cheng was appointed as the Chairman and Non-executive director of Newton Resources Ltd, a listed public company in Hong Kong, on 23 May 2012. He was the Chairman of Taifook Securities Group Limited (now known as Haitong International Securities Group Limited), a listed public company in Hong Kong, up to his resignation on 13 January 2010. Dr Cheng is also the Chairman of New World Hotels (Holdings) Limited and a director of several substantial shareholders of the Company, namely Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited and Mombasa Limited. Dr Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Eleventh Chinese People's Political Consultative Conference of The People's Republic of China. In 2001, he was awarded the Gold Bauhinia Star by the Government of the HKSAR. Dr Cheng is the father of Mr Cheng Chi Ming, Brian, the brother-in-law of Mr Doo Wai Hoi, William and the uncle of Mr William Junior Guilherme Doo.

Mr Doo Wai Hoi, William JP

Deputy Chairman

Mr Doo, aged 68, was appointed as Executive Director in March 2000 and became the Deputy Chairman in January 2003. He was re-designated to Non-executive Director in October 2009. He is also a director of a subsidiary of the Group. Mr Doo's corporate positions include: Vice Chairman and Non-executive Director of New World China Land Limited; Executive Director of Lifestyle International Holdings Limited and Independent Non-executive Director of The Bank of East Asia, Limited and Shanghai Industrial Urban Development Group Limited, all being listed public companies in Hong Kong. Moreover, he was the Deputy Chairman of Taifook Securities Group Limited (now known as Haitong International Securities Group Limited), a listed public company in Hong Kong, up to his resignation on 13 January 2010. He is also a director of New World Hotels (Holdings) Limited and Fung Seng Diamond Company Limited. Mr Doo is a member of the Standing Committee of the Eleventh Chinese People's Political Consultative Conference in Shanghai and the Convener of the Shanghai Committee in Hong Kong and Macau. He has been also serving as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. He is the Honorary Consul General of the Kingdom of Morocco in Hong Kong and Macau. In 2008, he was awarded the Chevalier de la Légion d'Honneur by the Republic of France. Mr Doo is the father of Mr William Junior Guilherme Doo, the brother-in-law of Dr Cheng Kar Shun, Henry and the uncle of Mr Cheng Chi Ming, Brian.

Mr Tsang Yam Pui GBS, OBE, QPM, CPM

Executive Director

Mr Tsang, aged 66, was appointed as Executive Director in June 2004 and is also the Chairman of the Corporate Social Responsibility Committee and a member of each of the Executive Committee, the Remuneration Committee and the Nomination Committee of the Company. He is also a director of certain subsidiaries of the Group. Mr Tsang is the Vice Chairman of New World First Bus Services Limited, Citybus Limited, New World First Bus Services (China) Limited and New World First Ferry Services Limited. He is also the Vice Chairman of China United International Rail Containers Co., Limited in Mainland China and a director of Mapletree Investments Pte Ltd in Singapore. Mr Tsang is the Chairman and a non-executive director of Mapletree Commercial Trust Management Ltd. (as manager of Mapletree Commercial Trust which is listed on the Singapore Stock Exchange). Mr Tsang was the Chairman and a non-executive director of Newton Resources Ltd, a listed public company in Hong Kong, up to his retirement on 23 May 2012. Mr Tsang also serves as a member of the Hong Kong Sanatorium & Hospital's Clinical Governance Committee. Prior to joining the Company, Mr Tsang had served with the Hong Kong Police Force for 38 years and retired from the Force as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. Mr Tsang was awarded the Gold Bauhinia Star, the OBE, the Queen's Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner's Commendation, and the HKSAR Police Long Service Medal.

Mr Lam Wai Hon, Patrick

Executive Director

Mr Lam, aged 50, was appointed as Executive Director in January 2003 and is also a member of each of the Executive Committee, the Remuneration Committee and the Corporate Social Responsibility Committee of the Company. He is also a director of certain subsidiaries of the Group. Mr Lam is the Vice Chairman and a non-executive director of Newton Resources Ltd and a non-executive director of Wai Kee Holdings Limited and Road King Infrastructure Limited, all being listed public companies in Hong Kong. He is also the Assistant General Manager of New World Development Company Limited, a substantial shareholder of the Company. He is mainly responsible for overseeing the services business of the Group and managing the financial and human resources aspects of the Company. Moreover, Mr Lam was a non-executive director of Taifook Securities Group Limited (now known as Haitong International Securities Group Limited), a listed public company in Hong Kong, up to his resignation on 13 January 2010. He was also a director of Guangdong Baolihua New Energy Stock Co., Ltd., a listed company in the PRC, up to his resignation on 1 April 2011. Mr Lam is a Chartered Accountant by training and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr Lam is a Governor of the Canadian Chamber of Commerce in Hong Kong and a member of the Asian advisory board of Richard Ivey School of Business, the University of Western Ontario, Canada.

Board of Directors

Mr Cheung Chin Cheung

Executive Director

Mr Cheung, aged 56, was appointed as Executive Director in October 2003 and is also a member of each of the Executive Committee and the Corporate Social Responsibility Committee of the Company. He had been an executive director of the Company during the period from May 1998 to January 2003. Mr Cheung is also a director of NWS Infrastructure Management Limited, Sino-French Holdings (Hong Kong) Limited, Far East Landfill Technologies Limited and a number of companies in Mainland China. He is the Vice Chairman of Companhia de Electricidade de Macau – CEM, S.A., the Managing Director of The Macao Water Supply Company Limited and a member of the supervisory board of Chongqing Water Group Company Limited, a company listed in Shanghai, PRC. He is a director of certain subsidiaries of the Group and is mainly responsible for managing the Group's infrastructure business. Mr Cheung had been a member of the Infrastructure Development Advisory Committee and the China Trade Advisory Committee of the Hong Kong Trade Development Council. He has over 20 years of experience in business development, investment and management in the infrastructure business in Mainland China. Mr Cheung is a member of the Hebei Province Committee of the Tenth Chinese People's Political Consultative Conference of The People's Republic of China.

Mr William Junior Guilherme Doo

Executive Director

Mr Doo, aged 38, was appointed as Director in December 2005 and is also a member of each of the Executive Committee and the Corporate Social Responsibility Committee of the Company. He is also a director of certain subsidiaries of the Group. Mr Doo is a solicitor admitted in the HKSAR and is currently a non-practising solicitor in England and Wales. Before joining the Company, he had legal practice experience in one of the largest global law firms specializing in finance and corporate transactions. Since joining the Company in March 2003, Mr Doo has been acting as members of various management committees of the Group. His area of responsibilities includes managing ports investment and operations, and overseeing transport, logistics and water business. He is currently a Standing Committee member of the Eleventh Chinese People's Political Consultative Conference in Beijing of The People's Republic of China. Mr Doo is the son of Mr Doo Wai Hoi, William, the nephew of Dr Cheng Kar Shun, Henry and the cousin of Mr Cheng Chi Ming, Brian.

Mr Cheng Chi Ming, Brian

Executive Director

Mr Cheng, aged 29, was appointed as Executive Director in July 2009 and is also a member of each of the Executive Committee and the Corporate Social Responsibility Committee of the Company. He is also a director of certain subsidiaries of the Group. He has been with the Company since January 2008 and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of the Group. Mr Cheng is a non-executive director of Newton Resources Ltd, Haitong International Securities Group Limited and Fook Woo Group Holdings Limited, all being listed public companies in Hong Kong. He is also a director of Sino-French Holdings (Hong Kong) Limited, Sino-French Energy Development Company Limited, The Macao Water Supply Company Limited and a director of a number of companies in Mainland China. Moreover, Mr Cheng was a non-executive director of Freeman Financial Corporation Limited, a listed public company in Hong Kong, up to his retirement on 30 August 2011. Before joining the Company, Mr Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. Mr Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, U.S.A. Mr Cheng is the son of Dr Cheng Kar Shun, Henry, the nephew of Mr Doo Wai Hoi, William and the cousin of Mr William Junior Guilherme Doo.

Mr To Hin Tsun, Gerald

Non-executive Director

Mr To, aged 63, was appointed as Independent Non-executive Director in May 1998 and was re-designated to Non-executive Director in August 2002. Mr To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr To is also a non-executive director of Mongolia Energy Corporation Limited and an executive director of International Entertainment Corporation, both companies' shares being listed on the Main Board of the Hong Kong Stock Exchange. He was formerly a non-executive director of Taifook Securities Group Limited (now known as Haitong International Securities Group Limited), a listed public company in Hong Kong, up to his resignation on 13 January 2010.

Board of Directors

Mr Dominic Lai

Non-executive Director

Mr Lai, aged 65, was appointed as Independent Non-executive Director in August 2002 and was re-designated to Non-executive Director in September 2004. He is also a member of each of the Audit Committee and the Corporate Social Responsibility Committee of the Company. Mr Lai is a practising solicitor in Hong Kong and is also admitted in England and Wales, the Republic of Singapore, the States of New South Wales and Victoria, Australia. Mr Lai is a senior partner of the Hong Kong law firm, Iu, Lai & Li and has been in practice for more than 35 years. He is also a non-executive director of Midas International Holdings Limited and Oriental Press Group Limited, both being listed public companies in Hong Kong. Moreover, he was an independent non-executive director of Winfoong International Limited, a listed public company in Hong Kong, up to his retirement on 24 May 2011.

Mr Kwong Che Keung, Gordon

Independent Non-executive Director

Mr Kwong, aged 63, was appointed as Independent Non-executive Director in October 2002 and is the Chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company. He is also an independent non-executive director of a number of Hong Kong listed public companies including Agile Property Holdings Limited, CITIC Telecom International Holdings Limited, China COSCO Holdings Company Limited, China Chengtong Development Group Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, Global Digital Creations Holdings Limited, Henderson Investment Limited, Henderson Land Development Company Limited and OP Financial Investments Limited. He was an independent non-executive director of Tianjin Development Holdings Limited (retired on 26 May 2010), China Oilfield Services Limited (retired on 28 May 2010), Frasers Property (China) Limited (retired on 14 January 2011), COSCO International Holdings Limited (retired on 9 June 2011), Beijing Capital International Airport Company Limited (retired on 15 June 2011) and Quam Limited (retired on 6 September 2012), all being listed public companies in Hong Kong. Mr Kwong graduated from The University of Hong Kong in 1972, qualifying as a chartered accountant in England in 1977, a Partner of Price Waterhouse from 1984 to 1998 and 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.

Dr Cheng Wai Chee, Christopher GBS, OBE, JP

Independent Non-executive Director

Dr Cheng, aged 64, was appointed as Independent Non-Executive Director in January 2003 and is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Dr Cheng is the Chairman of Wing Tai Properties Limited and an independent non-executive director of New World China Land Limited and Kingboard Chemical Holdings Limited, all being listed public companies in Hong Kong, and an independent non-executive director of DBS Group Holdings Limited, a listed public company in Singapore. He is also a non-executive director of Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust which is listed on the Hong Kong Stock Exchange). Moreover, he was an independent non-executive director of PICC Property and Casualty Company Limited and the Chairman of Windsor Properties Holdings Limited, both being listed public companies in Hong Kong, up to his resignation on 23 October 2009 and 1 September 2012 respectively. Dr Cheng has a keen interest in the public services. He is currently a member of the Hong Kong Government Exchange Fund Advisory Committee, a member of the Judicial Officers Recommendation Commission, a member of the Council of The University of Hong Kong and a steward of the Hong Kong Jockey Club. He also serves as a member of the board of Overseers at Columbia Business School, the board of Temasek Foundation CLG Limited, and a member on the President's Council on International Activities of the Yale University. Dr Cheng is the former Chairman of the Hong Kong General Chamber of Commerce. Dr Cheng holds a BBA from the University of Notre Dame, Indiana, USA, and an MBA from Columbia University, New York and was conferred the degree of Doctor of Social Sciences *honoris causa* by The University of Hong Kong.

The Honourable Shek Lai Him, Abraham SBS, JP

Independent Non-executive Director

Mr Shek, aged 67, was appointed as Independent Non-executive Director in September 2004 and is the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. Mr Shek graduated from the University of Sydney with Bachelor of Arts. He is a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. Currently, Mr Shek is a member of the Court of The Hong Kong University of Science & Technology and a member of both the Court and the Council of The University of Hong Kong. Mr Shek is a director of The Hong Kong Mortgage Corporation Limited and an independent non-executive director of MTR Corporation Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Ltd., Chuang's China Investments Limited (also acts as Chairman), ITC Corporation Limited, ITC Properties Group Limited (also acts as Vice Chairman), Titan Petrochemicals Group Limited, Country Garden Holdings Company Limited, Hsin Chong Construction Group Ltd., Hop Hing Group Holdings Limited, SJM Holdings Limited, Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited) and China Resources Cement Holdings Limited, all of which are companies whose shares are listed on the Hong Kong Stock Exchange. He is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both of the trusts are listed on the Hong Kong Stock Exchange. Mr Shek was awarded the Silver Bauhinia Star by the Government of the HKSAR in 2007.

Board of Directors

Mr Wilfried Ernst Kaffenberger

Independent Non-executive Director

Mr Kaffenberger, aged 68, was appointed as Non-executive Director in January 2003 and re-designated to Independent Non-executive Director with effect from 1 March 2012. He is an independent financial advisor. In June 2008, he completed his role as Chief Executive Officer of the AIG Asian Infrastructure Fund II (the "Fund"), a US$1.67 billion direct equity investment fund he organized in 1997. Prior to organizing the Fund, he was the Vice President, Operations, of the International Finance Corporation ("IFC"), a World Bank affiliate. His career at IFC covered 25 years. Mr Kaffenberger is, since August 2009, a director of AEI, a Houston, USA, based energy infrastructure company operating in Latin America, Central and Eastern Europe and Asia. Mr Kaffenberger is, with effect from September 2009, a director of BAA Airports Limited, which owns and operates airports throughout the United Kingdom.

Mr Yeung Kun Wah, David

Alternate Director to Mr Wilfried Ernst Kaffenberger

Mr Yeung, aged 62, was appointed as Alternate Director to Mr Wilfried Ernst Kaffenberger in January 2003. Mr Yeung has over 20 years' experience in infrastructure and private equity investments in Asia, Latin America, Central and Eastern Europe, Middle East and Africa. He is currently an independent financial advisor. Prior to his retirement from PineBridge Investments ("PineBridge"), Mr Yeung was the President and Chief Executive Officer of PineBridge Investments Partners LLC, a wholly owned subsidiary of PineBridge and was concurrently the Head of EM infrastructure investments for PineBridge. He represented PineBridge on its sponsored regional EM infrastructure funds with total committed capital of US$4.7 billion, and sat on the Investment Committees of its US$3.0 billion sponsored regional EM private equity funds and on the boards of various portfolio companies of PineBridge. Mr Yeung obtained his MBA degree from the University of Chicago. He is a U.S. Certified Public Accountant and a Canadian Chartered Accountant.

Senior Management

Mr Chow Tak Wing

Group Financial Controller and Company Secretary

NWS Holdings Limited

Mr Chow, aged 45, joined the Company in 2002 and is the Group Financial Controller and Company Secretary of the Company. He is responsible for the financial management, treasury and corporate governance functions of the Group. Mr Chow is a member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a fellow member of the Association of Chartered Certified Accountants (UK). He holds an Executive MBA degree from Richard Ivey School of Business, the University of Western Ontario, Canada. Mr Chow has over 20 years' experience in accounting and financial management and corporate governance. Prior to joining the Group, he was a manager of an international accounting firm and senior executive of several Hong Kong listed public companies.

Mr Mak Kai Lert, Russell

Head – Audit & Risk Assurance

NWS Holdings Limited

Mr Mak, aged 57, joined the Company in 2006 and is the Head of Audit & Risk Assurance of the Company. He is responsible for internal audit and risk management of the Group. Mr Mak is a fellow of the Institute of Chartered Accountants in England & Wales and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Information Security Manager of the Information Systems Audit and Control Association (USA). He holds a BA(Hons) in Accountancy. Mr Mak has profound professional knowledge in auditing and corporate governance issues with over 25 years auditing experience in various listed companies, financial institutions and investment banks. Prior to joining the Company, he had worked as the Head of Audit Departments in several Hong Kong listed public companies.

Mr Ng Tik Hong

General Manager – Merger & Acquisition

NWS Holdings Limited

Mr Ng, aged 42, joined New World Group in 1997 and is the General Manager of Merger & Acquisition Department of the Company. He is responsible for the merger and acquisition affairs of the Group. Mr Ng is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants (UK). He holds a bachelor degree in accountancy, and a master degree of business administration from The Chinese University of Hong Kong. Mr Ng has over 18 years' experience in accounting, finance and project management. Prior to joining the Group, he had worked in an international accounting firm.

Ms Lam Yuet Wan, Elina

General Manager – Human Resources

NWS Holdings Limited

Ms Lam, aged 49, joined the Company in 1997 and is the General Manager of Human Resources Department of the Company. She is responsible for managing the human resources and administration affairs of the Group. Ms Lam is a professional member of the Hong Kong Institute of Human Resources Management. She holds an Executive MBA degree from Richard Ivey School of Business, the University of Western Ontario, Canada and a Master of Business Administration degree from University of Strathclyde, United Kingdom. Ms Lam has over 25 years' experience in human resources and training and development. Prior to joining the Group, she was a senior executive of human resources in several companies in Hong Kong.

Senior Management

Ms Tang Cheung Yi

General Manager – Corporate Communication
NWS Holdings Limited

Ms Tang, aged 48, joined the Company in 2012 and is the General Manager of Corporate Communication Department of the Company. She is responsible for the Group's corporate communication, investor relations and corporate social responsibility functions. Ms Tang possesses more than 20 years of management experience in corporate communication, government relations and journalism in Hong Kong and the United States. Prior to joining the Group, she was the corporate affairs director with a multinational company in information technology. Ms Tang holds a Bachelor of Social Science degree and a Master of Arts degree in Telecommunications.

Mr Cheng Chi Kwok

Director and General Manager – Roads
NWS Infrastructure Management Limited

Mr Cheng, aged 48, joined New World Group in 1993 and is the Director and General Manager (Roads) of NWS Infrastructure Management Limited, a wholly owned subsidiary of the Company. He is also a director of several major PRC joint ventures in the roads segment of the Group. Mr Cheng holds a Bachelor of Business Administration and he has over 20 years of experience in project development, investment and management in the infrastructure and roads business in Mainland China.

Mr Lam King Sang

General Manager – Water
NWS Infrastructure Management Limited

Mr Lam, aged 52, joined New World Group in 1993 and is the General Manager (Water) of NWS Infrastructure Management Limited, a wholly owned subsidiary of the Company. He is mainly responsible for managing the Group's water business. Mr Lam is an executive director of Sino French Water Development Company Limited, a director of The Macao Water Supply Company Limited, Far East Landfill Technologies Limited as well as a number of companies in Mainland China. Mr Lam is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants (UK). He has over 20 years of experience in business development, investment and management in the infrastructure and water business in Mainland China.

Ms Cheng Ka Ki, Joanna

General Manager – Energy
NWS Infrastructure Management Limited

Ms Cheng, aged 45, has been the General Manager (Energy) of NWS Infrastructure Management Limited, a wholly owned subsidiary of the Company, since 2008. She is also a director of Companhia de Electricidade de Macau – CEM, S.A. and all other PRC joint ventures in the energy segment of the Group. Ms Cheng is a member of the Institute of Chartered Accountant of Ontario, Canada. She has more than 15 years of experience in business development, investment and management in power industry in Mainland China. Prior to joining the Group, she had worked for audit firms in Canada and Hong Kong.

Mr Lee Wai Bong, Stephen

General Manager – Ports

NWS Ports Management Limited

Mr Lee, aged 47, joined the Group in 2002 and is currently the General Manager (Ports) of NWS Ports Management Limited, a wholly owned subsidiary of the Company. Mr Lee holds a Bachelor of Business Administration Degree from The Chinese University of Hong Kong and a Master of Business Administration Degree from the University of Toronto, Canada. Mr Lee has extensive experience in project management and merger and acquisition activities. Prior to joining the Group, he had worked in several major multinational corporations.

Mr To Tsan Wai

General Manager – Logistics

NWS Service Management Limited

Mr To, aged 50, joined New World Group in 1998, mainly responsible for infrastructure, ports and logistics projects. Mr To has over 15 years of experience in project investment and management. He is responsible for managing the Group's logistics projects including ATL Logistics Centre, NWS Kwai Chung Logistics Centre and a rail container terminal project in Mainland China. He also participated in managing the container terminal projects in Hong Kong, Xiamen, Tianjin, etc. Before joining the Group, Mr To had worked for international shipping and airline companies. Mr To is a member of the Hong Kong Institute of Certified Public Accountants.

Mr Chu Tat Chi

Managing Director

Hip Hing Construction Company Limited

Mr Chu, aged 55, joined Hip Hing Construction Company Limited ("Hip Hing", a wholly owned subsidiary of the Company), in 1979 and is the Managing Director of Hip Hing. Mr Chu graduated from the Hong Kong Polytechnic in 1978 with a Diploma in Building Studies. He has over 30 years of experience in the civil engineering and construction industries. Mr Chu is also a non-executive director of Wai Kee Holdings Limited, a listed public company in Hong Kong, and a director of NWS Service Management Limited, Quon Hing Concrete Company Limited and Ngo Kee (Macau) Limited. Prior to joining Hip Hing, he had worked in the Public Works Department of Hong Kong Government.

Mr Choy Hon Ping

Managing Director

Hip Seng Construction Company Limited

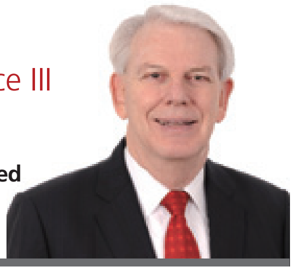
Mr Choy, aged 55, joined the Group in September 2012 and is the Managing Director of Hip Seng Construction Company Limited, a wholly owned subsidiary of the Company. Mr Choy is a member of The Hong Kong Institution of Engineers and The Chartered Institute of Building (UK). He has been appointed by The Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) as the "Construction Specialist" since 2006. He was the building committee (1998-2007 and 2010-2012) and the council member (2005-2007) of The Hong Kong Construction Association, Limited. He has over 35 years of experience in building construction in Hong Kong.

Senior Management

Mr Clifford Noble Wallace III

Chairman

Hong Kong – Shanghai Venue Management (Zhengzhou) Limited and Shenyang New World Expo (Management) Limited



Mr Wallace, aged 65, is the Chairman of Hong Kong – Shanghai Venue Management (Zhengzhou) Limited (a PRC joint venture in which the Company holds 70% interest) and Shenyang New World Expo (Management) Limited (a wholly owned subsidiary of the Company). He was the Managing Director of Hong Kong Convention and Exhibition Centre (Management) Limited ("HKCECML", a wholly owned subsidiary of the Company) through 30 June 2012 having served in this position since May 1995. He remains a member of the board of HKCECML.

Mr Wallace is an established and proven veteran with over 40 years in the public assembly facility industry. He has been a Certified Facility Executive since 1978 and is known internationally for his management, administrative, operations, public-relations, planning and consulting expertise. He has consulted on the development, design and operational aspects of numerous facilities in the U.S., Canada, Europe and Asia. Mr Wallace is an Honorary President of UFI, The Global Association of the Exhibition Industry. He was inducted into the Convention Industry Council's Hall of Leaders in 2011 acknowledging him as one of the industry's outstanding leaders and innovators and one whose contributions have spanned many facets of the industry. He is the former Chairman of the World Council for Venue Management and the Asia Pacific Exhibition and Convention Council and is the former president of the International Association of Venue Managers.

Ms Lee Yuk Har, Monica

Managing Director

Hong Kong Convention and Exhibition Centre (Management) Limited

Ms Lee, aged 47, joined Hong Kong Convention and Exhibition Centre (Management) Limited, a wholly owned subsidiary of the Company, in 1994 and is currently its Managing Director. Ms Lee is a proven veteran in the hospitality industry for over 28 years. She is an executive committee member of the Hong Kong Exhibition & Convention Industry Association, as well as a board member of UFI, The Global Association of the Exhibition Industry and Ocean Park Corporation.

Ms Lee holds a Master degree in Management from Macquarie University, a Professional Certificate in Event Management & Marketing from the School of Business and Public Management of George Washington University, USA and a Certificate of Legal Studies from The University of Hong Kong. She has also completed the Ivey Consortium Executive Program conducted by the University of Western Ontario, Canada and the Senior Executive Symposium which was jointly conducted by International Association of Venue Managers and Cornell University, USA.

Mr Abu Baker Salleh

Chief Executive Officer

Anway Limited and Sky Connection Limited

Mr Salleh, aged 65, joined DFS after his graduation from The University of Hong Kong, and worked in various senior management positions in Hong Kong, Honolulu, Singapore, Taipei, Los Angeles and San Francisco. Prior to joining Sky Connection Limited, a wholly owned subsidiary of the Company, Mr Salleh was the President of DFS West with retail operations in several major cities, including Los Angeles, San Francisco and Houston.

After joining Sky Connection Limited in 2000, Mr Salleh expanded its duty free business base from the Hong Kong International Airport to the Hong Kong Macau Ferry Terminal and the China Hong Kong Ferry Terminal. A new company, Anway Limited, also a wholly owned subsidiary of the Company, was formed in 2005 and won the rights from MTR Corporation Limited in 2007 to operate the duty free businesses at the Lok Ma Chau Spur Line, Lo Wu Terminal and Hung Hom Terminal.

Mr Cheng Wai Po, Samuel

Managing Director

New World First Bus Services Limited and Citybus Limited

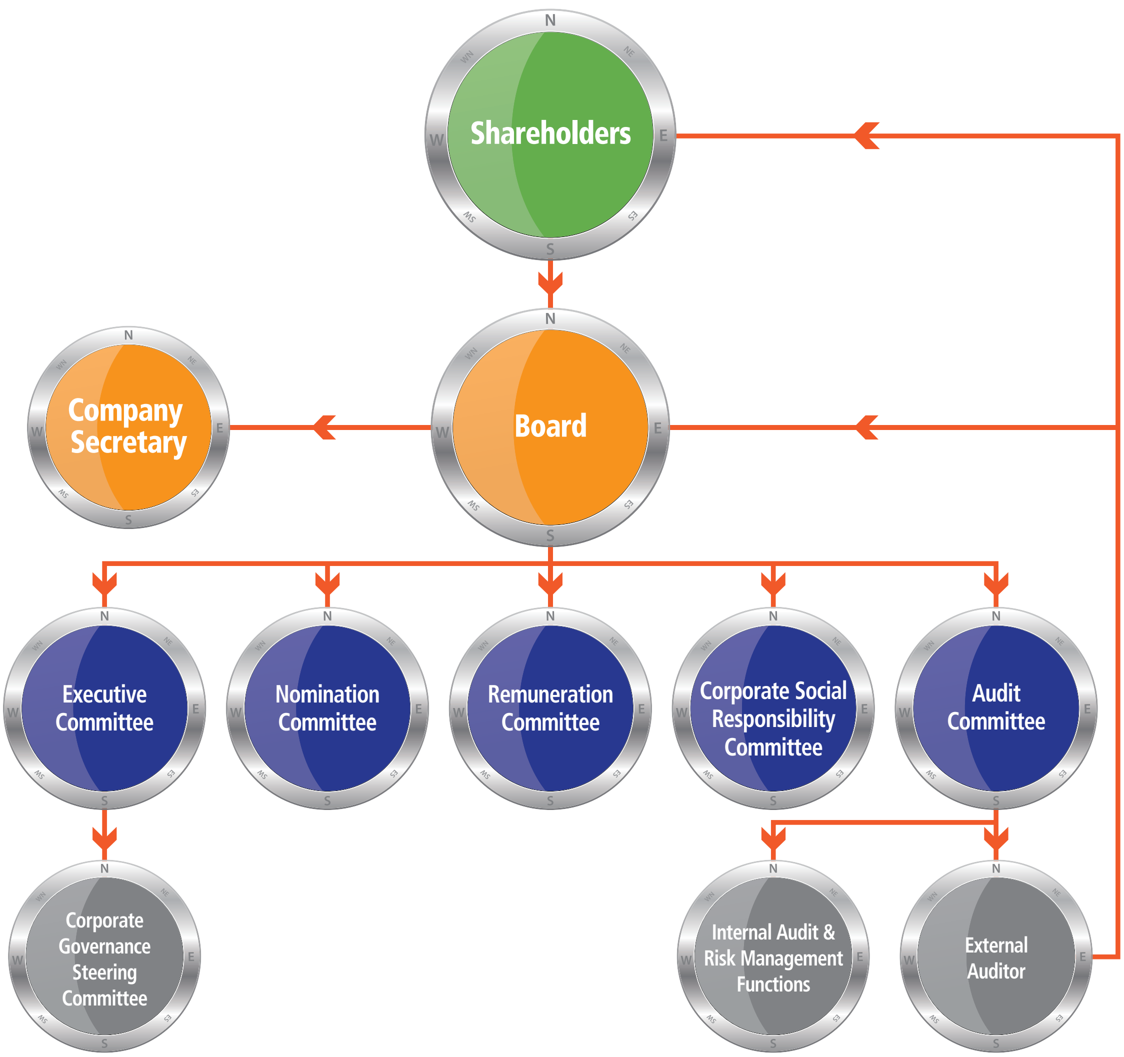
Mr Cheng, aged 53, joined Citybus Limited in 1992 and is the Managing Director of New World First Bus Services Limited and Citybus Limited. Both companies are wholly owned subsidiaries of NWS Transport Services Limited which is a jointly controlled entity of the Company. He is also an executive director of Kwoon Chung Bus Holdings Limited, a listed public company in Hong Kong. Mr Cheng is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Social Sciences Degree from The University of Hong Kong. Mr Cheng has over 20 years' experience in the public transport industry. Prior to joining Citybus Limited, he had worked in an international accounting firm for over six years.

Corporate Governance Report

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

In October 2011, the Hong Kong Stock Exchange made an announcement in relation to the amendments to the corporate governance related provisions provided in the Listing Rules and the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "Former CG Code"). The Former CG Code was renamed as Corporate Governance Code (the "New CG Code") and became effective on 1 April 2012. Immediately after the announcement, the Board carried out an extensive review on the corporate governance practices of the Group. Certain guidelines, policies, manuals and terms of reference of various board committees were revised and adopted by the Board in February 2012 in order to strengthen the Group's corporate governance framework and adopt the code provisions, as well as some of the recommended best practices as applicable to the Group, under the New CG Code. These revised documents will be reviewed regularly by the Board and the relevant board committees and will be updated in line with the amendments of applicable legislations and rules as well as the current market practices.

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



Throughout FY2012, the Company has fully complied with all the applicable code provisions in the Former CG Code and the New CG Code for the relevant periods in which they are in force.

The Board

The primary role of the Board is to protect and enhance long-term shareholders' value. It sets the overall strategy for the Group and supervises executive management. It also ensures that good corporate governance policies and practices are implemented within the Group. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The Board currently comprises 13 members whose biographical details, as well as the relationship amongst them (if any), are set out on pages 10 to 16 of this annual report. An updated list of directors of the Company and their respective roles and functions have been maintained on the website of each of the Hong Kong Stock Exchange and the Company. Updated biographical details of each director are also available on the website of the Company.

Day-to-day operation of the businesses of the Company is delegated to the management who is led by the Executive Committee. They are being closely monitored by the Board and are accountable for the performance of the Company as measured against the corporate goals and business targets set by the Board.

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

Appropriate liability insurance for directors has been arranged for indemnifying their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis.

The posts of Chairman and Chief Executive Officer of the Company are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's businesses. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

Board Meetings

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

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

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

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

Corporate Governance Report

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

Directors of the Company play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance record of each of the directors for the Board meetings, the board committees meetings and the general meetings held during FY2012 is listed as follows:

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

Notes:

1. Mr Lam Wai Hon, Patrick attended the Audit Committee meetings as an invitee.
2. Mr Cheng Chi Ming, Brian was appointed as a member of the Corporate Social Responsibility Committee with effect from 28 February 2012. During the period from the date of appointment and up to 30 June 2012, only one meeting of this committee was held.
3. Mr Chow Siu Lui was appointed as an independent non-executive director of the Company with effect from 1 March 2012 and he resigned on 12 June 2012. During the period of his appointment, no meeting for the Board and the shareholders of the Company was held.

Board Committees

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. Five board committees have been established and each of them has its specific duties and authorities setting out in its own terms of reference. Written terms of reference, which are in line with the New CG Code, of each of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the website of each of the Hong Kong Stock Exchange and the Company.

(a) Executive Committee

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

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

(b) Audit Committee

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

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

During FY2012, the Audit Committee reviewed the audited financial statements of the Company for FY2011 and the interim results of the Company for FY2012. It also reviewed the system of internal control of the Company, the internal audit plan of the Group for FY2013 and the internal audit reports prepared by the Group Audit & Risk Assurance Department of the Company ("GARA"). The audit plans from external auditor and its remuneration were reviewed by the Audit Committee and recommendation was made on the re-appointment of the external auditor. Manpower resources of the Group's finance team was also reviewed by the Audit Committee. Furthermore, a whistleblowing policy of the Company was adopted by the Audit Committee during FY2012.

(c) Nomination Committee

The Nomination Committee was established on 1 March 2012 and is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board on the appointment or re-appointment of directors. Formal nomination procedures were adopted by the Board for governing the nomination and re-election of directors.

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

During the period from 1 March 2012 (the date of its establishment) to 30 June 2012, no meeting was held by the Nomination Committee. Its first meeting was held on 14 September 2012 for reviewing the proposal for appointment of an independent non-executive director of the Company, reviewing the structure, size and composition of the Board and making recommendations in relation to the re-appointment of the retiring directors at the forthcoming annual general meeting.

Corporate Governance Report

(d) Remuneration Committee

The Remuneration Committee is mainly responsible for reviewing and making recommendation to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee makes recommendation to the Board on the remuneration packages of, including benefits in kind, pension rights and compensation payments, of individual executive directors while the remuneration packages of senior management are determined by the Remuneration Committee.

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

During FY2012, the Remuneration Committee reviewed the remuneration policy, structure and packages for directors and senior management. Recommendations regarding the directors' fee and other allowances for FY2012 and the remuneration package of executive directors were made by the Remuneration Committee to the Board. The performance-based remuneration of the Group was also reviewed.

(e) Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee is responsible for formulating the social responsibilities strategies and policies of the Group and overseeing the development and implementation of the Group's social responsibilities strategies, policies and practices as well as the Group's corporate volunteer team, NWS Volunteer Alliance, and other charitable activities.

Members of the Corporate Social Responsibility Committee comprise Mr Tsang Yam Pui (Chairman), Mr Lam Wai Hon, Patrick, Mr Cheung Chin Cheung, Mr William Junior Guilherme Doo, Mr Cheng Chi Ming, Brian, Mr Dominic Lai, Ms Lam Yuet Wan, Elina and Ms Tang Cheung Yi.

Non-executive Directors

Coming from diverse business and professional backgrounds, the non-executive directors of the Company (including independent non-executive directors) have shared their valuable experiences to the Board for promoting the best interests of the Company and its shareholders. Except for the Executive Committee, all board committees consisted of at least one non-executive director and they have made significant contribution of their skills and expertise to these committees. All non-executive directors 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.

During the year, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive directors including at least one independent non-executive director with appropriate professional qualifications or accounting or relating financial management expertise. Mr Kwong Che Keung, Gordon, Dr Cheng Wai Chee, Christopher and Mr Wilfried Ernst Kaffenberger, all being independent non-executive directors of the Company, have served the Board for more than nine years. Notwithstanding their long term service, given their extensive business experience and not connected with any director or substantial shareholder of the Company, the Board is of the opinion that they continue to bring independent and objective perspectives to the Company's affairs. A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive directors in relation to his independence to the Company. The Company considers all its independent non-executive directors to be independent.

Under Rule 3.10A of the Listing Rules, which should be implemented by 31 December 2012, listed issuers should appoint independent non-executive directors representing at least one-third of the board. On 25 September 2012, the Board has resolved to appoint Mr Lee Yiu Kwong, Alan as an independent non-executive director of the Company with effect from 1 October 2012. After this appointment, the number of independent non-executive directors of the Company will represent one-third of the Board.

Remuneration of Directors

Each director will be entitled to a director's fee which is determined by the Board with authorization granted by the shareholders at the Company's annual general meetings. The Company's Human Resources Department assists the Remuneration Committee by providing relevant remuneration data and market conditions for the Remuneration Committee's consideration. The remuneration of executive directors and senior management of the Company is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions. Remuneration is performance-based and coupled with an incentive system is competitive to attract and retain talented employees.

The emoluments paid to each director for FY2012 are shown in note 15 to the financial statements on pages 128 to 131 of this annual report.

Nomination, Appointment and Re-election of Directors

The Company has established the Nomination Committee with specific terms of reference on 1 March 2012 and formal nomination procedures were adopted. Any nomination of directors will be reviewed and discussed by the Nomination Committee for his suitability on the basis of qualifications, experience and background. Suitable candidates will be recommended by the Nomination Committee to the Board for consideration of the appointment.

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. Any further re-appointment of an independent non-executive director, who has served the Board for more than nine years, will be subject to separate resolution to be approved by the shareholders.

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

Induction and Continuous Professional Development

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

Corporate Governance Report

The Company has arranged training programmes as part of the continuous professional development for its directors to develop and refresh their knowledge and skills. Directors are required to submit to the Company annually details of training sessions undertaken by them in each financial year for the Company to maintain a training record for its directors. According to the training records maintained by the Company, the training received by each of the directors during the period from 1 April 2012 (being the date of the New CG Code became effective) to 30 June 2012 is summarized as follows:

	Type of continuous professional development		
	Training on regulatory development, directors' duties or other relevant topics	Reading regulatory updates or information relevant to the Group or its businesses	Giving talks on the topics relating to corporate governance
Dr Cheng Kar Shun, Henry	✓	✓	–
Mr Doo Wai Hoi, William	–	✓	–
Mr Tsang Yam Pui	✓	✓	–
Mr Lam Wai Hon, Patrick	✓	✓	–
Mr Cheung Chin Cheung	✓	✓	–
Mr William Junior Guilherme Doo	–	✓	–
Mr Cheng Chi Ming, Brian	–	✓	–
Mr To Hin Tsun, Gerald	✓	✓	–
Mr Dominic Lai	✓	✓	✓
Mr Kwong Che Keung, Gordon	✓	✓	–
Dr Cheng Wai Chee, Christopher	✓	✓	–
Mr Shek Lai Him, Abraham	✓	✓	–
Mr Wilfried Ernst Kaffenberger	–	✓	–
Mr Yeung Kun Wah, David	✓	✓	–

In accordance with the training records provided by the Company's directors, a minimum of not less than 3.5 training hours and an average of approximately 7.0 training hours were undertaken by each director during the aforesaid period.

Corporate Governance Function

The Board is responsible for performing the corporate governance duties. Specific terms of reference are set out in the Corporate Governance Manual of the Company and the relevant duties include the following:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

In light of the latest amendments to the Listing Rules, the Board conducted a detailed review of the Group's corporate governance framework in early 2012. New and existing policies and guidelines have been adopted and revised. At the Board meeting held on 25 September 2012, the Board also reviewed the corporate governance practices of the Group.

For enhancing corporate governance standards within the Group, "*Corporate Governance Newsletters*" were issued to senior management of the Group regularly. The Group also strives to keep staff members abreast of the latest development of corporate governance issues, through education and promotion. In FY2012, a corporate governance seminar was conducted to senior management of the Group, including executive directors and independent non-executive directors. Besides, a series of training sessions on good corporate governance and internal control practices, such as fraud risk management, internal control system enhancement, etc., were also given to staff members to update and improve their knowledge in these matters.

Directors' responsibilities for financial reporting and disclosures

The Company's directors acknowledge their responsibilities to prepare accounts for each half and full financial year which give a true and fair view of the state of affairs of the Group. The directors consider that in preparing financial statements, the Group ensures statutory requirements are met and applies appropriate accounting policies that are consistently adopted and makes judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

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

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

Securities Transactions of Directors and Relevant Employees

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code. Having made specific enquiry of all directors, the Company is satisfied that they have complied with the required standards of the said code during FY2012. Securities interests in the Company and its associated corporations held by each of the directors of the Company are disclosed in the Report of Directors on pages 65 to 69 of this annual report.

The Company has also adopted the *"Code for Securities Transactions by Relevant Employees"* for governing the securities transactions of specified employees ("Relevant Employees") who, because of their positions, are likely to come across unpublished price sensitive information. Following specific enquiry by the Company, all Relevant Employees have confirmed that they complied with the standard set out in the *"Code for Securities Transactions by Relevant Employees"* during FY2012.

Moreover, employees are bound by the corporate policy issued by the Company, among other things, to keep unpublished price sensitive information confidential and refrain from dealing in the Company's shares if they are in possession of such price sensitive information.

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

Corporate Governance Report

Internal Control and Risk Management

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

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

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

Monitoring

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

Information and Communication

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

Control Activities

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

Risk Assessment

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

Control Environment

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

Effectiveness and efficiency of operations

Reliability of financial reporting

Compliance with applicable laws and regulations

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

The Board has conducted a review on the effectiveness of the system of internal control of the Group for FY2012. The review covers the areas of control environment, risk assessment, control activities, information and communication and monitoring within the Group. Management of all subsidiaries are required to submit to GARA an Internal Control Compliance Certificate and an Internal Control Assessment Checklist for reporting the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations half-yearly. Executive directors of the Company would also submit a written report on the effectiveness of the Group's internal control system to the Audit Committee for review half-yearly.

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

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

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

The Group identifies and assesses risks both at Group and individual business unit levels. GARA monitors and updates the Group's risk profile and exposure, and reviews the effectiveness of the Group's system of internal control in mitigating risks. In FY2012, GARA oversaw the Group's risks in actual and potential legal cases by reviewing the legal case registers of business units and submitted reports to the Executive Committee on a regular basis. Recommendations on risk responses were provided as well.

Furthermore, the whistleblowing policy was adopted by the Audit Committee in FY2012 for staff members to raise concerns, in confidence, about possible improprieties in any matters related to the Group.

Corporate Governance Report

External Auditor

The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditor subject to endorsement by the Board and final approval and authorization by the shareholders of the Company in general meetings. The existing auditor of the Company, who is also the Group's principal auditor, is PricewaterhouseCoopers who was first appointed in 2000. PricewaterhouseCoopers adopts a policy of rotating every seven years the engagement partner servicing their client companies and the last rotation took place during the financial year ended 30 June 2010. The reporting responsibilities of PricewaterhouseCoopers are stated in the Independent Auditor's Report on page 84 of this annual report.

Total auditor's remuneration for FY2012 in relation to statutory audit work of the Group amounted to HK$17.2 million (2011: HK$16.0 million), of which a sum of HK$16.4 million was paid to PricewaterhouseCoopers. The remuneration paid to PricewaterhouseCoopers and its affiliated firms for services rendered is listed as follows:

	2012 HK$'m	2011 HK$'m
Statutory audit	**16.4**	15.4
Non-audit services (Note)	**5.4**	3.9
	21.8	19.3

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

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

Review of Audited Financial Statements

The Audit Committee reviewed the audited financial statements of the Group for FY2012 and the accounting principles and practices adopted by the Group.

Communication with Shareholders

The Board recognizes the importance of communication with the Company's shareholders. During the year, an investor relations policy was adopted by the Board for ensuring the enhancement of communication between the Company and its shareholders and potential investors.

Moreover, the annual general meeting of the Company provides an opportunity for face-to-face communication between the Board and the shareholders of the Company. Shareholders are welcome to raise any query in relation to the Group's businesses at the annual general meeting. Shareholders' enquiries, either received by telephone or by email, are properly attended by the Company Secretarial Department and are addressed to the Executive Committee, if necessary.

Set out below is certain useful information for reference by the Company's shareholders:

Analysis of Shareholding Structure (as at 30 June 2012)

Category	Number of shares	Approximate percentage of total issued share capital	Approximate percentage of number of shareholders
New World Development Company Limited and its subsidiaries	2,175,166,965	60.73%	0.60%
Chow Tai Fook Enterprises Limited	97,034,423	2.71%	0.12%
Directors	48,344,188	1.35%	1.08%
Individuals	13,727,077	0.38%	95.69%
Institutions, corporates and nominees	1,247,278,201	34.83%	2.51%
Total	3,581,550,854	100%	100%

Note: The total number of registered shareholders of the Company as at 30 June 2012 was 836.

Stock Code

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

Board Lot

1,000 shares

Shareholder Services

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

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

Dividend Policy

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

Dividend per share (HK$)

Year	Interim	Final	Total	Payout ratio
2008	0.55	0.40	0.95	50.8%
2009	0.20	0.42	0.62	50.7%
2010	0.62	0.33	0.95	50.6%
2011	0.37	0.33	0.70	50.7%
2012	0.50	0.25	0.75	50.2%

Corporate Governance Report

Financial Calendar

Announcement of 2012 final results	25 September 2012

For ascertaining shareholders' right to attend and vote at the 2012 annual general meeting of the Company ("AGM"):

Book close dates (both days inclusive)	16 to 20 November 2012
Latest time to lodge transfers	4:30 pm on 15 November 2012
Record date	20 November 2012
AGM	20 November 2012

For ascertaining shareholders' entitlement to the proposed final dividend:

Book close date	26 November 2012
Latest time to lodge transfers	4:30 pm on 23 November 2012
Record date	26 November 2012
Final dividend payment date	on or about 28 December 2012

Company Website and Annual Report

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

AGM

The AGM will be held on 20 November 2012. 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.

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 Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The procedures for shareholders to put forward proposals at general meetings are stated as follows:

(a) The written requisition must state the purposes of the meeting, and must be signed by all the shareholders concerned and may consist of several documents in like form each signed by one or more shareholders concerned.

(b) The written requisition must be deposited at 28/F, New World Tower, 18 Queen's Road Central, Hong Kong, the head office of the Company, for the attention of the Company Secretary.

(c) The written requisition will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting provided that the shareholders concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all registered shareholders. Such general meeting shall be held within two months after deposit of such requisition.

(d) If within 21 days of such deposit, the Board fails to proceed to convene such general meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Details of the abovementioned procedures are also available on the website of the Company. Any vote of shareholders at a general meeting must be taken by poll and the Company will announce the results of the poll in the manner prescribed under the Listing Rules.

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

Investor Relations

The Company is committed to upholding the highest standards of corporate governance and maintaining effective communication with shareholders and investors. To this end, the Company maintains an open-dialogue with investors and analysts to ensure transparent, timely and accurate dissemination of information including operating performance and major corporate developments.

The Company's investor relations team, led by executive directors and senior management, meets existing and potential shareholders, research analysts and investment managers on a regular basis. During FY2012, the team participated in more than 60 one-on-one meetings and hosted close to 100 local and overseas roadshows in metropolitan cities including London, New York, San Francisco, Paris, Singapore, Beijing and Shanghai. Analyst meetings are held as soon as practicable following results announcements so that analysts can fully understand and appreciate the Group's business strategies and performance.

The Company is regularly covered by leading research institutions including BOC International, Citigroup, CLSA, Goldman Sachs and UOB Kay Hian. This also serves as a testimony to our successful effort in establishing effective communication with institutional investors.

To ensure fair and equal access to material information, the Company makes use of traditional and online platforms such as results announcements and presentations, press releases, annual and interim reports, corporate website and e-news alerts, to reach out to individual shareholders and stakeholders within the investment community.

Sustainability

Empowering People
Engaging Communities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Sustainability

Human Capital

Investing in our People

Recipients of the 2012 Outstanding Employee Grand Awards and NWS Innovation Awards celebrate with the Group's senior management at the ceremony.

The NWS Adventure Day is successful in promoting team building and staff relaxation.

NWS Holdings believes that caring, thoughtful policies and management programmes enable its staff to realize their full potential. Our commitment to human capital is outlined in the "**PRIDE**" employee engagement policy, which has been developed to foster loyalty and a sense of belonging among the Group's approximately 28,000 employees.

Promoting Career Development

At NWS Holdings, we are dedicated to fostering an environment that encourages staff development and advancement, and creating a workplace where employee efforts are recognized and rewarded.

The Group puts in place the Staff Career Development and Advancement Plan to encourage staff development by identifying professional training needs for individual employees. By providing proper coaching and mentoring from supervisors and department heads, the programme allows employees to build on their strengths and equip themselves with the skills and motivation to succeed.

Recruiting and nurturing a new generation of employees is essential to corporate development. The Group introduced the Summer Internship Programme in 2012 to recruit high-calibre talent from leading tertiary institutions. Interns are posted to one of our corporate departments and work on business-related projects. The programme offers mentoring and learning opportunities to facilitate personal and career development while providing the platform for the Group to identify potential staff.

Recognizing Outstanding Contributions

The NWS "Oscar Awards", the Outstanding Employee Grand Awards and NWS Innovation Awards, are presented bi-annually at the NWS Awards Presentation Ceremony. These awards not only recognize outstanding achievers across the Group, but also cultivate employee pride and strengthen cohesiveness among our staff.

Interactive Communication

Effective communication is the cornerstone of our road to success. Our staff newsletter, *New Voice*, is essential for circulating messages and business updates within the Group. Combining online communication channels, such as our Intranet and our weekly electronic news bulletins called *News Bites*, these platforms enable our staff to get timely updates on the Group's development and activities while allowing them to exchange ideas and best practices.

Driving Work-life Balance

NWS Holdings has adopted a "five-day week" and dress casual policy to promote a healthy work-life balance and support environmental friendliness. A variety of staff activities, including annual Corporate Outing and the NWS Adventure Day, help promote work-life balance within the Group. In addition to monthly birthday parties, festive luncheons, leisure classes and other sports and recreational activities, the Group introduced the "Monthly Booster" in 2012 to promote healthy living and revitalize enthusiasm by providing fresh fruits or healthy refreshments to our staff.

Staff members enjoy a fun-filled cooking class.

Earning Recognition for Performance

The Group's outstanding employees receive recognition for their performance in various ways. Our performance-based remuneration system incorporates competitive salary, year-end bonus, share option scheme and fringe benefits to provide comprehensive compensation package. In addition, the Group is one of the pioneers in introducing paternity leave and other extra-leave benefits, such as birthday and marriage leaves, to create a caring environment for our employees.

Promoting Lifelong Learning and Development

NWS Holdings endeavours to foster a culture of continuous learning and talent development. With the support of the New World Group, training opportunities are provided for staff at different levels. In FY2012, over 1,200 staff members participated in close to 100 training classes, visits and seminars. A wide range of topics including management, legal and financial knowledge, innovation, and personality tools were covered. Our employees also engage actively in training and development initiatives under the New World University umbrella, including the Annual Group Management Forum; the New World Star Executive Development Programme, a 16-month training programme offered by the Richard Ivey School of Business of the University of Western Ontario, Canada; as well as tailor-made programmes supporting succession planning and nurturing future leaders.

NWS Holdings receives the Best Practice Award in Corporate Wellness at the Best Practice Awards 2011.

Training played an important role in the launch of the New World Group's new core values of "You, New World, Innovation, Trust and Improvement" (UNITI) in FY2012. A series of workshops covering photography, video-shooting, and graphic design, among others were held to promote these core values and boost staff creativity.

A Rewarding Year

Confirming our unremitting efforts as a responsible corporate citizen, NWS Holdings has won recognition from a number of external professional organizations. We are proud to be presented with the Family-Friendly Employers Award from the Family Council, and the Best Practice Award in Corporate Wellness from the Best Practice Management Group in 2011.

NWS Holdings is committed to being a driving force in creating the best staff development initiatives and practices in the long run. As we move forward, we will continue to enrich our human assets and ensure that our staff can take real pride in being part of NWS Holdings' success.

Leading the Way in Building our Communities

Rainbow Haircut Volunteer Team, one of the Group's volunteer interest groups, demonstrates haircutting skills in a workshop.

NWS Holdings is committed to upholding its Corporate Social Responsibility ("CSR") standards and dedicated to making meaningful contributions to the communities in which it operates. Guided by our corporate policy on CSR, and monitored by the CSR Committee of the Board, the Group and its subsidiaries aim to contribute and promote social well-being through partnerships with non-profit and governmental organizations. By capitalizing on our internal strengths and resources, and with outpour of volunteerism among our staff and huge support of our subsidiaries, the Group is at the forefront of addressing social needs in a proactive and enthusiastic manner.

Celebrating a Decade of Volunteerism

The Group takes pride in the dedication of its 2,000-strong volunteer team – the NWS Volunteer Alliance (the "Alliance") – which comprises members from the Corporate Office and subsidiaries. Since its inception in 2001, the Alliance has accumulated more than 90,000 hours of community service. The volunteers organized and supported some 130 community activities throughout FY2012 alone.

In November 2011, the Alliance celebrated its 10th anniversary by making a cash donation of HK$20 per hour for volunteers who had served more than 50 hours in the past financial year. The Group also made another donation to Tung Wah Group of Hospitals Fong Shu Chuen Day Activity Centre cum Hostel, which is a long-term partner of the Group to help the needy. Over the years, the Alliance has organized events and provided services as diverse as haircutting, clown performances, balloon modelling and Chinese dancing. These teams not only provide unique and colourful performances, but also practical support and help to people in need.

Since 2008, guided public tours of the NWS Hong Kong Geo Wonders Hike have attracted more than 20,000 participants to visit Hong Kong's unique landscapes.

Promoting Geoconservation Awareness

To promote awareness for geoconservation and environmental protection, the Group has been organizing the NWS Hong Kong Geo Wonders Hike programme annually since 2008, attracting more than 20,000 participants to-date. Sponsored by the NWS Holdings Charities Foundation Limited and supported by the Association for Geoconservation, Hong Kong and other community organizations, the programme provides an opportunity for participants to visit unique natural landscapes through guided public tours, while raising environmental awareness through a wide range of community activities including drawing, slogan writing and bus body advertisement design competitions. Special tours were also arranged for underprivileged groups, including the elderly and students with learning disabilities.

In addition, a first-of-its-kind Young Ambassadors for Geoconservation Training Programme was launched in FY2012 for senior secondary school students to acquire geoconservation knowledge and become engaged in promoting the cause. Following a series of training courses taught by geo-experts, the Young Ambassadors gave back to their communities by supporting guided public tours.

Families from Tin Shui Wai visit the New World First Ferry's dockyard during the NWS Caring Day 2012.

As part of its CSR charter, the Group strives to find opportunities to provide for those in need. To celebrate the ninth anniversary of the Group's listing on the Hong Kong Stock Exchange, we teamed up with the YWCA to organize the NWS Caring Day 2012. More than 100 volunteers accompanied 50 families from Tin Shui Wai to take a bus and ferry tour, followed by a buffet lunch at the Hong Kong Convention and Exhibition Centre. The tour brought together members of our Corporate Office and our subsidiaries, and also a fitting way to demonstrate our Group-wide commitment to corporate citizenship.

Caring for our Future Generations

Children and youth are the very future of our society and continue to be the focus of our long-standing Life Rejuvenation Scheme. In FY2012, we joined hands with the Kowloon Women's Organisations Federation Wai Yin Association Women Integrated Service Centre to organize monthly activities for children with learning disabilities.

The Fairy Mentorship Programme has been one of our key initiatives dedicated to children since 2008. In partnership with the Hans Andersen Club, the grassroots programme targets underprivileged children to facilitate their personal growth and help them adapt to society through joint participation in community service and interest classes. "Stand by You", jointly organized with the Hong Kong Playground Association, is another mentorship programme that aims to provide guidance and support to at-risk youth through one-on-one mentoring and coaching by our volunteers.

A volunteer and a child enjoy the toast they made during a monthly activity under the Life Rejuvenation Scheme – Thumbs-up programme.

Reward for Volunteering Efforts

The contribution of the Alliance members to the community has been widely recognized with various awards and accolades being bestowed on the Group. These include the Gold Award for Outstanding Volunteer Team in the Hong Kong Outstanding Corporate Citizenship Award Scheme organized by the Hong Kong Productivity Council. The Group continues to receive the Gold Award for Volunteer Service from the Social Welfare Department and a volunteer family of the Alliance was accredited as one of the outstanding families. These awards bear witness to our relentless efforts in promoting social services at corporate as well as individual levels.

NWS Holdings, together with New World First Bus Services Limited ("NWFB") and Hip Hing Construction Company Limited ("Hip Hing"), was awarded the 10 Consecutive Years Caring Company Logos by the Hong Kong Council of Social Service in recognition of our strong commitment and caring for the community, our employees and the environment.

Sustainability

Environmental Friendliness

A Shared Commitment in Environmental Protection


A green roof at a construction site office of Hip Hing.

As a member of the New World Group, we share a common set of sustainability values. We actively look for investment opportunities that support environmental protection, work to minimize the impact of our operations on the environment and improve the quality of life in the communities where we operate. Promoting environmental awareness is an important aspect of our sustainability policy and we are diligent in promoting a variety of green initiatives among our stakeholders.

Green Investment in Motion

NWS Holdings is fully committed to sustainability and has invested in a wide range of green projects, as evidenced by the substantial growth of its water business. For example, through Sino French Water Development Company Limited, the Group expanded the cooperation scope of its 30-year concession contract with Wuhan Chemical Industry Park in FY2012 to provide exclusive integrated water and waste water services in the industry park.


Seminars and workshops are organized for our staff to gain valuable insight in sustainable development.

The Group strives to instill environmental protection in all aspects of its operations, having implemented measures to minimize the impact of its projects as far as practicable. Hydroelectricity is used for power generation in the Chongqing Tangjiatuo Waste Water Plant as of late 2011. NWFB and Citybus both have ongoing fleet replacement programmes to further reduce emissions. As of 30 June 2012, both bus companies own a total of 511 Euro 5 green buses. The Group's construction arm Hip Hing installed green roofs on its site offices for CLP substation projects at the Hong Kong University of Science and Technology ("HKUST") and on Chui Ling Road, to help lower surrounding temperature and mitigate the heat island effect for its construction projects. The project at HKUST received the Silver Award (Non-Public Works – New Works) in the Considerate Contractors Site Award Scheme 2011 jointly organized by the Development Bureau of the Government of the HKSAR and the Construction Industry Council. The Corporate Office also implemented various environmental-friendly designs and facilities, which have successfully reduced carbon emissions and received the Carbon"Less" 18% Certificate from the Hong Kong Awards for Environmental Excellence.


Chongqing Tangjiatuo Waste Water Plant uses hydroelectric power.

Leveraging Best Practices

The NWS Environmental Committee, established in 2007 and renamed as the NWS Environmental Sustainability Committee (the "Committee") with the addition of representatives from all of our subsidiaries, reflects our continuous effort to strive for improvement. Chaired by an Executive Director, the Committee oversees the implementation and effectiveness of green strategies within the Group.

As part of our ongoing effort to promote environmental awareness, a Sustainability Seminar was held in October 2011 for staff to learn best practices in sustainable development, while providing a platform to exchange ideas on environmental-friendly policies and green initiatives. In addition, the Committee organizes regular field trips to keep staff abreast of current green practices and knowledge.

To step up internal awareness for environmental protection, the Group launched the "Love Green Living" campaign in June 2012, including a green office competition, a water saving contest, a green birthday party and the sharing of green tips.

Green Managers visit the plastics and electrical appliance recycling plant at the Environmental Protection Department's EcoPark.

Leading a Community Effort

We believe that community participation in environmental protection and geoconservation is essential for sustainable development. To achieve this, NWS Holdings organizes a number of community programmes every year, notably the annual NWS Hong Kong Geo Wonders Hike, which celebrated its fourth year in 2011. The programme included guided public tours and supporting activities such as drawing, slogan writing and bus body advertisement design competitions, all of which drew wide participation from the public.

NWS Holdings is committed to sustainable development while providing a reasonable return to our investors. We believe that long-term sustainable growth and an improved living environment can be achieved through the joint efforts of the Group, its member companies, its stakeholders and the public.

The Young Ambassadors for Geoconservation Training Programme encourages young people to promote geoconservation among the general public.

The green birthday party is part of the "Love Green Living" campaign.

Management Discussion and Analysis

A Journey of Outstanding Achievement


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INFRASTRUCTURE
SERVICES

Management Discussion and Analysis

Group Overview

The Group hit a new profit record of HK$5.251 billion for FY2012, representing an increase of HK$624.3 million or 13%, as compared to HK$4.627 billion for FY2011. Attributable Operating Profit ("AOP") increased by 4% to HK$4.208 billion in FY2012. Infrastructure division generated an AOP of HK$2.133 billion, an increase of 3% as compared to HK$2.067 billion in FY2011. The AOP of Services division recorded an increase of 4% to HK$2.075 billion.

During FY2012, the Group acquired 95% effective interest in Hangzhou Ring Road ("HZRR"). This acquisition was partially financed by a bridging loan and subsequently by the United States Dollar bonds issued in February 2012. The performance of HZRR was in line with management's expectation and stood out as the most significant AOP contributor under the Roads segment in FY2012.

The Group's effective interest in Newton Resources Ltd ("Newton Resources") diluted from approximately 60% to 48% following its listing on the Main Board of the Hong Kong Stock Exchange on 4 July 2011. As a result, Newton Resources ceased to be a subsidiary of the Group and a dilution gain of approximately HK$1.8 billion was recorded.

Assets impairment losses mainly composed of a HK$259.2 million provision for the Group's securities investments under the Strategic Investments segment due to the volatile and adverse market conditions. In addition, the Group shared an impairment loss of HK$200.0 million from an investment in an expressway in Guangdong Province under the Roads segment due to its under-performance and uncertain future prospects.

Contributions from operations in Hong Kong accounted for 53% of AOP in FY2012 as compared to 54% in FY2011. Mainland China and Macau & others contributed 36% and 11% respectively, as compared to 38% and 8% respectively in FY2011.

Earnings per Share

The basic earnings per share in FY2012 increased from HK$1.40 to HK$1.53, representing a 9% increase.

Contribution by Division

For the year ended 30 June

	2012 HK$'m	2011 HK$'m
Infrastructure	**2,133.0**	2,066.9
Services	**2,074.6**	1,989.3
Attributable operating profit	**4,207.6**	4,056.2
Head office and non-operating items		
Net gain on deemed disposals of interests in a subsidiary and an associated company	**1,833.4**	–
Gain on disposal of projects, net of tax	**108.7**	343.9
Gain on fair value of investment properties	**93.3**	479.9
Excess of fair value of net assets acquired over the cost of acquisition of interests of a jointly controlled entity	**–**	26.8
Share of profit from Harbour Place	**51.8**	1.2
Assets impairment losses	**(316.5)**	–
Share of impairment loss from a jointly controlled entity	**(200.0)**	–
Corporate net exchange gain	**14.0**	109.3
Corporate interest income	**51.8**	40.1
Corporate finance costs	**(333.8)**	(102.8)
Corporate expenses and others	**(259.2)**	(327.8)
	1,043.5	570.6
Profit attributable to shareholders	**5,251.1**	4,626.8

Treasury Management and Cash Funding

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

Liquidity

As at 30 June 2012, the Group's total cash and bank balances amounted to HK$5.386 billion, as compared to HK$4.501 billion as at 30 June 2011. The Group's Net Debt as at 30 June 2012 was HK$12.280 billion, as compared to HK$2.162 billion as at 30 June 2011. The capital structure of the Group was 33% debt and 67% equity as at 30 June 2012, as compared to 17% debt and 83% equity as at 30 June 2011.

Debt Profile and Maturity

As at 30 June 2012, the Group's Total Debt increased to HK$17.666 billion from HK$6.662 billion as at 30 June 2011. This was mainly due to the loans utilized to finance the purchase consideration for HZRR, the consolidation of indebtedness of Chinese Future Corporation ("CFC", the intermediate holding company which holds a 95% interest in the project company operating HZRR), the issuance of RMB1.0 billion 2.75% guaranteed bonds due in 2014 and the issuance of USD500.0 million 6.50% guaranteed bonds due in 2017 during FY2012. Long-term loans and borrowings increased to HK$15.110 billion as at 30 June 2012 from HK$2.764 billion as at 30 June 2011, with HK$850.5 million maturing in the second year; HK$12.851 billion in the third to fifth year and the remainder after the fifth year. Bank loans were denominated in Hong Kong dollar or Renminbi, while bonds were denominated in Renminbi or United States Dollar. Apart from the fixed rate bonds, bank loans were mainly floating rate interest-bearing. The Group used cross currency swaps and interest rate swaps to hedge part of the Group's underlying exchange risk and interest rate exposure respectively. The Group did not have any material exposure to exchange risk other than Renminbi during FY2012. As at 30 June 2012, concession rights of HZRR were pledged as securities for a banking facility of the Group.

Commitments

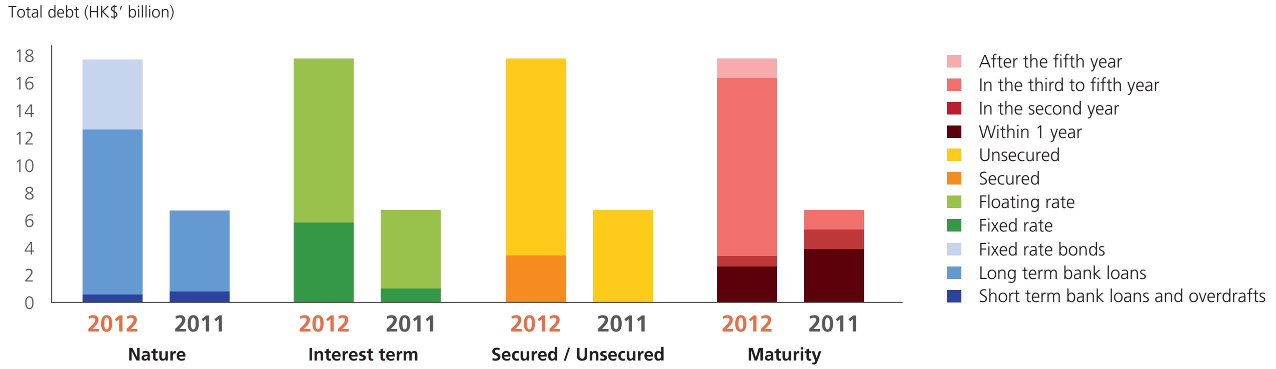
The Group's commitments for capital expenditure were HK$922.5 million as at 30 June 2012 as compared to HK$1.390 billion as at 30 June 2011. This represented commitment for capital contributions to/acquisition of certain associated companies and jointly controlled entities of HK$889.2 million as at 30 June 2012 as compared to HK$1.373 billion as at 30 June 2011; and commitments for properties and equipment, intangible concession rights or other investments of HK$33.3 million as at 30 June 2012 as compared to HK$16.9 million as at 30 June 2011. The share of commitments for capital expenditure committed by jointly controlled entities was HK$1.572 billion as at 30 June 2012 as compared to HK$1.083 billion as at 30 June 2011. Sources of funding for capital expenditure include internally generated resources and banking facilities.

Contingent Liabilities

Contingent liabilities of the Group were HK$714.1 million as at 30 June 2012, as compared to HK$753.5 million as at 30 June 2011. These composed of guarantees for credit facilities granted to an associated company, jointly controlled entities and related companies of HK$2.2 million, HK$600.2 million and HK$111.7 million respectively as at 30 June 2012, as compared to HK$11.9 million, HK$593.1 million and HK$148.5 million respectively as at 30 June 2011. The share of contingent liabilities of a jointly controlled entity was HK$14.7 million as at 30 June 2012 and HK$2.6 million as at 30 June 2011.

Debt Profile

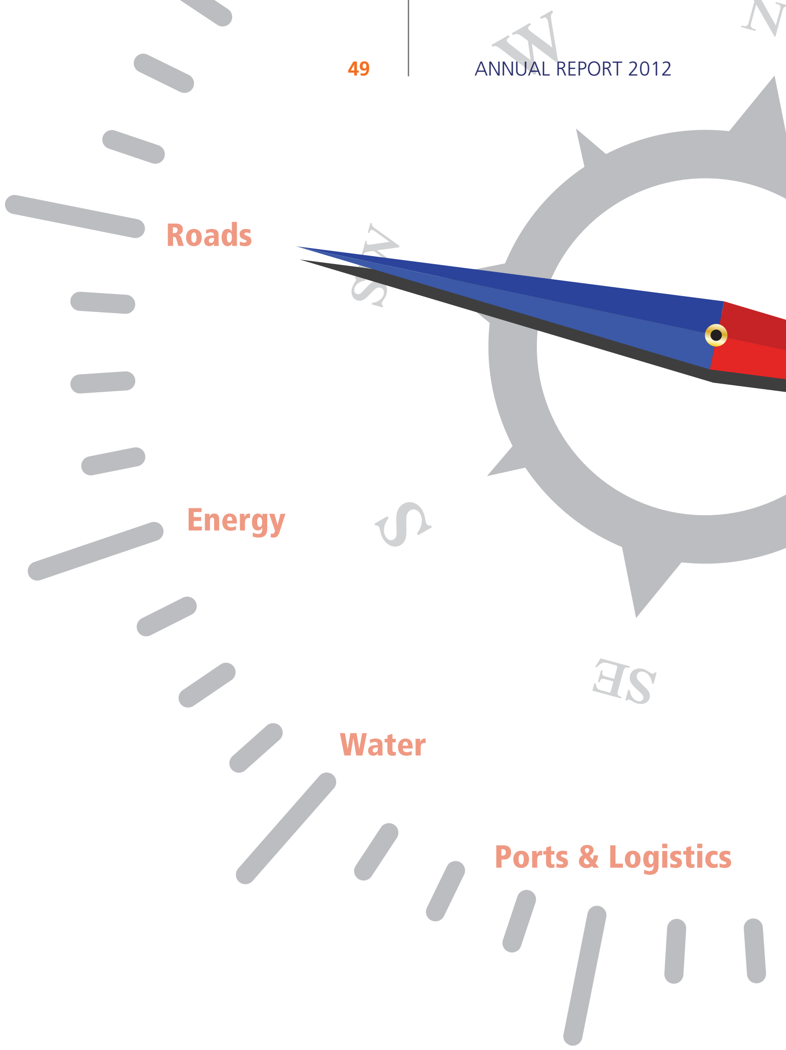
As at 30 June



Management Discussion and Analysis

INFRASTRUCTURE

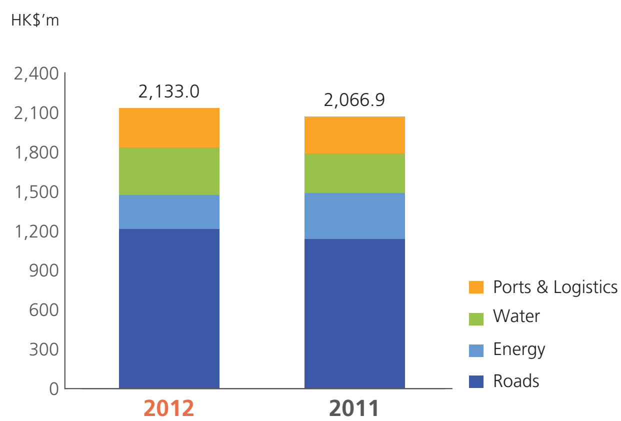
Infrastructure division recorded an AOP of HK$2,133.0 million in FY2012, up 3% when compared to FY2011.



AOP Contribution by Segment

For the year ended 30 June

HK$'m	**2012**	2011	Change % Fav./(Unfav.)
Roads	**1,210.1**	1,134.9	7
Energy	**262.2**	352.4	(26)
Water	**359.3**	297.7	21
Ports & Logistics	**301.4**	281.9	7
Total	**2,133.0**	2,066.9	3



Management Discussion and Analysis
Operational Review

Guangzhou City Northern Ring Road

Zhujiang Power Plants

Roads

The Roads segment registered an AOP growth of 7% to HK$1,210.1 million in FY2012.

The acquisition of HZRR during FY2012 has further extended the Group's footprint of Roads projects to the Yangtze River Delta Region. After the completion of the fourth phase of acquisition in January 2012, the Group owns 95% effective interest in the project. This 103.4km long expressway boasted an average daily traffic volume of over 100,000 vehicles and contributed significantly to the segment's AOP in FY2012.

AOP from Tangjin Expressway (Tianjin North Section) dropped in FY2012 which was mainly due to a decrease of approximately HK$264.3 million in gain on extra profit recognition when compared to FY2011. To capture the high rate of economic growth in Tianjin Binhai New Area, the entire expressway will be expanded to six driving lanes. Partial closure of the expressway began in June 2012 to pave way for the expansion works. Its average daily traffic flow in FY2012 maintained at a similar level as FY2011.

In the Pearl River Delta Region, average daily traffic flow of Guangzhou City Northern Ring Road grew by 13%, as benefited from the repairs and maintenance being undertaken by a competing road during FY2012. Average daily traffic flow of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and Shenzhen-Huizhou Expressway (Huizhou Section) increased by 7% and 9% respectively when compared to FY2011. Phase two of Guangzhou-Zhaoqing Expressway, which was completed in September 2010, has greatly enhanced the project competitiveness in the Pearl River Delta Region and reported a traffic growth of 17% in FY2012. Guangzhou Dongxin Expressway, which started operation in December 2010, registered an Attributable Operating Loss ("AOL") in its early stage of operation. Despite a 7% growth in traffic volume, Guangzhou City Nansha Port Expressway recorded an AOL mainly due to the increase in finance costs.

Following the opening of a competing expressway, combined average daily traffic flow of Guangxi Roadways Network dropped by 12% in FY2012.

In Hong Kong, the average daily traffic flow of Tate's Cairn Tunnel rose by 3% compared to FY2011.

Energy

Surging coal price continued to put pressure on the profitability of power producers in FY2012. AOP of the Energy segment dropped by 26% from HK$352.4 million to HK$262.2 million in FY2012.

Due to system upgrade and overhaul works carried out during FY2012, Zhujiang Power Plants registered a decrease in electricity sales of 5%. Electricity sales of Chengdu Jintang Power Plant grew by 6% when compared with FY2011. The on-grid tariff increase in December 2011 mitigated the impact of high fuel costs on the Group's power plants in Mainland China.

Macau Water Plant

Xiamen Haicang Xinhaida Container Terminals

Trading revenue of Guangzhou Fuel Company grew by 17% but its AOP was under pressure as a result of lower gross margin and higher finance costs in relation to the investment in a coal mine in Mainland China.

In Macau, electricity sales of Macau Power reported a healthy growth of 9% with more entertainment and hotel facilities commencing operations during FY2012. The permitted return of Macau Power has been reduced from 12% to 9.5% per annum following the renewal of the concession rights in November 2010.

Water

AOP of the Water segment increased from HK$297.7 million to HK$359.3 million in FY2012, representing a robust growth of 21%.

Sales volume of Chongqing Water Plant and Sanya Water Plant increased by 6% and 8% respectively. Waste water treated by Chongqing Tangjiatuo Waste Water Plant reported a growth of 13%. Apart from a notable increase of 13% in water sales revenue, the tax refund obtained by Shanghai SCIP Water Treatment Plants after the project was certified as a hi-tech enterprise also contributed to the growth in AOP. The new Chongqing CCIP Water Treatment Plants commenced operation in September 2011. Water sales volume of Macau Water Plant rose by 6% when compared to FY2011.

Chongqing Water Group continued to be a key AOP contributor to the Water segment in FY2012.

Ports & Logistics

AOP of the Ports & Logistics segment increased by 7% to HK$301.4 million in FY2012.

The throughput of Xiamen New World Xiangyu Terminals Co., Ltd. rose by 29% to 1,000,000 TEUs due to additional shipping routes obtained in FY2012. The new Xiamen Haicang Xinhaida Container Terminals commenced operation in September 2011.

The throughput of Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd. grew by 10% to 2,172,000 TEUs and 3% to 886,000 TEUs respectively in FY2012.

ATL Logistics Centre continued to make stable AOP contribution to the Group. Average occupancy rate increased from 96% to 98% in FY2012.

The eight operating rail container terminals of China United International Rail Containers Co., Limited ("CUIRC") reported a throughput growth of 20% to 1,508,000 TEUs during FY2012, which was mainly due to the increase in business volume of Kunming and Chongqing terminals and full-period effect of operations of several terminals.

Management Discussion and Analysis

Business Outlook

Although there are signs that the economic growth in Mainland China is slowing down due to declining exports amid a tough financing environment, the Group's infrastructure businesses in Mainland China remain relatively robust. However, the rapid changing global economic atmosphere and market sentiments will continue to create a challenging business environment in FY2013.

Roads

In the 12th Five-Year Plan, the reinforcement of expressway network is an important target for Mainland China. Toll road operators have benefited from this policy by not only having greater investment opportunities but also enjoying a more developed and comprehensive road network. However, increasing public concerns on toll rate have attracted more government interventions. Further to the Joint Notification issued by the Five Ministries and Commissions of the Central Government in June 2011 to review toll rates and policies adopted by road operators, a series of toll rate standardization measures were implemented in Guangdong Province in June 2012. On 24 July 2012, the State Council of Mainland China also approved passenger cars with seven seats or less and motorcycles to travel through toll roads for free during four statutory holiday (including adjoining holiday) periods, namely, the Chinese New Year, Ching Ming Festival, Labour Day and National Day. These measures are likely to present a negative impact on toll income and cast uncertainties to the industry. The Group will continue to monitor the situation closely and make every endeavour to manage any negative impact these policies may present.

To capture the high economic growth trend of Tianjin Binhai New Area, the expansion works of Tangjin Expressway (Tianjin North Section) have begun during FY2012 and are scheduled for completion in the financial year ending 30 June 2015. Shenzhen Huizhou Expressway (Huizhou Section) is also targeted for expansion works from four to six driving lanes in FY2013. The acquisition of an aggregate 95% effective interest in HZRR marked an important milestone in strengthening the Group's toll road portfolio. This operating expressway is expected to bring significant AOP and cash flow in the years to come.

Energy

National power consumption achieved a growth of 11.7% in 2011 but slowed down to 5.5% in the first half of 2012 on a period-to-period basis. Coal price dropped recently but still remains at a comparatively high level. The on-grid tariff increase in December 2011 is expected to mitigate the impact of high fuel costs on the Group's power plants in Mainland China. In Macau, the electricity demand is expected to grow stably in 2012. The Group's investment through a joint venture in a coal mine project in Shanxi conducted trial run during FY2012 and is expected to provide a secure coal supply to the Group.

Water

Environmental protection remains to be the top priority of local government's agenda in Mainland China as the Central Government continues to increase its support for environmental initiatives. The success in operating wastewater and sludge treatment plants by Sino French Water Development Company Limited ("Sino French Water"), a 50/50 joint venture with

NWS Kwai Chung Logistics Centre

Chongqing Rail Container Terminal

Suez Environnement, will allow the Group to be one of the prime movers to capture these opportunities. Water demand is expected to grow healthily along with the continuous development in Mainland China. During FY2012, Chongqing CCIP Water Treatment Plants commenced operation in September 2011. A new investment to build treatment plants and provide exclusive water and wastewater treatment services in Wuhan Chemical Industry Park was also made by Sino French Water. The construction of Changshu Water Plant Phase II has been completed and is expected to be operational in the second half of 2012.

Performance of Macau Water Plant is expected to remain stable in 2012 with a number of entertainment and hotel projects in the pipeline.

Ports & Logistics

The recovery of global economy is still under the shadow of debt crisis in European countries. Although there is an increase in overall foreign trade volume in 2011, the growth rate in Mainland China is expected to drop in 2012. The Central Government has adopted many measures to stimulate domestic consumption and compensate for the decline of foreign trade volume in Mainland China. The new Xiamen Haicang Xinhaida Container Terminals, which became operational in September 2011, is well-positioned to take advantage of the trade across the Taiwan Strait.

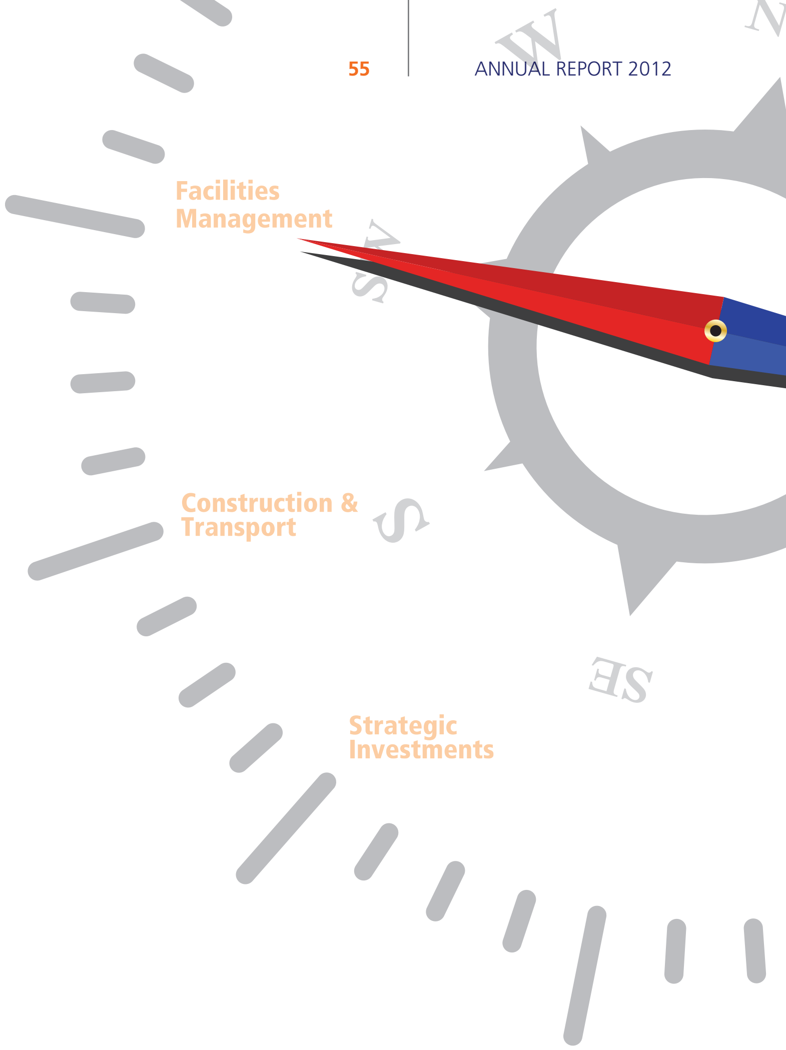
With the support of Ministry of Railways and Ministry of Transport, the development of sea-rail intermodal transportation is expected to fuel the throughput growth of rail containers in Mainland China. In addition, block train services from Chongqing to Germany commencing in 2011 will foster international container transportation along the Euro-Asia Land Bridge. CUIRC, with its eight operating terminals under phase one development, has formed a scale and achieved operational efficiency. In light of CUIRC's throughput growth, expansion has been planned to increase the handling capacity of the Chengdu and Chongqing terminals in the near term. Development of the remaining terminals under phase two is in progress. It is expected that CUIRC will be well positioned to capture the foreseeable growth in rail freight volume.

In view of the increasing demand for logistics and distribution facilities in Hong Kong, the Group has capitalized on this opportunity by developing a new logistics warehouse in Kwai Chung with a total leasable area of approximately 920,000 sq ft. The entire newly completed NWS Kwai Chung Logistics Centre has been leased out and is expected to generate a steady AOP and cash flow to the Group.

Management Discussion and Analysis

SERVICES

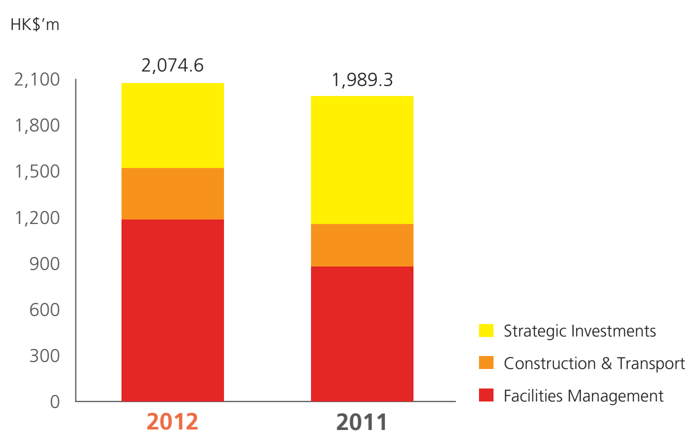
Services division recorded an AOP of HK$2,074.6 million in FY2012, representing a 4% increase from FY2011.



AOP Contribution by Segment

For the year ended 30 June

HK$'m	**2012**	2011	Change % Fav./(Unfav.)
Facilities Management	**1,184.0**	876.9	35
Construction & Transport	**334.2**	279.1	20
Strategic Investments	**556.4**	833.3	(33)
Total	**2,074.6**	1,989.3	4



Management Discussion and Analysis
Operational Review

Hong Kong Convention and Exhibition Centre

Free Duty

Facilities Management

The Facilities Management segment comprises mainly the Hong Kong Convention and Exhibition Centre ("HKCEC") and Free Duty.

The Group continued to benefit from the growth of exhibition and convention industry in FY2012. During the year, 1,224 events were held at HKCEC with total patronage of approximately 5.6 million. With the recent upgrade of its facilities and equipment, HKCEC will endeavour to enhance its services, and to maintain its leading position in the market. Significant increase in restaurant and catering turnover was notable in FY2012, food and beverage business will be an important growth driver in the years ahead.

Strong patronage of affluent travellers, especially Mainland Chinese visitors, contributed to the significant growth of Free Duty's tobacco and liquor retail business at various cross-boundary transportation terminals in Hong Kong. Expanded liquor sales have successfully offset the drop in tobacco sales resulting from high cigarette duty.

Construction & Transport

The segment achieved an AOP of HK$334.2 million in FY2012, representing an increase of 20% over FY2011.

The Construction business recognized an AOP of HK$188.2 million in FY2012, representing a 15% increase from FY2011, despite provisions made in respect of a number of construction projects amounting to approximately HK$248.3 million. As at 30 June 2012, the gross value of contracts on hand for the Construction business was approximately HK$21.4 billion. Close monitoring of tender bidding continues to be the key area of risk management. In order to enhance service quality, deliver client oriented services and improve customer satisfaction, more focus and resources have been put in place to enhance staff training, industrial safety and environmental protection.

The Group's Transport business reported an AOP of HK$146.0 million in FY2012, representing a 27% increase over FY2011. This was mainly attributable to the gain on the disposals of the Macau ferry operation and the bus operation in Kunming, the PRC.

Two new 10-year franchises were granted to New World First Bus Services Limited and Citybus Limited's Airport and North Lantau Bus Network (Franchise 2) during the year and will take effect when the current franchises expire on 1 July 2013 and 1 May 2013 respectively.

Strategic Investments

This segment includes contributions from Tricor Holdings Limited ("Tricor"), Haitong International Securities Group Limited ("Haitong International"), Newton Resources, Hyva Holding B.V. ("Hyva") and other securities investments held by the Group for strategic investment purposes.

Interlink, Tsing Yi, a project undertaken by Hip Hing


New World First Bus and Citybus

The Strategic Investments segment achieved an AOP of HK$556.4 million in FY2012. However, the period also saw impairment losses amounting to HK$259.2 million for available-for-sale financial assets under this segment.

Tricor recorded a steady growth in its corporate services and investor services businesses during FY2012. It captured about 52% of the total share of new listings in Hong Kong in FY2012. Its business operations in Hong Kong, Singapore and Mainland China together contributed about 80% of the total profit in FY2012.

Due to the bleak investment sentiment and market condition in the second half of 2011, business of Haitong International suffered inevitably to some extent. Although the market condition during the first half of 2012 was still affected by the European debt crisis which is unlikely to recover in the short term, Haitong International achieved an increase in total revenue by 10% as compared with the corresponding period last year.

On 4 July 2011, the spin-off of Newton Resources was completed and dealings in shares of Newton Resources on the Main Board of the Hong Kong Stock Exchange commenced on that date. Since its listing, Newton Resources has experienced a number of execution problems which led to the temporary cessation of commercial production. These include disputes relating to land expropriation and staff issue. Appropriate announcements detailing these events were made by Newton Resources. In the meantime, various infrastructure development works for Phase One and Phase Two have been completed to enable commercial production to resume on a gradual basis. In addition to the production of iron concentrates, Newton Resources has also obtained the mining permit for gabbro-diabase recently, the production of which is expected to commence by the fourth quarter of 2012.

The Group held an effective interest of approximately 38% in Hyva, a company engaged in the manufacturing and supply of components used in hydraulic loading and unloading systems on trucks and trailers. Revenue in Mainland China has been affected by a slowdown in heavy truck sales. In Europe, however, despite the general negative market sentiments, replacement needs continue to support sales.

Management Discussion and Analysis

Business Outlook

Despite the continuing concerns regarding the Eurozone sovereign debt crisis and fragile fundamentals of some advanced economies, Hong Kong's economy sustained growth momentum and achieved a 3.6% growth in GDP in the second quarter of 2012. Inflation is on the downward trend while consumer spending and confidence held up strongly supported by a robust labour market with the unemployment rate dropping to 3.2%, the lowest in the recent years.

Hong Kong Convention and Exhibition Centre

Facilities Management

HKCEC will continue to benefit from the growth of exhibition and convention industry globally. However, space saturation at HKCEC during peak seasons is restricting further growth of existing mega exhibitions. Rapid growth in food and beverages turnover has become a major driver of the business. The Group is confident that the business of HKCEC will continue to sustain healthy growth as the utilization rate and service level continue to improve by making full use of the Atrium Link expansion and providing multi-purpose venues through upgrading works.

Free Duty's business is expected to thrive with the increase in the number of high-spending visitors from Mainland China. Despite the loss of the concession contract at the Hong Kong International Airport after the expiry of the existing contract in November 2012, the Group remains optimistic regarding the prospects of its duty free business, especially with the successful renewal of concession contracts at all the land border crossings for five years. These duty free concessions, which serve commuters between Hong Kong and Shenzhen, will continue to bring in strong cash flow for the Group.

Tseung Kwan O Hospital Expansion, a project undertaken by Hip Hing

New World First Ferry

Construction & Transport

Hong Kong construction industry sees a rising demand in light of the booming property market and large infrastructure projects, presenting ample business opportunities on one hand while facing the challenge of increasing labour and materials costs on the other. The Group's Construction business will continue to focus on sizeable employers that demand high quality services. More resources will have to be deployed on tendering, contract execution and staff training in order to cope with these challenges.

The profit of the Transport business is highly dependable on fuel prices which have been affected by the financial derivatives in addition to the supply and demand in the energy markets. Management has hedged the fuel prices to relieve part of the pressure for fare increase in the coming financial year. As the Hong Kong government adopts the policy of using "Railways as the Backbone" of passenger transport system, the growth of local franchised bus services is limited to the consolidation and service improvement of existing routes. The Group will however continue to introduce more environmental friendly buses in the coming years to further increase passenger comfort with minimal environmental impact.

Conclusions

The Group's main business strategies and objectives are formulated to strengthen its position as a leading infrastructure player and service provider in Hong Kong, Mainland China and Macau with clear goals and missions of enhancing value to our shareholders and other stakeholders, the Group strives to hold and develop a dynamic and defensive portfolio of infrastructure and services that are capable of generating stable income streams and cash flows. To this end, the Group will continue to look for expansion and acquisition opportunities, especially in areas with high growth potential that can further enhance the existing business operations whilst maintaining a prudent financial profile and capital structure.

The record profit in FY2012 was characterized by a substantial dilution gain from the successful listing of Newton Resources at the start of the financial year followed by the timely acquisition of HZRR which stood out as a major growth driver in terms of revenue and AOP under the Roads segment. While the business outlook continues to be mixed, the Group is confident that future full-year contribution from HZRR will be able to defuse the potential negative impact arising from the recently introduced unfavourable toll road policies in Mainland China. Having successfully renewed all the land border duty free concession contracts, the Group stands to benefit directly from the high patronage growth at the land border crossings which should in time make up for the loss of the airport concession.

Despite challenging global economic conditions, the Group expects the economic growth in Mainland China and Hong Kong to remain relatively firm and views the Group's overall prospect positively. The Group is confident that our overall strategic direction and resilient business model will continue to deliver stable and sustainable growth.

Reports and Financial Statements

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 2012.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

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

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

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year and the state of affairs of the Company and of the Group as at 30 June 2012 are set out in the financial statements on pages 85 to 179.

The Board has resolved to recommend a final dividend for the year ended 30 June 2012 in scrip form equivalent to HK$0.25 per share (2011: HK$0.33 per share) with a cash option to the shareholders whose names appear on the register of members of the Company on 26 November 2012. Together with the interim dividend of HK$0.50 per share (2011: HK$0.37 per share) paid in May 2012, total distribution of dividend by the Company for the year ended 30 June 2012 will thus be HK$0.75 per share (2011: HK$0.70 per share).

Subject to the passing of the relevant resolution at the 2012 annual general meeting of the Company and the Listing Committee of the Hong Kong Stock Exchange granting the listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and they will be given the option of electing to receive payment in cash of HK$0.25 per share instead of the allotment of shares. Full details of the final scrip dividend will be set out in a circular to be sent to the shareholders together with a form of election for cash dividend on or about 28 November 2012.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 45 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 46 and 47 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 32 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2012, the Company's reserves available for distribution amounted to HK$2,458.3 million (2011: HK$2,409.8 million).

DONATIONS

During the year, the Group made charitable donations amounting to HK$4.0 million (2011: HK$6.8 million).

INVESTMENT PROPERTIES

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 31 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

On 13 February 2012 (the "Redemption Date"), Chinese Future Corporation ("CFC", an indirect wholly owned subsidiary of the Company) redeemed the outstanding US$225.0 million 12% senior notes due 2015 (the "Notes", which was issued by CFC and listed on the Mainboard of the Singapore Exchange Securities Trading Limited) in its entirety at the redemption price of 107.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest up to the Redemption Date. The amount of interest paid with respect to the Notes on the Redemption Date was US$24 per US$1,000 in principal amount of the Notes.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during FY2012.

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 2012.

MANAGEMENT CONTRACTS

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

MAJOR ACQUISITION AND DISPOSAL

On 4 July 2011, the spin-off of Newton Resources Ltd ("Newton Resources") was completed and dealings in shares of Newton Resources on the Main Board of the Hong Kong Stock Exchange commenced on the same day. Upon its listing, the Group's effective interest in Newton Resources diluted to 48%. Newton Resources therefore ceased to be a subsidiary and became an associated company of the Group. As a result, a gain of HK$1,842.7 million on the deemed disposal of interest was recorded in the consolidated income statement in FY2012.

The Group acquired 95% effective interest of Hangzhou Ring Road ("HZRR") in Zhejiang Province, the PRC under four phases since June 2011 at a total consideration of US$1,073.0 million (equivalent to approximately HK$8,358.0 million), out of which HK$1,588.9 million was paid as deposit during FY2011 and HK$6,769.1 million was paid during FY2012. Phase 4 of the acquisition was completed on 6 January 2012.

DIRECTORS

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

Executive directors

Dr Cheng Kar Shun, Henry
Mr Tsang Yam Pui
Mr Lam Wai Hon, Patrick
Mr Cheung Chin Cheung
Mr William Junior Guilherme Doo
Mr Cheng Chi Ming, Brian

Non-executive directors

Mr Doo Wai Hoi, William
Mr To Hin Tsun, Gerald
Mr Dominic Lai

Independent non-executive directors

Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr Wilfried Ernst Kaffenberger (Re-designated from non-executive director on 1 March 2012)
Mr Yeung Kun Wah, David
(alternate director to Mr Wilfried Ernst Kaffenberger)
Mr Chow Siu Lui (Appointed on 1 March 2012 and resigned on 12 June 2012)

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

At the meeting held on 25 September 2012, the Board approved the appointment of Mr Lee Yiu Kwong, Alan as an independent non-executive director of the Company with effect from 1 October 2012. In accordance with bye-law 86(2) of the Company's bye-laws, Mr Lee Yiu Kwong, Alan will retire at the forthcoming annual general meeting and being eligible, will offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

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

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

A master services agreement was entered into between the Company and Mr Doo Wai Hoi, William, a non-executive director of the Company, on 19 May 2011 for the purpose of streamlining the continuing connected transactions between the Group and the companies controlled by Mr Doo Wai Hoi, William. Mr Doo Wai Hoi, William was considered having material interests in the said master services agreement. Details of this agreement are explained in the section headed "Connected Transactions".

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Dr Cheng Kar Shun, Henry	Chow Tai Fook Enterprises Limited group of companies	Investment in transport services business	Director
	HKR International Limited group of companies	Construction and property management	Director
Mr Lam Wai Hon, Patrick	Wai Kee Holdings Limited	Construction, investment in toll roads and infrastructure businesses and sale of general merchandized goods	Director
	Road King Infrastructure Limited	Development, operation and management of toll roads	Director
Mr To Hin Tsun, Gerald	Mongolia Energy Corporation Limited	Investment in coal mining	Director
Mr Wilfried Ernst Kaffenberger (Note)	AEI	Investment in power plants	Director

Note: Mr Wilfried Ernst Kaffenberger was re-designated from non-executive director to independent non-executive director on 1 March 2012.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2012, the directors and their respective associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO:

(a) Long position in shares

	Number of shares				Approximate percentage of issued share capital as at 30.06.12
	Personal interests	Family interests	Corporate interests	Total	
The Company					
(Ordinary shares of HK$1.00 each)					
Dr Cheng Kar Shun, Henry	13,768,798	–	12,000,000(1)	25,768,798	0.719%
Mr Doo Wai Hoi, William	5,701,834	–	8,330,782(2)	14,032,616	0.392%
Mr Tsang Yam Pui	600,000	–	–	600,000	0.017%
Mr Lam Wai Hon, Patrick	1,701,786	–	7,608(3)	1,709,394	0.048%
Mr Cheung Chin Cheung	1,470,579	–	–	1,470,579	0.041%
Mr William Junior Guilherme Doo	1,500,000	–	101,184(4)	1,601,184	0.045%
Mr Kwong Che Keung, Gordon	1,035,926	–	–	1,035,926	0.029%
Dr Cheng Wai Chee, Christopher	1,402,319	–	–	1,402,319	0.039%
Mr Wilfried Ernst Kaffenberger	723,372	–	–	723,372	0.020%
NWD					
(Ordinary shares of HK$1.00 each)					
Dr Cheng Kar Shun, Henry	–	450,000(5)	–	450,000	0.007%
Mr Doo Wai Hoi, William	–	–	1,500,000(2)	1,500,000	0.024%
Mr Cheung Chin Cheung	93,300	–	–	93,300	0.002%
Mr William Junior Guilherme Doo	–	30,000(6)	–	30,000	0.000%
Mr Kwong Che Keung, Gordon	30,000	–	–	30,000	0.000%
New World China Land Limited					
(Ordinary shares of HK$0.10 each)					
Dr Cheng Kar Shun, Henry	28,125,000	4,387,500(5)	117,610,200(1)	150,122,700	1.736%
Mr Doo Wai Hoi, William	–	–	1,317,000(2)	1,317,000	0.015%
Mr William Junior Guilherme Doo	–	112,500(6)	405,000(4)	517,500	0.006%
Mr Cheng Chi Ming, Brian	106,400	–	–	106,400	0.001%
Dr Cheng Wai Chee, Christopher	299,400	–	–	299,400	0.003%
Newton Resources					
(Ordinary shares of HK$0.10 each)					
Mr Cheung Chin Cheung	7,154	–	–	7,154	0.000%
Mr Kwong Che Keung, Gordon	11,307	–	–	11,307	0.000%
Wai Kee Holdings Limited					
(Ordinary shares of HK$0.10 each)					
Mr Lam Wai Hon, Patrick	300,000	–	–	300,000	0.038%
Mega Choice Holdings Limited (In liquidation)					
(Ordinary shares of HK$1.00 each)					
Dr Cheng Kar Shun, Henry	–	–	420,585,070(1)	420,585,070	34.608%

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES (continued)

(a) Long position in shares (continued)

Notes:

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

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

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

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

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

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

(b) Long position in underlying shares — share options

(i) The Company

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

			Number of share options						
Name	Date of grant	Exercisable period (Note)	Balance as at 01.07.11	Granted during the year	Adjusted during the year(2)	Exercised during the year	Lapsed during the year	Balance as at 30.06.12	Exercise price per share(2) HK$
Dr Cheng Kar Shun, Henry	21 August 2007	(1)	4,553,871	–	26,902	–	–	4,580,773	10.609
Mr Doo Wai Hoi, William	21 August 2007	(1)	3,035,914	–	6,071	(3,041,985)(3)	–	–	–
Mr Tsang Yam Pui	21 August 2007	(1)	2,276,933	–	4,554	(2,281,000)(4)	–	487	10.609
Mr Lam Wai Hon, Patrick	21 August 2007	(1)	2,276,933	–	6,844	(1,694,000)(5)	–	589,777	10.609
Mr Cheung Chin Cheung	21 August 2007	(1)	2,276,933	–	4,554	(2,281,000)(6)	–	487	10.609
Mr William Junior Guilherme Doo	21 August 2007	(1)	2,276,933	–	4,553	(2,281,486)(7)	–	–	–
Mr To Hin Tsun, Gerald	21 August 2007	(1)	455,383	–	2,689	–	–	458,072	10.609
Mr Dominic Lai	21 August 2007	(1)	455,383	–	2,689	–	–	458,072	10.609
Mr Kwong Che Keung, Gordon	21 August 2007	(1)	910,771	–	5,380	–	–	916,151	10.609
Dr Cheng Wai Chee, Christopher	21 August 2007	(1)	910,771	–	5,380	–	–	916,151	10.609
Mr Shek Lai Him, Abraham	21 August 2007	(1)	910,771	–	5,380	–	–	916,151	10.609
Mr Wilfried Ernst Kaffenberger	21 August 2007	(1)	455,383	–	2,689	–	–	458,072	10.609

Notes:

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

(2) The Company declared the final dividend for the year ended 30 June 2011 and the interim dividend for the six months ended 31 December 2011 both in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK$10.672 to HK$10.650 on 29 December 2011, and further to HK$10.609 on 16 May 2012.

(3) The exercise date was 13 March 2012 and the exercise price per share was HK$10.650. The closing price of shares immediately before the date on which the share options were exercised was HK$12.900.

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

(i) The Company (continued)

(4) The exercise price per share was HK$10.650. The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$12.916.

(5) The exercise price per share was HK$10.650. The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$12.926.

(6) The exercise price per share was HK$10.650. The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$12.926.

(7) The exercise price per share was HK$10.650. The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$12.916.

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

(ii) NWD

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

			Number of share options						
Name	Date of grant	Exercisable period (Note)	Balance as at 01.07.11	Granted during the year	Adjusted during the year(3)	Exercised during the year	Lapsed during the year	Balance as at 30.06.12	Exercise price per share(3) HK$
Dr Cheng Kar Shun, Henry	19 March 2007	(1)	36,714,392	–	3,784,390	–	(40,498,782)	–	16.003
	19 March 2012	(2)	–	10,000,000	1,320	–	–	10,001,320	9.769

Notes:

(1) Exercisable from 19 March 2007 to 18 March 2012.

(2) Divided into 4 tranches exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.

(3) NWD declared final dividend for the year ended 30 June 2011 and interim dividend for the six months ended 31 December 2011 in scrip form (with cash option) during the year and announced rights issue on 18 October 2011 which became unconditional on 25 November 2011. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of NWD's share options granted on 19 March 2007 was adjusted from HK$17.652 to HK$16.004 on 28 November 2011, and further to HK$16.003 on 30 December 2011. The exercise price per share of NWD's share options granted on 19 March 2012 was adjusted from HK$9.770 to HK$9.769 on 17 May 2012.

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

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

(iii) New World China Land Limited

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

			Number of share options				
Name	Date of grant	Exercisable period (Note)	Balance as at 01.07.11	Adjusted during the year(3)	Exercised during the year	Balance as at 30.06.12	Exercise price per share(3) HK$
Dr Cheng Kar Shun, Henry	29 December 2008	(1)	1,791,045	69,781	–	1,860,826	1.290
	18 January 2011	(2)	2,000,000	77,922	–	2,077,922	3.036
Mr Doo Wai Hoi, William	29 December 2008	(1)	727,612	28,349	–	755,961	1.290
	18 January 2011	(2)	800,000	31,169	–	831,169	3.036
Dr Cheng Wai Chee, Christopher	29 December 2008	(1)	252,221	9,827	(174,000)	88,048	1.290
	18 January 2011	(2)	300,000	11,688	–	311,688	3.036

Notes:

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

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

(3) NWCL announced rights issue on 18 October 2011 which became unconditional on 22 December 2011. Accordingly, adjustments were made to the number of outstanding share options and the exercise price on 23 December 2011. Exercise price per share was adjusted from HK$1.340 to HK$1.290 for the share options granted on 29 December 2008 and from HK$3.154 to HK$3.036 for the share options granted on 18 January 2011.

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

(iv) New World Department Store China Limited

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

			Number of share options			
Name	Date of grant	Exercisable period (Note)	Balance as at 01.07.11	Exercised during the year	Balance as at 30.06.12	Exercise price per share HK$
Dr Cheng Kar Shun, Henry	27 November 2007	(1)	1,000,000	–	1,000,000	8.660

Notes:

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

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

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

(v) Wai Kee Holdings Limited

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

Name	Date of grant	Exercisable period	Number of share options Balance as at 01.07.11	Exercised during the year	Lapsed during the year	Balance as at 30.06.12	Exercise price per share HK$
Mr Lam Wai Hon, Patrick	9 July 2007	9 July 2008 to 8 July 2011	330,000	–	(330,000)	–	3.390

(c) Long position in underlying shares — debentures

(i) Rosy Unicorn Limited

The following director of the Company has interest in the debentures issued by Rosy Unicorn Limited ("RUL", an indirect wholly owned subsidiary of the Company). Details of the debentures of RUL held by him are as follows:

Name	Amount of debentures in US$ issued by RUL				Approximate percentage to the total amount of debentures in issue as at 30.06.2012
	Personal interests	Family interests	Corporate Interests	Total	
Mr Doo Wai Hoi, William	–	–	52,000,000	52,000,000	10.400%

(ii) NWCL

The following directors of the Company have interest in the debentures issued by NWCL, a fellow subsidiary of the Company. Details of the debentures of NWCL held by them are as follows:

Name	Amount of debentures in RMB issued by NWCL				Approximate percentage to the total amount of debentures in issue as at 30.06.2012
	Personal interests	Family interests	Corporate Interests	Total	
Mr Doo Wai Hoi, William	–	140,000,000	–	140,000,000	3.256%
Mr Tsang Yam Pui	2,500,000	–	–	2,500,000	0.058%
Mr Lam Wai Hon, Patrick	1,000,000	–	–	1,000,000	0.023%
Mr William Junior Guilherme Doo	–	–	8,000,000	8,000,000	0.186%

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

Report of the Directors

SHARE OPTION SCHEMES

(a) The Company

On 6 December 2001, the Company adopted a share option scheme (the "2001 Share Option Scheme") and certain rules of this scheme were amended on 12 March 2003 and 24 November 2006. In anticipation of its expiry on 6 December 2011, the Company adopted a new share option scheme (the "2011 Share Option Scheme") at the annual general meeting of the Company held on 21 November 2011. Share options granted under the 2001 Share Option Scheme prior to its expiry shall continue to be valid and exercisable pursuant to the rules of the 2001 Share Option Scheme.

Summary of the 2001 Share Option Scheme and the 2011 Share Option Scheme (together, the "Schemes") disclosed in accordance with the Listing Rules is as follows:

Purpose of the Schemes

To reward directors and employees of the Group for their past service or performance, providing incentive and motivation or reward to eligible participants for optimizing their performance or making contribution to the Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to the Group; and fostering a sense of corporate identity.

Participants of the Schemes

Eligible participant may be a person or an entity belonging to any of the following classes:

(i) any eligible employee;

(ii) any non-executive director (including independent non-executive director) of the Group or any invested entity of the Group (the "Invested Entity");

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of any member of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

Total number of shares available for issue under the Schemes and percentage of the issued share capital as at the date of this report	The Company had granted options to certain eligible participants to subscribe for a total of 84,348,007 shares of the Company under the 2001 Share Option Scheme, which included certain adjustments made pursuant to the rules of the 2001 Share Option Scheme, up to the date of this report. Since the 2001 Share Option Scheme expired on 6 December 2011, no further option can be granted under this scheme. No share option of the Company has been granted under the 2011 Share Option Scheme since its adoption and up to the date of this report. The total number of shares available for issue under the 2011 Share Option Scheme is 338,774,507 shares representing approximately 9.43% of the Company's issued share capital as at the date of this report.
Maximum entitlement of each participant under the Schemes	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the share capital of the Company in issue.
The period within which the shares must be taken up under an option	At any time during a period as specified by the directors, however in any event the share options must be exercised within 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Any period as determined by the directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK$10 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The basis of determining the exercise price	The exercise price is determined by the directors which must be at least the higher of the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant or the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.
The remaining life of the Schemes	The 2001 Share Option Scheme expired on 6 December 2011. However, the share options granted under the 2001 Share Option Scheme prior to its expiry are still exercisable pursuant to the rules of this scheme. The 2011 Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 21 November 2011.

During the year ended 30 June 2012, movement of share options granted by the Company under the 2001 Share Option Scheme is as follows:

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

Report of the Directors

SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

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

Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.07.11	Exercised during the year	Adjusted during the year(2)	Lapsed during the year	Balance as at 30.06.12	Exercise price per share(2) HK$
21 August 2007	(1)	10,700,256	(5,937,080)	32,038	(902,478)	3,892,736	10.609
28 January 2008	(1)	1,062,551	–	6,273	–	1,068,824	13.490

Notes:

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

(2) The Company declared the final dividend for the year ended 30 June 2011 and the interim dividend for the six months ended 31 December 2011 both in scrip form (with cash option) during the year which give rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 21 August 2007 was adjusted from HK$10.672 to HK$10.650 on 29 December 2011, and further to HK$10.609 on 16 May 2012 and the exercise price per share of the share options granted on 28 January 2008 was adjusted from HK$13.570 to HK$13.542 on 29 December 2011, and further to HK$13.490 on 16 May 2012.

(3) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK$12.502.

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

During the year ended 30 June 2012, no share option of the Company has been granted under the 2011 Share Option Scheme.

(b) Newton Resources

Newton Resources, which was a subsidiary of the Company during the year ended 30 June 2012, adopted two share option schemes, one conditional share option scheme on 9 April 2010 (the "Newton Share Option Scheme") and one unconditional share option scheme on 25 January 2011 (the "Newton Pre-IPO Share Option Scheme"). Upon listing of shares of Newton Resources on the Hong Kong Stock Exchange on 4 July 2011, the shareholding interest in Newton Resources held by the Group diluted from approximately 60% to 48% and therefore, Newton Resources ceased to be a subsidiary of the Company since 4 July 2011. Summary of each of the Newton Share Option Scheme and the Newton Pre-IPO Share Option Scheme as at 3 July 2011, i.e. the date immediately preceding the listing of Newton Resources, disclosed in accordance with the Listing Rules is as follows:

(i) Newton Share Option Scheme

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

Purpose of the Newton Share Option Scheme	To attract and retain the best quality personnel for the development of Newton Resources' businesses; to provide additional incentives to the Qualifying Grantees (as defined below); and to promote the long-term financial success of Newton Resources by aligning the interests of the Option Holders (as defined below) to Newton Resources' shareholders.

SHARE OPTION SCHEMES (continued)

(b) Newton Resources (continued)

(i) Newton Share Option Scheme (continued)

Qualifying grantees of the Newton Share Option Scheme (the "Qualifying Grantees")

(1) Any employee (whether full-time or part-time employee) of any member of the Newton Group or any Affiliates and any person who is an officer of the Newton Group or any Affiliates, provided that an Option Holder shall not cease to be an employee of the Newton Group in the case of (a) any leave of absence approved by Newton Resources or the relevant Affiliate; or (b) transfers between Newton Resources and any Affiliates or any successor;

(2) any person who is seconded to work for any member of the Newton Group or any Affiliates;

(3) any consultant, agent, representative, advisor, customer, contractor of the Newton Group or any Affiliates; or

(4) (i) any business partner/ally/alliance, joint venture partner, supplier of goods or services to the Newton Group or any Affiliates or any employee thereof (collectively, the "Eligible Person"); and (ii) any trust for the benefit of an Eligible Person or his immediate family members or any company controlled by an Eligible Person or his immediate family members.

"Affiliate" means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, Newton Resources and includes any company which is (a) the holding company of Newton Resources; or (b) a subsidiary of the holding company of Newton Resources; or (c) a subsidiary of Newton Resources; or (d) a fellow subsidiary of Newton Resources; or (e) the controlling shareholder of Newton Resources; or (f) a company controlled by the controlling shareholder of Newton Resources; or (g) a company controlled by Newton Resources; or (h) an Associated Company of the holding company of Newton Resources; or (i) an Associated Company of Newton Resources; or (j) an Associated Company of controlling shareholder of Newton Resources;

"Associated Company" means a company in the equity share capital of which a company, directly or indirectly, has 20% or greater beneficial interest but excluding the subsidiaries of that company;

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

"Newton Group" means Newton Resources and its subsidiaries;

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

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

Report of the Directors

SHARE OPTION SCHEMES (continued)

(b) Newton Resources (continued)

(i) Newton Share Option Scheme (continued)

Total number of shares available for issue under the Newton Share Option Scheme and percentage of the issued share capital of Newton Resources as at 3 July 2011	No share option has been granted since adoption. The maximum number of shares which may be issued upon exercise of all options to be granted under the Newton Share Option Scheme and any other share option schemes of Newton Resources shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the Newton Share Option Scheme (the "Scheme Mandate Limit") but Newton Resources may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of Newton Resources under the Newton Share Option Scheme and any other share option schemes of Newton Resources shall not exceed 10% of the issued share capital of Newton Resources as at the date of approval by the shareholders of Newton Resources at general meetings where such limit is refreshed. Options previously granted under the Newton Share Option Scheme and any other share option schemes of Newton Resources (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% limit as refreshed. Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Newton Share Option Scheme and any other share option schemes of Newton Resources shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue of Newton Resources from time to time. As the Newton Share Option Scheme only became unconditional on the day of listing of Newton Resources' shares on the Hong Kong Stock Exchange, i.e. 4 July 2011, no share was available for issue under the Newton Share Option Scheme as at 3 July 2011.
Maximum entitlement of each participant under the Newton Share Option Scheme	The maximum number of shares issued and to be issued upon exercise of the options granted to each Qualifying Grantee under the Newton Share Option Scheme and any other share option schemes of Newton Resources (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of Newton Resources in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of Newton Resources at a general meeting. Share options granted to a director, chief executive or substantial shareholders of Newton Resources, or to any of their associates, are subject to approval in advance by the independent non-executive directors of Newton Resources. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Newton Resources, or to any of their associates, in excess of 0.1% of the total number of shares in issue of Newton Resources at the date on which such grant is proposed by the directors of Newton Resources or with an aggregate value (based on the closing price of shares of Newton Resources at the date on which such grant is proposed by the directors of Newton Resources) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of Newton Resources.

SHARE OPTION SCHEMES (continued)

(b) Newton Resources (continued)

(i) Newton Share Option Scheme (continued)

The period within which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised	The exercise period of the share options granted is determinable by the directors of Newton Resources, and is specified in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein) and shall expire not later than 10 years after the date of grant of the options.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HK$1 by the Qualifying Grantee.
The basis of determining the exercise price	The exercise price of the share options is determinable by the directors of Newton Resources, and shall be at least the highest of (i) the closing price of Newton Resources' shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of Newton Resources' shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Newton Resources' share.
The remaining life of the Newton Share Option Scheme	The Newton Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date of listing of Newton Resources' shares on the Hong Kong Stock Exchange, i.e. 4 July 2011.

During the year ended 30 June 2012, no option has been granted under the Newton Share Option Scheme.

(ii) Newton Pre-IPO Share Option Scheme

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

Purpose of the Newton Pre-IPO Share Option Scheme	To attract, retain and motivate the eligible participants to optimize their performance efficiency for the benefit of the Newton Group and at the same time recognize and acknowledge their contributions have or may have made to the Newton Group.
Participants of the Newton Pre-IPO Share Option Scheme	Any full-time or part-time employees or potential employees, executives or officers, any directors (including non-executive directors and independent non-executive directors) or any one who, in the sole opinion of the board, have contributed or will contribute to Newton Resources and/or any Affiliates.
Total number of shares available for issue under the Newton Pre-IPO Share Option Scheme and percentage of the issued share capital of Newton Resources as at 3 July 2011	Newton Resources had granted options to certain eligible participants to subscribe for a total of 133,300,000 shares of Newton Resources under the Newton Pre-IPO Share Option Scheme up to 3 July 2011. As all the options granted under the Newton Pre-IPO Share Option Scheme were based on the issued share capital of Newton Resources upon listing of Newton Resources' shares on the Hong Kong Stock Exchange, i.e. 4 July 2011, no share was available for issue under the Newton Pre-IPO Share Option Scheme as at 3 July 2011.

Report of the Directors

SHARE OPTION SCHEMES (continued)

(b) Newton Resources (continued)

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

Maximum entitlement of each participant under the Newton Pre-IPO Share Option Scheme	Unless approved by shareholders of Newton Resources, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant under the Newton Pre-IPO Share Option Scheme and any other share option schemes of Newton Resources (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the share capital of Newton Resources in issue.
The period within which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised	The exercise period of the share options shall commence not earlier than the date of the first anniversary of 4 July 2011 (if such anniversary date is not a business day, on the business day immediately prior to such anniversary date) and expire not later than the first business day after the fourth anniversary of 4 July 2011.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The offer of a grant of share options may be accepted within seven days from the date of the offer upon payment of a consideration of HK$1 by the grantee.
The basis of determining the exercise price	The exercise price of the share options shall be the final offer price (HK$1.75) as defined in the prospectus of Newton Resources.
The remaining life of the Newton Pre-IPO Share Option Scheme	The Newton Pre-IPO Share Option Scheme expired on 23 February 2011. However, the share options granted under the Newton Pre-IPO Share Option Scheme are still exercisable.

During the year ended 30 June 2012, details of the movement of share options granted by Newton Resources under the Newton Pre-IPO Share Option Scheme are as follows:

		Number of share options					
Date of grant	Exercisable period (Note)	Balance as at 01.07.11	Granted during the year	Exercised during the year	Lapsed during the year	Balance as at 03.07.11	Exercise price per share HK$
28 January 2011	(1)	133,300,000[2]	–	–	–	133,300,000	1.75

Notes:

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

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

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

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 June 2012, 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:

	Number of shares			Approximate percentage of the issued share capital
Name	Beneficial interests	Corporate interests	Total	of the Company
Cheng Yu Tung Family (Holdings) Limited	–	2,272,201,388(1)	2,272,201,388	63.44%
Cheng Yu Tung Family (Holdings II) Limited	–	2,272,201,388(2)	2,272,201,388	63.44%
Chow Tai Fook Capital Limited	–	2,272,201,388(3)	2,272,201,388	63.44%
Chow Tai Fook (Holding) Limited	–	2,272,201,388(4)	2,272,201,388	63.44%
Chow Tai Fook Enterprises Limited	97,034,423	2,175,166,965(5)	2,272,201,388	63.44%
NWD	1,459,481,725	715,685,240(6)	2,175,166,965	60.73%
Mombasa Limited	655,961,555	–	655,961,555	18.32%

Notes:

(1) Cheng Yu Tung Family (Holdings) Limited holds approximately 48.98% direct interest in Chow Tai Fook Capital Limited ("CTFC") and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(2) Cheng Yu Tung Family (Holdings II) Limited holds approximately 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.

(3) CTFC holds approximately 74.07% direct interest in Chow Tai Fook (Holding) Limited ("CTFH") and is accordingly deemed to have an interest in the shares deemed to be interested by CTFH.

(4) CTFH holds 100% direct interest in Chow Tai Fook Enterprises Limited ("CTF Enterprises") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Enterprises.

(5) CTF Enterprises together with its subsidiaries, hold more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.

(6) NWD holds 100% indirect interest in Mombasa Limited and is accordingly deemed to have an interest in the shares held by Mombasa Limited in the Company. NWD is also deemed to be interested in 2,979,975 shares held by Financial Concepts Investment Limited, 28,371,855 shares held by Hing Loong Limited and 28,371,855 shares held by Fine Reputation Incorporated, all of them are subsidiaries of NWD.

(7) All the interests stated above represent long positions.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30 June 2012.

SUFFICIENCY OF PUBLIC FLOAT

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

Report of the Directors

CONNECTED TRANSACTIONS

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

(1) On 11 June 2010, two sale and purchase agreements (the "Agreements") were entered into both among NWS Service Management Limited ("NWSSM", an indirect wholly owned subsidiary of the Company) as vendor, Fung Seng Enterprises Limited ("FSE") as purchaser, Mr Doo Wai Hoi, William ("Mr Doo") and Mr Wong Kwok Kin, Andrew jointly as warrantors whereby FSE agreed to purchase and NWSSM agreed to sell and/or procure the sale of the entire issued share capital of certain companies (the "Disposal Group") or certain service businesses of the Group as set out in the Agreements (the "Disposal").

Mr Doo, who is a director of the Company, holds 90% indirect interest in FSE. After completion of the Disposal, members under the Disposal Group, which were wholly owned by FSE, became associates of Mr Doo. Accordingly, FSE and the members of the Disposal Group are connected persons of the Company under the Listing Rules. A bank guarantee amounted to approximately MOP38.0 million (equivalent to approximately HK$37.0 million), which was provided by a member of the Group to a member of the Disposal Group, was still valid upon completion of the Agreements. Such bank guarantee was properly released with effect from 31 December 2011.

(2) On 19 May 2011, a master services agreement (the "Master Services Agreement") was entered into between the Company and Mr Doo in relation to the provision of certain operational services between members of the Group and members of the Services Group (being Mr Doo and any company in the equity capital of which Mr Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary).

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

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

The Master Services Agreement has an initial term of three years commencing from 1 July 2011. Subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements (to the extent applicable) under the Listing Rules at the relevant time, the Master Services Agreement may be renewed for a further term of three years.

During the year ended 30 June 2012, the contract amount for the operational services under the Master Services Agreement is summarized as follows:

Categories	Approximate total contract sum HK$'m	Annual cap HK$'m
Operational services by members of the Group to members of the Services Group	9.3	15.7
Operational services by members of the Services Group to members of the Group	258.7	282.4

CONNECTED TRANSACTIONS (continued)

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

The Existing Continuing Transactions involved the provision of the mechanical and electrical engineering services, property management services and cleaning services from members of the Disposal Group to members of the Group. As at 30 June 2012, a total of not exceeding 10 agreements, of which the remaining term is not exceeding two years, are included in these Existing Continuing Transactions with the aggregate transaction values for the remaining term of the relevant agreements amount to approximately HK$175.6 million.

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

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

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

During the year ended 30 June 2012, the contract amount for the operational services under the CTF Master Services Agreement are summarized as follows:

Categories	Approximate total contract sum HK$'m	Annual cap HK$'m
Operational services by members of the Group to members of the CTF Enterprises Group	33.3	156.5
Operational services by members of the CTF Enterprises Group to members of the Group	2.6	4.3

Report of the Directors

CONNECTED TRANSACTIONS (continued)

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

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

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

During the year ended 30 June 2012, the contract amount for the operational services under the NWD Master Services Agreement are summarized as follows:

Categories	Approximate total contract sum HK$'m	Annual cap HK$'m
Operational services by members of the Group to members of the NWD Group	3,246.9	4,895.1
Operational services by members of the NWD Group to members of the Group	36.6	39.4

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

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

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

CONNECTED TRANSACTIONS (continued)

(7) On 31 October 2011, an agreement (the "S&P Agreement") was entered into between Hip Hing Construction Company Limited ("Hip Hing", an indirect wholly owned subsidiary of the Company) as vendor and Land Source Investment Limited ("Land Source", an indirect wholly owned subsidiary of NWD) as purchaser in relation to the sale and purchase of the entire issued share capital of Ease Kind Development Limited ("Ease Kind", which was wholly owned by Hip Hing and in turn also an indirect wholly owned subsidiary of the Company) and the assignment of the shareholder's loan of Ease Kind owed to Hip Hing in the amount of HK$170,430,116 at the total consideration of HK$239.0 million.

Pursuant to the S&P Agreement, 10% of the consideration was paid by Land Source to Hip Hing on the date of signing of the S&P Agreement while 90% of the consideration was paid by Land Source on completion of the S&P Agreement. Completion of the S&P Agreement took place on 15 December 2011.

As at the date of signing of the S&P Agreement, NWD was interested in approximately 59.79% of the total issued share capital of the Company and Land Source was an indirect wholly owned subsidiary of NWD. Land Source is therefore a connected person of the Company and thus, the transaction contemplated under the S&P Agreement constituted a connected transaction of the Company under the Listing Rules.

(8) On 17 November 2011, a sale and purchase agreement (the "75% Widefaith Sale and Purchase Agreement") was entered into, among others, between Moscan Developments Limited ("Moscan", an indirect wholly owned subsidiary of the Company) and Kaiming Holdings Limited ("Kaiming") in relation to the acquisition (the "Acquisition") by Moscan of 75% of the total issued shares in Widefaith Group Limited ("Widefaith"), representing approximately 36.34% effective interest in HZRR, at the consideration of US$401,625,000 (equivalent to approximately HK$3,132.68 million) plus the Daily Increment (as defined in the 75% Widefaith Sale and Purchase Agreement) (the "Purchase Price").

Prior to the date of the 75% Widefaith Sale and Purchase Agreement, US$63,610,526 was paid by Moscan to Kaiming as advanced part payment of the Purchase Price. Pursuant to the 75% Widefaith Sale and Purchase Agreement, the remaining outstanding Purchase Price was paid by Moscan in cash as follows:

(a) US$80,000,000 upon signing of the 75% Widefaith Sale and Purchase Agreement;

(b) US$138,000,000 on the third business days after fulfillment of a condition as set out in the 75% Widefaith Sale and Purchase Agreement; and

(c) the remaining balance on the date of completion of the 75% Widefaith Sale and Purchase Agreement.

Completion of the 75% Widefaith Sale and Purchase Agreement took place on 6 January 2012.

As at the date of signing of the 75% Widefaith Sale and Purchase Agreement, Kaiming was an associate of Widefaith which in turn, was a substantial shareholder of CFC, which was an indirect subsidiary of the Company. Hence, Kaiming was a connected person of the Company under the Listing Rules. The Acquisition therefore constituted a connected transaction for the Company under the Listing Rules.

So far as the Board was aware, no shareholder of the Company was required to abstain from voting on the resolutions to approve the Acquisition. The Company had obtained a written shareholder's approval dated 17 November 2011 from NWD, which held approximately 59.77% interest in the Company as at the date of signing of the 75% Widefaith Sale and Purchase Agreement, in relation to the approval of the Acquisition. The Hong Kong Stock Exchange had granted the Company a waiver from strict compliance with the requirement for holding a general meeting to seek independent shareholders' approval in respect of the Acquisition under the Listing Rules on the basis that no shareholder of the Company would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition and the Company had obtained the written shareholder's approval from NWD in respect of the Acquisition.

Report of the Directors

CONNECTED TRANSACTIONS (continued)

The continuing connected transactions mentioned in (2) to (5) 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 and usual course of business of the Company;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;

(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(d) within the caps or the aggregate transaction values set out in the relevant announcements or circulars.

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

Save as disclosed above, a summary of significant related party transactions, which do not constitute connected transactions, made during the year is disclosed in note 43 to the financial statements.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 30 June 2012, the Group has provided financial assistance, by way of shareholders' loans or advances, in the aggregate amount of HK$3,562.2 million to its affiliated companies (included in the amounts disclosed in notes 21, 22 and 26 to the financial statements), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK$602.4 million (included in the amounts disclosed in note 40 to the financial statements) and contracted to provide an aggregate amount of HK$889.2 million in capital and/or loans to affiliated companies. The said amounts, in aggregate, represent approximately 8.3% 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 (i) an aggregate amount of HK$104.7 million which carries interest at 8% per annum; (ii) an amount of HK$20.9 million which carries interest at Hong Kong prime rate; (iii) an amount of HK$122.0 million which carries interest at the People's Bank of China two-year benchmark lending rate with 15% premium and is repayable on 9 December 2013; and (iv) an amount of HK$500.0 million which carries interest at Hong Kong Interbank Offered Rate plus a margin of 1.5% per annum and of which HK$300.0 million is repayable on 4 July 2016 and HK$200.0 million is repayable on 20 December 2016. The advances also include an aggregate amount of HK$697.5 million which has been subordinated to certain indebtedness of the affiliated companies. Contracted capital and loan contributions to affiliated companies would be funded by internally generated resources and banking facilities of the Group.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES (continued)

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2012 are presented as follows:

	Proforma combined statement of financial position HK$'m	Group's attributable interest HK$'m
Non-current assets	40,950.8	19,348.3
Current assets	12,703.3	5,831.7
Current liabilities	(14,854.2)	(7,010.9)
Non-current liabilities	(11,652.0)	(5,579.4)
	27,147.9	12,589.7

The proforma combined statement of financial position of the affiliated companies is prepared by combining their statement of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 30 June 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, approximately 28,000 staff were employed by entities under the Group's management of which approximately 9,000 staff were employed in Hong Kong. Total staff related costs, including provident funds and staff bonus but excluding directors' remunerations, were HK$1.457 billion (2011: HK$1.204 billion). Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 180 and 181.

AUDITOR

The financial statements for the year ended 30 June 2012 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, 25 September 2012

Independent Auditor's Report

pwc

羅兵咸永道

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

We have audited the consolidated financial statements of NWS Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 85 to 179, which comprise the consolidated and Company statements of financial position as at 30 June 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012, 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, 25 September 2012

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Consolidated Income Statement

For the year ended 30 June

	Note	**2012** **HK$'m**	2011 HK$'m
Revenue	6	**14,954.3**	9,560.6
Cost of sales		**(11,876.2)**	(7,901.7)
Gross profit		**3,078.1**	1,658.9
Gain on deemed disposal of interest in a subsidiary	21(a)	**1,842.7**	–
Other income/gains (net)	7	**571.7**	1,715.3
General and administrative expenses		**(654.5)**	(717.2)
Operating profit	8	**4,838.0**	2,657.0
Finance costs	10	**(580.1)**	(104.3)
Share of results of			
Associated companies	21	**557.2**	620.4
Jointly controlled entities	22	**1,237.5**	1,922.9
Profit before income tax		**6,052.6**	5,096.0
Income tax expenses	11	**(625.0)**	(440.4)
Profit for the year		**5,427.6**	4,655.6
Attributable to			
Shareholders of the Company	12	**5,251.1**	4,626.8
Non-controlling interests		**176.5**	28.8
		5,427.6	4,655.6
Dividends	13	**2,636.8**	2,345.2
Earnings per share attributable to the shareholders of the Company	14		
Basic		**HK$1.53**	HK$1.40
Diluted		**HK$1.52**	HK$1.40

Consolidated Statement of Comprehensive Income

For the year ended 30 June

	2012 HK$'m	2011 HK$'m
Profit for the year	**5,427.6**	4,655.6
Other comprehensive income		
Fair value changes on available-for-sale financial assets	**(271.3)**	51.2
Release of investment revaluation deficits to the consolidated income statement upon impairment of available-for-sale financial assets	**311.0**	63.1
Release of reserve upon disposal of available-for-sale financial assets	**(66.4)**	(63.5)
Release of reserves upon disposal of assets held for sale	**(0.5)**	(29.7)
Release of exchange reserve upon disposal of a subsidiary and an associated company	**(16.9)**	(10.0)
Share of other comprehensive loss of associated companies and jointly controlled entities	**(3.8)**	(13.8)
Cash flow hedges	**(115.8)**	1.4
Currency translation differences	**229.4**	873.2
Other comprehensive income for the year, net of tax	**65.7**	871.9
Total comprehensive income for the year	**5,493.3**	5,527.5
Total comprehensive income attributable to		
Shareholders of the Company	**5,307.4**	5,484.3
Non-controlling interests	**185.9**	43.2
	5,493.3	5,527.5

Consolidated Statement of Financial Position

As at 30 June

	Note	2012 HK$'m	2011 HK$'m
ASSETS			
Non-current assets			
Investment properties	16	**3,156.8**	3,121.2
Property, plant and equipment	17	**421.8**	332.5
Intangible concession rights	18	**16,747.5**	894.6
Intangible assets	19	**517.6**	548.8
Associated companies	21	**9,098.7**	4,136.0
Jointly controlled entities	22	**19,533.2**	21,136.1
Available-for-sale financial assets	23	**433.2**	1,654.9
Other non-current assets	24	**965.8**	814.3
		50,874.6	32,638.4
Current assets			
Inventories	25	**499.3**	340.6
Trade and other receivables	26	**4,686.6**	3,410.9
Available-for-sale financial assets	23	**583.5**	–
Financial assets at fair value through profit or loss	27	**1.5**	1.6
Cash and bank balances	28	**5,386.0**	4,500.5
		11,156.9	8,253.6
Assets held for sale	29	**54.7**	3,245.8
		11,211.6	11,499.4
Total assets		**62,086.2**	44,137.8
EQUITY			
Share capital	31	**3,581.6**	3,387.6
Reserves	32	**31,314.7**	26,571.9
Proposed final dividend	32	**898.0**	1,118.0
Shareholders' funds		**35,794.3**	31,077.5
Non-controlling interests		**838.5**	1,268.6
Total equity		**36,632.8**	32,346.1
LIABILITIES			
Non-current liabilities			
Borrowings	33	**15,110.0**	2,763.7
Deferred tax liabilities	34	**2,562.3**	269.0
Other non-current liabilities	35	**312.9**	194.7
		17,985.2	3,227.4
Current liabilities			
Borrowings	33	**2,556.1**	3,898.3
Trade and other payables	36	**4,464.0**	3,742.4
Taxation		**448.1**	322.6
		7,468.2	7,963.3
Liabilities directly associated with assets held for sale	29	**–**	601.0
		7,468.2	8,564.3
Total liabilities		**25,453.4**	11,791.7
Total equity and liabilities		**62,086.2**	44,137.8
Net current assets		**3,743.4**	2,935.1
Total assets less current liabilities		**54,618.0**	35,573.5

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

Statement of Financial Position

As at 30 June

	Note	2012 HK$'m	2011 HK$'m
ASSETS			
Non-current assets			
Property, plant and equipment	17	**13.0**	4.1
Subsidiaries	20	**8,064.6**	8,064.6
		8,077.6	8,068.7
Current assets			
Trade and other receivables	26	**24,743.8**	15,805.4
Cash and bank balances	28	**615.6**	372.4
		25,359.4	16,177.8
Total assets		**33,437.0**	24,246.5
EQUITY			
Share capital	31	**3,581.6**	3,387.6
Reserves	32	**15,690.7**	13,512.8
Proposed final dividend	32	**898.0**	1,118.0
Total equity		**20,170.3**	18,018.4
LIABILITIES			
Current liabilities			
Trade and other payables	36	**13,266.7**	6,228.1
Total liabilities		**13,266.7**	6,228.1
Total equity and liabilities		**33,437.0**	24,246.5
Net current assets		**12,092.7**	9,949.7
Total assets less current liabilities		**20,170.3**	18,018.4

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

HK$'m	Note	Shareholders' funds: Share capital	Share premium	Revenue reserve	Other reserves	Total	Non-controlling interests	Total
At 1 July 2011		**3,387.6**	**12,221.0**	**12,480.1**	**2,988.8**	**31,077.5**	**1,268.6**	**32,346.1**
Total comprehensive income for the year		**–**	**–**	**5,251.1**	**56.3**	**5,307.4**	**185.9**	**5,493.3**
Contributions by and distribution to owners								
Dividends paid to								
Shareholders of the Company		–	–	(2,857.1)	–	(2,857.1)	–	(2,857.1)
Non-controlling interests		–	–	–	–	–	(67.6)	(67.6)
Scrip dividends								
Nominal value of new shares issued		176.5	–	–	–	176.5	–	176.5
Share premium on new shares issued		–	1,740.4	–	–	1,740.4	–	1,740.4
Share options								
Value of services provided		–	–	–	1.0	1.0	–	1.0
Nominal value of new shares issued		17.5	–	–	–	17.5	–	17.5
Share premium on new shares issued		–	169.0	–	–	169.0	–	169.0
Transfer		–	–	(9.0)	9.0	–	–	–
		194.0	1,909.4	(2,866.1)	10.0	(752.7)	(67.6)	(820.3)
Changes in ownership interests in subsidiaries								
Acquisition of subsidiaries	42(c)	–	–	–	–	–	3,778.7	3,778.7
Further acquisition of interests in subsidiaries	42(d)	–	–	85.9	–	85.9	(3,350.6)	(3,264.7)
Derecognition of non-controlling interests of Newton Resources	21(a)	–	–	–	76.2	76.2	(976.5)	(900.3)
		–	–	85.9	76.2	162.1	(548.4)	(386.3)
Total transactions with owners		**194.0**	**1,909.4**	**(2,780.2)**	**86.2**	**(590.6)**	**(616.0)**	**(1,206.6)**
At 30 June 2012		**3,581.6**	**14,130.4**	**14,951.0**	**3,131.3**	**35,794.3**	**838.5**	**36,632.8**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

		Shareholders' funds						
HK$'m	Note	Share capital	Share premium	Revenue reserve	Other reserves	Total	Non-controlling interests	Total
At 1 July 2010		2,178.9	12,078.6	9,800.9	2,128.6	26,187.0	265.1	26,452.1
Total comprehensive income for the year		–	–	4,626.8	857.5	5,484.3	43.2	5,527.5
Contributions by and distribution to owners								
Dividends paid to								
Shareholders of the Company		–	–	(1,947.1)	–	(1,947.1)	–	(1,947.1)
Non-controlling interests		–	–	–	–	–	(19.5)	(19.5)
Scrip dividends								
Nominal value of new shares issued		113.0	–	–	–	113.0	–	113.0
Share premium on new shares issued		–	1,171.7	–	–	1,171.7	–	1,171.7
Share options								
Value of services provided		–	–	–	2.2	2.2	–	2.2
Nominal value of new shares issued		4.6	–	–	–	4.6	–	4.6
Share premium on new shares issued		–	61.8	–	–	61.8	–	61.8
Issue of bonus shares		1,091.1	(1,091.1)	–	–	–	–	–
Transfer		–	–	(0.5)	0.5	–	–	–
		1,208.7	142.4	(1,947.6)	2.7	(593.8)	(19.5)	(613.3)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests of Newton Resources	29(a)	–	–	–	–	–	979.8	979.8
		–	–	–	–	–	979.8	979.8
Total transactions with owners		1,208.7	142.4	(1,947.6)	2.7	(593.8)	960.3	366.5
At 30 June 2011		3,387.6	12,221.0	12,480.1	2,988.8	31,077.5	1,268.6	32,346.1

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2012 HK$'m	2011 HK$'m
Cash flows from operating activities			
Net cash generated from operations	41(a)	**2,774.6**	1,022.3
Finance costs paid		**(491.4)**	(67.3)
Interest received		**140.7**	79.2
Hong Kong profits tax paid		**(208.7)**	(159.7)
Mainland China and overseas taxation paid		**(461.4)**	(116.1)
Net cash from operating activities		**1,753.8**	758.4
Cash flows from investing activities			
Dividends received from associated companies		**188.4**	567.8
Dividends received from jointly controlled entities		**1,794.7**	1,158.4
Disposal of an associated company		**171.2**	–
Disposal of jointly controlled entities		**–**	7.0
Disposal of a subsidiary	41(c)	**68.6**	(48.6)
(Increase)/decrease in investments in associated companies		**(1,132.3)**	413.2
Increase in investments in jointly controlled entities		**(2,225.6)**	(3,790.0)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	42(e)	**(1,731.0)**	–
Acquisition of additional interest in subsidiaries	42(d)	**(3,234.5)**	–
Additions of investment properties		**(3.4)**	(589.2)
Additions of property, plant and equipments		**(179.7)**	(585.0)
Additions of intangible concession rights		**(0.9)**	–
Additions of intangible assets		**–**	(1,438.9)
Disposal of investment properties		**37.7**	11.3
Disposal of property, plant and equipment, intangible assets and land use rights		**5.3**	4.7
Additions of available-for-sale financial assets and financial assets at fair value through profit or loss		**(46.2)**	(1,226.4)
Disposal of available-for-sale financial assets and financial assets at fair value through profit or loss		**244.0**	1,490.5
Disposal of assets held for sale, net of cash and cash equivalents disposed		**–**	319.3
Disposal of other assets held for sale		**18.4**	160.1
Dividends received from available-for-sale financial assets and financial assets at fair value through profit or loss		**8.4**	8.9
(Increase)/decrease in other non-current assets		**(81.6)**	5.2
Increase in short-term bank deposits maturing after more than three months		**(4.1)**	–
Net cash used in investing activities		**(6,102.6)**	(3,531.7)

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2012 HK$'m	2011 HK$'m
Cash flows from financing activities			
New bank loans and other borrowings		**10,878.5**	3,955.6
Proceeds from issue of bonds		**5,036.5**	–
Redemption of senior notes, repayment of bank loans and other borrowings		**(10,279.2)**	(1,729.1)
Issuance of new shares		**186.6**	66.4
(Decrease)/increase in loans from non-controlling interests		**(10.5)**	1.9
Dividends paid to ex-shareholders of a subsidiary		**(348.3)**	–
Dividends paid to shareholders of the Company		**(940.3)**	(662.4)
Dividends paid to non-controlling interests		**(67.6)**	(19.5)
Decrease in restricted cash and bank balances		**571.3**	–
Net cash generated from financing activities		**5,027.0**	1,612.9
Net increase/(decrease) in cash and cash equivalents		**678.2**	(1,160.4)
Cash and cash equivalents at the beginning of year		**4,500.5**	5,726.8
Currency translation differences		**20.3**	132.2
Cash and cash equivalents at the end of year		**5,199.0**	4,698.6
Analysis of cash and cash equivalents			
Cash and bank balances	28	**5,386.0**	4,500.5
Short-term bank deposits maturing after more than three months		**(187.0)**	–
Cash and bank balances of subsidiaries reclassified as assets held for sale	29(a)	**–**	198.1
		5,199.0	4,698.6

Notes to the Financial Statements

1 General information

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

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

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

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

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

The consolidated financial statements were approved for issuance by the Board on 25 September 2012.

2 Basis of preparation

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

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

(a) Adoption of new or revised standards

During the year, the Group adopted the following revised standard, amendments to standards and interpretation which are relevant to the Group's operations and are mandatory for the financial year ended 30 June 2012:

HKFRSs Amendments	Improvements to HKFRSs 2010
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
Amendment to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement

The adoption of these revised standard, amendments to standards and interpretation has no material effect on the results and financial position of the Group.

Notes to the Financial Statements

2 Basis of preparation (continued)

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

The following new standards, amendments to standards and interpretation are mandatory for accounting periods beginning on or after 1 July 2012 or later periods but which the Group has not early adopted:

Effective for the year ending 30 June 2013

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income

Effective for the year ending 30 June 2014 or after

HKFRS 1 (Amendment)	Government loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 7 and HKFRS 9 (Amendments)	Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
HKFRSs Amendments	Improvements to HKFRSs issued in June 2012
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

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

3 Principal accounting policies

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

(a) Consolidation

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

(i) Subsidiaries

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

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

Impairment test of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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

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

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, jointly controlled entity or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

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

Notes to the Financial Statements

3 Principal accounting policies (continued)

(a) Consolidation (continued)

(ii) Associated companies

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

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

The Group's share of its associated companies' post acquisition profits or losses is recognized in the consolidated income statement, and the share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. 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 in legal and constructive 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 Group's interest in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Dilution gains or losses arising from investments in associates are recognized in the consolidated income statement.

(iii) Jointly controlled entities

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

Interests in jointly controlled entities are stated in the consolidated financial statements at cost including goodwill on acquisition plus the share of post-acquisition results and other comprehensive income less provision for impairment losses. The interests in jointly controlled entities also include long term interests that, in substance, form part of the Group's net investment in the jointly controlled entities. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities set out as follows:

(1) Equity joint ventures

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

(2) Co-operative joint ventures

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

3 Principal accounting policies (continued)

(a) Consolidation (continued)

(iii) Jointly controlled entities (continued)

(3) Companies limited by shares

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

The Group recognizes the portion of gains or losses on the disposal of assets by the Group to the jointly controlled entity that is attributable to the other venturers. The Group does not recognize its share of profit or loss from the jointly controlled entity that 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.

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

(b) Non-controlling interests

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

(c) Intangible assets

(i) Goodwill

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

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

(ii) Operating right

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

Notes to the Financial Statements

3 Principal accounting policies (continued)

(c) Intangible assets (continued)

(iii) Intangible concession rights

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

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

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

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

(iv) Mining rights

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

(d) Revenue recognition

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

Revenue is recognized when the amount can be reliably measured, 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.

3 Principal accounting policies (continued)

(d) Revenue recognition (continued)

(i) Port revenue

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

(ii) Toll revenue

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

(iii) Service fee income

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

(iv) Rental income

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

(v) Construction revenue

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

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

(vi) Sales of goods

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

(vii) Interest income

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

(viii) Dividend income

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

Notes to the Financial Statements

3 Principal accounting policies (continued)

(e) Leases

(i) Finance leases

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

(ii) Operating leases

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

(f) Land use rights

The upfront prepayments made for the land use rights held under operating leases is expensed in the consolidated income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated income statement, except for upfront prepayments made for the land use rights for property for development as stated in note 3(i).

(g) Investment properties

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

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation conducted at the end of each reporting period. Changes in fair values are recognized in the consolidated income statement.

Property that is being constructed or developed for future use as investment property is stated at fair value.

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

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

3 Principal accounting policies (continued)

(h) Property, plant and equipment

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

(i) Assets under construction

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

(ii) Depreciation

No depreciation is provided in respect of construction in progress until such time when the relevant assets are completed and available for intended use.

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

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

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

(iii) Gain or loss on disposal

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

(i) Property for development

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

Notes to the Financial Statements

3 Principal accounting policies (continued)

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

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

(k) Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading and those designated as at fair value through profit or loss at inception. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

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

3 Principal accounting policies (continued)

(k) Financial assets (continued)

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

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

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

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

(l) Derivative financial instruments and hedging activities

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

The Group designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Notes to the Financial Statements

3 Principal accounting policies (continued)

(l) Derivative financial instruments and hedging activities (continued)

The fair values of various derivative instruments used for hedging purposes are disclosed in notes 24 and 35. Movements in the hedging reserve in shareholders' equity are shown in note 32. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months, and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(m) Trade and other receivables

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

(n) Inventories

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

(o) Contracts in progress

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

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

3 Principal accounting policies (continued)

(o) Contracts in progress (continued)

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

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

(p) Assets held for sale

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

(q) Cash and cash equivalents

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

(r) Trade payables

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

(s) Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(t) Share capital

Ordinary shares are classified as equity.

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

Notes to the Financial Statements

3 Principal accounting policies (continued)

(u) Contingent liabilities and contingent assets

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

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

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

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

(v) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(w) Borrowing costs

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

3 Principal accounting policies (continued)

(x) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(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 consolidated statement of financial position presented are translated at the exchange rate prevailing at the date of that consolidated statement of financial position;

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

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

(d) On the disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associated companies or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

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. Exchange differences arising are recognized in equity.

Notes to the Financial Statements

3 Principal accounting policies (continued)

(y) Employee benefits

(i) Employee leave entitlements

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

(ii) Bonus plans

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

(iii) Defined contribution plans

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

(iv) Defined benefit plans

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

(v) Share-based compensation

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

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

3 Principal accounting policies (continued)

(z) Borrowings

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

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

(aa) Segment reporting

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

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

(ab) Dividend distribution

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

(ac) Insurance contracts

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

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

Notes to the Financial Statements

4 Financial risk management and fair value estimation

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

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

(a) Market risk

(i) Interest rate risk

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

Other than the fixed rate bonds issued by the Group as detailed in note 33(d) and debt securities classified as available for sale financial assets which expose the Group to fair value interest rate risk, the Group's borrowings are on a floating rate basis, which will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk.

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

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been HK$100.8 million (2011: HK$45.3 million) lower/higher respectively.

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

(ii) Foreign exchange risk

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

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

At 30 June 2012, the Group's entities with functional currency of Hong Kong dollar had United States dollar net monetary liabilities of HK$2,981.2 million (2011: net monetary assets of HK$1,060.0 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

4 Financial risk management and fair value estimation (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

At 30 June 2012, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Renminbi of HK$3,736.1 million (2011: HK$1,554.7 million) which the related foreign exchange risk has not been hedged. If Hong Kong dollar had strengthened/weakened by 5% against Renminbi with all other variables held constant, the Group's profit for the year would have been HK$184.9 million (2011: HK$77.7 million) lower/higher respectively.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. There are no other significant monetary balances held by Group companies at 30 June 2012 that are denominated in a non-functional currency. Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(iii) Price risk

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

At 30 June 2012, if the price of listed and unlisted equity investments had been 25% higher with all other variables held constant, the Group's profit for the year and investment revaluation reserve would have been HK$0.3 million and HK$254.2 million (2011: HK$0.3 million and HK$413.7 million) higher respectively. If the price of listed and unlisted equity investments had been 25% lower with all other variables held constant, the Group's profit for the year and investment revaluation reserve would have been HK$35.3 million and HK$219.2 million (2011: HK$0.3 million and HK$413.7 million) lower respectively. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(b) Credit risk

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

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

Notes to the Financial Statements

4 Financial risk management and fair value estimation (continued)

(b) Credit risk (continued)

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

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

(c) Liquidity risk

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

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

Group

At 30 June 2012

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Trade payables	36	**448.6**	**448.6**	**448.1**	**0.5**	**–**
Retention money payables and other payables		**3,345.0**	**3,345.0**	**3,187.0**	**158.0**	**–**
Amounts due to non-controlling interests	36	**40.7**	**40.7**	**40.7**	**–**	**–**
Amounts due to associated companies	36	**167.7**	**167.7**	**167.7**	**–**	**–**
Amounts due to jointly controlled entities	36	**27.2**	**27.2**	**27.2**	**–**	**–**
Borrowings and contracted interest payment	33	**17,666.1**	**20,188.6**	**3,189.3**	**15,432.8**	**1,566.5**
Loans from non-controlling interests	35	**95.1**	**95.1**	**–**	**95.1**	**–**
Derivative financial instruments (net settled)	35	**150.3**	**171.5**	**21.3**	**85.2**	**65.0**
Derivative financial instruments (gross settled)						
– outflow	35	**16.2**	**1,275.4**	**21.7**	**1,253.7**	**–**
– inflow		**–**	**(1,287.8)**	**(33.6)**	**(1,254.2)**	**–**

4 Financial risk management and fair value estimation (continued)

(c) Liquidity risk (continued)

Group (continued)

At 30 June 2011

HK$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years	Over 5 years
Trade payables	36	323.1	323.1	323.1	–	–
Retention money payables and other payables		3,043.7	3,043.7	2,489.6	554.1	–
Amounts due to non-controlling interests	36	55.7	55.7	55.7	–	–
Amounts due to associated companies	36	15.9	15.9	15.9	–	–
Amounts due to jointly controlled entities	36	45.2	45.2	45.2	–	–
Borrowings and contracted interest payment	33	6,662.0	6,761.6	3,945.9	2,815.7	–
Loans from non-controlling interests	35	104.6	104.6	–	104.6	–
Derivative financial instruments (net settled)	35	45.9	120.1	13.3	53.1	53.7

Company

At 30 June 2012

HK$'m	Note	**Carrying amount**	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
Other payables		**46.6**	**46.6**	**46.6**
Amounts due to subsidiaries	36	**13,217.3**	**13,217.3**	**13,217.3**
		13,263.9	**13,263.9**	**13,263.9**

At 30 June 2011

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

Notes to the Financial Statements

4 Financial risk management and fair value estimation (continued)

(d) Capital management

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

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

The gearing ratios at 30 June were as follows:

	Note	**2012** **HK$'m**	2011 HK$'m
Total borrowings	33	**(17,666.1)**	(6,662.0)
Add: Cash and bank balances	28	**5,386.0**	4,500.5
Net debt		**(12,280.1)**	(2,161.5)
Total equity		**36,632.8**	32,346.1
Net gearing ratio		**34%**	7%

The increase of net debt as at 30 June 2012 was primarily resulted from the increase in demand on capital for new investments and the consolidation of the indebtedness of subsidiaries acquired during the year.

(e) Fair value estimation

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

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

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

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

4 Financial risk management and fair value estimation (continued)

(e) Fair value estimation (continued)

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2012:

HK$'m	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Trading securities	**1.5**	**–**	**–**	**1.5**
Available-for-sale financial assets				
Equity securities	**293.2**	**–**	**140.0**	**433.2**
Debt securities	**–**	**–**	**583.5**	**583.5**
	294.7	**–**	**723.5**	**1,018.2**
Liabilities				
Derivative financial instruments	**–**	**(120.4)**	**(46.1)**	**(166.5)**

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

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

There were no significant transfers of financial assets between Level 1 and Level 2 fair value hierarchy classifications.

Notes to the Financial Statements

4 Financial risk management and fair value estimation (continued)

(e) Fair value estimation (continued)

(iv) (continued)

The following table presents the changes in Level 3 instruments for the year ended 30 June 2012:

HK$'m	**Available-for-sale financial assets**	**Derivative financial instruments**
At 1 July 2011	**995.2**	**(35.0)**
Repayment	**(6.7)**	**–**
Transfer to associated companies	**(210.6)**	**–**
Total losses recognized in the consolidated income statement	**(54.4)**	**(11.1)**
At 30 June 2012	**723.5**	**(46.1)**

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

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

5 Critical accounting estimates and judgements

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

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

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

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

5 Critical accounting estimates and judgements (continued)

(b) Valuation of investment properties

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

At 30 June 2012, if the market value of investment properties had been 8% higher/lower with all other variables held constant, the carrying value of the Group's completed investment properties would have been HK$252.5 million (2011: HK$249.7 million) higher/lower respectively.

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

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

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

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

The Group tests annually whether goodwill has suffered any impairment according to its recoverable amount determined by the CGU based on value in use calculations and detailed in note 19(a). These calculations require the use of estimates which are subject to changes of economic environment in future.

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

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

(e) Income taxes

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

Notes to the Financial Statements

5 Critical accounting estimates and judgements (continued)

(f) Estimate of revenue, costs and foreseeable loss of construction works

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

(g) Estimated volume of Infrastructures of public services

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

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

(h) Impairment of the Group's investments in associated companies and jointly controlled entities

Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies and jointly controlled entities based on value in use calculations. In determining the value in use, management assess the present value of estimated future cash flows expected to arise from their businesses. Estimates and judgements are applied in determining these future cash flows and discount rate. Management estimates the future cash flows based on certain assumptions, such as revenue growth, unit price, proved and probable mining reserve, production cost and production capacity.

6 Revenue and segment information

The Group's revenue is analyzed as follows:

	2012 **HK$'m**	2011 HK$'m
Roads	**1,903.5**	254.3
Energy & Water	**–**	0.6
Ports & Logistics	**41.3**	–
Facilities Management	**7,177.4**	5,792.8
Construction & Transport	**5,832.1**	3,505.3
Strategic Investments	**–**	7.6
	14,954.3	9,560.6

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

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

Notes to the Financial Statements

6 Revenue and segment information (continued)

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

HK$'m	Roads	Energy & Water	Ports & Logistics	Facilities Management	Construction & Transport	Strategic Investments	Total
2012							
Total revenue	1,903.5	–	41.3	7,193.1	5,891.1	–	15,029.0
Inter-segment	–	–	–	(15.7)	(59.0)	–	(74.7)
Revenue – external	1,903.5	–	41.3	7,177.4	5,832.1	–	14,954.3
Attributable operating profit							
Company and subsidiaries	535.9	–	18.4	1,181.8	261.1	231.6	2,228.8
Associated companies	27.9	30.0	30.2	–	118.6	317.1 (ii)	523.8 (b)
Jointly controlled entities	646.3	591.5	252.8	2.2	(45.5) (i)	7.7	1,455.0 (b)
	1,210.1	621.5	301.4	1,184.0	334.2	556.4	4,207.6
Reconciliation							
Net gain on deemed disposals of interests in a subsidiary and an associated company							1,833.4
Gain on disposal of projects, net of tax							108.7
Gain on fair value of investment properties							93.3
Share of profit from Harbour Place							51.8
Assets impairment losses							(316.5) (iii)
Share of impairment loss from a jointly controlled entity							(200.0) (iv)
Corporate net exchange gain							14.0
Corporate interest income							51.8
Corporate finance costs							(333.8)
Corporate expenses and others							(259.2)
Profit attributable to shareholders							5,251.1

(i) The amount includes the Group's share of attributable operating profit of HK$146.0 million from its Transport business.

(ii) The amount includes the Group's share of profits of HK$264.2 million from three associated companies engaged in investment activities.

(iii) Assets impairment losses mainly include HK$259.2 million impairment loss of available-for-sale financial assets under the Strategic Investments segment due to volatile and adverse market conditions.

(iv) The amount represents the Group's share of an impairment loss of HK$200.0 million from an investment in an expressway in the Guangdong Province under the Roads segment due to its under-performance and uncertain future prospects.

6 Revenue and segment information (continued)

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

HK$'m	Roads	Energy & Water	Ports & Logistics	Facilities Management	Construction & Transport	Strategic Investments	Segment Total	Corporate	Eliminations	Consolidated
2012										
Depreciation	8.7	–	–	55.9	31.7	–	96.3	6.3	–	102.6
Amortization of intangible concession rights	554.2	–	–	–	–	–	554.2	–	–	554.2
Amortization of intangible assets	–	–	–	31.2	–	–	31.2	–	–	31.2
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	16,225.8	–	–	78.1	81.2	–	16,385.1	13.6	–	16,398.7
Interest income	91.0	13.8	0.4	0.6	6.6	199.4	311.8	51.8	(17.9)	345.7
Finance costs	244.6	–	10.6	2.0	7.0	–	264.2	333.8	(17.9)	580.1
Income tax expenses	323.7	28.0	7.9	238.9	14.1	4.7	617.3	7.7	–	625.0
As at 30 June 2012										
Company and subsidiaries	18,101.3	122.4	2,003.6	4,074.7	3,649.4	1,699.4	29,650.8	3,803.5	–	33,454.3
Associated companies	420.9	637.8	270.3	–	1,274.1	6,420.2	9,023.3	75.4	–	9,098.7
Jointly controlled entities	5,992.6	6,897.3	3,809.7	19.6	1,488.1 (i)	1,292.1	19,499.4	33.8	–	19,533.2
Total assets	24,514.8	7,657.5	6,083.6	4,094.3	6,411.6	9,411.7	58,173.5	3,912.7	–	62,086.2
Total liabilities	6,345.0	25.7	129.8	1,315.7	2,653.8	304.0	10,774.0	14,679.4	–	25,453.4

(i) The balance includes the Group's investment in its Transport business of HK$1,783.4 million.

Notes to the Financial Statements

6 Revenue and segment information (continued)

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

HK$'m	Roads	Energy & Water	Ports & Logistics	Facilities Management	Construction & Transport	Strategic Investments	Total
2011							
Total revenue	254.3	0.6	–	5,808.7	3,897.1	7.6	9,968.3
Inter-segment	–	–	–	(15.9)	(391.8)	–	(407.7)
Revenue – external	254.3	0.6	–	5,792.8	3,505.3	7.6	9,560.6
Attributable operating profit							
Company and subsidiaries	72.7	–	0.7	875.9	164.1	319.9	1,433.3
Associated companies	2.7	–	25.7	–	85.0	510.2 (ii)	623.6 (b)
Jointly controlled entities	1,059.5	650.1	255.5	1.0	30.0 (i)	3.2	1,999.3 (b)
	1,134.9	650.1	281.9	876.9	279.1	833.3	4,056.2
Reconciliation							
Gain on fair value of investment properties							479.9
Gain on disposal of projects, net of tax							343.9 (iii)
Excess of fair value of net assets acquired over the cost of acquisition of interests of a jointly controlled entity							26.8
Share of profit from Harbour Place							1.2
Corporate net exchange gains							109.3
Corporate interest income							40.1
Corporate finance costs							(102.8)
Corporate expenses and others							(327.8)
Profit attributable to shareholders							4,626.8

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

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

(iii) The amount represented the net gain on the disposal of certain non-core businesses under a management buyout arrangement.

6 Revenue and segment information (continued)

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

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

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

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

	Associated companies		Jointly controlled entities	
HK$'m	**2012**	2011	**2012**	2011
Attributable operating profit	**523.8**	623.6	**1,455.0**	1,999.3
Corporate associated companies, jointly controlled entities and non-recurring items				
Harbour Place	**–**	–	**51.8**	1.2
Impairment loss	**–**	–	**(200.0)**	–
Others	**33.4**	(3.2)	**(69.3)**	(77.6)
Share of results of associated companies and jointly controlled entities	**557.2**	620.4	**1,237.5**	1,922.9

Notes to the Financial Statements

6 Revenue and segment information (continued)

(c) Information by geographical areas:

HK$'m	Revenue		Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	
	2012	2011	**2012**	2011
Hong Kong	**12,786.4**	8,716.1	**4,014.2**	3,935.6
Mainland China	**1,971.7**	609.1	**16,815.3**	943.0
Macau	**195.3**	234.8	**14.2**	18.5
Others	**0.9**	0.6	**–**	–
	14,954.3	9,560.6	**20,843.7**	4,897.1

7 Other income/gains (net)

	Note	**2012** HK$'m	2011 HK$'m
Profit on disposal of a subsidiary	41(b)	**73.4**	21.4
Profit on disposal of an associated company		**86.9**	–
Profit on disposal of investment properties		**1.7**	–
Net profit on disposal of available-for-sale financial assets		**39.1**	336.7
Profit on disposal of assets held for sale		**8.8**	499.6
Gain on fair value of investment properties	16	**93.3**	479.9
Interest income		**345.7**	95.6
Management fee income		**53.0**	71.2
Machinery hire income		**84.3**	42.8
Net exchange gains		**80.6**	214.6
Dividends and other income		**21.4**	16.6
Assets impairment losses		**(316.5)**	(63.1)
		571.7	1,715.3

8 Operating profit

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

	Note	2012 HK$'m	2011 HK$'m
Crediting			
Gross rental income from investment properties		**51.1**	47.6
Less: outgoings		**(12.1)**	(12.2)
		39.0	35.4
Charging			
Auditor's remuneration		**17.2**	16.0
Cost of inventories sold		**2,420.3**	1,936.1
Cost of services rendered		**9,455.9**	5,965.6
Depreciation	17	**102.6**	83.3
Amortization of land use rights		**–**	0.1
Amortization of intangible concession rights	18	**554.2**	69.6
Amortization of intangible assets	19	**31.2**	31.2
Operating lease rental expenses			
Properties		**48.4**	40.5
Other equipment		**2.8**	2.8
Staff costs	9	**1,442.6**	1,115.5

9 Staff costs

	Note	2012 HK$'m	2011 HK$'m
Wages, salaries and other benefits		**1,434.7**	1,198.9
Share-based payments	32	**0.5**	0.5
Pension costs – defined contribution plans	37(a)	**71.9**	53.4
Pension costs – defined benefit plans	37(b)(ii)	**(0.5)**	(0.4)
		1,506.6	1,252.4
Less: capitalized under contracts in progress		**(64.0)**	(136.9)
	8	**1,442.6**	1,115.5

Directors' emoluments are included in staff costs.

Notes to the Financial Statements

10 Finance costs

	2012 HK$'m	2011 HK$'m
Interest on borrowings		
Wholly repayable within five years	**187.1**	91.9
Not wholly repayable within five years	**186.3**	–
Interest on fixed rate bonds and senior notes		
Wholly repayable within five years	**194.9**	–
Interest on loans from non-controlling interests		
Wholly repayable within five years	**–**	0.1
Other borrowing costs	**11.8**	12.3
	580.1	104.3

11 Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of tax prevailing in the countries in which the Group operates. These rates range from 9% to 25% (2011: 9% to 25%).

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

	Note	2012 HK$'m	2011 HK$'m
Current income tax			
Hong Kong profits tax		**256.4**	259.1
Mainland China and overseas taxation		**389.0**	86.8
Deferred income tax (credit)/charge	34	**(20.4)**	94.5
		625.0	440.4

Share of taxation of associated companies and jointly controlled entities of HK$33.1 million (2011: HK$24.5 million) and HK$416.2 million (2011: HK$310.2 million) respectively are included in the consolidated income statement as share of results of associated companies and jointly controlled entities respectively.

11 Income tax expenses (continued)

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

	2012 **HK$'m**	2011 HK$'m
Profit before income tax	**6,052.6**	5,096.0
Excluding share of results of associated companies	**(557.2)**	(620.4)
Excluding share of results of jointly controlled entities	**(1,237.5)**	(1,922.9)
	4,257.9	2,552.7
Calculated at a taxation rate of 16.5% (2011: 16.5%)	**702.6**	421.2
Effect of different taxation rates in other countries	**86.9**	3.8
Tax exemption granted	**(11.5)**	(7.0)
Income not subject to taxation	**(431.2)**	(213.0)
Expenses not deductible for taxation purposes	**167.3**	75.6
Tax losses not recognized	**9.4**	21.6
Utilization of previously unrecognized tax losses	**(15.2)**	(2.2)
Withholding tax	**123.8**	144.5
Others	**(7.1)**	(4.1)
Income tax expenses	**625.0**	440.4

12 Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$2,905.1 million (2011: HK$2,538.3 million).

13 Dividends

	2012 **HK$'m**	2011 HK$'m
Interim dividend paid of HK$0.50 (2011: HK$0.37) per share	**1,738.8**	1,226.9
Final dividend proposed of HK$0.25 (2011: paid of HK$0.33) per share	**898.0**	1,118.3
	2,636.8	2,345.2

At the meeting held on 25 September 2012, the board of directors recommended a final dividend of HK$0.25 per share in scrip form with a cash option. This proposed dividend is not reflected as a dividend payable in the financial statements but will be reflected as an appropriation of the retained profits for the year ending 30 June 2013.

Subject to the passing of the relevant resolution at the forthcoming annual general meeting and the Listing Committee of the Hong Kong Stock Exchange granting the listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and they will be given the option to elect to receive payment in cash of HK$0.25 per share instead of the allotment of shares. Full details of the final scrip dividend will be set out in the circular to be sent to the shareholders together with a form of election for cash on or about 28 November 2012.

Notes to the Financial Statements

14 Earnings per share

The calculation of basic and diluted earnings per share for the year is based on earnings of HK$5,251.1 million (2011: HK$4,626.8 million) and the weighted average of 3,443,310,740 and 3,445,195,803 (2011: 3,301,983,204 and 3,303,701,813) ordinary shares outstanding during the year respectively, calculated as follows:

	2012 **HK$'m**	2011 HK$'m
Profit attributable to shareholders of the Company and for calculation of basic and diluted earnings per share	**5,251.1**	4,626.8

	Number of shares	
	2012	2011
Weighted average number of shares for calculating basic earnings per share	**3,443,310,740**	3,301,983,204
Effect of dilutive potential ordinary shares		
Share options	**1,885,063**	1,718,609
Weighted average number of shares for calculating diluted earnings per share	**3,445,195,803**	3,303,701,813

15 Emoluments of directors and senior management

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

	Note	**2012** **HK$'m**	2011 HK$'m
Fees		**3.3**	3.0
Basic salaries, allowances and other benefits		**44.0**	40.2
Employer's contribution to retirement benefit schemes		**2.0**	1.9
	(i)	**49.3**	45.1
Share option benefits	(ii)	**0.4**	3.6
		49.7	48.7

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

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

15 Emoluments of directors and senior management (continued)

(a) The aggregate amounts of emoluments of the directors of the Company are as follows (continued):

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

Name of director	Fees HK$'m	Basic salaries, allowances and other benefits HK$'m	Employer's contribution to retirement benefit schemes HK$'m	**2012 Total emoluments HK$'m**	2011 Total emoluments HK$'m
Dr Cheng Kar Shun, Henry	0.33	10.73	0.43	**11.49**	10.92
Mr Doo Wai Hoi, William#	0.17	0.02	–	**0.19**	0.17
Mr Tsang Yam Pui	0.37	8.64	0.35	**9.36**	8.48
Mr Wong Kwok Kin, Andrew	–	–	–	**–**	1.06
Mr Lam Wai Hon, Patrick	0.27	7.80	0.41	**8.48**	7.28
Mr Cheung Chin Cheung	0.18	6.31	0.38	**6.87**	6.13
Mr William Junior Guilherme Doo	0.22	5.72	0.27	**6.21**	5.66
Mr Cheng Chi Ming, Brian	0.17	4.57	0.13	**4.87**	3.89
Mr To Hin Tsun, Gerald#	0.17	0.02	–	**0.19**	0.16
Mr Dominic Lai#	0.29	0.05	–	**0.34**	0.30
Mr Kwong Che Keung, Gordon*	0.37	0.04	–	**0.41**	0.35
Dr Cheng Wai Chee, Christopher*	0.29	0.04	–	**0.33**	0.29
Mr Shek Lai Him, Abraham*	0.29	0.04	–	**0.33**	0.29
Mr Wilfried Ernst Kaffenberger*^	0.17	0.01	–	**0.18**	0.17
Mr Yeung Kun Wah, David**	–	0.01	–	**0.01**	–
Mr Chow Siu Lui*	0.05	–	–	**0.05**	–
Total	3.34	44.00	1.97	**49.31**	45.15

Non-executive director
* Independent non-executive director
^ Re-designated from non-executive director on 1 March 2012
** Alternate director to Mr Wilfried Ernst Kaffenberger

Notes to the Financial Statements

15 Emoluments of directors and senior management (continued)

(a) The aggregate amounts of emoluments of the directors of the Company are as follows (continued):

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

Name of director	**2012 HK$'m**	2011 HK$'m
Dr Cheng Kar Shun, Henry	**0.09**	0.79
Mr Doo Wai Hoi, William#	**0.06**	0.52
Mr Tsang Yam Pui	**0.04**	0.39
Mr Lam Wai Hon, Patrick	**0.04**	0.39
Mr Cheung Chin Cheung	**0.04**	0.39
Mr William Junior Guilherme Doo	**0.04**	0.39
Mr To Hin Tsun, Gerald#	**0.01**	0.08
Mr Dominic Lai#	**0.01**	0.08
Mr Kwong Che Keung, Gordon*	**0.02**	0.16
Dr Cheng Wai Chee, Christopher*	**0.02**	0.16
Mr Shek Lai Him, Abraham*	**0.02**	0.16
Mr Wilfried Ernst Kaffenberger*^	**0.01**	0.08
Total	**0.40**	3.59

\# Non-executive director
* Independent non-executive director
^ Re-designated from non-executive director on 1 March 2012

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2011: four) directors whose emoluments are reflected in note 15(a). The emoluments to the remaining one (2011: one) individual during the year are as follows:

	2012 HK$'m	2011 HK$'m
Basic salaries, allowances and other benefits	**6.61**	5.74
Employer's contribution to retirement benefit schemes	**0.01**	0.01
Share option benefits	**0.02**	0.13
	6.64	5.88

15 Emoluments of directors and senior management (continued)

(b) Five highest paid individuals (continued)

The emoluments of the individual fell within the following bands:

	Number of individual	
Emolument band (HK$)	**2012**	2011
5,000,001–6,000,000	**–**	1
6,000,001–7,000,000	**1**	–

(c) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in notes 15(a) and 15(b), the emoluments of the senior management whose profiles are included in the Board of Directors and Senior Management section of this report (excluding (i) Mr Cheng Wai Po, Samuel, the senior management of our jointly controlled entities, the results of which are equity accounted for in the financial statements; and (ii) Mr Choy Hon Ping, who joined the Group after FY2012) fell within the following bands:

	Number of individual(s)	
Emolument band (HK$)	**2012**	2011
Below 1,000,000	**1**	–
1,000,001–2,000,000	**5**	6
2,000,001–3,000,000	**3**	3
3,000,001–4,000,000	**2**	2
4,000,001–5,000,000	**2**	–
5,000,001–6,000,000	**–**	1

Notes to the Financial Statements

16 Investment properties

	Note	Group 2012 HK$'m	Group 2011 HK$'m
At beginning of year		**3,121.2**	2,060.0
Transfer from property, plant and equipment and land use rights		**–**	3.4
Adjustment to total estimated construction costs		**(25.1)**	–
Additions		**3.4**	589.2
Disposals		**(36.0)**	(11.3)
Fair value changes	7	**93.3**	479.9
At end of year		**3,156.8**	3,121.2

The investment properties were revalued on 30 June 2012 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited. As detailed in note 5(b), valuations for properties were based on market value assessment or the income approach.

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

	2012 HK$'m	2011 HK$'m
Held in Hong Kong, on		
Leases of over 50 years	**39.0**	72.0
Leases of between 10 to 50 years	**3,100.0**	3,035.9
Held in Mainland China, on		
Leases of over 50 years	**17.8**	13.3
	3,156.8	3,121.2

17 Property, plant and equipment

HK$'m	Note	Group: Land and properties	Group: Other plant and equipment	Group: Total	Company: Other plant and equipment
Cost					
At 1 July 2011		44.4	1,243.6	1,288.0	29.3
Translation differences		–	0.8	0.8	–
Additions		–	179.7	179.7	12.0
Disposals		–	(37.5)	(37.5)	(7.0)
Acquisition of subsidiaries	42(e)	–	24.5	24.5	–
At 30 June 2012		44.4	1,411.1	1,455.5	34.3
Accumulated depreciation and impairment					
At 1 July 2011		14.2	941.3	955.5	25.2
Translation differences		–	0.3	0.3	–
Depreciation	8	0.8	101.8	102.6	2.9
Disposals		–	(32.2)	(32.2)	(6.8)
Acquisition of subsidiaries	42(e)	–	7.5	7.5	–
At 30 June 2012		15.0	1,018.7	1,033.7	21.3
Net book value					
At 30 June 2012		29.4	392.4	421.8	13.0
At 30 June 2011		30.2	302.3	332.5	4.1

Notes to the Financial Statements

17 Property, plant and equipment (continued)

		Group				Company
HK$'m	Note	Land and properties	Construction in progress	Other plant and equipment	Total	Other plant and equipment
Cost						
At 1 July 2010		37.5	–	1,186.1	1,223.6	26.8
Translation differences		0.2	1.2	1.7	3.1	–
Additions		–	347.8	237.2	585.0	2.5
Disposals		(0.9)	–	(29.8)	(30.7)	–
Disposal of a subsidiary	41(b)	(6.4)	–	(5.8)	(12.2)	–
Reclassified as assets held for sale	29(a)	–	(349.0)	(145.8)	(494.8)	–
Transfer from land use rights		15.7	–	–	15.7	–
Transfer to investment properties		(1.7)	–	–	(1.7)	–
At 30 June 2011		44.4	–	1,243.6	1,288.0	29.3
Accumulated depreciation and impairment						
At 1 July 2010		12.4	–	890.0	902.4	22.6
Translation differences		–	–	1.2	1.2	–
Depreciation	8	0.7	–	82.6	83.3	2.6
Disposals		(0.2)	–	(27.5)	(27.7)	–
Disposal of a subsidiary	41(b)	(1.0)	–	(3.7)	(4.7)	–
Reclassified as assets held for sale	29(a)	–	–	(1.3)	(1.3)	–
Transfer from land use rights		2.8	–	–	2.8	–
Transfer to investment properties		(0.5)	–	–	(0.5)	–
At 30 June 2011		14.2	–	941.3	955.5	25.2
Net book value						
At 30 June 2011		30.2	–	302.3	332.5	4.1
At 30 June 2010		25.1	–	296.1	321.2	4.2

17 Property, plant and equipment (continued)

The Group's interests in land use rights grouped under land and properties amounted to HK$12.5 million (2011: HK$12.7 million) and their net book values are analyzed as follows:

	Group	
	2012	2011
	HK$'m	HK$'m
Held in Hong Kong, on		
Leases of over 50 years	**3.9**	3.9
Leases of between 10 to 50 years	**6.0**	6.2
Held overseas, on		
Freehold land	**2.6**	2.6
	12.5	12.7

18 Intangible concession rights

		Group	
		2012	2011
	Note	**HK$'m**	HK$'m
Cost			
At beginning of year		**1,598.1**	1,505.9
Translation differences		**243.5**	92.2
Additions		**0.9**	–
Acquisition of subsidiaries	42(e)	**18,339.2**	–
At end of year		**20,181.7**	1,598.1
Accumulated amortization and impairment			
At beginning of year		**703.5**	594.8
Translation differences		**35.0**	39.1
Amortization	8	**554.2**	69.6
Acquisition of subsidiaries	42(e)	**2,141.5**	–
At end of year		**3,434.2**	703.5
Net book value			
At end of year		**16,747.5**	894.6

Intangible concession rights refer to the Group's investment in the Roads segment. Amortization of intangible concession rights is included in the cost of sales in the consolidated income statement.

Notes to the Financial Statements

19 Intangible assets

HK$'m	Note	Group Goodwill	Group Operating right	Group Total
Cost				
At 1 July 2011 and at 30 June 2012		**67.2**	**567.2**	**634.4**
Accumulated amortization and impairment				
At 1 July 2011		**15.4**	**70.2**	**85.6**
Amortization	8	**–**	**31.2**	**31.2**
At 30 June 2012		**15.4**	**101.4**	**116.8**
Net book value				
At 30 June 2012		**51.8**	**465.8**	**517.6**
At 30 June 2011		**51.8**	**497.0**	**548.8**

HK$'m	Note	Group Goodwill	Group Operating right	Group Mining right	Group Total
Cost					
At 1 July 2010		293.6	567.4	–	861.0
Additions	29(a)	–	–	2,393.2	2,393.2
Disposals		(226.4)	(0.2)	–	(226.6)
Reclassified as assets held for sale	29(a)	–	–	(2,393.2)	(2,393.2)
At 30 June 2011		67.2	567.2	–	634.4
Accumulated amortization and impairment					
At 1 July 2010		241.8	39.0	–	280.8
Disposals		(226.4)	–	–	(226.4)
Amortization	8	–	31.2	–	31.2
At 30 June 2011		15.4	70.2	–	85.6
Net book value					
At 30 June 2011		51.8	497.0	–	548.8
At 30 June 2010		51.8	528.4	–	580.2

19 Intangible assets (continued)

(a) Goodwill

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

HK$'m	Hong Kong	Mainland China	Total
2012 and 2011			
Roads	**–**	**17.7**	**17.7**
Strategic Investments	**34.1**	**–**	**34.1**
	34.1	**17.7**	**51.8**

Impairment tests for goodwill

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

(b) Operating right

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

(c) Mining right

Mining right represented right for the mining of iron ore reserves in Yanjiazhuang Mine located in Lincheng County, Hebei Province, the PRC. The balance was subsequently reclassified to assets held for sale during the year ended 30 June 2011, as detailed in note 29(a).

(d) Amortization

Amortization of intangible assets is included in the cost of sales in the consolidated income statement.

20 Subsidiaries

	Company	
	2012	2011
	HK$'m	HK$'m
Unlisted shares, at cost	**8,064.6**	8,064.6

Particulars of principal subsidiaries are given in note 45.

Notes to the Financial Statements

21 Associated companies

	Note	Group 2012 HK$'m	Group 2011 HK$'m
Group's share of net assets			
Listed shares in Hong Kong	(a),(b)	**4,789.5**	1,351.7
Unlisted shares	(c)	**3,832.9**	2,599.7
		8,622.4	3,951.4
Goodwill		**327.1**	31.4
Amounts receivable	(d)	**149.2**	153.2
		9,098.7	4,136.0

(a) As at 30 June 2011, the Group had an effective interest of approximately 60% in Newton Resources, a subsidiary of the Group, and classified as assets held for sale/liabilities directly associated with assets held for sale as in FY2011 the Hong Kong Stock Exchange had approved the separate listing of Newton Resources on the Main Board of the Hong Kong Stock Exchange. On 4 July 2011, the spin-off of Newton Resources was completed and dealings in shares of Newton Resources on the Main Board of the Hong Kong Stock Exchange commenced on the same day. Upon its listing, the Group's effective interest in Newton Resources diluted to 48%. Newton Resources therefore ceased to be a subsidiary and became an associated company of the Group. As a result, a gain of HK$1,842.7 million on the deemed disposal of interest was recorded in the consolidated income statement for the year.

(b) The market value of the Group's listed associated companies in Hong Kong amounted to HK$1,205.4 million (2011: HK$631.4 million). Management regularly reviews whether there are any indications of impairment of the Group's investments in associated companies based on value in use calculations, as detailed in note 5(h). Management is of the view that there is no impairment of the Group's investments in associated companies as at 30 June 2012.

(c) Included in the HK$3,832.9 million unlisted associated companies are three investment companies in which the Group has participating interests and held for investment purposes. The Group's investment in these companies as at 30 June 2012 amounted to HK$2,305.3 million (2011: HK$1,345.8 million), which mainly represents various loans receivables and the fair value of investments in various listed and unlisted securities. The Group's share of profits of these three investment companies for the year amounted to HK$264.2 million (2011: HK$430.1 million) as detailed in note 6(a)(ii).

(d) The amounts receivable are unsecured, interest free and have no fixed terms of repayment except for an amount of HK$104.7 million (2011: HK$104.7 million) which bears interest at 8% per annum. As at 30 June 2012, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

(e) Dividend income from associated companies for the year is HK$180.5 million (2011: HK$569.6 million).

(f) Details of principal associated companies are given in note 46.

21 Associated companies (continued)

(g) Contingent liabilities relating to the Group's investment in an associated company are disclosed in note 40(a).

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

	Group	
	2012	2011
	HK$'m	HK$'m
Revenue	**1,775.3**	1,144.1
Profit for the year	**557.2**	620.4
Non-current assets	**7,699.2**	4,151.7
Current assets	**3,255.4**	1,958.1
Current liabilities	**(1,511.5)**	(1,333.1)
Non-current liabilities	**(820.7)**	(825.3)
Net assets	**8,622.4**	3,951.4

22 Jointly controlled entities

		Group	
		2012	2011
	Note	**HK$'m**	HK$'m
Co-operative joint ventures			
Cost of investment less provision		**1,398.2**	1,169.8
Goodwill		**90.0**	90.0
Share of undistributed post-acquisition results		**1,937.9**	1,736.6
Amounts receivable	(a)	**20.8**	300.5
		3,446.9	3,296.9
Equity joint ventures			
Group's share of net assets		**4,232.8**	4,350.6
Goodwill		**159.3**	159.3
		4,392.1	4,509.9
Companies limited by shares			
Group's share of net assets		**8,547.0**	9,174.8
Goodwill		**555.8**	555.8
Amounts receivable	(a)	**2,591.4**	2,009.8
		11,694.2	11,740.4
Deposit paid for a joint venture	(b)	**–**	1,588.9
		19,533.2	21,136.1

Notes to the Financial Statements

22 Jointly controlled entities (continued)

(a) Amounts receivable are analyzed as follows:

		Group	
		2012	2011
	Note	**HK$'m**	HK$'m
Bearing variable interest rates	(i)	**642.9**	20.5
Non-interest bearing	(ii)	**1,969.3**	2,289.8
		2,612.2	2,310.3

(i) The balance includes an amount of HK$20.9 million (2011: HK$20.5 million) which carries interest at Hong Kong prime rate (2011: Hong Kong prime rate), an amount of HK$122.0 million which carries interest at the People's Bank of China two-year benchmark lending rate with 15% premium and an amount of HK$500.0 million which carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin of 1.5% per annum. The amount of HK$500.0 million has been subordinated to the bank loan of a jointly controlled entity.

(ii) The balance includes an amount of HK$197.5 million (2011: HK$197.5 million) which has been subordinated to certain indebtedness of a jointly controlled entity.

As at 30 June 2012, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

(b) Deposit paid for a joint venture represented a deposit paid for the investment in CFC as detailed in note 42(a).

(c) Dividend income from jointly controlled entities for the year is HK$1,803.2 million (2011: HK$1,233.4 million).

(d) Details of principal jointly controlled entities are given in note 47.

(e) Contingent liabilities relating to the Group's investments in jointly controlled entities are disclosed in note 40.

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

	Group	
	2012	2011
	HK$'m	HK$'m
Revenue	**13,585.1**	12,889.0
Profit for the year	**1,237.5**	1,922.9
Non-current assets	**23,491.8**	23,750.4
Current assets	**6,852.8**	6,972.0
Current liabilities	**(7,611.0)**	(7,659.1)
Non-current liabilities	**(6,617.7)**	(6,631.5)
Net assets	**16,115.9**	16,431.8

23 Available-for-sale financial assets

	Group	
	2012	2011
	HK$'m	HK$'m
Non-current assets		
Listed securities		
Equity securities listed in Hong Kong	**293.2**	659.7
Unlisted securities		
Equity securities	**140.0**	405.0
Debt securities	**–**	590.2
	433.2	1,654.9
Current assets		
Unlisted securities		
Debt securities	**583.5**	–
	1,016.7	1,654.9
Market value of listed securities	**293.2**	659.7

The maximum exposure to credit risk at the end of reporting period is the carrying value of the debt securities.

The fair value of unlisted securities is based on cash flows discounted using a rate based on the market interest rates and the risk premium specific to the unlisted securities.

Debt securities represent convertible redeemable preference shares.

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

	Group	
	2012	2011
	HK$'m	HK$'m
Hong Kong dollar	**293.2**	666.4
Renminbi	**–**	210.6
United States dollar	**723.5**	777.9
	1,016.7	1,654.9

Notes to the Financial Statements

24 Other non-current assets

	Note	Group 2012 HK$'m	Group 2011 HK$'m
Retirement benefit assets	37(b)(i)	**11.8**	9.5
Deferred tax assets	34	**2.0**	4.1
Property for development		**–**	163.4
Security deposits		**952.0**	389.3
Held-to-maturity investment – debt security listed overseas		**–**	244.3
Derivative financial instruments		**–**	3.7
		965.8	814.3

25 Inventories

	Group 2012 HK$'m	Group 2011 HK$'m
Raw materials	**10.2**	9.4
Finished goods	**489.1**	331.2
	499.3	340.6

26 Trade and other receivables

	Note	Group 2012 HK$'m	Group 2011 HK$'m	Company 2012 HK$'m	Company 2011 HK$'m
Trade receivables	(a)	**1,005.5**	657.5	**–**	–
Retention money receivables		**465.6**	505.9	**–**	–
Amounts due from customers for contract works	30	**221.7**	155.8	**–**	–
Other receivables, deposits and prepayments		**2,193.0**	1,697.3	**7.4**	4.5
Amounts due from associated companies	(b)	**21.8**	56.2	**–**	–
Amounts due from jointly controlled entities	(b)	**779.0**	338.2	**–**	–
Amounts due from subsidiaries	(b)	**–**	–	**24,736.4**	15,800.9
		4,686.6	3,410.9	**24,743.8**	15,805.4

26 Trade and other receivables (continued)

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

The ageing analysis of trade receivables is as follows:

	Group	
	2012	2011
	HK$'m	HK$'m
Under 3 months	**947.8**	528.4
4 to 6 months	**21.9**	9.8
Over 6 months	**35.8**	119.3
	1,005.5	657.5

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

The maximum exposure of trade receivables equals their carrying amounts.

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

At 30 June 2012, trade receivables of HK$356.3 million (2011: HK$274.1 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2012	2011
	HK$'m	HK$'m
Under 3 months	**298.6**	145.1
4 to 6 months	**21.9**	10.0
Over 6 months	**35.8**	119.0
	356.3	274.1

Notes to the Financial Statements

26 Trade and other receivables (continued)

(a) (continued)

At 30 June 2012, trade receivables of HK$7.0 million (2011: HK$7.0 million) were impaired, which were related to customers that were in financial difficulties. The ageing analysis of these trade receivables is as follows:

	Group	
	2012	2011
	HK$'m	HK$'m
Over 6 months	**7.0**	7.0
	7.0	7.0

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

	Group	
	2012	2011
	HK$'m	HK$'m
At beginning of year	**7.0**	7.4
Increase in provision recognized in the consolidated income statement	**0.5**	–
Amounts written off during the year	**(0.5)**	(0.4)
At end of year	**7.0**	7.0

(b) The amounts receivables are interest free, unsecured and repayable on demand except for an amount of HK$1,098.2 million (2011: HK$598.2 million) due from subsidiaries which bear interest at HIBOR plus 1.5% per annum. The amounts receivables are fully performing as at 30 June 2012.

Included in the Group's trade and other receivables are HK$989.9 million (2011: HK$556.2 million) denominated in Renminbi, HK$93.5 million (2011: HK$360.5 million) denominated in Macau Pataca and HK$187.1 million (2011: HK$3.3 million) denominated in United States dollar. 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.

27 Financial assets at fair value through profit or loss

	Group	
	2012	2011
	HK$'m	HK$'m
Unlisted equity securities	**1.5**	1.6

The financial assets at fair value through profit or loss are denominated in United States dollar.

28 Cash and bank balances

	Group		Company	
	2012	2011	**2012**	2011
	HK$'m	HK$'m	**HK$'m**	HK$'m
Time deposits – maturing within three months	**4,019.3**	3,143.6	**583.5**	317.8
Time deposits – maturing after more than three months	**187.0**	–	**–**	–
Other cash at bank and on hand	**1,179.7**	1,356.9	**32.1**	54.6
Cash and bank balances	**5,386.0**	4,500.5	**615.6**	372.4

The effective interest rate on time deposits is 2.3% (2011: 0.9%) per annum; these deposits have an average maturity of 50 days (2011: 21 days).

The balances include HK$1,601.9 million (2011: HK$1,950.8 million) which are kept in the bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control.

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'m	HK$'m	**HK$'m**	HK$'m
Hong Kong dollar	**912.2**	2,298.4	**301.8**	287.2
United States dollar	**322.0**	82.4	**309.5**	78.3
Renminbi	**4,077.2**	2,026.8	**–**	–
Macau Pataca	**55.6**	83.2	**–**	–
Others	**19.0**	9.7	**4.3**	6.9
	5,386.0	4,500.5	**615.6**	372.4

Notes to the Financial Statements

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

Assets held for sale	Note	**Group 2012 HK$'m**	Group 2011 HK$'m
Listed securities			
Equity securities listed in Hong Kong		**7.8**	13.3
Equity securities listed in Mainland China		**46.9**	57.0
Assets of Newton Resources reclassified as held for sale	(a)	**–**	3,175.5
		54.7	3,245.8

Liabilities directly associated with assets held for sale	Note	**Group 2012 HK$'m**	Group 2011 HK$'m
Liabilities of Newton Resources reclassified as held for sale	(a)	**–**	(601.0)

(a) In August 2010, the Group acquired an effective interest of approximately 43.34% in Newton Resources which owns and operates a major privately-owned iron ore mine in Hebei Province in the PRC and was classified as an associated company of the Group. On 28 January 2011, the Group acquired an additional effective interest of approximately 11.68% in Newton Resources, increasing its interest to approximately 55.02% and accordingly, Newton Resources became a subsidiary of the Group. On 18 February 2011, the Group further acquired an effective interest of 4.98% in Newton Resources and the Group's effective interest in Newton Resources increased to approximately 60%. The further acquisitions during the year ended 30 June 2011 were regarded as acquisition of assets, which mainly represented the mining right, instead of a business.

The Hong Kong Stock Exchange approved the separate listing of Newton Resources on the Main Board of the Hong Kong Stock Exchange in FY2011 and the shares of Newton Resources were subsequently listed on 4 July 2011, resulting in a dilution of the Group's interest in Newton Resources from approximately 60% to 48%. As a result, the Group reclassified assets and liabilities of Newton Resources as held for sale as at 30 June 2011.

	Note	2011 HK$'m
Assets		
Property, plant and equipment	17	493.5
Intangible assets	19	2,393.2
Cash and bank balances		198.1
Other assets		90.7
Assets of Newton Resources reclassified as held for sale		3,175.5
Liabilities		
Borrowings		(486.5)
Other liabilities		(247.9)
		(734.4)
Add: Amounts due to group companies		133.4
Liabilities of Newton Resources reclassified as held for sale		(601.0)

30 Contracts in progress

	Note	Group 2012 HK$'m	Group 2011 HK$'m
Contract costs incurred plus attributable profits less foreseeable losses		**26,045.8**	23,015.2
Progress payments received and receivable		**(26,103.6)**	(22,995.1)
		(57.8)	20.1
Representing			
Gross amounts due from customers for contract works	26	**221.7**	155.8
Gross amounts due to customers for contract works	36	**(279.5)**	(135.7)
		(57.8)	20.1

31 Share capital

	Ordinary shares No. of shares	Ordinary shares HK$'m
Authorized		
At 30 June 2011 and 30 June 2012	6,000,000,000	6,000.0
Issued and fully paid		
At 1 July 2010	2,178,927,883	2,178.9
Exercise of share options	4,524,537	4.6
Issued as scrip dividends	113,016,097	113.0
Issued as bonus shares	1,091,142,238	1,091.1
At 30 June 2011	3,387,610,755	3,387.6
Exercise of share options	17,516,551	17.5
Issued as scrip dividends	176,423,548	176.5
At 30 June 2012	**3,581,550,854**	**3,581.6**

Notes to the Financial Statements

31 Share capital (continued)

Share Option Schemes

The share option scheme adopted by the Company on 6 December 2001 (the "2001 Share Option Scheme"), certain rules of which were amended on 12 March 2003 and 24 November 2006, was valid and effective for a period of 10 years from the date of adoption. The 2001 Share Option Scheme expired on 6 December 2011. Share options granted under the 2001 Share Option Scheme prior to its expiry shall continue to be valid and exercisable pursuant to the terms of the 2001 Share Option Scheme.

Movements in the number of share options outstanding under the 2001 Share Option Scheme during the year are as follows:

		Number of options		Weighted average exercise price of each category (HK$)	
	Note	**2012**	2011	**2012**	2011
At beginning of year		**32,558,786**	27,444,140	**10.767**	16.270
Exercised		**(17,516,551)**	(4,524,537)	**10.652**	14.671
Lapsed		**(902,478)**	(1,847,685)	**10.672**	14.501
Adjusted	(b)	**115,996**	11,486,868	**10.786**	10.782
At end of year		**14,255,753**	32,558,786	**10.825**	10.767

(a) On 21 August 2007 and 28 January 2008, 29,694,000 and 700,000 share options were granted to directors and certain eligible participants at the exercise price of HK$16.200 and HK$20.600 respectively, which represents the closing price of the Company's shares on the Hong Kong Stock Exchange on the dates of grant. Such share options expired on 21 August 2012.

(b) Pursuant to the 2001 Share Option Scheme, the number of unexercised share options and exercise prices may be subject to adjustment in case of alteration in the capital structure of the Company. The Company declared certain dividends in scrip form (with cash option) during the year which gave rise to adjustments to the number of unexercised share options and the exercise prices in accordance with the 2001 Share Option Scheme. The exercise prices per share for the share options granted on 21 August 2007 and 28 January 2008 were adjusted to HK$10.609 and HK$13.490 respectively, both with effect from 16 May 2012.

31 Share capital (continued)

Share Option Schemes (continued)

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

Share options granted on 21 August 2007:

	Expiry Date	Number of options		Vested percentage	
		2012	2011	**2012**	2011
Exercise price		**HK$10.609**	HK$10.672		
Director	21 August 2012	**9,294,193**	20,795,979	**100%**	80%
Other eligible participants	21 August 2012	**3,892,736**	10,700,256	**100%**	80%
		13,186,929	31,496,235		

Share options granted on 28 January 2008:

	Expiry Date	Number of options		Vested percentage	
		2012	2011	**2012**	2011
Exercise price		**HK$13.490**	HK$13.570		
Other eligible participants	21 August 2012	**1,068,824**	1,062,551	**100%**	80%

The Company adopted a new share option scheme on 21 November 2011 (the "2011 Share Option Scheme"). No share option has been granted under the 2011 Share Option Scheme since its adoption.

Notes to the Financial Statements

32 Reserves

HK$'m	Note	Group Share premium	Special reserves	Investment revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2011		12,221.0	430.6	140.3	2,417.9	12,480.1	27,689.9
Profit for the year		–	–	–	–	5,251.1	5,251.1
Dividends to shareholders of the Company		–	–	–	–	(2,857.1)	(2,857.1)
Fair value changes on available-for-sale financial assets							
Group		–	–	(239.3)	–	–	(239.3)
Associated companies		–	–	(14.2)	–	–	(14.2)
Jointly controlled entities		–	–	(17.8)	–	–	(17.8)
Release of reserve upon disposal of available-for-sale financial assets							
Group		–	–	(29.8)	–	–	(29.8)
Associated companies		–	–	(36.6)	–	–	(36.6)
Release of reserves upon disposal of assets held for sale		–	–	0.2	(0.7)	–	(0.5)
Release of investment revaluation deficits to the consolidated income statement upon impairment of available-for-sale financial assets		–	–	311.0	–	–	311.0
Release of exchange reserve upon disposal of an associated company		–	–	–	(16.9)	–	(16.9)
Currency translation differences							
Group		–	–	–	135.7	–	135.7
Associated companies		–	–	–	45.9	–	45.9
Jointly controlled entities		–	–	–	38.4	–	38.4
Scrip dividends							
Share premium on new shares issued		1,740.4	–	–	–	–	1,740.4
Share options							
Value of services provided							
Group	9	–	0.5	–	–	–	0.5
Associated companies		–	0.5	–	–	–	0.5
Share premium on new shares issued		169.0	–	–	–	–	169.0
Share of other comprehensive loss of associated companies and jointly controlled entities		–	(3.8)	–	–	–	(3.8)
Further acquisition of interests in subsidiaries		–	–	–	–	85.9	85.9
Derecognition of non-controlling interests of Newton Resources		–	76.2	–	–	–	76.2
Transfer		–	9.0	–	–	(9.0)	–
Cash flow hedges		–	(115.8)	–	–	–	(115.8)
At 30 June 2012		14,130.4	397.2	113.8	2,620.3	14,951.0	32,212.7
Representing							
Balance at 30 June 2012		14,130.4	397.2	113.8	2,620.3	14,053.0	31,314.7
Proposed final dividend		–	–	–	–	898.0	898.0
		14,130.4	397.2	113.8	2,620.3	14,951.0	32,212.7

32 Reserves (continued)

		Group					
HK$'m	Note	Share premium	Special reserves	Investment revaluation reserve	Exchange reserve	Revenue reserve	Total
At 1 July 2010		12,078.6	440.4	88.4	1,599.8	9,800.9	24,008.1
Profit for the year		–	–	–	–	4,626.8	4,626.8
Dividends to shareholders of the Company		–	–	–	–	(1,947.1)	(1,947.1)
Fair value changes on available-for-sale financial assets							
Group		–	–	35.9	–	–	35.9
Associated companies		–	–	(15.7)	–	–	(15.7)
Jointly controlled entities		–	–	31.0	–	–	31.0
Release of reserve upon disposal of available-for-sale financial assets							
Group		–	–	0.9	–	–	0.9
Associated companies		–	–	(64.4)	–	–	(64.4)
Release of reserves upon disposal of assets held for sale		–	(0.1)	1.1	(30.7)	–	(29.7)
Release of investment revaluation deficit to the consolidated income statement upon impairment of an available-for-sale financial asset		–	–	63.1	–	–	63.1
Release of exchange reserve upon disposal of a subsidiary	41(b)	–	–	–	(10.0)	–	(10.0)
Currency translation differences							
Group		–	–	–	135.9	–	135.9
Associated companies		–	–	–	80.3	–	80.3
Jointly controlled entities		–	–	–	642.6	–	642.6
Scrip dividends							
Share premium on new shares issued		1,171.7	–	–	–	–	1,171.7
Issue of bonus shares		(1,091.1)	–	–	–	–	(1,091.1)
Share options							
Value of services provided							
Group	9	–	0.5	–	–	–	0.5
Associated companies		–	1.6	–	–	–	1.6
Jointly controlled entities		–	0.1	–	–	–	0.1
Share premium on new shares issued		61.8	–	–	–	–	61.8
Share of other comprehensive loss of associated companies and jointly controlled entities		–	(13.8)	–	–	–	(13.8)
Transfer		–	0.5	–	–	(0.5)	–
Cash flow hedges		–	1.4	–	–	–	1.4
At 30 June 2011		12,221.0	430.6	140.3	2,417.9	12,480.1	27,689.9
Representing							
Balance at 30 June 2011		12,221.0	430.6	140.3	2,417.9	11,362.1	26,571.9
Proposed final dividend		–	–	–	–	1,118.0	1,118.0
		12,221.0	430.6	140.3	2,417.9	12,480.1	27,689.9

Special reserves include statutory reserves which are created in accordance with the relevant PRC laws and/or terms of the joint venture agreements of subsidiaries and jointly controlled entities established in Mainland China and are required to be retained in the financial statements of these subsidiaries and jointly controlled entities for specific purposes. Special reserves also include capital redemption reserve, share option reserve and cash flow hedges reserve arising from interest rate swap and cross currency swap.

Notes to the Financial Statements

32 Reserves (continued)

	Company				
HK$'m	**Share premium**	**Contributed surplus**	**Special reserves**	**Revenue reserve**	**Total**
At 1 July 2011	**12,221.0**	**237.3**	**83.5**	**2,089.0**	**14,630.8**
Issue of new shares as scrip dividends	**1,740.4**	**–**	**–**	**–**	**1,740.4**
Profit for the year	**–**	**–**	**–**	**2,905.1**	**2,905.1**
Dividends	**–**	**–**	**–**	**(2,857.1)**	**(2,857.1)**
Share options					
Value of services provided	**–**	**–**	**0.5**	**–**	**0.5**
Share premium on new shares issued	**169.0**	**–**	**–**	**–**	**169.0**
At 30 June 2012	**14,130.4**	**237.3**	**84.0**	**2,137.0**	**16,588.7**
Representing					
Balance at 30 June 2012	**14,130.4**	**237.3**	**84.0**	**1,239.0**	**15,690.7**
Proposed final dividend	**–**	**–**	**–**	**898.0**	**898.0**
	14,130.4	**237.3**	**84.0**	**2,137.0**	**16,588.7**
At 1 July 2010	12,078.6	237.3	81.8	1,497.8	13,895.5
Issue of new shares as scrip dividends	1,171.7	–	–	–	1,171.7
Profit for the year	–	–	–	2,538.3	2,538.3
Dividends	–	–	–	(1,947.1)	(1,947.1)
Share options					
Value of services provided	–	–	1.7	–	1.7
Share premium on new shares issued	61.8	–	–	–	61.8
Issue of bonus shares	(1,091.1)	–	–	–	(1,091.1)
At 30 June 2011	12,221.0	237.3	83.5	2,089.0	14,630.8
Representing					
Balance at 30 June 2011	12,221.0	237.3	83.5	971.0	13,512.8
Proposed final dividend	–	–	–	1,118.0	1,118.0
	12,221.0	237.3	83.5	2,089.0	14,630.8

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

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

33 Borrowings

	Note	Group 2012 HK$'m	2011 HK$'m
Non-current			
Long term bank loans			
Secured	(a),(b),(c)	**3,018.3**	–
Unsecured	(a),(c)	**7,039.6**	2,763.7
Fixed rate bonds			
Unsecured	(d)	**5,052.1**	–
		15,110.0	2,763.7
Current			
Current portion of long term bank loans			
Secured	(a),(b),(c)	**402.4**	–
Unsecured	(a),(c)	**1,557.0**	3,073.9
Short term bank loans and overdrafts			
Unsecured	(c)	**596.7**	824.4
		2,556.1	3,898.3
		17,666.1	6,662.0

Notes to the Financial Statements

33 Borrowings (continued)

(a) Long term bank loans

	Group	
	2012	2011
	HK$'m	HK$'m
Bank loans, secured and wholly repayable after five years	**3,420.7**	–
Bank loans, unsecured and wholly repayable within five years	**8,596.6**	5,837.6
Total long term bank loans	**12,017.3**	5,837.6
Amounts repayable within one year included in current liabilities	**(1,959.4)**	(3,073.9)
	10,057.9	2,763.7

	Group	
	2012	2011
	HK$'m	HK$'m
The maturity of long term bank loans is as follows:		
Within one year	**1,959.4**	3,073.9
In the second year	**850.5**	1,354.5
In the third to fifth year	**7,798.9**	1,409.2
After the fifth year	**1,408.5**	–
	12,017.3	5,837.6

As at 30 June 2012, the Group's long term bank loans of HK$12.017 billion (2011: HK$5.838 billion) are exposed to interest rate risk of contractual repricing dates falling within one year.

(b) Bank loans were secured by the intangible concession rights of HZRR.

(c) The effective interest rates of bank loans at the end of the reporting period were as follows:

	2012	2011
Bank loans	**1.72%**	1.16%

33 Borrowings (continued)

(d) Fixed rate bonds

On 6 July 2011 and 2 February 2012, subsidiaries of the Company issued 2.75% bonds in the aggregate amount RMB1,000.0 million (equivalent to approximately HK$1,204.8 million) and 6.50% bonds in the aggregate amount of US$500.0 million (equivalent to approximately HK$3,891.6 million) respectively.

RMB1,000.0 million bonds were issued at a price of 99.288 per cent of the principal amount, resulting in a discount on issue of RMB7.1 million (equivalent to approximately HK$8.6 million). US$500.0 million bonds were issued at a price of 99.79 per cent of the principal amount, resulting in a discount on issue of US$1.1 million (equivalent to approximately HK$8.2 million).

RMB1,000.0 million bonds bear interest with a coupon rate of 2.75% per annum, payable semi-annually in arrear on 14 January and 14 July of each year. US$500.0 million bonds bear interest with a coupon rate of 6.50% per annum, payable semi-annually in arrear on 9 February and 9 August of each year. These bonds are guaranteed unconditionally and irrevocably by the Company and listed on the Singapore Exchange Securities Trading Limited.

The US$500.0 million bonds are redeemable by the issuer at any time at the option of the issuer, subject to terms governing the bonds. Unless previously redeemed, or purchased and cancelled, the RMB1,000.0 million bonds and the US$500.0 million bonds will be redeemed at the principal amount on the maturity date on 6 July 2014 and 2 February 2017 respectively.

As at 30 June 2012, the fair value of RMB1,000.0 million bonds amounted to RMB969.3 million (equivalent to approximately HK$1,182.0 million) and the fair value of US$500.0 million bonds amounted to US$525.1 million (equivalent to approximately HK$4,079.8 million) respectively which are based on the quoted market prices.

(e) On 13 February 2012, CFC redeemed the outstanding US$225.0 million 12% senior notes due 2015 in its entirety at redemption price of 107.5% of the principal amount redeemed plus accrued and unpaid interest up to 13 February 2012. After the completion of the redemption, the senior notes were delisted from the Mainboard of the Singapore Exchange Securities Trading Limited.

(f) Other than fixed rate bonds as detailed in note (d) above, the carrying amounts of the borrowings approximate their fair values.

(g) The carrying amounts of the borrowings are denominated in the following currencies:

	Group	
	2012	2011
	HK$'m	HK$'m
Hong Kong dollar	**8,828.7**	6,442.0
Renminbi	**4,996.1**	–
United States dollar	**3,841.3**	220.0
	17,666.1	6,662.0

Notes to the Financial Statements

34 Deferred income tax

	Note	Group 2012 HK$'m	Group 2011 HK$'m
At beginning of year		**264.9**	165.1
Translation differences		**29.4**	5.3
Net amount (credited)/charged to the consolidated income statement	11	**(20.4)**	94.5
Acquisition of subsidiaries	42(e)	**2,286.4**	–
At end of year		**2,560.3**	264.9

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2011: 16.5%).

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits is probable. The Group has unrecognized tax losses of HK$1,337.7 million (2011: HK$1,368.6 million) to be carried forward against future taxable income. These tax losses have no expiry date.

As at 30 June 2012, the aggregate amount of unrecognized deferred tax liabilities associated with investments in subsidiaries totalled approximately HK$276.7 million (2011: HK$7.8 million). For this unrecognized amount, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets

	Group					
	Tax losses		Others deductible temporary differences		Total	
HK$'m	**2012**	2011	**2012**	2011	**2012**	2011
At beginning of year	**1.2**	1.2	**4.8**	3.7	**6.0**	4.9
Translation differences	**–**	–	**1.0**	–	**1.0**	–
Acquisition of subsidiaries	**–**	–	**81.8**	–	**81.8**	–
Credited/(charged) to the consolidated income statement	**46.0**	–	**(4.3)**	1.1	**41.7**	1.1
At end of year	**47.2**	1.2	**83.3**	4.8	**130.5**	6.0

34 Deferred income tax (continued)

Deferred tax liabilities

	Group											
	Accelerated tax depreciation		Fair value gains		Amortization of concession rights		Dividend income withholding tax		Others		Total	
HK$'m	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
At beginning of year	**44.8**	37.9	**–**	9.0	**81.9**	79.1	**65.1**	43.6	**79.1**	0.4	**270.9**	170.0
Translation differences	**–**	–	**–**	–	**29.6**	4.6	**0.8**	0.7	**–**	–	**30.4**	5.3
Acquisition of subsidiaries	**–**	–	**–**	–	**2,278.4**	–	**89.8**	–	**–**	–	**2,368.2**	–
Charged/(credited) to the consolidated income statement	**49.4**	6.9	**–**	(9.0)	**(39.8)**	(1.8)	**15.2**	20.8	**(3.5)**	78.7	**21.3**	95.6
At end of year	**94.2**	44.8	**–**	–	**2,350.1**	81.9	**170.9**	65.1	**75.6**	79.1	**2,690.8**	270.9

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 statement of financial position.

		Group	
	Note	**2012 HK$'m**	2011 HK$'m
Deferred tax assets	24	**(2.0)**	(4.1)
Deferred tax liabilities		**2,562.3**	269.0
		2,560.3	264.9

35 Other non-current liabilities

		Group	
	Note	**2012 HK$'m**	2011 HK$'m
Long service payment obligations		**36.5**	29.4
Deferred interest income		**14.8**	14.8
Loans from non-controlling interests	(a)	**95.1**	104.6
Derivative financial instruments		**166.5**	45.9
		312.9	194.7

(a) The loans are interest free, unsecured and not repayable within one year.

Notes to the Financial Statements

36 Trade and other payables

		Group		Company	
		2012	2011	2012	2011
	Note	HK$'m	HK$'m	HK$'m	HK$'m
Trade payables	(a)	**448.6**	323.1	**–**	–
Retention money payables		**371.9**	418.4	**–**	–
Amounts due to customers for contract works	30	**279.5**	135.7	**–**	–
Amounts due to non-controlling interests	(b)	**40.7**	55.7	**–**	–
Other payables and accruals		**3,128.4**	2,748.4	**49.4**	49.3
Amounts due to associated companies	(b)	**167.7**	15.9	**–**	–
Amounts due to jointly controlled entities	(b)	**27.2**	45.2	**–**	–
Amounts due to subsidiaries	(b)	**–**	–	**13,217.3**	6,178.8
		4,464.0	3,742.4	**13,266.7**	6,228.1

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

	Group	
	2012	2011
	HK$'m	HK$'m
Under 3 months	**425.5**	297.6
4 to 6 months	**2.7**	7.3
Over 6 months	**20.4**	18.2
	448.6	323.1

(b) The amounts payable are interest free, unsecured and have no fixed repayment terms, except for an amount of HK$1,098.2 million (2011: HK$598.2 million) due to subsidiaries which bears interest at HIBOR plus 1.5% per annum.

(c) Included in the Group's trade and other payables are HK$334.7 million (2011: HK$199.6 million) denominated in Renminbi, HK$238.9 million (2011: HK$469.5 million) denominated in Macau Pataca and HK$209.6 million (2011: HK$121.3 million) denominated in United States dollar. The remaining balances are mainly denominated in Hong Kong dollar.

(d) The Company's trade and other payables are mainly denominated in Hong Kong dollar.

37 Retirement benefits

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

(a) Defined contribution plans

Mandatory Provident Fund Schemes ("MPF") were 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 or staying in existing schemes. Where staff elected to join the MPF, both the Group and staff are required to contribute 5% of the employees' relevant income (capped at HK$12,000 per annum prior to 1 June 2012 and HK$15,000 per annum from 1 June 2012 onwards).

Contributions made by the Group to defined contribution plans and MPF amounted to HK$71.9 million (2011: HK$53.4 million) during the year. No forfeited contributions were utilized during the year (2011: Nil), leaving HK$0.8 million (2011: HK$0.7 million) available at 30 June 2012 to reduce future contributions. HK$1.5 million (2011: HK$1.2 million) contributions were payable to the plans at the end of the reporting period.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries and joint ventures in the PRC. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group.

(b) Defined benefit plans

The Group's defined benefit plans are valued by independent qualified actuaries annually using the projected unit credit method. Defined benefit plans were valued by Towers Watson Hong Kong Limited.

(i) The amounts recognized in the statement of financial position are as follows:

		Group	
		2012	2011
	Note	**HK$'m**	HK$'m
Present value of defined benefit obligations	(iii)	**(62.8)**	(44.4)
Fair value of plan assets	(iv)	**55.5**	50.7
		(7.3)	6.3
Unrecognized actuarial losses		**19.1**	3.2
Retirement benefit assets	24	**11.8**	9.5

Notes to the Financial Statements

37 Retirement benefits (continued)

(b) Defined benefit plans (continued)

(ii) The amounts recognized in the consolidated income statement, under general and administrative expenses, are as follows:

		Group	
		2012	2011
	Note	**HK$'m**	HK$'m
Current service cost		**1.7**	1.6
Interest cost		**1.0**	0.9
Expected return on plan assets		**(3.2)**	(2.9)
Total included in staff costs	9	**(0.5)**	(0.4)

(iii) The movements in the present value of defined benefit obligations are as follows:

	Group	
	2012	2011
	HK$'m	HK$'m
At beginning of year	**44.4**	39.7
Current service cost	**1.7**	1.6
Interest cost	**1.0**	0.9
Contributions by plan participants	**0.6**	0.6
Actuarial losses	**7.9**	2.4
Benefits paid	**–**	(0.8)
Net transfer	**7.2**	–
At end of year	**62.8**	44.4

(iv) The movements in the fair value of plan assets are as follows:

	Group	
	2012	2011
	HK$'m	HK$'m
At beginning of year	**50.7**	45.3
Expected return on plan assets	**3.2**	2.9
Actuarial (losses)/gains	**(6.8)**	2.7
Employee contributions	**0.6**	0.6
Benefits paid	**–**	(0.8)
Net transfer	**7.8**	–
At end of year	**55.5**	50.7

37 Retirement benefits (continued)

(b) Defined benefit plans (continued)

(iv) The movements in the fair value of plan assets are as follows (continued):

The principal actuarial assumptions used are as follows:

	2012	2011
Discount rates	**1.0%**	2.4–3.5%
Expected rate of return on plan assets	**7.5%**	7%
Expected rate of future salary increases	**4%**	4–5%

The actual return on plan assets was a loss of HK$3.6 million (2011: gain of HK$5.7 million).

Fair value of the plan assets is analyzed as follows:

	2012	2011
Equity instruments	**71%**	73%
Debt instruments	**25%**	25%
Other assets	**4%**	2%
	100%	100%

The fair value of the plan assets does not include amounts relating to any of the Company's own financial instruments and property occupied by, or other assets used by the Group.

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

(v) There are no expected contributions to defined benefit plans for the year ending 30 June 2013.

	2012 HK$'m	2011 HK$'m	2010 HK$'m	2009 HK$'m	2008 HK$'m
Present value of defined benefit obligations	**(62.8)**	(44.4)	(39.7)	(63.0)	(55.4)
Fair value of plan assets	**55.5**	50.7	45.3	76.9	88.8
(Deficit)/surplus	**(7.3)**	6.3	5.6	13.9	33.4
Experience (losses)/gains on defined benefit obligations	**(1.0)**	(1.6)	(0.8)	0.4	0.3
Experience (losses)/gains on plan assets	**(6.8)**	2.7	3.6	(18.2)	5.0

Notes to the Financial Statements

38 Financial instruments by category

Financial assets in the statement of financial position include available-for-sale financial assets, financial assets at fair value through profit or loss, derivative financial instruments, trade receivables, loan and other receivables and cash and bank balances. All these financial assets are carried at amortized cost using the effective interest method as "loans and receivables" except for the "available-for-sale financial assets", "financial assets at fair value through profit or loss" and "derivative financial instruments" which are carried at fair value.

Financial liabilities in the statement of financial position include borrowings, trade payables, derivative financial instruments, loan and other payables. All these financial liabilities are carried at amortized cost using the effective interest method except for the "derivative financial instruments" which are carried at fair value.

39 Commitments

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

		Group	
		2012	2011
	Note	**HK$'m**	HK$'m
Contracted but not provided for			
Property, plant and equipment		**12.3**	16.9
Capital contributions to/acquisitions of associated companies and jointly controlled entities	(i)	**882.0**	1,312.8
Other investments		**5.7**	–
Authorized but not contracted for			
Intangible concession rights		**15.3**	–
Capital contributions to an associated company		**7.2**	60.0
		922.5	1,389.7

(i) The Group has committed to acquire certain associated companies and jointly controlled entities, and to provide sufficient funds in the form of advances, capital and loan contributions to certain associated companies and jointly controlled entities to finance relevant projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK$882.0 million (2011: HK$1,312.8 million) which represents the attributable portion of capital and loan contributions to be made to associated companies and jointly controlled entities.

39 Commitments (continued)

(b) The Group's commitments for capital expenditure committed by Newton Resources not included above are as follows:

	Group	
	2012	2011
	HK$'m	HK$'m
Contracted but not provided for		
Plant and equipment	**–**	194.8
Authorized but not contracted for		
Plant and equipment	**–**	589.1
Resources fees	**–**	373.4
	–	1,157.3

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

	Group	
	2012	2011
	HK$'m	HK$'m
Contracted but not provided for		
Intangible concession rights	**23.2**	–
Property, plant and equipment	**723.7**	593.7
Capital contributions to/acquisitions of an associated company and jointly controlled entities	**69.6**	128.2
Authorized but not contracted for		
Intangible concession rights	**183.7**	–
Property, plant and equipment	**571.8**	360.6
	1,572.0	1,082.5

(d) Commitments under operating leases

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

	Group	
	2012	2011
	HK$'m	HK$'m
Buildings		
In the first year	**48.9**	44.0
In the second to fifth year inclusive	**40.9**	54.9
After the fifth year	**6.8**	0.2
	96.6	99.1

Notes to the Financial Statements

39 Commitments (continued)

(e) Future minimum rental payments receivable

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

	Group	
	2012	2011
	HK$'m	HK$'m
In the first year	**113.6**	47.5
In the second to fifth year inclusive	**405.5**	400.2
After fifth year	**23.8**	90.5
	542.9	538.2

The Group's operating leases terms range from one to five years.

40 Contingent liabilities and financial guarantee contracts

(a) The Group's and the Company's financial guarantee contracts are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'m	HK$'m	**HK$'m**	HK$'m
Guarantees for credit facilities granted to				
Subsidiaries	**–**	–	**21,860.6**	12,236.4
An associated company	**2.2**	11.9	**2.2**	11.9
Jointly controlled entities	**600.2**	593.1	**–**	–
Related companies	**111.7**	148.5	**–**	–
	714.1	753.5	**21,862.8**	12,248.3

(b) The Group's share of contingent liabilities of a jointly controlled entity not included above is HK$14.7 million as at 30 June 2012 (2011: HK$2.6 million).

41 Notes to consolidated statement of cash flows

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

	2012 HK$'m	2011 HK$'m
Operating profit	**4,838.0**	2,657.0
Depreciation and amortization	**688.0**	184.2
Share-based payments	**0.5**	0.5
Assets impairment losses	**316.5**	63.1
Gain on deemed disposal of interest in a subsidiary	**(1,842.7)**	–
Profit on disposal of a subsidiary	**(73.4)**	(21.4)
Profit on disposal of an associated company	**(86.9)**	–
Interest income	**(345.7)**	(95.6)
Gain on fair value of investment properties	**(93.3)**	(479.9)
Profit on disposal of investment properties	**(1.7)**	–
Profit on disposal of assets held for sale	**(8.8)**	(499.6)
Net profit on disposal of available-for-sale financial assets	**(39.1)**	(336.7)
Dividend income from available-for-sale financial assets and financial assets at fair value through profit or loss	**(8.4)**	(8.9)
Other non-cash items	**2.8**	45.3
Operating profit before working capital changes	**3,345.8**	1,508.0
Increase in retirement benefit assets	**(2.3)**	(0.4)
Increase in security deposits	**(810.6)**	(11.8)
Increase in inventories	**(158.7)**	(131.7)
(Increase)/decrease in trade and other receivables	**(360.7)**	178.0
Increase/(decrease) in trade and other payables	**566.4**	(76.2)
Decrease/(increase) in balances with associated companies and jointly controlled entities	**199.9**	(452.9)
Increase in long service payment obligations	**7.5**	7.7
(Decrease)/increase in amounts due to non-controlling interests	**(12.7)**	1.6
Net cash generated from operations	**2,774.6**	1,022.3

Notes to the Financial Statements

41 Notes to consolidated statement of cash flows (continued)

(b) Disposal of a subsidiary

	Note	2012 HK$'m	2011 HK$'m
Net assets disposed			
Property, plant and equipment	17	–	7.5
Property for development		**163.4**	–
Trade and other receivables		–	233.6
Cash and bank balances		–	325.1
Trade and other payables		**(170.4)**	(298.5)
Taxation		–	(2.6)
		(7.0)	265.1
Net profit on disposals		**73.4**	21.4
Release of reserve upon disposal	32	–	(10.0)
		66.4	276.5
Represented by			
Cash consideration received		**68.6**	276.5
Less: professional fees and expenses included under other payables		**(2.2)**	–
		66.4	276.5

(c) Analysis of net inflow/(outflow) of cash and cash equivalents in respect of the disposal of a subsidiary:

	2012 HK$'m	2011 HK$'m
Cash consideration	**68.6**	276.5
Cash and bank balances disposed of	–	(325.1)
	68.6	(48.6)

42 Business combinations

As at 30 June 2012, Moscan Developments Limited ("Moscan"), an indirect wholly owned subsidiary of the Company, has acquired 100% equity interest in both Widefaith Group Limited ("Widefaith") and CFC, which together representing a 95% effective interest in a project company (the "Project Company") operating HZRR in Zhejiang Province in the PRC at a total consideration of US$1,073.0 million (equivalent to approximately HK$8,358.0 million), in which HK$1,588.9 million was paid as deposit as at 30 June 2011, HK$6,769.1 million was paid during the year. The transaction was completed by four phases as follows:

(a) Phase 1: In June 2011, Moscan entered into a sale and purchase agreement to acquire an approximately 22.68% equity interest in CFC, representing an approximately 21.55% effective interest in the Project Company at a consideration of US$226.9 million (equivalent to approximately HK$1,765.4 million). As at 30 June 2011, the Group paid a deposit of approximately HK$1,588.9 million. This acquisition was completed on 5 July 2011 and CFC became a then jointly controlled entity of the Group.

(b) Phase 2: In July 2011, Moscan acquired a 25% equity interest in Widefaith, representing an approximately 12.11% effective interest in the Project Company, at a consideration of US$145.2 million (equivalent to approximately HK$1,131.3 million).

(c) Phase 3: In September 2011, Moscan further acquired an approximately 26.32% equity interest in CFC, representing an approximately 25% effective interest in the Project Company at a consideration of approximately US$283.8 million (equivalent to approximately HK$2,213.9 million) and a contingent payment of approximately US$1.6 million (equivalent to approximately HK$12.9 million). Upon completion of this acquisition, Moscan then held an approximately 61.75% effective interest in CFC, which represented approximately 58.66% effective interest in the Project Company, and CFC became a subsidiary of the Group. Details of net assets acquired are stated in note 42(e).

(d) Phase 4: In November 2011, Moscan entered into a sale and purchase agreement to further acquire a 75% equity interest in Widefaith, representing an approximately 36.34% effective interest in the Project Company, at a consideration of approximately US$415.5 million (equivalent to approximately HK$3,234.5 million). All the conditions precedent to this sale and purchase agreement had been fulfilled on 28 December 2011 and completion took place on 6 January 2012. Since then, the Group owns 100% of the equity interest in both Widefaith and CFC, which together representing a 95% effective interest in the Project Company.

Notes to the Financial Statements

42 Business combinations (continued)

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

	Note	**Fair value** HK$'m
Purchase consideration settled in cash		2,226.8
Fair value of interest held by the Group as a jointly controlled entity before the business combination		2,934.4
		5,161.2
Property, plant and equipment	17	17.0
Intangible concession rights	18	16,197.7
Associated companies		10.9
Trade and other receivables		83.1
Restricted bank balances		571.3
Cash and bank balances		676.5
Trade and other payables		(593.1)
Taxation		(148.0)
Borrowings		(5,589.1)
Deferred tax liabilities	34	(2,286.4)
Total identifiable net assets		8,939.9
Non-controlling interests		(3,778.7)
		5,161.2
Represented by		
Cash paid		2,226.8

Purchase consideration settled in cash	(2,226.8)
Cash and cash equivalents in subsidiaries acquired	495.8
Cash outflow on acquisition	(1,731.0)

The Group recognized the non-controlling interests of CFC at fair value which approximated the non-controlling interests' share of fair value of identifiable assets and liabilities acquired.

The acquired business contributed revenue of HK$1,637.6 million and net profit of HK$551.2 million to the Group from 17 September 2011 (date of acquisition) to 30 June 2012. If the acquisition had occurred on 1 July 2011, consolidated revenue and consolidated profit for the year would have been increased by HK$344.3 million and HK$78.0 million respectively.

43 Related party transactions

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

	Note	2012 HK$'m	2011 HK$'m
Transactions with affiliated companies	(i)		
Provision of construction work services	(ii)	**565.1**	110.3
Provision of other services	(iii)	**1.4**	2.3
Interest income	(iv)	**24.8**	16.7
Management fee income	(v)	**47.2**	23.9
Rental and other related expenses	(vi)	**(14.6)**	(12.1)
Transactions with other related parties	(i)		
Provision of construction work services	(ii)	**3,224.6**	1,671.2
Provision of other services	(iii)	**63.7**	52.2
Rental and other related expenses	(vi)	**(27.9)**	(24.5)
Other expenses	(vii)	**(520.1)**	(69.1)

(i) Affiliated companies include associated companies and jointly controlled entities of the Group. Related parties are subsidiaries, associated companies and jointly controlled entities of NWD, CTF Enterprises and Mr Doo Wai Hoi, William and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF Enterprises is a substantial shareholder of NWD. Mr Doo Wai Hoi, William is a non-executive director of the Company.

(ii) Revenue from the provision of construction work services was charged in accordance with the relevant contracts.

(iii) The Group provided various kinds of services including facilities management, property management and other services to certain affiliated companies and related parties. The services were provided and charged in accordance with the relevant contracts.

(iv) Interest income was charged at interest rates as specified in notes 21 and 22 on the outstanding balances due by the affiliated companies.

(v) Management fee was charged at rates in accordance with relevant contracts.

(vi) Rental and other related expenses were charged at rates in accordance with respective tenancy agreements.

(vii) Other expenses include mechanical and electrical engineering, construction materials supply, laundry, security and guarding, landscaping, cleaning and property management services. The services were charged in accordance with the relevant contracts.

Notes to the Financial Statements

43 Related party transactions (continued)

(b) On 31 October 2011, an agreement (the "S&P Agreement") was entered into between Hip Hing Construction Company Limited ("Hip Hing", an indirect wholly owned subsidiary of the Company) as vendor and Land Source Investment Limited ("Land Source", an indirect wholly owned subsidiary of NWD) as purchaser in relation to the sale and purchase of the entire issued share capital of Ease Kind Development Limited ("Ease Kind", which was wholly owned by Hip Hing and in turn also an indirect wholly owned subsidiary of the Company) and the assignment of the shareholder's loan of Ease Kind owed to Hip Hing in the amount of HK$170.4 million at the total consideration of HK$239.0 million. Completion of the S&P Agreement took place on 15 December 2011, resulting in a net profit on disposal of HK$73.4 million as detailed in note 41(b).

(c) Key management compensation

No significant compensation arrangement has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 15.

(d) The amounts of outstanding balances with associated companies, jointly controlled entities and non-controlling interests are disclosed in notes 21, 22, 26, 35 and 36.

44 Ultimate holding company

The directors regard NWD, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as being the ultimate holding company. The Company is held by NWD and certain of its subsidiaries.

45 Principal subsidiaries

As at 30 June 2012

	Issued share capital#		Approximate percentage of shares held		
	Number	Par value per share HK$	Company	Group	Principal activities
Incorporated and operate in Hong Kong					
Anway Limited	1	1	–	100.0	Duty free operation and general trading
Billionoble Investment Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	100.0	
Bounty Gain Limited	1	1	–	100.0	Investment holding
Cheering Step Investments Limited	1	1	–	100.0	Investment holding
Chinese Future Limited	1,000,000	1	–	100.0	Investment holding
CiF Solutions Limited	10	100	–	100.0	Provision of information technology solutions
	160,000*	100	–	100.0	
Grace Crystal Limited	1	1	–	100.0	Investment holding
Grand Express International Limited	1	1	–	100.0	Investment holding
Hip Hing Builders Company Limited	40,000	1,000	–	100.0	Construction
	10,000*	1,000	–	100.0	
Hip Hing Construction Company Limited	400,000	100	–	100.0	Construction and civil engineering
	600,000*	100	–	100.0	
Hip Hing Engineering Company Limited	670,000	100	–	100.0	Building construction
Hip Seng Construction Company Limited	1	1	–	100.0	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
Kiu Lok Property Services (China) Limited	2	1	–	100.0	Property agency management and consultancy
	2*	1	–	100.0	
New World-Guangdong Highway Investments Co. Limited	100	100	–	100.0	Investment holding
	100*	100	–	50.0	
New World Port Investments Limited	2	1	–	100.0	Investment holding
New World (Xiamen) Port Investments Limited	2	1	–	100.0	Investment holding
NWS (Finance) Limited	2	1	–	100.0	Financial services

Notes to the Financial Statements

45 Principal subsidiaries (continued)

As at 30 June 2012

	Issued share capital#		Approximate percentage of shares held		
	Number	Par value per share HK$	Company	Group	Principal activities
Incorporated and operate in Hong Kong (continued)					
NWS Holdings (China) Limited	1,501	1	100.0	100.0	Investment holding
NWS Holdings (Finance) Limited	1	1	100.0	100.0	Financing
NWS Hong Kong Investment Limited	1	1	100.0	100.0	Investment holding
NWS Ports Management (Tianjin) Limited	1	1	–	100.0	Investment holding
Polytown Company Limited	2	10	–	100.0	Property investment, operation, marketing, promotion and management of HKCEC
	100,000*	10	–	100.0	
Profit Now Limited	1	1	–	100.0	Investment holding
Sky Connection Limited	100	1	–	100.0	Duty free liquor and tobacco sales
Trend Wood Investments Limited	1	1	–	100.0	Investment holding
True Hope Investment Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	100.0	
Try Force Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	100.0	
Twinic International Limited	1	1	–	100.0	Investment holding
Urban Parking Limited	10,000,000	1	–	100.0	Carpark management
Vibro Construction Company Limited	1,630,000	100	–	100.0	Civil engineering
	20,000*	100	–	100.0	
Vibro (H.K.) Limited	20,000,004	3	–	99.8	Piling, ground investigation and civil engineering
Waking Builders, Limited	20,000	1,000	–	100.0	Construction
Wisemec Enterprises Limited	2	1	–	100.0	Investment holding
Incorporated in Cayman Islands and operates in Hong Kong					
NWS Service Management Limited	1,323,943,165	0.10	100.0	100.0	Investment holding
Incorporated in Cayman Islands					
Chinese Future Corporation	1,000,000	US$0.01	–	100.0	Investment holding

45 Principal subsidiaries (continued)

As at 30 June 2012

	Issued share capital#		Approximate percentage of shares held		
	Number	Par value per share	Company	Group	Principal activities
Incorporated in British Virgin Islands and operate in Hong Kong					
Best Star Investments Limited	1	US$1	–	100.0	Investment holding
Creative Profit Group Limited	1	US$1	–	100.0	Investment holding
Economic Velocity Limited	1	US$1	–	100.0	Investment holding
Forever Great Development Limited	1	US$1	–	100.0	Investment holding
Great Start Group Corporation	1	US$1	–	100.0	Investment holding
Hetro Limited	101	US$1	–	100.0	Investment holding
Lucky Strong Limited	1	US$1	–	100.0	Investment holding
NWS Financial Management Services Limited	1	US$1	–	100.0	Investment holding
NWS Infrastructure Management Limited	2	US$1	100.0	100.0	Investment holding
NWS Ports Management Limited	2	US$1	100.0	100.0	Investment holding
Shine Fame Holdings Limited	1	US$1	–	100.0	Operation of logistics centre
Sunny Start Group Limited	1	US$1	–	100.0	Investment holding
Tin Fook Development Limited	1	US$1	–	100.0	Investment holding
Incorporated in British Virgin Islands					
Beauty Ocean Limited	1	US$1	–	100.0	Investment holding
Ideal Global International Limited	1	US$1	–	100.0	Investment holding
Moscan Developments Limited	1	US$1	–	100.0	Investment holding
NWS CON Limited	1	HK$1	–	100.0	Investment holding
NWS Construction Limited	1	US$1	–	100.0	Investment holding
NWS Infrastructure Bridges Limited	1	US$1	–	100.0	Investment holding
NWS Infrastructure Power Limited	1	US$1	–	100.0	Investment holding
NWS Infrastructure Roads Limited	1	US$1	–	100.0	Investment holding
NWS Infrastructure Water Limited	1	US$1	–	100.0	Investment holding
Right Heart Associates Limited	4	US$1	–	100.0	Investment holding
Righteous Corporation	1	US$1	–	100.0	Investment holding
Rise Reach Group Limited	1	US$1	–	100.0	Investment holding
Rosy Unicorn Limited	1	US$1	–	100.0	Financing
Silvery Castle Limited	1	US$1	–	100.0	Financing
Stockfield Limited	1	US$1	–	100.0	Investment holding

Notes to the Financial Statements

45 Principal subsidiaries (continued)

As at 30 June 2012

	Amount of fully paid capital	Approximate percentage of attributable interest Company	Group	Principal activities
Incorporated and operate in Mainland China				
Chaoming (Chongqing) Investment Company Limited	US$80,000,000	–	100.0	Investment holding
Foshan Gaoming Xinming Bridge Co., Ltd.	RMB60,000,000	–	30.0(a)	Operation of toll bridge
Guangxi Beiliu Xinbei Highways Co., Ltd.	RMB59,520,000	–	100.0	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	RMB57,680,000	–	100.0	Operation of toll road
Guangxi Yulin Xinye Highways Co., Ltd.	RMB63,800,000	–	60.0(b)	Operation of toll road
Guangxi Yulin Xinyu Highways Co., Ltd.	RMB96,000,000	–	65.0(a)	Operation of toll road
Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.	US$320,590,000	–	95.0(b)	Operation of toll road
Shanxi Xinda Highways Ltd.	RMB49,000,000	–	90.0(c)	Operation of toll road
Shanxi Xinhuang Highways Ltd.	RMB56,000,000	–	90.0(c)	Operation of toll road
Wuzhou Xinwu Highways Limited	RMB72,000,000	–	52.0(a)	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US$5,000,000	–	100.0	Management consultation
Incorporated and operate in Macau				
Barbican (Macau) Limited	MOP25,000	–	100.0	Construction
Hip Hing Engineering (Macau) Company Limited	MOP100,000	–	100.0	Construction
Ngo Kee (Macau) Limited	MOP25,000	–	100.0	Construction
Vibro (Macau) Limited	MOP1,000,000	–	99.8	Foundation works

Ordinary shares, unless otherwise stated

* Non-voting deferred shares

(a) Profit sharing percentage

(b) Percentage of interest in ownership and profit sharing

(c) Cash sharing ratio for the first 12 years and thereafter 60%

46 Principal associated companies

As at 30 June 2012

	Issued share capital#		Approximate percentage of shares held		
	Number	Par value per share	Company	Group	Principal activities
Incorporated and operate in Hong Kong					
Joy Fortune Investments Limited	10,000	HK$1	–	50.0	Investment holding
Quon Hing Concrete Company Limited	200,000	HK$100	–	50.0	Production and sales of ready-mixed concrete
Yargoon Company Limited	150,000	HK$100	–	42.0	Stone quarrying
Incorporated in British Virgin Islands and operates in Hong Kong					
VMS Private Investment Partners III Limited	1,500*	US$0.01	–	–	Securities investment
	1,107**	US$0.01	–	100.0(c)	
Incorporated in British Virgin Islands					
East Asia Secretaries (BVI) Limited	300,000,000	HK$1	–	24.4	Business, corporate and investor services
Tricor Holdings Limited	7,001	US$1	–	24.4	Business, corporate and investor services
VMS Private Investment Partners II Limited	2,500*	US$0.01	–	–	Securities investment
	1,493**	US$0.01	–	100.0(c)	
VMS Private Investment Partners IV Limited	1,500*	US$0.01	–	–	Securities investment
	35**	US$0.01	–	60.0(c)	
Incorporated in Bermuda and operate in Hong Kong					
Haitong International Securities Group Limited	915,342,706	HK$0.10	–	7.0(a)	Investment holding
Wai Kee Holdings Limited	793,124,034	HK$0.10	–	27.0	Construction
Incorporated in Cayman Islands and operates in Mainland China					
Newton Resources Ltd	4,000,000,000	HK$0.10	–	48.0	Mining, ore processing and sale of iron concentrate

Notes to the Financial Statements

46 Principal associated companies (continued)

As at 30 June 2012

	Amount of fully paid capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
Incorporated and operate in Mainland China				
Chongqing Silian Optoelectronics Science & Technology Co., Ltd.	RMB500,000,000	–	20.0(d)	Manufacturing and sale of sapphire substrate and wafer, LED packaging and application
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	–	37.1(b)	Operation of gasoline station
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	–	18.0(a),(d)	Operation of container terminal
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	–	25.0(b)	Operation of toll road

Ordinary shares, unless otherwise stated

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

** Non-voting, redeemable participating shares

(a) The directors of the Company considered the Group has significant influence over Tianjin Five Continents International Container Terminal Co., Ltd. ("TFCI") and Haitong International Securities Group Limited ("Haitong International") through its representatives on the board of directors of TFCI and Haitong International respectively

(b) Percentage of interest in ownership and profit sharing

(c) The directors of the Company considered the Group has significant influence over these companies through its representative on the investment committee which governs the daily financial, operational and investment decisions

(d) Percentage of equity interest in equity joint venture

47 Principal jointly controlled entities

As at 30 June 2012

	Amount of fully paid capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
Incorporated and operate in Mainland China				
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	RMB580,000,000	–	25.0(a)	Operation of toll road
China United International Rail Containers Co., Limited	RMB4,125,501,219	–	30.0(b)	Operation of rail container terminals and related business
Chongqing Suyu Business Development Company Limited	RMB650,000,000	–	50.0(a)	Investment holding
Guangzhou City Chuangyue Transport Electronic Technology Company Limited	HK$1,500,000	–	33.3(b)	Development of transport electric technology
Guangzhou Development Nansha Power Co., Ltd.	RMB350,000,000	–	22.0(a)	Generation and supply of electricity
Guangzhou Northring Freeway Company Limited	US$19,255,000	–	65.3(a)	Operation of toll road
Guangzhou Oriental Power Co., Ltd.	RMB990,000,000	–	25.0(b)	Generation and supply of electricity
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB613,361,800	–	35.0(b)	Wholesale assembling and storage of fuel
Guangzhou Pearl River Power Company Limited	RMB420,000,000	–	50.0(b)	Generation and supply of electricity
Guodian Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	–	35.0(a)	Generation and supply of electricity
Huishen (Yantian) Expressway Huizhou Company Limited	RMB139,980,000	–	33.3(a)	Operation of toll road
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	–	50.0(a)	Investment holding and operation of toll road
Tianjin Xinzhan Expressway Co., Ltd.	RMB1,757,007,559	–	90.0(c)	Operation of toll road
Xiamen Haicang Xinhaida Container Terminals Co., Limited	RMB756,000,000	–	46.0(b)	Operation of container terminal
Xiamen New World Xiangyu Terminals Co., Ltd.	RMB384,040,000	–	50.0(b)	Operation of container terminal

Notes to the Financial Statements

47 Principal jointly controlled entities (continued)

As at 30 June 2012

	Issued share capital#		Approximate percentage of shares held		
	Number	Par value per share	Company	Group	Principal activities
Incorporated and operate in Hong Kong					
ATL Logistics Centre Hong Kong Limited	100,000 'A'	HK$1	–	56.0 (d)	Operation of cargo handling and storage facilities
	20,000 'B'**	HK$1	–	79.6	
	54,918*	HK$1	–	–	
ATL Logistics Centre Yantian Limited	10,000	HK$1	–	46.2	Investment holding
Far East Landfill Technologies Limited	1,000,000	HK$1	–	47.0	Landfill
First Star Development Limited	100	HK$1	–	50.0	Property development
NWS Infrastructure SITA Waste Services Limited	2	HK$1	–	50.0	Investment holding
Poly Rising Development Limited	1	HK$1	–	50.0	Property development
Supertime Holdings Limited	100	HK$1	–	50.0	Property development
Tate's Cairn Tunnel Company Limited	1,100,000	HK$0.01	–	29.5	Operation of toll tunnel
	600,000,000*	HK$1	–	–	
Wincon International Limited	300,000,000	HK$1	–	50.0	Investment holding
Incorporated in British Virgin Islands and operates in Hong Kong					
NWS Transport Services Limited	500,000,016	HK$1	–	50.0	Investment holding
Incorporated in British Virgin Islands					
DP World New World Limited	2,000	US$1	–	50.0	Investment holding
Success Concept Investments Limited	1,000	US$1	–	80.0 (d)	Investment holding
Incorporated and operates in Netherlands					
Hyva I B.V.	19,000	EUR1	–	50.0	Manufacturing and supply of components used in hydraulic loading and unloading systems

47 Principal jointly controlled entities (continued)

As at 30 June 2012

	Issued share capital#		Approximate percentage of shares held		
	Number	Par value per share	Company	Group	Principal activities
Incorporated in Hong Kong and operates in Macau and Mainland China					
Sino-French Holdings (Hong Kong) Limited	3,748,680 'A'	HK$100	–	–	Investment holding and operation of water and electricity plants
	7,209,000 'B'	HK$100	–	100.0	
	3,460,320 'C'	HK$100	–	–	
Unincorporated joint ventures (Hong Kong)					
Gammon-Hip Hing Joint Venture	N/A	N/A	–	50.0	Construction
Hip Hing-Chun Wo Joint Venture	N/A	N/A	–	49.0	Construction

\# Ordinary shares, unless otherwise stated

* Non-voting deferred shares

** Non-voting preference shares

(a) Percentage of interest in ownership and profit sharing

(b) Percentage of equity interest in equity joint venture

(c) Cash sharing ratio for the first 15 years of the joint venture period, and thereafter 60%

(d) The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these jointly controlled entities

Five-Year Financial Summary

	2012	2011	2010	2009	2008
Earnings per share – Basic (HK$)	**1.53**	1.40	1.26*	0.80*	1.23*
Earnings per share – Diluted (HK$)	**1.52**	1.40	1.26*	0.80*	1.22*
Key ratios					
Net Gearing Ratio	**34%**	7%	N/A	15%	21%
Return on Equity	**15%**	14%	15%	11%	18%
Return on Capital Employed	**10%**	13%	13%	9%	14%
Income statement data (HK$'m)					
Revenue	**14,954.3**	9,560.6	12,089.0	17,250.9	18,889.5
Revenue by segments					
Roads	**1,903.5**	254.3	225.4	247.6	283.7
Energy & Water	**–**	0.6	2.9	8.2	16.8
Ports & Logistics	**41.3**	–	–	–	3.1
Facilities Management	**7,177.4**	5,792.8	6,163.9	5,404.1	4,518.2
Construction & Transport	**5,832.1**	3,505.3	5,196.0	10,904.0	12,658.4
Strategic Investments	**–**	7.6	500.8	687.0	1,409.3
Revenue by region					
Hong Kong	**12,786.4**	8,716.1	9,671.8	11,672.5	11,496.9
Mainland China	**1,971.7**	609.1	1,421.9	1,832.1	1,671.4
Macau and others	**196.2**	235.4	995.3	3,746.3	5,721.2
Profit attributable to shareholders of the Company	**5,251.1**	4,626.8	4,011.7	2,528.8	3,836.9
Attributable operating profit	**4,207.6**	4,056.2	3,384.1	2,499.3	2,706.4
Attributable operating profit by segments					
Roads	**1,210.1**	1,134.9	520.6	789.4	744.7
Energy	**262.2**	352.4	420.0	245.0	383.5
Water	**359.3**	297.7	233.3	185.6	126.5
Ports & Logistics	**301.4**	281.9	278.0	300.1	344.6
Facilities Management	**1,184.0**	876.9	825.1	612.1	427.0
Construction & Transport	**334.2**	279.1	410.1	285.7	380.3
Strategic Investments	**556.4**	833.3	697.0	81.4	299.8

* Adjusted for the bonus issue of shares in FY2011

	2012	2011	2010	2009	2008
Income statement data (continued)					
(HK$'m)					
Attributable operating profit by region					
Hong Kong	**2,241.4**	2,176.8	1,926.3	771.2	1,229.5
Mainland China	**1,493.0**	1,549.2	1,221.6	1,416.2	1,158.4
Macau and others	**473.2**	330.2	236.2	311.9	318.5
Head office and non-operating items					
Net gain on deemed disposals or acquisitions of interests in a subsidiary and/or an associated company	**1,833.4**	–	–	32.6	75.3
Gain/(loss) on fair value of investment properties	**93.3**	479.9	5.5	(10.0)	22.0
Gain/(loss) on disposal of projects, net of tax	**108.7**	343.9	944.9	215.7	(21.9)
Excess of fair value of net assets acquired over the cost of acquisition of interests of a jointly controlled entity	**–**	26.8	–	–	–
Share of profit from Harbour Place	**51.8**	1.2	337.9	338.0	1,632.6
Goodwill impairment loss	**–**	–	(226.4)	–	–
Assets impairment losses	**(316.5)**	–	(30.5)	(4.8)	(10.3)
Share of impairment loss from a jointly controlled entity	**(200.0)**	–	–	–	–
Write-back of provision for accruals	**–**	–	–	–	17.3
Corporate net exchange gain/(loss)	**14.0**	109.3	(4.2)	(4.1)	3.2
Corporate interest income	**51.8**	40.1	22.7	16.1	43.7
Corporate finance costs	**(333.8)**	(102.8)	(110.9)	(214.1)	(284.3)
Corporate expenses and others	**(259.2)**	(327.8)	(311.4)	(339.9)	(347.1)
Statement of financial position data					
(HK$'m)					
Total assets	**62,086.2**	44,137.8	37,680.9	44,278.6	42,593.9
Total liabilities and non-controlling interests	**26,291.9**	13,060.3	11,493.9	21,103.4	21,347.2
Total borrowings	**17,666.1**	6,662.0	4,890.3	8,806.0	8,790.9
Shareholders' funds	**35,794.3**	31,077.5	26,187.0	23,175.2	21,246.7

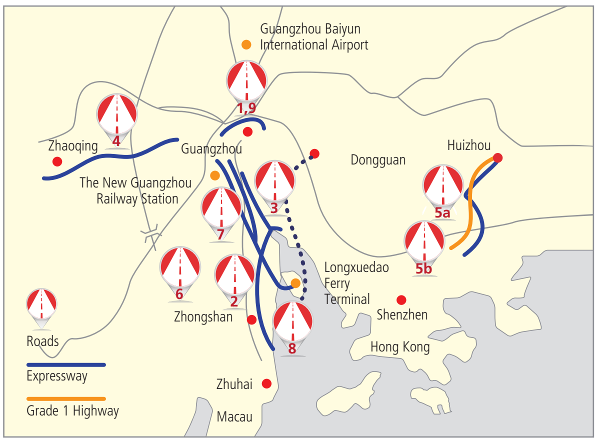
Project Key Facts and Figures (As at 30 June 2012)

INFRASTRUCTURE

ROADS

The road portfolio comprises 21 roads and related projects in strategic locations in Hong Kong and Mainland China, namely Guangdong, Zhejiang, Guangxi, Shanxi and Tianjin, covering approximately 721 km in length. The Group completed the acquisition of an aggregate of 95% effective interest in Hangzhou Ring Road in January 2012.

Guangdong Province



	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	RMB1 – RMB50		
Average Daily Traffic Flow	**2012** 189,274	**2011** 168,047	**2010** 131,756

	2. Beijing – Zhuhai Expressway (Guangzhou – Zhuhai Section)			3. Beijing – Zhuhai Expressway (Guangzhou – Zhuhai Northern Section)			4. 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			27 km			Phase 1: 48 km Phase 2: 5.39 km		
Lanes	Section I: Dual 3-Lane Section II: Dual 2 to 3-Lane			Dual 3-Lane			Phase 1: Dual 2-Lane Phase 2: Dual 3-Lane		
Location	Guangdong Province			Guangzhou City			Zhaoqing & Foshan City		
Operation Date	Section I: May 1997 Section II: December 1999			December 2005			Phase 1: April 2005 Phase 2: September 2010		
Expiry Date	2030			2032			2031		
Current Toll Rates	Section I: RMB6 – RMB19 Section II: RMB2 – RMB109			RMB1 – RMB56			RMB1 – RMB84		
Average Daily Traffic Flow	**2012** 120,440	**2011** 112,726	**2010** 103,773	**2012** 25,181	**2011** 20,183	**2010** 17,595	**2012** 48,479	**2011** 41,299	**2010** 32,032

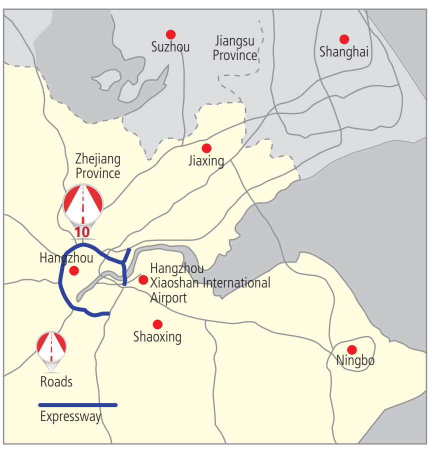
Project Key Facts and Figures

Guangdong Province

	5a. Shenzhen – Huizhou Expressway (Huizhou Section)			5b. Shenzhen – Huizhou Roadway (Huizhou Section)			6. Gaoming Bridge		
Attributable Interest	33.33%			50%			30% / 80%		
Form of Investment	CJV			CJV			CJV		
Length	34.7 km			21.8 km			1.1 km		
Lanes	Dual 2-Lane			Dual 2-Lane			Dual 1-Lane		
Location	Huizhou City			Huizhou City			Gaoming District, Foshan City		
Operation Date	June 1993			December 1997			November 1996		
Expiry Date	2023			2023			2021		
Current Toll Rates	RMB1 – RMB55			N / A (Annual toll ticket system has been implemented since January 2011)			N / A (Annual toll ticket system has been implemented since March 2003)		
Average Daily Traffic Flow	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
	55,816	51,356	39,118	N / A	N / A	8,661	N / A	N / A	N / A

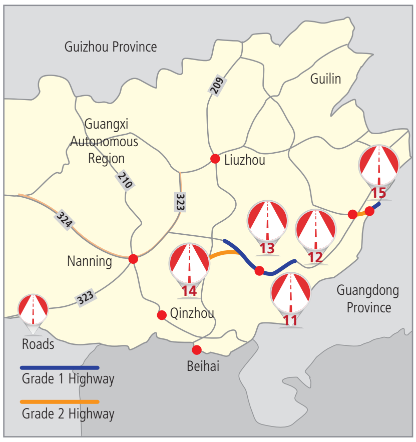
	7. Guangzhou Dongxin Expressway			8. Guangzhou City Nansha Port Expressway			9. Guangzhou Chuangyue Transport Electronic Technology		
Attributable Interest	40.8%			22.5%			33.3%		
Form of Investment	Equity			Equity			EJV		
Length	46.22 km			72.4 km			N / A		
Lanes	Dual 3 to 4-Lane			Dual 3 to 4-Lane			N / A		
Location	Guangzhou City			Guangzhou City			Guangzhou City		
Operation Date	December 2010			November 2007			November 2007		
Expiry Date	2035 (Subject to approval)			2031			2037		
Current Toll Rates	RMB2 – RMB98			RMB2 – RMB137			N / A		
Average Daily Traffic Flow	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
	27,492	13,872	N / A	71,737	67,164	74,037	N / A	N / A	N / A

Zhejiang Province



	10. Hangzhou Ring Road		
Attributable Interest	95% (Since January 2012)		
Form of Investment	Equity		
Length	103.4 km		
Lanes	Dual 2 to 3-Lane		
Location	Hangzhou City		
Operation Date	July 2011		
Expiry Date	2029		
Current Toll Rates	RMB5 – RMB170 (Normal) RMB0.09 / tonne / km (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2012**	**2011**	**2010**
	101,573	N / A	N / A

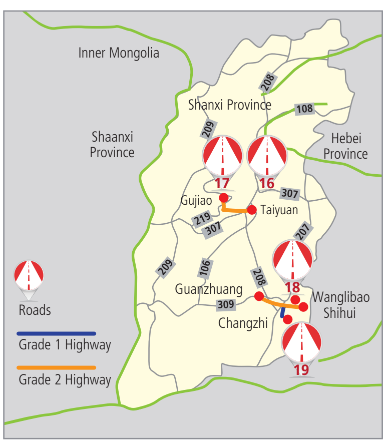
Guangxi Province



	11. Beiliu City Roadways			12. Rongxian Roadways		
Attributable Interest	100%			100%		
Form of Investment	WFOE			WFOE		
Length	16.3 km			16.8 km		
Lanes	Dual 1 to 2-Lane			Dual 1 to 2-Lane		
Location	Beiliu City			Rongxian		
Operation Date	May 1998			May 1998		
Expiry Date	2026			2026		
Current Toll Rates	RMB1 – RMB30 (Normal) RMB1.8 / tonne (Toll-by-weight vehicle)			RMB1 – RMB30 (Normal) RMB1.8 / tonne (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2012** 1,749	**2011** 1,902	**2010** 2,027	**2012** 1,733	**2011** 1,884	**2010** 2,008

	13. Yulin – Shinan Roadway			14. Yulin Shinan – Dajiangkou Roadway			15. Roadway No. 321 (Wuzhou Section)		
Attributable Interest	65%			60%			52%		
Form of Investment	CJV			CJV			CJV		
Length	27.8 km			Phase 1: 8.7 km Phase 2: 30 km			Phase 1: 8.7 km Phase 2: 4.3 km		
Lanes	Dual 2-Lane			Dual 1 to 2-Lane			Dual 2-Lane		
Location	Yulin City			Yulin City			Wuzhou City		
Operation Date	May 1998			Phase 1: August 1997 Phase 2: January 1999			Phase 1: March 1997 Phase 2: December 1998		
Expiry Date	2026			Phase 1: 2026 Phase 2: 2024			2022		
Current Toll Rates	RMB1 – RMB30 (Normal) RMB1.8 / tonne (Toll-by-weight vehicle)			RMB1 – RMB30 (Normal) RMB1.45 – RMB1.8 / tonne (Toll-by-weight vehicle)			RMB1 – RMB35 (Normal) RMB1.8 / tonne (Toll-by-weight vehicle)		
Average Daily Traffic Flow	**2012** 4,230	**2011** 4,600	**2010** 4,905	**2012** 2,533	**2011** 2,714	**2010** 2,713	**2012** 3,485	**2011** 4,497	**2010** 6,025

Shanxi Province



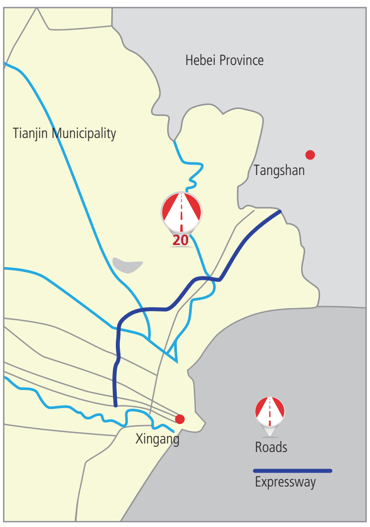
	16. Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)			17. Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)		
Attributable Interest	60% / 90%			60% / 90%		
Form of Investment	CJV			CJV		
Length	23.18 km			36.02 km		
Lanes	Dual 1-Lane			Dual 1-Lane		
Location	Taiyuan City			Gujiao City		
Operation Date	July 2000			April 1999		
Expiry Date	2025			2025		
Current Toll Rates	RMB10 – RMB60			RMB10 – RMB60		
Average Daily Traffic Flow	**2012** 1,479	**2011** 1,167	**2010** 1,067	**2012** 2,282	**2011** 2,860	**2010** 1,223

Project Key Facts and Figures

Shanxi Province

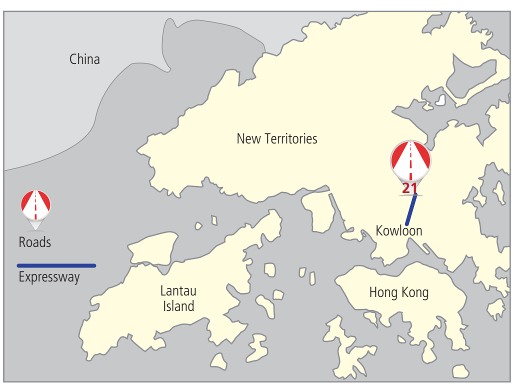
	18. Roadway No. 309 (Changzhi Section)	19. Taiyuan – Changzhi Roadway (Changzhi Section)
Attributable Interest	60% / 90%	60% / 90%
Form of Investment	CJV	CJV
Length	22.2 km	18.3 km
Lanes	Dual 1 to 2-Lane	Dual 1 to 2-Lane
Location	Changzhi City	Changzhi City
Operation Date	July 2000	August 2000
Expiry Date	2023	2023
Current Toll Rates	RMB10 – RMB60	RMB10 – RMB70
Average Daily Traffic Flow	**2012** **2011** **2010** 3,672 2,856 2,705	**2012** **2011** **2010** 1,542 1,752 2,191

Tianjin Municipality



	20. Tangjin Expressway (Tianjin North Section)
Attributable Interest	90% distributable cash for the first 15 years; 60% distributable cash for the last 15 years
Form of Investment	CJV
Length	Section I: 43.45 km Section II: 17.22 km
Lanes	Dual 2 to 3-Lane
Location	Tianjin Municipality
Operation Date	Section I: December 1998 Section II: December 2000
Expiry Date	Section I: 2028 Section II: 2028
Current Toll Rates	RMB5 – RMB105 (Normal) RMB0.1 / tonne / km (Toll-by-weight vehicle)
Average Daily Traffic Flow	**2012** **2011** **2010** 45,418 45,251 33,405

Hong Kong



	21. Tate's Cairn Tunnel
Attributable Interest	29.5%
Form of Investment	Equity
Length	4 km
Lanes	Dual 2-Lane
Location	Hong Kong
Operation Date	June 1991
Expiry Date	2018
Current Toll Rates	HK$12 – HK$32
Average Daily Traffic Flow	**2012** **2011** **2010** 54,589 53,031 51,502

ENERGY

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

	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	620 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 & Gas-Fired Thermal
Operation Date	January 1994	April 1996	November 1985
Expiry Date	2017	2020	2025
Electricity Sales (GWh)	**2012** 3,699 **2011** 3,483 **2010** 3,498	**2012** 3,054 **2011** 3,609 **2010** 3,706	**2012** 4,002 **2011** 3,665 **2010** 3,566

	4. Chengdu Jintang Power Plant
Attributable Interest	35%
Form of Investment	Equity
Installed Capacity	1,200 MW
Location	Huaikou Industrial Zone, Jintang, Chengdu City, Sichuan Province
Type of Power	Coal-Fired Thermal
Operation Date	June 2007
Expiry Date	2040
Electricity Sales (GWh)	**2012** 6,835 **2011** 6,471 **2010** 5,971

	5. Guangzhou Fuel Company
Attributable Interest	35%
Form of Investment	EJV
Installed Capacity	7 million tonnes / year
Location	Nansha Economic Development Zone, Guangzhou City
Type of Power	Wholesale, assembling and storage of coal
Operation Date	January 2008
Expiry Date	2033

Project Key Facts and Figures

WATER

The Group has invested in 27 water treatment and waste treatment projects in Mainland China and Macau through its joint venture company Sino-French Holdings (Hong Kong) Limited. The water projects treat up to a total of 6.98 million cbms of water and waste water as well as 540 tonnes of sludge per day. The Group also invests in a chemical waste incineration plant in Shanghai with annual capacity of 60,000 tonnes and holds a stake in a 61-hectare landfill in Hong Kong and two strategic investments in Chongqing.

	1. Macau Water Plant	2. Zhongshan Tanzhou Water Plant
Attributable Interest	42.5%	29%
Form of Investment	Equity	Equity
Capacity	$330,000m^3$ / day	Phase 1: $60,000m^3$ / day Phase 2: $90,000m^3$ / day
Location	Macau	Zhongshan, Guangdong Province
Operation Date	1985	Phase 1: January 1994 Phase 2: May 2007
Expiry Date	2030	2027
Average Daily Volume Treated / Sold (m^3)	**2012** 198,302 **2011** 187,391 **2010** 186,486	**2012** 82,208 **2011** 78,722 **2010** 77,263

	3. Zhongshan Dafeng Water Plant	4. Zhongshan Quanlu Water Plant	5. Siping Water Plant
Attributable Interest	33.06%	33.06%	25%
Form of Investment	Equity	Equity	Equity
Capacity	Phase 1: $200,000m^3$ / day Phase 2: $300,000m^3$ / day	$500,000m^3$ / day	$118,000m^3$ / day
Location	Zhongshan, Guangdong Province	Zhongshan, Guangdong Province	Siping, Jilin Province
Operation Date	Phase 1: April 1998 Phase 2: November 2008	April 1998	September 2000
Expiry Date	2020	2020	2030
Average Daily Volume Treated / Sold (m^3)	**2012** 645,115 **2011** 637,392	**2010** 591,494	**2012** N / A **2011** N / A **2010** N / A

	6. Baoding Water Plant	7. Zhengzhou Water Plant	8. Panjin Water Plant
Attributable Interest	27.5%	25%	30%
Form of Investment	Equity	Equity	Equity
Capacity	$260,000m^3$ / day	$360,000m^3$ / day	$110,000m^3$ / day
Location	Baoding, Hebei Province	Zhengzhou, Henan Province	Panjin, Liaoning Province
Operation Date	June 2000	August 2001	April 2002
Expiry Date	2020	2031	2032
Average Daily Volume Treated / Sold (m^3)	**2012** 234,000 **2011** 234,000 **2010** 234,000	**2012** 230,084 **2011** 218,919 **2010** 206,486	**2012** 84,491 **2011** 81,014 **2010** 81,014

	9. Changtu Water Plant	10. Dalian Changxing Island Environmental Services Company	11. Shanghai Spark Water Plant
Attributable Interest	35%	47.5%	25%
Form of Investment	Equity	Equity	Equity
Capacity	50,000m^3 / day	Waste Water: 40,000m^3 / day	100,000m^3 / day
Location	Tieling, Liaoning Province	Dalian, Liaoning Province	Shanghai
Operation Date	December 2000	June 2010	January 2002
Expiry Date	2029	2040	2031
Average Daily Volume Treated / Sold (m^3)	**2012** 23,663 **2011** 21,949 **2010** 22,686	**2012** 5,280 **2011** 5,051 **2010** N / A	**2012** 44,860 **2011** 44,875 **2010** 48,730

	12. Shanghai SCIP Water Treatment Plants			
Attributable Interest	25%			
Form of Investment	Equity			
Capacity	Waste Water:	50,000m^3 / day		
	Industrial Water:	200,000m^3 / day		
	Demineralized Water:	4,800m^3 / day		
Location	Shanghai			
Operation Date	Waste Water & Industrial Water:	April 2005		
	Demineralized Water:	February 2008		
Expiry Date	2052			
Average Daily Volume Treated / Sold (m^3)		**2012**	**2011**	**2010**
	Waste Water:	48,367	48,811	44,606
	Industrial Water:	117,152	123,539	120,277
	Demineralized Water:	1,390	1,063	997

	13. Sino French Water Environmental Technology Consulting Company	14. Qingdao Water Plant	15. Sanya Water Plant
Attributable Interest	50%	25%	25%
Form of Investment	Equity	Equity	Equity
Capacity	Waste Water: 5,000m^3 / day	Phase 1: 543,000m^3 / day Phase 2: 183,000m^3 / day	235,000m^3 / day
Location	Shanghai	Qingdao, Shandong Province	Sanya, Hainan Province
Operation Date	October 2009	Phase 1: August 2002 Phase 2: September 2006	January 2004
Expiry Date	2039	2027	2033
Average Daily Volume Treated / Sold (m^3)	**2012** 3,920 **2011** 3,596 **2010** 3,975	**2012** 553,639 **2011** 558,671 **2010** 545,872	**2012** 221,065 **2011** 205,406 **2010** 185,387

	16. Nanchang Water Plant	17. Chongqing Water Plant	18. Chongqing Yue Lai Water Plant
Attributable Interest	25%	28.36%	28.36%
Form of Investment	Equity	Equity	Equity
Capacity	Phase 1: 50,000m^3 / day Phase 2: 50,000m^3 / day	Phase 1: 380,000m^3 / day Phase 2: 160,000m^3 / day	200,000m^3 / day
Location	Nanchang, Jiangxi Province	Chongqing	Chongqing
Operation Date	Phase 1: January 1996 Phase 2: September 2008	Phase 1: November 2002 Phase 2: July 2006	July 2011
Expiry Date	2023	2052	2038
Average Daily Volume Treated / Sold (m^3)	**2012** 84,376 **2011** 88,122 **2010** 79,925	**2012** 399,197 **2011** 376,625 **2010** 331,328	**2012** 38,934 **2011** N / A **2010** N / A

Project Key Facts and Figures

	19. Chongqing Tangjiatuo Waste Water Plant		
Attributable Interest	28.36%		
Form of Investment	Equity		
Capacity	300,000m^3 / day		
Location	Chongqing		
Operation Date	January 2007		
Expiry Date	2036		
Average Daily Volume Treated / Sold (m^3)	**2012** 291,584	**2011** 258,342	**2010** 255,746

	20. Chongqing Construction Company
Attributable Interest	20.48%
Form of Investment	Equity
Capacity	Waste Water: 100,000m^3 / day Sludge Treatment: 240 tonnes / day
Location	Chongqing
Operation Date	Waste Water: 2^{nd} half of 2012 (Estimate) Sludge Treatment: 2^{nd} half of 2012 (Estimate)
Expiry Date	2038

	21. Chongqing CCIP Water Treatment Plants	22. Wuhan Chemical Industry Park Water Treatment Plants	23. Tianjin Jieyuan Water Plant
Attributable Interest	25.52%	21.5%	26.03%
Form of Investment	Equity	Equity	Equity
Capacity	Waste Water: 40,000m^3 / day Industrial Water: 120,000m^3 / day	Waste Water: 10,000m^3 / day Industrial Water: 50,000m^3 / day	500,000m^3 / day
Location	Chongqing	Wuhan, Hubei Province	Tianjin
Operation Date	September 2011	Waste Water: December 2012 (Estimate) Industrial Water: June 2013 (Estimate)	March 2009
Expiry Date	2055	2041	2022
Average Daily Volume Treated / Sold (m^3)	**2012 / 2011 / 2010** Waste Water: 19,363 / N / A / N / A Industrial Water: 25,668 / N / A / N / A	**2012 / 2011 / 2010** Waste Water: N / A / N / A / N / A Industrial Water: N / A / N / A / N / A	**2012** 281,227 **2011** 280,646 **2010** 254,055

	24. Tanggu Water Plant	25. Xinchang Water Plant	26. Changshu Water Plant
Attributable Interest	25%	25%	24.5%
Form of Investment	Equity	Equity	Equity
Capacity	310,000m^3 / day	100,000m^3 / day	Phase 1: 675,000m^3 / day Phase 2: 200,000m^3 / day
Location	Tanggu, Tianjin	Xinchang, Zhejiang Province	Changshu, Jiangsu Province
Operation Date	April 2005	March 2002	Phase 1: December 2006 Phase 2: 2^{nd} half of 2012 (Estimate)
Expiry Date	2034	2032	2036
Average Daily Volume Treated / Sold (m^3)	**2012** 175,467 **2011** 176,645 **2010** 171,812	**2012** 77,043 **2011** 72,189 **2010** 64,279	**2012** 459,401 **2011** 453,040 **2010** 426,171

	27. Suzhou Industrial Park Sludge Treatment Plant		
Attributable Interest	24.5%		
Form of Investment	Equity		
Capacity	300 tonnes / day		
Location	Suzhou, Jiangsu Province		
Operation Date	May 2011		
Expiry Date	2039		
Average Daily Volume Treated (tonnes)	**2012** 187	**2011** 193	**2010** N / A

	28. Shanghai SCIP Waste Incineration Plant			29. Far East Landfill Technologies Limited		
Attributable Interest	10%			47%		
Form of Investment	Equity			Equity		
Capacity	60,000 tonnes / year			35 million m^3		
Location	Shanghai			Hong Kong		
Operation Date	August 2006			June 1995		
Expiry Date	2053			2045		
Annual Volume Treated (tonnes)	**2012** 43,719	**2011** 44,351	**2010** 52,612	**2012** 936,487	**2011** 905,835	**2010** 912,577

	30. Chongqing Water Group Company Limited	31. Chongqing Silian Optoelectronics Science & Technology Co. Ltd.
Attributable Interest	6.72%	20%
Form of Investment	Equity	Equity
Location	Chongqing	Chongqing
Operation Date	August 2008	June 2011

Project Key Facts and Figures

PORTS & LOGISTICS

The Group operates four port projects in strategic coastal locations in Mainland China, namely Xiamen and Tianjin, with an aggregate container handling capacity of 4.9 million TEUs per year. In collaboration with its joint venture enterprise, China United International Rail Containers Co., Limited, the Group develops and operates 18 large-scale pivotal rail container terminals across Mainland China. Two logistics centres developed and operated in Hong Kong also provide logistics services for local and overseas clients. In December 2011, the newly-developed NWS Kwai Chung Logistics Centre commenced operations, offering a leasable area of 920,000 sq ft.

	1. Xiamen New World Xiangyu Terminals Co., Ltd.	2. Tianjin Orient Container Terminals Co., Ltd.	3. Tianjin Five Continents International Container Terminal Co., Ltd.	4. Xiamen Haicang Xinhaida Container Terminals Co., Limited
Attributable Interest	50%	24.5%	18%	46%
Form of Investment	EJV	Equity	EJV	EJV
Handling Capacity	1 million TEUs / year	1.4 million TEUs / year	1.5 million TEUs / year	1 million TEUs / year
Total Area	483,000 sq m	469,000 sq m	447,000 sq m	431,000 sq m
Location	Huli Industrial Zone, Xiamen, Fujian Province	Xingang Dongtudi South Terminal, Tanggu, Tianjin	Xingang Dongtudi North Terminal, Tanggu, Tianjin	Berths 18 to 19, Haicang Port Zone, Xiamen, Fujian Province
Operation Date	April 1997	January 1999	November 2005	September 2011
Expiry Date	2052	2027	2035	2058
Length of Berths	976 m	1,136 m	1,202 m	754 m
No. of Cranes	9	10	12	6
Throughput Achieved (TEUs)	**2012**: 1,000,000 **2011**: 774,000 **2010**: 753,000	**2012**: 886,000 **2011**: 863,000 **2010**: 886,000	**2012**: 2,172,000 **2011**: 1,983,000 **2010**: 1,910,000	**2012**: 43,000 **2011**: N / A **2010**: N / A

	5. ATL Logistics Centre Hong Kong Limited	6. NWS Kwai Chung Logistics Centre
Attributable Interest	56%	100%
Form of Investment	Equity	Equity
Lettable Area	5.9 million sq ft	920,000 sq ft
Location	Berth 3, Kwai Chung Container Terminals, Hong Kong	Kwai Chung Container Terminals, Hong Kong
Operation Dates	Phase 1: February 1987 Phase 2: March 1988 Phase 3: February 1992 Phase 4: January 1994 Phase 5: November 1994	December 2011
Expiry Date	2047	2058
Yearly Average Occupancy Rate	**2012**: 97.6% **2011**: 95.5% **2010**: 97.0%	**2012**: 78.7% **2011**: N / A **2010**: N / A

	7. China United International Rail Containers Co., Limited
Attributable Interest	30%
Form of Investment	EJV
Investment Scope	18 pivotal rail container terminals
Locations	Kunming, Chongqing, Chengdu, Zhengzhou, Dalian, Qingdao, Wuhan, Xian, Shanghai, Tianjin, Urumqi, Harbin, Ningbo, Shenzhen, Lanzhou, Beijing, Shenyang, Guangzhou
Operation Dates	Kunming: January 2008 Chongqing: December 2009 Chengdu: March 2010 Zhengzhou: April 2010 Dalian: July 2010 Qingdao: August 2010 Wuhan: August 2010 Xian: December 2010
Expiry Date	2057
Throughput Achieved (TEUs)	**2012**: 1,508,000 **2011**: 1,255,000 **2010**: 366,000

SERVICES

FACILITIES MANAGEMENT

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

	Hong Kong Convention and Exhibition Centre (Management) Limited	Hong Kong – Shanghai Venue Management (Zhengzhou) Limited
Attributable Interest	100%	70%
Services Offered	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc
Gross Rentable Space	91,500 sq m	92,754 sq m
No. of Events This Year	1,224	211
No. of Attendants This Year	Approximately 5.63 million	Approximately 1.47 million

	Free Duty
Attributable Interest	100%
Services Offered	Retail of duty free tobacco, liquor, perfume, cosmetics, package food and general merchandise
Locations of Shops	Hong Kong International Airport, MTR Lo Wu, Hung Hom, Lok Ma Chau Stations, Hong Kong-Macau Ferry Terminal and China Ferry Terminal

CONSTRUCTION & TRANSPORT

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

	Hip Hing Construction Company Limited
Attributable Interest	100%
Services Offered	Management and construction of building and civil engineering works
Total Value of Contracts Awarded This Year	HK$7.974 billion
Value of Contracts on Hand	HK$21.387 billion (remaining value of works to be completed: HK$14.546 billion)
Major Projects	Construction of New Cathay Pacific Air Cargo Terminal at Hong Kong International Airport; Residential Development at MTR Che Kung Temple Station; Residential Development at MTR Austin Station Site C; MTR Kwun Tong Line Extension – Whampoa Station and Overrun Tunnel; MTR South Island Line East – Wong Chuk Hang Depot Site Formation and Piling; Residential Development at Seymour Road, Mid-Levels for Swire Properties; Composite Redevelopment at No. 150–162 Belcher's Street and No. 1–9 Kwan Yick Street for Kowloon Development Co., Ltd.; Design, Build and Operate a District Cooling System at Kai Tak for Hong Kong Government

	New World First Ferry Services Limited	Citybus Limited	New World First Bus Services Limited
Attributable Interest	50%	50%	50%
Services Offered	Ferry services of outlying and inner harbour routes	Franchised bus services in Hong Kong	Franchised bus services in Hong Kong
Fleet Size	17 owned vessels and 3 chartered vessels	933 buses	717 buses
No. of Routes	5	111	92
Average Daily Patronage	Approximately 36,000	Approximately 611,000	Approximately 484,000

Glossary of Terms

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

General terms

"Board"	the board of directors of NWS Holdings
"EUR"	Euro, the official currency of the eurozone
"FY2011"	the financial year ended 30 June 2011
"FY2012"	the financial year ended 30 June 2012
"FY2013"	the financial year ending 30 June 2013
"GDP"	gross domestic product
"Group"	NWS Holdings and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HK$'m"	million of Hong Kong dollars
"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"	Macau Pataca, the lawful currency of Macau
"NWD"	New World Development Company Limited
"New World Group"	NWD and its subsidiaries
"NWS Holdings" or "Company"	NWS Holdings Limited
"PRC"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar(s), the lawful currency of the United States of America

Technical terms

"cbm(s)" or "m^3"	cubic metre(s)
"CJV"	co-operative joint venture company
"EJV"	equity joint venture company
"ft"	foot (feet)
"GW"	gigawatt(s), equals to 1,000,000 kilowatts
"ha"	hectare(s), equals to 10,000 square metres

Technical terms (continued)

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

Financial terms

"Attributable operating profit" or "AOP"	Profit available for appropriation before head office and non-operating items
"Dividend Payout Ratio"	$\frac{\text{Dividends}}{\text{Profit attributable to shareholders of the Company}}$
"Earnings per Share — Basic"	$\frac{\text{Profit attributable to shareholders of the Company}}{\text{Weighted average number of shares in issue during the year}}$
"EBIT"	Earnings before interests and tax expenses
"Net Gearing Ratio"	$\frac{\text{Net Debt}}{\text{Total equity}}$
"Net Assets"	Total assets less total liabilities
"Net Assets per Share"	$\frac{\text{Net Assets}}{\text{Number of issued shares at the end of the year}}$
"Net Debt"	Total Debt less cash and bank balances and short term deposits
"Return on Capital Employed"	$\frac{\text{Profit for the year}}{\text{Total equity + Non-current liabilities}}$
"Return on Equity"	$\frac{\text{Profit for the year}}{\text{Total equity}}$
"Total Debt"	The aggregate of bank loans, other loans, overdrafts and finance leases

Corporate Information

(as at 25 September 2012)

Board of Directors

Executive Directors

Dr Cheng Kar Shun, Henry (Chairman)
Mr Tsang Yam Pui
Mr Lam Wai Hon, Patrick
Mr Cheung Chin Cheung
Mr William Junior Guilherme Doo
Mr Cheng Chi Ming, Brian

Non-executive Directors

Mr Doo Wai Hoi, William (Deputy Chairman)
Mr To Hin Tsun, Gerald
Mr Dominic Lai

Independent Non-executive Directors

Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham
Mr Wilfried Ernst Kaffenberger
Mr Yeung Kun Wah, David
(alternate director to Mr Wilfried Ernst Kaffenberger)

Board Committees

Executive Committee

Dr Cheng Kar Shun, Henry (Chairman)
Mr Tsang Yam Pui
Mr Lam Wai Hon, Patrick
Mr Cheung Chin Cheung
Mr William Junior Guilherme Doo
Mr Cheng Chi Ming, Brian

Audit Committee

Mr Kwong Che Keung, Gordon (Chairman)
Mr Dominic Lai
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Remuneration Committee

The Honourable Shek Lai Him, Abraham (Chairman)
Mr Tsang Yam Pui
Mr Lam Wai Hon, Patrick
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher

Nomination Committee

Dr Cheng Kar Shun, Henry (Chairman)
Mr Tsang Yam Pui
Mr Kwong Che Keung, Gordon
Dr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Corporate Social Responsibility Committee

Mr Tsang Yam Pui (Chairman)
Mr Lam Wai Hon, Patrick
Mr Cheung Chin Cheung
Mr William Junior Guilherme Doo
Mr Cheng Chi Ming, Brian
Mr Dominic Lai
Ms Lam Yuet Wan, Elina
Ms Tang Cheung Yi

Company Secretary

Mr Chow Tak Wing

Registered Office

Clarendon House
2 Church Street, Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

28/F, New World Tower
18 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road, Pembroke HM08
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

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

Auditor

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

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
BNP Paribas Hong Kong Branch
Chong Hing Bank Limited
DBS Bank Ltd. Hong Kong Branch
Mizuho Corporate Bank, Ltd. Hong Kong Branch
Nanyang Commercial Bank, Limited
Oversea-Chinese Banking Corporation Limited
Scotiabank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation Hong Kong Branch
The Bank of Tokyo – Mitsubishi UFJ, Ltd. Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank Limited

Website

www.nws.com.hk

Note: Mr Lee Yiu Kwong, Alan has been appointed as an independent non-executive director of the Company and a member of the Corporate Social Responsibility Committee of the Company both with effect from 1 October 2012.

Designed by cre8corp

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

This annual report is also available at www.nws.com.hk.

新創建 NWS

NWS Holdings Limited
(incorporated in Bermuda with limited liability)

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Central, Hong Kong

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NWS Holdings Limited takes every practicable measure to conserve resources and minimize waste.

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