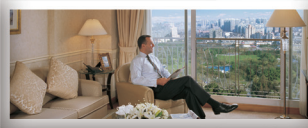
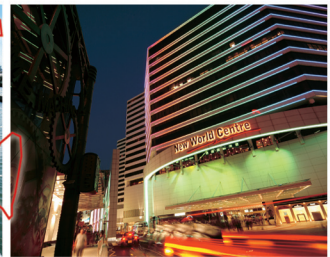




New World Development Company Limited

(Stock Code: 0017)



Commit to
Hong Kong

Flourish in the
Greater China

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Corporate Profile

Listed in Hong Kong since 1972, New World Development is a leading conglomerate with core businesses including property, infrastructure, service and telecommunications in Hong Kong, Macau and Mainland China. We also invest in strategic businesses with high potential of growth. Our strong foundation is no accident. It is built on our competence and people's trust.

Our 53,000 professional staff members start each day with energy and commitment to improve people's living standard. We never settle for excellence, but perfection. Together with our shareholders, partners and customers, we commit to Hong Kong; we flourish in the Greater China; we create a better New World.



Property

Our property development portfolio is focused on residential usage in Hong Kong and Mainland China. This is complemented by a sizeable investment property portfolio comprising shopping malls, offices, hotels and service apartments. Our property arm in Mainland China – New World China Land is one of China's leading property developers.



Infrastructure

Our infrastructure portfolio includes energy, roads, water and ports projects in Hong Kong, Macau and Mainland China.



Service

Our service businesses comprise facilities management, contracting, transport, etc.



Telecommunications

In telecommunications, New World Mobile Holdings offers innovative and customer-oriented mobile and multimedia services while New World Telecommunications offers a mixture of voice, data and content services.



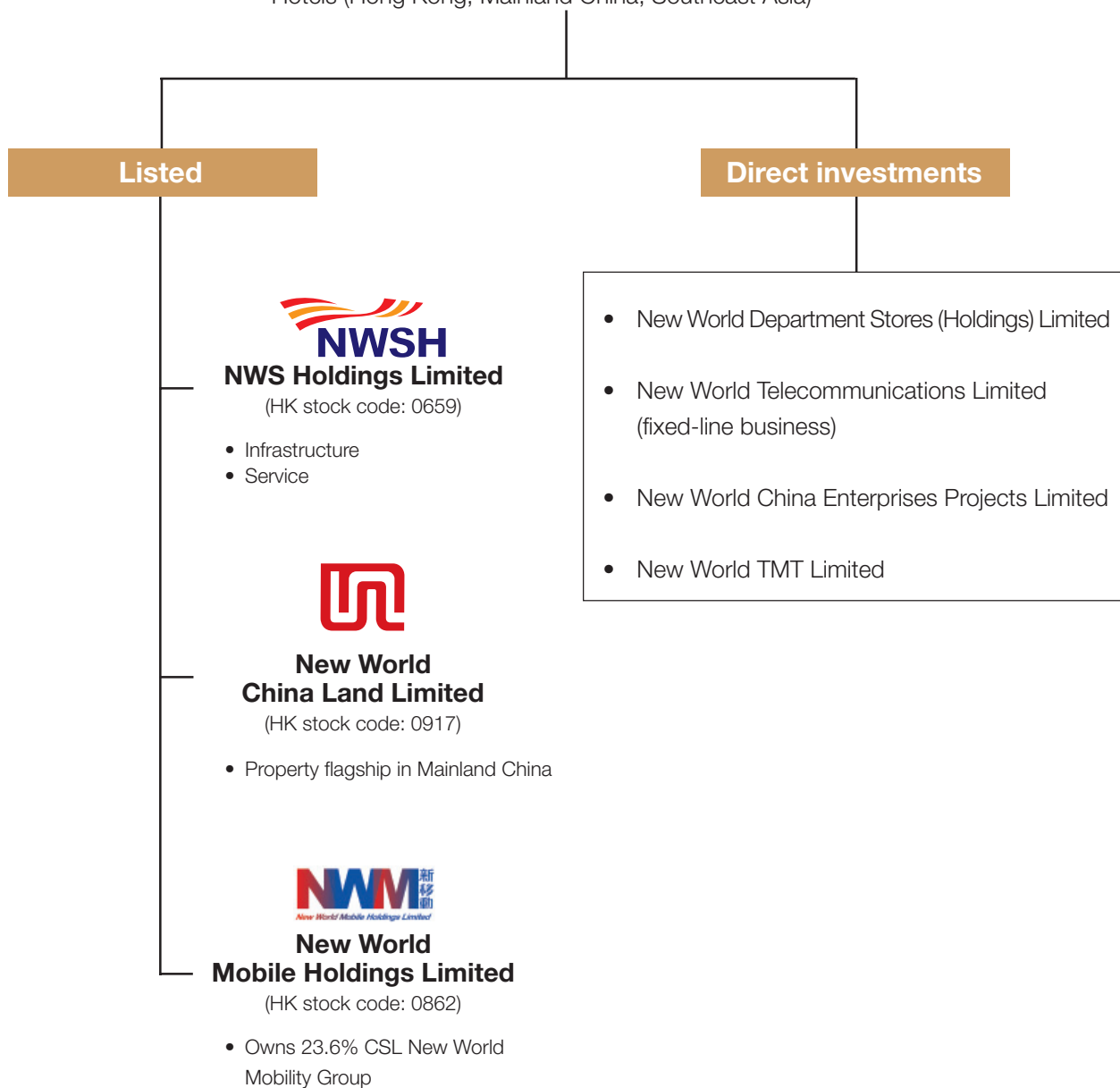
Corporate Structure



New World Development Company Limited

(HK stock code: 0017)

- Hong Kong property (development & investment)
- Hotels (Hong Kong, Mainland China, Southeast Asia)



Financial Highlights

	FY2006 HK\$m	Restated FY2005 HK\$m
Turnover	23,910.2	19,539.2
Segment results*	4,936.5	3,463.7
Profit before taxation	3,505.7	4,516.6
Profit attributable to shareholders of the Company	1,059.8	2,702.7
Earnings per share (HK\$)	0.30	0.78
Dividend per share (HK\$)		
Interim	0.13	0.10
Final	0.20	0.20
Full-year	0.33	0.30
Net cash from operating activities	1,278.2	3,060.8
Total assets	114,160.6	111,965.2
Net debt	14,963.8	13,921.9
Gearing ratio	21.6%	21.2%

* including share of results of associated companies and jointly controlled entities

Chairman's Statement

To Our Shareholders,

It has been almost a decade since the handover of Hong Kong in 1997. Hong Kong has gone through both good times and bad times. During the past decade, Hong Kong has undoubtedly played an increasingly important role in the economic development of China.

The China 11th Five-Year Plan (2006-2010) was endorsed at the fourth session of the 10th National People's Congress in March 2006. The plan has embraced Hong Kong into the country's overall development framework, further strengthening the cooperation between Hong Kong and mainland cities. It also emphasizes the importance of reinforcing Hong Kong's reputation as the world's leading finance, trading and shipping centre. This shows the central government's full support to Hong Kong by paving the way to an immense room of development.

This new national plan is the first time Hong Kong being included in the China development roadmap. The inclusion does not just confirm the status of Hong Kong, but also signifies the close ties between Hong Kong and the rest of the country.

Hong Kong's history of success is built on its flexibility in the ever-changing global economy. Hong Kong should proactively explore the opportunities and challenges imposed by the 11th Five-Year Plan. This time, we are only being responsive to the grand plan laid down by the central government. Hopefully, Hong Kong is able to contribute to the formation of future Five-Year Plans.

Hong Kong is the home base of New World Group. Like most of the citizens, New World Group was born and grew up here. After over 30 years of operations, our business has expanded geographically to the whole Greater China. Nonetheless, New World Group is committed to Hong Kong irrespective of the changing economic climate. We base our investment strategies on quality, trust, synergy and initiative. We have an unparalleled sense of vision and a dedicated team of professionals who are determined to create value, improve lifestyles and reap substantial return for shareholders, partners, employees, and the communities in which we operate.

Dr. Cheng Yu-Tung

Chairman

Hong Kong, 10 October 2006



Dr. Cheng Yu-Tung
Chairman

Managing Director's Report

To Our Shareholders,

For the 12 months ended 30 June 2006, the Group recorded a turnover of HK\$23.9 billion, up 22% year-on-year. Profit for the year attributable to the shareholders of the Company amounted to HK\$1.1 billion as compared with HK\$2.7 billion for last year. The decrease in profit is mainly due to the default in repayment of deposits and other amounts owing to New World TMT by the owners of the fibre optic backbone network totalling HK\$2.1 billion in May 2006, a full provision has been made against the amounts due. The overall business of the Group achieved satisfactory results under the resilient economy. Segment results grew 43% to HK\$4.9 billion. Net debt was slightly increased to HK\$15.0 billion which translated into a comfortable gearing ratio of 21.6%. With the confidence in future, the board declared a final dividend of 20 HK cents per share, representing a full-year dividend of 33 HK cents per share.

In the past few months, the corporate structure of the Group has been further streamlined. The merger of New World PCS and Hong Kong CSL was completed on 31 March 2006. The merged group is known as the CSL New World Mobility Group, in which New World Mobile Holdings holds 23.6% interest.

Starting from the second half of 2005, the Hong Kong property market was lukewarm. However, it is gradually warming up primarily due to four favourable factors: (1) healthy economic growth; (2) low unemployment rate; (3) growing household income; and (4) declining mortgage rate.

GDP increased by a healthy 5.2% in real terms in the second quarter of 2006 over a year earlier. Unemployment rate of July to September 2006 was 4.7%, the lowest in last five years. Median monthly household income rose 9.5% in the second quarter of 2006 to HK\$23,000. Mortgage rate offers have been changed from prime-minus to HIBOR-plus based, representing almost a one percentage point reduction.

The higher affordability and favourable environment should trigger the gradual release of the pent-up demand from the end users. The Group will gradually launch over 3,000 residential units and other high-value projects by phases in the coming months while also expanding our land reserve in a prudent manner.

Vigorous commercial activities pose strong demand of office spaces in prime districts. In effect, our office portfolio in Central and Tsim Sha Tsui is having positive rental reversion. At the same time, rising number of business travellers and tourists to Hong Kong benefits the Group's retail portfolio and hotel operations.

While enjoying the merits of Hong Kong, the Group is expanding our business in Mainland China which is now one of the key economies in the global village. Our property flagship, New World China Land, has speeded up the realization of our land reserve and has started to expand to second tier cities with a better margin outlook.

At the same time, NWS Holdings is actively looking for new infrastructure investment opportunities. The recent moves include participating in the China Rail Container Terminals Project (中國鐵路集裝箱中心站項目) across China; exploring new water business in Chongqing (重慶); and developing multi-purpose Wenzhou Zhuangyuan Ao New World International Terminals (溫州狀元壘新創建國際碼頭).

New World Department Stores currently has around 710,000 sq. m. total store area under management. Since July 2006, three new stores have been opened in Chongqing (重慶), Changsha (長沙) and Wuhan (Hankou) (武漢漢口). The Group plans to open five new stores by the end of 2007.

The Group, together with Hong Kong, should not be just a gateway to Mainland China, but an engine to drive the growth of the country.

Dr. Cheng Kar-Shun, Henry

Managing Director

Hong Kong, 10 October 2006



Dr. Cheng Kar-Shun, Henry
Managing Director



Enrich People's Living

Our sizable property portfolio in Hong Kong and Mainland China embraces residential estates, office buildings, shopping centres, hotels and convention centres. Merging nature, design and technology, we enrich people's daily living, and turn their dreams into reality.



Property

Hong Kong Property Development

The property market is recovering from the lukewarm atmosphere after the US Federal Reserve stopped raising the interest rate subsequent to 17 consecutive rate hikes. The abundant liquidity of the local banking system enables the banks in Hong Kong to offer attractive mortgage rates, such as HIBOR based rates, to home buyers. Healthy economic growth, low unemployment rate, growing household income and declining mortgage rate pose a favourable environment for the recovery of property market.

During the period under review, the Group's share of Hong Kong property sales amounted to approximately HK\$5.8 billion, up 151% year-on-year. The sales were contributed mainly from The Merton, The Grandiose and 33 Island Road.

The Group now has a landbank of 4.3 million sq. ft. GFA for immediate development and a total of 20 million sq. ft. of agricultural land reserve pending conversion.

Landbank by location	Attributable GFA (sq. ft.)
Hong Kong Island	230,343
Kowloon	1,717,156
NT excluding agricultural land pending conversion	2,328,963
Total	4,276,462

Agricultural landbank by location	Total land area (sq. ft.)	Attributable land area (sq. ft.)
Yuen Long	14,452,000	12,984,000
Shatin / Tai Po	3,424,000	2,538,000
Fanling	2,290,000	2,290,000
Sai Kung	2,624,000	2,070,000
Tuen Mun	120,000	120,000
Total	22,910,000	20,002,000

The Group is actively discussing with the government on agricultural land conversion and is also seeking various sources to replenish its landbank, such as public auctions and tendering for development projects offered by Urban Renewal Authority and the two rail companies. The Group is now closely negotiating with the government on the conversion of two sites at Wu Kai Sha (烏溪沙) and Tai Po Tsai (大埔仔) for development to provide an attributable GFA of around 1.6 million sq. ft.. In addition, the Group is working on the acquisitions of old buildings for redevelopment purpose.



The Group is planning to launch the Deep Bay Grove (深灣畔) in Lau Fau Shan (流浮山) in the fourth quarter of 2006. Meanwhile, the Group is expected to launch five projects: Black's Link project (布力徑項目), Hunghom Peninsula (紅灣半島), Prince Edward Road West project (太子道西項目), Belcher's Street project (卑路乍街項目) and Ma Tin Road project (馬田路項目) to provide a total GFA of over 2.3 million sq. ft. in the coming months. In addition, the Hanoi Road Redevelopment Project in Kowloon will provide a 491,000 sq. ft. residential area.

Hong Kong Property Investment

During the year under review, the Group's gross rental income in Hong Kong amounted to HK\$1,021.8 million, up 7% year-on-year. It was mainly due to a growing local economy and rising tourist number.

Driven by the strong pedestrian flow from KCR East Tsim Sha Tsui Station and the Avenue of Stars, both occupancy and rental rate for New World Centre grew satisfactorily.

Hong Kong's buoyant economy and the expanding scope of CEPA have created higher demand for office space. Both occupancy and rental rates of our office portfolio are expected to be further benefited.

The rising number of visitors to Hong Kong has enhanced the rental rates in prime tourist areas, like Tsim Sha Tsui. The 1.1-million sq. ft. GFA Tsim Sha Tsui Hanoi Road Redevelopment Project, which is scheduled to complete in 2008, has a 340,000-sq. ft. shopping mall with direct access to MTR Tsim Sha Tsui Station and KCR East Tsim Sha Tsui Station. Upon opening, it will further enhance our rental portfolio.



Hotels

The visitor arrivals to Hong Kong in the first half of 2006 reached above 12 million, up 11.1% year-on-year. Our hotel operations benefited from the rising visitor number. The Group's hotels in Hong Kong, namely Grand Hyatt Hong Kong, Renaissance Harbour View Hotel and Renaissance Kowloon Hotel, recorded an average occupancy of 85% and a 20% growth in average room rate achieved during the period under review.

The Group's hotels in Mainland China achieved a satisfactory growth in both occupancy and room rate. Our four hotels in Southeast Asia have a moderate growth in contribution.

To further capture the booming tourist demand, the Group will build three more hotels in Hong Kong located at Hanoi Road, the KCR University Station and the New World Centre Extension respectively.

New World Hotel Shenyang re-opened in September 2006 after renovation. The Group now has two hotels in Wuhan and Dalian under construction and both are expected to be completed in 2007.

New World China Land Limited ("NWCL")

During the period under review, 765,774 sq. m. were sold to generate gross proceeds of approximately HK\$4.2 billion. 707,043 sq. m. GFA of development properties and 356,000 sq. m. GFA of investment projects were completed in FY2006. Total inventory as at 30 June 2006 amounted to 384,796 sq. m. GFA.

NWCL expects to complete around one million sq. m. GFA of properties in FY2007. From July to September 2006, NWCL sold and pre-sold approximately 320,000 sq. m. GFA.

A new series of macro control measures over the property market from the Central Government was announced starting May 2006. By curbing the speculation and stabilizing the price of the property market, those measures can direct the property market to a healthy and stable development in the long run.

NWCL brand is now well-recognized by the local home buyers. NWCL has been certified and selected into the China's real estate company brand value research top ten list by the "China Real Estate Top 10 Research Team" for two consecutive years, and was awarded "2006 Leading Company Brand in China

Real Estate" this year. Meanwhile, NWCL was awarded "2006 China Blue Chip Real Estate Corporation" in September 2006. Recently, we have launched a re-branding exercise to strengthen the company's brand equity which is one of the key success factors for a national property developer.





Accelerate Country's Advancement

Our investments in infrastructure projects span Hong Kong, Macau and Mainland China, operating vital utility services and infrastructure facilities. We bring warmth and light to million of homes; we facilitate high mobility of people and goods; we accelerate the advancement of our country.



Infrastructure

The operating performance of infrastructure division, including energy, roads, water and ports businesses, provided a sustainable contribution to the Group in FY2006.

During the period under review, the performance of the energy business was stable and presented a solid contribution. The combined electricity sales of Zhujiang Power Plants in FY2006 increased slightly by 1%. Aggregate sales revenue for the year grew by 5% as benefited not only by rise in electricity sales but also a tariff increment introduced in May 2005. In FY2006, the total fuel costs of Zhujiang Power Plants increased approximately by 6% which was due to the increase in coal price. Increase in both sales volume and tariffs, together with tight cost control, led to a slight improvement in overall profitability of Zhujiang Power Plants.

With an 11% increase in electricity sales, the overall performance of Macau Power continued to be satisfactory but its contribution to the Group's profit remains stable as a result of profit control scheme restrictions.

The overall performance of road business recorded a strong growth during the period under review. Performance of projects within the Pearl River Delta region was outstanding. Average daily traffic flow of Guangzhou City Northern Ring Road increased by 13% in FY2006. The contribution from Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) increased significantly in FY2006 as benefited by the strong economic development of the Pearl River Delta region and the opening of a connecting expressway in November 2005. The combined average daily traffic flow of Shenzhen-Huizhou Roadway and Expressway was up 14% during the period under review.



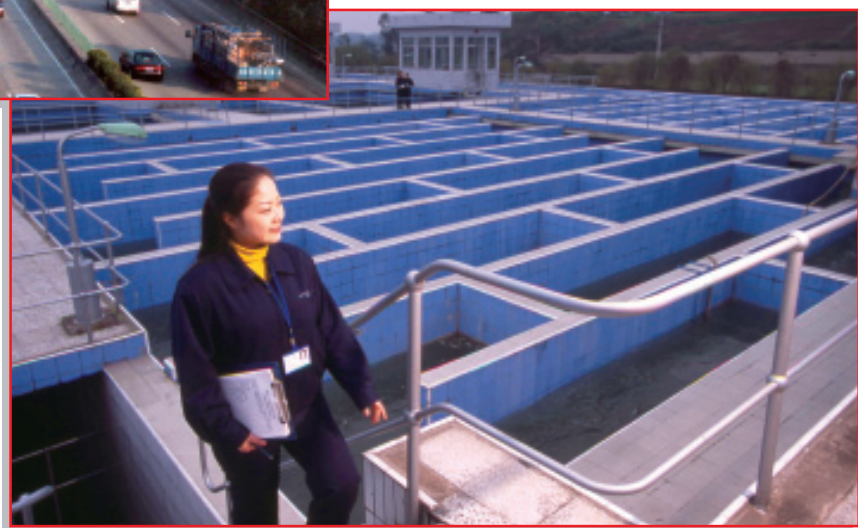
In FY2006, Wuhan Airport Expressway and Tangjin Expressway (Tianjin North Section) posted a moderate growth in contribution.

The Group continues to consolidate its portfolio and divest investments generating lower than expected returns. During FY2006, the Group's interests in Roadway No. 1906 (Qingcheng Section) and Hui-Ao Roadway were disposed of.

Commencement of operations of Tianjin Tanggu Water Plant and Shanghai SCIP Water Treatment Plants in early 2005 and the strong performance of Chongqing Water Plant made an increase in profit contribution from water business. Meanwhile, performance of other water projects in Mainland China was satisfactory in FY2006.

The average daily water sales volume of Macau Water Plant increased by 6% year-on-year. However, the contribution from Macau Water Plant was affected by the increase in raw water tariff due to the seasonal salinity problem in early 2006. On the other hand, to cope with the increasing water demand, Macau Water Plant had scheduled an expansion of its existing treatment capacity.

As a result of the introduction of new shipping lines and the volume increase of existing major customers, Xiamen New World Xiangyu Terminals Co., Ltd. recorded a 16% volume growth to 736,000 TEUs in FY2006.



Due to the cessation of the coal business since March 2005, the contribution from Tianjin Orient Container Terminals Co., Ltd. ("TOCT"), operator of four container berths and one coal berth in Tianjin Xingang, was negatively affected. To improve its handling capacity and overall competitiveness, TOCT decided to convert the existing coal berth into a container handling facility. Major equipment and construction contracts have been signed and the conversion is expected to complete by early 2007.

In November 2005, NWS Holdings Limited ("NWSH") invested in 18% interest in Tianjin Five Continents International Container Terminal Co., Ltd. which handled 831,000 TEUs in its first few months of operation.





Sustain the Nation's Growth

Our service businesses provide an unrivalled breadth and depth of expertise that stretches from facilities rental, contracting to transport and others. As we move forward, we continue to support economic development and sustain the nation's growth.



Service

In FY2006, there was a significant increment in the contribution from the service operations. It was mainly due to the turnaround of the contracting operation from a loss in previous year to a profit this year. Other businesses in service operations also achieved satisfactory contribution.

Hong Kong Convention and Exhibition Centre (“HKCEC”) continued to achieve satisfactory result in FY2006. More than 1,300 events were held during the year serving over 4.9 million guests. Its average occupancy rate achieved a record high of 58%, up by 5% due to the positive impact of the Sixth WTO Ministerial Conference held in December 2005.

New venues such as the AsiaWorld-Expo and other conference and exhibition facilities in the Mainland China and other Asian countries have increased market competition. To strengthen its leading position as a premier and well-renowned international exhibition centre and being a proven venue choice in Hong Kong, HKCEC will continually enhance its service quality, facilities and equipment. The Atrium Link expansion construction commenced in August 2006 and will be completed in 2009. After completion of the expansion, HKCEC will have 30% additional exhibition space, making a total of 83,400 sq. m..

ATL Logistics Centre (“ATL”) benefited from the recovery of local economy and booming Mainland China market. It recorded a steady profit with average occupancy rate reaching 96% in FY2006. Managing one of the largest multi-storey drive-in warehousing/container freight station complexes in Hong Kong, ATL continues to provide professional warehousing and terminal services to its global and sophisticated clientele and remains as the market leader in the industry. It is expected that ATL will keep on delivering stable contribution as a result of the continuous growth of Hong Kong economy due to relaxation of personal travel of Mainlanders and increase in local consumer spending.



In FY2006, the contracting operation achieved satisfactory results with a turnaround from a loss in FY2005 to a profit. The significant improvement in operating results is due to a combination of factors including effective cost control measures and increased volume of work.

Building on the entrenched reputation in managing mega-sized and high quality construction projects and following the recent recovery of the private property development sector, the contracts on hand as at 30 June 2006 amounted to around HK\$21 billion. Following the fast expanding market potential in the Macau construction industry, the Group has successfully demonstrated its competitiveness and market-leading capability in securing a number of mega-sized projects, notably the Grand Lisboa Hotel project and the MGM Grand Paradise project.

The transport industry has been continuously suffering from the escalating fuel prices which have, on average, increased by nearly 30% during the period under review. In addition, other cost factors such as tunnel tolls, vessel maintenance costs and increase in interest rates were also working against the profits of the year. Our transport business will continue to implement all possible cost reduction measures through better resources allocation and utilization.





On 28 September 2006, NWSH entered into a joint venture agreement to establish a Sino-foreign equity joint venture enterprise in Mainland China (the "JV Enterprise"). The JV Enterprise will participate in developing and operating large-scale pivotal rail container terminals in Mainland China and the total investment cost will be approximately HK\$11.5 billion. NWSH will have a 22% interest in the JV Enterprise and is required to pay approximately HK\$0.9 billion as its portion of the JV Enterprise's registered capital and provide financial support for any possible financing arrangement in proportion to its interest in the JV Enterprise up to approximately HK\$1.6 billion.

Free Duty engaged in retail business of duty free tobacco and liquor at Hong Kong International Airport as well as the ferry terminals in China Hong Kong City and Shun Tak Centre. With the rebound in tourism sector and robust patronage, the company achieved excellent result during the year. Following the increasing trend in spending per passenger and the opening of its new retail outlets totalling approximately 28,000 sq. ft. at the KCR Lok Ma Chau Station, it is expected Free Duty will continually deliver steady contribution to the Group.



Urban Property Management Group contributed a stable profit to the Group despite tough market competition and maintained a clientele of over 165,000 residential units under management.



Keep People Connected

Telecommunication is an indispensable part of modern life. Our super-quality fixed-line service and innovative multimedia mobile solutions keep people connected, informed and entertained anytime, anywhere.



Telecommunications

New World Mobile Holdings Limited (“NWMH”)

The merger between New World Mobility and Telstra CSL Limited was completed on 31 March 2006. Immediately after the completion of the merger, NWMH has 23.6% shareholding in the merged company, CSL New World Mobility Group, which continues to operate the mobile telecommunications businesses of the merged entity. The Group has booked an effective gain of HK\$555.4 million for this transaction.

During the period under review, NWMH acquired New World Cyberbase Solutions (“NWCS”) which is principally engaged in mobile Internet business in Mainland China. Multimedia messaging service (“MMS”) product and wireless application protocol (“WAP”) services are the major contributors to NWCS’s revenue. NWCS has spent much sales and marketing efforts to enhance market presence. As at 30 June 2006, number of monthly subscribers reached over 270,000, of which over 90% being MMS and WAP subscribers. Product portfolio was enriched to retain and attract subscribers.



New World Telecommunications Limited (“NWT”)

To cope with the new competition landscape, NWT has transformed from a traditional telecom carrier into a next generation IP and telecom service provider, offering a portfolio of voice, data and content services to both business and individual customers.

During the year under review, a series of data business and IP based services, namely “Search ’n Click”, “NWT Hosted Exchange” and “PC Defense”, were launched to the market. “Search ’n Click” is a search marketing service which has received overwhelming responses from local enterprises. “NWT Hosted Exchange” is the first managed e-mail service in Hong Kong, and “PC Defense” is an easy-to-use and flexible managed security service.

Riding on its Next Generation Network, NWT will continue its focus on offering customer-focused, innovative and quality integrated communications, digital media and managed services to the customers. Meanwhile, NWT will keep on exploring and collaborating opportunities of strategic partnerships with well-known local and international IT and telecom service providers, in order to enrich the entire service scope, to improve service quality, as well as to provide competitive and quality converged communications services.





Seek out to New Opportunities

We never cease to seek out to new opportunities. Our investment in high-growth strategic industries in Hong Kong and Mainland China helps bolster the group's further expansion.

Strategic Businesses

New World Department Stores (“NWDS”)

NWDS benefited from the growing consumer market in Mainland China. Total sales proceeds in FY2006 amounted to HK\$4.9 billion, up 28% year-on-year.

As at the end of June 2006, NWDS’s operations expanded to 21 stores across 11 cities in Mainland China and Hong Kong with a total GFA of 596,680 sq. m.. During the year under review, four stores were opened in Lanzhou (蘭州), Wuhan (Wuchang) (武漢武昌), Shanghai (Minhang) (上海閔行) and Shenyang (Zhonghua Road) (瀋陽中華路) respectively.

Since July 2006, three stores have been opened in Chongqing (重慶), Changsha (長沙) and Wuhan (Hankou) (武漢漢口). The Group plans to open one store in late 2006 and four stores in 2007 with a total store area of 151,500 sq. m.. In cities with satisfactory operations, NWDS is seeking opportunities and locations for more new stores. NWDS is also actively exploring investment opportunities in cities where NWDS currently has no retail operations.

City	城市	Date of business commencement	GFA (sq. m.)
Existing			
Wuhan (Jianshe Dadao)	武漢(建設大道)	Nov 1994 / Sep 2000#	35,000*
Shenyang (Nanjing Street)	瀋陽(南京街)	Nov 1995 / Jul 2005#	13,500
Wuxi	無錫	Jan 1996	16,000
Harbin	哈爾濱	Nov 1996	34,000
Tianjin	天津	Oct 1997	83,000
Ningbo	寧波	Apr 1998	10,000
Beijing	北京	Jun 1998 / Oct 2000#	108,000*
Hong Kong	香港	Apr 1999	14,000*
Shenyang (Taiyuan Street)	瀋陽(太原街)	Aug 2000	10,400
Shanghai (Central Huaihai Road)	上海(淮海中路)	Dec 2001	22,500
Wuhan (Jiangnan Road)	武漢(江漢路)	Dec 2001	23,000
Shanghai (Changning Road)	上海(長寧路)	Jan 2002	20,000*
Dalian	大連	Sep 2002	32,000
Shanghai (Hongkou)	上海(虹口)	Oct 2003	15,000
Kunming	昆明	Jun 2004	12,600
Shanghai (Dingxi Road)	上海(定西路)	Sep 2004	6,680
Ningbo (Huimei)	寧波(匯美)	Nov 2004	10,600
Lanzhou	蘭州	Sep 2005	27,200*
Wuhan (Wuchang)	武漢(武昌)	Oct 2005	22,650
Shanghai (Minhang)	上海(閔行)	Dec 2005	36,550
Shenyang (Zhonghua Road)	瀋陽(中華路)	Dec 2005	44,000
Chongqing	重慶	Sep 2006	42,000
Changsha	長沙	Sep 2006	35,000
Wuhan (Hankou)	武漢(漢口)	Sep 2006	37,000
Total			710,680
To be completed			
Xiamen	廈門	2006	20,000
Shanghai (Yangpu)	上海(楊浦)	2007	44,000
Beijing (Chaoyang)	北京(朝陽)	2007	31,500
Chengdu	成都	2007	30,000
Nanjing	南京	2007	26,000
Total			151,500

* include supermarket
open in two phases

New World China Enterprises Projects Limited (“NWCEP”)

The mandate of NWCEP is to focus on strategic investments in manufacturing industries and State-Owned Enterprises reforms and restructures in China. NWCEP not only acts as investment manager for the Group’s industrial projects but also acts as project manager for a China-focused private equity fund, New World Liberty China Ventures Limited (“NWLCV”). The current total amount of investment of NWCEP is about US\$186 million for over 20 projects.

Since the inception of NWLCV, 10 projects and 65% of the initial US\$150 million capital have been invested in small and medium-size enterprises in China. Amongst the investments, Kunming Fulintang Pharmaceutical Company Limited, The Waterman Company Limited Shanghai, Shanghai Autotech Service Limited, Xiamen Topstar Company Limited and HXNW Auto Service Limited have achieved significant improvement in their overall performance.

During the year under review, NWCEP invested in Shinhint Acoustic Link Holdings Limited (“Shinhint”), a Hong Kong based integrated manufacturing service provider for ODM/OEM production of electro-acoustic consumer products; and Hembly International Holdings Limited (“Hembly”) which is principally engaged in provision of supply chain services for its supply of apparel and accessories to international brand apparel makers. Shinhint and Hembly have been successfully listed on the Hong Kong Stock Exchange since 14 July 2005 and 13 July 2006 respectively. NWCEP currently holds 5.438% of Shinhint and 12.08% of Hembly. NWCEP continues to look for pre-IPO investments.

New World TMT Limited (“NWTMT”)

The privatization of NWTMT was approved in the NWTMT EGM held on 13 January 2006. The withdrawal of listing of NWTMT was effective from 21 February 2006.

Following the default in repayment of the deposits for the fibre optic backbone network, loans and other amounts owing to NWTMT by the owners of the fibre optic backbone network totalling approximately \$2.1 billion together with accrued interest in May 2006, a full provision has been made during the year under review.

The PrediWave litigation is in progress and the court trial will commence on 23 October 2006.

Corporate Governance Report

Corporate Governance Practices

The Company is committed to maintain a high standard of corporate governance practices and procedures. For the year under review, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules, except for the deviations as disclosed in this report.

The board of Directors (the "Board") will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective board to optimise return for shareholders.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 June 2006.

As required under code provision A.5.4 of the CG Code, the Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the securities of the Company. The Board has established guidelines for employees in respect of their dealings in the securities of the Company, but they are not on no less exacting terms than the Model Code. The deviation is mainly due to the fact that the Company currently has over 53,000 employees and operates diversified businesses, it will cause immense administrative burden for processing written notifications from the relevant employees by the Company.

Board of Directors

The Board oversees the management, businesses, strategic directions and financial performance of the Group.

The Board currently comprises a total of 14 Directors, with five Executive Directors, five Non-executive Directors and four Independent Non-executive Directors. The biographies of the Directors are set out on pages 60 to 64 of this annual report. The Company has received annual confirmation of independence from all the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

The Board has delegated an Executive Committee comprising all Executive Directors of the Board, with authority and responsibility for handling the management functions and day-to-day operations of the Group, while reserving certain key matters such as the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee meets regularly as when necessary.

Chairman and Managing Director

The Board has appointed a Chairman who provides leadership for the Board and ensures that the Board works effectively and that all important issues are discussed in a timely manner. The Managing Director takes the lead in the Group's operations and business development. The positions of the Chairman and the Managing Director are held by separate individuals so as to maintain an effective segregation of duties.

Non-executive Directors

Non-executive Directors (including the Independent Non-executive Directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group. The Non-executive Directors are not appointed for a specific term as is stipulated in Code provision A.4.1, but are subject to retirement by rotation in accordance with the articles of association of the Company. Article 103(A) of the articles of association of the Company provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Remuneration of Directors

The Company established the Remuneration Committee on 22 September 2005 with specific written terms of reference. The Remuneration Committee is responsible for making recommendations on the Company's policy and structure for the remuneration of all the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for approval by the Board. The Remuneration Committee met once during the year to review the remuneration policy for Directors and senior management of the Company. Members of the Remuneration Committee are Mr. Leung Chi-Kin, Stewart (Chairman), Dr. Cha Mou-Sing, Payson, Mr. Yeung Ping-Leung, Howard and Mr. Lee Luen-Wai, John.

The remuneration for the Executive Directors comprises basic salary, pensions and discretionary bonus. In addition to the above, certain Directors have been granted options under share option schemes of various listed subsidiaries to enable the Directors to subscribe for shares in those subsidiaries. Details of the amount of emoluments of Directors paid for the financial year ended 30 June 2006 are set out in note 16 to the financial statements.

Nomination of Directors

The Board is responsible for considering the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and approving and terminating the appointment of a Director. A candidate to be appointed as Independent Non-executive Director must also meet the independence requirement sets out in Rule 3.13 of the Listing Rules. During the year under review, the Company had not established a nomination committee and no meeting was held by the Board for nomination of new Director.

Audit Committee

The Audit Committee, established in fiscal year 1999 with specific written terms of reference, consists of three Independent Non-executive Directors of the Board, is responsible for the review and supervision of the Group's financial reporting process and internal controls.

During the year, the Audit Committee reviewed with the auditors the audited financial statements for the year ended 30 June 2005 and the unaudited interim financial statements for the six months ended 31 December 2005 with recommendations to the Board for approval, reviewed reports on internal control system of the Group, and discussed with the management and the external auditors the accounting policies and practices which may affect the Group and financial reporting matters. Members of the Audit Committee are Dr. Cha Mou-Sing, Payson (Chairman), Mr. Yeung Ping-Leung, Howard and Mr. Lee Luen-Wai, John.

Attendance at Meetings of the Board, the Audit Committee and the Remuneration Committee

Name of Directors	Number of meetings attended/eligible to attend for the year ended 30 June 2006		
	Board	Audit Committee	Remuneration Committee
Executive Directors			
Dato' Dr. Cheng Yu-Tung (<i>Chairman</i>)	4/4		
Dr. Cheng Kar-Shun, Henry (<i>Managing Director</i>)	3/4		
Dr. Sin Wai-Kin, David	3/4		
Mr. Liang Chong-Hou, David	3/4		
Mr. Leung Chi-Kin, Stewart	4/4		1/1
Non-executive Directors			
Mr. Cheng Yue-Pui	2/4		
Mr. Cheng Kar-Shing, Peter	3/4		
Mr. Chow Kwai-Cheung	3/4		
Mr. Ho Hau-Hay, Hamilton	4/4		
Mr. Liang Cheung-Biu, Thomas	3/4		
Independent Non-executive Directors			
Lord Sandberg, Michael	0/4		
Mr. Yeung Ping-Leung, Howard	4/4	1/2	0/1
Dr. Cha Mou-Sing, Payson JP	3/4	2/2	1/1
Mr. Lee Luen-Wai, John JP	4/4	2/2	1/1

Auditors' Remuneration

During the year ended 30 June 2006, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Type of services	Fee paid/payable for the year ended 30 June	
	2006 HK\$m	2005 HK\$m
Audit services	43.9	37.4
Non-audit services	12.7	9.5
Total	56.6	46.9

Directors' Responsibility for the Financial Statements

The Board, supported by the accounts department, is responsible for the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and complied with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on page 95 of this annual report.

Internal Control

The Board is responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

An internal audit department has been established to conduct audits of the Company and its subsidiaries, associated companies and jointly controlled entities. The internal audit department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key business and operational risks are identified and managed. The work carried out by the internal audit department will ensure the internal controls are carried out appropriately and functioning as intended. The internal audit department reports to the Board with its findings and makes recommendations to improve the internal control of the Group.

The Audit Committee also receives the report from the internal audit department and takes such report into consideration when it makes its recommendation to the Board for approval of the half-yearly or annual results of the Group.

Communication with Shareholders

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman, Managing Director, other members of the Board and external auditors attend the annual general meeting. The Directors will answer questions raised by the shareholders on the performance of the Group. The Company holds press and analysts conferences at least twice a year following the release of interim and full year results announcements at which the Executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group. Our corporate website which contains corporate information, interim and annual reports, announcements and circulars issued by the Group as well as the recent developments of the Group enables the Company's shareholders to have a timely and updated information of the Group.



Corporate Citizenship

Create a Caring New World



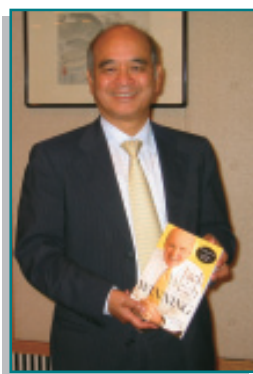
As an integral part of the communities in which we operate, the Group is dedicated to fulfilling our shares as a responsible and caring corporate citizen. We have been actively participating in and supporting charity projects. In recognition of our devotion and outstanding performance in corporate social responsibility, New World Development Company Limited and its 25 group companies have been awarded the 2005/06 Caring Company Logo by the Hong Kong Council of Social Service.

We Care about Education & Learning

Supporting the Nurture of Future Leaders

NWD is keen on supporting academic and research development, and promoting academic exchanges in Hong Kong. Over the years, Dr Cheng Yu-Tung, the Group's Chairman, has sponsored many academic development projects of The Chinese University of Hong Kong ("CUHK").

NWD strongly supports CUHK's vision to strengthen Hong Kong's role as an excellent hospitality and tourism centre in the region. CUHK, in particular its School of Hotel and Tourism Management, is partnering with the Group to develop a teaching hotel to nurture future leaders in hotel and tourism management.



Supporting "Hong Kong Reading Month"

To arouse the interests of reading and learning and promote the value of self-enhancement among staff and general public, the Group supported "Hong Kong Reading Month" organized by Hong Kong Publishing Federation in July and August 2006. Dr Henry Cheng has recommended the book, *Winning*, by Jack Welch in the event.

Sponsoring “Modern Apprenticeship”

New World Group has been supporting “Modern Apprenticeship”, a joint venture with Delia Group of Schools and Breakthrough Organization since 2004. Scholarship and apprentice training are provided for the youngsters. The programme aims at equipping them with work experience and building up their self-confidence through work. The Group also provides job opportunities for the outstanding graduates upon completion of the programme.



Participating in the “MTR Hong Kong Race Walking 2006”

The Group organized a team of four to participate in the “MTR Hong Kong Race Walking 2006” to raise funds for the Hospital Authority Health InfoWorld’s “Better Health for a Better Hong Kong” education campaign.

We Care for Those in Need

Supporting Médecins Sans Frontières

New World Group is supportive to the meaningful initiatives of Médecins Sans Frontières (“MSF”).

The Group has provided media sponsorship for MSF’s awareness campaign in 2006. Free advertising spaces at bus shelters of New World First Bus and Citybus as well as free airtime at FirsTVision are offered. The sponsorship aims at arousing awareness and support to MSF’s meaningful life-saving effort among general public.

Also, we have organized “New World MSF Day” in October 2006, which encouraged staff members to donate one day of their salary to MSF, just as volunteering for MSF’s worldwide medical aid work for one day.



What’s more, the Group has invited a volunteer worker of MSF as the guest speaker of an experience sharing session for staff. The speaker has shared the frontline experience gained from her first MSF mission in Kerenek, West Darfur, Sudan. The session helped our staff gain more knowledge on MSF’s commitment to save life and alleviate suffering.

Making Hiu Yin's Dream Come True

12-year-old Chau Hiu-Yin suffers from life-threatening congenital illness. Her wish was to enjoy a buffet dinner at the Congress Restaurant of HKCEC.

Having received the request from Make-A-Wish Foundation of Hong Kong, NWD immediately fulfilled Hiu Yin's wish by arranging a free buffet dinner of 12 people for her at Congress Restaurant. She enjoyed the dinner and shared the joy with her family and friends. The Group is grateful to have created such a special and everlasting memory for this cheerful young lady.



We Care for Our Staff



A motivated, highly skilled workforce is more than a deciding factor in an age of rapid development and knowledge advancement. It is the driving force behind our growth and development. The Group values every individual staff and places special emphasis on attracting, developing and retaining employees through competitive employment package and incentive policies.

To power the Group's development, training and re-training are essential to upgrade the quality of workforce and contribute to the operational excellence. As such, we are hosting the management trainee programme which nurtures high-calibre individuals for the management team and mentor scheme which facilitates staff development. Training courses and education subsidies are also available to staff so as to upgrade their work skills.

The Group recognizes the contribution and achievements of staff through its award programme. This cultivates staff commitment to strive for excellence and professionalism.

As at 30 June 2006, the Group had over 53,000 employees, a 13% increase compared to 47,000 as at 30 June 2005. To promote team spirit for working towards a common goal, staff are kept abreast of the latest development of the Group via effective communication channels including monthly newsletter, intranet and emails.

Moreover, to enhance employees' sense of belonging, the Group encourages employees and their families to participate in company-sponsored staff activities, including corporate fun day, charity events, community services and staff trips. This helps create a harmonious working environment and boost employees' morale.



We Care about Investor Relations

The Group highly values investor communication. We are committed to timely and effective communication with our investors and have undertaken numerous site visits, meetings with the media and investment community and participated in different investment forums and overseas roadshows.

The wide spectrum of activities has enhanced the investment community's knowledge and understanding of the Group's goals and targets, how it seeks to achieve them and how it performs. With investors' growing interests in our various listed divisions, the Group will further our goals in achieving better corporate transparency and enabling investors to have a better understanding about the company's prospects.



In addition, our corporate website is kept updated in a timely and equitable manner. Investors as well as the general public can access to the Group's latest information including corporate fact sheet, stock price information, financial performance, announcements, corporate governance principles and more.

Our continual determination in maintaining high level of transparency and disclosure has been recognized by various annual report rewards we received. The Group has triumphed in the International ARC Awards 2006, the widely recognized "Academy Awards of Annual Reports". NWCL and NWD FY2005 Annual Reports were honoured with Gold and Silver Awards respectively in "Overall Annual Report: Real Estate Development/Service" category. Also, NWSH FY2005 Annual Report won Silver Award in "Interior Design" and Honour in "Cover Design/Photo" in the "Conglomerate" sector. The Group will keep on striving to achieve excellence in our annual reports, which are important tools in investor communication.

Management Discussion and Analysis

Consolidated Income Statement

	FY2006 HK\$m	Restated FY2005 HK\$m
Turnover	23,910.2	19,539.2
Cost of sales	(17,708.2)	(14,559.5)
Gross profit	6,202.0	4,979.7
Other income	35.5	32.7
Other (charge)/gains	(1,763.9)	1,823.1
Selling and marketing expenses	(519.4)	(463.7)
Administrative expenses	(1,065.9)	(934.3)
Other operating expenses	(2,564.7)	(2,214.2)
Fair value changes on investment properties	1,462.9	–
Operating profit before financing costs and income	1,786.5	3,223.3
Financing costs	(1,115.0)	(707.3)
Financing income	541.2	368.8
Operating profit	1,212.7	2,884.8
Share of results of		
Associated companies	656.8	402.8
Jointly controlled entities	1,636.2	1,229.0
Profit before taxation	3,505.7	4,516.6
Taxation	(892.6)	(515.3)
Minority interests	(1,553.3)	(1,298.6)
Profit attributable to shareholders	1,059.8	2,702.7

Turnover – Breakdown by Business Segment

	FY2006 HK\$m	Restated FY2005 HK\$m	YoY
Property sales	5,325.5	3,377.8	+58%
Rental	1,096.4	946.4	+16%
Infrastructure	308.1	239.5	+29%
Service	11,052.4	8,972.3	+23%
Hotel operations	2,052.1	1,845.8	+11%
Department stores	1,357.1	1,120.4	+21%
Telecommunications	2,297.6	2,563.2	-10%
Others	421.0	473.8	-11%
Consolidated	23,910.2	19,539.2	+22%

Analysis of segment results (including share of results of associated companies and jointly controlled entities)

	FY2006 HK\$m	Restated FY2005 HK\$m	YoY
Property sales	1,513.9	1,190.9	+27%
Rental	1,206.5	740.9	+63%
Infrastructure	1,086.7	905.8	+20%
Service	741.4	363.4	+104%
Hotel operations	425.5	295.7	+44%
Department stores	107.4	104.3	+3%
Telecommunications	(75.2)	19.8	NA
Others	(69.7)	(157.1)	NA
Segment results	4,936.5	3,463.7	+43%

Financial Review

For the year under review, the Group recorded a profit attributable to shareholders amounted to HK\$1,059.8 million, down 61% year-on-year. The decline is mainly due to the HK\$1,763.9 million other charge in FY2006 against other gains of HK\$1,823.1 million in FY2005.

All major business operations: property sales and rental, service and infrastructure, hotels and department stores achieved satisfactory contribution growth. Total segment results amounted to HK\$4,936.5 million, up 43% year-on-year.

Turnover increased 22% from HK\$19,539.2 million to HK\$23,910.2 million, mainly due to the growth of contracting business and the sales volume of Hong Kong properties.

Property Sales

In FY2006, the Group's property sales revenues amounted to HK\$5,325.5 million, up 58%. During the year under review, the Group sold an effective share of approximately 1.7 million sq. ft. of properties in Hong Kong against approximately 1 million sq. ft. in FY2005. Whereas, NWCL sold 765,774 sq. m. of properties in FY2006 against 754,474 sq. m. in last year.

Property sales segment contributed HK\$1,513.9 million against HK\$1,190.9 million last year. The segment contribution from Hong Kong was mostly attributed to the sales of The Merton, The Grandiose and 33 Island Road.

Rental

Rental turnover grew 16% to HK\$1,096.4 million. Both Hong Kong and Mainland China had a healthy growth in rental revenue.

Rental business has a segment contribution of HK\$1,206.5 million, up 63% from HK\$740.9 million in the previous financial year. The higher contribution came from New World Centre, New World Tower and our Mainland China investment properties.

Infrastructure

The 29% growth of the infrastructure turnover was mainly contributed by the growth from the road operations.

Infrastructure posted a segment result of HK\$1,086.7 million, up 20%. The performance of the Group's infrastructure division remained satisfactory, largely due to Mainland China's continued strong economic performance. The growth was mainly driven by roads, water and ports businesses. Performance of the energy business remained stable during FY2006.

Service

Turnover of service operations increased 23% to HK\$11,052.4 million in the year under review. It was mainly due to the turnaround of contracting operation from a loss in previous year to a profit this year. Other businesses in service operations also achieved satisfactory contribution.

Segment contribution from service operations hiked 104% to HK\$741.4 million. In FY2006, contracting business achieved satisfactory results with a turnaround from a loss. The significant improvement in operating results is due to a combination of factors including effective cost control measures and increased volume of work. Contracting business has secured contracts of substantial size with total contract sum over HK\$21 billion as at 30 June 2006.

Hotel Operations

Hotel operations contributed HK\$425.5 million, surged 44% from last year. The visitor arrivals to Hong Kong in the first half of 2006 reached above 12 million, up 11.1% year-on-year. Our hotel operations benefited from the rising visitor number. The Group's hotels in Hong Kong, namely Grand Hyatt Hong Kong, Renaissance Harbour View Hotel and Renaissance Kowloon Hotel, recorded an average occupancy of 85% and a 20% growth in average room rate. Meanwhile, the occupancy rate of New World Mayfair Hotel Shanghai in Mainland China improved significantly.

Department Stores

Turnover of NWDS amounted to HK\$1,357.1 million, up 21% year-on-year. During the year under review, four stores were opened in Lanzhou (蘭州), Wuhan (Wuchang) (武漢武昌), Shanghai (Minhang) (上海閔行) and Shenyang (Zhonghua Road) (瀋陽中華路) respectively.

Segment contribution from department stores business grew 3% to HK\$107.4 million. New accounting principle is adopted to have payments made under operating leases charging to the profit and loss account on a straight-line basis over the lease periods. In effect, HK\$50 million more was charged as expenses. Otherwise, the segment result should have been over HK\$150 million.

Telecommunications

Telecommunications segment contributed a loss of HK\$75.2 million against a gain of HK\$19.8 million last year. The Group's telecommunications business, especially the fixed-line business, was facing keen competition. NWT has transformed itself to provide broadband and IP based services, while the IDD tariff and fixed-line service charge were declining.

Others

Others segment narrowed down the loss from last year's HK\$157.1 million to HK\$69.7 million in FY2006. During the year under review, NWCEP invested in Shinhint, a Hong Kong based integrated manufacturing service provider for ODM/OEM production of electro-acoustic consumer products; and Hembly, which is principally engaged in provision of supply chain services for its supply of apparel and accessories to international brand apparel makers. Shinhint and Hembly were successfully listed on the Hong Kong Stock Exchange since 14 July 2005 and 13 July 2006 respectively. NWCEP currently holds 5.438% of Shinhint and 12.08% of Hembly.

Finance Costs

Net financial expenses have increased to HK\$573.8 million from HK\$338.5 million last year. Though the Group's net debt has increased modestly to HK\$15.0 billion from HK\$13.9 billion in FY2005, the major borrowing reference rate HIBOR increased substantially to FY2006 average of 4.1% from FY2005 average of 1.4%.

Other (charge)/gains

Other (charge)/gains amounted to a net charge of HK\$1,763.9 million in FY2006 against a net gain of HK\$1,823.1 million last year.

Impairment and provision have been made on certain projects and receivables with reference to their recoverable amount.

Following the default in repayment of deposits and other amounts owing to NWTMT by the owners of the fibre optic backbone network totalling HK\$2.1 billion in May 2006, a full provision has been made against the amounts due. Details are described in note 28(a) to the financial statements.

Due to changes in the technology, an impairment provision on NWT fixed line operating equipments has been made.

Breakdown of other (charge)/gains	FY2006 HK\$m
Provisions of fibre optic network & other TMT investments	(2,439.2)
Gain on CSL/New World Mobility merger	957.0
Fixed-line assets impairment	(200.0)
Others (net)	(81.7)
Total	(1,763.9)

Total Equity

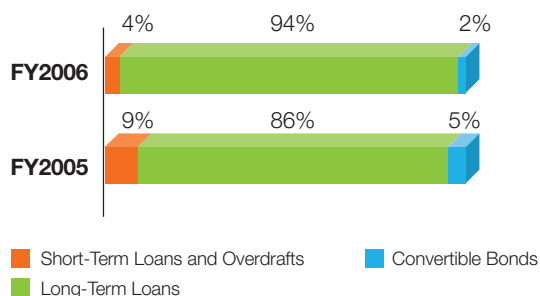
Total equity of the Group as at 30 June 2006 increased 5.5% to HK\$69.4 billion from HK\$65.8 billion.

Liquidity and Capital Resources

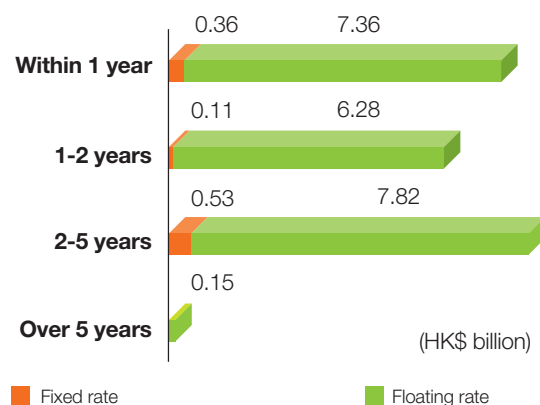
As at 30 June 2006, the Group's cash and bank balances amounted to HK\$7,642.9 million (30 June 2005: HK\$12,128.7 million). Its consolidated net debt amounted to HK\$14,963.8 million, an increase of HK\$1,041.9 million as compared with 30 June 2005. Gearing ratio was at 21.6% as at 30 June 2006 (30 June 2005: 21.2%).

During the year, 107,000,000 shares of HK\$1.00 each were issued at HK\$11.50 per share for cash to repay part of the Group's bank loans and to strengthen the capital base and the financial position of the Group.

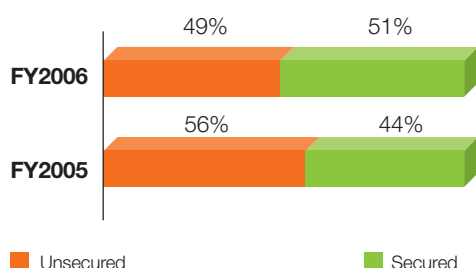
Source of Borrowings



Interest Rate and Maturity Profile



Nature of Debts

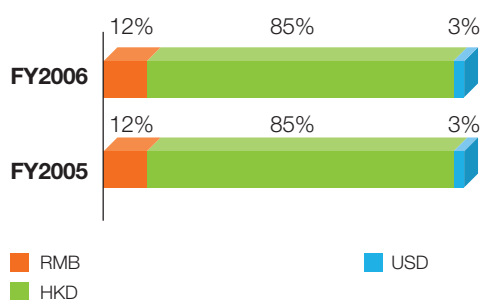


The Group maintained a balanced debt profile with adequate risk diversification through specifying the preferred mix of fixed and floating rate debt.

Nature of Debt

As at 30 June 2006, around half of the total outstanding loans were secured by the Group's assets.

Currency Profile of Borrowings



Interest Rate and Maturity Profile

Amount of debts due within FY2007 amounts to HK\$7,722.9 million. Our cash on hand as of 30 June 2006 was HK\$7,642.9 million.

The combination of cash on hand, together with cash inflow from operation and our remaining undrawn banking facilities, should enable the Group to satisfy its debt repayment commitments and working capital requirements.

Approximately 95.6% of the Group's total debts are on a floating rate basis, whilst fixed rate borrowings mainly related to the RMB loan facilities and convertible bonds.

Gross Debts	30.6.2006	Restated 30.6.2005
	HK\$m	HK\$m
Consolidated gross debts	22,606.7	26,050.6
NWS Holdings	4,528.3	5,983.5
New World China Land	5,950.3	5,319.3
New World Mobile Holdings	–	102.5
Gross debts excluding listed subsidiaries	12,128.1	14,645.3

Net Debts	30.6.2006	Restated 30.6.2005
	HK\$m	HK\$m
Consolidated net debts	14,963.8	13,921.9
NWS Holdings	1,980.6	2,333.6
New World China Land	3,098.4	(1,032.6)
New World Mobile Holdings	(27.7)	(14.0)
Net debts excluding listed subsidiaries	9,912.5	12,634.9

Corporate Information

Board of Directors

Executive Directors

Dato' Dr. Cheng Yu-Tung (Chairman)
Dr. Cheng Kar-Shun, Henry (Managing Director)
Dr. Sin Wai-Kin, David
Mr. Liang Chong-Hou, David
Mr. Leung Chi-Kin, Stewart

Non-executive Directors

Mr. Cheng Yue-Pui
Mr. Cheng Kar-Shing, Peter
Mr. Chow Kwai-Cheung
Mr. Ho Hau-Hay, Hamilton
Mr. Liang Cheung-Biu, Thomas

Independent Non-executive Directors

Lord Sandberg, Michael
Mr. Yeung Ping-Leung, Howard
Dr. Cha Mou-Sing, Payson JP
Mr. Cha Mou-Zing, Victor (alternate director to
Dr. Cha Mou-Sing, Payson)
Mr. Lee Luen-Wai, John JP

Company Secretary

Mr. Leung Chi-Kin, Stewart

Qualified Accountant

Mr. Chow Yu-Chun, Alexander

Joint Auditors

PricewaterhouseCoopers
H.C. Watt & Company Limited

Solicitors

Yung, Yu, Yuen & Company
Woo, Kwan, Lee & Lo

Share Registrars and Transfer Office

Tengis Limited
26/F., Tesbury Centre,
28 Queen's Road East,
Hong Kong

Registered Office

30th Floor, New World Tower,
18 Queen's Road Central, Hong Kong
Tel: (852) 2523 1056
Fax: (852) 2810 4673

Principal Bankers

Bank of China
Bank of Communications
Bank of East Asia
BNP Paribas
Calyon
China Merchants Bank
Citibank N.A.
DBS Bank
Hang Seng Bank
Industrial and Commercial Bank of China (Asia) Ltd.
Nanyang Commercial Bank
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ

Stock Code

Hong Kong Stock Exchange 0017
Reuters 0017HK
Bloomberg 17HK

Investor Information

For more information about the Group,
please contact the Corporate Affairs Department at:
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18 Queen's Road Central, Hong Kong
Tel: (852) 2131 6790
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e-mail: newworld@nwd.com.hk

Website

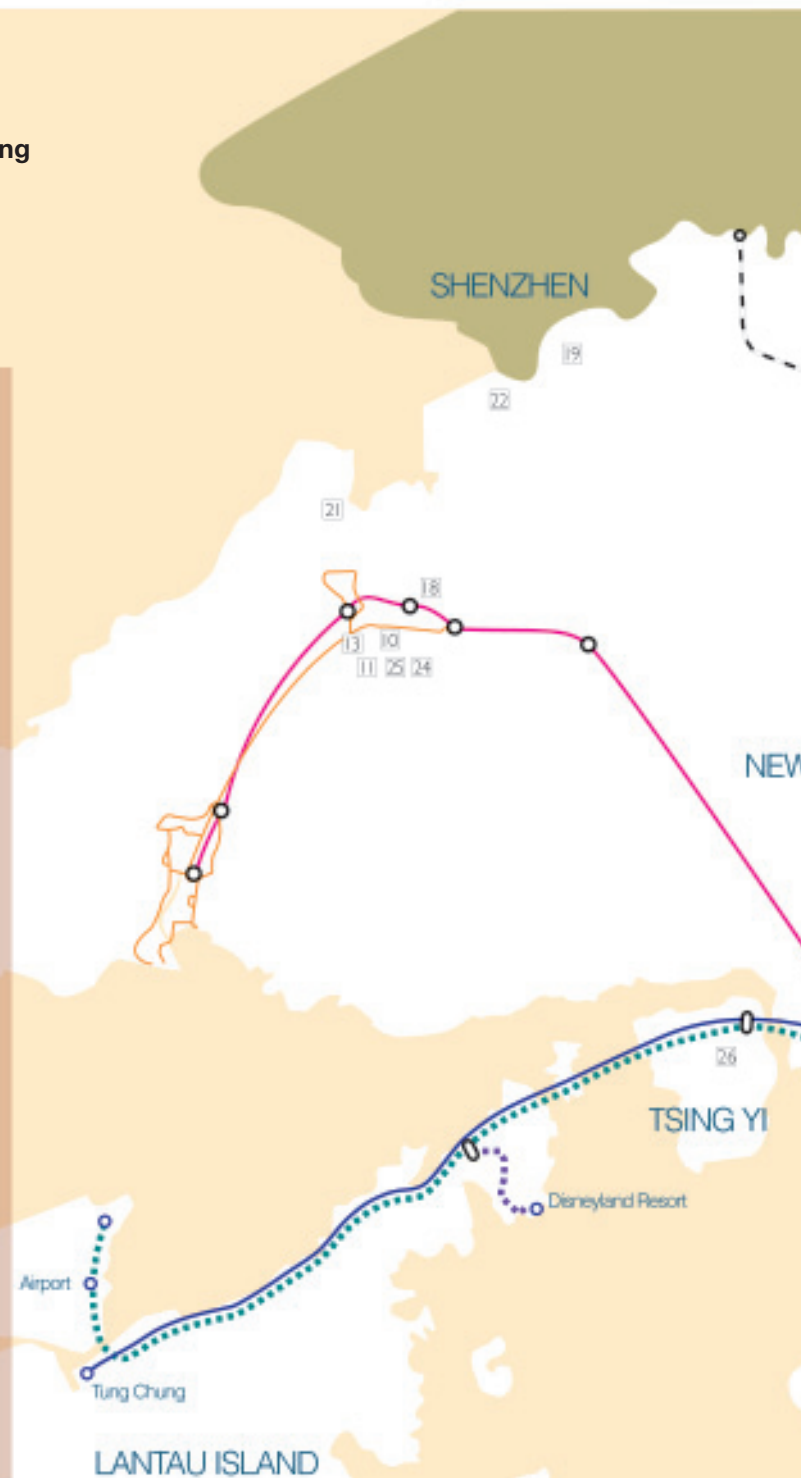
www.nwd.com.hk

Project Summary

Major Property Development Projects in Hong Kong

Name of Major Properties Under Development

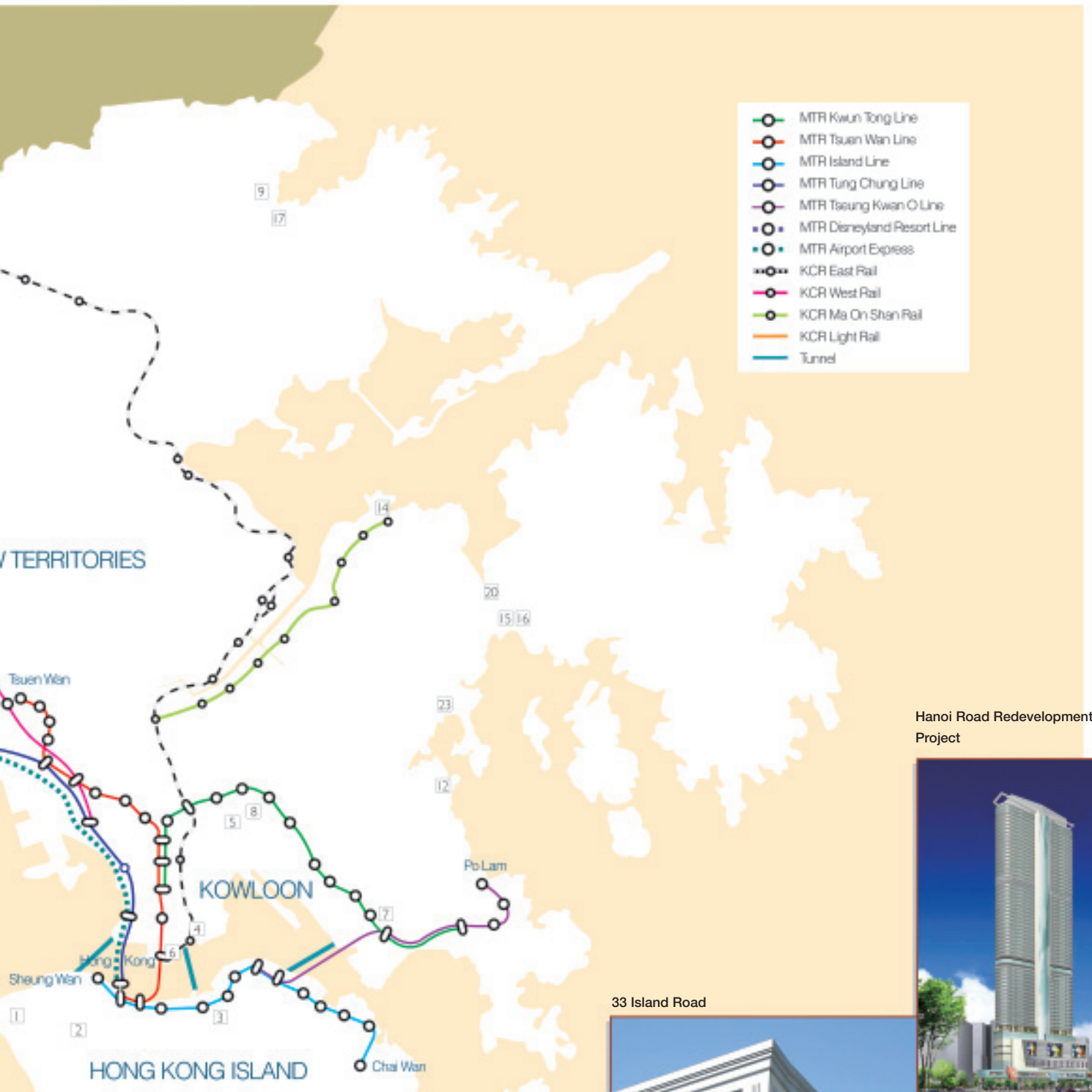
- 1 42-44 Belcher's Street, Western District
- 2 55 Conduit Road, Mid-Levels
- 3 Chun Fai Terrace, Tai Hang
- 4 Hunghom Peninsula
- 5 440-450 Prince Edward Road West, Kowloon City
- 6 Hanoi Road Redevelopment Project, Tsim Sha Tsui
- 7 Yau Tong Redevelopment Project
- 8 15-19 Luk Hop Street, San Po Kong
- 9 FSSTL 182, Wu Nga Lok Yeung, Fanling
- 10 YLTL No. 515 in DD120, Ma Tin Road, Yuen Long
- 11 Phase 1, Lot No. 2131 in DD121, Tong Yan San Tsuen, Yuen Long
- 12 DD227 & DD229, Tai Po Tsai, Sai Kung
- 13 Phase 1, Lot No. 419 in DD127, Tai Tao Tsuen, Yuen Long
- 14 Phase 1, DD206 & DD207, Wu Kai Sha, Ma On Shan
- 15 DD221, Sha Ha, Sai Kung
- 16 DD221, Sha Kok Mei, Sai Kung
- 17 DD91, 100, Fanling
- 18 DD115, Yuen Long
- 19 DD129, Yuen Long
- 20 DD221, Sai Kung
- 21 Phase 1, DD104, 107, Wing Kei Tsuen, Yuen Long
- 22 Phase 1, DD99, 101, Lin Barn Tsuen, Yuen Long
- 23 Phase 1, DD217, 219 & 222, Pak Kong, Sai Kung
- 24 Lot No. 4043 in DD120, Lung Tin Tsuen, Yuen Long
- 25 Phase 2, Lot No. 2139 in DD121, Tong Yan San Tsuen, Yuen Long
- 26 35-47 Tsing Yi Road



The Merton

Parc Palais





Hanoi Road Redevelopment Project



33 Island Road



The Grandiose

Project Summary – Major Property Development Projects in Hong Kong

		Site Area (sq. ft.)	Total GFA (sq. ft.)	Group Interest (%)
HONG KONG				
1	42-44 Belcher's Street, Western District	15,284	123,062	100.00
2	55 Conduit Road, Mid-Levels	36,003	88,011	30.00
3	Chun Fai Terrace, Tai Hang	12,840	115,540	70.00
KOWLOON				
4	Hunghom Peninsula	299,433	1,585,537	27.00
5	440-450 Prince Edward Road West, Kowloon City	11,545	103,166	100.00
6	Hanoi Road Redevelopment Project, Tsim Sha Shui	89,330	1,105,078	81.47
7	Yau Tong Redevelopment Project	339,412	TBD	15.00
8	15-19 Luk Hop Street, San Po Kong	23,788	285,588	100.00
NEW TERRITORIES				
9	FSSTL 182, Wu Nga Lok Yeung, Fanling	352,227	136,306	40.00
10	YLTL No. 515 in DD120, Ma Tin Road, Yuen Long	138,780	485,736	100.00
11	Phase 1, Lot No. 2131 in DD121, Tong Yan San Tsuen, Yuen Long	262,747	262,747	100.00
12	DD227 & DD229, Tai Po Tsai, Sai Kung	719,029	1,078,543	56.00
13	Phase 1, Lot No. 419 in DD 127, Tai Tao Tsuen, Yuen Long	230,000	232,847	100.00
14	Phase 1, DD206 & DD207, Wu Kai Sha, Ma On Shan	1,135,064	3,025,254	35.00
15	DD221, Sha Ha, Sai Kung	510,000	960,149	83.00
16	DD221, Sha Kok Mei, Sai Kung	150,000	30,000	100.00
17	DD91, 100, Fanling	200,000	184,800	100.00
18	DD115, Yuen Long	120,000	69,300	100.00
19	DD129, Yuen Long	220,000	113,400	100.00
20	DD221, Sai Kung	138,000	111,300	83.42
21	Phase 1, DD104, 107, Wing Kei Tsuen, Yuen Long	3,000,000	270,284	100.00
22	Phase 1, DD99, 101, Lin Barn Tsuen, Yuen Long	3,540,000	702,028	62.00
23	Phase 1, DD217, 219 & 222, Pak Kong, Sai Kung	640,000	129,167	100.00
24	Lot No. 4043 in DD120, Lung Tin Tsuen, Yuen Long	190,000	950,000	100.00
25	Phase 2, Lot No. 2139 in DD121, Tong Yan San Tsuen, Yuen Long	80,000	80,000	100.00
26	35-47 Tsing Yi Road	305,190	1,525,958	93.00
Total		12,758,672	13,753,801	

Notes:

(1) TBD = To Be Determined

(2) "Others" includes hotel, service apartment and resort

(3) P=Planning; D=Demolition; SF=Site Formation; F=Foundation; S=Superstructure; C=Completed, LE=Land Exchange, SP=Site Preparation; A&A=Additional & Alteration works

Retail (sq. ft.)	Industrial (sq. ft.)	Residential (sq. ft.)	Others ⁽²⁾ (sq. ft.)	Total Attributable GFA (sq. ft.)	Stage of Completion ⁽³⁾
795		122,267		123,062	D
		26,403		26,403	SF
		80,878		80,878	P
8,719		419,376		428,095	C/A&A
16,582		86,584		103,166	S
274,583		399,886	225,838	900,307	S
				TBD	P
			285,588	285,588	P
		54,522		54,522	S
		485,736		485,736	SF
		262,747		262,747	SP
12,056		591,928		603,984	LE
		232,847		232,847	LE
37,674		1,021,165		1,058,839	P
		796,924		796,924	LE
		30,000		30,000	P
		184,800		184,800	P
		69,300		69,300	P
		113,400		113,400	P
		92,846		92,846	P
		270,284		270,284	P
		435,257		435,257	P
		129,167		129,167	P
		950,000		950,000	LE
		80,000		80,000	LE
	1,419,141			1,419,141	P
350,409	1,419,141	6,936,317	511,426	9,217,293	

Project Summary

Major Property Investment Projects in Hong Kong

Name of Property Investment

- 1 Manning House
- 2 New World Tower
- 3 Shun Tak Centre
- 4 Hong Kong Convention and Exhibition Centre
- 5 Grand Hyatt Hong Kong
- 6 Renaissance Harbour View Hotel
- 7 Pearl City
- 8 2 MacDonnell Road
- 9 Methodist House
- 10 New World Centre
- 11 The Amazon
- 12 Telford Plaza
- 13 Asia Terminals Centre
- 14 Riviera Plaza Arcade
- 15 Discovery Park Shopping Mall
- 16 New World Centre Extension

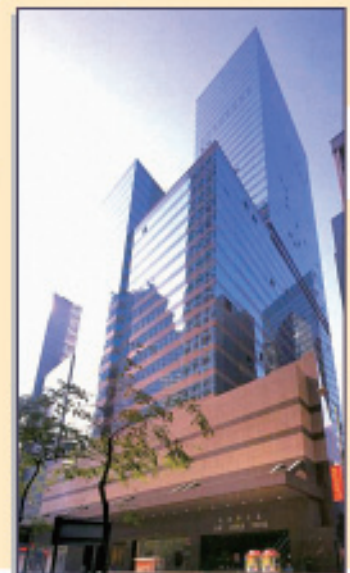


2 MacDonnell Road

New World Tower



Discovery Park Shopping Mall





Renaissance Kowloon Hotel



Hong Kong Convention and Exhibition Centre



Renaissance Harbour View Hotel

Project Summary – Major Property Investment Projects in Hong Kong

Name of Property		Total GFA (sq. ft.)	Group's Interest (%)	Total (sq. ft.)
COMPLETED				
HONG KONG				
1	Manning House, 48 Queen's Road Central	110,040	100.0	110,040
2	New World Tower, 18 Queen's Road Central	640,135	100.0	640,135
3	Shun Tak Centre	214,336	45.0	96,451
4	Hong Kong Convention and Exhibition Centre	63,052	100.0	63,052
5	Grand Hyatt Hong Kong	524,928	100.0	524,928
6	Renaissance Harbour View Hotel	544,518	100.0	544,518
7	Pearl City, Causeway Bay			
	— Portion of Ground Floor to 4th Floor	53,691	40.0	21,476
	— Portion of Ground Floor & Basement	24,682	100.0	24,682
8	2 MacDonnell Road	116,954	100.0 ⁽¹⁾	116,954
9	Methodist House, Wanchai	40,813	99.0 ⁽¹⁾	40,405
KOWLOON				
10	New World Centre	2,197,307	100.0	2,197,307
11	The Amazon, Tsim Sha Tsui	141,439	100.0	141,439
12	Telford Plaza, Kowloon Bay	335,960	100.0 ⁽¹⁾	335,960
NEW TERRITORIES				
13	Asia Terminals Centre	6,150,873	29.9	1,839,111
14	Riviera Plaza Arcade, Tsuen Wan	242,685	100.0	242,685
15	Discovery Park Shopping Mall	466,400	50.0 ⁽¹⁾	233,200
Sub-total		11,867,813		7,172,343
TO BE COMPLETED				
16	New World Centre Extension	988,340	100.0	988,340
Grand total		12,856,153		8,160,683

Notes:

(1) Properties in which the Group has a development interest: other parties provide the land whilst the Group finances the construction costs and occasionally land costs, and is entitled to a share of the rental income/properties after completion or a share of the development profits in accordance with the terms and conditions of the respective joint development agreements.

(2) The 1,763,276 sq. ft. represents the warehouse space in Asia Terminals Centre.

Group's Share of GFA/Carparks

Retail (sq. ft.)	Office (sq. ft.)	Hotel (sq. ft.)	Residential (sq. ft.)	Others (sq. ft.)	Carparks (Number)	Lease expiry
63,383	46,657					2843
77,948	562,187				387	2863
96,451					38	2055
63,052					1,070	2060
		524,928				2060
		544,518				2060
21,476						2868
24,682						2868
			116,954			2031
	40,405					2084
957,667	538,966	277,939	422,735		1,801	2052
141,439					260	2052
335,960					136	2047
	75,835			1,763,276 ⁽²⁾		2047
242,685					324	2047
233,200					500	2047
2,257,943	1,264,050	1,347,385	539,689	1,763,276	4,516	
		988,340				2052
2,257,943	1,264,050	2,335,725	539,689	1,763,276	4,516	

Project Summary – Hotel Properties

	Name of Hotel/Location	Number of rooms	Effective Interest (%)
EXISTING			
HONG KONG			
1	Renaissance Kowloon Hotel	542	64.0
2	Renaissance Harbour View Hotel	860	64.0
3	Grand Hyatt Hong Kong	570	64.0
4	Novotel Citygate Hong Kong	440	16.4
	Sub-total	2,412	
CHINA			
5	Courtyard by Marriott Beijing	293	39.2
6	Jing Guang New World Hotel, Beijing	444	20.5
7	New World Mayfair Hotel Shanghai	860	46.3
8	New World by Marriott Shenyang	261	71.3
9	Courtyard by Marriott Shunde	376	23.2
10	Wuxi Ramada Hotel	243	25.6
11	Grand New World Hotel, Xian	491	22.4
	Sub-total	2,968	
SOUTHEAST ASIA			
12	Renaissance Makati City Hotel, Manila, Philippines	599	26.9
13	New World Hotel Saigon, Vietnam	504	21.6
14	Renaissance Riverside Hotel Saigon, Ho Chi Minh City, Vietnam	336	19.4
15	Renaissance Kuala Lumpur Hotel, Malaysia	921	37.5
	Sub-total	2,360	
	Total	7,740	
TO BE COMPLETED			
16	The Chinese University Hotel Project	TBD	100.0
17	Hanoi Road Redevelopment Project	TBD	81.5
18	New World Centre Extension	TBD	100.0
19	Wuhan New World Centre	TBD	42.8
20	Dalian New World Tower	TBD	71.3

Project Summary – Infrastructure Projects

		Installed Capacity/ Capacity	NWSH's Form of Investment	NWSH's Attributable Interest	Contracted Date	Expected/ Actual Operation Date	JV Period (years)	Expiry Date ⁽¹⁾
ENERGY								
P1	Zhujiang Power Station – Phase I	600.0 MW	EJV	50.00%	1/1992	1/1994	25	2017
P2	Zhujiang Power Station – Phase II	600.0 MW	EJV	25.00%	12/1995	4/1996	25	2020
P3	Macau Power	488.0 MW	Equity	19.00%	1985	11/1985	25	2010
		1,688.0 MW						
WATER								
W1	Macau Water Plant	255,000 m ³ /day	Equity	42.50%	1985	1985	25	2010
W2	Lianjiang Water Plant	100,000 m ³ /day	Equity	30.00%	7/1997	n/a	30	2027
W3	Zhongshan Tanzhou Water Plant		Equity	29.00%	10/1992		35	2027
	Phase I	60,000 m ³ /day				1/1994		
	Phase II	90,000 m ³ /day				6/2007 (Estimate)		
W4	Zhongshan Dafeng Water Plant	200,000 m ³ /day	Equity	33.06%	1/1998	4/1998	22	2020
W5	Zhongshan Quanlu Water Plant	500,000 m ³ /day	Equity	33.06%	1/1998	4/1998	22	2020
W6	Dongguan Microfiltration Equipment Plant	n/a	Equity	25.00%	7/1994	9/1995	20	2014
W7	Nanchang Water Plant		Equity	25.00%	2/1995		28	2023
	Phase I	50,000 m ³ /day				1/1996		
	Phase II	50,000 m ³ /day				6/2007 (Estimate)		
W8	Baoding Water Plant	260,000 m ³ /day	Equity	27.50%	3/2000	6/2000	20	2020
W9	Siping Water Plant	118,000 m ³ /day	Equity	25.00%	6/2000	9/2000	30	2030
W10	Zhengzhou Water Plant	360,000 m ³ /day	Equity	25.00%	10/2000	8/2001	30	2031
W11	Xinchang Water Plant	100,000 m ³ /day	Equity	25.00%	12/2001	3/2002	30	2032
W12	Changtu Water Plant	50,000 m ³ /day	Equity	35.00%	3/1999	12/2000	30	2029
W13	Panjin Water Plant	110,000 m ³ /day	Equity	30.00%	12/2001	4/2002	30	2032
W14	Shanghai Spark Water Plant	100,000 m ³ /day	Equity	25.00%	6/2001	1/2002	30	2031
W15	Shanghai SCIP Water Treatment Plants		Equity	25.00%	1/2002	4/2005	50	2052
	Waste water	50,000 m ³ /day						
	Industrial water	200,000 m ³ /day						
W16	Qingdao Water Plant		Equity	25.00%			25	2027
	Phase I	543,000 m ³ /day			5/2002	8/2002		
	Phase II	183,000 m ³ /day			9/2004	9/2006		
W17	Chongqing Water Plant		Equity	30.00%	8/2002		50	2052
	Phase I	345,000 m ³ /day				11/2002		
	Phase II	160,000 m ³ /day				7/2006		
W18	Sanya Water Plant	235,000 m ³ /day	Equity	25.00%	12/2002	1/2004	30	2033
W19	Tangu Water Plant	310,000 m ³ /day	Equity	25.00%	4/2004	4/2005	35	2039
W20	Shanghai SCIP Waste Incineration Plant	60,000 tonnes/year	Equity	10.00%	2/2003	8/2006	50	2053
W21	Far East Landfill Technologies Limited	35 million m ³	Equity	47.00%	10/1992	6/1995	50	2045
Water and industrial water treatment:		4,379,000 m³/day						
Waste water treatment:		50,000 m³/day						
Waste management:		60,000 tonnes/year						
Landfill:		35 million m³						

Project Summary – Infrastructure Projects

		Gross Length	NWSH's Form of Investment	NWSH's Attributable Interest	Contracted Date	Expected/ Actual Operation Date	JV Period (years)	Expiry Date ⁽¹⁾
ROADS								
R1	Guangzhou City Northern Ring Road	22.0 km	CJV	65.29%	6/1990	1/1994	33	2023
R2	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)		CJV	25.00%	12/1992		37	2030
	Section I	8.6 km				5/1997		
	Section II	53.8 km				12/1999		
R3	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)	37.0 km	CJV	15.00%	8/2004	12/2005	30	2032
R4	Guangzhou-Zhaoqing Expressway		CJV	25.00%	12/2004	4/2005	33	2031
	Expressway	48.0 km						
	Roadway No. 321	60.4 km						
R5	Shenzhen-Huizhou Expressway (Huizhou Section)							
	Expressway	34.7 km	CJV	33.33%	11/1992	6/1993	30	2027
	Roadway	21.8 km	CJV	50.00%	10/1996	12/1997	26	2023
R6	Gaoming Bridge	1.1 km	CJV	30.00%/80.00%	7/1996	11/1996	25	2021
R7	Beiliu City Roadways		CJV	60.00%	8/1997		25	2022
	Phase I	18.2 km				8/1997		
	Phase II	21.6 km				5/1998		
R8	Rongxian Roadways		CJV	70.00%	9/1997		25	2022
	Phase I	9.2 km				10/1997		
	Phase II	16.8 km				5/1998		
R9	Yulin – Shinan Roadway	27.8 km	CJV	60.00%	5/1997	5/1998	25	2022
R10	Yulin Shinan – Daijiangkou Roadway		CJV	60.00%	5/1997		25	2022
	Phase I	8.7 km				8/1997		
	Phase II	30.0 km				1/1999		
R11	Roadway No. 321 (Wuzhou Section)		CJV	45.00%	1/1997		25	2022
	Phase I	8.7 km				3/1997		
	Phase II	4.3 km				12/1998		
R12	Cangwu County Roadway	10.1 km	CJV	70.00%	8/1997	1/1999	25	2022
R13	Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)	23.2 km	CJV	60.00%/90.00%	3/1998	7/2000	27	2025
R14	Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)	36.0 km	CJV	60.00%/90.00%	3/1998	4/1999	27	2025
R15	Roadway No. 309 (Changzhi Section)	22.2 km	CJV	60.00%/90.00%	6/1998	7/2000	25	2023
R16	Taiyuan – Changzhi Roadway (Changzhi Section)	18.3 km	CJV	60.00%/90.00%	6/1998	8/2000	25	2023
R17	Wuhan Airport Expressway	18.0 km	CJV	40.00%	1/1993	4/1995	30	2025
R18	Tangjin Expressway (Tianjin North Section)		CJV	90% distributable cash for the first 15 years; 60% distributable cash for the last 15 years	10/1997		30	
	Section I	43.4 km				12/1998		2028
	Section II	17.0 km				12/2000		2028
R19	Tate's Cairn Tunnel	4.0 km	Equity	29.50%	5/1988	6/1991	30	2018
		624.9 km						

		Handling Capacity	NWSH's Form of Investment	NWSH's Attributable Interest	Contracted Date	Expected/ Actual Operation Date	JV Period (years)	Expiry Date ⁽¹⁾
Ports								
C1	Xiamen New World Xiangyu Terminals Co., Ltd.	1,000,000 TEUs p.a.	EJV	50.00%	8/1992	4/1997	60	2052
C2	Tianjin Orient Container Terminals Co., Ltd.	1,400,000 TEUs p.a.	EJV	24.50%	1/1997	1/1999	30	2027
C3	Tianjin Five Continents International Container Terminal Co., Ltd.	1,500,000 TEUs p.a.	EJV	18.00%	5/2005	11/2005	30	2035
C4	Dalian Container Terminal Co., Limited	2,700,000 TEUs p.a.	EJV	4.80%	6/2002	6/2002	50	2046
C5	Xiamen Xinyuan Container Terminal Co., Ltd	23,000 TEUs p.a.	EJV	70.00%	1/1998	1/1999	20	2018
C6	Xiamen New World Xiangyu Warehouse & Processing Zone Limited ⁽²⁾	n/a	WFOE	100.00%	1/1995	1/1998	50	2045
C7	United Asia Terminals (Yantian) Limited	700,000 m ³ p.a.	Equity	40.00%	1/1997	2/1997	10	2008

(1) Project or JV expiry date

(2) The 89,000 sq.m land has been returned to government on 12/8/05 due to land resumption. The company has preliminary intention to acquire a replacement land in the nearby area.

CJV = Co-operative Joint Venture (profit sharing percentage)

JSC = Joint Stock Company

EJV = Equity Joint Venture (percentage of equity interest)

WFOE = Wholly Foreign Owned Enterprise

n/a = Not Applicable

Project Summary – Major Property Projects in Mainland China

Ref	Project Name	Form of Investment	NWCL's Accounting Classification	NWCL's Attributable Interests	Site Area (sq. m.)
MAJOR DEVELOPMENT FOR SALE PROJECTS					
1	Chateau Regalia Beijing	CJV	Subsidiary	100%	173,352
2	Beijing New World Garden Phase I	CJV	JCE	70%	16,300
	Beijing New World Garden Phase I	CJV	JCE	70%	17,424
	Beijing Xin Yang Commercial Building				4,565
	Beijing Xin Cheng Commercial Building				6,477
3	Beijing Xin Yi Garden Phase I	CJV	JCE	70%	36,100
	Beijing Xin Yi Garden Phase II				46,219
4	Beijing New View Garden Phase I	CJV	JCE	70%	13,920
	Beijing New View Garden Phase IIA				110,356
	Beijing Liang Guang Road Blocks 5, 6 & 7				41,063
	Beijing New View Garden Remaining Phases				5,300
	Beijing New View Commercial Centre				9,935
5	Beijing Xin Yu Commercial Centre	CJV	JCE	70%	20,672
	Beijing Liang Guang Road Block 2				12,239
	Beijing Xin Yu Garden				380,528
6	Beijing Xin Kang Garden Phase III	CJV	JCE	70%	101,894
7	Tianjin Xin An Garden Phase I	WFOE	Subsidiary	100%	17,148
8	Tianjin New World Garden Phase I & II	JCE	JCE	60%	46,469
9	Tianjin Xin Chun Hua Yuan Phase II	JCE	JCE	60%	72,800
	Tianjin Xin Chun Hua Yuan Phase III				
	Tianjin Xin Chun Hua Yuan Phase IV				
10	Jinan Sunshine Garden Phase I	EJV	JCE	73%	37,600
	Jinan Sunshine Garden Phase II				6,000
	Jinan Sunshine Garden Phase III				78,300
11	Jinan Springs Plaza	EJV	JCE	51%	90,349
12	Shenyang New World Garden Phase IC	CJV	Subsidiary	90%	38,000
	Shenyang New World Garden Phase ID				53,885
	Shenyang New World Garden Phase IE				24,689
	Shenyang New World Garden Phase II				266,685
	Shenyang New World Garden Remaining Phases				995,606
13	Dalian Manhattan Tower I	EJV	Subsidiary	88%	9,800
	Dalian Manhattan Tower II				
14	Dalian New World Tower	EJV	Subsidiary	100%	16,600
15	Shanghai Zhongshan Square Phase III	CJV	JCE	48%	16,171
16	Shanghai Hong Kong New World Garden Phase I	EJV	Subsidiary	70%	104,483
	Shanghai Hong Kong New World Garden Phase II				
17	Wuhan Menghu Garden Phase I	CJV	Subsidiary	70%	57,200
	Wuhan Menghu Garden Phase II				64,137
	Wuhan Menghu Garden Phase III				61,668
	Wuhan Menghu Garden Phase IVA				140,694
	Wuhan Menghu Garden Remaining Phases				124,583
18	Wuhan New World Centre Phase I	WFOE	Subsidiary	100%	37,235
19	Wuhan Changqing Garden Phase V	CJV	JCE	60%	2,914,920
	Wuhan Changqing Garden Phase VIA				
	Wuhan Changqing Garden Phase VIB				
	Wuhan Changqing Garden Remaining Phases				
20	Wuhan Xin Hua Garden Phase I	CJV	JCE	60%	96,427
	Wuhan Xin Hua Garden Phase II				
	Wuhan Xin Hua Garden Phase III				
	Wuhan Xin Hua Garden Phase IV				
21	Nanjing New World Centre Phase I	EJV	Subsidiary	92%	11,219
	Nanjing New World Centre Phase II				
22	Hefei New World Garden	CJV	JCE	60%	82,660

Total GFA (sq. m.)	Residential (sq. m.)	Commercial (sq. m.)	Office (sq. m.)	Hotel (sq. m.)	Others (sq. m.)	Development Status	Expected Completion Date
89,382	83,855				5,527	COMPLETED	N/A
2,757	496				2,261	COMPLETED	N/A
27,701	1,095				26,606	COMPLETED	N/A
3,892			453		3,439	COMPLETED	N/A
34,983		2,835	23,835		8,313	COMPLETED	N/A
52,392	9,722	171	9,012		33,487	COMPLETED	N/A
235,194	103,699	16,751	57,241		57,503	UNDER DEVELOPMENT	July-08
3,883	565	874			2,444	COMPLETED	N/A
79,735	2,694	14,713	6,139		56,189	COMPLETED	N/A
45,669	29,204	1,690			14,775	UNDER DEVELOPMENT	Aug-08
137,912	71,800	17,141	17,487		31,484	UNDER PLANNING	TBD
72,208		9,579	42,037		20,592	UNDER PLANNING	TBD
125,655		32,000	58,941		34,714	UNDER PLANNING	TBD
51,178	18,831	6,270	10,832		15,245	UNDER DEVELOPMENT	July-07
1,515,163	710,953	325,000			479,210	UNDER PLANNING	Sep-09
20,506	8,188	2,610			9,708	UNDER DEVELOPMENT	Dec-06
5,472	258	319			4,895	COMPLETED	N/A
21,643		3,674			17,969	COMPLETED	N/A
1,600		1,600				COMPLETED	N/A
44,490	39,177	675			4,638	UNDER DEVELOPMENT	Jun-07
45,546	25,334	15,962			4,250	UNDER PLANNING	TBD
15,692	4,993	1,238			9,461	COMPLETED	N/A
155,197	108,689	11,198			35,310	UNDER DEVELOPMENT	July-08
325,322	157,122	4,300			163,900	UNDER PLANNING	TBD
44,226		44,226				UNDER DEVELOPMENT	Jun-08
5,819	5,819					COMPLETED	N/A
178,133	140,975				37,158	UNDER DEVELOPMENT	Dec-07
227,646	120,831	59,470	13,000		34,345	UNDER PLANNING	TBD
336,000	306,000				30,000	UNDER PLANNING	TBD
2,178,061	1,331,247	308,352	110,914		427,548	UNDER PLANNING	TBD
3,031	3,031					COMPLETED	N/A
25,282	6,793		13,739		4,750	COMPLETED	N/A
103,206	103,206					UNDER DEVELOPMENT	Sep-09
133,101			82,878	25,341	24,882	UNDER PLANNING	TBD
576	576					COMPLETED	N/A
642,238	318,132	31,438	64,826	18,842	209,000	UNDER DEVELOPMENT	TBD
1,297	1,297					COMPLETED	Jun-05
4,060	4,060					COMPLETED	Mar-06
26,663	26,663					UNDER DEVELOPMENT	Sep-06
70,000	70,000					UNDER DEVELOPMENT	Jun-08
62,602	54,823				7,779	UNDER PLANNING	TBD
85,755	85,755					UNDER DEVELOPMENT	Sep-06
16,195	3,070	332			12,793	COMPLETED	N/A
192,150	149,417	8,093			34,640	UNDER DEVELOPMENT	Oct-08
57,194	56,413	566			215	UNDER DEVELOPMENT	Dec-08
1,818,000	1,395,168	152,690	118,828		151,314	UNDER PLANNING	TBD
5,251	155				5,096	COMPLETED	N/A
1,180	280				900	COMPLETED	N/A
5,076	676				4,400	COMPLETED	Jun-06
123,383	105,336	4,428			13,619	UNDER DEVELOPMENT	Dec-07
45,833	3,758		34,000		8,075	COMPLETED	N/A
41,206		41,206				UNDER DEVELOPMENT	Jan-07
12,432	219				12,213	COMPLETED	N/A

Project Summary – Major Property Projects in Mainland China

Ref	Project Name	Form of Investment	NWCL's Accounting Classification	NWCL's Attributable Interests	Site Area (sq. m.)
23	Guangzhou Dong Yi Garden Phase I	CJV	Subsidiary	100%	74,720
	Guangzhou Dong Yi Garden Phase IV				
	Guangzhou Dong Yi Garden Remaining Phases				
24	Guangzhou New World Oriental Garden Phase I	CJV	Subsidiary	100%	99,885
	Guangzhou New World Oriental Garden Phase II & IV				
	Guangzhou New World Oriental Garden Phase III				
25	Guangzhou Central Park-view Phase IA	CJV	Subsidiary	91%	107,876
	Guangzhou Central Park-view Phase II				
26	Guangzhou Covent Garden Phase I	CJV	JCE	60%	370,383
	Guangzhou Covent Garden Phase II				
	Guangzhou Covent Garden Phase III				
	Guangzhou Covent Garden Phase IV				
	Guangzhou Covent Garden Phase V				
27	Guangzhou Concord New World Garden Phase I	CJV	JCE	40%	44,516
	Guangzhou Concord New World Garden Phase II				
28	Guangzhou Park Paradise Phase IIA-IIB	CJV	JCE	60%	1,153,493
	Guangzhou Park Paradise Phase IIC				
	Guangzhou Park Paradise Phase IID1				
	Guangzhou Park Paradise Phase IID2				
	Guangzhou Park Paradise Remaining Phases				
	Guangzhou Park Paradise Remaining Phases	WFOE	Subsidiary	100%	36,000
29	Guangzhou Xintang New World Garden Phase I	CJV	JCE	60%	348,774
	Guangzhou Xintang New World Garden Phase II				
	Guangzhou Xintang New World Garden Phase III				
	Guangzhou Xintang New World Garden Phase IVA				
	Guangzhou Xintang New World Garden Phase IVB				
	Guangzhou Xintang New World Garden Remaining Phases				
30	Shenzhen Xilihu Development	CJV	JCE	70%	58,132
31	Shenzhen New World Yi Shan Garden Phase I	CJV	Subsidiary	90%	25,600
	Shenzhen New World Yi Shan Garden Phase IIA				31,500
	Shenzhen New World Yi Shan Garden Phase IIB				
	Shenzhen New World Yi Shan Garden Phase IIC				
	Shenzhen New World Yi Shan Garden Phase III				32,200
32	Shunde New World Centre Phase II (Formerly known as Shunde New World Convention & Exhibition Centre)	CJV	Assoc. Co.	35%	14,171
	Shunde New World Centre Phase III-V				
33	Huiyang Palm Island Resort Phase I-IV	EJV	JCE	34%	264,485
	Huiyang Palm Island Resort Phase V				
	Huiyang Palm Island Resort Remaining Phases				
34	Zhaoqing New World Garden Phase I	CJV	Assoc. Co.	40%	139,134
	Zhaoqing New World Garden Phase II				
	Zhaoqing New World Garden Phase III				
	Zhaoqing New World Garden Phase IV				
35	Zhuhai New World Riviera Garden Phase I	CJV	Subsidiary	100%	21,604
	Zhuhai New World Riviera Garden Phase II				19,400
	Zhuhai New World Riviera Garden Phase III				50,019
	Zhuhai New World Riviera Garden Phase IV				45,227
36	Foshan Country Club	CJV	Subsidiary	79%	3,010,000
37	Huizhou Changhuyuan Phase IIA	CJV	JCE	63%	50,436
	Huizhou Changhuyuan Phase IIB				30,955
38	Haikou New World Garden Phase I	CJV	JCE	60%	246,800
	Haikou New World Garden Phase II				
	Haikou New World Garden Phase III				
	Subtotal				12,736,982

Total GFA (sq. m.)	Residential (sq. m.)	Commercial (sq. m.)	Office (sq. m.)	Hotel (sq. m.)	Others (sq. m.)	Development Status	Expected Completion Date
3,033					3,033	COMPLETED	N/A
92,036	76,871	1,349			13,816	UNDER DEVELOPMENT	Oct-06
39,694	26,490				13,204	UNDER PLANNING	TBD
9,513					9,513	COMPLETED	N/A
145,908	124,570				21,338	UNDER DEVELOPMENT	Dec-08
94,837	82,963				11,874	UNDER PLANNING	Mar-10
34,315	11,035	8,593			14,687	COMPLETED	N/A
151,156	113,317				37,839	UNDER PLANNING	Dec-09
2,779	124				2,655	COMPLETED	N/A
41,205	13,318				27,887	COMPLETED	N/A
43,190	39,278				3,912	UNDER DEVELOPMENT	Dec-08
46,060	34,628	3,768			7,664	UNDER PLANNING	TBD
1,007,924	850,601	52,064			105,259	UNDER PLANNING	TBD
9,498	2,748				6,750	COMPLETED	N/A
53,075	38,279	2,040			12,756	UNDER DEVELOPMENT	Dec-06
11,234	1,673				9,561	COMPLETED	N/A
6,393	606				5,787	COMPLETED	Jun-06
3,819	978				2,841	COMPLETED	N/A
154,271	106,022	10,236			38,013	UNDER DEVELOPMENT	Jun-08
325,391	152,748	21,830			150,813	UNDER PLANNING	TBD
1,040,040	741,855	117,604			180,581	UNDER PLANNING	TBD
9,336	3,855				5,481	COMPLETED	N/A
3,169	3,169					COMPLETED	N/A
23,869	23,869					COMPLETED	Jan-06
34,925	20,003	14,922				UNDER DEVELOPMENT	Jan-07
12,709	12,709					UNDER DEVELOPMENT	Dec-07
330,164	284,890	5,178			40,096	UNDER PLANNING	TBD
29,180	23,800	3,700			1,680	UNDER PLANNING	TBD
1,837	1,837					COMPLETED	N/A
13,686	2,728				10,958	COMPLETED	N/A
3,510	3,510					COMPLETED	Jan-06
5,124	5,124					UNDER DEVELOPMENT	Feb-08
128,880	94,831				34,049	UNDER PLANNING	TBD
13,831	13,831					COMPLETED	N/A
66,670	66,670					UNDER PLANNING	TBD
7,822	7,822					COMPLETED	N/A
27,912	27,912					UNDER DEVELOPMENT	Dec-06
205,633	169,894			7,939	27,800	UNDER PLANNING	TBD
13,862	2,488				11,374	COMPLETED	N/A
62,935	58,445				4,490	UNDER DEVELOPMENT	Dec-08
150,435	150,435					UNDER PLANNING	TBD
67,841	65,141	2,700				UNDER PLANNING	TBD
4,679	1,902		1,093		1,684	COMPLETED	N/A
1,601	771	437			393	COMPLETED	N/A
88,600	81,248	1,864	1,033		4,455	UNDER DEVELOPMENT	Sept-07
81,092	71,730	9,362				UNDER PLANNING	TBD
1,180,000	1,180,000					UNDER PLANNING	TBD
32,895	18,578	2,270			12,047	COMPLETED	N/A
74,930	60,894	3,566			10,470	UNDER DEVELOPMENT	Jun-08
4,545	892				3,653	COMPLETED	N/A
78,286	77,716				570	UNDER DEVELOPMENT	Feb-07
126,766	125,016				1,750	UNDER DEVELOPMENT	Dec-08
15,760,863	10,750,189	1,380,884	666,288	52,122	2,911,380		

Project Summary – Major Property Projects in Mainland China

Ref	Project Name	Form of Investment	NWCL's Accounting Classification	NWCL's Attributable Interests	Site Area (sq. m.)
INVESTMENT PROPERTY UNDER DEVELOPMENT					
18a	Wuhan New World Centre Phase IIA	WFOE	Subsidiary	100%	37,235
14a	Dalian New World Tower	EJV	Subsidiary	100%	16,600
	Subtotal				53,835
HOTEL PROPERTY UNDER DEVELOPMENT					
18b	Wuhan New World Centre Phase IIB	CJV	JCE	60%	37,235
14b	Dalian New World Tower	EJV	Subsidiary	100%	16,600
	Subtotal				53,835
Ref	Project Name	Form of Investment	NWCL's Accounting Classification	NWCL's Attributable Interests	Site Area (sq. m.)
COMPLETED INVESTMENT PROPERTY PROJECTS					
39	Beijing New World Centre Phase I	CJV	JCE	70%	19,533
40	Beijing New World Centre Phase II	CJV	JCE	70%	16,224
41	Beijing Zhengren Building	CJV	JCE	70%	7,400
2a	Beijing New World Garden Phase I & II Carpark	CJV	JCE	70%	28,265
4a	Beijing New View Garden Phase I	CJV	JCE	70%	13,920
6a	Beijing Xin Kang Garden Phase II-III	CJV	JCE	70%	101,894
42	Tianjin New World Plaza	WFOE	Subsidiary	100%	19,386
9a	Tianjin Xin Chun Hua Yuan Phase I	CJV	JCE	60%	72,800
13a	Dalian New World Plaza Phase II	EJV	Subsidiary	88%	9,800
43	Shanghai Hong Kong New World Tower	CJV	Assoc. Co.	44%	9,953
44	Shanghai Ramada Plaza	CJV	Subsidiary	75%	9,084
44a	Shanghai Belvedere Service Apartment	CJV	Assoc. Co.	50%	
45	New World Hotel Shenyang Shopping Mall	EJV	Subsidiary	100%	7,847
21a	Nanjing New World Centre Carpark	EJV	Subsidiary	92%	11,219
19a	Wuhan Changqing Garden Phase I- IV	CJV	JCE	60%	2,914,920
20a	Wuhan Xin Hua Garden Phase I	CJV	JCE	60%	96,427
46	Wuhan New World Trade Tower II (Formerly known as Wuhan New World International Trade Tower II)	EJV	Subsidiary	95%	3,806
46a	Wuhan New World Trade Tower I (Formerly known as Wuhan New World International Trade Tower I)	EJV	Subsidiary	100%	27,597
24a	Guangzhou New World Oriental Garden Phase I	CJV	Subsidiary	100%	99,885
23a	Guangzhou Dong Yi Garden Phase I-III	CJV	Subsidiary	100%	74,720
25a	Guangzhou Central Park-view	CJV	Subsidiary	91%	107,876
26a	Guangzhou Covent Garden Carpark	CJV	JCE	60%	370,383
28a	Guangzhou Park Paradise Phase II	CJV	JCE	60%	1,153,493
	Guangzhou Park Paradise Phase II	WFOE	Subsidiary	100%	36,000
29a	Guangzhou Xintang New World Garden Phase III	CJV	JCE	60%	74,071
31a	Shenzhen New World Yi Shan Garden Phase IIB	CJV	Subsidiary	90%	31,500
32a	Shunde New World Centre (Formerly known as Shunde New World Convention & Exhibition Centre)	CJV	Assoc. Co.	35%	14,171
	Subtotal				5,332,174

Total GFA (sq. m.)	Residential (sq. m.)	Commercial (sq. m.)	Office (sq. m.)	Hotel (sq. m.)	Others (sq. m.)	Development Status	Expected Completion Date
153,724		43,492	74,010		36,222	UNDER DEVELOPMENT	Apr-07
76,390		42,870			33,520	UNDER DEVELOPMENT	Feb-08
230,114	–	86,362	74,010	–	69,742		
37,432				37,432		UNDER DEVELOPMENT	Sep-07
35,570				35,570		UNDER DEVELOPMENT	Feb-08
73,002	–	–	–	73,002	–		
Total GFA (sq. m.)	Residential (sq. m.)	Commercial (sq. m.)	Office (sq. m.)	Hotel (sq. m.)	Others (sq. m.)	Development Status	Expected Completion Date
132,662	4,604	74,232	24,618		29,208	COMPLETED	N/A
109,607	57,256	47,345	2,557		2,449	COMPLETED	N/A
22,975			6,560		16,415	COMPLETED	N/A
35,877					35,877	COMPLETED	N/A
5,668		5,668				COMPLETED	N/A
13,124		7,536			5,588	COMPLETED	N/A
101,746		82,022	9,540		10,184	COMPLETED	N/A
16,802		16,802				COMPLETED	N/A
69,196		49,413			19,783	COMPLETED	N/A
113,645		17,807	81,476		14,362	COMPLETED	N/A
20,198		12,772			7,426	COMPLETED	N/A
54,865	39,358	9,579			5,928	COMPLETED	N/A
13,976		13,976				COMPLETED	N/A
19,601					19,601	COMPLETED	N/A
69,787		56,426	10,047		3,314	COMPLETED	N/A
56,696		36,069			20,627	COMPLETED	N/A
9,963			9,963			COMPLETED	N/A
121,956			104,556		17,400	COMPLETED	N/A
61,092		22,198			38,894	COMPLETED	N/A
17,714		7,634			10,080	COMPLETED	N/A
97,607	29,868	17,408			50,331	COMPLETED	N/A
11,700					11,700	COMPLETED	N/A
48,799		5,982			42,817	COMPLETED	N/A
43,220	22,220				21,000	COMPLETED	N/A
2,967					2,967	COMPLETED	N/A
4,937		3,099			1,838	COMPLETED	N/A
39,552		23,603			15,949	COMPLETED	N/A
1,315,932	153,306	509,571	249,317	–	403,738		

Project Summary – Major Property Projects in Mainland China

Ref	Project Name	Form of Investment	NWCL's Accounting Classification	NWCL's Attributable Interests	Site Area (sq. m.)
COMPLETED HOTEL PROPERTY PROJECTS					
47	Courtyard by Marriott Beijing (Formerly known as New World Courtyard Hotel Beijing)	CJV	JCE	55%	N/A (included in Beijing New World Centre Phase I)
48	New World Hotel Shenyang	EJV	Subsidiary	100%	7,847
49	Courtyard by Marriott Shunde (Formerly known as New World Courtyard Hotel Shunde)	CJV	Assoc. Co.	35%	4,508
50	New World Mayfair Hotel Shanghai (Formerly known as Mayfair Hotel Shanghai)	CJV/EJV	Subsidiary	75%	10,883
	Subtotal				23,238
	Total				18,200,064
NEWLY ACQUIRED PROJECTS (note)					
51	Changsha La Ville New World	EJV	Subsidiary	90%	447,333
52	Chengdu New World Riverside	EJV	Subsidiary	60%	950,005
53	Guiyang Jinyang District Project	WFOE	Subsidiary	100%	1,670,089
54	Haikou Meilisha Project	WFOE	Subsidiary	100%	2,204,895
	Total				5,272,322

Note: Project under planning and subject to approval

Total GFA (sq. m.)	Residential (sq. m.)	Commercial (sq. m.)	Office (sq. m.)	Hotel (sq. m.)	Others (sq. m.)	Development Status	Expected Completion Date
23,988				23,988		COMPLETED	N/A
34,535				34,535		COMPLETED	N/A
36,524				36,524		COMPLETED	N/A
60,054				60,054		COMPLETED	N/A
155,101	-	-	-	155,101	-		
17,535,012	10,903,495	1,976,817	989,615	280,225	3,384,860		
1,070,000	TBD	TBD	TBD	TBD	TBD	UNDER PLANNING	TBD
3,000,000	TBD	TBD	TBD	TBD	TBD	UNDER PLANNING	TBD
3,200,000	TBD	TBD	TBD	TBD	TBD	UNDER PLANNING	TBD
TBD	TBD	TBD	TBD	TBD	TBD	UNDER PLANNING	TBD
7,270,000	-	-	-	-	-		

Directors' Profile



DATO' DR. CHENG YU-TUNG

DPMS, LLD(Hon), DBA(Hon), DSSc(Hon) (Aged 81)

Appointed as Director in May 1970 and has been the Chairman since 1982. Chairman of New World Hotels (Holdings) Limited and Chow Tai Fook Enterprises Limited. Independent Non-executive Director of Hang Seng Bank Limited. Director of Cheng Yu Tung Family (Holdings) Limited and Centennial Success Limited. He is also Non-executive Director of Shun Tak Holdings Limited and Non-executive Chairman of Lifestyle International Holdings Limited. Dr. Cheng is the brother of Mr. Cheng Yue-Pui and father of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter.



DR. CHENG KAR-SHUN, HENRY

BA, MBA, DBA(Hon), LLD(Hon), GBS (Aged 59)

Appointed as Director in October 1972, Executive Director in 1973 and became Managing Director from 1989. Chairman and Managing Director of New World China Land Limited. Chairman of NWS Holdings Limited, Taifook Securities Group Limited, New World Mobile Holdings Limited and International Entertainment Corporation. Managing Director of New World Hotels (Holdings) Limited. Director of Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited and HKR International Limited. Dr. Cheng also acts as a Non-executive Director of Lifestyle International Holdings Limited. Chairman of the Advisory Council for The Better Hong Kong Foundation. A Committee Member of the Tenth Chinese People's Political Consultative Conference of The People's Republic of China. In 2001, Dr. Cheng was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the eldest son of Dr. Cheng Yu-Tung, brother of Mr. Cheng Kar-Shing, Peter and nephew of Mr. Cheng Yue-Pui.



LORD SANDBERG, MICHAEL

CBE (Aged 79)

Appointed as Director from October 1972 to May 1977 and re-appointed in January 1987. Chairman of The Hongkong and Shanghai Banking Corporation Limited from September 1977 to December 1986. He is also an Independent Non-executive Director of Winsor Industrial Corporation, Limited



DR. SIN WAI-KIN, DAVID

DSSc(Hon) (Aged 77)

Appointed as Executive Director in June 1970. Chairman of Myer Jewelry Manufacturer Limited, Honorary Chairman of Hip Hing Construction Company Limited, Vice Chairman and Independent Non-executive Director of Miramar Hotel & Investment Company Limited, and Independent Non-executive Director of Hang Seng Bank Limited.



MR. CHENG YUE-PII

(Aged 78)

Appointed as Director in June 1970. Director of Centennial Success Limited and Chow Tai Fook Enterprises Limited. Mr. Cheng is the brother of Dr. Cheng Yu-Tung and uncle of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter.



MR. LIANG CHONG-HOU, DAVID

(Aged 61)

Appointed as Director in November 1979 and became Executive Director in 1986. Mr. Liang is the cousin of Mr. Liang Cheung-Biu, Thomas.



**MR. YEUNG PING-LEUNG,
HOWARD**

(Aged 49)

Appointed as Director in November 1985. Chairman of King Fook Holdings Limited, Non-executive Director of Miramar Hotel & Investment Company Limited.



DR. CHA MOU-SING, PAYSON

JP, DSSc (Hon) (Aged 64)

Appointed as Director in April 1989. Deputy Chairman of HKR International Limited and Chairman of Hanison Construction Holdings Limited and Mingly Corporation. He is also an Independent Non-executive Director of Hongkong International Theme Parks Limited, TVB Pay Vision Holdings Limited and Eagle Asset Management (CP) Limited – Manager of Champion Reit. Dr. Cha is a Member of The National Committee of the Chinese People's Political and Consultative Conference.



MR. CHENG KAR-SHING, PETER

(Aged 54)

Appointed as Director in October 1994. Director of Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited, New World Hotels (Holdings) Limited and NWS Service Management Limited. Deputy Managing Director of New World Development (China) Limited. Executive Director of New World China Land Limited. Mr. Cheng is the son of Dr. Cheng Yu-Tung, brother of Dr. Cheng Kar-Shun, Henry and nephew of Mr. Cheng Yue-Pui.



MR. LEUNG CHI-KIN, STEWART

(Aged 67)

Appointed as Director in October 1994 and re-designated as Executive Director in August 2004. He has been the Group General Manager since May 1988. Executive Director of New World China Land Limited. Director of New World Hotel Company Limited and Hip Hing Construction Company Limited. Vice Chairman of the Executive Committee of The Real Estate Developers Association of Hong Kong.



MR. CHOW KWAI-CHEUNG

(Aged 64)

Appointed as Director in October 1994. Executive Director of New World China Land Limited and Director of Hip Hing Construction Company Limited.



MR. CHA MOU-ZING, VICTOR

(Alternate Director to Dr. Cha Mou-Sing, Payson)

(Aged 56)

Appointed as Alternate Director in September 2000. Mr. Cha is the Managing Director of HKR International Limited (HKRI). He is also an Independent Non-executive Director of China Netcom Group Corporation (Hong Kong) Limited (CNGC). Both HKRI and CNGC are listed public companies in Hong Kong. He has extensive experience in the textile manufacturing and real estate businesses. He is active in public services and is member of various public and private bodies, including inter alia, the Council Member of The Hong Kong Polytechnic University.



MR. HO HAU-HAY, HAMILTON

(Aged 55)

Appointed as Non-executive Director in August 2004 and was an alternate Director of the Company from 7 January 2004 to 30 August 2004. Mr. Ho is an Independent Non-executive Director of CITIC Pacific Limited, a Director of Dah Chong Hong Holdings Limited, a Non-executive Director of King Fook Holdings Limited, an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company Limited.



MR. LEE LUEN-WAI, JOHN, JP

(Aged 57)

Appointed as Independent Non-executive Director in August 2004. Managing Director of Lippo Limited and a Director of Lippo China Resources Limited, Hongkong Chinese Limited and Overseas Union Enterprise Limited as well as an Independent Non-executive Director of New World China Land Limited. He is a qualified accountant and was a partner of one of the leading international accounting firms in Hong Kong. He has extensive experience in corporate finance and capital markets. Mr. Lee serves as a member on a number of Hong Kong Government Boards and Committees including Hospital Authority, Council of the City University of Hong Kong and Solicitors Disciplinary Tribunal Panel. Mr. Lee is also the Chairman of the Queen Elizabeth Hospital Governing Committee.



MR. LIANG CHEUNG-BIU, THOMAS

(Aged 59)

Appointed as Non-executive Director in August 2004. Group Chief Executive of Wideland Investors Limited. He has extensive experience in financial management, corporate finance, banking, real estate development and equity investment. Mr. Liang is the cousin of Mr. Liang Chong-Hou, David.

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Report of the Directors

The Directors present their annual report and financial statements for the year ended 30 June 2006.

Group activities

The principal activities of the Company remain investment holding and property investment. The principal activities of the principal subsidiaries, associated companies and jointly controlled entities are shown in Notes 50, 51 and 52 to the financial statements on pages 168 to 180.

Financial statements

The result of the Group for the year ended 30 June 2006 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 97 to 180.

Dividends

The Directors have resolved to recommend a final dividend for the year ended 30 June 2006 of HK\$0.20 per share (2005: HK\$0.20 per share) comprising a cash dividend of HK\$0.01 per share (which is being paid in order to ensure that the shares of the Company continue to qualify as Authorised Investments for the purpose of the Trustee Ordinance of Hong Kong) and a scrip dividend by way of an issue of new shares equivalent to HK\$0.19 per share with a cash option to shareholders registered on 24 November 2006. Together with the interim dividend of HK\$0.13 per share paid in July 2006, total distribution for the year ended 30 June 2006 would thus be HK\$0.33 per share (2005: HK\$0.30 per share).

Share capital

Details of movements in share capital during the year are set out in Note 36 to the financial statements.

Reserves

Details of movements in reserves are set out in Note 37 to the financial statements.

Distributable reserves of the Company at 30 June 2006 amounted to HK\$11,837.1 million (2005: HK\$10,836.8 million).

Five-year financial summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 181 and 182.

Purchase, sale or redemption of listed securities

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

Donations

The Group made charitable and other donations during the year amounting to HK\$12.5 million (2005: HK\$15.6 million).

Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in Note 18 to the financial statements.

Connected transactions

Connected transactions of the Company during the year and up to the date of this report are set out on pages 73 to 78.

Report of the Directors

Rule 13.20 and 13.22 of the Listing Rules

The disclosure pursuant to Rule 13.20 and 13.22 of the Listing Rules is set out on page 94.

Directors

The Directors of the Company during the year and at the date of this report are:

Executive Directors

Dato' Dr. Cheng Yu-Tung (Chairman)
Dr. Cheng Kar-Shun, Henry (Managing Director)
Dr. Sin Wai-Kin, David
Mr. Liang Chong-Hou, David
Mr. Leung Chi-Kin, Stewart

Non-executive Directors

Mr. Cheng Yue-Pui
Mr. Cheng Kar-Shing, Peter
Mr. Chow Kwai-Cheung
Mr. Ho Hau-Hay, Hamilton
Mr. Liang Cheung-Biu, Thomas

Independent Non-executive Directors

Lord Sandberg, Michael
Mr. Yeung Ping-Leung, Howard
Dr. Cha Mou-Sing, Payson JP
Mr. Cha Mou-Zing, Victor (alternate director to Dr. Cha Mou-Sing, Payson)
Mr. Lee Luen-Wai, John JP

In accordance with Article 103(A) of the Company's Articles of Association, Dr. Cheng Kar-Shun, Henry, Mr. Leung Chi-Kin, Stewart, Mr. Cheng Kar-Shing, Peter, Lord Sandberg, Michael and Dr. Cha Mou-Sing, Payson retire by rotation and, being eligible, offer themselves for re-election.

None of the Directors had a service contract with the Company or any of its subsidiaries which cannot be terminated within one year without any compensation.

Audit committee

An Audit Committee has been established and the members of the Committee are Dr. Cha Mou-Sing, Payson JP, Mr. Yeung Ping-Leung, Howard and Mr. Lee Luen-Wai, John JP. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

Directors' interests in contracts

Pursuant to an agreement dated 5 August 1993 (the "Agreement") made between Hotel Property Investments (B.V.I.) Limited ("HPI") and Renaissance Hotel Holdings (B.V.I.) Limited ("Renaissance"), both being former subsidiaries of the Group, and CTF Holdings Limited ("CTFHL"), HPI agreed to pay CTFHL an annual fee in accordance with the terms of the Agreement. This Agreement was assigned to New World Hotels (Holdings) Limited ("NWHH"), a subsidiary of the Group, on 25 July 1997. CTFHL was paid a fee of US\$11.0 million (HK\$85.0 million) for the year ended 30 June 2006 (2005: US\$11.2 million (HK\$87.5 million)). Dr. Cheng Kar-Shun, Henry, Director of the Company and Mr. Doo Wai-Hoi, William ("Mr. Doo"), a director of certain subsidiaries of the Group, are interested in this transaction to the extent that they have beneficial interests in CTFHL.

Report of the Directors

Directors' interests in contracts *(continued)*

Save for contracts amongst group companies and the aforementioned transactions, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a 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 shares, underlying shares and debentures

As at 30 June 2006, interests of the Directors and their associates in shares, underlying shares and debentures of the Company and its associated corporations which were recorded in the register to be kept by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") are set out on pages 79 to 93.

Directors' interests in competing businesses

During the year, the following Directors have interests in the following businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as Directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules:

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of businesses	
Dr. Cheng Yu-Tung	Shun Tak Holdings Limited ("Shun Tak") group of companies	Property investment and development, ferry services and hotel related services	Director
	Chow Tai Fook Enterprises Limited ("CTF") group of companies	Property investment and development and transport	Director
	Melbourne Enterprises Limited ("Melbourne") group of companies	Property investment	Director
	Lifestyle International Holdings Ltd. ("Lifestyle") group of companies	Department stores operations and property investment	Director
Dr. Cheng Kar-Shun, Henry	Shun Tak group of companies	Property investment and development, ferry services and hotel related services	Director
	CTF group of companies	Property investment and development and transport	Director
	HKR International Limited group of companies	Property investment and development and property management	Director
	Lifestyle group of companies	Department stores operations and property investment	Director
Dr. Sin Wai-Kin, David	Miramar Hotel & Investment Company Limited ("Miramar") group of companies	Property investment and hotel operation	Director
Mr. Cheng Yue-Pui	CTF group of companies	Property investment and development and transport	Director
	Melbourne group of companies	Property investment	Director

Report of the Directors

Directors' interests in competing businesses *(continued)*

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of businesses	
Mr. Cheng Kar-Shing, Peter	CTF group of companies	Property investment and development and transport	Director
	Long Vocation Investments Limited group of companies	Property investment	Director and Shareholder
Mr. Chow Kwai-Cheung	Flying Dragon Properties Ltd.	Property investment	Director and Shareholder
	Global Agents Ltd.	Investment holding	Director and Shareholder
Mr. Ho Hau-Hay, Hamilton	CITIC Pacific Limited	Property development and investment, telecommunications, and operation of power station and tunnel and financial services	Director
	Honorway Investments Limited	Property development and investment	Director and Shareholder
	Tak Hung (Holding) Company Limited	Property development and investment	Director and Shareholder
Mr. Liang Cheung- Bui, Thomas	Bermuda Investments Limited	Property investment	Director
	Greenwich Investors Limited	Property investment	Director
	Lambda Enterprises Limited	Property management	Director
	Miramar group of companies	Property investment and hotel operation	Director
	Notting Hill Development Limited	Property investment	Director
	Ramadon Company Limited	Property investment	Director
	Roundtree Property Company Limited	Property investment	Director

As the Board of Directors of the Company is independent of the boards of the above-mentioned entities and none of the above Directors can control the Board of the Company, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of these entities.

Management contracts

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

Directors' rights to acquire shares or debentures

Save as disclosed under the section headed "Share Option Schemes" below, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

Share option schemes

Share option schemes of the Group are set out on pages 81 to 93.

Substantial shareholders' interests in securities

As at 30 June 2006, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares

Name	Number of shares held			Approximate % of shareholding
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") ⁽¹⁾	–	1,274,061,712	1,274,061,712	35.01
Centennial Success Limited ("Centennial") ⁽²⁾	–	1,274,061,712	1,274,061,712	35.01
CTF ⁽³⁾	1,143,548,446	130,513,266	1,274,061,712	35.01

Notes:

- (1) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares deemed to be interested by Centennial.
- (2) Centennial holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.
- (3) CTF together with its subsidiaries.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having an interest in 10% or more of the issued share capital of the Company as at 30 June 2006.

Report of the Directors

Other persons' interests in securities

As at 30 June 2006, the interests or short positions of persons (other than Directors or chief executive or substantial shareholders (as defined in the Listing Rules)) in the shares and underlying shares of the Company as recorded in the register as required to be kept under Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares held	Number of underlying shares held	Total	Approximate % of shareholding
Marathon Asset Management Ltd	Investment manager	208,191,948	–	208,191,948	5.72
Timothy R. Barakett ⁽¹⁾	Interest of controlled corporations	166,629,068	63,701,740	230,330,808	6.33
Atticus Management LLC ⁽²⁾	Investment manager	166,629,068	63,701,740	230,330,808	6.33
Atticus Capital LP	Investment manager	166,629,068	63,701,740	230,330,808	6.33

Short positions in the underlying shares of the Company

Name	Capacity	Number of underlying shares held	Approximate % of Shareholding
Timothy R. Barakett ⁽¹⁾	Interest of controlled corporations	127,403,000	3.5
Atticus Management LLC ⁽²⁾	Investment manager	127,403,000	3.5
Atticus Capital LP	Investment manager	127,403,000	3.5

Notes:

- (1) *Atticus Management LLC is wholly owned by Mr Timothy R. Barakett who is deemed to have interests in the shares and underlying shares deemed to be interested by Atticus Management LLC.*
- (2) *Atticus Capital LP is a wholly owned subsidiary of Atticus Management LLC. Atticus Management LLC is deemed to be interested in the shares and underlying shares interested by Atticus Capital LP.*

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 2006.

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 25.0% of the Company's total number of issued shares.

Report of the Directors

Major customers and suppliers

During the year, less than 30.0% of the Group's turnover and less than 30.0% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

Significant change in shareholdings of subsidiaries

- (a) On 21 October 2005, New World Mobile Holdings Limited ("NWMH") acquired from New World CyberBase Limited the entire issued share capital of New World CyberBase Solutions (BVI) Limited and its subsidiaries for a consideration of HK\$21.0 million. The purchase consideration was satisfied by the issuance of 16,153,846 shares of NWMH at HK\$1.30 each. Following the issuance of shares in NWMH, the Group's interest in NWMH reduced by 14.4% to approximately 58.0%.
- (b) On 1 November 2005, the Company requested the board of directors of New World TMT Limited ("NWTMT") to put forward a proposal to the shareholders of NWTMT other than the New World Development Group ("the Scheme Shareholders") regarding a proposed privatisation of NWTMT by way of a scheme of arrangement ("the Scheme") under Section 86 of the Companies Law of the Cayman Islands. The shares in the share capital of NWTMT held by the Scheme Shareholders would all be cancelled in exchange for HK\$0.75 in cash for each share.

The Scheme was approved by the Scheme Shareholders at the Court Meeting and an Extraordinary General Meeting. The Scheme became effective on 21 February 2006 and the amount of approximately HK\$326.7 million was paid to the Scheme Shareholders on 2 March 2006. Accordingly, NWTMT became a wholly owned subsidiary of the Company.

- (c) On 8 December 2005, NWMH entered into a Merger Agreement with Telstra CSL Limited ("Telstra CSL") and Telstra Holdings (Bermuda) No. 2 Limited, pursuant to which Telstra CSL has agreed to issue and allot and NWMH has agreed to procure Upper Start Holdings Limited, a wholly owned subsidiary of NWMH, to subscribe for new shares in Telstra CSL, which will represent 23.6% of the enlarged share capital of Telstra CSL upon completion, in exchange for the transfer of all of NWMH's interest in New World PCS Limited, a wholly owned subsidiary of NWMH, to Telstra CSL and a cash payment of HK\$244.0 million by NWMH to Telstra CSL. The Merger Agreement was approved by the shareholders of NWMH at the extraordinary general meeting held on 24 March 2006.

Auditors

The financial statements have been audited by Messrs PricewaterhouseCoopers and H.C. Watt & Company Limited, who retire and, being eligible, offer themselves for re-appointment as joint auditors of the Company.

On Behalf of the Board

Dr. Cheng Yu-Tung

Chairman

Hong Kong, 10 October 2006

Report of the Directors

Connected Transactions

- (1) The Company and CTF, severally in the proportions of 64.0% and 36.0%, have on 29 August 1995 issued an indemnity (“Indemnity”) to Renaissance Hotel Group N.V. (“RHG”), a former subsidiary of NWHH, which is now an independent third party, in respect of any obligations of RHG or its subsidiaries may have in respect of certain lease payment obligations under 25 leases or guarantees of leases of Hotel Property Investment, Inc., a Delaware corporation held by HPI.

On 25 July 1997, NWHH sold its entire interests in HPI to CTFHL, a company controlled by Dr. Cheng Kar-Shun, Henry, a Director of the Company and Mr. Doo, a director of certain subsidiaries of the Company. Under the sale, the Indemnity will continue. Arrangements have therefore been entered into whereby CTF will counter-indemnify the Company fully against any liability arising under the Indemnity in respect of the said lease obligations and guarantees of leases. It is presently estimated that the maximum liability of the Company under the Indemnity will be approximately US\$54.0 million per annum. Up to now, no payment has ever been made by the Company or CTF under the Indemnity.

- (2) In July 1999, a deed of tax indemnity was entered into between the Company and New World China Land Limited (“NWCL”) whereby the Company undertakes to indemnify NWCL in respect of, inter alia, certain PRC income tax (“IT”) and land appreciation tax (“LAT”) in The People’s Republic of China (“PRC”) payable in consequence of the disposal of certain properties held by NWCL as at 31 March 1999 and in respect of which the aggregate amount of LAT and IT is estimated at approximately HK\$6,782.8 million (2005: HK\$6,172.9 million). During the year, tax indemnity amounted to HK\$34.8 million was effected (2005: Nil).

- (3) On 15 May 2002, the Company, CTF and Wee Investments (Pte.) Limited (“Wee”), an independent third party property development company, entered into a funding agreement, a performance and completion undertaking and a deed of guarantee entered into by the Company (“Financing Documents”), in favour of the agent for the lenders in respect of HK\$1,300.0 million term loan facility granted by a syndicate of banks to Jade Gain Enterprises Limited (“Jade Gain”), which is the developer of Tseung Kwan O Town Lot No. 75 Area 55b development site (“the Project”). The Company, CTF and Wee have direct or indirect shareholdings of 45.0%, 30.0% and 25.0% respectively in Jade Gain. The financial obligations of the Company, CTF and Wee under the Financing Documents are several and are in proportion to each shareholder’s respective shareholding percentage in Jade Gain. However the financial obligations of the Company, CTF and Wee under the Financing Documents might be adjusted if one of the party defaulted under the development agreement of the Project dated 6 February 2002. Under such circumstances, the non-defaulting parties would have to assume the financial obligations of the defaulting party under the Financing Documents on a pro rata basis amongst the non-defaulting parties so that a party might have to assume the financing obligations under the Financing Documents greater than the proportion to each shareholders’ respective shareholder’s percentage in Jade Gain.

As CTF is regarded as a connected person of the Company, entering into the Financial Documents by the Company constituted connected transaction of the Company under the Listing Rules.

On 28 April 2006, the HK\$1,300.0 million term loan facility was fully repaid and the obligations of the Company, CTF and Wee under the Financing Documents were released/discharged.

- (4) On 25 July 2002, Shanghai Ramada Plaza Ltd. (“Shanghai Ramada”), then 57.0% owned subsidiary of NWCL, was granted loan facilities of US\$10.0 million and RMB300.0 million by two banks for terms of 5 years to finance the construction of its property project and as general working capital. Upon granting of the loan facilities, NWCL provided guarantees in respect of the full obligation and liabilities of Shanghai Ramada under the loan facilities as well as the completion of Shanghai Ramada Plaza and undertook that the funding requirement relating to the completion of its construction would be fulfilled. The aforesaid loan facility was extended for further 3 years up to 30 June 2010.

On 24 June 2003, Shanghai Ramada, then 61.8% owned subsidiary of NWCL, obtained another loan facility of RMB100.0 million from a bank for a term of 5 years to finance the construction cost of its property project. The obligation and liabilities of Shanghai Ramada under the aforesaid loan facility are also guaranteed by NWCL.

On 15 December 2004, Shanghai Ramada, then 64.9% owned subsidiary of NWCL obtained a multi-currency loan facility up to an aggregate principal amount of HK\$80.0 million for a term up to 31 July 2007 which will be utilised by Shanghai Ramada to re-finance an existing bank loan facility of HK\$10.0 million and RMB74.0 million obtained by Shanghai Mayfair Hotel Co., Ltd. which merged with Shanghai Ramada in June 2004.

Report of the Directors

Connected Transactions *(continued)*

At the date of this report, Shanghai Ramada is 99.8% owned by Ramada Property Ltd. (“Ramada Property”) which in turn is a 75.0% owned subsidiary of NWCL. The other shareholders of Ramada Property had agreed to indemnify NWCL in respect of its liability under the guarantees and pay to NWCL a guarantee fee of 0.25% per annum on the amount of the loan facilities being utilised by Shanghai Ramada in proportion to their shareholdings in Ramada Property.

Stanley Enterprises Limited (“Stanley”), having 20.0% interest in Ramada Property, is a connected person of NWCL by virtue of its being a substantial shareholder of certain subsidiaries of the NWCL group, and is wholly owned by a director of NWCL, Mr. Doo, since 3 December 2002. The provision of the guarantees by NWCL in respect of the loan facilities and payment of the guarantee fee by Stanley constituted connected transactions for the Company under the Listing Rules.

- (5) On 29 July 2002, Shunde Shunxing Real Estate Co., Ltd. (“Shunde Shunxing”) was granted a 3-year term loan facility of RMB50.0 million from a bank to finance a property development project. Shunde Shunxing was owned by Global Perfect Development Limited (“Global Perfect”) and an independent third party as to 70.0% and 30.0% respectively. Global Perfect is indirectly owned as to 50.0% and 50.0% by NWCL and CTF respectively.

The loan facility was severally guaranteed by NWCL and CTF in proportion to their indirect shareholdings in Global Perfect. Since CTF is a connected person, the provision of the aforesaid guarantee by NWCL constituted a connected transaction for the Company.

- (6) Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co., Ltd. (“Fortune Leader Real Estate”) was granted a 4-year banking facility with principal amount of up to HK\$30.0 million on 6 September 2002 and additional facility of HK\$40.0 million on 17 July 2003 to finance the development cost of its property projects.

On 16 December 2005, Fortune Leader Real Estate was further granted a 4-year loan facility with principal amount of up to HK\$25.0 million to finance its working capital requirement.

At the date of this report, Fortune Leader Real Estate is 80% owned by Dragon Fortune Limited (“Dragon Fortune”) and 20% owned by a wholly-owned subsidiary of NWCL. Dragon Fortune is owned by NWCL, Potassium Corp. (“Potassium”), a wholly owned company of Mr. Cheng Kar-Shing, Peter, a director of both the Company and NWCL, Sun City Holdings Limited (“Sun City”), a 30.625% owned associated company of NWCL, and independent third parties as to 42.54%, 7.09%, 20.33% and 30.04%, respectively. Effectively, NWCL owns Dragon Fortune as to 48.77%.

The obligation and liabilities of Fortune Leader Real Estate under the banking facilities were guaranteed by NWCL, Mr. Cheng Kar-Shing, Peter and certain independent shareholders of Dragon Fortune in the proportion of 39.20%, 30.64% and 30.16% respectively on several basis.

Sun City is a 30.6% owned associated company of NWCL and is also a connected person of NWCL by virtue of the deemed interest of Mr. Cheng Kar-Shing, Peter in more than one-third of its issued share capital. Accordingly, the provision of the guarantees by NWCL in respect of the banking facilities to Fortune Leader Real Estate constituted connected transactions for the Company.

- (7) On 8 January 2003, Fortune Leader Overseas Chinese (Daiyawan) Investment Co., Ltd. (“Fortune Leader Investment”) was granted a 4-year banking facility with principal amount of up to HK\$50.0 million to finance the development of its property projects. Fortune Leader Investment was 80% owned by Dragon Fortune. The obligation and liabilities of Fortune Leader Investment under the facility were guaranteed by NWCL, Mr. Cheng Kar-Shing, Peter and certain independent shareholders of Dragon Fortune in the proportion of 39.84%, 29.5% and 30.66% respectively on several basis.

On 16 December 2005, Fortune Leader Investment was further granted a 4-year loan facility with principal amount of up to HK\$5.0 million (“HK\$5.0 million Facility”) to finance its working capital requirement. The obligation and liabilities of Fortune Leader Investment under the HK\$5.0 million Facility were guaranteed by NWCL, Mr. Cheng Kar-Shing, Peter and certain independent shareholders of Dragon Fortune in the proportion of 39.20%, 30.64% and 30.16% respectively on several basis.

Report of the Directors

Connected Transactions *(continued)*

By reason stated in paragraph (6) above, the provision of the guarantees by NWCL in respect of the banking facilities to Fortune Leader Investment constituted connected transactions for the Company.

- (8) On 27 November 2003, NWCL executed a corporate guarantee to secure 90.5% of the indebtedness of Guangzhou Xin Yi Development Limited (“Xin Yi”) under a 3-year term loan facility up to RMB200.0 million as granted by a bank to Xin Yi on 27 November 2003 to finance its property development projects. Xin Yi is owned indirectly as to 90.5% and 9.5% by NWCL and CTF. CTF is a connected person of the Company, the provision of the guarantee by NWCL in respect of the banking facility to Xin Yi constituted a connected transaction for the Company.
- (9) On 20 May 2004, Merryhill Group Limited (now known as NWS Transport Services Limited (“NWST”) and NWSH entered into a master services agreement (the “NWST Master Services Agreement”) under which NWST agreed to, and procured that members of the NWST Group (“NWST and its subsidiaries”) engage relevant members of the NWSH Group to provide operational services, which includes construction services, electrical and mechanical engineering services, facility management services, security and guarding services, cleaning and landscaping services, financial services and property management services and such other types of services as NWST and NWSH may agree upon from time to time in writing, to NWST and/or members of the NWST Group during the term of the NWST Master Services Agreement. Moreover, under the NWST Master Services Agreement, NWST also agreed and undertook that it shall procure the relevant members of the NWST Group to rent or otherwise license spare office, commercial, storage and car-parking spaces in the depots of the relevant members of the NWST Group to members of the NWSH Group.

The transactions contemplated under the NWST Master Services Agreement were expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the NWSH Group. As CTF is a connected person of the Company and NWST is an associate of CTF, the NWST Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

The aggregate amount of services contracted by the NWST Group during the year under the NWST Master Services Agreement amounted to HK\$25.6 million and the total amount of annual cap for the NWST Master Services Agreement amounted to HK\$92.7 million.

- (10) On 5 August 2004, an agreement (the “Agreement”) was entered into between 四川犍為電力(集團)股份有限公司 (unofficial translation being Sichuan Qianwei Power (Group) Share Co., Ltd., “Qianwei Power Group”) and Lucrative Rich Limited, an indirect wholly owned subsidiary of NWSH, for the disposal of all the NWSH Group’s interest in 四川犍為大和電力有限公司 ((unofficial translation being Sichuan Qianwei Dali Power Company Limited, “Qianwei”) at a consideration of RMB48.0 million.

The consideration was payable by Qianwei Power Group in cash by two instalments. The first instalment of RMB26.0 million was paid on the date of signing of the Agreement and the remaining balance was paid in December 2004. Completion took place upon fulfilment of all the condition precedents as set out in the Agreement and on the date when the full amount of the consideration has been settled.

Qianwei Power Group, by virtue of its substantial shareholding in Qianwei, was a connected person of NWSH. The disposal of interest in Qianwei as contemplated under the Agreement constituted connected transaction for the Company under the Listing Rules.

NWSH further announced on 13 December 2004 that due to the internal corporate restructuring of Qianwei Power Group, Lucrative Rich Limited entered into two sale and purchase agreements on 13 December 2004 both with Qianwei Power Group for the transfer of its 35.0% interest in Qianwei to Qianwei Power Group, and its remaining 25.0% interest in Qianwei to Qianwei Power Group or its nominee, in replacement of the Agreement. The consideration for such disposal remains unchanged and the material terms of the Agreement remain substantially unchanged. Transfers of interests were completed during the year.

Report of the Directors

Connected Transactions *(continued)*

- (11) On 24 February 2005, Hong Kong Island Development Limited (“Hong Kong Island”), a wholly owned subsidiary of the Company as Lessor, and Sogo Hong Kong Company Limited (“Sogo HK”) as Lessee entered into a lease agreement (“Lease Agreement”), pursuant to which the Lessee will lease the portion of Ground Floor, Portion of P1 and the entire P2 of the Amazon, 12 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong (“the Premises”) from the Lessor for a fixed term of fifteen years at a monthly rent to be calculated in accordance with the following schedule:

Year 1 to 10 of the term: 6.0% of the monthly gross turnover from the operation of any trade in from and/or upon the Premises

Year 11 to 15 of the term: 7.0% of the monthly gross turnover from the operation of any trade in from and/or upon the Premises

The Premises, the subject of the Lease Agreement, is owned by Hong Kong Island. Sogo HK is an indirect non-wholly owned subsidiary of Real Reward Limited, a jointly controlled entity owned by Go Create Limited, a wholly owned subsidiary of CTF. Sogo HK is, accordingly, a connected person of the Company and the entering into of the Lease Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

The total rental received from Sogo HK during the period from 29 September 2005 (the lease commencement date) to 30 June 2006 under the Lease Agreement amounted to HK\$28.5 million which is within the annual cap of HK\$75 million.

- (12) On 29 July 2005, New World Development (China) Limited (“NWDC”), a wholly owned subsidiary of NWCL, entered into a loan agreement with Shanghai Juyi Real Estate Development Co., Ltd. (“Juyi”) under which a shareholder’s loan in the principal amount of US\$10.0 million will be provided by NWDC, the sole legal owner, to Juyi for a term of five years, subject to renewal, at an interest rate of 1.35% above the London Inter-bank Offered Rate per annum. Pursuant to a participation agreement dated 28 June 1995 and a supplemental agreement dated 14 March 2003, Stanley has a beneficial interest of 30% in Juyi and the loan amount under the loan agreement will be provided as to US\$7.0 million by NWDC and US\$3.0 million by Stanley in proportion to their respective beneficial interest in Juyi.

On 12 June 2006, NWDC entered into a capital contribution agreement with Stanley in respect of the increase in registered capital of Juyi from RMB350.0 million to RMB765.0 million, whereby NWDC and Stanley agreed to make the capital contribution to Juyi in proportion to their respective beneficial interest in Juyi. Accordingly, Stanley agreed to contribute, through payment to NWDC, RMB124.5 million, being 30% of the increased amount of the registered capital of Juyi, upon demand and at the instructions of NWDC from time to time.

The amount of loan and capital raised by Juyi under the aforesaid loan agreement and capital contribution agreement will be utilized to finance the development of Shanghai Hong Kong New World Garden located in Luwan District, Shanghai, the PRC.

By virtue of the interest of Stanley in Juyi and the fact that Stanley is a connected person of NWCL by reason stated in paragraph (4) above, the provision of the shareholder’s loan and capital to Juyi constituted connected transactions for the Company under the Listing Rules.

- (13) On 12 September 2005, NWDC entered into an agreement with Shun Hing China Investment Limited (“Shun Hing”) whereby NWDC agreed to acquire and Shun Shing agreed to sell 100 shares, representing 10.0% interest, in the issued share capital of Ramada Property, together with the shareholder’s loan in the sum of US\$9.7 million and HK\$16.7 million due and owing by Ramada Property to Shun Hing for a total consideration of US\$12.1 million and HK\$17.0 million. The transaction was completed on 13 September 2005.

Ramada Property was an investment holding company having 99.8% interests in Shanghai Ramada, which holds the entire interest in Shanghai Ramada Plaza, a composite building comprising hotel, apartments, shopping arcade and car parks.

Report of the Directors

Connected Transactions *(continued)*

Shun Hing was a connected person of the NWCL by virtue of its interest in Ramada Property. Ramada Property is also 20.0% owned by a company wholly owned by Mr. Doo, a connected person of NWCL. The acquisition therefore constituted a connected transaction for the Company under the Listing Rules.

- (14) On 29 September 2005, Melowell Investment Limited (“Melowell”), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Winteam Holdings Limited (“Winteam”), Mr. Yeung Sai-Hong and Mr. Yeung Kwok-Sang whereby Winteam conditionally agreed to sell and Melowell conditionally agreed to purchase 70.0% of the entire issued share capital of China Step Limited (“China Step”) and 70.0% of all amounts, including principal and interest, owing by China Step to Winteam at a total consideration of HK\$614.6 million (subject to adjustments) upon the terms and conditions therein contained.

Winteam is beneficially and substantially owned by Mr. Yeung Sai-Hong, who is a substantial shareholder and a director of certain non-wholly owned subsidiaries of the Company. Accordingly, the transaction constituted a connected transaction for the Company under the Listing Rules. The transaction was completed on 25 November 2005.

- (15) On 23 December 2005, Fu Hong Investments Limited (“Fu Hong”), a wholly owned subsidiary of NWCL, entered into an agreement (“the Agreement”) with Stand Way Estate Limited (“Stand Way”) and 廣州勝賢投資有限公司 (Guangzhou Sheng-xian Investments Co., Ltd., “Guangzhou Sheng-xian”) relating to the acquisition of 50% equity interest in 廣州榮和房地產有限公司 (Guangzhou Ronghe Real Estate Co., Ltd., “Guangzhou Ronghe”) by Fu Hong from Stand Way at a consideration of RMB100.0 million, which is payable by instalments in accordance with the terms and conditions set out in the Agreement. Upon completion of the registration procedures to effect the transfer, Guangzhou Ronghe will be owned as to 50%, 45% and 5% by Fu Hong, Stand Way and Guangzhou Sheng-xian respectively.

Stand Way is beneficially owned by Mr. Fu Sze-Yin, a brother of Mr. Fu Sze-Shing who is a non-executive director of NWCL. Guangzhou Sheng-xian is beneficially owned as to 50% by Mr. Fu Sze-Yin and 50% by Mr. Fu Sze-Shing. By virtue of the interest of Mr. Fu Sze-Yin in Stand Way, the entering into of the Agreement constituted a connected transaction for the Company under the Listing Rules.

- (16) On 8 May 2006, NWDC and 華美財富(北京)科技有限公司 (Huamei Wealth (Beijing) Technology Co., Ltd., “Huamei Technology”), both wholly owned subsidiaries of NWCL, entered into a cooperation agreement (“Cooperation Agreement”) with 華美財富(北京)國際置業有限公司 (Huamei Wealth (Beijing) International Property Investment Co., Ltd., “Huamei International”), Mr. Zhang Chang-Qing (“Mr. Zhang”) and 北京東方華美房地產開發有限公司 (Beijing Dongfang Huamei Real Estate Development Co., Ltd., “Beijing Huamei”) for the purposes of governing the relationship between NWDC, Huamei Technology, Huamei International and Mr. Zhang in respect of, among other things, their involvement in Beijing Huamei for the development of the property situated in the Shunyi District, Beijing, the PRC.

As at the date of the Cooperation Agreement, Beijing Huamei was owned as to 75% and 25% by Huamei Technology and Huamei International respectively, and therefore Huamei International was a connected person of the Company. Accordingly, the entering into of the Cooperation Agreement constituted a connected transaction for the Company under the Listing Rules.

- (17) On 8 May 2006, 新世界(中國)地產投資有限公司 (New World China Land Investments Company Limited, “NWCI”), a wholly owned subsidiary of NWCL, entered into an equity transfer agreement (“Equity Transfer Agreement”) with 海南中泓投資有限公司 (Hainan Zhonghong Investments Company Limited, “Hainan Zhonghong”), 湖南成功開發投資有限公司 (Hunan Success Development Investment Company Limited, “Hunan Development”), Mr. Lan Guang-Ming (“Mr. Lan”) and Mr. Yan-Chao (“Mr. Yan”) whereby NWCI and Hainan Zhonghong agreed to purchase 100% of the equity interest in 湖南成功新世紀投資有限公司 (Hunan Success New Century Investment Company Limited, “Hunan Success”) from Hunan Development, Mr. Lan and Mr. Yan at an aggregate consideration of RMB724.7 million (approximately HK\$696.9 million), of which 90% to be payable by NWCI and 10% by Hainan Zhonghong. Upon completion of the Equity Transfer Agreement, Hunan Success would be owned as to 90% and 10% by NWCI and Hainan Zhonghong respectively.

Report of the Directors

Connected Transactions *(continued)*

At the date of the Equity Transfer Agreement, Hainan Zhonghong was a connected person of the Company by virtue of its holding of 20% equity interest in a subsidiary of NWCL. Accordingly, the entering into of the Equity Transfer Agreement constituted a connected transaction for the Company under the Listing Rules.

- (18) On 27 June 2006, NWS Service Management Limited (“NWSS”), an indirect wholly owned subsidiary of NWSH, entered into a shareholder’s loan agreement (the “Shareholder’s Loan Agreement”) with NWS Transport Services Limited (“NWST”) whereby NWSS agreed to lend to NWST a shareholder loan (“Shareholder Loan”) in the sum of HK\$100 million for a period from the date of granting the Shareholder Loan to 8 March 2009 or for such other period mutually agreed by both parties. Subject to the terms of the Shareholder’s Loan Agreement, interest shall accrue on any outstanding amount of the Shareholder Loan at a rate of HIBOR plus 0.6% per annum.

Each of CTF and NWSH indirectly owns 50% of the total issued share capital of NWST. The shareholders’ loans offered by the CTF Group and the NWSH Group are in proportion to their respective shareholding in NWST. NWST is a connected person of the Company by virtue of its being an associate of CTF and the entering into of the Shareholder’s Loan Agreement constituted a connected transaction for the Company under the Listing Rules.

The continuing connected transactions mentioned in paragraphs (9) and (11) 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) on normal commercial terms; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has received from the auditors a letter reporting that the continuing connected transactions stated in paragraphs (9) and (11) above:

- (a) have been approved by the Executive Committee of the Company;
- (b) have been entered into in accordance with the relevant agreements governing such transactions; and
- (c) have not exceeded the caps disclosed in the relevant press announcements.

Save as disclosed above, a summary of significant related party transactions that did not constitute connected transactions made during the year was disclosed in Note 46 to the financial statements.

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2006, the interests of the Directors and their associates in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO were as follows:

(A) Long position in shares

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
New World Development Company Limited (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	–	300,000	–	300,000	0.01
Dr. Sin Wai-Kin, David	4,708,708	47,098	–	4,755,806	0.13
Mr. Leung Chi-Kin, Stewart	32,553	–	–	32,553	0.00
Mr. Chow Kwai-Cheung	44,527	–	–	44,527	0.00
Mr. Ho Hau-Hay, Hamilton	–	–	439,177 ⁽¹⁾	439,177	0.01
Mr. Liang Cheung-Biu, Thomas	5,215	–	–	5,215	0.00
Dragon Fortune Limited (Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	–	15,869 ⁽²⁾	15,869	27.41
HH Holdings Corporation (Ordinary shares of HK\$1.00 each)					
Dr. Sin Wai-Kin, David	42,000	–	–	42,000	7.00
Master Services Limited (Ordinary shares of US\$0.01 each)					
Mr. Leung Chi-Kin, Stewart	16,335	–	–	16,335	1.63
Mr. Chow Kwai-Cheung	16,335	–	–	16,335	1.63
NWCL (Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-Shun, Henry	12,500,000	–	52,271,200 ⁽³⁾	64,771,200	1.69
Mr. Leung Chi-Kin, Stewart	500,000	–	–	500,000	0.01
Mr. Chow Kwai-Cheung	650,126	–	–	650,126	0.02
NWSH (Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	3,179,199	587,000	8,000,000 ⁽³⁾	11,766,199	0.61
Dr. Sin Wai-Kin, David	3,281	31	32,220,745 ⁽⁴⁾	32,224,057	1.66
Mr. Cheng Kar-Shing, Peter	180,308	–	2,659,700 ⁽⁵⁾	2,840,008	0.15
Mr. Liang Chong-Hou, David	163	–	–	163	0.00
Mr. Leung Chi-Kin, Stewart	3,526,630	–	–	3,526,630	0.18
Mr. Chow Kwai-Cheung	507,000	–	–	507,000	0.03
Sun City Holdings Limited (Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	80,000	3,570,000 ⁽⁶⁾	3,650,000	45.63

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)*

(A) Long position in shares *(continued)*

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
Sun Legend Investments Limited (Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	–	500 ⁽⁷⁾	500	50.00
YE Holdings Corporation (Ordinary shares of HK\$1.00 each)					
Mr. Leung Chi-Kin, Stewart	37,500	–	–	37,500	1.50

Notes:

- (1) These shares were beneficially owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.
- (2) 4,102 shares are held by a company wholly owned by Mr. Cheng Kar-Shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr. Cheng Kar-Shing, Peter is deemed to be interested in 45.63% of its issued share capital.
- (3) These shares are beneficially owned by a company which is wholly owned by Dr. Cheng Kar-Shun, Henry.
- (4) These shares are beneficially owned by a company which is jointly owned by Dr. Sin Wai-Kin, David and his spouse.
- (5) These shares are beneficially owned by a company which is wholly owned by Mr. Cheng Kar-Shing, Peter.
- (6) These shares are held by a company of which Mr. Cheng Kar-Shing, Peter has an indirect interest of 48.18%.
- (7) Mr. Cheng Kar-Shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interest in Sun City.

(B) Long position in underlying shares – share options

Under the respective share option schemes of NWCL, NWTMT and NWSH and NWMH, share options may be granted respectively to certain directors and employees of NWCL, NWTMT, NWSH and NWMH to subscribe for shares. Certain Directors of the Company have interest in share options to subscribe for shares in these companies respectively.

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Schemes of NWCL

On 18 December 2000, NWCL adopted a share option scheme ("2000 Share Option Scheme") pursuant to which employees, including executive directors of NWCL and its subsidiaries ("NWCL Group"), were given opportunity to obtain equity holdings in NWCL. The 2000 Share Option Scheme was subsequently terminated at the annual general meeting of NWCL held on 26 November 2002 whereby a new share option scheme ("2002 Share Option Scheme") was adopted in compliance with the new requirements of the Listing Rules. Any share options which were granted under the 2000 Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance with the terms of the 2000 Share Option Scheme.

A summary of share option schemes of NWCL disclosed in accordance with the Listing Rules is as follows:

	2000 Share Option Scheme	2002 Share Option Scheme
Purpose of the schemes	As incentive to employees, including executive directors of NWCL Group.	To provide an opportunity for the full-time or part-time employees, including directors, of NWCL Group to participate in the equity of NWCL as well as to motivate them to optimise their performance.
Participants of the schemes	Full-time employees, including any directors, of NWCL Group.	Full-time or part-time employees, including directors, of NWCL Group
Total number of shares available for issue under the schemes and percentage of issued share capital of NWCL as at the date of this report	NWCL had granted share options representing the rights to subscribe for 65,745,200 shares of NWCL under the 2000 Share Option Scheme, together with share options representing 38,158,200 shares by way of adjustment on the number of share options as a result of NWCL's issue of rights shares becoming unconditional on 8 April 2005. No further options will be granted under the 2000 Share Option Scheme.	NWCL had granted share options representing the rights to subscribe for 13,873,200 shares of NWCL under the 2002 Share Option Scheme up to the date of this reports, together with 6,465,900 shares by way of adjustment on the number of share options as a result of NWCL's issue of rights shares becoming unconditional on 8 April 2005. NWCL may further grant share options to subscribe for 91,850,329 shares of NWCL, representing approximately 2.40% of the total issued share capital of NWCL as at the date of this report.
Maximum entitlement of each participant under the schemes	25.0% of the aggregate number of shares for the time being issued and issuable under the scheme.	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the shares in issue unless the same is approved by NWCL's shareholders in general meeting.
The period within which the shares must be taken up under an option	At any time during a period to be notified by NWCL's directors, which period not to exceed 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on the last day of the 5-year period.	At any time during a period to be notified by NWCL's directors, which period not to exceed 5 years commencing on the expiry of 1 month after the date on which the option is accepted and expiring on a date not later than the last day of the 5-year period.

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Schemes of NWCL *(continued)*

	2000 Share Option Scheme	2002 Share Option Scheme
The minimum period for which an option must be held before it can be exercised	1 month	1 month
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\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.	HK\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.
The basis of determining the exercise price	<p>The exercise price shall be determined by NWCL's directors, being the higher of:</p> <p>(a) not less than 80.0% of the average closing price of shares on the Hong Kong Stock Exchange ("HKEx") as stated in the HKEx's daily quotations sheets for the 5 trading days immediately preceding the date of offer; or</p> <p>(b) the nominal value of a share.</p>	<p>The exercise price shall be determined by NWCL's directors, being at least the higher of:</p> <p>(a) the closing price of shares as stated in the HKEx's daily quotations sheet on the date of offer, which must be a business day; and</p> <p>(b) the average closing price of shares as stated in the HKEx's daily quotations sheets for the 5 business days immediately preceding the date of offer.</p>
The remaining life of the schemes	The 2000 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 18 December 2000.	The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 26 November 2002.

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Schemes of NWCL *(continued)*

Share options granted to Directors

2000 Share Option Scheme

Name of Director	Date of grant	Exercisable period	Number of share option ⁽¹⁾			Exercise price per share HK\$
			Balance as at 1 July 2005	Exercised during the year	Balance as at 30 June 2006	
Dr. Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	12,500,000	(12,500,000) ⁽²⁾	–	1.782
Mr. Cheng Kar-Shing, Peter	9 February 2001	10 March 2003 to 9 March 2006	3,550,000	(3,550,000) ⁽³⁾	–	1.782
Mr. Chow Kwai-Cheung	9 February 2001	10 March 2005 to 9 March 2006	250,000	(250,000) ⁽⁴⁾	–	1.782
			16,300,000	(16,300,000)	–	

Notes:

- (1) The share options are exercisable within 5 years commencing from the expiry of 1 month after the dates of each grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) The exercise date was 17 February 2006. On the trading day immediately before the exercise date, the closing price per share was HK\$3.375.
- (3) The exercise dates were 15 July 2005, 29 July 2005, 11 August 2005 and 23 November 2005 for options representing 350,000 shares, 350,000 shares, 500,000 shares and 2,350,000 shares respectively. The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$2.841.
- (4) The exercise date was 20 February 2006. On the trading day immediately before the aforesaid exercise date, the closing price per share was HK\$3.375.
- (5) The cash consideration paid by each Director for each grant of the share option is HK\$10.0.

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Schemes of NWCL *(continued)*

Share options granted to employees

2000 Share Option Scheme

Date of grant	Number of share options ⁽¹⁾			Balance as at 30 June 2006	Exercise price per share HK\$
	Balance as at 1 July 2005	Exercised during the year ⁽⁴⁾	Lapsed during the the year		
5 February 2001 to 2 March 2001	19,492,400	(19,196,800)	(295,600)	–	1.782
8 February 2001 to 17 February 2001	14,250,000	(14,250,000)	–	–	1.782
2 May 2001 to 29 May 2001	560,000	(560,000)	–	–	2.375
29 June 2001 to 26 July 2001	3,195,000	(1,918,000)	–	1,277,000	2.910
31 August 2001 to 27 September 2001	947,000	(906,000)	–	41,000	2.170
26 March 2002 to 22 April 2002	742,000	(295,600)	(112,400)	334,000	2.065
	39,186,400	(37,126,400)	(408,000)	1,652,000	

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)*

Share Option Schemes of NWCL *(continued)*

Share options granted to employees *(continued)*

2002 Share Option Scheme

Date of grant	Number of share options ⁽¹⁾				Balance as at 30 June 2006	Exercise price per share HK\$
	Balance as at 1 July 2005	Granted during the year ⁽³⁾	Exercised during the year ⁽⁵⁾	Lapsed during the year		
3 January 2003 to 30 January 2003	1,210,200	–	(480,000)	–	730,200	1.212
12 May 2003 to 6 June 2003	2,659,700	–	(557,800)	(105,000)	1,996,900	0.912
28 October 2003 to 22 November 2003	69,000	–	–	–	69,000	1.650
18 December 2003 to 14 January 2004	1,625,000 ⁽²⁾	–	(1,625,000)	–	–	1.668
25 March 2004 to 21 April 2004	1,992,200	–	(158,200)	(294,800)	1,539,200	2.252
18 June 2004 to 15 July 2004	883,000	–	(290,800)	(277,800)	314,400	1.650
4 November 2004 to 1 December 2004	707,000	–	(171,200)	(279,000)	256,800	2.484
22 December 2004 to 18 January 2005	1,234,000	–	(436,400)	–	797,600	2.689
13 July 2005 to 9 August 2005	–	817,600	(29,600)	–	788,000	2.300
13 July 2005 to 9 August 2005	–	1,400,000 ⁽²⁾	(350,000)	–	1,050,000	2.300
7 November 2005 to 2 December 2005	–	48,800	(9,600)	–	39,200	2.620
28 March 2006 to 24 April 2006	–	3,384,000	–	–	3,384,000	3.915
	10,380,100	5,650,400	(4,108,600)	(956,600)	10,965,300	

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)*

Share Option Schemes of NWCL *(continued)*

Share options granted to employees *(continued)*

2002 Share Option Scheme *(continued)*

Notes:

- (1) *The share options are exercisable within 5 years commencing from the expiry of the 1 month after the dates of each grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20.0% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years, except otherwise specified in note 2.*
- (2) *The share options are exercisable within 2 years commencing from the expiry of 1 month after the dates of each grant, provided that the maximum number of share options that can be exercised during each anniversary year is 50.0% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary year.*
- (3) *The closing prices per share immediately before 13 July 2005, 7 November 2005 and 28 March 2006, the dates of grant, were HK\$2.300, HK\$2.650 and HK\$3.95 respectively.*
- (4) *The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2000 Share Option Scheme was HK\$3.279.*
- (5) *The weighted average closing price of the shares immediately before the dates on which share options were exercised under the 2002 Share Option Scheme was HK\$3.396.*
- (6) *The cash consideration paid by each employee for each grant of the share option is HK\$10.0.*

The fair values of the share options granted during the year with exercise prices per share of HK\$2.300, HK\$2.620 and HK\$3.915 are estimated at HK\$0.630, HK\$1.045 and HK\$1.546 respectively, using the Binominal pricing model. Values are estimated based on the risk-free rate ranging from 3.18% to 4.5% per annum with reference to the rate prevailing on the Exchange Fund Notes, a 5-year period historical volatility of ranging from 52% to 53%, assuming no dividends and an expected option life of 2 and 5 years.

The Binominal pricing model required input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Schemes of NWTMT

Pursuant to the share option schemes adopted on 3 October 1997 (the "1997 Share Option Scheme") and 6 December 2001 (the "2001 Share Option Scheme"), NWTMT may grant options to Directors and employees of NWTMT or its subsidiaries ("NWTMT Group") to subscribe for shares in NWTMT. Both the 1997 Share Option Scheme and the 2001 Share Option Scheme were cancelled by the sole shareholder of NWTMT on 2 March 2006.

Summary of share option schemes of NWTMT disclosed in accordance with the Listing Rules is as follows:

	1997 Share Option Scheme	2001 Share Option Scheme
Purpose of schemes	As incentive to employees (including any Director) of NWTMT Group.	To provide an opportunity for employees (including any Director) of NWTMT Group to participate in the equity of NWTMT as well as to motivate them to optimise their performance.
Participants of the schemes	Full time employees (including any Director) of NWTMT Group.	Full time employees (including any Director) of NWTMT Group.
Total number of shares available for issue under the schemes and percentage of issued share capital of NWTMT as at the date of this report	Options to subscribe for a total of 14,687,000 shares were granted under the 1997 Share Option Scheme, and were either exercised or lapsed. There were no outstanding options during the year. No further options will be granted under the 1997 Share Option Scheme upon adoption of the 2001 Share Option Scheme.	No option has been granted under the 2001 Share Option Scheme since its adoption.
Maximum entitlement of each participant under the schemes	25.0% of the aggregate number of shares for the time being issued and issuable under the scheme.	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12- month period must not exceed 1.0% of the shares in issue unless the same is approved by NWTMT's shareholders general meeting.
The period within which the shares must be taken up under an option	At any time during a period to be notified by NWTMT's directors, which period not to exceed 5 years commencing on the expiry of 6 months after the date of grant of an option and expiring on the last day of the 5-year period.	At any time during a period to be notified by NWTMT's directors, which period not to exceed 7 years commencing on the expiry of 1 month after the date of grant of an option and expiring on the last day of the 7-year period.
The minimum period for which an option must be held before it can be exercised	6 months	1 month

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Schemes of NWTMT *(continued)*

	1997 Share Option Scheme	2001 Share Option Scheme
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\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.	HK\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer
The basis of determining the exercise price	The exercise price shall be determined by NWTMT's directors, being the higher of: (a) not less than 80.0% of the average closing price of shares on the HKEx as stated in the HKEx's daily quotations sheets for the 5 trading days immediately preceding the date of offer; or (b) the nominal value of a share.	The exercise price shall be determined by NWTMT's directors, being at least the higher of: (a) the closing price of shares as stated in the HKEx's daily quotations sheet on the date of offer, which must be a business day; and (b) the average closing price of shares as stated in the HKEx's daily quotations sheets for the 5 business days immediately preceding the date of offer.
The remaining life of the schemes	The 1997 Share Option Scheme was cancelled by the sole shareholder of NWTMT on 2 March 2006.	The 2001 Share Option Scheme was cancelled by the sole shareholder of NWTMT on 2 March 2006.

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Scheme of NWSH

On 6 December 2001 NWSH adopted a share option scheme (the "2001 Share Option Scheme") and certain rules of such scheme were altered and approved by the shareholders of NWSH on 12 March 2003. Under the 2001 Share Option Scheme, the directors of NWSH may at their discretion grant options to any eligible persons as defined in the scheme to subscribe for ordinary shares in NWSH.

Summary of share option scheme of NWSH disclosed in accordance with the Listing Rules is as follows:

2001 Share Option Scheme

Purpose of scheme	To reward directors and employees of NWSH and its subsidiaries ("NWSH Group") for past service or performance, to provide incentive and motivation or reward to eligible participants for increase performance or making contribution to NWSH Group, to attract and retain persons of right caliber with the necessary experience to work for NWSH Group and to foster a sense of corporate identity.
Participants of the scheme	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 NWSH Group or any invested entity of NWSH Group (the "Invested Entity"); (iii) any supplier of goods or services to any member of NWSH Group or any Invested Entity; (iv) any customer of any member of NWSH Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to NWSH Group or any Invested Entity; (vi) any shareholder of any member of NWSH Group or any invested entity or any holder of any securities issued by any member of NWSH 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 NWSH Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of NWSH Group or any Invested Entity in any area of business operation or development.
Total number of shares available for issue under the scheme and percentage of issued share capital of NWSH as at the date of this report	<p>NWSH had granted options to certain eligible persons to subscribe for 41,497,000 shares of NWSH up to the date of this report. Furthermore, adjustments on the number of unexercised options were made on 6 January 2006 and 13 June 2006 as a result of the declaration of final dividend for the year ended 30 June 2005 and the interim dividend for the year ended 30 June 2006. A total of 471,402 additional options were granted under the said adjustments.</p> <p>The total number of shares available for issue under this scheme is 137,796,670 representing approximately 7.03% of NWSH's issued share capital as at the date of this report.</p>
Maximum entitlement of each participant under the scheme	Unless approved by shareholders of NWSH, 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 1.0% of the share capital of NWSH in issue.
The period which the shares must be taken up under an option	At any time during a period as specified by NWSH's directors, however in any event the share options must be exercised within 10 years from the date of grant of the share options.

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Scheme of NWSH *(continued)*

2001 Share Option Scheme

The minimum period for which an option must be held before it can be exercised	Any period as determined by NWSH's 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\$10.0 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 NWSH's directors which must be at least the higher of the closing price of the shares as stated in the HKEx's daily quotations sheet on the date of grant or the average closing price of the shares as stated in the HKEx's daily quotations sheets for the 5 business days immediately preceding the date of grant.
The remaining life of the scheme	The Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 6 December 2001.

Share options granted to Directors

Name of Director	Date of grant	Exercisable period	Number of share options				Exercise price per share HK\$
			Balance as at 1 July 2005	Adjusted during the Year ⁽⁴⁾	Exercised during the Year	Balance as at 30 June 2006	
Dr. Cheng Kar-Shun, Henry	21 July 2003	21 July 2005 to 20 July 2008	1,009,849	–	(1,009,849) ⁽¹⁾	–	3.719
Mr. Cheng Kar-Shing, Peter	21 July 2003	21 July 2005 to 20 July 2008	168,308	–	(168,308) ⁽²⁾	–	3.719
Mr. Leung Chi-Kin, Stewart	21 July 2003	21 July 2004 to 20 July 2008 ⁽³⁾	68,669	(68,669) 68,820	–	– 68,820	3.719 3.711 ⁽⁴⁾
			1,246,826	151	(1,178,157)	68,820	

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)*

Share Option Scheme of NWSH *(continued)*

Share options granted to Directors *(continued)*

Notes:

- (1) The exercise date was 29 September 2005. On the trading date immediately before the share options were exercised, the closing price per share was HK\$12.35.
- (2) The exercise date was 18 November 2005. On the trading date immediately before the share options were exercised, the closing price per share was HK\$12.00.
- (3) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (4) Pursuant to the 2001 Share Option Scheme, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of NWSH. NWSH declared the final dividend for the year ended 30 June 2005 in scrip form (with cash option) on 29 November 2005 which gave rise to an adjustment to the number of unexercised share options and the exercise price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK\$3.719 to HK\$3.711 with effect from 6 January 2006.
- (5) The cash consideration paid by each Director for each grant of the share options is HK\$10.0.

Share options granted to other eligible persons

Date of grant	Exercisable period	Number of share options					Exercised price per share HK\$
		Balance as at 1 July 2005	Adjusted during the year ⁽⁴⁾	Exercised during the year	Lapsed during the year	Balance as at 30 June 2006	
21 July 2003	(1)	2,827,574	–	(2,827,574)	–	–	3.719
21 July 2003	(2)	572,248	–	(572,248)	–	–	3.719
21 July 2003	(3)	10,033,008	(2,008,866)	(7,981,271)	(42,871)	–	3.719
		–	2,480,117	–	–	2,480,117	3.711 ⁽⁴⁾
		13,432,830	471,251	(11,381,093)	(42,871)	2,480,117	

Notes:

- (1) Exercisable from 21 July 2005 to 20 July 2008.
- (2) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (3) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008.
- (4) Pursuant to the 2001 Share Option Scheme, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of NWSH. NWSH declared the final dividend for the year ended 30 June 2005 in scrip form (with cash option) on 29 November 2005 which gave rise to an adjustment to the number of unexercised share options and the exercised price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK\$3.719 to HK\$3.711 with effect from 6 January 2006.
- (5) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$11.65.
- (6) The cash consideration paid by each eligible person for each grant of the share option is HK\$10.0.

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* **Share Option Scheme of NWMH**

At an extraordinary general meeting of NWMH held on 28 May 2002, the shareholders of NWMH approved the termination of the share option scheme adopted by NWMH on 11 September 1998 (the "1998 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme") in compliance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"). Upon termination of the 1998 Share Option Scheme, no further options could be granted under the 1998 Share Option Scheme. However, the outstanding share options granted thereunder would continue to be valid and exercisable in accordance with the provisions of the 1998 Share Option Scheme.

Summary of the 2002 Share Option Scheme of NWMH disclosed in accordance with the Listing Rules is as follows:

Purpose of the scheme

The purpose of the scheme is to enable NWMH to grant options to the participants as incentive or rewards for the contributions to NWMH and its subsidiaries.

Participants of the scheme

The participants of the 2002 Share Option Scheme include any director, employee, consultant, agent, supplier, customer or shareholder of NWMH and its subsidiaries or any entity in which NWMH and its subsidiaries holds any equity interest.

Number of shares available for issue

The total number of shares available for issue under this scheme is 3,341,555 shares (adjusted as a result of the share consolidation on 7 July 2004) which represents 3.51% of the issue share capital of NWMH as at the date of this report.

Maximum entitlement for each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled, and outstanding options) in any 12-month period must not exceed 1.0% of the shares of NWMH in issue unless separately approved by NWMH's shareholders in general meeting.

Option period

An option may be exercised in accordance with the terms of this scheme at any time during the period as the board of directors of NWMH in its absolute discretion determine and in any event such period of time shall not be more than 10 years from the date upon which the offer of the option is made to the grantee.

Vesting period

The directors of NWMH may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

Amount payable on acceptance of option

Upon acceptance of the offer for an option, the grantee shall pay HK\$1.0 as consideration for the grant.

Subscription price

The subscription price for a share in respect of any option granted shall be a price determined by the directors of NWMH in its absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in HKEx's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in HKEx's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Life of the scheme

The 2002 Share Option Scheme is valid and effective for a term of 10 years commencing 28 May 2002.

Report of the Directors

Directors' Interests in Shares, Underlying Shares and Debentures *(continued)* Share Option Scheme of NWMH *(continued)*

Share options granted to Directors

2002 Share Option Scheme

Name of Director	Date of grant	Exercisable period	Number of share options		Exercise price per share HK\$
			Balance as at 1 July 2005	Balance as at 30 June 2006	
Dr. Cheng Kar-Shun, Henry	28 January 2005	28 January 2005 to 31 December 2010	780,000	780,000	1.26
			780,000	780,000	

The cash consideration paid by Dr. Cheng Kar-Shun, Henry for the grant of the share options is HK\$1.0.

Share options granted to other eligible persons

Date of grant	Exercisable period	Number of share options			Balance as at 30 June 2006	Exercise price per share HK\$
		Balance as at 1 July 2005	Granted during the year	Lapsed during the year		
8 February 2002 ⁽¹⁾	9 February 2002 to 8 February 2008	200,000	–	–	200,000	2.440
28 January 2005 ⁽²⁾	28 January 2005 to 31 December 2010	2,136,000	–	(78,000)	2,058,000	1.260
8 April 2005 ⁽²⁾	8 April 2005 to 31 December 2010	78,000	–	–	78,000	1.276
		2,414,000	–	(78,000)	2,336,000	

Notes:

(1) Granted under the 1998 Share Option Scheme.

(2) Granted under the 2002 Share Option Scheme.

Save as disclosed above, as at 30 June 2006, none of the directors, chief executive or any of their associates had or deemed to have any interests or short positions in the shares, registered capital, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Report of the Directors

Disclosure Pursuant to Rules 13.20 and 13.22 of the Listing Rules

At 30 June 2006, the Group had given financial assistance and guarantees to its associated companies and jointly controlled entities (collectively "affiliated companies") as set out below:

	2006	2005
	HK\$m	HK\$m
Amounts due by affiliated companies	16,744.5	17,116.9
Guarantees given for affiliated companies in respect of banking and other credit facilities	2,422.8	3,874.8
Commitments to capital injections and loan contributions	4,340.3	1,387.0
	23,507.6	22,378.7

- (a) The financial assistance, in aggregate exceeded 8.0% of the Company's total assets as at 30 June 2006.
- (b) The advances were unsecured and are interest free except for an aggregate amount of HK\$6,382.7 million (2005: HK\$7,548.5 million) which carried interest ranging from 2.0% to 12.0% per annum (2005: 0.6% above 3-month HIBOR to 12.0% per annum). Other than an amount of HK\$269.2 million (2005: HK\$286.6 million) which is repayable by instalments up to December 2016, the advances had no fixed repayment terms.
- (c) Pursuant to Rule 13.22 of the Listing Rules, a proforma combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2006 were presented as follows:

	Proforma combined balance sheet HK\$m	Group's attributable interest HK\$m
Non-current assets	53,688.4	23,220.7
Current assets	32,905.8	21,275.7
Current liabilities	(22,765.3)	(10,810.2)
Total assets less current liabilities	63,828.9	33,686.2
Non-current liabilities	(39,642.8)	(20,523.2)
Net assets	24,186.1	13,163.0

The proforma combined balance sheet of the affiliated companies was prepared by combining their balance sheets, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant balance sheet classification, as at 30 June 2006.

Report of the Auditors



羅兵咸永道會計師事務所

H. C. Watt & Co. Ltd.
Certified Public Accountants
Chartered Secretaries

TO THE SHAREHOLDERS OF NEW WORLD DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 97 to 180 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of the litigations between New World TMT Limited, a wholly owned subsidiary, and PrediWave Corporation ("PrediWave") and certain companies associated with PrediWave (collectively the "PrediWave Companies") and the president and founder of the PrediWave Companies. The future settlement of these litigations might result in the recovery of certain of the Group's investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave, or additional liabilities for the commitment and/or loss under the PrediWave Cross-Complaint. Details of the circumstances relating to this fundamental uncertainty are described in note 47 to the financial statements. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

Report of the Auditors

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2006 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

H.C. Watt & Company Limited

Certified Public Accountants

H.C. Watt

Practising Certificate No. P181

Hong Kong, 10 October 2006

Consolidated Income Statement

For the year ended 30 June 2006

	Note	2006 HK\$m	Restated 2005 HK\$m
Turnover	6	23,910.2	19,539.2
Cost of sales		(17,708.2)	(14,559.5)
Gross profit		6,202.0	4,979.7
Other income	7	35.5	32.7
Other (charge)/gains	8	(1,763.9)	1,823.1
Selling and marketing expenses		(519.4)	(463.7)
Administrative expenses		(1,065.9)	(934.3)
Other operating expenses		(2,564.7)	(2,214.2)
Fair value changes on investment properties		1,462.9	–
Operating profit before financing costs and income		1,786.5	3,223.3
Financing costs	9	(1,115.0)	(707.3)
Financing income		541.2	368.8
Operating profit	10	1,212.7	2,884.8
Share of results of			
Associated companies		656.8	402.8
Jointly controlled entities		1,636.2	1,229.0
Profit before taxation		3,505.7	4,516.6
Taxation	11	(892.6)	(515.3)
Profit for the year		2,613.1	4,001.3
Attributable to:			
Shareholders of the Company	12, 37	1,059.8	2,702.7
Minority interests		1,553.3	1,298.6
		2,613.1	4,001.3
Dividends	13	1,205.9	1,045.0
Earnings per share	14		
Basic and diluted		HK\$0.30	HK\$0.78

Consolidated Balance Sheet

As at 30 June 2006

	<i>Note</i>	2006 HK\$m	Restated 2005 HK\$m
ASSETS			
Non-current assets			
Investment properties	17	23,145.2	18,984.8
Property, plant and equipment	18	5,708.2	7,601.3
Leasehold land and land use rights	19	2,480.2	2,756.9
Intangible assets	20	258.1	110.2
Interests in associated companies	22	9,384.7	6,349.4
Interests in jointly controlled entities	23	23,341.7	22,479.9
Available-for-sale financial assets	24	3,061.7	–
Other investments	24	–	3,329.6
Held-to-maturity investments	25	31.1	–
Properties held for development	26	7,292.7	7,549.9
Deferred tax assets	27	106.6	290.1
Other non-current assets	28	1,681.3	1,826.4
		76,491.5	71,278.5
Current assets			
Properties under development	29	13,884.9	12,533.1
Properties held for sale	30	4,867.5	4,912.9
Stocks	31	239.3	287.8
Current portion of other non-current assets	28	349.2	2,475.5
Other loans receivable	32	554.5	551.7
Financial assets at fair value through profit or loss		29.5	–
Debtors and prepayments	33	10,511.8	8,262.2
Restricted bank balances	34	627.5	1,079.6
Cash and cash equivalents	34	6,308.5	10,286.3
Amounts due from customers for contract works	35	296.4	297.6
		37,669.1	40,686.7
Total assets		114,160.6	111,965.2

Consolidated Balance Sheet

As at 30 June 2006

	Note	2006 HK\$m	Restated 2005 HK\$m
EQUITY			
Share capital	36	3,639.1	3,491.6
Reserves	37	48,903.6	46,710.2
Proposed final dividend	37	732.8	698.3
Shareholders' funds		53,275.5	50,900.1
Minority interests		16,089.0	14,859.2
Total equity		69,364.5	65,759.3
LIABILITIES			
Non-current liabilities			
Long term borrowings	38	15,372.8	12,453.9
Deferred tax liabilities	27	3,745.6	3,377.0
Other non-current liabilities	39	347.2	488.8
		19,465.6	16,319.7
Current liabilities			
Creditors and accrued charges	40	14,201.2	13,064.0
Deposits received on sale of properties		700.0	226.6
Current portion of long term borrowings	38	6,794.5	11,718.5
Other borrowings	38	2,322.0	3,677.5
Current income tax liabilities		857.1	862.2
Amounts due to customers for contract works	35	450.1	337.4
Derivative financial instruments	41	5.6	–
		25,330.5	29,886.2
Total liabilities		44,796.1	46,205.9
Total equity and liabilities		114,160.6	111,965.2
Net current assets		12,338.6	10,800.5
Total assets less current liabilities		88,830.1	82,079.0

Dr. Sin Wai-Kin, David
Director

Dr. Cheng Kar-Shun, Henry
Director

Company Balance Sheet

As at 30 June 2006

	Note	2006 HK\$m	Restated 2005 HK\$m
ASSETS			
Non-current assets			
Investment properties	17	36.5	33.1
Property, plant and equipment	18	–	–
Leasehold land and land use rights	19	0.5	0.5
Subsidiaries	21	26,998.0	25,169.1
Interests in associated companies	22	46.4	(15.6)
Interests in jointly controlled entities	23	217.6	187.0
Available-for-sale financial assets	24	29.4	–
Other investments	24	–	47.2
		27,328.4	25,421.3
Current assets			
Properties under development	29	791.3	690.0
Debtors and prepayments	33	304.4	296.7
Amounts due from subsidiaries	21	36,057.5	35,294.9
Cash and cash equivalents	34	0.8	1.7
		37,154.0	36,283.3
Total assets		64,482.4	61,704.6
EQUITY			
Share capital	36	3,639.1	3,491.6
Reserves	37	37,495.7	35,083.5
Proposed final dividend	37	732.8	698.3
Total equity		41,867.6	39,273.4
LIABILITIES			
Current liabilities			
Creditors and accrued charges	40	1,016.5	762.2
Amounts due to subsidiaries	21	21,577.0	21,651.9
Other borrowings	38	21.3	17.1
		22,614.8	22,431.2
Total liabilities		22,614.8	22,431.2
Total equity and liabilities		64,482.4	61,704.6
Net current assets		14,539.2	13,852.1
Total assets less current liabilities		41,867.6	39,273.4

Dr. Sin Wai-Kin, David
Director

Dr. Cheng Kar-Shun, Henry
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2005

	Share capital HK\$m	Reserves HK\$m	Shareholders' funds HK\$m	Minority interests HK\$m	Total equity HK\$m
Balance at 30 June 2004, as previously reported	3,457.3	51,082.9	54,540.2	13,850.5	68,390.7
Effect of adoption of the following HKFRS:					
HKAS 17	–	(1,241.9)	(1,241.9)	(41.9)	(1,283.8)
HKAS 32	–	63.5	63.5	76.1	139.6
HKAS 40	–	(1,485.2)	(1,485.2)	(20.2)	(1,505.4)
HK-Int 2	–	(4,503.4)	(4,503.4)	(1,890.4)	(6,393.8)
HK (SIC)-Int 21	–	(1,917.4)	(1,917.4)	(68.9)	(1,986.3)
Change in accounting policy	–	(37.7)	(37.7)	(14.3)	(52.0)
Balance at 30 June 2004, as restated	3,457.3	41,960.8	45,418.1	11,890.9	57,309.0
Investment properties revaluation surplus, net of taxation	–	2,614.9	2,614.9	404.0	3,018.9
Share of properties revaluation surplus, net of taxation					
Associated companies	–	152.4	152.4	43.7	196.1
Jointly controlled entities	–	55.8	55.8	23.8	79.6
Investment securities revaluation (deficit)/surplus	–	(166.1)	(166.1)	3.5	(162.6)
Investment securities impairment loss charged to income statement	–	286.1	286.1	–	286.1
Investment securities revaluation deficit realised upon disposal	–	11.0	11.0	–	11.0
Release of revaluation surplus upon the disposal of investment properties	–	(7.2)	(7.2)	–	(7.2)
Translation differences	–	(3.8)	(3.8)	(2.5)	(6.3)
Net income recognised directly in equity	–	2,943.1	2,943.1	472.5	3,415.6
Profit for the year	–	2,702.7	2,702.7	1,298.6	4,001.3
Total recognised income for the year	–	5,645.8	5,645.8	1,771.1	7,416.9
Dividends	–	(485.0)	(485.0)	(512.3)	(997.3)
Acquisition of subsidiaries	–	35.2	35.2	20.6	55.8
Acquisition of additional interests in subsidiaries	–	–	–	(259.5)	(259.5)
Contributions from minority shareholders	–	–	–	1,664.7	1,664.7
Effect on deemed disposal of subsidiaries	–	–	–	279.8	279.8
Derecognition of minority interests upon disposal of subsidiaries	–	–	–	(2.1)	(2.1)
Issue of shares as scrip dividends	34.3	243.9	278.2	–	278.2
Recognition of employees' share-based payments	–	7.8	7.8	6.0	13.8
Balance at 30 June 2005, as restated	3,491.6	47,408.5	50,900.1	14,859.2	65,759.3

Consolidated Statement of Changes in Equity

For the year ended 30 June 2006

	Share capital HK\$m	Reserves HK\$m	Shareholders' funds HK\$m	Minority interests HK\$m	Total equity HK\$m
Balance at 30 June 2005, as previously reported	3,491.6	58,166.2	61,657.8	16,920.5	78,578.3
Effect of adoption of the following HKFRS:					
HKAS 17	-	(1,273.1)	(1,273.1)	(41.4)	(1,314.5)
HKAS 32	-	33.0	33.0	68.2	101.2
HKAS 40	-	(1,528.4)	(1,528.4)	(21.1)	(1,549.5)
HK-Int 2	-	(5,354.3)	(5,354.3)	(1,938.7)	(7,293.0)
HK (SIC)-Int 21	-	(2,548.5)	(2,548.5)	(95.4)	(2,643.9)
Change in accounting policy	-	(86.4)	(86.4)	(32.9)	(119.3)
Balance at 30 June 2005, as restated before opening adjustments	3,491.6	47,408.5	50,900.1	14,859.2	65,759.3
Effect of adoption of the following HKFRS:					
HKAS 39	-	238.5	238.5	10.6	249.1
HKAS 40	-	201.9	201.9	-	201.9
Balance at 1 July 2005, as adjusted	3,491.6	47,848.9	51,340.5	14,869.8	66,210.3
Change in fair value of available-for-sale financial assets	-	169.8	169.8	22.7	192.5
Translation differences	-	236.8	236.8	107.3	344.1
Net income recognised directly in equity	-	406.6	406.6	130.0	536.6
Profit for the year	-	1,059.8	1,059.8	1,553.3	2,613.1
Total recognised income for the year	-	1,466.4	1,466.4	1,683.3	3,149.7
Dividends	-	(1,171.4)	(1,171.4)	(1,128.2)	(2,299.6)
Acquisition of subsidiaries	-	41.3	41.3	125.5	166.8
Acquisition of additional interests in subsidiaries	-	-	-	(117.1)	(117.1)
Contributions from minority shareholders	-	-	-	48.3	48.3
Conversion of convertible bonds, net of taxation	-	(48.4)	(48.4)	(40.8)	(89.2)
Derecognition of minority interests upon disposal of subsidiaries	-	-	-	(4.9)	(4.9)
Effect on deemed disposal of interests in subsidiaries	-	-	-	651.1	651.1
Placement of new shares, net of related expenses	107.0	1,107.6	1,214.6	-	1,214.6
Issue of shares as scrip dividends	40.5	388.2	428.7	-	428.7
Recognition of employees' share-based payments	-	3.8	3.8	2.0	5.8
Balance at 30 June 2006	3,639.1	49,636.4	53,275.5	16,089.0	69,364.5

Consolidated Cash Flow Statement

For the year ended 30 June 2006

	<i>Note</i>	2006 HK\$m	2005 HK\$m
Cash flows from operating activities			
Net cash generated from operations	44a	1,879.5	3,218.6
Hong Kong profits tax paid		(446.3)	(131.0)
Overseas taxation paid		(155.0)	(26.8)
Net cash from operating activities		1,278.2	3,060.8
Cash flows from investing activities			
Interest received		536.7	365.0
Dividends received from			
Associated companies		161.0	631.1
Jointly controlled entities		948.1	901.7
Available-for-sale financial assets		35.5	–
Other investments		–	32.7
Purchase of property, plant and equipment, leasehold land and land use rights		(913.3)	(624.8)
Increase in interests in associated companies		(163.0)	(234.3)
(Increase)/decrease in interests in jointly controlled entities		(739.4)	1,912.1
Increase in available-for-sale financial assets		(657.0)	–
Decrease in other investments		–	47.0
Decrease in long term receivables		58.1	126.9
Decrease in financial assets at fair value through profit or loss		7.8	–
Acquisition of additional interests in subsidiaries		(351.0)	(6.7)
Acquisition of subsidiaries (net of cash and cash equivalents)	44b, c	(452.5)	(124.2)
Proceeds from disposal of			
Property, plant and equipment and investment properties		164.4	203.3
Partial interests in subsidiaries		3.9	106.2
Disposal of subsidiaries (net of cash and cash equivalents)	44d, e	97.5	1,097.2
Net cash (used in)/from investing activities		(1,263.2)	4,433.2

Consolidated Cash Flow Statement

For the year ended 30 June 2006

	<i>Note</i>	2006 HK\$m	2005 HK\$m
Cash flows from financing activities			
Redemption of convertible bonds		(425.7)	–
Placement of shares		1,230.5	–
Share placement expenses		(15.9)	–
Increase in bank and other loans		5,390.0	7,338.7
Decrease in long term accounts payable		(141.6)	(61.1)
Repayment of bank and other loans		(8,373.2)	(9,303.9)
Capital element of finance lease rental payments		(33.2)	(71.8)
Increase/(decrease) in loans from minority shareholders		97.9	(106.3)
Decrease/(increase) in restricted cash and bank balances		498.0	(644.4)
Contributions from minority shareholders		200.3	1,665.2
Interest paid		(1,132.6)	(734.4)
Dividends paid to shareholders of the Company		(269.6)	(206.8)
Dividends paid to minority shareholders		(1,066.2)	(497.3)
Net cash used in financing activities		(4,041.3)	(2,622.1)
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		10,286.3	5,416.9
Translation differences		48.5	(2.5)
Cash and cash equivalents at the end of the year	34	6,308.5	10,286.3

Notes to the Financial Statements

1 General information

New World Development Company Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in property investment and development, contracting, provision of services (including property and facility management, transport and other services), infrastructure operations (including roads and bridges operations, container handling, logistics and warehousing services), telecommunication services, department store operations, hotel and restaurant operations and telecommunications, media and technology businesses.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 30/F, New World Tower, 18 Queen’s Road Central, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements have been approved for issue by the Board of Directors on 10 October 2006.

2 Basis of preparation

The 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 financial statements are prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with 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.

(a) The adoption of new/revised HKFRS

For the year ended 30 June 2005, the Group early adopted HKFRS 3 “Business combinations”, Hong Kong Accounting Standard (“HKAS”) 36 “Impairment of assets” and HKAS 38 “Intangible assets”. With effect from 1 July 2005, the Group adopted all the remaining new and revised HKFRS that are currently in issue and effective for the accounting periods commencing on or after 1 January 2005 and also early adopted the amendment to HKAS 21 “The effects of changes in foreign exchange rates – Net investment in a foreign operation” which is effective for the accounting periods commencing on or after 1 January 2006.

The following is a summary of the material changes in the principal accounting policies or presentation of financial statements as a result of the adoption of these new or revised HKFRS.

- (i) *HKAS 1 Presentation of financial statements*
The adoption of HKAS 1 has affected the presentation of minority interests, share of after-tax results of jointly controlled entities and associated companies and other disclosures.
- (ii) *HKAS 17 Leases*
The adoption of HKAS 17 has resulted in change in accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The upfront prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement.

In respect of property held for/under development, the amortisation of leasehold land and land use rights is included as part of the costs of the property under development in the course of property development. In all other cases, the amortisation charge is recognised in the income statement.

In previous years, leasehold land and land use rights were accounted for at cost or fair value less accumulated depreciation and impairment. This change in accounting policy has been applied retrospectively.

Notes to the Financial Statements

2 Basis of preparation *(continued)*

(a) The adoption of new/revised HKFRS *(continued)*

(iii) *HKAS 32 Financial instruments: Disclosures and presentation and HKAS 39 Financial instruments: Recognition and measurement*

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

In previous years, the Group classified its long term investments, other than subsidiaries, associated companies and jointly controlled entities under other investments. Other investments held for non-trading purpose were stated at fair value at the balance sheet date. Changes in fair value of individual investment were dealt with as a movement in the investment revaluation reserve until the investment was sold or determined to be impaired in value. Upon disposal, the gain or loss representing the difference between net sales proceeds and the carrying amount of the relevant investment, together with any surplus or deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

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

(iv) *HKAS 40 Investment properties*

The adoption of revised HKAS 40 has resulted in a change in accounting policy of which the changes in fair value of investment properties are recognised in the income statement. In previous years, increases in valuation of investment properties were credited to the property revaluation reserve; decreases were first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the income statement.

The Group has applied the relevant transitional provisions under HKAS 40 and elected to apply HKAS 40 from 1 July 2005 onwards. As a result, property revaluation reserve as at 1 July 2005 of HK\$11,791.6 million has been transferred to the retained profits. Comparative information has not been restated.

In addition, HKAS 40 has removed the 15% benchmark for determining the significance of the portion of property held for own use. Accordingly, the property held for own use, previously recognised as investment properties, has been reclassified as property, plant and equipment and leasehold land and land use rights under HKAS 16 "Property, plant and equipment" and HKAS 17 "Leases" respectively. This change in accounting policy has been applied retrospectively.

(v) *HK-Int 2 The appropriate accounting policies for hotel properties*

Hong Kong Interpretation 2 requires owner-operated hotel properties to be classified as property, plant and equipment in accordance with HKAS 16. The Group has adopted the cost model and the change in accounting policy has been applied retrospectively. The land portion is accounted for in accordance with HKAS 17.

In previous years, hotel properties were stated at their open market value based on an annual professional valuation at the balance sheet date. No depreciation was provided on hotel properties held on leases of more than 20 years. Increases in valuation of hotel properties were credited to the property revaluation reserve; decreases were first set off against earlier revaluation surpluses and thereafter charged to the income statement.

(vi) *HK (SIC)-Int 21 Income taxes – Recovery of revalued non-depreciated assets*

The adoption of Hong Kong (SIC) Interpretation 21 has resulted in a change in accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from the recovery of the carrying amount of that asset through use. In previous years, the carrying amount of that asset was expected to be recovered through sale.

(vii) *HKFRS 2 Share-based payments*

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

Notes to the Financial Statements

2 Basis of preparation *(continued)*

(b) Change in accounting policy

In prior years, when handset and mobile subscription services were sold at a package with handset subsidies offered to customers, consideration would be allocated to handset sales and mobile subscription service using the relative fair value model. Accordingly, the portion allocated to handset sales was recognised as sales upon delivery of goods, and the remaining amount allocated to mobile subscription services was amortised on a straight line basis over the contract period. Handset subsidies were capitalised and amortised on a straight-line basis over the same contract period.

During the year, the Group changed its accounting policy to expense handset subsidies as incurred. The directors consider that the new accounting policy involves less subjective judgement and estimates. The change in accounting policy has been applied retrospectively.

(c) Increase/(decrease) on the consolidated profit for the year ended 30 June 2006 on the adoption of HKFRS and change in accounting policy

	HKAS 1 HK\$m	HKAS 17 HK\$m	HKAS 40 and HK (SIC)- Int 21 HK\$m	HK-Int 2 HK\$m	HKAS 32 HK\$m	HKFRS 2 HK\$m	Change in accounting policy for handset subsidies HK\$m	Total HK\$m
Turnover	-	-	-	-	-	-	3.3	3.3
Cost of sales	-	3.7	-	-	-	-	(16.5)	(12.8)
Gross profit	-	3.7	-	-	-	-	(13.2)	(9.5)
Other (charge)/gains	-	3.9	-	-	43.7	-	101.3	148.9
Administrative expenses	-	-	-	-	-	(5.9)	-	(5.9)
Other operating expenses	-	(101.7)	(44.5)	(91.7)	-	-	-	(237.9)
Fair value changes on investment properties	-	-	1,462.9	-	-	-	-	1,462.9
Operating profit before financing costs and income	-	(94.1)	1,418.4	(91.7)	43.7	(5.9)	88.1	1,358.5
Financing costs	-	-	-	-	(19.1)	-	-	(19.1)
Financing income	-	-	-	-	1.6	-	-	1.6
Operating profit	-	(94.1)	1,418.4	(91.7)	26.2	(5.9)	88.1	1,341.0
Share of results of								
Associated companies	(155.9)	(3.8)	83.1	(5.1)	0.2	-	-	(81.5)
Jointly controlled entities	(341.4)	(0.5)	82.5	(8.5)	-	-	-	(267.9)
Profit before taxation	(497.3)	(98.4)	1,584.0	(105.3)	26.4	(5.9)	88.1	991.6
Taxation	497.3	4.4	(246.5)	25.7	(6.9)	-	-	274.0
Profit for the year	-	(94.0)	1,337.5	(79.6)	19.5	(5.9)	88.1	1,265.6
Attributable to:								
Shareholders of the Company	-	(96.2)	1,218.4	(36.3)	31.1	(3.9)	51.1	1,164.2
Minority interests	-	2.2	119.1	(43.3)	(11.6)	(2.0)	37.0	101.4
	-	(94.0)	1,337.5	(79.6)	19.5	(5.9)	88.1	1,265.6
Earnings per share								
Basic and diluted (HK\$)	-	(0.03)	0.34	(0.01)	0.01	-	0.01	0.32

Notes to the Financial Statements

2 Basis of preparation *(continued)*

(c) Increase/(decrease) on the consolidated profit for the year ended 30 June 2005 on the adoption of HKFRS and change in accounting policy

	HKAS 1 HK\$m	HKAS 17 HK\$m	HKAS 40 HK\$m	HK-Int 2 HK\$m	HKAS 32 HK\$m	HKFRS 2 HK\$m	Change in accounting policy for handset subsidiaries HK\$m	Total HK\$m
Turnover	-	-	-	-	-	-	(41.9)	(41.9)
Cost of sales	-	6.2	-	-	-	-	(25.5)	(19.3)
Gross profit	-	6.2	-	-	-	-	(67.4)	(61.2)
Administrative expenses	-	-	-	-	-	(13.8)	-	(13.8)
Other operating expenses	-	(66.8)	(65.8)	(104.4)	-	-	-	(237.0)
Operating profit before financing costs and income	-	(60.6)	(65.8)	(104.4)	-	(13.8)	(67.4)	(312.0)
Financing costs	-	-	-	-	(43.0)	-	-	(43.0)
Operating profit	-	(60.6)	(65.8)	(104.4)	(43.0)	(13.8)	(67.4)	(355.0)
Share of results of								
Associated companies	(121.1)	(3.2)	(0.2)	(6.4)	-	-	-	(130.9)
Jointly controlled entities	(243.0)	(2.0)	(0.8)	(17.2)	-	-	-	(263.0)
Profit before taxation	(364.1)	(65.8)	(66.8)	(128.0)	(43.0)	(13.8)	(67.4)	(748.9)
Taxation	364.1	7.4	-	6.2	4.6	-	-	382.3
Profit for the year	-	(58.4)	(66.8)	(121.8)	(38.4)	(13.8)	(67.4)	(366.6)
Attributable to:								
Shareholders of the Company	-	(58.9)	(65.9)	(73.5)	(30.5)	(7.8)	(48.8)	(285.4)
Minority interests	-	0.5	(0.9)	(48.3)	(7.9)	(6.0)	(18.6)	(81.2)
	-	(58.4)	(66.8)	(121.8)	(38.4)	(13.8)	(67.4)	(366.6)
Earnings per share								
Basic and diluted (HK\$)	-	(0.02)	(0.02)	(0.02)	(0.01)	-	(0.01)	(0.08)

Notes to the Financial Statements

2 Basis of preparation *(continued)*

(d) Increase/(decrease) on the consolidated balance sheet as at 30 June 2006 on the adoption of HKFRS and change in accounting policy

	HKAS 17 HK\$m	HKAS 32 HK\$m	HKAS 40 HK\$m	HK-Int 2 HK\$m	HK (SIC)- Int 21 HK\$m	Change in accounting policy for handset subsidiaries HK\$m	Total HK\$m
Investment properties	-	-	(1,445.9)	-	-	-	(1,445.9)
Property, plant and equipment	(2,108.8)	-	67.6	(8,391.7)	-	-	(10,432.9)
Leasehold land and land use rights	1,293.9	-	486.5	699.8	-	-	2,480.2
Properties held for/under development	(1,223.9)	-	-	-	-	-	(1,223.9)
Interests in associated companies	(33.4)	-	(0.8)	(21.0)	(93.2)	(31.2)	(179.6)
Interests in jointly controlled entities	(14.4)	(0.9)	(7.3)	(102.5)	-	-	(125.1)
Deferred tax assets	13.5	-	-	18.3	-	-	31.8
Properties held for sale	(76.6)	-	-	-	-	-	(76.6)
Debtors and prepayments	-	(22.4)	-	-	-	-	(22.4)
	(2,149.7)	(23.3)	(899.9)	(7,797.1)	(93.2)	(31.2)	(10,994.4)
Long term borrowings	-	(55.9)	-	-	-	-	(55.9)
Deferred tax liabilities	(7.6)	8.3	-	(199.9)	2,545.7	-	2,346.5
	(7.6)	(47.6)	-	(199.9)	2,545.7	-	2,290.6
Net assets	(2,142.1)	24.3	(899.9)	(7,597.2)	(2,638.9)	(31.2)	(13,285.0)
Shareholders' funds	(2,100.9)	(3.6)	(883.8)	(5,618.2)	(2,537.4)	(18.1)	(11,162.0)
Minority interests	(41.2)	27.9	(16.1)	(1,979.0)	(101.5)	(13.1)	(2,123.0)
Total equity	(2,142.1)	24.3	(899.9)	(7,597.2)	(2,638.9)	(31.2)	(13,285.0)

Notes to the Financial Statements

2 Basis of preparation *(continued)*

(d) Increase/(decrease) on the consolidated balance sheet as at 30 June 2005 and 1 July 2005 on the adoption of HKFRS and change in accounting policy

	HKAS 17 HK\$m	HKAS 32 HK\$m	HKAS 40 HK\$m	HK-Int 2 HK\$m	HK (SIC)- Int 21 HK\$m	Change in accounting policy for handset subsidies HK\$m	Total HK\$m	Opening adjustments as at 1 July 2005		Total HK\$m
								HKAS 40 HK\$m	HKAS 39 HK\$m	
Investment properties	-	-	(1,838.4)	-	-	-	(1,838.4)	1,310.9	-	(527.5)
Property, plant and equipment	(2,015.6)	-	214.2	(8,238.1)	-	-	(10,039.5)	-	136.8	(9,902.7)
Leasehold land and land use rights	1,311.4	-	737.5	708.0	-	-	2,756.9	-	-	2,756.9
Properties held for/under development	(1,139.4)	-	-	-	-	-	(1,139.4)	-	-	(1,139.4)
Interests in associated companies	(28.3)	-	(0.7)	(15.9)	(93.2)	-	(138.1)	-	-	(138.1)
Interests in jointly controlled entities	(13.9)	-	(6.7)	(94.0)	-	-	(114.6)	-	(1.2)	(115.8)
Deferred tax assets	6.9	-	-	19.0	-	-	25.9	-	-	25.9
Other non-current assets	-	-	-	-	-	-	-	-	23.5	23.5
Available-for-sale financial assets	-	-	-	-	-	-	-	-	906.8	906.8
Properties held for sale	(78.4)	-	-	-	-	-	(78.4)	-	-	(78.4)
Other investments	-	-	-	-	-	-	-	(1,109.0)	(794.3)	(1,903.3)
Held-to-maturity investments	-	-	-	-	-	-	-	-	33.1	33.1
Derivative financial assets	-	-	-	-	-	-	-	-	10.3	10.3
Debtors and prepayments	-	(20.3)	-	-	-	(34.9)	(55.2)	-	(2.1)	(57.3)
	(1,957.3)	(20.3)	(894.1)	(7,621.0)	(93.2)	(34.9)	(10,620.8)	201.9	312.9	(10,106.0)
Creditors and accrued charges	-	-	-	-	-	84.4	84.4	-	-	84.4
Long term borrowings	-	(141.8)	-	-	-	-	(141.8)	-	-	(141.8)
Derivative financial instruments	-	-	-	-	-	-	-	-	63.8	63.8
Deferred tax liabilities	(9.6)	20.3	-	(187.8)	2,432.7	-	2,255.6	-	-	2,255.6
	(9.6)	(121.5)	-	(187.8)	2,432.7	84.4	2,198.2	-	63.8	2,262.0
Net assets	(1,947.7)	101.2	(894.1)	(7,433.2)	(2,525.9)	(119.3)	(12,819.0)	201.9	249.1	(12,368.0)
Shareholders' funds	(1,906.3)	33.0	(873.0)	(5,494.5)	(2,430.5)	(86.4)	(10,757.7)	201.9	238.5	(10,317.3)
Minority interests	(41.4)	68.2	(21.1)	(1,938.7)	(95.4)	(32.9)	(2,061.3)	-	10.6	(2,050.7)
Total equity	(1,947.7)	101.2	(894.1)	(7,433.2)	(2,525.9)	(119.3)	(12,819.0)	201.9	249.1	(12,368.0)

Notes to the Financial Statements

2 Basis of preparation *(continued)*

(e) Effect on the Company balance sheet as at 30 June 2005 and 2006 on the adoption of HKFRS

As at 30 June 2005 and 2006, the adoption of HKAS 17 has resulted in an increase in leasehold land of HK\$0.5 million, a decrease in property, plant and equipment of HK\$0.1 million and an increase in retained profits of HK\$0.4 million. The adoption of the remaining HKFRS did not have material impact to the Company balance sheets as at 30 June 2005 and 2006.

(f) Standards, amendments and interpretations to published standards which are not yet effective

Certain new standards, amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not yet adopted, are as follows:

Effective for the year ending 30 June 2007

HKAS 19 Amendment	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 Amendment	The fair value option
HKAS 39 and HKFRS 4 Amendments	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 1 and 6 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards and exploration for and evaluation of mineral resources
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS - Int 4	Determining whether an arrangement contains a lease
HKFRS - Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK (IFRIC) - Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK (IFRIC) - Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC) - Int 8	Scope of HKFRS 2
HK (IFRIC) - Int 9	Reassessment of embedded derivatives

Effective for the year ending 30 June 2008

HKAS 1 Amendment	Capital disclosures
HKFRS 7	Financial instruments: disclosures

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

3 Principal accounting policies

(a) Consolidation

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

(i) Subsidiaries

A company is a subsidiary if the Group, directly or indirectly, controls more than half of the voting power, controls the composition of the board of directors or holds more than half of the issued equity capital.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

Notes to the Financial Statements

3 Principal accounting policies *(continued)*

(a) Consolidation *(continued)*

(i) Subsidiaries *(continued)*

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

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

(ii) Associated companies

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

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

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

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

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

(iii) Joint ventures

(1) Jointly controlled entities

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

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

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.

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. Where the Group is not entitled to share the net assets of a co-operative joint venture at the end of the joint venture period, the cost of investment in such co-operative joint venture is amortised over the joint venture period.

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

The Company's interests in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

Notes to the Financial Statements

3 Principal accounting policies (continued)

(a) Consolidation (continued)

(iii) Joint ventures (continued)

(2) Jointly controlled operations

The assets that the Group controls and liabilities that the Group incurs in relation to the jointly controlled operation are recognised in the consolidated balance sheet on an accrual basis and classified according to the nature of the item. The expenses that the Group incurs and its share of income that it earns from the jointly controlled operations are included in the consolidated income statement.

(iv) Minority interests

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

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

(b) Intangible assets

(i) Goodwill

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

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies and jointly controlled entities is included in interests in associated companies and jointly controlled entities respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. 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 for the purpose of testing for impairment.

(ii) Licences and software

Expenditure on acquired licenses and software is capitalised and amortised using the straight-line method over the shorter of their estimated useful lives and licence period, but not exceeding 20 years from the date when they are available for use. Licences and software are not revalued as there is no active market for these assets.

(iii) Development costs

Development costs incurred for design and testing of new or improved products, where technical feasibility has been demonstrated and there is an ability to sell or use the asset that will generate probable future economic benefits, are recognised as assets and amortised on a straight-line basis over their estimated useful lives, but not more than 5 years.

(c) Revenue recognition

Revenue is shown net of revenue reducing factors, such as sales tax, returns, rebates and discounts and allowances for credit. Revenue is recognised when it is probable that future economic benefits will accrue to the Group and these benefits can be measured reliably on the following bases:

(i) Rental

Rental is recognised on a straight-line accrual basis over the terms of lease agreements.

(ii) Property sales

Sale of properties is recognised on the transfer of risks and rewards of ownership. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(iii) Construction and engineering

Revenue from construction and engineering service contracts is recognised using the percentage of completion method when the contracts have progressed to a stage where a profitable outcome can be prudently foreseen and is measured by reference to the proportion of costs incurred for work performed to the balance sheet date as compared to the estimated total costs to completion. Anticipated losses on contracts are fully provided when identified.

(iv) Service fee

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

(v) Infrastructure operations

Toll revenue from road and bridge operations, income from cargo, container handling and storage are recognised when services are rendered.

Notes to the Financial Statements

3 Principal accounting policies (continued)

(c) Revenue recognition (continued)

(vi) Telecommunication services

Telecommunication service revenue is recognised when service is rendered and is based on the usage of the digital mobile radio telecommunication network and facilities. Telecommunication revenue in respect of standard service plans billed in advance at year end is deferred and recognised when service is rendered. Revenue received in advance for the provision of telecommunication services using prepaid cards is deferred and amortised based on the actual usage by customers. Revenue from sale of telecommunication equipment and accessories is recognised when goods are delivered and title has passed.

(vii) Department store operation

Sale of goods and merchandise is recognised upon delivery of goods.

Income from concessionaire sale is recognised upon the sale of goods and merchandise.

(viii) Hotel and restaurant operations

Revenue from hotel and restaurant operations is recognised upon provision of the services.

(ix) Interest

Interest is recognised 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 unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

(x) Dividend

Dividend is recognised when the right to receive payment is established.

(d) Leases

(i) Finance leases

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

Assets held under finance leases are depreciated on the basis described in note (g)(ii) below.

(ii) Operating leases

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

(e) Leasehold land and land use rights

The upfront prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In the course of property development, the amortisation is included as part of the costs of the property under development.

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

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

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

Subsequent expenditure is charged to 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 income statement during the financial period in which they are incurred.

Notes to the Financial Statements

3 Principal accounting policies (continued)

(g) 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 items. Subsequent costs are included in the carrying amount of the assets or recognised 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. All other repair and maintenance costs are expensed in the income statement during the period in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying value of an asset is greater than its estimated recoverable amount.

(i) Assets under construction

All direct and indirect costs relating to the construction of property, plant and equipment, including financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as the costs of the assets.

(ii) Depreciation

No depreciation is provided on assets under construction.

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

Depreciation of other property, plant and equipment is calculated to write off their cost or carrying value less accumulated impairment losses to their estimated residual values over their estimated useful lives or, if shorter, the relevant finance lease periods, using the straight-line method. Estimated useful lives are summarised as follows:

Buildings	20 to 40 years
Ports facilities and terminal equipment	7 to 44 years
Telecommunication equipment and systems	3 to 15 years
Other assets	2 to 25 years

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

(iii) Gain or loss on disposal

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

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation 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 recognised in the 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. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(i) Investments

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

Notes to the Financial Statements

3 Principal accounting policies *(continued)*

(i) Investments *(continued)*

(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 or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities more than twelve months after the balance sheet date, which are classified as non-current assets.

(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 balance sheet date, 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 balance sheet date.

Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised 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 recognised at fair value and transaction cost are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

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

(j) Properties held for/under development

Properties held for/under development comprise prepayments for leasehold land and land use rights, development expenditure and borrowing costs capitalised. In the course of property development, the amortisation charge of leasehold land and land use rights is included as part of the costs of the property under development.

(k) Completed properties held for sale

Completed properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, the prepaid leasehold land component is stated at cost less accumulated amortisation and impairment losses; the building component is carried at the lower of cost and net realisable value. The amortisation of leasehold land is recognised in the income statement. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(l) Stocks and contracts in progress

Stocks are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Contracts in progress are stated at cost plus attributable profits recognised on the basis set out in note (c)(iii) above, less provision for anticipated losses and progress payments received and receivable.

Notes to the Financial Statements

3 Principal accounting policies *(continued)*

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables 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 receivables. 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 effective interest rate. The amount of the provision is recognised in the income statement.

(n) Cash and cash equivalents

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

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(p) 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised.

(q) Deferred taxation

Deferred taxation 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, if the deferred taxation 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, it is not accounted for. Taxation rates enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled are used to determine deferred taxation.

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

Deferred taxation 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.

(r) Borrowings

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

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and is recognised in equity, net of income tax effects.

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

Notes to the Financial Statements

3 Principal accounting policies *(continued)*

(s) Borrowing costs

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

(t) Employee benefits

(i) *Employee leave entitlements*

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

(ii) *Bonus plans*

Provision for bonus plans are recognised 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 schemes*

Contributions to defined contribution schemes, including the Mandatory Provident Fund Scheme and employee pension schemes established by municipal government in the People's Republic of China ("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 schemes and long service payments*

Defined benefit costs under defined benefit schemes and long service payments, which are assessed using the projected unit credit method, are charged to the 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 balance sheet date 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 10.0% of the greater of the present value of the plan obligations and the fair value of plan assets are recognised in the income statement over the expected average remaining service lives of the participating employees.

(v) *Share-based compensation*

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

(u) Foreign currencies

(i) *Functional and presentation currency*

Transactions included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong 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 ruling at the balance sheet date are recognised in the income statement.

Notes to the Financial Statements

3 Principal accounting policies *(continued)*

(u) Foreign currencies *(continued)*

(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:

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

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

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

(v) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The gain or loss on the remeasurement to fair value is accounted for immediately in the income statement.

(w) Insurance contracts

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the income statement.

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers, guarantees provided to its related parties and tax indemnity provided to its non-wholly owned subsidiary as insurance contracts.

(x) Segment reporting

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

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

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, financial assets, other assets, properties under development/held for sale/development, stocks and receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to intangible assets, investment properties and property, plant and equipment, including those resulting from acquisitions of subsidiaries.

(y) Dividend distribution

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

4 Financial risk management

(a) Policy

The Group has centralised treasury function for all of its subsidiaries except for listed subsidiaries which arrange their financial and treasury affairs on a stand-alone basis and in a manner consistent with the overall policies of the Group.

The Group generally obtains long term financing at the Group level to on-lend or contribute as equity to its subsidiaries, associated companies and joint controlled entities to meet their funding needs in order to provide more cost-efficient financing.

(b) Interest rate risk

The interest rate risk of the Group relates principally to floating rate loans which will be affected by fluctuation of prevailing market interest rates. To mitigate the risk, the Group has maintained fixed and floating rate debts. The Group also enters into interest rate swaps to hedge the floating rate risk.

Notes to the Financial Statements

4 Financial risk management *(continued)*

(c) Currency risk

The currency risk of the Group is primarily attributable to the net investments in foreign operations located in Southeast Asia and Mainland China. The Group has no significant foreign exchange risk in Southeast Asia currencies due to insignificant investment. For investments in Mainland China, the Group seeks to finance these investments by Renminbi borrowings. The Group monitors foreign exchange exposure and will consider to enter into forward foreign exchange contracts to reduce the exposure should the need arises.

(d) Credit risk

The credit risk of the Group mainly arises from rental, other trade and service receivables. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses.

(e) Liquidity risk

It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities.

The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

(f) Fair value estimation

The carrying amounts 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 balance sheet date. 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 active.
- (ii) The fair value of 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 value of bank balances, debtors and receivables, creditors, short-term borrowings and provision are assumed to approximate their fair values due to the short-term maturities of these assets and liabilities.
- (iv) The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows.

All financial instruments are carried at amounts not materially different from their fair values as at balance sheet date.

5 Critical accounting estimates and judgements

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

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

(a) Valuation of investment properties

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

(b) Classification of investment properties and property, plant and equipment

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Property, plant and equipment generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

Notes to the Financial Statements

5 Critical accounting estimates and judgements *(continued)*

(c) Impairment of assets

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on value-in-use calculations. These calculations require the use of estimates which are subject to change of economic environment in future.

The Group determines whether an investment is impaired by evaluating the duration and extent to which the fair value of an investment is less than its cost. This evaluation is subject to changes in factors such as industry and sector performance, changes in technology and operational and financing cash flow.

The Group assesses whether there is objective evidence that deposits, loans and receivables are impaired. It recognises impairment loss 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 loss required.

(d) Impairment of properties held for/under development and for sale

The Group assesses the carrying amounts of properties held for/under development and for sale according to their estimated net realisable value based on assessment of the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(e) Financial guarantees and tax indemnity

The Group assesses at each balance sheet date the liabilities under insurance contracts, using current estimates of future cash flows.

In respect of the financial guarantee contracts provided to property purchasers, the Group considers the net realisable value of the relevant properties against their outstanding mortgage principal and interest.

In respect of the tax indemnity provided to its non-wholly owned subsidiary, the Group makes estimates on the project costs for the development of the relevant properties and the potential exposure to the relevant PRC tax liabilities based on an estimation of the future market condition and economic environment. The future cash flows cannot be reliably estimated and therefore will impact the amount of provision that may be required and the future determination of the ultimate amount of taxation payable. Such provision will be made in the period when the outcome of the potential liabilities can be reliably determined.

(f) Income taxes

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

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

(g) Estimate of revenue and costs of construction works

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

Notes to the Financial Statements

6 Turnover and segment information

	2006 HK\$m	Restated 2005 HK\$m
Rental	1,096.4	946.4
Property sales	5,325.5	3,377.8
Contracting	7,508.0	5,419.1
Provision of service	3,544.4	3,553.2
Infrastructure operations	308.1	239.5
Telecommunication services	2,297.6	2,563.2
Department store operations	1,357.1	1,120.4
Hotel and restaurant operations	2,052.1	1,845.8
Others	421.0	473.8
	23,910.2	19,539.2

The Group is organised into property investment, property development, service, infrastructure, telecommunications, department stores, hotel operations and others (including media and technology businesses) segments.

(a) Primary reporting format-business segments

	Property investment HK\$m	Property development HK\$m	Service HK\$m	Infra- structure HK\$m	Telecom- munications HK\$m	Department stores HK\$m	Hotel operations HK\$m	Others HK\$m	Eliminations HK\$m	Con- solidated HK\$m
Year 2006										
External sales	1,096.4	5,325.5	11,052.4	308.1	2,297.6	1,357.1	2,052.1	421.0	-	23,910.2
Inter-segment sales	182.0	-	1,236.7	-	62.4	-	-	-	(1,481.1)	-
Total turnover	1,278.4	5,325.5	12,289.1	308.1	2,360.0	1,357.1	2,052.1	421.0	(1,481.1)	23,910.2
Segment results	662.6	1,060.4	303.6	119.8	(102.9)	107.4	442.1	50.5	-	2,643.5
Other (charge)/gains	4.3	(162.6)	30.8	(54.5)	759.5	(9.9)	(31.0)	(2,300.5)	-	(1,763.9)
Unallocated corporate expenses										(556.0)
Fair value changes on investment properties										1,462.9
Operating profit before financing costs and income										1,786.5
Financing costs										(1,115.0)
Financing income										541.2
Operating profit										1,212.7
Share of results of										
Associated companies	231.3	(15.9)	108.9	369.9	27.7	-	2.0	(67.1)	-	656.8
Jointly controlled entities	312.6	469.4	328.9	597.0	-	-	(18.6)	(53.1)	-	1,636.2
Profit before taxation										3,505.7
Taxation										(892.6)
Profit for the year										2,613.1
Segment assets	23,989.4	30,229.0	7,041.2	2,291.4	1,631.6	2,477.5	2,276.1	3,748.5	-	73,684.7
Interests in associated companies	2,232.8	1,132.2	1,386.7	1,802.4	2,267.6	-	353.6	209.4	-	9,384.7
Interests in jointly controlled entities	4,054.2	8,971.2	3,800.9	5,185.1	-	-	896.3	434.0	-	23,341.7
Deferred tax assets										106.6
Cash and bank balances										7,642.9
Total assets										114,160.6

Notes to the Financial Statements

6 Turnover and segment information (continued)

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

	Property investment HK\$m	Property development HK\$m	Service HK\$m	Infra- structure HK\$m	Telecom- munications HK\$m	Department stores HK\$m	Hotel operations HK\$m	Others HK\$m	Eliminations HK\$m	Con- solidated HK\$m
Year 2006 (continued)										
Segment liabilities	416.5	5,875.1	4,737.3	367.2	622.0	1,320.5	932.5	1,433.0	-	15,704.1
Gross borrowings										24,489.3
Current and deferred tax liabilities										4,602.7
Total liabilities										44,796.1
Capital expenditure	226.3	282.4	114.8	-	241.5	214.1	53.9	79.2	-	1,212.2
Depreciation and amortisation	39.2	96.7	112.8	96.0	332.9	131.5	176.7	37.0	-	1,022.8
Impairment charge and provision	22.4	177.6	30.0	173.0	216.0	9.9	35.6	2,667.8	-	3,332.3
Year 2005 (Restated)										
External sales	946.4	3,377.8	8,972.3	239.5	2,563.2	1,120.4	1,845.8	473.8	-	19,539.2
Inter-segment sales	190.3	-	1,067.7	-	52.0	-	-	39.2	(1,349.2)	-
Total turnover	1,136.7	3,377.8	10,040.0	239.5	2,615.2	1,120.4	1,845.8	513.0	(1,349.2)	19,539.2
Segment results	579.4	825.0	(79.1)	41.1	19.8	104.3	350.2	(8.8)	-	1,831.9
Other (charge)/gains	0.9	310.9	-	2,114.7	(87.0)	(3.2)	65.5	(578.7)	-	1,823.1
Unallocated corporate expenses										(431.7)
Operating profit before financing costs and income										3,223.3
Financing costs										(707.3)
Financing income										368.8
Operating profit										2,884.8
Share of results of										
Associated companies	83.3	41.8	154.8	227.7	-	-	(0.2)	(104.6)	-	402.8
Jointly controlled entities	78.2	324.1	287.7	637.0	-	-	(54.3)	(43.7)	-	1,229.0
Profit before taxation										4,516.6
Taxation										(515.3)
Profit for the year										4,001.3
Segment assets	21,284.0	27,704.7	6,389.1	2,502.1	2,845.8	2,153.4	2,428.5	5,419.5	-	70,727.1
Interests in associated companies	2,198.2	1,086.6	1,355.0	1,142.5	-	-	351.0	216.1	-	6,349.4
Interests in jointly controlled entities	3,172.9	9,013.2	3,313.1	5,256.9	-	-	997.8	726.0	-	22,479.9
Deferred tax assets										290.1
Cash and bank balances										12,118.7
Total assets										111,965.2

Notes to the Financial Statements

6 Turnover and segment information *(continued)*

(a) Primary reporting format-business segments *(continued)*

	Property investment HK\$m	Property development HK\$m	Service HK\$m	Infra- structure HK\$m	Telecom- munications HK\$m	Department stores HK\$m	Hotel operations HK\$m	Others HK\$m	Eliminations HK\$m	Con- solidated HK\$m
Year 2005 (Restated) <i>(continued)</i>										
Segment liabilities	430.2	5,855.2	4,082.5	397.0	998.4	890.6	841.5	621.4	-	14,116.8
Gross borrowings										27,849.9
Current and deferred tax liabilities										4,239.2
Total liabilities										46,205.9
Capital expenditure	138.5	-	66.8	23.1	240.8	94.9	46.7	24.5	-	635.3
Depreciation and amortisation	39.2	97.5	124.0	83.4	375.7	103.7	173.5	31.5	-	1,028.5
Impairment charge and provision	-	110.9	-	86.5	-	3.0	16.5	665.3	-	882.2

(b) Secondary reporting format-geographical segments

	Turnover HK\$m	Segment assets HK\$m	Capital expenditure HK\$m
Year 2006			
Hong Kong and Southeast Asia	19,143.7	50,556.3	456.5
Mainland China	4,766.5	23,085.7	755.7
North America	-	42.7	-
	23,910.2	73,684.7	1,212.2
Year 2005 (Restated)			
Hong Kong and Southeast Asia	15,208.1	49,951.0	405.4
Mainland China	4,331.1	20,729.2	229.9
North America	-	46.9	-
	19,539.2	70,727.1	635.3

The Group's turnover, segment assets and capital expenditure attributed to Southeast Asia comprised less than 10.0% of the Group's total turnover, segment assets and capital expenditure respectively, and have been included in the Hong Kong and Southeast Asia segment.

7 Other income

	2006 HK\$m	2005 HK\$m
Dividend income from investments in		
Listed shares	11.7	10.6
Unlisted shares	23.8	22.1
	35.5	32.7

Notes to the Financial Statements

8 Other (charge)/gains

	2006 HK\$m	2005 HK\$m
Impairment loss on		
Associated companies	(14.9)	(6.8)
Available-for-sale financial assets	(133.2)	–
Deposits paid for joint ventures	(161.4)	–
Intangible assets	(42.5)	(11.8)
Jointly controlled entities	(30.0)	(133.3)
Loans receivable	(1,060.6)	(107.5)
Other investments	–	(558.8)
Deposit for proposed investments	(1,531.2)	(28.9)
Properties held for/under development	(2.6)	(7.2)
Property, plant and equipment, leasehold land and land use rights	(340.7)	(14.9)
Loss on deemed disposal of interests in subsidiaries	(207.7)	(270.2)
Gain on deemed disposal of interests in a subsidiary	82.4	–
Net profit on disposal of		
Associated companies	317.4	–
Available-for-sale financial assets	–	361.3
Jointly controlled entities	17.3	1,112.7
Land use rights and properties	22.7	–
Subsidiaries	1,048.2	731.4
Write down of stocks to net realisable value	(15.2)	(13.0)
Write back of provision for		
Advance to an investee company	60.5	19.9
Associated companies	12.9	87.4
Debtors	–	67.9
Jointly controlled entities	25.9	38.8
Properties held for/under development	–	102.7
Insurance compensation received	–	74.0
Excess of fair value of net assets acquired over the cost of acquisition of		
Additional interests of subsidiaries	–	332.5
Subsidiaries	32.1	46.9
Additional interests of jointly controlled entities	103.4	–
Profit on redemption of convertible bonds	48.0	–
Fair value gain on financial assets at fair value through profit or loss	5.3	–
	(1,763.9)	1,823.1

9 Financing costs

	2006 HK\$m	Restated 2005 HK\$m
Interest on bank loans and overdrafts		
Wholly repayable within five years	1,113.0	704.6
Not wholly repayable within five years	17.5	–
Interest on finance leases wholly repayable within five years	3.9	6.0
Interest on convertible bonds wholly repayable within five years	23.9	43.0
Interest on loans from minority shareholders		
Wholly repayable within five years	33.0	19.0
Not wholly repayable within five years	5.2	4.8
Fair value gain on financial instruments	(5.0)	–
Total borrowing costs incurred	1,191.5	777.4
Interest capitalised as cost of		
Property, plant and equipment	(10.0)	(9.3)
Properties under development	(66.5)	(60.8)
	1,115.0	707.3

Notes to the Financial Statements

10 Operating profit

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

	2006 HK\$m	Restated 2005 HK\$m
Crediting		
Gross rental income from investment properties	907.8	778.0
Outgoings	(288.5)	(298.8)
	619.3	479.2
Charging		
Auditors' remuneration		
Audit services	43.9	37.4
Non-audit services	12.7	9.5
Cost of inventories sold	5,152.8	4,017.1
Depreciation		
Leased property, plant and equipment	35.9	16.4
Owned property, plant and equipment	850.1	846.9
Amortisation of leasehold land and land use rights (<i>Note</i>)	136.8	165.2
Operating lease rental expense		
Land and buildings	619.5	481.2
Other equipment	10.0	8.4
Staff costs (<i>Note 15a</i>)	3,227.0	3,126.7
Foreign exchange loss, net	96.9	3.3

Amortisation of leasehold land and land use rights is stated after amount capitalised in properties held for development, properties under development and assets under construction of HK\$32.9 million, HK\$142.7 million and HK\$6.6 million (2005: HK\$22.4 million, HK\$151.3 million and HK\$3.2 million) respectively.

11 Taxation

	2006 HK\$m	Restated 2005 HK\$m
Hong Kong profits tax	315.8	381.5
Overseas taxation	174.6	40.0
Underprovisions in prior years	99.8	16.8
Deferred taxation relating to fair value changes on investment properties	275.8	–
Deferred taxation relating to temporary differences	26.6	77.0
	892.6	515.3

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated taxable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Share of taxation of associated companies and jointly controlled entities for the year ended 30 June 2006 of HK\$155.9 million and HK\$341.4 million (2005: HK\$121.1 million and HK\$243.0 million) respectively are included in the income statement as share of results of associated companies and jointly controlled entities.

Notes to the Financial Statements

11 Taxation (continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2006 HK\$m	Restated 2005 HK\$m
Profit before taxation and share of results of associated companies and jointly controlled entities	1,212.7	2,884.8
Calculated at a taxation rate of 17.5% (2005: 17.5%)	212.2	504.8
Effect of different taxation rates in other countries	58.7	4.4
Income not subject to taxation	(537.1)	(548.1)
Expenses not deductible for taxation purposes	851.8	414.7
Tax losses not recognised	150.1	194.1
Temporary differences not recognised	31.7	(33.7)
Tax exemption granted	(14.0)	(17.4)
Utilisation of previously unrecognised tax losses	(54.3)	(104.8)
Others	193.5	101.3
Taxation charge	892.6	515.3

12 Profit attributable to shareholders

Profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$2,140.1 million (2005: HK\$1,361.2 million).

13 Dividends

	2006 HK\$m	2005 HK\$m
Interim dividend of HK\$0.13 (2005: HK\$0.10) per share	473.1	346.7
Final dividend proposed of HK\$0.20 (2005: HK\$0.20) per share	732.8	698.3
	1,205.9	1,045.0
Of which the following were settled by the issue of scrip:		
Interim dividend	277.5	198.4
Final dividend	*	428.7

* Full amount had been set aside from retained profits for the 2006 proposed final dividend on the basis that all shareholders would elect to receive cash being the alternative to their entitlements to the scrip dividends.

At a meeting held on 10 October 2006, the Directors recommended a final dividend of HK\$0.20 per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2007.

14 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of HK\$1,059.8 million (2005: HK\$2,702.7 million, as restated) and the weighted average number of 3,557.8 million (2005: 3,461.9 million) shares in issue during the year.

Notes to the Financial Statements

15 Staff costs

(a) Staff costs

	2006 HK\$m	Restated 2005 HK\$m
Wages, salaries and other benefits	3,071.8	2,966.7
Pension costs – defined benefits plans (<i>Note bi</i>)	–	0.4
Pension costs – defined contribution plans (<i>Note bij</i>)	149.3	145.8
Share options granted (<i>Note c</i>)	5.9	13.8
	3,227.0	3,126.7

Staff costs include directors' remuneration other than the benefits in kind from the exercise of share options.

(b) Retirement benefit costs

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.

(i) 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 Watson Wyatt Hong Kong Limited.

	2006 HK\$m	2005 HK\$m
The amounts recognised in the balance sheet were as follows:		
Present value of funded obligations	(72.6)	(73.7)
Fair value of plan assets	114.2	102.5
	41.6	28.8
Unrecognised actuarial gains	(20.2)	(9.4)
	21.4	19.4
Retirement benefit assets (<i>Note 28</i>)		
Net expenses recognised in the income statement, under administrative expenses, were as follows:		
Current service cost	3.9	3.8
Interest cost	2.6	3.1
Expected return on plan assets	(6.5)	(6.3)
Net actuarial gains recognised	–	(0.2)
	–	0.4
Total, included in staff costs (<i>Note a</i>)		
Movements in the retirement benefit assets were as follows:		
At the beginning of the year	19.4	17.3
Net expenses recognised in the income statement	–	(0.4)
Contributions paid	2.0	2.5
	21.4	19.4
At the end of the year		
The principal actuarial assumptions used were as follows:		
Discount rate	5.0%	3.8%
Expected rate of return on plan assets	7.0%	5.0% to 7.0%
Expected rate of future salary increases	4.0%	3.0% to 4.0%

The Company did not operate any defined benefit plans for its employees.

Notes to the Financial Statements

15 Staff costs (continued)

(b) Retirement benefit costs (continued)

(i) Defined contribution plans

The Group operates a number of defined contribution retirement schemes in Hong Kong, namely the Occupational Retirement Schemes ("ORSO Schemes") and the Mandatory Provident Fund Schemes ("MPF Schemes"). Contributions to the ORSO Schemes are based on a percentage of employees' salaries ranging from 5.0% to 21.0%, depending upon the length of service of the employees. Commencing on 1 December 2000, newly-joined employees are compulsorily required to join the MPF Schemes. The Group's contributions to the MPF Schemes are ranging from 5.0% to 15.0% of employees' salaries depending on the length of service of the employees.

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.

The amount charged to the income statement in respect of these schemes was HK\$149.3 million (2005: HK\$145.8 million) after netting off forfeited contribution of HK\$12.4 million (2005: HK\$12.2 million). Forfeited contributions available to reduce future contributions amounted to HK\$0.1 million (2005: HK\$0.1 million).

(c) Share options

The Company's subsidiaries, New World China Land Limited ("NWCL"), NWS Holdings Limited ("NWSH") and NW Mobile Holdings Limited ("NWMH") operate share option schemes whereby options may be granted to eligible employees and directors, to subscribe for shares of NWCL, NWSH and NWMH respectively.

Details of share options are as follows:

Grantor	Date of grant	Exercise price HK\$	Number of share options					30 June 2006	Note
			1 July 2005	Granted	Adjusted	Exercised	Lapsed		
NWCL	5 February 2001 to 24 April 2006	0.912 to 3.915	65,866,500	5,650,400	-	(57,535,000)	(1,364,600)	12,617,300	(i)
NWSH	21 July 2003	3.711	14,679,656	-	471,402	(12,559,250)	(42,871)	2,548,937	(ii)
NWMH	8 February 2002 to 8 April 2005	1.260 to 2.440	3,194,000	-	-	-	(78,000)	3,116,000	(iii)

(i) Except for the 1,400,000 share options with exercise price of HK\$2.300 per share which are divided into 2 tranches and exercisable within a period of 2 years commencing on the expiry of 1 month after the dates on which the options were accepted, all the outstanding share options are divided into 5 tranches and exercisable during a period of 5 years commencing on the expiry of 1 month after the dates of each grant when the offers of share options were accepted.

The fair value of options granted during the year determined using the Binomial Model was HK\$6.9 million. The significant inputs to the model was share price ranging from HK\$2.300 to HK\$3.875 at the grant dates, exercise prices ranging from HK\$2.300 to HK\$3.915, volatility of the share price ranging from 52% to 53%, expected life of options of 2 and 5 years, expected dividend yield of 0%, risk-free interest rate ranging from 3.18% to 4.50% and suboptimal exercise factor of 1.55 times of the exercise prices (which accounts for the early exercise behaviour of the option holders). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of NWCL over the past 5 years.

(ii) The share options are exercisable on or before 20 July 2008. Exercise price was adjusted from HK\$3.719 to HK\$3.711 during the year.

(iii) The share options were exercisable on or before 31 December 2010.

Notes to the Financial Statements

16 Emoluments of Directors and senior management

Details of the emoluments of the Directors are as follows:

	2006 HK\$m	Restated 2005 HK\$m
Fees	3.4	3.9
Salaries and other emoluments	25.9	18.0
Contributions to retirement benefit schemes	1.5	1.3
Benefits in kind of share options	34.5	11.0
	65.3	34.2

Benefits in kind of 2.5 million (2005: 3.4 million) share options under the share option scheme of NWSH ("NWSH Share Option") and 33.9 million (2005: 2.3 million) share options under the share option scheme of NWCL ("NWCL Share Option") were exercised during the year by certain Directors of the Company and the four (2005: four) highest paid individuals. The aggregate difference between the exercise price and the market price of total share options exercised at the dates of exercise for the Directors and the four (2005: four) highest paid individuals were HK\$10.4 million and HK\$11.8 million (2005: HK\$8.8 million and HK\$8.0 million) and HK\$24.1 million and HK\$28.0 million (2005: HK\$2.2 million and HK\$0.1 million) for NWSH Share Option and NWCL Share Option respectively.

Details of the emoluments of the Directors (including benefits in kind of share options) are as follows:

For the year ended 30 June 2006

Name of Directors	Fees HK\$m	Salaries, allowances and benefits in kind HK\$m	Bonus HK\$m	Retirement schemes contributions HK\$m	Share options benefits HK\$m	Total HK\$m
Dr. Cheng Yu-Tung	0.3	-	-	-	-	0.3
Dr. Cheng Kar-Shun, Henry	0.5	13.9	1.2	0.6	28.8	45.0
Lord Sandberg, Michael	0.3	-	-	-	-	0.3
Dr. Sin Wai-Kin, David	0.2	-	-	-	-	0.2
Mr. Cheng Yue-Pui	0.2	-	-	-	-	0.2
Mr. Liang Chong-Hou, David	0.2	-	-	-	-	0.2
Mr. Yeung Ping-Leung, Howard	0.3	-	-	-	-	0.3
Dr. Cha Mou-Sing, Payson	0.3	-	-	-	-	0.3
Mr. Cheng Kar-Shing, Peter	0.2	2.5	0.3	0.3	5.3	8.6
Mr. Leung Chi-Kin, Stewart	0.2	3.8	0.6	0.3	-	4.9
Mr. Chow Kwai-Cheung	0.2	3.1	0.5	0.3	0.4	4.5
Mr. Ho Hau-Hay, Hamilton	0.1	-	-	-	-	0.1
Mr. Lee Luen-Wai, John	0.3	-	-	-	-	0.3
Mr. Liang Cheung-Biu, Thomas	0.1	-	-	-	-	0.1
Total	3.4	23.3	2.6	1.5	34.5	65.3

Notes to the Financial Statements

16 Emoluments of Directors and senior management *(continued)*

For the year ended 30 June 2005

Name of Directors	Fees HK\$m	Salaries, allowances and benefits in kind HK\$m	Bonus HK\$m	Retirement schemes contributions HK\$m	Share options benefits HK\$m	Total HK\$m
Dr. Cheng Yu-Tung	0.3	–	–	–	–	0.3
Dr. Cheng Kar-Shun, Henry	0.7	8.3	0.6	0.5	7.2	17.3
Lord Sandberg, Michael	0.3	–	–	–	–	0.3
Dr. Sin Wai-Kin, David	0.2	–	–	–	–	0.2
Mr. Cheng Yue-Pui	0.2	–	–	–	–	0.2
Mr. Liang Chong-Hou, David	0.2	–	–	–	–	0.2
Mr. Yeung Ping-Leung, Howard	0.2	–	–	–	–	0.2
Dr. Cha Mou-Sing, Payson	0.3	–	–	–	–	0.3
Mr. Cheng Kar-Shing, Peter	0.2	2.3	0.2	0.2	2.3	5.2
Mr. Leung Chi-Kin, Stewart	0.3	3.3	0.3	0.3	0.8	5.0
Mr. Chow Kwai-Cheung	0.2	2.8	0.2	0.3	0.7	4.2
Mr. Ho Hau-Hay, Hamilton	0.2	–	–	–	–	0.2
Mr. Lee Luen-Wai, John	0.4	–	–	–	–	0.4
Mr. Liang Cheung-Biu, Thomas	0.2	–	–	–	–	0.2
Total	3.9	16.7	1.3	1.3	11.0	34.2

Fees paid to Independent Non-executive Directors amounted to HK\$1.2 million (2005: HK\$1.2 million). There were no other emoluments paid to Independent Non-executive Directors.

The five individuals whose emoluments were the highest in the Group for the year include one Director (2005: one Director) whose emoluments are reflected above. The emoluments payable to the remaining four (2005: four) senior management during the year are as follows:

	2006 HK\$m	2005 HK\$m
Salaries and other emoluments	14.2	9.7
Contributions to retirement benefit schemes	1.0	0.7
Benefits in kind of share options	39.8	8.1
	55.0	18.5

The emoluments to the senior management fell within the following bands:

Emolument band (HK\$)	Number of senior management	
	2006	2005
5,000,001 – 5,500,000	–	1
6,500,001 – 7,000,000	–	1
7,500,001 – 8,000,000	–	1
8,000,001 – 8,500,000	–	1
9,500,001 – 10,000,000	1	–
11,000,001 – 11,500,000	1	–
12,500,001 – 13,000,000	1	–
21,000,001 – 21,500,000	1	–
	4	4

During the 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 Directors waived or agreed to waive any emoluments during the year.

Notes to the Financial Statements

17 Investment properties

	Group		Company	
	2006 HK\$m	Restated 2005 HK\$m	2006 HK\$m	2005 HK\$m
At the beginning of the year, as restated	18,984.8	16,209.7	33.1	27.5
Opening adjustments	1,401.1	–	–	–
At the beginning of the year, as adjusted	20,385.9	16,209.7	33.1	27.5
Translation differences	84.5	–	–	–
Acquisition of subsidiaries	3.9	–	–	–
Additions	9.1	61.5	–	–
Transfer from property, plant and equipment, leasehold land and land use rights	357.0	295.1	–	–
Transfer from assets under construction upon completion	701.6	–	–	–
Transfer from properties under development	140.3	53.7	–	–
Transfer to properties held for sale	–	(228.1)	–	–
Disposals	–	(71.3)	–	–
Fair value changes	1,462.9	2,664.2	3.4	5.6
At the end of the year	23,145.2	18,984.8	36.5	33.1

The investment properties were revalued at 30 June 2006 by independent, professionally qualified valuers, Savills (Hong Kong) Limited, Vigers Hong Kong Limited and Knight Frank Petty. Valuations were based on market value.

The aggregate net book value of investment properties pledged for the Group's loans and borrowings amounted to HK\$9,951.4 million (2005: HK\$7,266.0 million, as restated).

Investment properties include buildings held under finance leases of which the carrying amount is HK\$58.0 million (2005: Nil). The minimum lease payments have been paid in full at the inception of the leases.

The Group's interests in investment properties at their carrying values are analysed as follows:

	2006 HK\$m	Restated 2005 HK\$m
In Hong Kong:		
Leases of over 50 years	8,595.5	8,077.8
Leases of between 10 to 50 years	11,427.2	9,272.3
Lease of less than 10 years	106.0	–
Outside Hong Kong:		
Leases of over 50 years	89.1	49.6
Leases of between 10 to 50 years	2,927.4	1,585.1
	23,145.2	18,984.8

The Company's interests in investment properties are held on leases of over 50 years in Hong Kong.

Notes to the Financial Statements

18 Property, plant and equipment

	Group					
	Buildings HK\$m	Toll roads, bridges and port facilities HK\$m	Telecom- munication equipment and systems HK\$m	Other assets HK\$m	Assets under construction HK\$m	Total HK\$m
Cost						
At 30 June 2005, as restated	3,355.7	2,161.9	4,433.6	5,073.4	734.7	15,759.3
Opening adjustment	-	-	-	-	136.8	136.8
At 1 July 2005, as adjusted	3,355.7	2,161.9	4,433.6	5,073.4	871.5	15,896.1
Translation differences	27.5	56.0	-	42.2	15.6	141.3
Acquisition of subsidiaries	147.1	-	-	23.4	-	170.5
Disposal of subsidiaries	-	(195.5)	(2,307.0)	(286.6)	(32.4)	(2,821.5)
Additions	1.7	-	219.8	425.1	260.7	907.3
Transfer to investment properties, leasehold land and land use rights	(39.2)	-	-	(1.6)	(19.3)	(60.1)
Transfer to investment properties upon completion	-	-	-	-	(701.6)	(701.6)
Disposals	(389.8)	(0.3)	(6.5)	(173.3)	(7.1)	(577.0)
At 30 June 2006	3,103.0	2,022.1	2,339.9	5,102.6	387.4	12,955.0
Accumulated depreciation and impairment						
At 1 July 2005, as adjusted	1,101.4	397.3	2,982.8	3,667.6	8.9	8,158.0
Translation differences	4.8	9.5	-	21.4	0.2	35.9
Disposal of subsidiaries	-	(9.7)	(1,436.6)	(223.6)	-	(1,669.9)
Impairment	-	172.9	157.8	10.0	-	340.7
Depreciation	95.0	96.0	298.0	397.0	-	886.0
Transfer to investment properties, leasehold land and land use rights	(35.9)	-	-	(1.2)	-	(37.1)
Disposals	(320.5)	(0.1)	(0.2)	(146.0)	-	(466.8)
At 30 June 2006	844.8	665.9	2,001.8	3,725.2	9.1	7,246.8
Net book value						
At 30 June 2006	2,258.2	1,356.2	338.1	1,377.4	378.3	5,708.2

Notes to the Financial Statements

18 Property, plant and equipment *(continued)*

	Group					
	Buildings HK\$m	Toll roads, bridges and port facilities HK\$m	Telecom- munication equipment and systems HK\$m	Other assets HK\$m	Assets under construction HK\$m	Total HK\$m
Cost						
At 1 July 2004, as restated	3,358.5	2,364.3	4,498.3	4,914.5	226.1	15,361.7
Translation differences	(0.2)	–	–	(0.9)	–	(1.1)
Disposal of subsidiaries	–	(202.4)	–	(8.2)	–	(210.6)
Additions	26.2	–	208.5	228.4	110.7	573.8
Transfer from/(to) investment properties and leasehold land and land use rights	20.3	–	(271.0)	304.2	(310.6)	(257.1)
Transfer from properties held for sale/deposits	–	–	–	–	726.2	726.2
Disposals	(49.1)	–	(2.2)	(364.6)	(17.7)	(433.6)
At 30 June 2005	3,355.7	2,161.9	4,433.6	5,073.4	734.7	15,759.3
Accumulated depreciation and impairment						
At 1 July 2004, as restated	1,011.6	358.6	2,811.9	3,448.5	7.5	7,638.1
Translation differences	–	–	–	(0.5)	–	(0.5)
Disposal of subsidiaries	–	(38.0)	–	(3.6)	–	(41.6)
Depreciation	105.9	76.7	338.3	342.4	–	863.3
Impairment	4.3	–	–	3.0	1.4	8.7
Transfer (to)/from investment properties and leasehold land and land use rights	(9.4)	–	(166.1)	175.5	–	–
Disposals	(11.0)	–	(1.3)	(297.7)	–	(310.0)
At 30 June 2005	1,101.4	397.3	2,982.8	3,667.6	8.9	8,158.0
Net book value						
At 30 June 2005	2,254.3	1,764.6	1,450.8	1,405.8	725.8	7,601.3

Notes to the Financial Statements

18 Property, plant and equipment *(continued)*

	Company Other assets HK\$m
Cost	
At 1 July 2004, 30 June 2005, 1 July 2005 and 30 June 2006	3.3
Accumulated depreciation	
At 1 July 2004, 30 June 2005, 1 July 2005 and 30 June 2006	3.3
Net book value	
At 30 June 2006 and 2005	–
(a) The aggregate net book value of assets pledged as securities for loans amounted to HK\$1,203.2 million (2005: HK\$1,257.9 million, as restated) (Note 38).	
(b) The net book value of property, plant and equipment includes telecommunication equipment and systems and other assets, which are held under finance leases amounting to HK\$140.4 million (2005: HK\$298.5 million) and HK\$0.2 million (2005: HK\$0.1 million) respectively.	
(c) Depreciation of HK\$493.2 million (2005: HK\$527.8 million, as restated) has been expensed in cost of sales, HK\$334.9 million (2005: HK\$271.7 million, as restated) in other operating expenses and HK\$57.9 million (2005: HK\$63.8 million) in administrative expenses.	
(d) Other assets include interactive television network system and equipment bought from PrediWave Corporation amounting to HK\$619.2 million, which are the subject of the NWTMT Complaint (Note 47). As a result of the NWTMT Complaint, the Directors decided to discontinue the use of the Technology launching the interactive television services in the PRC, and accordingly, a full impairment charge of HK\$619.2 million was made against these assets in previous years.	

Notes to the Financial Statements

19 Leasehold land and land use rights

	Group		Company	
	2006 HK\$m	Restated 2005 HK\$m	2006 HK\$m	Restated 2005 HK\$m
In Hong Kong:				
Leases of over 50 years	654.9	674.9	0.5	0.5
Leases of between 10 to 50 years	641.2	784.4	-	-
Outside Hong Kong:				
Leases of over 50 years	26.5	20.8	-	-
Leases of between 10 to 50 years	1,154.7	1,273.5	-	-
Leases of less than 10 years	2.9	3.3	-	-
	2,480.2	2,756.9	0.5	0.5
At the beginning of the year	2,756.9	2,535.3	0.5	0.5
Translation differences	22.6	-	-	-
Additions	6.9	-	-	-
Acquisition of subsidiaries	114.5	-	-	-
Transfer (to)/from investment properties and property, plant and equipment	(334.0)	288.4	-	-
Disposals	(31.5)	-	-	-
Impairment	-	(6.2)	-	-
Amortisation	(55.2)	(60.6)	-	-
At the end of the year	2,480.2	2,756.9	0.5	0.5

The Group's and the Company's interests in leasehold land and land use rights represent prepaid operating lease payments.

Bank borrowings are secured on leasehold land and land use rights with an aggregate carrying amount of HK\$828.3 million (2005: HK\$833.5 million, as restated) (Note 38).

Notes to the Financial Statements

20 Intangible assets

	Group			Total HK\$m
	Goodwill HK\$m	Licences and software HK\$m	Development costs HK\$m	
Cost				
At 1 July 2004	127.4	401.2	5.8	534.4
Disposal of partial interests in subsidiaries	(45.3)	–	(1.3)	(46.6)
Acquisition of additional interests in subsidiaries	35.8	–	–	35.8
At 1 July 2005	117.9	401.2	4.5	523.6
Additions	–	–	8.5	8.5
Acquisition of subsidiaries	66.0	–	–	66.0
Acquisition of additional interests in subsidiaries	171.9	–	–	171.9
Disposal of interest in a subsidiary	(56.0)	–	–	(56.0)
At 30 June 2006	299.8	401.2	13.0	714.0
Accumulated amortisation and impairment				
At 1 July 2004	–	401.2	0.4	401.6
Impairment	7.7	–	4.1	11.8
At 1 July 2005	7.7	401.2	4.5	413.4
Impairment	42.5	–	–	42.5
At 30 June 2006	50.2	401.2	4.5	455.9
Net book amount				
At 30 June 2006	249.6	–	8.5	258.1
At 30 June 2005	110.2	–	–	110.2

Licences and software are purchased from PrediWave and are relating to billing system for PrediWave's interactive television, video-on-demand and the Technology, which are the subject of the NWTMT Complaint (Note 47). As a result of the NWTMT Complaint, the Directors decided to discontinue the use of the Technology in launching the interactive television services in the PRC, and accordingly, a full impairment charge of HK\$401.2 million was made against the assets in previous years.

Notes to the Financial Statements

20 Intangible assets (continued)

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units identified according to country of operation and business segment. The recoverable amount of the business unit is determined based on value-in-use calculations. The key assumptions used in the value-in-use calculations are based on management best estimates of growth rates and discount rates.

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

	2006			2005		
	Hong Kong and Southeast Asia HK\$m	Mainland China HK\$m	Total HK\$m	Hong Kong and Southeast Asia HK\$m	Mainland China HK\$m	Total HK\$m
Property development	–	73.7	73.7	–	–	–
Service and infrastructure	175.9	–	175.9	39.3	–	39.3
Telecommunications	–	–	–	56.0	–	56.0
Others	–	–	–	–	14.9	14.9
	175.9	73.7	249.6	95.3	14.9	110.2

21 Subsidiaries

	2006 HK\$m	2005 HK\$m
Unlisted shares		
At cost	4,909.9	4,909.9
Provision for impairment	(552.7)	(552.7)
	4,357.2	4,357.2
Listed shares in Hong Kong, at cost	22,640.8	20,811.9
	26,998.0	25,169.1
Amounts due from subsidiaries less provision	36,057.5	35,294.9
	63,055.5	60,464.0
Amounts due to subsidiaries	(21,577.0)	(21,651.9)
	41,478.5	38,812.1
Market value of listed shares	15,685.9	10,919.8

The amounts receivable and payable are unsecured, interest free, have no fixed repayment terms, and their carrying amounts are not materially different from their fair values.

Details of principal subsidiaries are given in note 50.

Notes to the Financial Statements

22 Interests in associated companies

	Group		Company	
	2006 HK\$m	Restated 2005 HK\$m	2006 HK\$m	2005 HK\$m
Group's share of net assets				
Listed shares in Hong Kong	904.1	865.3	–	–
Unlisted shares	4,599.2	2,545.0	6.8	1.6
	5,503.3	3,410.3	6.8	1.6
Goodwill	1,127.4	103.5	–	–
Amounts due from associated companies less provision (Note a)	3,159.7	3,116.2	59.4	18.4
Amounts due to associated companies (Note b)	(405.7)	(280.6)	(19.8)	(35.6)
	2,754.0	2,835.6	39.6	(17.2)
	9,384.7	6,349.4	46.4	(15.6)
Market value of listed shares	698.7	472.3	–	–

(a) Amounts due from associated companies are analysed as follows:

	2006 HK\$m	2005 HK\$m
Interest bearing		
Fixed rates (Note i)	100.4	344.5
Variable rates (Note ii)	165.1	20.2
Non-interest bearing (Note iii)	2,894.2	2,751.5
	3,159.7	3,116.2

(i) Fixed rates represent interest rates ranging from 5.8% to 8.0% (2005: 5.8% to 8.0%) per annum.

(ii) Variable rates represent interest rates ranging from HIBOR plus 0.58% to Prime Rate offered by banks in Hong Kong (2005: Prime Rate offered by banks in Hong Kong) per annum.

(iii) The amounts included HK\$59.4 million (2005: HK\$18.4 million) due to the Company.

The amounts receivable are unsecured and have no fixed terms of repayment. Their carrying amounts are not materially different from their fair values.

(b) The amounts payable are unsecured, interest free and have no fixed terms of repayment. The carrying amounts of amounts payable are not materially different from their fair values.

(c) The Group's share of revenues, results, assets and liabilities of associated companies are as follows:

	2006 HK\$m	2005 HK\$m
Revenues	21,421.0	2,741.7
Profit for the year	656.8	402.8
Non-current assets	9,583.2	7,189.2
Current assets	3,217.9	2,201.6
Non-current liabilities	(4,197.5)	(4,184.9)
Current liabilities	(3,100.3)	(1,795.6)
Net assets	5,503.3	3,410.3

(d) Details of principal associated companies are given in note 51.

Notes to the Financial Statements

23 Interests in jointly controlled entities

	Group		Company	
	2006 HK\$m	Restated 2005 HK\$m	2006 HK\$m	2005 HK\$m
Equity joint ventures				
Group's share of net assets	492.5	567.4	-	-
Goodwill on acquisition	2.2	2.2	-	-
Amounts due from joint ventures less provision (<i>Note a</i>)	83.4	218.9	-	-
Amounts due to joint ventures (<i>Note b</i>)	(58.6)	(82.3)	-	(5.7)
	519.5	706.2	-	(5.7)
Co-operative joint ventures				
Cost of investment less provision	6,928.3	5,573.3	-	-
Goodwill on acquisition	15.9	15.9	-	-
Share of undistributed post-acquisition results	27.6	(432.0)	-	-
Amounts due from joint ventures less provision (<i>Note a</i>)	7,863.6	8,620.0	-	-
Amounts due to joint ventures (<i>Note b</i>)	(967.9)	(288.3)	-	-
	13,867.5	13,488.9	-	-
Companies limited by shares				
Group's share of net assets	3,649.6	3,088.6	-	-
Goodwill on acquisition	132.5	132.5	-	-
Amounts due from investee companies (<i>Note a</i>)	5,637.8	5,161.8	217.6	192.7
Amounts due to investee companies (<i>Note b</i>)	(557.1)	(589.9)	-	-
	8,862.8	7,793.0	217.6	192.7
Deposits paid for joint ventures (<i>Note c</i>)	91.9	491.8	-	-
	23,341.7	22,479.9	217.6	187.0

Notes to the Financial Statements

23 Interests in jointly controlled entities *(continued)*

(a) Amounts due from jointly controlled entities are analysed as follows:

	Group	
	2006 HK\$m	2005 HK\$m
Interest bearing		
Fixed rates <i>(Note i)</i>	4,823.6	5,636.8
Variable rates <i>(Note ii)</i>	1,293.6	1,438.9
Non-interest bearing <i>(Note iii)</i>	7,467.6	6,925.0
	13,584.8	14,000.7

(i) Fixed rates represent interest rates ranging from 2.0% to 12.0% (2005: 2.0% to 12.0%) per annum.

(ii) Variable rates represent interest rates ranging from 0.6% above HIBOR to 1.5% above Prime Rate offered by the banks in the United States of America (2005: 3-month HIBOR to 1.5% above HIBOR) per annum.

(iii) The amounts included HK\$217.6 million (2005: HK\$192.7 million) due to the Company.

The repayment terms of the amounts due from jointly controlled entities are specified in the relevant joint venture agreements.

The carrying amounts of the amounts due from jointly controlled entities are not materially different from their fair values.

(b) The amounts due to jointly controlled entities are unsecured, interest free and repayable on demand.

The carrying amounts of the amounts due to jointly controlled entities are not materially different from their fair values.

(c) This represents advances in respect of proposed joint ventures for which the jointly controlled entities have not yet been established as at the balance sheet date and only preliminary agreements have been signed. Upon the completion of the relevant joint venture contracts and the establishment of the respective jointly controlled entities, the relevant amounts will be reclassified to investments in joint ventures.

(d) The Group's share of revenues, results, assets and liabilities of jointly controlled entities are as follows:

	2006 HK\$m	2005 HK\$m
Revenues	7,894.0	6,965.6
Profit for the year	1,636.2	1,229.0
Non-current assets	18,229.6	20,029.7
Current assets	20,895.2	12,400.9
Non-current liabilities	(16,434.7)	(13,914.8)
Current liabilities	(11,592.1)	(9,718.5)
Net assets	11,098.0	8,797.3

(e) Details of principal jointly controlled entities are given in note 52.

Notes to the Financial Statements

24 Available-for-sale financial assets and other investments

(a) Available-for-sale financial assets

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Equity securities				
Unlisted shares, at fair value (Note i)	2,212.4	–	29.4	–
Listed shares, at market value				
Hong Kong	386.7	–	–	–
Overseas	422.5	–	–	–
Debt securities				
Unlisted debentures and convertible bonds, at fair value	40.1	–	–	–
	3,061.7	–	29.4	–

(b) Other investments

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Equity securities				
Unlisted shares, at fair value (Note i)	–	770.5	–	47.2
Listed shares, at market value				
Hong Kong	–	353.4	–	–
Overseas	–	270.0	–	–
Debt securities				
Unlisted debentures and convertible bonds, at fair value	–	127.3	–	–
	–	1,521.2	–	47.2
Investments in joint property development projects at cost less provision and amortisation	–	1,808.4	–	–
Loan to investee companies (Note ii)	–	304.2	–	–
Provision (Note ii)	–	(304.2)	–	–
	–	3,329.6	–	47.2

(i) Unlisted equity securities include the equity investments in the PrediWave Companies, which are the subject of the NWTMT Compliant (Note 47). Since the Directors are of the opinion that the Group is no longer able to effectively exercise significant influence over the financial and operating decisions of these companies, they were reclassified from associated companies to other investments for the year ended 30 June 2004 and a full impairment provision of HK\$1,933.9 million was then made against these assets in previous year.

(ii) A full provision was made against the loans to the PrediWave Companies which are the subject of the NWTMT Compliant (Note 47).

Notes to the Financial Statements

25 Held-to-maturity investments

	Group	
	2006 HK\$m	2005 HK\$m
Debt securities		
Unlisted debentures	31.1	–

26 Properties held for development

	Group	
	2006 HK\$m	Restated 2005 HK\$m
Land cost	5,837.4	6,127.7
Development cost	2,641.0	2,597.0
	8,478.4	8,724.7
Provision	(1,185.7)	(1,174.8)
	7,292.7	7,549.9
The carrying value of properties is analysed as follows:		
In Hong Kong:		
Leases of over 50 years	26.9	346.0
Leases of between 10 to 50 years	2,820.5	3,196.7
Outside Hong Kong:		
Freehold	47.5	44.7
Leases of over 50 years	2,888.9	2,431.0
Leases of between 10 to 50 years	1,508.9	1,531.5
	7,292.7	7,549.9

27 Deferred taxation

	Group	
	2006 HK\$m	Restated 2005 HK\$m
At the beginning of the year	3,086.9	2,337.5
Translation differences	15.1	5.1
Disposal of subsidiaries	156.2	(5.3)
Deferred taxation charged to income statement (Note 11)	302.4	77.0
Taxation charged to property revaluation reserve	–	588.9
Taxation credited to convertible bond capital reserve	(18.9)	–
Acquisition of subsidiaries	97.3	83.7
At the end of the year	3,639.0	3,086.9

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

Notes to the Financial Statements

27 Deferred taxation (continued)

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

Deferred tax liabilities

	Accelerated tax depreciation		Revaluation of properties		Income from sales of properties		Fair value adjustments on acquisition		Other items		Total	
	Restated		Restated				Restated		Restated		Restated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At the beginning of the year	(1,595.2)	(1,562.7)	(1,718.3)	(1,129.4)	(80.8)	(38.7)	(190.4)	(119.3)	(43.8)	(54.7)	(3,628.5)	(2,904.8)
Translation differences	(15.6)	-	(3.9)	-	(2.3)	-	(4.5)	-	7.4	(4.5)	(18.9)	(4.5)
Disposal of subsidiaries	86.6	5.3	-	-	-	-	-	-	-	-	86.6	5.3
(Charged)/credited to income statement	(63.7)	(37.8)	(245.6)	-	41.5	(42.1)	-	12.6	(7.4)	15.4	(275.2)	(51.9)
Charged to property revaluation reserve	-	-	-	(588.9)	-	-	-	-	-	-	-	(588.9)
Credited to convertible bond capital reserve	-	-	-	-	-	-	-	-	18.9	-	18.9	-
Acquisition of subsidiaries	-	-	-	-	-	-	(97.3)	(83.7)	-	-	(97.3)	(83.7)
At the end of the year	(1,587.9)	(1,595.2)	(1,967.8)	(1,718.3)	(41.6)	(80.8)	(292.2)	(190.4)	(24.9)	(43.8)	(3,914.4)	(3,628.5)

Deferred tax assets

	Provisions		Accelerated accounting depreciation		Tax losses		Unrealised intra-group profit		Other items		Total	
					Restated				Restated		Restated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At the beginning of the year	21.9	12.2	3.6	6.2	394.4	430.3	58.0	58.0	63.7	60.6	541.6	567.3
Translation differences	-	-	-	-	3.8	-	-	-	-	(0.6)	3.8	(0.6)
Disposal of subsidiaries	(2.2)	-	(2.3)	-	(238.3)	-	-	-	-	-	(242.8)	-
Credited/(charged) to income statement	-	9.7	(1.3)	(2.6)	(35.5)	(35.9)	-	-	9.6	3.7	(27.2)	(25.1)
At the end of the year	19.7	21.9	-	3.6	124.4	394.4	58.0	58.0	73.3	63.7	275.4	541.6

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, were shown in the consolidated balance sheet:

	Group	
	2006	Restated 2005
	HK\$m	HK\$m
Deferred tax assets	106.6	290.1
Deferred tax liabilities	(3,745.6)	(3,377.0)
	(3,639.0)	(3,086.9)

Deferred tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$9,230.2 million (2005: HK\$8,415.7 million, as restated) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$480.5 million (2005: HK\$480.3 million) which will expire at various dates up to and including 2011 (2005: 2010).

Notes to the Financial Statements

28 Other non-current assets

	Group	
	2006 HK\$m	Restated 2005 HK\$m
Deposits for proposed investments (Note a)	29.8	38.0
Retirement benefit assets (Note 15bi)	21.4	19.4
Long term receivables (Note b)	873.6	963.2
Restricted bank balances (Note 34)	706.9	752.8
Loans to investee companies (Note c)	304.2	304.2
Provision for loans to investee companies (Note c)	(304.2)	(304.2)
Others	49.6	53.0
	1,681.3	1,826.4

(a) Deposits for proposed investments

	Group	
	2006 HK\$m	2005 HK\$m
Cost less provision		
Deposits for the Network	–	1,531.2
Others	29.8	38.0
	29.8	1,569.2
Amounts within one year included in current assets	–	(1,531.2)
	29.8	38.0

In 2002, New World TMT Limited (“NWTMT”), a wholly owned subsidiary, entered into an option agreement (the “Option Agreement”) with a company established in the PRC (the “PRC Entity”) for the acquisition (the “Acquisition”) of an interest in a fibre optic backbone network (the “Network”) in the PRC, and subject to certain conditions as stipulated in the Option Agreement, NWTMT is entitled to acquire up to 70.0% interest in the Network within two years from the date of the Option Agreement at a consideration of approximately HK\$2,563.0 million. Under the Option Agreement, NWTMT paid approximately HK\$1,531.2 million as deposits for the Network.

In 2002, NWTMT also made a loan of HK\$600.0 million (Note b) to the PRC Entity to finance the completion of the ancillary facilities of the Network. The loan is unsecured and carries interest at 3.0% per annum. Under the loan agreement, NWTMT has the option to apply any part of the loan as further deposit for the Acquisition.

On 23 June 2004, NWTMT requested to withdraw from the Acquisition and authorised the owners, which include the PRC Entity, of the Network (collectively the “Owners”) to identify potential investors to take over the interest of NWTMT in the Network. The Owners acknowledged the withdrawal of NWTMT and agreed on 3 September 2004 that deposits for the Network, loans and other amounts owing to NWTMT totalling approximately HK\$2,160.0 million together with accrued interest (the “Total Amount”) would be fully repaid to NWTMT by 30 November 2004. The repayment of the loan was extended under an agreement dated 26 September 2005 which provided that the Owners (i) repay the Total Amount by 30 November 2005; (ii) pledge the 70.0% interest in the Network as a security to secure their repayment; and (iii) allow NWTMT to retain its option to re-enter the Network if the repayment was not made in accordance with the agreement.

The Total Amount was not repaid by 30 November 2005 and the Owners at the time advised NWTMT that negotiations with potential investors were ongoing but subject to the completion of due diligence as well as fulfilling certain conditions imposed by the potential investors. Accordingly, NWTMT and the Owners entered into another supplemental agreement dated 22 November 2005 for the further extension of the repayment to 30 May 2006. As at 30 June 2006 and as at the date of approving these financial statements, the Total Amount remains outstanding.

Following the default in repayment, and for the purpose of assessing the recoverability of the Total Amount, NWTMT has requested the Owners to cooperate with the Group’s legal counsel to reconfirm the ownership of the Network and to arrange for a site inspection and testing of the Network, but these requests were not fulfilled. The Owners have however indicated that they are unable to repay the Total Amount unless a sale of the interest in the Network could be concluded which would provide new funds to them to enable them to repay the Total Amount.

Notes to the Financial Statements

28 Other non-current assets *(continued)*

(a) Deposits for proposed investments *(continued)*

Having been informed by the Owners of their inability to repay, the directors have considered the options available to the Group. In view of the legal complexity in transferring the Network to the Group and the significant further investments required to commission the Network, the directors concluded that it is not in the best interests of the Group to re-enter the Network. The directors have therefore decided to take vigorous actions, including the possibility of legal proceedings, against the Owners for the restitution of the Total Amount. The legal counsel of the Group also advised that legal proceedings against the Owners and enforcement of the pledge on the Network will take a long period of time.

The directors have taken into consideration the following circumstances and have concluded that a full provision of HK\$2,160.0 million be made against the Total Amount in the financial statements:

- (i) there is no repayment of the Total Amount by the Owners since the default in repayment in May 2006;
- (ii) the verbal confirmation by the Owners of their inability to repay the Total Amount and the absence of financial information in this regard;
- (iii) the allegation of the Owners that there were potential investors interested in taking over the interest in the Network from NWTMT, but which have so far not materialised;
- (iv) the timing and the amount that could be recoverable upon the sale of the interest in the Network and the present value of the future cash flows less costs to be incurred;
- (v) the complexity and the long period of time for taking legal proceedings against the Owners;
- (vi) the Owners are not co-operative in facilitating the Group to satisfactorily verify the legality, ownership and existence of the Network;
- (vii) the decline in market value of the Network based on a valuation performed by an independent professional valuer; and
- (viii) the advancement in technology which may impair the future competitiveness of the Network.

(b) Long term receivables

	Group	
	2006 HK\$m	2005 HK\$m
Accounts receivable, net of provision	990.3	1,646.2
Other loans	232.5	261.3
	1,222.8	1,907.5
Amounts receivable within one year included in current assets	(349.2)	(944.3)
	873.6	963.2

The carrying amounts of long term receivables approximate their fair values.

During the year ended 30 June 2006, provision has been made against a loan of HK\$600.0 million due from the PRC Entity (Note a).

(c) Loans to investee companies

Provision has been made against the loans to PrediWave Companies which is the subject of the NWTMT Complaint (Note 47).

Notes to the Financial Statements

29 Properties under development

	Group		Company	
	2006 HK\$m	Restated 2005 HK\$m	2006 HK\$m	2005 HK\$m
Land cost	8,071.7	7,598.7	376.3	383.9
Development cost	5,849.0	5,204.2	415.0	306.1
	13,920.7	12,802.9	791.3	690.0
Provision	(35.8)	(269.8)	–	–
	13,884.9	12,533.1	791.3	690.0

The carrying value of properties is analysed as follows:

	Group	
	2006 HK\$m	2005 HK\$m
In Hong Kong:		
Leases of over 50 years	1,006.7	–
Leases of between 10 to 50 years	8,071.6	9,945.1
Outside Hong Kong:		
Leases of over 50 years	3,046.8	898.6
Leases of between 10 to 50 years	1,759.8	1,689.4
	13,884.9	12,533.1

The Company's properties under development are held on leases of between 10 to 50 years in Hong Kong.

The aggregate carrying value of properties under development pledged as securities for loans amounted to HK\$4,820.8 million (2005: HK\$4,888.0 million, as restated) (Note 38).

30 Properties held for sale

	Group	
	2006 HK\$m	Restated 2005 HK\$m
Land cost	1,874.5	1,757.7
Development cost	3,852.3	3,931.0
	5,726.8	5,688.7
Provision	(859.3)	(775.8)
	4,867.5	4,912.9

Notes to the Financial Statements

30 Properties held for sale (continued)

The carrying value of properties is analysed as follows:

	2006 HK\$m	2005 HK\$m
In Hong Kong:		
Leases of over 50 years	28.0	25.7
Leases of between 10 to 50 years	3,494.4	3,096.2
Outside Hong Kong:		
Leases of over 50 years	1,125.2	1,684.7
Leases of between 10 to 50 years	219.9	106.3
	4,867.5	4,912.9

The aggregate carrying value of properties held for sale pledged as securities for loans amounted to HK\$2,445.1 million (2005: HK\$2,464.3 million, as restated) (Note 38).

31 Stocks

	Group	
	2006 HK\$m	Restated 2005 HK\$m
Raw materials	23.0	32.2
Work-in-progress	40.9	53.6
Finished goods	113.4	113.9
Merchandise	62.0	88.1
	239.3	287.8

Raw materials include parts for production of interactive television equipment amounting to HK\$0.3 million (2005: HK\$11.3 million), which are the subject of the NWTMT Complaint (Note 47).

32 Other loans receivable

Except for an amount of HK\$286.0 million which is denominated in United States dollar, other loans receivable are denominated in Hong Kong dollar. Their carrying amounts approximate their fair values.

33 Debtors and prepayments

- (a) The retention receivable for contracts in progress amounting to HK\$904.2 million (2005: HK\$683.3 million) has been included in debtors and prepayments.
- (b) Debtors and prepayments include trade debtors, amounts advanced to investee companies, deposits and prepayments. The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Sales proceeds receivable from sale of properties and retention money receivables in respect of construction and engineering services are settled in accordance with the terms of respective contracts. Ageing analysis of trade debtors is as follows:

	Group	
	2006 HK\$m	2005 HK\$m
Current to 30 days	5,094.7	3,783.2
31 to 60 days	219.1	240.8
Over 60 days	469.4	1,275.6
	5,783.2	5,299.6

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

Notes to the Financial Statements

33 Debtors and prepayments (continued)

(c) The carrying amounts of the debtors and prepayments are denominated in the following currencies:

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Hong Kong dollar	4,842.2	5,797.9	304.4	296.7
Renminbi	5,070.4	2,294.2	–	–
United States dollar	105.5	101.4	–	–
Others	493.7	68.7	–	–
	10,511.8	8,262.2	304.4	296.7

34 Cash and bank balances

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Cash at banks and on hand	4,430.0	2,511.3	0.8	1.7
Short-term bank deposits	3,212.9	9,607.4	–	–
Cash and bank balances	7,642.9	12,118.7	0.8	1.7
Restricted bank balances included in other non-current assets (Note 28)	(706.9)	(752.8)	–	–
Restricted bank balances included in current assets	(627.5)	(1,079.6)	–	–
Cash and cash equivalents	6,308.5	10,286.3	0.8	1.7

The effective interest rates on short-term bank deposits range from 1.4% to 5.4% (2005: 1.0% to 3.3%) per annum and these deposits have an average maturity ranging from 3 to 94 days.

The carrying amounts of the cash and bank balances are denominated in the following currencies:

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Hong Kong dollar	2,007.9	7,795.1	0.8	1.7
Renminbi	2,954.5	1,788.5	–	–
United States dollar	2,442.7	2,484.3	–	–
Others	237.8	50.8	–	–
	7,642.9	12,118.7	0.8	1.7

Restricted bank balances are funds which are pledged to secure certain short term loans and long term loans (Note 38).

Notes to the Financial Statements

35 Amounts due from/to customers for contract works

	Group	
	2006 HK\$m	2005 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses	13,936.6	10,990.1
Progress payments received and receivable	(14,090.3)	(11,029.9)
	(153.7)	(39.8)
Representing:		
Gross amounts due from customers for contract work	296.4	297.6
Gross amounts due to customers for contract work	(450.1)	(337.4)
	(153.7)	(39.8)

36 Share capital

	2006 Number of shares (million)	2006 HK\$m	2005 Number of shares (million)	2005 HK\$m
Authorised:				
Shares of HK\$1.00 each	10,000.0	10,000.0	10,000.0	10,000.0
Issued and fully paid:				
Shares of HK\$1.00 each				
At the beginning of the year	3,491.6	3,491.6	3,457.3	3,457.3
Issued as scrip dividends (<i>Note a</i>)	40.5	40.5	34.3	34.3
Placement of shares (<i>Note b</i>)	107.0	107.0	–	–
At the end of the year	3,639.1	3,639.1	3,491.6	3,491.6

- (a) During the year, 40,546,918 new shares were issued at HK\$10.573 per share for the settlement of 2005 final scrip dividend.
- (b) During the year, 107.0 million new shares of HK\$1.00 each were issued at HK\$11.50 per share for cash for repayment of part of the bank loans of the Group and the remaining balance for the general working capital of the Group.

Notes to the Financial Statements

37 Reserves

	Group										
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	Capital reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Currency translation reserve HK\$m	Retained profits HK\$m	Total HK\$m
Balance as at 30 June 2004, as previously reported	37.7	24,596.1	15,275.4	267.5	484.0	567.4	-	-	81.5	9,773.3	51,082.9
Effect of adoption of the following HKFRS:											
HKAS 17	-	-	-	-	-	-	-	-	-	(1,241.9)	(1,241.9)
HKAS 32	-	-	-	-	-	-	-	65.1	-	(1.6)	63.5
HKAS 40	-	-	(1,272.2)	-	-	-	-	-	-	(213.0)	(1,485.2)
HK - Int 2	-	-	(3,092.5)	-	-	-	-	-	-	(1,410.9)	(4,503.4)
HKFRS 2	-	-	-	-	-	-	6.4	-	-	(6.4)	-
HK (SIC) - Int 21	-	-	(1,917.4)	-	-	-	-	-	-	-	(1,917.4)
Change in accounting policy	-	-	-	-	-	-	-	-	-	(37.7)	(37.7)
Balance at 30 June 2004, as restated	37.7	24,596.1	8,993.3	267.5	484.0	567.4	6.4	65.1	81.5	6,861.8	41,960.8
Scrip dividends	-	243.9	-	-	-	-	-	-	-	-	243.9
Investment properties revaluation surplus, net of taxation	-	-	2,614.9	-	-	-	-	-	-	-	2,614.9
Share of properties revaluation surplus, net of taxation											
Associated companies	-	-	152.4	-	-	-	-	-	-	-	152.4
Jointly controlled entities	-	-	55.8	-	-	-	-	-	-	-	55.8
Acquisition of subsidiaries	-	-	-	-	-	35.2	-	-	-	-	35.2
Release of revaluation surplus upon disposal of investment properties	-	-	(7.2)	-	-	-	-	-	-	-	(7.2)
Investment securities impairment loss charged to income statement	-	-	-	286.1	-	-	-	-	-	-	286.1
Investment securities revaluation deficit realised upon disposal	-	-	-	(166.1)	-	-	-	-	-	-	(166.1)
Investment securities revaluation deficit realised upon disposal	-	-	-	11.0	-	-	-	-	-	-	11.0
Recognition of employees' share-based payments	-	-	-	-	-	-	7.8	-	-	-	7.8
Profit attributable to shareholders	-	-	-	-	-	-	-	-	-	2,702.7	2,702.7
Transfer of reserves	-	-	(17.6)	-	(484.0)	27.0	-	-	-	474.6	-
Translation differences	-	-	-	-	-	-	-	-	(3.8)	-	(3.8)
2004 final dividend paid	-	-	-	-	-	-	-	-	-	(138.3)	(138.3)
2005 interim dividend paid	-	-	-	-	-	-	-	-	-	(346.7)	(346.7)
Balance at 30 June 2005, as restated	37.7	24,840.0	11,791.6	398.5	-	629.6	14.2	65.1	77.7	9,554.1	47,408.5
Representing:											
Balance at 30 June 2005	37.7	24,840.0	11,791.6	398.5	-	629.6	14.2	65.1	77.7	8,855.8	46,710.2
2005 proposed final dividend	-	-	-	-	-	-	-	-	-	698.3	698.3
	37.7	24,840.0	11,791.6	398.5	-	629.6	14.2	65.1	77.7	9,554.1	47,408.5

Notes to the Financial Statements

37 Reserves (continued)

	Group									
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Currency translation reserve HK\$m	Retained profits HK\$m	Total HK\$m
Balance at 30 June 2005, as previously reported	37.7	24,840.0	19,431.7	398.5	629.6	-	-	77.7	12,751.0	58,166.2
Effect of adoption of the following HKFRS:										
HKAS 17	-	-	-	-	-	-	-	-	(1,273.1)	(1,273.1)
HKAS 32	-	-	-	-	-	-	65.1	-	(32.1)	33.0
HKAS 40	-	-	(1,221.7)	-	-	-	-	-	(306.7)	(1,528.4)
HK - Int 2	-	-	(3,869.9)	-	-	-	-	-	(1,484.4)	(5,354.3)
HKFRS 2	-	-	-	-	-	14.2	-	-	(14.2)	-
HK (SIC) - Int 21	-	-	(2,548.5)	-	-	-	-	-	-	(2,548.5)
Change in accounting policy	-	-	-	-	-	-	-	-	(86.4)	(86.4)
Balance at 30 June 2005, as restated before opening adjustments	37.7	24,840.0	11,791.6	398.5	629.6	14.2	65.1	77.7	9,554.1	47,408.5
Effect of adoption of the following HKFRS:										
HKAS 39	-	-	-	348.9	-	-	-	-	(110.4)	238.5
HKAS 40	-	-	(11,791.6)	-	-	-	-	-	11,993.5	201.9
Balance at 1 July 2005, as adjusted	37.7	24,840.0	-	747.4	629.6	14.2	65.1	77.7	21,437.2	47,848.9
Scrip dividends	-	388.2	-	-	-	-	-	-	-	388.2
Placement of shares	-	1,123.5	-	-	-	-	-	-	-	1,123.5
Share placement expenses	-	(15.9)	-	-	-	-	-	-	-	(15.9)
Translation differences	-	-	-	-	-	-	-	236.8	-	236.8
Recognition of employees' share-based payments	-	-	-	-	-	3.8	-	-	-	3.8
Acquisition of subsidiaries	-	-	-	-	41.3	-	-	-	-	41.3
Change in fair value of available-for-sale financial assets	-	-	-	169.8	-	-	-	-	-	169.8
Profit attributable to shareholders	-	-	-	-	-	-	-	-	1,059.8	1,059.8
Transfer of reserves	-	-	-	-	23.8	-	-	-	(23.8)	-
Convertible bonds - equity component	-	-	-	-	-	-	(58.6)	-	-	(58.6)
Tax on equity component	-	-	-	-	-	-	10.2	-	-	10.2
2005 final dividend paid	-	-	-	-	-	-	-	-	(698.3)	(698.3)
2006 interim dividend payable	-	-	-	-	-	-	-	-	(473.1)	(473.1)
Balance as at 30 June 2006	37.7	26,335.8	-	917.2	694.7	18.0	16.7	314.5	21,301.8	49,636.4
Representing:										
Balance at 30 June 2006	37.7	26,335.8	-	917.2	694.7	18.0	16.7	314.5	20,569.0	48,903.6
2006 proposed final dividend	-	-	-	-	-	-	-	-	732.8	732.8
	37.7	26,335.8	-	917.2	694.7	18.0	16.7	314.5	21,301.8	49,636.4

Notes to the Financial Statements

37 Reserves (continued)

	Company					
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	Retained profits HK\$m	Total HK\$m
Balance at 30 June 2004, as previously reported	37.7	24,596.1	26.0	11.1	9,960.2	34,631.1
Effect of adoption of HKAS 17	-	-	-	-	0.4	0.4
Balance at 30 June 2004, as restated	37.7	24,596.1	26.0	11.1	9,960.6	34,631.5
Scrip dividends	-	243.9	-	-	-	243.9
Investment securities revaluation surplus	-	-	-	24.6	-	24.6
Investment properties revaluation surplus, net of taxation	-	-	5.6	-	-	5.6
Profit for the year	-	-	-	-	1,361.2	1,361.2
2004 final dividend paid	-	-	-	-	(138.3)	(138.3)
2005 interim dividend paid	-	-	-	-	(346.7)	(346.7)
Balance at 30 June 2005, as restated	37.7	24,840.0	31.6	35.7	10,836.8	35,781.8
Representing:						
Balance at 30 June 2005	37.7	24,840.0	31.6	35.7	10,138.5	35,083.5
2005 proposed final dividend	-	-	-	-	698.3	698.3
	37.7	24,840.0	31.6	35.7	10,836.8	35,781.8
Balance at 30 June 2005, as previously reported	37.7	24,840.0	31.6	35.7	10,836.4	35,781.4
Effect of adoption of HKAS 17	-	-	-	-	0.4	0.4
Balance at 30 June 2005, as restated before opening adjustment	37.7	24,840.0	31.6	35.7	10,836.8	35,781.8
Effect of adoption of HKAS 40	-	-	(31.6)	-	31.6	-
Balance at 1 July 2005, as adjusted	37.7	24,840.0	-	35.7	10,868.4	35,781.8
Scrip dividends	-	388.2	-	-	-	388.2
Placement of shares	-	1,123.5	-	-	-	1,123.5
Share placement expenses	-	(15.9)	-	-	-	(15.9)
Change in fair value of available-for-sale financial assets	-	-	-	(17.8)	-	(17.8)
Profit for the year	-	-	-	-	2,140.1	2,140.1
2005 final dividend paid	-	-	-	-	(698.3)	(698.3)
2006 interim dividend payable	-	-	-	-	(473.1)	(473.1)
Balance at 30 June 2006	37.7	26,335.8	-	17.9	11,837.1	38,228.5
Representing:						
Balance at 30 June 2006	37.7	26,335.8	-	17.9	11,104.3	37,495.7
2006 proposed final dividend	-	-	-	-	732.8	732.8
	37.7	26,335.8	-	17.9	11,837.1	38,228.5

Notes to the Financial Statements

38 Borrowings

	Group		Company	
	2006 HK\$m	Restated 2005 HK\$m	2006 HK\$m	2005 HK\$m
Non-current				
Secured bank loans	11,074.5	10,491.9	-	-
Unsecured bank loans	10,078.4	11,892.1	-	-
Obligation under finance leases (Note b)	5.1	38.5	-	-
	21,158.0	22,422.5	-	-
Current portion of long term borrowings	(6,794.5)	(11,718.5)	-	-
	14,363.5	10,704.0	-	-
Convertible bonds (Note c)	520.0	1,210.5	-	-
Loans from minority shareholders (Note d)	489.3	539.4	-	-
	15,372.8	12,453.9	-	-
Current				
Short term secured bank loans	388.1	906.7	-	-
Short term unsecured bank loans	490.1	1,452.4	11.3	8.0
Other unsecured loans	50.2	48.5	10.0	9.1
Loans from minority shareholders (Note d)	1,393.6	1,269.9	-	-
	2,322.0	3,677.5	21.3	17.1
Current portion of long term borrowings	6,794.5	11,718.5	-	-
	9,116.5	15,396.0	21.3	17.1
Total borrowings	24,489.3	27,849.9	21.3	17.1

(a) Maturity of bank loans is as follows:

	Group		
	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Total HK\$m
Year 2006			
Within one year	3,048.5	4,619.1	7,667.6
In the second year	1,924.9	4,470.5	6,395.4
In the third to fifth year	6,343.2	1,478.9	7,822.1
After the fifth year	146.0	-	146.0
	11,462.6	10,568.5	22,031.1
Year 2005			
Within one year	4,487.4	9,555.7	14,043.1
In the second year	2,337.9	1,953.3	4,291.2
In the third to fifth year	4,409.0	1,807.5	6,216.5
After the fifth year	164.3	28.0	192.3
	11,398.6	13,344.5	24,743.1

Notes to the Financial Statements

38 Borrowings (continued)

(b) Finance lease obligations

	Group	
	2006 HK\$m	2005 HK\$m
Minimum lease payments		
Within one year	5.3	35.3
In the second year	–	3.9
	5.3	39.2
Future finance charges	(0.2)	(0.7)
Present value	5.1	38.5

(c) Convertible bonds

On 26 April 2004, a subsidiary of the Group issued zero coupon guaranteed convertible bonds in the aggregate amount of HK\$1,350.0 million, which are convertible into fully paid shares with par value of HK\$1.00 each of NWSH.

The bonds, guaranteed by NWSH, are convertible into the shares of NWSH at a conversion price of HK\$13.63 per share at any time on and after 27 May 2004 up to 11 April 2009. The bonds are redeemable by the issuer from 26 October 2005 to 25 April 2009. Moreover, the bondholders had the right to redeem all or some only of the bonds held by them on 26 April 2006 at 99.0% of the principal amount. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed on the maturity date on 26 April 2009 at 97.53% of the principal amount.

As a result of the issuance of new shares in NWSH for scrip dividend, the conversion price of the convertible bonds is adjusted from HK\$13.63 per share to HK\$13.18 per share with effect from 6 January 2006.

During the year, the issuer redeemed part of the convertible bonds, totalling HK\$430.0 million and the resulted gain of HK\$48.0 million was credited to the income statement. In addition, certain bondholders had elected to convert their bonds amounting to HK\$352.7 million into shares of NWSH at a conversion price of HK\$13.18.

Interest expense on the bonds was calculated using the effective interest method by applying the effective interest rate of 2.22% to the liability component.

(d) Loans from minority shareholders

The loans of HK\$227.2 million (2005: HK\$291.8 million) are unsecured, bear interest at fixed rates ranging from 5.0% to 10.0% (2005: 5.0% to 10.0%) per annum and have repayment terms specified in the relevant agreements. The remaining loans are unsecured, interest free and have no specific repayment terms.

(e) Effective interest rates

	2006			2005		
	Hong Kong dollar	United States dollar	Renminbi	Hong Kong dollar	United States dollar	Renminbi
Bank borrowings	4.9%	6.1%	5.7%	3.8%	5.3%	5.5%
Loans from minority shareholders	6.0%	–	5.8%	6.4%	–	5.8%
Convertible bonds	2.2%	–	–	2.2%	–	–
Other unsecured loans	4.0%	–	–	3.2%	–	–

(f) Carrying amounts and fair values of the borrowings

The fair value of the convertible bonds at 30 June 2006 amounted to HK\$463.7 million. The fair value is calculated using cash flows discounted at a rate based on NWSH's borrowing rate of 5.94%.

The carrying amounts of other borrowings approximate their fair values.

Notes to the Financial Statements

38 Borrowings (continued)

(g) Currencies

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Hong Kong dollar	21,032.0	23,675.6	21.3	17.1
Renminbi	2,908.4	3,511.7	-	-
United States dollar	548.9	662.6	-	-
	24,489.3	27,849.9	21.3	17.1

(h) The contractual repricing dates or maturity (whichever is earlier) of the interest-bearing borrowings are as follows:

	Group					Company		
	Bank loans HK\$m	Other loans HK\$m	Loans from minority shareholders HK\$m	Finance lease obligations HK\$m	Total HK\$m	Bank loans HK\$m	Other loans HK\$m	Total HK\$m
Year 2006								
Within one year	22,031.1	50.2	-	5.1	22,086.4	11.3	10.0	21.3
In the fifth year	-	-	81.2	-	81.2	-	-	-
After the fifth year	-	-	146.0	-	146.0	-	-	-
	22,031.1	50.2	227.2	5.1	22,313.6	11.3	10.0	21.3
Year 2005								
Within one year	24,743.1	48.5	-	34.7	24,826.3	8.0	9.1	17.1
In the second year	-	-	-	3.8	3.8	-	-	-
In the fifth year	-	-	98.1	-	98.1	-	-	-
After the fifth year	-	-	193.7	-	193.7	-	-	-
	24,743.1	48.5	291.8	38.5	25,121.9	8.0	9.1	17.1

39 Other non-current liabilities

	Group	
	2006 HK\$m	Restated 2005 HK\$m
Deferred income	167.6	176.5
Provision for long service payments	55.3	64.9
Long term accounts payable	124.3	247.4
	347.2	488.8

The carrying amount of long term accounts payable approximates their fair value.

Notes to the Financial Statements

40 Creditors and accrued charges

(a) Creditors and accrued charges include trade creditors with their ageing analysis as follows:

	Group	
	2006 HK\$m	2005 HK\$m
Current to 30 days	4,231.4	3,921.7
31 to 60 days	476.2	320.8
Over 60 days	1,363.5	1,304.6
	6,071.1	5,547.1

(b) The carrying amounts of creditors and accrued charges are denominated in the following currencies:

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Hong Kong dollar	10,734.9	10,353.0	1,016.5	762.2
Renminbi	3,113.7	2,571.9	–	–
United States dollar	138.7	119.9	–	–
Others	213.9	19.2	–	–
	14,201.2	13,064.0	1,016.5	762.2

(c) The carrying amounts of the creditors and accrued charges approximate their fair values.

41 Derivative financial instruments

	Group	
	2006 Assets HK\$m	2006 Liabilities HK\$m
Interest-rate swaps	–	4.0
Forward foreign currency exchange contracts	–	1.6
	–	5.6

The notional aggregate principal amount of the outstanding interest-rate swap contracts at 30 June 2006 was HK\$400.0 million.

Notes to the Financial Statements

42 Commitments

(a) Capital commitments

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Contracted but not provided for				
Property, plant and equipment	371.7	652.9	-	-
A subsidiary	-	-	55.0	55.0
Jointly controlled entities	1,096.7	1,033.3	-	-
Available-for-sale financial assets	14.3	20.0	-	-
Capital contribution for proposed development projects	665.6	-	-	-
	2,148.3	1,706.2	55.0	55.0
Authorised but not contracted for				
Property, plant and equipment	14.2	169.6	-	-
Jointly controlled entities	2,824.0	-	-	-
Capital contribution for proposed development projects	108.0	-	-	-
	2,946.2	169.6	-	-
The Group's share of capital commitments of the jointly controlled entities not included above are as follows:				
Contracted but not provided for	501.4	121.0	-	-
Authorised but not contracted for	101.0	45.2	-	-
	602.4	166.2	-	-

The above capital commitments did not include commitments for purchase of property, plant and equipment and intangible assets in respect of the PrediWave Cross-Complaint (Note 47).

(b) Commitments under operating leases

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

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Land and buildings				
In the first year	258.3	333.8	-	-
In the second to the fifth year inclusive	1,120.6	997.9	-	-
After the fifth year	4,043.8	2,968.2	-	-
	5,422.7	4,299.9	-	-

The Group leases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms ranging from 1 to 25 years. Certain of these leases have escalation clauses and renewal rights.

Notes to the Financial Statements

42 Commitments *(continued)*

(c) Operating lease receivable

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

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
In the first year	559.6	560.8	5.9	5.9
In the second to the fifth year inclusive	606.5	562.5	6.4	12.3
After the fifth year	534.7	380.8	–	–
	1,700.8	1,504.1	12.3	18.2

The Group's operating leases are for terms ranging from 1 to 6 years.

43 Contingent liabilities

	Group		Company	
	2006 HK\$m	2005 HK\$m	2006 HK\$m	2005 HK\$m
Guarantees for				
Performance bonds in respect of construction contracts undertaken by the Group	1,603.4	1,322.7	514.2	514.2
Other performance bonds	204.0	220.8	85.8	77.1
Mortgage facilities for certain purchasers of properties	428.7	388.5	–	–
Guarantees for credit facilities granted to				
Subsidiaries	–	–	20,032.2	22,962.4
Associated companies	239.7	355.2	–	105.0
Jointly controlled entities	2,183.1	3,131.1	69.5	657.1
Investee companies included under available-for-sale financial assets/other investments	59.2	59.2	4.2	4.2
Share of contingent liabilities of jointly controlled entities	65.0	95.1	–	–
Indemnity to non-wholly owned subsidiaries for PRC tax liabilities	2,019.2	1,771.6	6,782.8	6,172.9
	6,802.3	7,344.2	27,488.7	30,492.9

In addition to pending litigations as referred to in note 47 to the financial statements, the Group is in dispute with a joint venture partner in respect of certain property development projects in the PRC and the parties have taken legal actions against each other in Hong Kong. No statement of claims setting out details of the claims against the Group have been filed.

Notes to the Financial Statements

44 Notes to consolidated cash flow statement

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

	2006 HK\$m	2005 HK\$m
Operating profit	1,212.7	2,884.8
Depreciation	886.0	863.3
Amortisation	136.8	165.2
Fair value changes on investment properties	(1,462.9)	–
Impairment loss on		
Property, plant and equipment, leasehold land and land use rights	340.7	14.9
Intangible assets	42.5	11.8
Associated companies	14.9	6.8
Jointly controlled entities	30.0	133.3
Deposit paid for joint ventures	161.4	–
Available-for-sale financial assets	133.2	–
Other investments	–	558.8
Loans receivable	1,060.6	107.5
Deposit for proposed investments	1,531.2	28.9
Properties held for/under development	2.6	7.2
Loss on deemed disposal of interests in subsidiaries	207.7	270.2
Gain on deemed disposal of interests in a subsidiary	(82.4)	–
Net profit on disposal of		
Land use rights and properties	(22.7)	–
Associated companies	(317.4)	–
Jointly controlled entities	(17.3)	(1,112.7)
Available-for-sale financial assets	–	(361.3)
Subsidiaries	(1,048.2)	(731.4)
Write down of stocks to net realisable value	15.2	13.0
Write back of provision for		
Jointly controlled entities	(25.9)	(38.8)
Associated companies	(12.9)	(87.4)
Properties held for/under development	–	(102.7)
Debtors	–	(67.9)
Advance to an investee company	(60.5)	(19.9)
Net interest expenses and dividend income	538.3	305.8
Excess of the fair value of net assets acquired over the cost of acquisition of		
Additional interests of subsidiaries	–	(332.5)
Subsidiaries	(32.1)	(46.9)
Additional interests of jointly controlled entities	(103.4)	–
Profit on redemption of convertible bonds	(48.0)	–
Fair value gain on derivative financial instruments	(5.3)	–
Translation differences	0.6	–
Operating profit before working capital changes	3,075.4	2,470.0
Increase in intangible assets	(8.5)	–
Decrease/(increase) in stocks	39.8	(27.2)
Decrease/(increase) in properties held for/under development and held for sale	284.1	(949.2)
(Increase)/decrease in debtors and prepayments	(2,903.5)	957.2
Increase in other loans receivable	(194.8)	(213.7)
Increase in creditors and accrued charges	999.7	1,100.0
Increase/(decrease) in contracts in progress	113.9	(191.2)
Increase in deposits received on sale of properties	473.4	72.7
Net cash generated from operations	1,879.5	3,218.6

Notes to the Financial Statements

44 Notes to consolidated cash flow statement (continued)

(b) Acquisition of subsidiaries

	2006 HK\$m	2005 HK\$m
Net assets acquired		
Investment properties	3.9	–
Property, plant and equipment	170.5	–
Leasehold land and land use rights	114.5	–
Interests in associated companies	(21.4)	–
Interests in jointly controlled entities	(289.4)	–
Stocks	32.1	–
Properties held for development/sale	1,503.6	743.9
Debtors and prepayments	100.3	–
Cash and bank balances	63.7	0.6
Current income tax liabilities	(6.0)	–
Creditors and accrued charges	(114.4)	(92.9)
Deferred tax liabilities	(97.3)	(83.7)
Long term liabilities	(278.9)	–
Minority interests	(107.7)	–
	1,073.5	567.9
Interests in jointly controlled entities and available-for-sale financial assets held by the Group	(503.9)	(127.4)
	569.6	440.5
Goodwill on acquisition	66.0	–
Excess of the fair value of net assets acquired over the cost of acquisition of subsidiaries	(32.1)	(46.9)
	603.5	393.6
Consideration	603.5	393.6
Represented by:		
Cash consideration	516.2	124.8
Debtors and prepayments	66.3	–
Long term accounts payable	–	268.8
Shares of a listed subsidiary	21.0	–
	603.5	393.6

(c) Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries

	2006 HK\$m	2005 HK\$m
Cash consideration	(516.2)	(124.8)
Cash and bank balances acquired	63.7	0.6
	(452.5)	(124.2)

Notes to the Financial Statements

44 Notes to consolidated cash flow statement (continued)

(d) Disposal of subsidiaries

	2006 HK\$m	2005 HK\$m
Net assets disposed		
Property, plant and equipment	1,151.6	169.0
Interests in associated companies	(74.5)	844.3
Deferred tax assets	164.9	–
Stocks	25.6	1.6
Properties under development	12.3	–
Debtors and prepayments	206.4	3.4
Cash and bank balances	–	4.3
Creditors and accrued charges	(443.7)	(35.1)
Loans from minority shareholders	(24.3)	–
Long term liabilities	(42.1)	(39.6)
Deferred tax liabilities	(8.7)	(5.3)
Minority interests	(4.9)	(2.1)
	962.6	940.5
Goodwill	56.0	–
Net profit on disposal of subsidiaries	1,048.2	731.4
Consideration	2,066.8	1,671.9
Represented by:		
Cash consideration	97.5	1,101.5
Debtors and prepayments	10.1	138.8
Interests in associated companies	1,959.2	–
Interests in jointly controlled entities	–	431.6
	2,066.8	1,671.9

(e) Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries

	2006 HK\$m	2005 HK\$m
Cash consideration	97.5	1,101.5
Cash and bank balances disposed	–	(4.3)
	97.5	1,097.2

(f) Non-cash transactions

The principal non-cash transaction was the issue of shares of NWSH from the conversion of convertible bonds as set out in note 38c.

Notes to the Financial Statements

45 Business combinations

- (a) In January 2006, the Group acquired additional 8.0% equity interest in Jinan New World Sunshine Development Limited which is engaged in property development for a total consideration of HK\$21.1 million. Details of net liabilities and goodwill acquired are as follows:

	Fair value HK\$m	Acquirees' carrying amount HK\$m
Property, plant and equipment	2.3	2.3
Properties held for development	880.7	771.1
Debtors and prepayments	28.4	28.4
Properties held for sale	25.7	25.7
Cash and bank balances	36.3	36.3
Creditors and accrued charges	(45.8)	(45.8)
Amounts due to jointly controlled entities	(289.4)	(289.4)
Deferred tax liabilities	(36.1)	–
Current income tax liabilities	(6.0)	(6.0)
Long term borrowings	(259.6)	(259.6)
	336.5	263.0
Minority interests	(52.9)	
Interest held by the Group as jointly controlled entities	(293.9)	
Net liabilities acquired	(10.3)	
Purchase consideration	(21.1)	
Goodwill	(31.4)	

The acquired subsidiary contributed revenues of approximately HK\$2.9 million and net loss of approximately HK\$0.7 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's revenue would have been increased by HK\$19.8 million, and profit for the year would have been increased by HK\$1.0 million.

The goodwill can be attributable to the anticipated profitability of the acquired business.

- (b) In March 2006, the Group acquired additional 65.0% of the equity interest and related shareholder's loan of Wing Shan International Country Club Co., Ltd. ("Wing Shan"), a 27.5% owned investee company of the Group, for a consideration of HK\$456.6 million. Wing Shan is principally engaged in property development and operation of a golf club in Foshan, the PRC. Details of the net assets acquired and the excess of fair value of net assets acquired over cost of acquisition are as follows:

Notes to the Financial Statements

45 Business combinations (continued)

(b) (continued)

	Fair value HK\$m	Acquirees' carrying amount HK\$m
Property, plant and equipment	102.8	102.3
Land use rights	105.4	101.0
Properties held for development	597.2	416.2
Debtors and prepayments	1.5	2.0
Cash and bank balances	0.4	0.4
Creditors and accruals	(4.6)	(4.5)
Deferred tax liabilities	(61.2)	-
	741.5	617.4
Minority interests	(42.8)	
Interest held by the Group as available-for-sale financial assets	(210.0)	
Net assets acquired	488.7	
Purchase consideration	(456.6)	
Excess of fair value of net assets acquired over cost of acquisition of interests in subsidiaries	32.1	

The acquired subsidiaries contributed revenues of approximately HK\$3.7 million and net loss of approximately HK\$2.2 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's revenue would have been increased by HK\$11.2 million, and profit for the year would have been decreased by HK\$6.6 million.

This acquisition resulted in an excess of fair value of net assets acquired over the cost of acquisition of interests in subsidiaries since the business combination had been accomplished through a debt restructure exercise for Wing Shan's subsidiaries. The Group was able to actively involve in the exercise and through which enabled the Group to sustain a better position in respect of ascertaining more favourable terms for the cost of acquisitions, majority of which was determined by debt restructuring cost.

- (c) In May 2006, the Group acquired 75.0% equity interest in Beijing Dongfang Huamei Real Estate Development Co., Ltd. which is engaged in property development for a consideration of HK\$38.5 million. Details of net assets acquired and goodwill were as follows:

	Fair value HK\$m	Acquirees' carrying amount HK\$m
Debtors and prepayments	11.7	11.7
Cash and bank balances	10.1	10.1
Creditors and accrued charges	(0.1)	(0.1)
	21.7	21.7
Minority interests	(12.0)	
Net assets acquired	9.7	
Purchase consideration	(38.5)	
Goodwill	(28.8)	

The acquired subsidiary contributed net loss of approximately HK\$0.9 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's profit for the year would have been decreased by HK\$0.9 million.

The goodwill can be attributable to the anticipated profitability of the acquired business.

Notes to the Financial Statements

45 Business combinations *(continued)*

- (d) In October 2005, the Group acquired 100% interest in New World CyberBase Solutions (BVI) Limited ("NWC") through its subsidiaries is engaged in software development and system integration for a consideration of HK\$21.0 million. Details of net assets acquired and goodwill were as follows:

	Fair value HK\$m	Acquirees' carrying amount HK\$m
Investment properties	3.9	3.9
Property, plant and equipment	2.6	2.6
Debtors and prepayments	6.2	6.2
Cash and bank balances	10.7	10.7
Creditors and accrued charges	(7.9)	(7.9)
Net assets acquired	15.5	15.5
Purchase consideration	(21.0)	
Goodwill	(5.5)	

The acquired subsidiary contributed revenues of approximately HK\$16.5 million and net loss of approximately HK\$21.5 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's revenue would have been increased by HK\$6.4 million, and profit for the year would have been decreased by HK\$4.8 million.

With the acquisition of NWC and its subsidiaries, the Group's capability to develop value-added mobile products and services and competitiveness in the mobile telecommunication industry are enhanced. In light of the growing demand for mobile internet services in the PRC, the acquisition will also enable the Group to capitalise on the mobile internet service market in the PRC. The goodwill is attributable to the aforesaid factors.

- (e) In March 2006, the Group acquired 100% interest in Dalian Shang Li De Heat Conduction Technology Co., Ltd. which is engaged in development, production and sale of heat transfer devices and class A pressure vessel components for a consideration of HK\$66.3 million. Details of net assets acquired and goodwill were as follows:

	Fair value HK\$m	Acquirees' carrying amount HK\$m
Property, plant and equipment	62.8	62.8
Leasehold land and land use rights	9.1	9.1
Stocks	32.1	32.1
Cash and bank balances	6.2	6.2
Debtors and prepayments	52.5	52.4
Creditors and accrued charges	(56.0)	(56.0)
Bank and other borrowings	(19.3)	(19.2)
Amounts due to associated companies	(21.4)	(21.4)
Net assets acquired	66.0	66.0
Purchase consideration	(66.3)	
Goodwill	(0.3)	

The acquired subsidiary contributed revenues of approximately HK\$62.3 million and net profit of approximately HK\$3.7 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2005, the Group's revenue would have been increased by HK\$52.9 million, and profit for the year would have been decreased by HK\$6.1 million.

The goodwill has been written off to the income statement during the year.

Notes to the Financial Statements

46 Related party transactions

In addition to those disclosed in the financial statements, the following significant related party transactions have been entered into by the Group during the year:

	2006 HK\$m	2005 HK\$m
Associated companies		
Rental income (Note a)	8.1	9.4
Provision of contracting work service (Note b)	–	32.9
Interest income (Note c)	8.3	8.1
Jointly controlled entities		
Provision of contracting work services (Note b)	244.8	293.7
Interest income (Note c)	90.4	75.5
Related companies		
Rental income (Note a)	18.9	17.5
Management fee expenses (Note d)	85.0	89.9
Accounts receivable (Note e)	–	218.0
Accounts payable (Note f)	212.0	–

- (a) Rental income is charged in accordance with respective tenancy agreements.
- (b) Revenue from provision of contracting work is principally charged in accordance with respective contracts.
- (c) Interest income is charged at interest rates as specified in notes 22a and 23a on the outstanding amounts.
- (d) Management fee expenses are charged at rates in accordance with relevant contracts.
- (e) The accounts receivable are unsecured, interest free and have no fixed terms of repayment.
- (f) The accounts payable are unsecured, interest free and are repayable on demand.
- (g) The balances with associated companies and jointly controlled entities are disclosed in notes 22 and 23 respectively.
- (h) No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 16.

Notes to the Financial Statements

47 Pending litigations

In May 2004, NWTMT filed complaints to the Superior Court of the State of California for the County of Santa Clara in the United States of America ("US") (the "NWTMT Complaint") against the PrediWave Companies and Mr. Tony Qu, the president and founder of the PrediWave Companies. Under the NWTMT Complaint, NWTMT alleged that, in reliance of the representations given by Mr. Tony Qu and PrediWave, NWTMT entered into various agreements with the PrediWave Companies under which the Group invested in the PrediWave Companies and placed various purchase orders for goods and services relating to the technology (the "Technology") of video-on-demand and other digital broadcasting and related technology and added value services. The Group had paid approximately HK\$5 billion to the PrediWave Companies for investments in and loans to the PrediWave Companies, and purchases of goods and services from PrediWave. NWTMT complained of various breaches in relation to goods and services relating to the Technology, by Mr. Tony Qu and the PrediWave Companies relating to the agreements among the parties. Accordingly, NWTMT claimed damages for an amount to be determined at trial together with interest, rescission of all agreements, restitution of all monies obtained from the Group, punitive and exemplary damages, costs of legal proceedings and other declaratory relief and equitable relief. The total monetary amount sought by NWTMT in the lawsuit exceeds US\$700 million (approximately HK\$5,460 million).

In response to the NWTMT Complaint, PrediWave also filed in May 2004 a complaint to the District Court of the Northern District of California in the US against NWTMT (collectively the "PrediWave Complaint"). In January 2005, PrediWave dropped the PrediWave Complaint and filed a counter claim against NWTMT to the Superior Court of the State of California for the County of Santa Clara (the "PrediWave Cross-Complaint"). Under the PrediWave Cross-Complaint, PrediWave alleged that NWTMT had failed to make full payments under four purchase orders and one agreement for goods and services delivered or licenses granted by PrediWave to the Group relating to the Technology totalling approximately US\$72 million (approximately HK\$564 million). As a result, PrediWave claimed damages against NWTMT in an amount to be proved at trial, together with interest and costs of legal proceedings, restitution of the reasonable value of goods delivered to NWTMT and a declaration that PrediWave should be entitled to retain the deposits made by NWTMT under various purchase orders and agreements.

On 3 April 2006, NWTMT obtained a writ of attachment against PrediWave and an injunction against the PrediWave Companies, which imposed certain limitations on them in utilising their funds in their banks. In consequence, PrediWave filed on 14 April 2006 a voluntary petition for relief under Chapter 11 with a bankruptcy court in US whereby the writ of attachment against PrediWave was automatically lifted. A trial of the NWTMT Complaint and PrediWave Cross-Complaint was originally scheduled for 19 June 2006 but has since been rescheduled for 23 October 2006.

The Directors have been advised by their external legal counsel that the NWTMT Complaint and the PrediWave Cross-Complaint will not be concluded in a short period of time and their outcome is uncertain.

As the Directors consider that they cannot effectively monitor the utilisation of funds by the PrediWave Companies, they expect that the utilisation of funds for legal costs and other causes beyond their control will be significant throughout the period up to the date when the NWTMT Complaint is concluded. In addition, in the absence of the availability of financial information on the PrediWave Companies and given the uncertainty of the timing and the outcome of the litigation which would have a consequential effect on the amount of assets recoverable, the Directors have therefore concluded that a full provision of HK\$3,082 million, made in the financial statements for the year ended 30 June 2004, against the Group's investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave remains most appropriate for the purpose of the financial statements for the year ended 30 June 2006.

The Directors are also of the view that the Group has proper and valid defences to the PrediWave Cross-Complaint, and accordingly, no provision for commitment and/or loss has been accounted for in these financial statements.

48 Post balance sheet event

On 28 September 2006, the Group's listed subsidiary, NWSH, entered into a joint venture agreement to establish a sino-foreign equity joint venture enterprise in the PRC (the "JV Enterprise"). The JV Enterprise will participate in developing and operating rail container terminal and related businesses in Mainland China and the total investment cost will be approximately HK\$11,500.0 million. NWSH will have a 22.0% interest in the JV Enterprise and is required to contribute approximately HK\$900.0 million as its portion of the registered capital of the JV Enterprise's registered capital and provide financial support for any possible financing arrangement in proportion to its interest in the JV Enterprise up to approximately HK\$1,600.0 million.

49 Comparative figures

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

Notes to the Financial Statements

50 Principal subsidiaries

As at 30 June 2006

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
<i>Incorporated and operate in Hong Kong</i>					
Addlight Investments Limited	9,998	1	–	56	Property investment
	2 ¹	1	–	56	
Advance Planner Limited	100	1	40	51	Property investment
Adwin Top Limited	2	1	–	100	Property investment
All Speed Investment Limited	2	1	100	100	Property investment
AOS Management Limited	2	1	–	100	Management services
Arlaken Development Limited	40	100	100	100	Investment holding
Atlantic Land Properties Limited	2	1	100	100	Investment holding
auto22.com Limited	5,000,000	1	–	84	Trading of motor vehicles
The Automall Limited	10,000	1	–	84	Car park rental
Barbican Construction Company, Limited	230,000	100	–	54	Construction
	20,000 ¹	100	–	54	
Billionable Investment Limited	4,998	1	–	54	Investment holding
	2 ¹	1	100	100	
Billion Huge (International) Limited	950,001	1	–	70	Investment holding
Billion Park Investment Limited	1,000,000	1	–	57	Investment holding
Birkenshaw Limited	10,000	1	–	100	Property investment
Blanca Limited	10,000	1	–	100	Investment holding
Bright Moon Company Limited	200	10	75	75	Property investment
Broadway-Nassau Investments Limited	2	10,000	–	54	Property management
	3,000 ¹	10,000	–	–	
Calpella Limited	2	10	–	100	Property investment
Care & Services Company Limited	15,000,000	1	–	54	Elderly care services
Cheer Best Enterprises Limited	2	1	100	100	Property investment
Cheong Sing Company Limited	10,000	1	100	100	Property investment
Cheong Yin Company Limited	30,000	100	100	100	Property investment
Cif Solutions Limited	10	100	–	54	Provision of computer software and related services
	160,000 ¹	100	–	54	
City Team Development Limited	1,000,000	1	–	80	Property investment
Crown Field Properties Limited	100	1	–	70	Property investment
Dragon Crest Limited	2	1	–	100	Property investment
Extensive Trading Company Limited	8,500,000	1	–	54	Trading and retail of building materials and environmental consultancy
	1,500,000 ¹	1	–	54	
Far East Engineering Services Limited	766,714	10	–	54	Mechanical and electrical engineering
	233,288 ¹	10	–	54	
Fook Hong Enterprises Company, Limited	10,000	100	100	100	Property investment
Fully H.K. Investments Limited	10,000	1	–	70	Property development
General Security (H.K.) Limited	8,402	100	–	54	Security services
	11,600 ¹	100	–	11	
Gold Queen Limited	5,000	1	100	100	Property investment
Golden Dragon Land Limited	2	10	–	100	Property investment
Gradex Limited	2	1	–	100	Property investment

Notes to the Financial Statements

50 Principal subsidiaries (continued)

As at 30 June 2006

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Grand Hyatt Hong Kong Company Limited	1,000	1	–	64	Hotel operation
	9,000 ²	1	–	100	
Hamberlin Company, Limited	1,000	100	–	100	Property investment
Happy Champion Limited	2	1	100	100	Investment holding
Head Step Limited	2	1	100	100	Property investment
Hip Hing Builders Company Limited	40,000	1,000	–	54	Construction
	10,000 ¹	1,000	–	54	
Hip Hing Construction Company Limited	400,000	100	–	54	Construction and civil engineering
	600,000 ¹	100	–	54	
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	–	54	Management of HKCEC
	1 ¹	1	–	54	
Hong Kong Island Development Limited	33,400,000	5	6	100	Property investment
Hong Kong Island Landscape Company Limited	980,000	10	–	54	Landscaping and project contracting
	20,000 ¹	10	–	–	
Hong Kong New World Department Store Company Limited	968,153,000	1	100	100	Department stores operation
Hong Kong Ticketing Limited	11,481,580	1	–	54	Ticketing services
Honour Shares Limited	100	1	–	100	Investment holding
International Property Management Limited	450,000	10	–	54	Property management
	95,500 ¹	10	–	46	
Joint Profit Limited	2	1	100	100	Property investment
Kamking Limited	2	1	100	100	Property investment
Kentfull Contracting Limited	10	1	–	54	Interior decoration contracting
	5,000,000 ¹	1	–	54	
Kentfull Engineering Company Limited	6,000 ^A	1	–	54	Building construction
	4,000 ^B	–	–	–	
Kin Kiu Enterprises, Limited	10,000	1,000	100	100	Investment holding
King Lee Investment Company Limited	300	1,000	100	100	Investment holding
Kiu Lok Property Services (China) Limited	2	1	–	54	Property agency
	2 ¹	1	–	54	management and consultancy
Kiu Lok Service Management Company Limited	2	100	–	54	Property management
	1,002 ¹	100	–	54	
Kleaners Limited	5,000,000	1	–	54	Laundry services
Koon Soon Limited	2	1	–	100	Property investment
La Tune Limited	2	100	–	100	Property investment
Lingal Limited	1,800	1	–	70	Investment holding
	200 ¹	1	–	–	
Loyalton Limited	2	10	–	100	Property investment
Macdonnell Hostel Company Limited	2	1	100	100	Hostel operation
Majestic Engineering Company Limited	30,000	1,000	–	54	Mechanical and electrical engineering
Mega Choice Holdings Limited	500	1	16	80	Property investment
Millennium Engineering Limited	18,750,000	1	–	49	Supply and installation of aluminium windows and curtain wall
Moral Giant Limited	1	1	–	100	Property investment
New China Laundry Limited	40,000,002	1	–	54	Laundry services
	704,000 ¹	1	–	54	
New Town Project Management Limited	2	1	100	100	Project management
New Waly Interior Products Limited	1,000,000	1	–	54	Trading of interior products
New World China Enterprises Projects Limited	2	1	–	100	Project management

Notes to the Financial Statements

50 Principal subsidiaries (continued)

As at 30 June 2006

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
New World Department Stores Limited	2	1	–	100	Management services to department stores
New World Development (China) Limited	2	1	–	70	Investment holding
	2 ¹	1	100	100	
New World Finance Company Limited	200,000	100	100	100	Financial services
New World Harbourview Hotel Company Limited	1,000	1	–	64	Hotel operation
	9,000 ²	1	–	100	
New World Hotel Company Limited	40,000,000	1	–	64	Hotel operation
New World Hotel Management Limited	1	1	–	64	Hotel management
New World Insurance Management Limited	100,000	1	–	54	Insurance broking
New World Investments Limited	2	1	100	100	Property investment
New World Nominee Limited	2	100	100	100	Nominee services
New World Real Estate Agency Limited	2	1	100	100	Estate agency
New World Tacko (Xian) Limited	10,000	1	–	45	Hotel investment
New World Telephone Holdings Limited	200	1	100	100	Investment holding
New World Telecommunications Limited	9,999,998	1	–	100	Telecommunication services
	2 ¹	1	–	100	
New World Tower Company Limited	2	10	–	100	Property investment
Ngo Kee Construction Company Limited	270,000	100	–	54	Building and construction
	1 ²	1	–	–	
NWD (Hotels Investments) Limited	576,000,000	0.25	–	64	Investment holding
NWD Finance Limited	2	1	100	100	Financial services
NWS (Finance) Limited	2	1	–	54	Financial services
NWS Holdings (China) Limited	1	1	–	54	Investment holding
NWS Holdings (Finance) Limited	1	1	–	54	Financing
Onfill Company Limited	2	1	100	100	Property investment
Outboard Marine Corporation Asia Limited	6,975,924	10	–	100	Property investment
Paterson Plaza Properties Limited	10,000	1	–	100	Property investment
Peterson Investment Company Limited	10,000	1	100	100	Property investment
Pollution & Protection Services Limited	18,057,780	1	–	54	Cleaning services
	500,020 ¹	1	–	46	
Polytown Company Limited	2	10	–	54	Property investment, operation, marketing, promotion and management of HKCEC
	100,000 ¹	10	–	54	
Pontiff Company Limited	10,000,000	1	–	100	Property investment
Pridemax Limited	2	1	–	100	Property investment
Realray Investments Limited	2	1	100	100	Property investment
Reliance China Project Management Limited	2	1	–	100	Project management
Richglows Limited	2	1	–	100	Property investment
Sky Connection Limited	100	1	–	54	Duty-free, liquor and tobacco sales
Speed Star Development Limited	2	1	100	100	Property investment
Spotview Development Limited	10	1	–	100	Property investment
Super Memory Limited	2	1	–	100	Property investment
Super Town Investments Limited	100	1	100	100	Property investment
Super Value Development Limited	10,000	1	80	80	Property investment
Tao Yun Company Limited	2	10	–	100	Property investment
Team Deco International Limited	2	1	–	54	Interior design
Top Flash Investments Limited	10,000	1	80	80	Property investment

Notes to the Financial Statements

50 Principal subsidiaries (continued)

As at 30 June 2006

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Trade Port Enterprises Limited	2	1	100	100	Investment holding
Trend Island Limited	2	1	–	70	Investment holding
True Hope Investment Limited	4,998	1	–	54	Investment holding
	2 ¹	1	–	100	
Trump Champion Limited	2	1	–	100	Property investment
Try Force Limited	4,998	1	–	54	Investment holding
	2 ¹	1	–	100	
Tsuen Wan Properties Limited	200	100	–	100	Property investment
Uniformity Security Company Limited	2	100	–	54	Security services
	2,500 ¹	100	–	–	
Urban Parking Limited	10,000,000	1	–	54	Carpark management
Urban Property Management Limited	49,995,498	1	–	54	Property management
	4,502 ¹	1	–	36	
Vibro (HK) Limited	20,000,004	3	–	54	Piling, caisson and civil engineering
Wai Hong Cleaning & Pest Control Company Limited	400,000	100	–	54	Cleaning and pest control services
Waking Builders Limited	20,000	1,000	–	54	Construction
Waygent Investment Limited	2	1	100	100	Property investment
Winpo Development Limited	2	1	100	100	Property investment
World Empire Property Limited	2	1	100	100	Property investment
Young's Engineering Company Limited	4,000,000	10	–	54	Mechanical and electrical engineering
<i>Incorporated in Cayman Islands and operate in Hong Kong</i>					
New World China Land Limited	3,825,783,832	0.10	66	70	Investment holding
New World Mobile Holdings Limited	95,336,069	1	–	58	Investment holding
New World TMT Limited	952,180,007	1	–	100	Investment holding
NWS Service Management Limited	1,323,943,165	0.10	–	54	Investment holding
<i>Incorporated and operate in the Philippines</i>					
New World International Development Philippines, Inc	6,988,016	Peso100	–	27	Hotel operation

[#] Represented ordinary share capital, unless otherwise stated

¹ Non-voting deferred shares

² Non-voting preference shares

Notes to the Financial Statements

50 Principal subsidiaries (continued) As at 30 June 2006

	Registered capital	Attributable interest (Note a)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC</i>				
Beijing Dongfang Huamei Real Estate Development Co., Ltd.	Rmb50,000,000	–	53	Property development
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	–	70	Property investment
Beijing Xintong Media & Cultural Development Co. Ltd.	Rmb100,000,000	–	70	Provision of advertising and media related services
Chengdu Xinyi Real Estate Development Co., Ltd.	Rmb30,000,000	–	54	Property development
Dalian New World Hotel Co., Ltd.	Rmb217,000,000	–	70	Hotel operation
Dalian New World Plaza International Co., Ltd.	Rmb58,000,000	–	62	Property investment and development
Dalian New World Tower Co., Ltd.	Rmb55,200,000	–	70	Property investment and development
Dalian Shang Li De Heat Conduction Technology Co., Limited	US\$14,500,000	–	100	Development, production and sales of heat transfer device and class A pressure vessel component
Foshan Country Club Co., Ltd.	US\$52,923,600	–	55	Operation of golf club and property development
Foshan Gaoming Xinming Bridge Company Limited (formerly Gaoming Xinming Bridge Company Limited)	Rmb60,000,000	–	16	Operation of toll bridge
Fung Seng Estate Development (Shanghai) Co., Ltd.	US\$10,000,000	–	49	Property development
Guangxi Beiliu Xinbei Highways Limited	Rmb99,200,000	–	32	Operation of toll road
Guangxi Cangwu Xincang Highways Limited	Rmb64,000,000	–	38	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	Rmb82,400,000	–	38	Operation of toll road
Guangxi Yulin Xinye Highways Limited	Rmb63,800,000	–	32	Operation of toll road
Guangxi Yulin Xinyu Highways Limited	Rmb96,000,000	–	32	Operation of toll road
Guangzhou Metropolitan Properties Co., Ltd.	HK\$140,000,000	100	100	Property investment
Guangzhou New World Properties Development Co., Ltd.	HK\$170,000,000	100	100	Property investment
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	Rmb200,000,000	–	70	Property development
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	Rmb244,000,000	–	70	Property development
Guangzhou Xin Sui Tourism Centre Ltd.	HK\$100,000,000	–	70	Property development
Guangzhou Xin Yi Development Limited	HK\$286,000,000	–	63	Property investment and development
Guiyang New World Real Estate Co., Ltd.	US\$33,000,000	–	70	Property development
Hip Hing Construction (China) Company Limited	HK\$50,000,000	–	54	Construction
Jinan New World Sunshine Development Ltd.	US\$29,980,000	–	51	Property development
NWS Engineering Ltd.	Rmb50,000,000	–	54	Mechanical and electrical engineering
Huamei Wealth (Beijing) Technology Co., Ltd.	Rmb40,000,000	–	70	Investment holding
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	–	64	Property development
New World Anderson (Tianjin) Development Co., Ltd.	US\$10,000,000	–	70	Property investment and development
New World China Land Investment Company Limited	US\$30,000,000	–	70	Investment holding
New World Department Store (China) Co., Ltd.	Rmb50,000,000	–	100	Department store operation
New World Department Stores Investment (China) Co., Ltd.	US\$30,000,000	–	100	Investment holding
New World Development (Wuhan) Co., Ltd.	US\$16,000,000	–	70	Property investment and development
New World (Shenyang) Property Development Limited	Rmb97,720,000	–	63	Property development
Ningbo New World Department Store Limited	Rmb40,000,000	–	100	Department store operation

Notes to the Financial Statements

50 Principal subsidiaries (continued)

As at 30 June 2006

	Registered capital	Attributable interest (Note a)		Principal activities
		To the Company	To the Group	
Shanghai Juyi Real Estate Development Co., Ltd.	Rmb418,862,780	–	49	Property investment
Shanghai Ramada Plaza Ltd.	US\$42,000,000	–	53	Property investment and hotel operation
Shanxi Xinda Highways Limited	Rmb49,000,000	–	49	Operation of toll road
Shanxi Xinhuang Highways Limited	Rmb56,000,000	–	49	Operation of toll road
Shenyang New World Department Store Limited	Rmb30,000,000	–	100	Department store operation
Shenyang New World Trendy Department Store Limited	Rmb21,000,000	–	100	Department store operation
Shenyang New World Hotel Co., Ltd.	Rmb229,400,000	–	70	Hotel operation
Shenzhen New World Xianglong Network Technology Company Limited	Rmb550,000,000	–	100	Exploration of wireless telecommunication network
Shenzhen New World Xianglong Technology Development Company Limited	Rmb100,000,000	–	100	Exploration of wireless telecommunication network
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$182,000,000	–	63	Property development
Shenyang Trendy Property Company Limited	Rmb27,880,000	–	70	Property investment
Sun Long Communication Co., Ltd.	Rmb100,000,000	–	100	Provision of telecommunication related services
Taiyuan Xintai Highways Limited	Rmb72,120,000	–	49	Operation of toll road
Taiyuan Xinyuan Highways Limited	Rmb85,880,000	–	49	Operation of toll road
Tianjin New World Department Store Limited	US\$5,000,000	–	100	Department store operation
Wuhan New Eagle Development Company Limited	US\$15,630,000	–	95	Property investment
Wuhan New Eagle Properties Co., Limited	US\$2,830,000	–	67	Property investment
Wuxi New World Department Store Limited	US\$5,000,000	–	100	Department store operation
Wuzhou Xinwu Highways Limited	Rmb72,000,000	–	24	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	–	54	Development of warehousing, processing and logistics facilities
Xiamen Xinyuan Container Terminal Co., Ltd.	Rmb17,000,000	–	38	Cargo consolidation, container storage, repairs and maintenance
<i>Incorporated and operate in Macau</i>				
Hip Hing Engineering (Macau) Company Limited	MOP100,000	–	54	Construction
Ngo Kee (Macau) Limited	MOP25,000	–	54	Construction
Vibro (Macau) Limited	MOP1,000,000	–	54	Construction

Note:

(a) percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures.

Notes to the Financial Statements

50 Principal subsidiaries (continued)

As at 30 June 2006

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share	By the Company	By the Group	
<i>Incorporated in Bermuda and operate in Hong Kong</i>					
NWS Holdings Limited	1,943,752,725	HK\$1	–	54	Investment holding
<i>Incorporated in British Virgin Islands</i>					
China Step Limited	100	US\$1	–	70	Investment holding
Eddington Holdings Limited	100	US\$1	–	82	Investment holding
Ever Brisk Limited	1	US\$1	–	70	Investment holding
Fine Reputation Incorporated	10,000	US\$1	–	100	Investment holding
Fotland Limited	1	US\$1	–	100	Investment holding
Hing Loong Limited	10,000	US\$1	–	100	Investment holding
Hinto Developments Limited	1	US\$1	–	70	Investment holding
Lotsgain Limited	100	US\$1	–	100	Investment holding
Magic Chance Limited	1	US\$1	–	70	Investment holding
Master Services Limited	1,000,000	US\$0.01	–	33	Investment holding
Melowell Investment Limited	1	US\$1	100	100	Investment holding
New World BioSciences Holdings Limited	1	US\$1	–	100	Investment holding
New World CyberBase Solutions (BVI) Limited	1	US\$1	–	58	Investment holding
New World Enterprise Holdings Limited	1	US\$1	100	100	Investment holding
New World Hotels (Corporation) Limited	1	US\$1	–	64	Investment holding
New World Industrial Holdings Limited	1	US\$1	–	100	Investment holding
New World Telephone International Limited	1	US\$1	–	100	Provision of telecommunication services
New World Venture Holdings Limited	1	US\$1	–	100	Investment holding
NWSH Capital Finance Limited	1	US\$1	–	54	Issuance of convertible bonds
NWS Engineering Group Limited	50,000,000	HK\$1	–	54	Investment holding
NWS Infrastructure Bridges Limited	1	US\$1	–	54	Investment holding
NWS Infrastructure Management Limited	2	US\$1	–	54	Investment holding
NWS Ports Management Limited	2	US\$1	–	54	Investment holding
Park New Astor Hotel Limited	101	US\$1	–	100	Property investment
Power Palace Group Limited	1	US\$1	100	100	Investment holding
Radiant Glow Limited	1	US\$1	–	70	Investment holding
Sea Walker Limited	1	US\$1	100	100	Investment holding
South Scarlet Limited	1	US\$1	100	100	Hotel operation
Sparkling Rainbow Limited	1	US\$1	–	70	Investment holding
Steadfast International Limited	2	US\$1	100	100	Investment holding
Super Best Development Limited	1	US\$1	100	100	Investment holding
Sweet Prospects Enterprises Limited	1	US\$1	–	70	Investment holding
Teddy Bear Kingdom Holdings Limited	10,000	US\$1	–	70	Investment holding
True Blue Developments Limited	1	US\$1	–	70	Investment holding
Twin Glory Investments Limited	1	US\$1	–	70	Investment holding
Winner World Group Limited	10	US\$1	80	80	Investment holding

Notes to the Financial Statements

51 Principal associated companies

As at 30 June 2006

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
<i>Incorporated and operate in Hong Kong</i>					
Birkenhead Properties & Investments Limited	1,200,000	1	–	64	Property investment
Estoree Limited	500'A'	10	–	–	Property investment
	500'B'	10	–	50	
	9,000'C**	10	–	–	
Ever Light Limited	1,000	1	40	40	Property investment
Global Perfect Development Limited	1,000,000	1	–	35	Investment holding
Global Winner Limited	2	1	–	50	Property investment
Pure Jade Limited	1,000	1	–	20	Property investment
Quon Hing Concrete Company Limited	200,000	100	–	27	Production and sales of concrete
Ranex Investments Limited	100	1	–	10	Property investment
Shun Tak Centre Limited	1,000'A'	100	–	29	Property investment
	450'B'	10	–	64	
	550'C'	10	–	–	
Silverland Limited	4	1	50	50	Property investment
Sun City Holdings Limited	8,000,000	1	–	21	Investment holding
Yargoan Company Limited	150,000	100	–	23	Stone quarrying
<i>Incorporated and operate in Thailand</i>					
Ploenchit Arcade Company Limited	200,000	Baht1,000	–	13	Hotel investment

Notes to the Financial Statements

51 Principal associated companies (continued)

As at 30 June 2006

	Registered capital/ Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number Amount/	Par value per share	By the Company	By the Group	
<i>Incorporated in British Virgin Islands</i>					
East Asia Secretaries (BVI) Limited	300,000,000	HK\$1	–	13	Investment holding
Faith Yard Property Limited	2	US\$1	–	35	Property investment
Fortune Star Worldwide Limited	100	US\$1	–	28	Investment holding
Grand Make International Limited	100	US\$1	–	32	Investment holding
Newton Asia Limited	2	US\$1	50	50	Property investment
Tricor Holdings Limited	7,001	US\$1	–	13	Investment holding
<i>Incorporated and operate in the PRC</i>					
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	–	–	31	Property investment
Guangzhou Oriental Power Company Limited	Rmb990,000,000	–	–	14	Generation and supply of electricity
Guang Zhou Pearl River Power Company Limited	Rmb420,000,000	–	–	28	Generation and supply of electricity
Tianjin Five Continents International Container Terminal Co., Ltd.	Rmb1,125,000,000	–	–	10	Operation of container terminal
Beijing – Zhuhai Expressway Guangzhou – Zhuhai Northern Section Company Limited	Rmb650,953,325	–	–	8	Operation of toll road
Zhaoqing Yuezhao Expressway Co., Ltd.	Rmb818,300,000	–	–	14	Operation of toll road
<i>Incorporated in Bermuda and operate in Hong Kong</i>					
Build King Holdings Limited	781,408,494	HK\$0.10	–	12	Investment holding
Taifook Securities Group Limited (formerly Tai Fook Securities Group Limited)	1,500,000,000** 578,669,699	HK\$0.01 HK\$0.10	–	– 12	Investment holding
Wai Kee Holdings Limited	793,124,034	HK\$0.10	–	15	Investment holding

Represented ordinary shares, unless otherwise stated

* Non-voting deferred ordinary shares

** Non-voting preference shares

Notes to the Financial Statements

52 Principal jointly controlled entities

As at 30 June 2006

	Registered capital	Attributable interest ²		Principal activities
		To the Company	To the Group	
Equity joint ventures				
<i>Incorporated and operate in the PRC</i>				
ATL Logistics Centre Yantian (Shenzhen) Limited	HK\$3,500,000	–	25	Operation of cargo handling and storage facilities
Tianjin Orient Container Terminals Co. Limited (formerly CSX Orient (Tianjin) Container Terminals Co., Limited)	US\$29,200,000	–	13	Operation of container terminal
Hong Kong Jing-Guang Development Ltd	HK\$1,000,000	–	20	Hotel operation
Kunming Fulintang Pharmaceutical Co., Ltd.	Rmb80,000,000	–	52	Pharmaceutical chain stores
Xiamen New World Xiangyu Terminals Co. Ltd.	Rmb384,040,000	–	27	Container handling and storage and road freight operations
HXNW Auto Service Ltd.	Rmb66,000,000	–	35	Car dealership
Xiamen Topstar Co., Ltd.	Rmb100,000,000	–	30	Lighting products business
The Waterman Co., Limited, Shanghai	US\$19,900,000	–	37	Manufacturing and distribution of distilled water
Co-operative joint ventures				
<i>Incorporated and operate in the PRC</i>				
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	Rmb580,000,000	–	14	Operation of toll road
Beijing Chong Wen-New World Properties Development Co., Ltd.	US\$192,100,000	–	49	Property investment and development
Beijing Chong Yu Real Estate Development Co., Limited	US\$171,840,000	–	49	Property investment and development
China New World Electronics Limited	US\$57,200,000	–	49	Property investment and development
Guangzhou Fong Chuen New World Property Development Co., Ltd.	Rmb330,000,000	–	42	Property investment
Guangzhou Fucheng Property Development Co., Limited	HK\$80,000,000	–	42	Property development
Guangzhou Hemsell Real Estate Development Co., Ltd.	Rmb79,597,000	–	42	Property development
Guangzhou Jixian Zhuang New World City Garden Development Limited	US\$24,000,000	–	42	Property development
Guangzhou Northring Freeway Company Limited	US\$19,255,000	–	35	Operation of toll road
Haikou New World Housing Development Limited	US\$8,000,000	–	42	Property development

Notes to the Financial Statements

52 Principal jointly controlled entities *(continued)*

As at 30 June 2006

	Registered capital	Attributable interest [Ⓐ]		Principal activities
		To the Company	To the Group	
Huishen (Yantian) Expressway Huizhou Company Limited	Rmb139,980,000	–	18	Operation of toll road
Huizhou City Huixin Expressway Company Limited	Rmb34,400,000	–	27	Investment holding and operation of toll road
Huizhou New World Housing Development Limited	Rmb80,000,000	–	44	Property development
New Bei Fang Hotel Ltd.	US\$12,000,000	–	42	Property investment
Shanghai Trio Property Development Co., Limited	US\$54,000,000	–	33	Property development
Tianjin New World Housing Development Co., Ltd.	Rmb80,000,000	–	42	Property development
Tianjin New World Properties Development Co., Ltd.	US\$12,000,000	–	49	Property development
Tangjin Expressway (Tianjin North Section)				
Tianjin Xindi Expressway Company Limited	Rmb93,688,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xinlong Expressway Company Limited	Rmb99,400,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xinlu Expressway Company Limited	Rmb99,092,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xinming Expressway Company Limited	Rmb85,468,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xinqing Expressway Company Limited	Rmb99,368,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xinquan Expressway Company Limited	Rmb92,016,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xinsen Expressway Company Limited	Rmb87,300,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xinshi Expressway Company Limited	Rmb99,388,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xinsi Expressway Company Limited	Rmb96,624,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xintong Expressway Company Limited	Rmb99,448,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xintuo Expressway Company Limited	Rmb99,316,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xinxiang Expressway Company Limited	Rmb90,472,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xinyan Expressway Company Limited	Rmb89,028,000	–	49 [Ⓐ]	Operation of toll road
Tianjin Xinzhan Expressway Company Limited	Rmb89,392,000	–	49 [Ⓐ]	Operation of toll road
Wuhan Airport Road Development Limited	Rmb60,000,000	–	22	Operation of toll road
Wuhan New World Housing Development Limited	Rmb96,000,000	–	42	Property development
Wuhan Wuxin Hotel Co., Ltd.	US\$13,500,000	–	42	Property investment
Wuxi New City Development Co., Limited	US\$10,400,000	–	26	Hotel operation

[Ⓐ] percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures.

[Ⓒ] Represented cash sharing ratio for the first 15 years of the joint venture period, thereafter the ratio will change to 60%.

Notes to the Financial Statements

52 Principal jointly controlled entities *(continued)*

As at 30 June 2006

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share	By the Company	By the Group	
Companies limited by shares					
<i>Incorporated and operate in Hong Kong</i>					
Asian Success Investments Limited	900	HK\$1	–	33	Property investment
ATL Logistics Centre Hong Kong Limited	100,000'A'	HK\$1	–	30	Operation of cargo
	20,000'B'***	HK\$1	–	43	handling and
	54,918*	HK\$1	–	–	storage facilities
ATL Logistics Centre Yantian Limited	10,000	HK\$1	–	25	Investment holding
Best Link Development Limited	20	HK\$1	–	50	Property investment
China Aerospace New World Technology Limited	30,000,000	HK\$1	–	50	Investment holding
Direct Profit Development Limited	200,000	HK\$0.05	–	12	Property investment
Far East Landfill Technologies Limited	1,000,000	HK\$1	–	25	Landfill
First Star Development Limited	100	HK\$1	–	27	Property development
Gloryland Limited	900	HK\$1	–	33	Property investment
Grace Sign Limited	1,000	HK\$1	–	30	Property investment
Istaron Limited	4	HK\$1	–	32	Investment holding
Jade Gain Enterprises Limited	100	HK\$1	–	45	Property investment
New Green Environmental Sciences Limited	10,000	HK\$1	–	27	Environmental products and services
Newfoundworld Holdings Limited	200,000	HK\$10	–	20	Investment holding
Newfoundworld Limited	200,000	HK\$10	–	20	Property investment
Ocean Champion Development Limited	10,000	HK\$1	–	50	Property investment
Poly Rising Development Limited	1	HK\$1	–	27	Property development
Sheenity Enterprises Limited	10,000	HK\$1	–	50	Property investment
Super Lion Enterprises Limited	2	HK\$1	50	50	Property investment
Supertime Holdings Limited	100	HK\$1	–	28	Property development
Tate's Cairn Tunnel Company Limited	1,100,000	HK\$0.01	–	16	Operation of toll tunnel
	600,000,000*	HK\$1	–	–	
United Asia Terminals (Yantian) Limited	52,000'A'	HK\$1	–	–	Operation of cargo
	52,000'B'	HK\$1	–	22	handling and storage
	26,000'C'	HK\$1	–	–	facilities
Wise Come Development Limited	30	HK\$1	–	40	Property investment

Notes to the Financial Statements

52 Principal jointly controlled entities (continued)

As at 30 June 2006

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number/ Amount	Par value per share	By the Company	By the Group	
<i>Incorporated and operate in the PRC</i>					
Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd.	US\$16,950,000	–	–	27	Club house and resort
Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd.	US\$13,880,000	–	–	41	Property development
<i>Incorporated in British Virgin Islands and operate in the PRC</i>					
Holicon Holdings Limited	2	US\$1	–	50	Property investment
Jaidan Profits Limited	2	US\$1	–	50	Property investment
Jorvik International Limited	2	US\$1	–	50	Property investment
Orwin Enterprises Limited	2	US\$1	–	50	Property investment
<i>Incorporated in British Virgin Islands</i>					
New World Liberty China Ventures Limited	1,134	US\$1	–	71	Investment holding
	100 ^{**}	US\$1	–		
NWS Transport Services Limited (formerly Merryhill Group Limited)	500,000,016	HK\$1	–	27	Investment holding
Quick Wealth Investment Limited	100	US\$1	–	32	Investment holding
Right Choice International Limited	200	US\$1	–	18	Property investment
<i>Incorporated and operate in Malaysia</i>					
Great Union Properties Sdn. Bhd.	100,000,000	M\$1	–	38	Property investment
	10,000,000 [^]	M\$0.10	–	38	
T & T Properties Sdn. Bhd.	9,500,000	M\$1	–	33	Property investment
<i>Incorporated in Hong Kong and operate in Macau and the PRC</i>					
Sino-French Holdings (Hong Kong) Limited	1,086,280 ^{'A'}	HK\$100	–	–	Investment holding,
	2,089,000 ^{'B'}	HK\$100	–	27	operation of water
	1,002,720 ^{'C'}	HK\$100	–	–	and electricity plans

[#] Represented ordinary shares, unless otherwise stated

^{*} Non-voting deferred ordinary shares

^{**} Non-voting preference shares

[^] Redeemable cumulative preference share

Five-Year Financial Summary

Consolidated Balance Sheet

	2006 HK\$m	Restated 2005 HK\$m	2004 HK\$m	2003 HK\$m	2002 HK\$m
Assets					
Intangible assets	258.1	110.2	79.3	513.3	123.3
Investment properties, property, plant and equipment, leasehold land and land use rights	31,333.6	29,343.0	33,897.6	38,134.2	41,046.1
Investments in associated companies, jointly controlled entities and other non-current assets	44,899.8	41,825.3	36,403.5	39,930.6	44,405.0
Current assets	37,669.1	40,686.7	40,761.8	36,916.5	41,212.1
Total assets	114,160.6	111,965.2	111,142.2	115,494.6	126,786.5
Equity and liabilities					
Share capital	3,639.1	3,491.6	3,457.3	2,219.5	2,166.4
Reserves	48,903.6	46,710.2	50,809.4	43,737.7	51,216.9
Proposed final dividend	732.8	698.3	138.3	–	216.6
Shareholders' funds	53,275.5	50,900.1	54,405.0	45,957.2	53,599.9
Minority interests	16,089.0	14,859.2	13,797.4	16,420.3	18,019.0
Total equity	69,364.5	65,759.3	68,202.4	62,377.5	71,618.9
Current liabilities	25,330.5	29,886.2	20,148.2	23,064.5	31,091.5
Non-current liabilities	19,465.6	16,319.7	22,791.6	30,052.6	24,076.1
Total equity and liabilities	114,160.6	111,965.2	111,142.2	115,494.6	126,786.5

Five-Year Financial Summary

Consolidated Income Statement

	2006	Restated 2005	2004	2003	2002
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Turnover	23,910.2	19,539.2	25,653.0	21,056.3	22,874.6
Operating profit/(loss) before financing costs and income	1,786.5	3,223.3	(2,978.0)	(3,964.8)	3,102.6
Net financing costs	(573.8)	(338.5)	(792.3)	(1,486.2)	(1,402.6)
Share of results of associated companies and jointly controlled entities	2,293.0	1,631.8	2,341.3	306.4	565.1
Profit/(loss) before taxation	3,505.7	4,516.6	(1,429.0)	(5,144.6)	2,265.1
Taxation	(892.6)	(515.3)	(980.2)	(317.4)	(524.7)
Profit/(loss) after taxation	2,613.1	4,001.3	(2,409.2)	(5,462.0)	1,740.4
Minority interests	(1,553.3)	(1,298.6)	1,433.0	754.3	(465.0)
Profit/(loss) attributable to shareholders	1,059.8	2,702.7	(976.2)	(4,707.7)	1,275.4
Dividend per share (HK\$)					
– interim	0.13	0.10	0.02	0.06	0.10
– final	0.20	0.20	0.04	–	0.10
	0.33	0.30	0.06	0.06	0.20
Earnings/(loss) per share					
Basic and diluted (HK\$)	0.30	0.78	(0.35)	(1.96)	0.60

The summary of 2002, 2003 and 2004 have not been restated following the adoption of the new and revised Hong Kong Financial Reporting Standards in 2006.

Glossary of Terms

General Terms

CEPA	Closer Economic Partnership Agreement
City bus	Citybus Limited
FY	Fiscal year, 1 July to 30 June
GDP	Gross domestic product
GFA	Gross floor area
Group	New World Development Company Limited and its subsidiaries
HIBOR	Hong Kong Interbank Offered Rate
HK	Hong Kong
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
HK\$ billion	billion of Hong Kong Dollars
HK\$ million or HK\$m	million of Hong Kong Dollars
IDD	International Direct Dialing services
KCR	Kowloon Canton Railway
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
MTR	Mass Transit Railway
N/A or na	not applicable
New World or NWD	New World Development Company Limited
NT	New Territories
NWCEP or New World China Enterprises	New World China Enterprises Projects Limited
NWCL or New World China Land	New World China Land Limited
NWDS or New World Department Stores	New World Department Stores (Holdings) Limited
New World First Bus	New World First Bus Services Limited
NWTMT or New World TMT	New World TMT Limited
NWMH or New World Mobile	New World Mobile Holdings Limited
NWPCS	New World PCS Limited
NWS or New World Services	New World Services Limited
NWSH or NWS Holdings	NWS Holdings Limited
NWT or New World Telecommunications	New World Telecommunications Limited
PRC	The People's Republic of China
Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan for the purposes of this annual report
RMB	Renminbi, the lawful currency of PRC
TBD	To be determined
TMT	Telecommunications, Media and Technology
US	The United States of America
US\$ or USD	United States dollar(s), the lawful currency of US
WTO	World Trade Organisation

Glossary of Terms

Financial Terms

Gearing Ratio	$\frac{\text{Net Debt}}{\text{Total equity}}$
Earnings/(loss) Per Share or EPS	$\frac{\text{Profit/(loss) attributable to shareholders of the Company}}{\text{Weighted average number of shares in issue during the year}}$
Net Debt	The aggregate of bank loans, other loans, overdrafts, convertible bonds and obligation under finance leases less cash and bank balances
Total Capitalisation	The aggregate of shareholders' funds, Total Debts and loans from minority shareholders
Total Debts	Net Debts plus cash and bank balances

Technical Terms

CJV	Co-operative joint venture
EJV	Equity joint venture
IP	Internet protocol
JCE	Jointly controlled entities
WFOE	Wholly foreign-owned enterprises

Measurements

Km	kilometre(s)
m ³	cubic metre
MW	megawatt(s), equal to 1,000kW
sq. ft.	square feet
sq. m.	square metre
TEU or TEUs	Twenty-Foot Container Equivalent Unit

Chinese Version

The Chinese version of this Annual Report is available on request from New World Development Company Limited. Where the English and the Chinese texts conflict, the English text prevails.

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