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ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

| | | |
|---|----------|----------------------------|
| Revenue | : | HK\$4,734.0 million |
| Profit attributable to shareholders | : | HK\$2,391.2 million |
| Earnings per share – basic and diluted | : | HK\$0.73 |
| Interim dividend per share | : | HK\$0.37 |

RESULTS

The board of directors (the “Board”) of NWS Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2010 (the “Current Period”) together with comparative figures for the six months ended 31 December 2009 (the “Last Period”) as follows:

Condensed Consolidated Income Statement – Unaudited

| | | For the six months ended 31 December | |
|---|-------------|---|------------------|
| | <i>Note</i> | 2010 HK\$'m | 2009 HK\$'m |
| Revenue | 2 | 4,734.0 | 6,249.5 |
| Cost of sales | | <u>(3,902.3)</u> | <u>(5,113.2)</u> |
| Gross profit | | 831.7 | 1,136.3 |
| Other income (net) | 3 | 739.4 | 698.8 |
| General and administrative expenses | | <u>(300.3)</u> | <u>(667.6)</u> |
| Operating profit | 4 | 1,270.8 | 1,167.5 |
| Finance costs | | (49.5) | (61.2) |
| Share of results of | | | |
| Associated companies | | 198.1 | 303.3 |
| Jointly controlled entities | | <u>1,175.1</u> | <u>1,116.6</u> |
| Profit before income tax | | 2,594.5 | 2,526.2 |
| Income tax expenses | 5 | <u>(187.3)</u> | <u>(163.4)</u> |
| Profit for the period | | <u>2,407.2</u> | <u>2,362.8</u> |
| Attributable to | | | |
| Shareholders of the Company | | 2,391.2 | 2,305.4 |
| Non-controlling interests | | <u>16.0</u> | <u>57.4</u> |
| | | <u>2,407.2</u> | <u>2,362.8</u> |
| Dividend | 6 | <u>1,226.7</u> | <u>1,308.9</u> |
| Earnings per share attributable to shareholders of the Company | | | |
| Basic and diluted | 7 | <u>HK\$0.73</u> | <u>HK\$0.73</u> |

Condensed Consolidated Statement of Comprehensive Income – Unaudited

| | For the six months ended | |
|---|--------------------------|---------|
| | 31 December | |
| | 2010 | 2009 |
| | HK\$'m | HK\$'m |
| Profit for the period | 2,407.2 | 2,362.8 |
| Other comprehensive income/(loss) | | |
| Fair value changes on available-for-sale financial assets | 230.9 | 217.2 |
| Release of reserve upon disposal of available-for-sale financial assets | (0.6) | (268.2) |
| Release of reserve upon disposal of assets held for sale | (3.1) | (0.7) |
| Release of exchange reserve upon disposal of a subsidiary | (10.0) | - |
| Share of other comprehensive income of jointly controlled entities | 2.7 | 31.8 |
| Cash flow hedges | 53.5 | - |
| Currency translation differences | 289.2 | 1.5 |
| | 562.6 | (18.4) |
| Total comprehensive income for the period | 2,969.8 | 2,344.4 |
| Total comprehensive income attributable to | | |
| Shareholders of the Company | 2,948.5 | 2,285.1 |
| Non-controlling interests | 21.3 | 59.3 |
| | 2,969.8 | 2,344.4 |

Condensed Consolidated Statement of Financial Position - Unaudited

| | | At 31 December 2010 HK\$'m | At 30 June 2010 HK\$'m |
|--|-------------|-------------------------------------|---------------------------------|
| | <i>Note</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | | 2,504.0 | 2,060.0 |
| Property, plant and equipment | | 323.6 | 321.2 |
| Land use rights | | 2.3 | 16.6 |
| Intangible concession rights | | 898.2 | 911.1 |
| Intangible assets | | 564.4 | 580.2 |
| Associated companies | | 5,733.4 | 4,505.4 |
| Jointly controlled entities | | 17,340.1 | 15,962.1 |
| Available-for-sale financial assets | | 1,357.3 | 1,508.8 |
| Other non-current assets | | 810.5 | 1,069.2 |
| | | 29,533.8 | 26,934.6 |
| Current assets | | | |
| Inventories | | 260.4 | 213.0 |
| Trade and other receivables | 8 | 3,518.4 | 3,510.2 |
| Financial assets at fair value through profit or loss | | 1.6 | 35.5 |
| Cash and bank balances | | 5,393.9 | 5,157.6 |
| | | 9,174.3 | 8,916.3 |
| Assets held for sale | 9 | 1,520.0 | 1,830.0 |
| | | 10,694.3 | 10,746.3 |
| Total assets | | 40,228.1 | 37,680.9 |

Condensed Consolidated Statement of Financial Position – Unaudited (continued)

| | <i>Note</i> | At 31 December 2010 HK\$'m | At 30 June 2010 HK\$'m |
|---|-------------|-------------------------------------|---------------------------------|
| EQUITY | | | |
| Share capital | | 3,315.0 | 2,178.9 |
| Reserves | | 24,408.0 | 23,289.1 |
| Proposed final dividend | | - | 719.0 |
| Interim dividend | | 1,226.7 | - |
| Shareholders' funds | | <u>28,949.7</u> | <u>26,187.0</u> |
| Non-controlling interests | | 286.4 | 265.1 |
| Total equity | | <u>29,236.1</u> | <u>26,452.1</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 1,896.4 | 3,496.4 |
| Other non-current liabilities | | 344.0 | 315.3 |
| | | <u>2,240.4</u> | <u>3,811.7</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | 4,329.7 | 4,473.9 |
| Taxation | | 178.9 | 254.9 |
| Borrowings | | 3,068.1 | 1,393.9 |
| | | <u>7,576.7</u> | <u>6,122.7</u> |
| Liabilities directly associated with assets held for sale | 9 | 1,174.9 | 1,294.4 |
| | | <u>8,751.6</u> | <u>7,417.1</u> |
| Total liabilities | | <u>10,992.0</u> | <u>11,228.8</u> |
| Total equity and liabilities | | <u>40,228.1</u> | <u>37,680.9</u> |
| Net current assets | | <u>1,942.7</u> | <u>3,329.2</u> |
| Total assets less current liabilities | | <u>31,476.5</u> | <u>30,263.8</u> |

Notes:

1. Basis of preparation

The unaudited condensed consolidated interim financial statements (the “interim financial statements”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The interim financial statements should be read in conjunction with the June 2010 annual financial statements.

The accounting policies used in the preparation of these interim financial statements are consistent with those set out in the annual report for the year ended 30 June 2010 except for the adoption of the amendments to standards and interpretations, which are further explained below. The Group has adopted the following amendments to standards and interpretations which are relevant to the Group’s operations and are mandatory for the financial year ending 30 June 2011:

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

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

1. Basis of preparation (continued)

HKAS 17 Amendment Classification of Leases of Land and Buildings

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

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

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

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

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

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

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

| | At 31 December 2010 HK\$'m | At 30 June 2010 HK\$'m |
|--------------------------------------|-------------------------------------|---------------------------------|
| Increase/(decrease): | | |
| Current liabilities - borrowings | 685.8 | 298.9 |
| Non-current liabilities - borrowings | (685.8) | (298.9) |
| | - | - |

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

1. Basis of preparation (continued)

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

HKAS 12 Amendment

Deferred Tax: Recovery of Underlying Assets

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

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

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

Effective for the year ending 30 June 2012 or after

| | |
|------------------------------|--|
| HKFRSs Amendments | Improvements to HKFRSs 2010 |
| HKFRS 1 Amendment | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| HKFRS 7 Amendment | Disclosures – Transfers of Financial Assets |
| HKFRS 9 | Financial Instruments |
| HKAS 24 (Revised) | Related Party Disclosures |
| HK(IFRIC) – Int 14 Amendment | Prepayments of a Minimum Funding Requirement |

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

2. Revenue and segment information

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

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.

2. Revenue and segment information (continued)

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

| HK\$'m | Ports & Logistics | Roads | Energy & Water | Facilities Management | Construction & Transport | Strategic Investments (iii) | Total |
|--|----------------------|-------|-------------------|--------------------------|-----------------------------|--------------------------------|-------------|
| For the six months ended | | | | | | | |
| 31 December 2010 | | | | | | | |
| Total revenue | - | 131.8 | 0.6 | 2,761.5 | 2,120.9 | - | 5,014.8 |
| Inter-segment | - | - | - | (8.2) | (272.6) | - | (280.8) |
| Revenue - external | - | 131.8 | 0.6 | 2,753.3 | 1,848.3 | - | 4,734.0 |
| Attributable operating profit | | | | | | | |
| Company and subsidiaries | (0.4) | 27.1 | - | 404.8 | 118.8 | 268.5 | 818.8 |
| Associated companies | 20.9 | 7.2 | - | - | 41.9 | 130.6 (ii) | 200.6 (b) |
| Jointly controlled entities | 131.5 | 713.8 | 360.6 | (0.5) | (10.9) (i) | - | 1,194.5 (b) |
| | 152.0 | 748.1 | 360.6 | 404.3 | 149.8 | 399.1 | 2,213.9 |
| Reconciliation | | | | | | | |
| Gain on disposal of projects | | | | | | | 186.6 (iv) |
| Gain on fair value of investment properties | | | | | | | 165.9 |
| Excess of fair value of net assets acquired over the cost of acquisition of interests of a jointly controlled entity | | | | | | | 26.8 |
| Share of loss from Harbour Place | | | | | | | (1.2) |
| Corporate interest income | | | | | | | 7.0 |
| Corporate finance costs | | | | | | | (48.8) |
| Share-based payment | | | | | | | 1.8 |
| Corporate expenses and others | | | | | | | (160.8) |
| Profit attributable to shareholders | | | | | | | 2,391.2 |

- (i) The amount included the Group's share of attributable operating profit of HK\$79.8 million from its Transport business.
- (ii) The amount included the Group's share of profits of HK\$89.1 million from three associated companies engaged in investment activities.
- (iii) Previously known as "Financial Services", this segment has been redefined as "Strategic Investments" to include net gains from securities investments held by the Group for strategic investment purposes of HK\$355.4 million and profit contributions from other financial service businesses of HK\$43.7 million.
- (iv) The amount represented the gain on the first tranche of disposal of certain non-core service businesses under a management buyout arrangement, of which the details are included in Note 9.

2. Revenue and segment information (continued)

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

| HK\$'m | Ports & Logistics | Roads | Energy & Water | Facilities Management | Construction & Transport | Strategic Investments | Segment total | Corporate | Eliminations | Consolidated |
|--|----------------------|---------|-------------------|--------------------------|-----------------------------|--------------------------|------------------|-----------|--------------|--------------|
| For the six months ended | | | | | | | | | | |
| 31 December 2010 | | | | | | | | | | |
| Depreciation | - | 1.4 | - | 23.4 | 13.5 | - | 38.3 | 3.1 | - | 41.4 |
| Amortization of intangible concession rights | - | 34.0 | - | - | - | - | 34.0 | - | - | 34.0 |
| Amortization of intangible assets | - | - | - | 15.6 | - | - | 15.6 | - | - | 15.6 |
| Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets | 278.1 | 4.2 | - | 20.6 | 13.1 | - | 316.0 | 1.6 | - | 317.6 |
| Interest income | 0.2 | 21.6 | - | 0.1 | 4.4 | - | 26.3 | 7.0 | (3.0) | 30.3 |
| Finance costs | - | - | - | 0.4 | 3.3 | - | 3.7 | 48.8 | (3.0) | 49.5 |
| Income tax expenses | 2.8 | 40.9 | - | 82.5 | 42.6 | 18.5 | 187.3 | - | - | 187.3 |
| At 31 December 2010 | | | | | | | | | | |
| Company and subsidiaries | 1,438.0 | 1,656.8 | 1.9 | 3,214.6 | 3,880.8 | 1,408.7 | 11,600.8 | 5,553.8 | - | 17,154.6 |
| Associated companies | 359.8 | 441.3 | - | - | 1,110.0 | 3,754.5 | 5,665.6 | 67.8 | - | 5,733.4 |
| Jointly controlled entities | 3,750.8 | 5,812.1 | 5,989.1 | 16.9 | 1,674.2 (i) | - | 17,243.1 | 97.0 | - | 17,340.1 |
| Total assets | 5,548.6 | 7,910.2 | 5,991.0 | 3,231.5 | 6,665.0 | 5,163.2 | 34,509.5 | 5,718.6 | - | 40,228.1 |
| Total liabilities | 14.5 | 428.3 | 1.3 | 802.0 | 2,614.6 | 381.2 | 4,241.9 | 6,750.1 | - | 10,992.0 |

(i) The balance included the Group's investment in its Transport business of HK\$1,637.4 million.

2. Revenue and segment information (continued)

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

| HK\$'m | Ports & Logistics | Roads | Energy & Water | Facilities Management | Construction & Transport | Strategic Investments (iii) | Total |
|-------------------------------------|----------------------|-------|-------------------|--------------------------|-----------------------------|--------------------------------|------------|
| For the six months ended | | | | | | | |
| 31 December 2009 | | | | | | | |
| Total revenue | - | 106.1 | 1.9 | 3,033.8 | 2,894.9 | 499.4 | 6,536.1 |
| Inter-segment | - | - | - | (49.7) | (229.3) | (7.6) | (286.6) |
| Revenue - external | - | 106.1 | 1.9 | 2,984.1 | 2,665.6 | 491.8 | 6,249.5 |
| Attributable operating profit | | | | | | | |
| Company and subsidiaries | 1.3 | 10.0 | - | 399.2 | 70.4 | 126.3 | 607.2 |
| Associated companies | 24.9 | (7.1) | - | 0.5 | 69.1 | 219.1 (ii) | 306.5 (b) |
| Jointly controlled entities | 125.5 | 230.6 | 337.7 | 0.7 | 118.9 (i) | - | 813.4 (b) |
| | 151.7 | 233.5 | 337.7 | 400.4 | 258.4 | 345.4 | 1,727.1 |
| Reconciliation | | | | | | | |
| Gain on disposal of projects | | | | | | | 728.7 (iv) |
| Share of profit from Harbour Place | | | | | | | 327.7 |
| Goodwill impairment | | | | | | | (226.4) |
| Assets impairment loss | | | | | | | (30.5) |
| Corporate interest income | | | | | | | 8.0 |
| Corporate finance costs | | | | | | | (59.1) |
| Share-based payment | | | | | | | (10.3) |
| Corporate expenses and others | | | | | | | (159.8) |
| Profit attributable to shareholders | | | | | | | 2,305.4 |

- (i) The amount included the Group's share of attributable operating profit of HK\$70.9 million from its Transport business.
- (ii) The amount included the Group's share of profits of HK\$187.1 million from three associated companies engaged in investment activities.
- (iii) Previously known as "Financial Services", this segment has been redefined as "Strategic Investments" to include net gains from securities investments held by the Group for strategic investment purposes of HK\$224.9 million and profit contributions from other financial service businesses of HK\$120.5 million.
- (iv) The amount represented the gain on disposal of partial interest in a subsidiary and the associated gain on remeasuring non-controlling interest retained at fair value after disposal of partial interest in a subsidiary.

2. Revenue and segment information (continued)

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

| HK\$'m | Ports & Logistics | Roads | Energy & Water | Facilities Management | Construction & Transport | Strategic Investments | Segment total | Corporate | Eliminations | Consolidated |
|--|----------------------|---------|-------------------|--------------------------|-----------------------------|--------------------------|------------------|-----------|--------------|--------------|
| For the six months ended | | | | | | | | | | |
| 31 December 2009 | | | | | | | | | | |
| Depreciation | - | 1.0 | - | 29.6 | 12.5 | 17.1 | 60.2 | 3.8 | - | 64.0 |
| Amortization of land use rights | - | - | - | 0.1 | 0.7 | - | 0.8 | 0.2 | - | 1.0 |
| Amortization of intangible concession rights | - | 33.0 | - | - | - | - | 33.0 | - | - | 33.0 |
| Amortization of intangible assets | - | - | - | 15.6 | - | 3.9 | 19.5 | - | - | 19.5 |
| Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets | 17.1 | 1.2 | - | 54.0 | 28.1 | 17.1 | 117.5 | 1.2 | - | 118.7 |
| Interest income | 0.6 | 9.8 | - | 0.1 | 7.8 | 6.9 | 25.2 | 8.0 | (3.1) | 30.1 |
| Finance costs | - | 0.2 | - | 0.4 | 4.6 | - | 5.2 | 59.1 | (3.1) | 61.2 |
| Income tax expenses | 1.5 | 23.4 | - | 83.5 | 27.2 | 27.8 | 163.4 | - | - | 163.4 |
| At 30 June 2010 | | | | | | | | | | |
| Company and subsidiaries | 980.1 | 1,580.4 | 2.3 | 3,324.3 | 4,336.1 | 1,779.3 | 12,002.5 | 5,210.9 | - | 17,213.4 |
| Associated companies | 337.4 | 399.4 | - | - | 1,096.2 | 2,606.2 | 4,439.2 | 66.2 | - | 4,505.4 |
| Jointly controlled entities | 3,141.4 | 5,220.8 | 5,766.7 | 17.3 | 1,717.1 (i) | - | 15,863.3 | 98.8 | - | 15,962.1 |
| Total assets | 4,458.9 | 7,200.6 | 5,769.0 | 3,341.6 | 7,149.4 | 4,385.5 | 32,305.0 | 5,375.9 | - | 37,680.9 |
| Total liabilities | 11.0 | 405.6 | 16.1 | 1,025.7 | 3,100.7 | 301.8 | 4,860.9 | 6,367.9 | - | 11,228.8 |

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

2. Revenue and segment information (continued)

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

| HK\$'m | <u>Associated companies</u> | | <u>Jointly controlled entities</u> | |
|--|---------------------------------|-------|------------------------------------|---------|
| | <u>For the six months ended</u> | | <u>For the six months ended</u> | |
| | <u>31 December</u> | | <u>31 December</u> | |
| | <u>2010</u> | 2009 | <u>2010</u> | 2009 |
| Attributable operating profit | 200.6 | 306.5 | 1,194.5 | 813.4 |
| Corporate associated companies and jointly controlled entities | | | | |
| Harbour Place | - | - | (1.2) | 327.7 |
| Others | (2.5) | (3.2) | (18.2) | (24.5) |
| Share of results of associated companies and jointly controlled entities | 198.1 | 303.3 | 1,175.1 | 1,116.6 |

- (c) Information by geographical areas:

| HK\$'m | <u>Revenue</u> | | <u>Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets</u> | |
|----------------|---------------------------------|---------|--|----------------|
| | <u>For the six months ended</u> | | <u>At</u> | <u>At</u> |
| | <u>31 December</u> | | <u>31 December</u> | <u>30 June</u> |
| | <u>2010</u> | 2009 | <u>2010</u> | 2010 |
| Hong Kong | 4,227.1 | 5,027.6 | 3,331.7 | 2,906.0 |
| Mainland China | 446.3 | 677.6 | 939.2 | 958.2 |
| Macau | 60.5 | 541.7 | 21.6 | 24.9 |
| Others | 0.1 | 2.6 | - | - |
| | 4,734.0 | 6,249.5 | 4,292.5 | 3,889.1 |

3. Other income (net)

| | For the six months ended | |
|--|--------------------------|--------------|
| | 31 December | |
| | 2010 | 2009 |
| | HK\$'m | HK\$'m |
| Profit on disposal of a subsidiary | 21.4 | - |
| Profit on disposal of partial interest in a subsidiary | - | 622.9 |
| Gain on remeasuring non-controlling interest retained at fair value after disposal of partial interest in a subsidiary | - | 105.8 |
| Profit on disposal of available-for-sale financial assets | 185.2 | 93.5 |
| Profit on disposal of assets held for sale | 289.0 | 20.6 |
| Net profit on disposal of financial assets at fair value through profit or loss | 2.7 | 10.0 |
| Gain on fair value of financial assets at fair value through profit or loss | 0.1 | 4.8 |
| Gain on fair value of investment properties | 165.9 | - |
| Interest income | 30.3 | 30.1 |
| Management fee income | 15.0 | 25.3 |
| Machinery hire income | 20.0 | 16.2 |
| Dividends and other income | 9.8 | 26.5 |
| Goodwill impairment | - | (226.4) |
| Assets impairment loss | - | (30.5) |
| | <u>739.4</u> | <u>698.8</u> |

4. Operating profit

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

| | For the six months ended | |
|--|--------------------------|---------|
| | 31 December | |
| | 2010 | 2009 |
| | HK\$'m | HK\$'m |
| Crediting | | |
| Gross rental income from investment properties | 23.0 | 22.2 |
| Less: outgoings | (5.9) | (5.8) |
| | 17.1 | 16.4 |
| Exchange gains, net | 51.6 | - |
| Charging | | |
| Cost of inventories sold | 933.4 | 869.9 |
| Cost of services rendered | 2,968.9 | 4,243.3 |
| Depreciation | 41.4 | 64.0 |
| Amortization of land use rights | - | 1.0 |
| Amortization of intangible concession rights | 34.0 | 33.0 |
| Amortization of intangible assets | 15.6 | 19.5 |
| Exchange losses, net | - | 1.1 |
| Operating lease rental expenses | | |
| Properties | 23.5 | 63.7 |
| Other equipment | 1.4 | 2.5 |

5. Income tax expenses

Hong Kong profits tax is provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the Current Period. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the Current Period at the rates of tax prevailing in the countries in which the Group operates. These rates range from 9% to 25% (2009: 9% to 25%).

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

| | For the six months ended | |
|--------------------------------------|---------------------------------|-------|
| | 31 December | |
| | 2010 | 2009 |
| | HK\$m | HK\$m |
| Current income tax | | |
| Hong Kong profits tax | 100.9 | 109.8 |
| Mainland China and overseas taxation | 50.7 | 49.1 |
| Deferred income tax charge | 35.7 | 4.5 |
| | 187.3 | 163.4 |

Share of taxation of associated companies and jointly controlled entities of HK\$10.5 million (2009: HK\$19.2 million) and HK\$171.7 million (2009: HK\$206.7 million) are included in the condensed consolidated income statement as share of results of associated companies and jointly controlled entities respectively.

6. Dividend

| | For the six months ended | |
|---|---------------------------------|----------------|
| | 31 December | |
| | 2010 | 2009 |
| | HK\$'m | HK\$'m |
| Interim dividend declared of HK\$0.37 (2009: paid of HK\$0.62) per share | <u>1,226.7</u> | <u>1,308.9</u> |

7. Earnings per share

The calculation of basic and diluted earnings per share for the period is based on earnings of HK\$2,391.2 million (2009: HK\$2,305.4 million) and on the weighted average of 3,271,765,862 (2009: 3,162,450,098 after adjusting for the bonus issue in 2010) ordinary shares outstanding during the period, calculated as follows:

| | For the six months ended | |
|--|---------------------------------|----------------------|
| | 31 December | |
| | 2010 | 2009 |
| | HK\$'m | HK\$'m |
| Profit attributable to shareholders of the Company and for calculation of basic and diluted earnings per share | <u>2,391.2</u> | <u>2,305.4</u> |
| | Number of shares | |
| | 2010 | 2009 |
| Weighted average number of shares for calculating basic and diluted earnings per share | <u>3,271,765,862</u> | <u>3,162,450,098</u> |

For the Current and Last Periods, the share options outstanding had an anti-dilutive effect on the earnings per share and the diluted earnings per share was equal to the basic earnings per share. As at 31 December 2010, the Company did not have any dilutive equity instruments.

8. Trade and other receivables

Included in trade and other receivables are trade receivables which are further analyzed as follows:

| | At 31 December 2010 HK\$'m | At 30 June 2010 HK\$'m |
|----------------|--|---------------------------------|
| Under 3 months | 403.7 | 418.7 |
| 4 to 6 months | 65.6 | 157.9 |
| Over 6 months | 81.5 | 34.7 |
| | <u>550.8</u> | <u>611.3</u> |

The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate.

9. Assets held for sale/liabilities directly associated with assets held for sale

Assets held for sale/liabilities directly associated with assets held for sale mainly represented the assets and liabilities of the second tranche of the disposed businesses which is detailed as below:

On 11 June 2010, New World Development Company Limited, the holding company of the Company, and the Company jointly announced that agreements were entered into in respect of the disposal of certain of the Group's non-core service businesses under a management buyout arrangement, subject to certain conditions precedent. The disposal is divided into two tranches and the first tranche was completed on 27 July 2010 and a gain of HK\$186.6 million was taken up during the Current Period. Assets and liabilities of the second tranche of the disposed businesses were classified as assets held for sale and liabilities directly associated with assets held for sale.

10. Trade and other payables

Included in trade and other payables are trade payables which are further analyzed as follows:

| | At 31 December 2010 HK\$'m | At 30 June 2010 HK\$'m |
|----------------|---|---|
| Under 3 months | 299.0 | 390.0 |
| 4 to 6 months | 4.8 | 1.4 |
| Over 6 months | 18.9 | 21.6 |
| | <u>322.7</u> | <u>413.0</u> |

11. Comparative figures

Certain comparative figures have been reclassified to conform with the Current Period's presentation.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the year ending 30 June 2011 in scrip form equivalent to HK\$0.37 per share with a cash option to the shareholders registered on 25 March 2011.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholder could elect to receive in cash and that shareholders be given the option to elect to receive payment in cash of HK\$0.37 per share instead of the allotment of shares. Full details of the interim scrip dividend will be set out in a circular to be sent to shareholders together with a form of election for cash on or about 7 April 2011.

BOOK CLOSE DATES

| | |
|---|--|
| Book close dates (both days inclusive): | Tuesday, 22 March 2011 to Friday, 25 March 2011 |
| Latest time to lodge transfer with transfer office: | 4:30 pm on Monday, 21 March 2011 |
| Name and address of transfer office: | Tricor Standard Limited 26/F, Tesbury Centre 28 Queen's Road East, Hong Kong |

FINANCIAL REVIEW

Group overview

The Group achieved a profit attributable to shareholders of HK\$2.391 billion for the Current Period, representing an increase of HK\$85.8 million or 4%, as compared to HK\$2.305 billion for the Last Period. Attributable Operating Profit (“AOP”) of the Group rose 28% to HK\$2.214 billion in the Current Period. Infrastructure division generated an AOP of HK\$1.261 billion, marking a significant increase of 74% as compared to HK\$722.9 million in the Last Period. The AOP of Services division slightly decreased by 5% to HK\$953.2 million in the Current Period.

A gain from the disposal of several non-core service businesses of HK\$186.6 million was recognized during the Current Period. This is in line with the Group’s continuing corporate strategy to consolidate its non-core businesses in order to enhance shareholders’ value.

A gain on fair value of HK\$165.9 million from revaluation of investment properties was recognized during the Current Period as a result of robust property market.

| Contribution by Division | | |
|--|----------------|---------|
| For the six months ended 31 December | | |
| | 2010 | 2009 |
| | HK\$m | HK\$m |
| Infrastructure | 1,260.7 | 722.9 |
| Services | 953.2 | 1,004.2 |
| Attributable operating profit | 2,213.9 | 1,727.1 |
| <i>Head office and non-operating items</i> | | |
| Gain on disposal of projects | 186.6 | 728.7 |
| Gain on fair value of investment properties | 165.9 | - |
| Excess of fair value of net assets acquired over the cost of acquisition of interests of a jointly controlled entity | 26.8 | - |
| Share of (loss)/profit from Harbour Place | (1.2) | 327.7 |
| Goodwill impairment | - | (226.4) |
| Assets impairment loss | - | (30.5) |
| Corporate interest income | 7.0 | 8.0 |
| Corporate finance costs | (48.8) | (59.1) |
| Share-based payment | 1.8 | (10.3) |
| Corporate expenses and others | (160.8) | (159.8) |
| | 177.3 | 578.3 |
| Profit attributable to shareholders | 2,391.2 | 2,305.4 |

Contributions from operations in Hong Kong accounted for 47% of AOP in the Current Period as compared to 60% in the Last Period. Mainland China and Macau contributed 49% and 4% respectively, as compared to 35% and 5% respectively in the Last Period.

Earnings per share

The basic earnings per share in the Last Period has been adjusted to HK\$0.73 due to the issue of bonus shares. The basic earnings per share in the Current Period was maintained at the same level.

OPERATIONAL REVIEW – INFRASTRUCTURE

AOP Contribution by Segment

For the six months ended 31 December

| | 2010 | 2009 | Change % |
|-------------------|-----------------------|--------------|--------------|
| | HK\$'m | HK\$'m | Fav./Unfav.) |
| Roads | 748.1 | 233.5 | 220 |
| Energy | 192.2 | 216.9 | (11) |
| Water | 168.4 | 120.8 | 39 |
| Ports & Logistics | 152.0 | 151.7 | 0 |
| Total | <u>1,260.7</u> | <u>722.9</u> | 74 |

Roads

The increase in AOP was basically due to an additional gain of approximately HK\$332.5 million mainly on extra profit distribution from Tangjin Expressway (Tianjin North Section) recognized during the Current Period. In daily operations, its average traffic flow grew by 36%, mainly due to traffic diversion to our expressway as other roads in the region were mostly undergoing maintenance during the Current Period.

Average traffic flow of Guangzhou City Northern Ring Road jumped 51% in the Current Period, after the partial closure of the expressway for its major repair and maintenance works carried out from July to November 2009 in the Last Period. Average daily traffic flow of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and Shenzhen-Huizhou Roadway and Expressway grew by 11% and 37% respectively, as compared to the Last Period. Phase two of Guangzhou-Zhaoqing Expressway was completed in September 2010, greatly enhancing the project's competitiveness in the Pearl River Delta region. Our new road project Guangzhou Dongxin Expressway commenced operation in December 2010. Guangzhou City Nansha Port Expressway's average daily traffic flow slightly decreased by 4% during the Current Period as it was temporarily affected by the Asian Games. These new investments are set to bring in solid contributions in the medium term.

In Hong Kong, the average daily traffic flow of Tate's Cairn Tunnel grew by 4% in the Current Period. A toll increase which became effective in December 2010 is expected to help increasing its average toll per vehicle.

Energy

The segment was hit by the surging coal price in the Current Period. Zhujiang Power Plants were further affected by a drop in combined electricity sales of 14% as a result of lower demand during the Asian Games period. Electricity sales of Chengdu Jintang Power Plant reported a 20% growth in the Current Period.

AOP from Guangzhou Fuel Company rose significantly on the strength of the booming coal market during the Current Period.

In Macau, electricity sales of Macau Power registered a stable growth of 2%. The concession rights of Macau Power were renewed successfully in November 2010 for 15 years with the permitted return reduced from 12% to 9.5% per annum.

Water

Contribution from water projects in Mainland China continued to serve as the growth engine for the segment. Sales volume of Tanggu Water Plant, Changshu Water Plant and Chongqing Water Plants increased by 9%, 6% and 9% respectively. Water sales revenue was also benefited from the tariff hike of several water plants in 2010. Water sales volume in Macau Water Plant reported a slight decrease of 3%.

Thanks to the development of Chongqing, the AOP from Chongqing Water Group grew satisfactorily during the Current Period.

Ports and Logistics

The throughput of Xiamen New World Xiangyu Terminals Co., Ltd increased by 6% to 397,000 TEUs due to improvement in trade activities. However, its average tariff dropped as competition in Xiamen intensified during the Current Period. The Xiamen Haicang Xinhaida Container Terminals, scheduled to be operational in the second half of 2011, will strengthen our presence in Xiamen to take advantage of the booming trade across the Taiwan Strait.

Occupancy rate at ATL Logistics Centre dropped from 97% to 95% while average rental also fell by 2% during the Current Period. Nevertheless, benefiting from the higher storage income generated from cargo volume pick-up in 2010 and cost savings initiatives, it managed to maintain its AOP during the Current Period.

China United International Rail Containers Co., Ltd. (“CUIRC”) is developing strongly as more new terminals have come on stream. During the Current Period, a total of eight rail terminals were in operation, namely Kunming, Chongqing, Chengdu, Zhengzhou, Dalian, Qingdao, Wuhan and Xian. An aggregate throughput of 595,000 TEUs was recorded in the Current Period, increasing from 110,000 TEUs in the Last Period during which only Kunming terminal was operational. Overall CUIRC reached almost breakeven position in the Current Period. All 18 rail container terminals are scheduled to be completed by end of 2012.

OPERATIONAL REVIEW – SERVICES

AOP Contribution by Segment

For the six months ended 31 December

| | 2010 | 2009 | Change % |
|--------------------------|---------------------|----------------|--------------|
| | HK\$'m | HK\$'m | Fav./Unfav.) |
| Facilities Management | 404.3 | 400.4 | 1 |
| Construction & Transport | 149.8 | 258.4 | (42) |
| Strategic Investments | 399.1 | 345.4 | 16 |
| Total | <u>953.2</u> | <u>1,004.2</u> | (5) |

Facilities Management

Following the disposal of its facility service businesses, the Facilities Management segment now comprises mainly the Hong Kong Convention and Exhibition Centre (“HKCEC”) and Free Duty. The negative impact resulting from the loss of profit contributions from the disposed facility services businesses was fully compensated by the outstanding performance of duty free business.

During the Current Period, 618 events were held at HKCEC with total patronage in excess of 4.8 million. Most recurrent international trade exhibitions reflected growth in both gross exhibition space and overall attendance. The food and beverage revenue also improved following the opening of three new restaurants and the additional banquet space provided. HKCEC will continue to enhance its services, facilities and equipment in order to maintain its leading position in the market.

Despite the negative impact on sales created by the new cigarette entry restriction for all arrival passengers, Free Duty’s tobacco and liquor retail business at various cross-boundary transportation terminals in Hong Kong continued to achieve outstanding results during the Current Period. Passenger traffic volume through the MTR stations at Lo Wu, Lok Ma Chau and Hung Hom reached 123.0 million during 2010, representing an increase of 8% over the previous year. The increased throughput, coupled with the increase in individual traveller’s spending on duty-free goods, contributed to the significant growth in this business.

Construction & Transport

As a result of the disposal of the mechanical and engineering business, this segment has been renamed as “Construction & Transport”.

The Construction business registered an AOP of HK\$70.0 million in the Current Period, representing a 57% decrease over the Last Period. The lower AOP was caused by provision of job costs approximating HK\$178.6 million for projects in Hong Kong and overseas. As at 31 December 2010, the gross value of contracts on hand for the Construction business was approximately HK\$18.6 billion. After the discontinuation of business in Mainland China and certain overseas markets, the management will continue to focus on cost reduction and right-sizing of its workforce while making every effort to minimize exposure to losses incurred by high-risk contracts.

The Group’s Transport business scored an AOP of HK\$79.8 million during the Current Period, representing a 13% increase over the Last Period. This was attributed to an increase in patronage and advertising income despite the increase in fuel cost during the period.

Strategic Investments

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

Tricor recorded a steady growth in its corporate services and investor services businesses during the Current Period. It obtained about 38% of the total share of new listings from July to December 2010 in Hong Kong. Its business operations in Hong Kong and Singapore together contributed about 77% of the total profit during the Current Period.

The Group’s shareholding in Haitong dropped to approximately 8.97% from 61.86% after the disposal of 373,434,720 shares to Hai Tong (HK) Financial Holdings Limited on 21 December 2009, resulting in a significant drop in profit contributions.

The Group acquired an approximate 43.34% interest in Newton Resources Ltd (“Newton”) during the Current Period. Our interest in Newton was increased to approximately 55.02% in January 2011 and will further increase to 60% upon the completion of further acquisition. The Group intends to hold the interest in Newton as a long-term investment and may develop natural resources as one of the Group’s core business in the future.

OUTLOOK

The Group continues to benefit from the favourable economic environment in both Mainland China and Hong Kong. This has brought a particularly strong overall interim result for the Group. From most accounts, Mainland China expects to maintain a double digit growth in 2011 and Hong Kong will likewise continue to perform well in most business sectors. The Group will take note of this trend and will capitalize on its strong connection with the Mainland economy to further develop its businesses in Mainland China. At the same time, it will make every effort to enhance its operational efficiency in order to capture the uptrend in the exhibition, financial and retail sectors in Hong Kong.

FINANCIAL RESOURCES

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 31 December 2010, the Group's total cash and bank balances amounted to HK\$5.394 billion, as compared to HK\$5.158 billion as at 30 June 2010. The Group maintained its Net Cash position of HK\$429.4 million as at 31 December 2010 compared to HK\$267.3 million as at 30 June 2010. In order to continually develop our core businesses, the Group is prepared to increase bank borrowings when necessary. The capital structure of the Group was 15% debt and 85% equity as at 31 December 2010, as compared to 16% debt and 84% equity as at 30 June 2010.

Debt profile and maturity

As at 31 December 2010, the Group's Total Debt was HK\$4.965 billion compared to HK\$4.890 billion as at 30 June 2010. Long-term bank loans and borrowings decreased to HK\$1.896 billion as at 31 December 2010 from HK\$3.496 billion as at 30 June 2010, with HK\$1.699 billion maturing in the second year and the remaining in the third to fifth year. Bank loans were all unsecured and mainly denominated in Hong Kong dollar and were mainly floating rate interest-bearing. The Group did not have any material exposure in exchange risk other than RMB during the Current Period. No property, plant and equipment, investment properties or land use rights were pledged as at 31 December 2010.

Commitments

The Group's commitments for capital expenditure were HK\$2.610 billion as at 31 December 2010 as compared to HK\$2.710 billion as at 30 June 2010. This represented commitment for capital contributions to/acquisition of certain associated companies and jointly controlled entities, and listed investments of HK\$2.262 billion as at 31 December 2010 as compared to HK\$2.097 billion as at 30 June 2010, and commitments for properties and equipment of HK\$348.4 million as at 31 December 2010 as compared to HK\$613.0 million as at 30 June 2010. The share of commitments for capital expenditure committed by jointly controlled entities was HK\$1.417 billion as at 31 December 2010 as compared to HK\$982.8 million as at 30 June 2010. Sources of funding for capital expenditure include internally generated resources and banking facilities.

CONTINGENT LIABILITIES

Contingent liabilities of the Group were HK\$702.3 million as at 31 December 2010 as compared to HK\$239.0 million as at 30 June 2010. These were composed of guarantees for credit facilities granted to associated companies, jointly controlled entities and related companies of HK\$11.9 million, HK\$577.8 million and HK\$112.6 million respectively as at 31 December 2010 as compared to HK\$11.9 million, HK\$115.4 million and HK\$111.7 million respectively as at 30 June 2010. The share of contingent liabilities of a jointly controlled entity was HK\$2.6 million as at both 31 December 2010 and 30 June 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, over 27,000 staff were employed by entities under the Group's management of which approximately 9,400 were employed in Hong Kong. Total staff related costs excluding directors' remunerations, were HK\$587.4 million (2009: HK\$1.355 billion), of which provident funds and staff bonuses were included. Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed accordingly to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

REVIEW OF INTERIM RESULTS

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

The unaudited interim results of the Company for the Current Period have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a high standard of corporate governance practices within the Group and devotes considerable effort to identifying and formalizing 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.

Throughout the six months ended 31 December 2010, the Company has complied with all the applicable code provisions in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Period.

THE BOARD

As at the date of this announcement: (a) the executive directors of the Company are Dr Cheng Kar Shun, Henry, 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) the non-executive directors of the Company are Mr Doo Wai Hoi, William, Mr Wilfried Ernst Kaffenberger (alternate director to Mr Wilfried Ernst Kaffenberger: Mr Yeung Kun Wah, David), Mr To Hin Tsun, Gerald and Mr Dominic Lai; and (c) the independent non-executive directors of the Company are Mr Kwong Che Keung, Gordon, Mr Cheng Wai Chee, Christopher and The Honourable Shek Lai Him, Abraham.

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 24 February 2011

** For identification purposes only*