



New World Development Company Limited  
(Stock Code: 0017)



2007  
Annual Report



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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.

# Property

# Service

Our service businesses comprise **facility management, contracting, financial services, transport,** etc.



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



# Infrastructure



# Department Store

New World Department Store China Limited  
operates and manages renowned  
**department store chain** in  
Hong Kong and 15 cities in Mainland China.

# Corporate Structure



## New World Development Company Limited

(HK stock code: 0017)

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

### Listed Companies



#### NWS Holdings Limited

(HK stock code: 0659)

- Infrastructure
- Service



#### New World China Land Limited

(HK stock code: 0917)

- Property flagship in Mainland China



#### New World Department Store China Limited

(HK stock code: 0825)

- Department store business

### Direct investments

- CSL New World Mobility Group (23.6%)
- New World Telecommunications Limited
- New World China Enterprises Projects Limited
- New World TMT Limited

(as at 11 October 2007)

# Financial Highlights

	FY2007 HK\$m	FY2006 HK\$m
Turnover	23,284.5	23,910.2
Segment results*	5,424.1	4,936.5
Profit before taxation	6,670.0	3,505.7
Profit attributable to shareholders of the Company	4,312.9	1,059.8
Earnings per share (HK\$)	1.17	0.30
Dividend per share (HK\$)		
Interim	0.15	0.13
Final	0.25	0.20
Full-year	0.40	0.33
Net cash (used in)/from operating activities	(2,300.5)	1,278.2
Total assets	144,099.1	114,160.6
Net debt	24,077.9	14,963.8
Gearing ratio	30.7%	21.6%

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



↑ Tower 7-9座 Club House 會所 ↑

# Chairman's Statement

## To Our Shareholders,

Hong Kong has entered its tenth year as a "Special Administrative Region of the PRC". Political and economic news of the Mainland China are widely reported by the Hong Kong media. "National People's Congress of the PRC" and "National People's Congress Meeting" gradually become the hot topics among Hong Kong people. From the economic slowdown after the financial crisis in 1997 through the economic boom in 2007, the motherland has been supporting Hong Kong in recovering from adversity; on the other hand, Hong Kong has been actively cooperating with the motherland in going international. Throughout ten years of trial and hardship, the tie between China and Hong Kong has become closer and closer.

Great foresight is required to run a multinational corporation. A magnificent blueprint, a loyal team and a well-coordinated organization are the three indispensable factors, and the same applies from ruling a country to maintaining a family. As early as March 2006, the 11th Five-Year Plan embraced Hong Kong into the country's overall macro-development framework, further strengthening the cooperation between Hong Kong and mainland cities and emphasizing the importance of reinforcing Hong Kong's reputation as one of the world's leading financial centres. After its return to China, Hong Kong has become an inseparable part of this large country by exerting its business strengths to become a vital member of the country and developing its four pillar industries, namely finance, commerce, shipping and professional services. As a world-class international financial centre located in China, Hong Kong will continue to make diversified contributions to China in the different sectors of human resource, management expertise, information technology and culture in the future.

China is poised to take the lead on the stage of 2008 Beijing Olympics. A Chinese proverb goes, "Heroes always come from young people". Aristotle also says, "All who have meditated on the art of governing mankind have been convinced that the fate of empires depends on the education of youth." Young people in China and Hong Kong are the future of the motherland. New World Group has strived to educate the next generation and build up the bridge of communication between the young people in China and Hong Kong in order to promote prosperity and harmony in the region, in the hope of working hand-in-hand with the youth in creating a wonderful new world for the country.

**Dr. Cheng Yu-Tung**

*Chairman*

Hong Kong, 11 October 2007





# Managing Director's Report

## To Our Shareholders,

For the 12 months ended 30 June 2007, the Group recorded a turnover of 23.3 billion. Profit for the year attributable to the shareholders of the Company amounted to 4.31 billion, up 307% year-on-year.

Hong Kong property market is gaining momentum after the lukewarm environment in 2006. During January to June 2007, property transactions in Hong Kong recorded a significant year-on-year growth in both primary and secondary markets, with transaction consideration over \$55 billion and \$122 billion respectively, which represent an increase of 42% and 45% compared to July to December 2006.

As an international financial centre, Hong Kong ranked No 1 in Asia and No 2 in the world in terms of the total amount of funds raised through initial public offerings in our stock market in 2006. The office spaces in prime districts are continuously under strong demand. Our office portfolio in Central and Tsim Sha Tsui has continued to achieve positive rental reversion. Meanwhile, the increasing tourism expenditure and rising number of visitors to Hong Kong have benefited the Group's rental portfolio and hotel operations.

The Group's infrastructure and service arm, NWS Holdings Limited ("NWSH") is actively looking for new investment opportunities. NWSH acquired 35% interest in Chengdu Jintang Power Plant, a 2x600MW coal-fired power plant, which supplies electricity in Chengdu, Sichuan Province. The project commenced operation in June 2007. In addition, NWSH acquired 55% interest in Wenzhou Zhuangyuan Ao New World International Terminals Company Limited, which operates two multi-purpose berths in Zhuangyuanao, Zhejiang Province. The project is expected to be operational by 2008. In September 2006, NWSH acquired a 22% stake in China United International Rail Containers Co. Ltd. Terminals in Shanghai and Kunming have already completed while construction work will soon start at Chongqing, Zhengzhou and Qingdao. Ultimately, the project will construct a total of 18 terminals in 18 major cities in Mainland China by 2010.

China has achieved a double-digit GDP growth since 2003. The resilient economic growth and stable increase of average income per capita have supported the stable growth of real estate market in Mainland China. In 2006, the population in urban area accounted for 43.9% of the total population in Mainland China. Our Mainland China property arm New World China Land Limited will tap the benefit from the urbanization in Mainland China by continuously producing quality products to the market.

The spin-off of New World Department Store China Limited ("NWDS") is beneficiary to both the Group and NWDS itself. Firstly, the spin-off increases the operational and financial transparency of the Group. Secondly, it allows NWDS to establish a higher profile as a separately listed entity with the ability to access the debt and equity capital markets to fund its future investments. Thirdly, it helps the Group achieve the valuation potential and at the same time the Group will continue to benefit from the business prospects and results of NWDS through its shareholding.

**Dr. Cheng Kar-Shun, Henry**

*Managing Director*

Hong Kong, 11 October 2007



# Property



## *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

Hong Kong property market is gaining momentum after the lukewarm environment in 2006. From January to June 2007, property transactions in Hong Kong recorded a significant year-on-year growth in both primary and secondary markets, with transaction consideration over \$55 billion and \$122 billion respectively, which represent an increase of 42% and 45% when compared with July to December 2006.

During the period under review, the Group's share of property sales booked amounted to approximately \$1,542 million. Two projects were launched, namely Deep Bay Grove (深灣畔) at Lau Fau Shan and Prince Ritz (太子滙) at Kowloon City. In FY2007, contribution to property sales mainly came from inventory sales of Deep Bay Grove, The Merton (泓都), The Grandiose (君傲灣) and South Hillcrest (倚嶺南庭).

The Group now has a landbank of four million sq ft GFA for 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	412,292
Kowloon	1,336,720
New Territories (excluding areas pending agricultural land conversion)	2,274,441
Total	4,023,453

Agricultural landbank by location	Total land area (sq ft)	Attributable land area (sq ft)
Yuen Long	14,449,000	13,048,000
Sha Tin/Tai Po	3,414,000	2,528,000
Fanling	2,260,000	2,260,000
Sai Kung	2,624,000	2,070,000
Tuen Mun	120,000	120,000
Total	22,867,000	20,026,000

In January 2007, the Group was awarded the government tender for Block A of Wylie Court (衛理苑) at Wylie Path, Kowloon. During the period under review, the Group completed the acquisition of 50% interest of New Eastern Terrace (新東方臺) at Tin Hau Temple Road, North Point and 70% interest of Chun Fai Terrace (春暉臺) at Tai Hang. These three projects account for over 520,000 sq ft GFA.

The Group is discussing with the government on the conversion of seven million sq ft of agricultural land 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 anticipates to launch five projects namely Hung Hom Peninsula (紅灣半島) at Hung Hom, the Hanoi Road Redevelopment Project (河內道重建項目) at Tsim Sha Tsui, Belcher's Street project (卑路乍街項目) at Western District, Ma Tin Road project (馬田路項目) at Yuen Long and 6-10 Black's Link (布力徑6-10號) at Mid-Levels to provide over 2.6 million sq ft GFA.

## HONG KONG PROPERTY INVESTMENT

In FY2007, the Group's gross rental income in Hong Kong amounted to \$1,079.4 million. The Group's commercial portfolio was benefited from the growing local economy and the rising tourist number.

During the period under review, The Edge (君薈坊), the shopping mall at The Grandiose at Tseung Kwan O was opened with 100% occupancy.



The pedestrian traffic of New World Centre and Avenue of Stars reached nearly 20 million during the period under review. Together with the stable income from the anchor tenant, SOGO Tsim Sha Tsui, New World Centre maintained a steady contribution to the Group's rental portfolio.

Hong Kong's buoyant economy has continued to create higher demand for office space. Both occupancy and rental rates of our office portfolio are expected to be further benefited.

The increasing tourism spending and rising number of visitors to Hong Kong have 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.

## HOTELS

The visitor arrivals to Hong Kong are growing steadily, with the number increasing to 25 million and 13 million in 2006 and the first six months of 2007 respectively, up 8.1% and 6.8% year-on-year. 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 83% and a 15% growth in average room rate achieved during the period under review.

New World Hotel Shenyang completed its renovation in September 2006. The Group's hotels in Mainland China have 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 has two hotels in the pipeline in Hong Kong located at Hanoi Road and the KCR University Station. Meanwhile, the Group's two hotels in Wuhan and Dalian are both under construction.

## NEW WORLD CHINA LAND LIMITED ("NWCL")

NWCL has recorded a profit of \$1,191 million in FY2007, up 61% year-on-year. The significant increase in profit for the year was attributable to the improved performance achieved by all three major operations of NWCL, namely property sales, rental operation and hotel operation.

Though the sales volume was slightly decreased compared to FY2006, the average gross margin and the average selling price of the sold units were improved substantially. During the period under review, average gross margin of development projects achieved over 33% and average selling price of the sold units was nearly RMB8,000 per sq m.

During the period under review, 653,949 sq m were sold to generate gross proceeds of approximately RMB5.2 billion. 835,000 sq m GFA of properties were completed in FY2007. NWCL expects to complete around one million sq m GFA of properties in FY2008.

The Central Government is continuously issuing new measures to balance the supply and demand of the property market. On one hand, it can keep a tight rein on speculating the market. On the other hand, those measures can direct the property market to a healthy and stable development in the long run.





# Infrastructure



## *Accelerate Country's Advancement*

Our investments in infrastructure projects span through Hong Kong, Macau and Mainland China, operating vital utility services and infrastructure facilities.

We bring warmth and light to millions of homes;  
we facilitate high mobility of people and goods;  
we accelerate the advancement of our country.



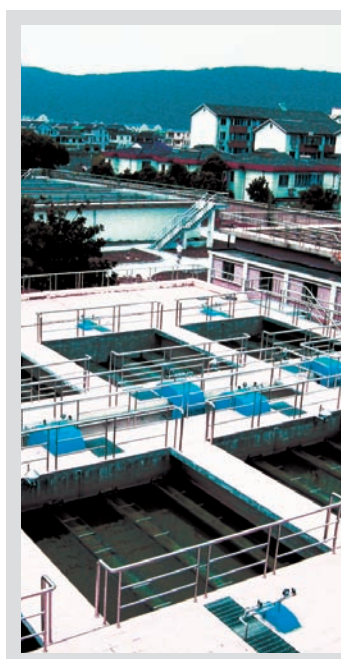
## Infrastructure

Infrastructure operation recorded a stable segment contribution to the Group. Apart from the energy business, roads, water and ports businesses achieved a strong growth in contribution.

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

The road and expressway projects in other Mainland cities recorded a stable traffic grow. The average daily traffic flow of Tangjin Expressway (Tianjin North Section) increased by 11%, as a result of economic development of the Bohai Rim region and renovation of a competing road network since mid-2006. The increase in the utilization of Wuhan Tianhe Airport boosted the traffic flow of the Wuhan Airport Expressway. The average daily traffic flow increased by 11% in FY2007.

The performance of Zhujiang Power Plant was adversely impacted partly due to a one-off gain recognized in FY2006 and partly due to more new generation units coming into the market. Such impact was partly compensated by the increase in average tariff of 5% arising from coal-link tariff adjustments during the current year. The Group is optimistic towards the outlook of the energy business and continues to explore new investment opportunities. NWSH acquired 35% interest in Chengdu Jintang Power Plant, a 2x600MW coal-fired power plant. The project commenced operation in June 2007.



In December 2006, NWSH acquired a 9.45% interest in Guangdong Baolihua New Energy Stock Co., Limited, which mainly operates a 2x135MW coal-fired power plant in Guangdong and its shares are listed on the Shenzhen Stock Exchange.

Macau Water Plant reported a 10% increase in average daily water sales volume while performance of water projects in Mainland China is promising. Water sales revenue of Tangu Water Plant in Tianjin increased as its tariff has raised since April 2006. The Chongqing Water Plant and Shanghai SCIP Water Treatment Plant had an impressive growth of 19% and 47% respectively in water sales volume. Both newly acquired projects, Changshu Water Plant and Chongqing Tangjiatuo Waste Water Plant, also started the contribution to the Group during the period under review.

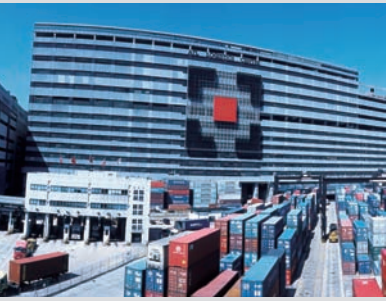
With the completion of the Zhuhai Ping Gang Project in December 2006, the seasonal salinity problem had been temporarily solved. In addition, to cope with the increasing water demand, Macau Water Plant has contracted to expand its existing treatment capacity and is to be completed by mid 2008.

Xiamen New World Xiangyu Terminals Co., Ltd. reported an 8% volume growth to 794,000 TEUs in FY2007. Throughput of Tianjin Orient Container Terminals Co., Ltd. decreased slightly by 1% to 1,136,000 TEUs while there is an increase in average revenue per TEU as a result of more foreign cargo volume in FY2007. Tianjin Five Continents International Container Terminal Co., Ltd., in which interest was acquired in November 2005, produced positive attributable operating profit contribution to this segment and handled 1,988,000 TEUs during FY2007.





# Service



## *Sustain the Nation's Growth*

Our service businesses provide an unrivalled breadth and depth of expertise that stretches from facility management, contracting to transport and others.

As we move forward, we continue to support economic development and sustain the nation's growth.

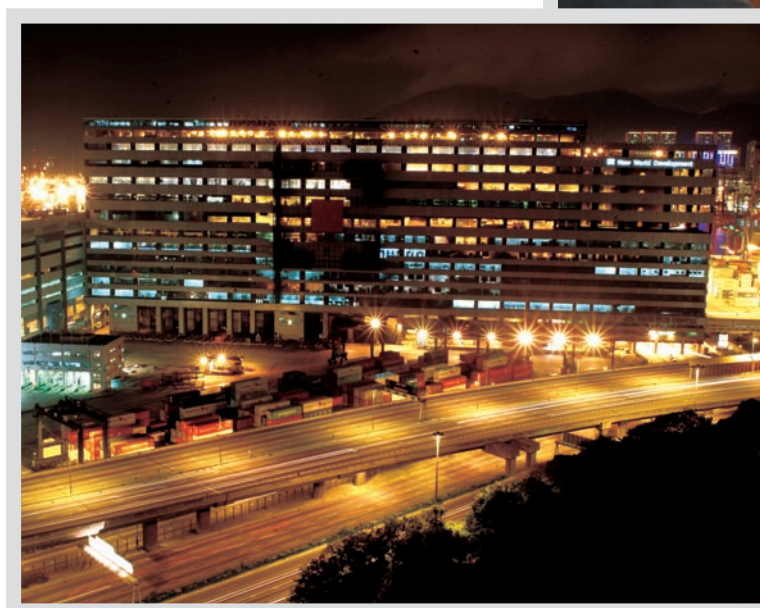
## Service

In FY2007, there was a significant increment in the contribution from the service operations. Contracting, financial services, transport and other businesses in service operations achieved a substantial growth in the profit.

Hong Kong Convention and Exhibition Centre (“HKCEC”) continued to achieve satisfactory results in FY2007. New venues such as the AsiaWorld-Expo and other conference and exhibition facilities in Macau, Mainland China and other Asian countries have increased competition in this market. Construction works of the Atrium Link expansion commenced in August 2006 and is due for completion in 2009. The new 19,400 sq m expansion will increase HKCEC’s available space up to a total of 83,400 sq m.

ATL Logistics Centre (“ATL”) recorded a steady profit with average occupancy rate reaching 98% in FY2007. It has benefited from the growth of the local economy and the Mainland China’s market. Being one of the Hong Kong’s largest multi-storey drive-in warehousing/container freight station complexes, ATL continues to provide professional warehousing and terminal services for a demanding global clientele. As such, it remains as the market leader in the industry.

Due to a combination of factors including effective cost control measures and increase in volume of work, the contribution from the contracting operation improved significantly in FY2007. Leveraging its proven expertise in managing mega-sized and high quality construction projects and following the recent recovery of the private property development sector, our contracting operation has secured contracts of substantial size with total contract sum over \$35.9 billion as at 30 June 2007. Hip Hing Construction Company Limited (“Hip Hing”) was among the most competitive and successful specialist players in Macau’s rapidly expanding construction market. Notable among the number of large-scale projects Hip Hing secured in Macau were the Grand Lisboa Hotel, the MGM Casino projects and One Central Macau.



The contribution from financial services operation has become more significant after the further acquisition of Taifook Securities Group Limited ("Taifook") (HK stock code: 0665) shareholding and the benefit of buoyant stock market. In view of Taifook's enviable reputation in financial services business and satisfactory growth history, NWSH decided to further increase its shareholding in Taifook from 22% to 61% on 8 June 2007. Given the promising outlook of financial markets in Hong Kong and Mainland China, the Group is confident that the acquisition of Taifook will enhance its long-term profitability and align with its balanced investment strategy.

During the period under review, the transport operation achieved an increase in the contribution. The increase was mainly contributed by the local bus businesses and investment in Kwoon Chung Bus Holdings Limited. Despite the 5% growth in fare revenue, the local ferry business recorded a loss, mainly due to the rising operating costs. The Macau ferry services continued to achieve a satisfactory growth rate of 14% in patronage.

Free Duty engaged in retail business selling duty free tobacco and liquor at Hong Kong International Airport and the ferry terminals in China Hong Kong City and Shun Tak Centre. Robust patronage arising from the rebound in Hong Kong's tourism sector made a major contribution to the company's excellent performance during FY2007. It has commenced the duty free concession at Lok Ma Chau Station in August 2007 while the concession at Lo Wu will start from January 2008.

In September 2006, NWSH acquired a 22% stake in China United International Rail Containers Co. Ltd., becoming the second largest shareholder in a 50-year joint venture between a company under China's Ministry of Rail and five other Chinese and international partners. Terminals in Shanghai and Kunming have already been completed while construction work will soon start at Chongqing, Zhengzhou and Qingdao. Ultimately, the company will construct a total of 18 terminals in 18 major cities in Mainland China by 2010.





新世界

NEW WORLD  
DEPARTMENT STORE  
新世界购物广场地下一层

同一个世界 同一个梦想  
One World One Dream

新世界百货

东南角  
海河-金汤桥  
城厢东路  
天津站

天津中心商务区

# Department Store



## *Bring Variety and Quality to Shoppers*

From fashion, accessories, cosmetics to household items, our department stores throughout major cities in China offer one-stop shopping experience with variety and quality. We strive to provide scrupulous care to customers. We bring comfort and relaxation to their daily shopping.



## Department Store

New World Department Store China Limited (“NWDS”) is one of the largest operators and managers of department stores in Mainland China in terms of sales based on information from Euromonitor. NWDS currently operates and manages a large national network of 22 “New World”-branded department stores and seven Ba Li Chun Tian (「巴黎春天」)-branded department stores in Mainland China and Hong Kong.

During the period under review, seven stores were opened, adding 251,000 sq m GFA to total store area. The Group plans to open three new stores in Beijing (Chaoyang) (北京朝陽), Wuhan (Xudong) (武漢徐東) and Liaoning (Anshan) (遼寧鞍山) by the end of 2008.

NWDS has been listed on the Hong Kong Stock Exchange since 12 July 2007. The spin-off of NWDS is beneficial to both the Group and NWDS itself. Firstly, the spin-off increases the operational and financial transparency of the Group. Secondly, it allows NWDS to establish a higher profile as a separately listed entity with the ability to access the debt and equity capital markets to fund its future investments. Thirdly, it helps the Group achieving the valuation potential and at the same time the Group will continue to benefit from the business prospects and results of NWDS through its shareholding.





Region	City	Number of stores	GFA (sq m)
Northeast China	Dalian, Harbin, Shenyang	5	132,300
Middle China	Changsha, Wuhan	5	164,650
East China	Ningbo, Wuxi, Xiamen	4	59,200
North China	Beijing, Lanzhou, Tianjin	4	215,600
Shanghai	Shanghai	7	196,330
Southwest China	Chengdu, Chongqing, Kunming	3	84,100
Hong Kong	Hong Kong	1	15,000
Total		29	867,180

(As at 11 October 2007)

# Strategic Businesses

## CSL NEW WORLD MOBILITY GROUP (“CSLNW”)

CSLNW is a Hong Kong-based mobile group which was formed in March 2006. CSLNW operates in the highly competitive Hong Kong mobile market, with the CSL business being one of Hong Kong’s premium providers of mobile voice and data services and New World PCS targeting value conscious customers with a low cost business model. The merged entity provides a broad customer base for growth.

In order to streamline the Group’s structure, a wholly owned subsidiary of the Group acquired 23.6% of CSLNW from New World Mobile Holdings Limited (“NWMHL”) in January 2007. After the acquisition, the Group disposed all its interests in NWMHL.

Total income of CSLNW increased by 26.8% to \$6,104 million in FY2007, largely due to the additional revenue generated as a result of the inclusion of the New World PCS business from March 2006. The remaining growth was a result of increased activity, driven by rising data, international voice, mobile virtual network operator (MVNO) and prepaid revenues, offset by a decline in local voice revenues after sustained pressure on prices. Mobile handset revenue also increased after recent handset promotions.

## NEW WORLD TELECOMMUNICATIONS LIMITED (“NWT”)

During the period under review, NWT reported a loss due to intense competition in the fixed-line telecommunications market.

Extending its position as the next generation IP and telecom service provider in town, NWT will focus on three business streams, namely telecom services, ICT (information and communication technology) services and iMedia solutions (e-business). With the establishment of two dedicated business units and extensive partnerships with renowned companies, NWT will maximize its momentum on “NWT Hosted Exchange” and “Search’n Click” services.

NWT will keep on developing its capability in deploying Broadband Wireless Access technologies to provide high quality IP services and act as a cost effective means of last mile access to many buildings in Hong Kong. In addition, NWT will continue to explore different partnership and cooperation opportunities with the Group companies to offer innovative services to these companies as well as their clients.



## NEW WORLD CHINA ENTERPRISES PROJECTS LIMITED (“NWCEP”)

NWCEP is the investment and project manager of the New World Enterprise Holdings Limited group (“NWEH”). NWEH invests in industrial projects in Mainland China and Hong Kong, involving in sectors such as industrial manufacturing, consumer goods production, production management and retail distribution chain stores, etc. One of the mandates of NWCEP is to identify strategic investment opportunities in high growth companies with listing potential. NWCEP also acts as the project manager for a China-focused private equity fund, namely New World Liberty China Ventures Limited (“NWLCV”).

During the period under review, NWLCV invested in four companies, namely Chigo Holding Limited, one of the leading integrated manufacturers of residential and commercial air-conditioner in China; Tianneng Power International Limited, a leading motive battery producer in China’s personal transportation device market; Come Sure Development Limited, one of the largest manufacturers of paper products in Guangdong Province, providing comprehensive packaging and printing solutions and paper-based packaging products to its customers; and Gerber Far East 1959 Limited, a supply chain service provider for premium giftware and promotional items, with a specialization in ceramic and glassware goods.

## NEW WORLD TMT LIMITED

The Group won the PrediWave litigation in December 2006 and a provision of approximately \$1.6 billion has been written back for the year ended 30 June 2007. The amount that can eventually be recovered is uncertain.

# 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 to 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 2007.

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 54,000 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 15 Directors, with 6 Executive Directors, 5 Non-executive Directors and 4 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 3 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 twice during the year to review the remuneration policy for Directors and senior management of the Company, and to approve the principal terms for the grant of share options to Directors and employees of the Company pursuant to the Company's share option scheme. 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. During the year, share options were granted to all Directors to subscribe for shares in the Company under the Company's share option scheme. In addition to the above, certain Directors had 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 for the financial year ended 30 June 2007 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 set out in Rule 3.13 of the Listing Rules. During the year under review, the Company had not established a nomination committee.

## AUDIT COMMITTEE

The Audit Committee, established in fiscal year 1999 with specific written terms of reference, consists of 3 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 auditors the audited financial statements for the year ended 30 June 2006 and the unaudited interim financial statements for the six months ended 31 December 2006 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. The Audit Committee reviewed the system of internal control and the financial statements for the year ended 30 June 2007 with recommendation to the Board for approval. Members of the Audit Committee are Dr. Cha Mou-Sing, Payson (Chairman), Mr. Yeung Ping-Leung, Howard and Mr. Lee Luen-Wai, John.



# Corporate Governance Report

## 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 2007		
	Board	Audit Committee	Remuneration Committee
<i>Executive Directors</i>			
Dato' Dr. Cheng Yu-Tung ( <i>Chairman</i> )	5/5		
Dr. Cheng Kar-Shun, Henry ( <i>Managing Director</i> )	3/5		
Dr. Sin Wai-Kin, David	5/5		
Mr. Liang Chong-Hou, David	4/5		
Mr. Leung Chi-Kin, Stewart	5/5		2/2
Mr. Cheng Chi-Kong, Adrian ( <i>appointed on 16 March 2007</i> )	0/1		
<i>Non-executive Directors</i>			
Mr. Cheng Yue-Pui	1/5		
Mr. Cheng Kar-Shing, Peter	5/5		
Mr. Chow Kwai-Cheung	4/5		
Mr. Ho Hau-Hay, Hamilton	3/5		
Mr. Liang Cheung-Biu, Thomas	5/5		
<i>Independent Non-executive Directors</i>			
Lord Sandberg, Michael	0/5		
Mr. Yeung Ping-Leung, Howard	4/5	2/2	2/2
Dr. Cha Mou-Sing, Payson JP	4/5	2/2	2/2
Mr. Lee Luen-Wai, John JP	4/5	2/2	2/2

## AUDITORS' REMUNERATION

During the year ended 30 June 2007, 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	
	2007 HK\$m	2006 HK\$m
Audit services	50.5	43.9
Non-audit services	2.6	12.7
Total	53.1	56.6

## 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. The Board has prepared the financial statements in accordance with the Hong Kong Financial Reporting 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 and the Group regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the Report of the Independent Auditors on page 97 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, jointly controlled entities and associated companies. 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



## NEW WORLD YOUNG LEADERS

### To Our Shareholders,

During the celebration for the 10th anniversary of HKSAR, Chairman Hu Jintao has encouraged young people to equip themselves for the future belongs to them. This is the same as what New World Group perceives. Today's youth will be tomorrow's leaders. The future of Hong Kong and our country is to be driven by young leaders with perseverance and vibrancy.

We hope to gather all the forces to promote caring for the young people and unite the people of China and Hong Kong, allowing teenagers of different races and backgrounds to communicate actively and establish mutual trust for the creation of a wonderful and harmonious new world.

Therefore, New World Group has launched the project of "New World Young Leaders" at the beginning of the second decade of HKSAR, nurturing future leaders for the country. Through various programmes, we want to train young people to become responsible citizens and contributors to society, driving the country ahead.

### *New World Mathematics Award*

To encourage academic breakthrough of young university students, NWD fully supports the establishment of the "New World Mathematics Award", which is organized by The International Congress of Chinese Mathematicians ("ICCM"). The Award aims at encouraging outstanding mathematics students, including undergraduate, master and PhD students, of Chinese descendants in their pursuit of mathematical truth. It will be awarded every three years in the ICCM and the first Award will be presented in Hangzhou, China in December 2007.

### *Wu Zhi Qiao (Bridge to China) Charitable Foundation ("WZQCF")*

WZQCF aims at mobilizing university students, professionals and volunteers in Hong Kong and Mainland China to actualize sustainable bridge projects in remote rural areas in the Mainland. NWD fully supports WZQCF by contributing HK\$5 million as the Foundation's seed money. The Group hopes that WZQCF not only provides substantial and sustainable help, but also love and care to those in need in the rural regions.

### *Chinese Culture Week*

The Group co-organized "Chinese Culture Week" with The Organizing Committee for Celebrating the Tenth Anniversary of Reunification by the Hong Kong Youth Sector in May 2007. Young people from the 56 ethnic groups in Mainland China were invited to Hong Kong. They attended a series of activities, including exhibition, troupe performance and forum with the youth in Hong Kong. The event has contributed to the unity of the ethnic groups and harmonious development of China through understanding and communication.

### *Exchange between Hong Kong and Mainland Students*

New World Group also supported three programmes organized by Roundtable Community namely "My Generation of Chinese" — Guangdong-Hong Kong Student Exchange Programme', "Youth in Excellence" — Advantages and Cooperation between Hong Kong and Mainland Youth 10 Years after the Establishment of the HKSAR' and 'Model Government Summit'. These programmes aimed at acquainting the youth with development of Hong Kong and Mainland China, allowing them to share their views, reviewing their own competitiveness and therefore, looking into the future and paving ways for subsequent collaborations.

We will never rest on our laurels. Instead, we will do our very best to continuously play an active role in participating in and supporting various youth leadership development programmes and contribute to the prosperity of the country by working hand-in-hand with the energetic new generation.

**Cheng Chi-Kong, Adrian**

*Executive Director*

Hong Kong, 11 October 2007

# Corporate Citizenship

## CREATE A CARING NEW WORLD

At New World Group, we recognize we are an integral part of the communities in which we operate and are committed to doing our shares as a responsible corporate citizen. We have been actively participating and supporting in numerous charity projects. In recognition of our devotion and outstanding performance in corporate social responsibility, NWD and its 25 group companies have been awarded the Caring Company Logo by the Hong Kong Council of Social Service.

### Committed to Hong Kong Devoted to China

For years, New World Group has been contributing to the development of the Greater China. Committed to Hong Kong and devoted to China, apart from the youth, the Group also concerns about other important issues in Hong Kong and Mainland China.

#### *New World / Harvard Kennedy School of Government Fellows Programme*

For years, NWD has been dedicated to the development of talents in Mainland China. The Group has been supporting “New World/ Harvard Kennedy School of Government Fellows Programme” organized by the State Administration of Foreign Experts Affairs (“SAFEA”) since 1998. Each year, 12 to 15 outstanding senior government officials are sent to Kennedy School for a fellows programme of four months and an executive programme of three to six weeks. Up to now, around 120 officials have benefited from this professional training programme with international standard. This year, the Group continues to contribute to the country’s talent training by signing a new three-year agreement with SAFEA for the Programme.

#### *Bright Future Action — A New World for Amblyopic Children*

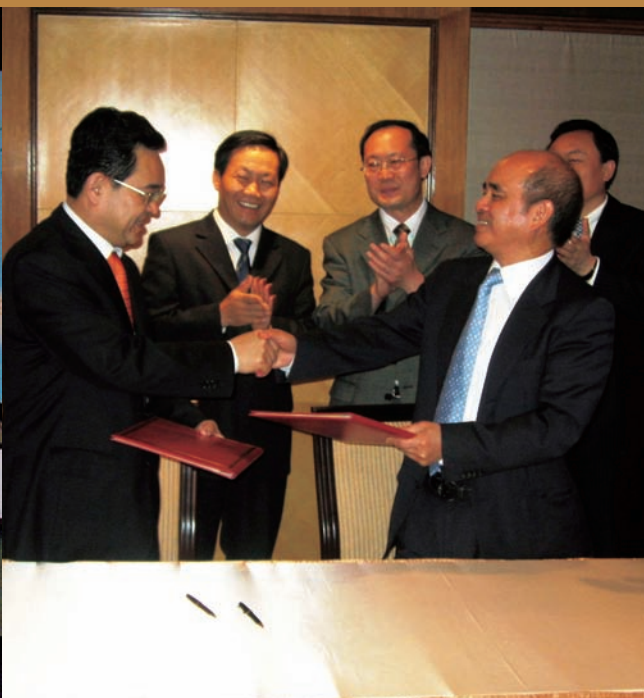
New World Group concerns about children amblyopia and thus, fully supports the project of “Bright Future Action — A New World for Amblyopic Children”. Several group companies, including New World First Bus, Citybus, KLPS Group, Urban Group and New World Department Stores have joined together in promoting and raising funds for the project through various channels, with an aim to bring the message of caring for the amblyopic children to different communities in Hong Kong and Mainland China.

#### *The National Aquatics Centre for Beijing Olympics*

New World Group contributed RMB50 million to “Beijing Municipal Committee for Jointly Constructing Beijing Olympic Stadiums-Gymnasiums by Hong Kong, Macau and Taiwan Compatriots and Overseas Chinese” for the construction of Beijing Olympic National Aquatics Centre. The cheque presentation ceremony was held at Beijing Great Hall of the People on 6 July 2007. The National Aquatics Centre is one of the venues for the 2008 Beijing Olympics. Its design was inspired by soap bubbles. It was named “Water Cube” because of its blue-box-like appearance.

#### *Publication for Environmental Education*

To promote environmental protection and arouse the next generation’s awareness to the issue, NWD supports the production of an education book set published by the Hyper Workshop. The set has been distributed to all the 1,700 primary schools and kindergartens in Hong Kong, educating children ways to protect the earth in different aspects, including schools, families, society and personal life.



# Corporate Citizenship



## Bringing Care to the World

While caring about the motherland, New World Group has been giving its helping hands to the needy in the world. The Group is supportive to the meaningful initiatives of Médecins Sans Frontières (“MSF”) by providing media sponsorship for MSF’s promotion, and also encouraging its staff to participate in various charitable activities.

### *MSF Orienteering Competition*

New World Group supported MSF Orienteering Competition 2007 not only by sponsoring venue for the competition’s soft launch, but also sending volunteers to assist in the event. In addition, the Group sent a corporate team to join in the competition and was glad to be awarded as Outstanding Organization Fundraiser.

### *New World MSF Charity Sale*

NWD organized “New World MSF Charity Sale” at the three hotels, namely Grand Hyatt Hong Kong, Renaissance Harbour View Hotel and Renaissance Kowloon Hotel. All donations contributed to MSF’s international medical humanitarian work to provide emergency medical assistance to victims of natural disasters, wars, and epidemics.

### *MSF Day*

New World Group has participated in the “MSF Day” since 2006. Staff members are encouraged to support the event by donating one day’s income to MSF, just as volunteering for MSF’s worldwide medical aid work for one day. In 2007, over 2,000 staff members have joined the event and a sum of HK\$520,000 was raised. With the overwhelming responses from its staff, New World Group is proud to have become the most generous contributor to the event for two consecutive years and also the corporation with the highest number of participants.

## VALUE TALENTS AND TEAM SPIRIT

Apart from caring for the community, the Group also values every individual staff since we understand that a dedicated and professional working group is the motive power that drives the growth and development of the Group. The Group endeavours to attract, develop and retain talents through competitive employment package and incentive policies.

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 2007, the Group had over 54,000 employees. 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, NWD 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.

# Corporate Citizenship

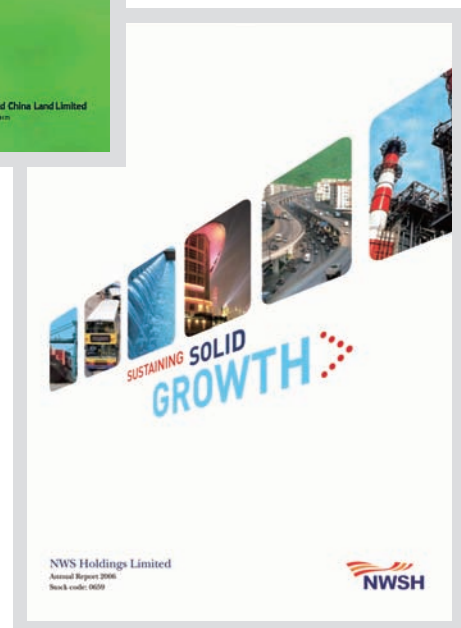
## CARE ABOUT INVESTOR RELATIONS

The Group highly values investor communication and strives to enhance shareholders' understanding of the Group through clear 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. NWCL FY2006 Annual Report has won the Honors for "Overall Annual Report" in the International ARC Awards, the widely recognized "Academy Awards of Annual Reports". In addition, FY2006 Annual Reports of NWD and NWCL have been presented the Silver Award for "Annual Report – Overall Presentation: Holdings & Property Development" and the Bronze Award for "Design: Annual Report – Interior" respectively in the 20th International Mercury Awards. In the 17th International Astrid Awards, FY2006 Annual Reports of NWCL and NWSH have won the Gold Awards in the category of "Annual Reports – Overall Presentation – Corporate" and "Covers: Annual Report" respectively. What's more, NWSH FY2006 Annual Report has also been presented the Bronze Award for "Annual Reports: Conglomerate" in the 18th Galaxy Awards. The Group will keep on striving to achieve excellence in our annual reports, which are important tools in investor communication.



# Management Discussion and Analysis

## FINANCIAL REVIEW

For the year under review, the Group recorded a profit attributable to shareholders amounted to HK\$4,312.9 million, up 307% year-on-year. The growth is mainly due to the strong growth of core operations except property sales and the recovery of HK\$1,593.6 million related to the PrediWave litigation.

Rental, infrastructure and service, department stores and hotel operations achieved satisfactory contribution growth. Total segment results amounted to HK\$5,424.1 million, up 10% year-on-year.

Turnover decreased 3% from HK\$23,910.2 million to HK\$23,284.5 million. The slight drop was the result of the strong growth of contracting business, department stores & hotel operations against the sharp drop in the sales volume of Hong Kong properties.

### Consolidated Income Statement

	FY2007 HK\$m	FY2006 HK\$m
Turnover	<b>23,284.5</b>	23,910.2
Cost of sales	<b>(17,364.6)</b>	(17,708.2)
Gross profit	<b>5,919.9</b>	6,202.0
Other income	<b>52.3</b>	35.5
Other gains/(charge)	<b>1,651.1</b>	(1,763.9)
Selling and marketing expenses	<b>(358.9)</b>	(519.4)
Administrative expenses	<b>(1,898.0)</b>	(1,065.9)
Other operating expenses	<b>(2,594.7)</b>	(2,564.7)
Changes in fair value of investment properties	<b>1,263.9</b>	1,462.9
Operating profit	<b>4,035.6</b>	1,786.5
Financing income	<b>817.8</b>	541.2
Financing costs	<b>(1,173.3)</b>	(1,115.0)
	<b>3,680.1</b>	1,212.7
Share of results of		
Jointly controlled entities	<b>1,664.1</b>	1,636.2
Associated companies	<b>1,325.8</b>	656.8
Profit before taxation	<b>6,670.0</b>	3,505.7
Taxation	<b>(902.5)</b>	(892.6)
Profit to the year	<b>5,767.5</b>	2,613.1
Attributable to:		
Shareholders	<b>4,312.9</b>	1,059.8
Minority interests	<b>1,454.6</b>	1,553.3

## Turnover – Breakdown by Business Segment

	FY2007 HK\$m	FY2006 HK\$m	YoY
Property sales	<b>2,916.7</b>	5,325.5	-45%
Rental	<b>1,210.3</b>	1,096.4	10%
Infrastructure	<b>299.5</b>	308.1	-3%
Service	<b>13,588.4</b>	11,052.4	23%
Telecommunications	<b>890.0</b>	2,297.6	-61%
Department stores	<b>1,704.1</b>	1,357.1	26%
Hotel operations	<b>2,331.4</b>	2,052.1	14%
Others	<b>344.1</b>	421.0	-18%
Consolidated	<b>23,284.5</b>	23,910.2	-3%

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

	FY2007 HK\$m	FY2006 HK\$m	YoY
Property sales	<b>588.0</b>	1,513.9	-61%
Rental	<b>1,475.7</b>	1,206.5	22%
Infrastructure	<b>1,117.1</b>	1,086.7	3%
Service	<b>1,166.3</b>	741.4	57%
Telecommunications	<b>420.1</b>	(75.2)	NA
Department stores	<b>247.0</b>	107.4	130%
Hotel operations	<b>674.9</b>	425.5	59%
Others	<b>(265.0)</b>	(69.7)	280%
Segment result	<b>5,424.1</b>	4,936.5	10%

### Property sales

Property sales segment contributed HK\$588.0 million against HK\$1,513.9 million last year. The substantial decrease was mainly due to the lack of completion in Hong Kong during FY2007. The segment contribution from Hong Kong was mainly came from inventory sales of Deep Bay Grove (深灣畔), The Merton (泓都), The Grandiose (君傲灣) and South Hillcrest (倚嶺南庭).

For the projects in Mainland China, NWCL sold 653,949 sq m of properties in FY2007 against 765,774 sq m in last year.



# Management Discussion and Analysis

## Rental

Rental business has a segment contribution of HK\$1,475.7 million, up 22% from HK\$1,206.5 million in the previous financial year. The higher contribution came from New World Centre, New World Tower and our Mainland China investment properties.

## Infrastructure

Infrastructure posted a segment result of HK\$1,117.1 million, up 3%. Infrastructure operation recorded a stable segment contribution to the Group. Apart from the energy business, roads, water and ports businesses achieved a strong growth in contribution.

## Service

The segment contribution from service operations hiked 57% to HK\$1,166.3 million. In FY2007, there was a significant increment in the contribution from the service operations. Contracting, financial services, transport and other businesses in service operations achieved a substantial growth in the profit.

Due to a combination of factors including effective cost control measures and increase in volume of work, the contribution from the contracting operation was improved significantly in FY2007. Leveraging its proven expertise in managing mega-sized and high quality construction projects and following the recent recovery of the private property development sector, the contracting business has secured contracts of substantial size with a total contract sum over HK\$35.9 billion as at 30 June 2007.

## Hotel

Hotel operations contributed HK\$674.9 million, surged 59% from last year. 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 83% and a 15% growth in average room rate achieved during the period under review.

## Department stores

Segment contribution from department stores business grew 130% to HK\$247.0 million.

During the period under review, seven stores were opened, adding 251,000 sq m GFA to the total store area. The Group plans to open three new stores in Beijing (Chaoyang) (北京朝陽), Wuhan (Xudong) (武漢徐東) and Liaoning (Anshan) (遼寧鞍山) by the end of 2008.

## Telecommunications

Telecommunications segment contributed a gain of HK\$420.1 million against a loss of HK\$75.2 million last year. The substantial increase was mainly due to the one-off negative goodwill booked from the acquisition of CSL New World Mobility Group from New World Mobile. If stripping out this one-off transaction, the Telecommunications segment contributions turned to a profit from last year's loss. The CSL New World Mobility Group had remarkable improvement in contributions due to the synergy effect of the merger. Whereas, the fixed-line business trimmed its losses during the year under review.

## Others

Others segment recorded a loss from last year's HK\$69.7 million to HK\$265.0 million in FY2007. The substantial loss was mainly due to the legal and related charge related to the PrediWave litigation.

## Financing costs

Net financial expenses decreased to HK\$355.5 million from HK\$573.8 million last year.

## Other gains/(charge)

Other gains/(charge) amounted to a gain of HK\$1,651.1 million in FY2007 against a loss of HK\$1,763.9 million last year. The gain was mainly due to the recovery of amounts due from PrediWave Companies as a result of the PrediWave litigation judgement awarded to NWTMT in December 2006.

## Liquidity and Capital Resources

On 4 June 2007, a wholly owned subsidiary of the Company issued HK\$6,000.0 million Zero Coupon Guaranteed Convertible Bonds due 2014 which are convertible into fully paid shares with par value of HK\$1.00 each of the Company at a conversion price of HK\$26.784 per share, subject to adjustment, at any time on or after 16 July 2007 up to 25 May 2014.

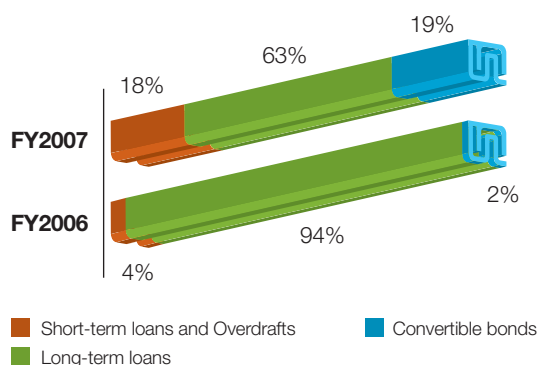
In June 2007, a wholly owned subsidiary of NWCL issued USD settled Zero Coupon Guaranteed Convertible Bonds due 2012 in the aggregate amount of RMB2,800.0 million which are convertible into fully paid shares with par value of HK\$0.1 each of NWCL at a conversion price of HK\$8.044 per share, subject to adjustment, at any time on or after 26 June 2007 up to 26 May 2012.

These are in line with the Group's policy of lengthening its debt maturity profile to match with the Group's long term investments.

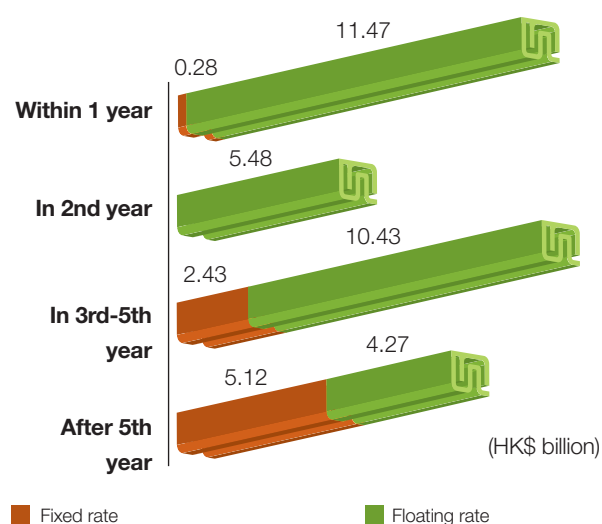
In respect of the Group's operation in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging of Renminbi contributed to those projects. Apart from this, the Group does not have any material foreign exchange exposure.

As at 30 June 2007, the Group's cash and bank balances stood at HK\$15,400.1 million (2006: HK\$7,642.9 million) and the consolidated net debt amounted to HK\$24,077.9 million (2006: HK\$14,963.8 million). The net debt to equity ratio was 30.7%, an increase of 9.1% as compared with FY 2006. This increase was mainly resulted from the acquisition of Taifook on 8 June 2007 which had net debt of HK\$6,512.0 million as at 30 June 2007. Taifook provides short-term margin financing to its customers for Hong Kong IPO applications.

## Source of Borrowings

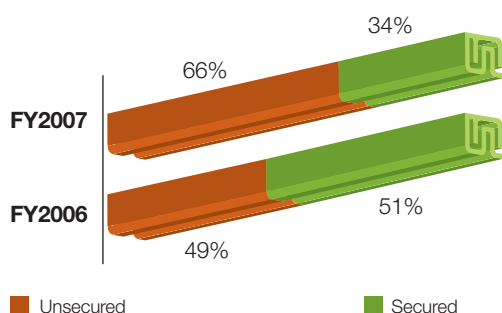


## Interest Rate and Maturity Profile



# Management Discussion and Analysis

## 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 2007, less than half of the total outstanding loans were secured by the Group's assets.

## Interest Rate and Maturity Profile

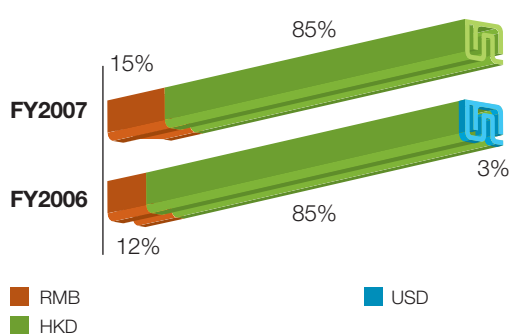
Amount of long term borrowings due within FY2008 amounts to HK\$4,580.1 million. Our cash and bank balances as of 30 June 2007 were HK\$15,400.1 million.

The combination of cash and bank balances, 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 80.2% 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.

Effective interest rates are shown in Note 39(c) and (e) to the financial statements.

## Currency Profile of Borrowings



Gross Debts	30.6.2007	30.6.2006
	HK\$m	HK\$m
Consolidated gross debts	<b>39,478.0</b>	22,606.7
NWS Holdings	<b>11,685.6</b>	4,528.3
New World China Land	<b>10,417.2</b>	5,950.3
Gross debts excluding listed subsidiaries	<b>17,375.2</b>	12,128.1

Net Debts	30.6.2007	30.6.2006
	HK\$m	HK\$m
Consolidated net debts	<b>24,077.9</b>	14,963.8
NWS Holdings	<b>8,438.4</b>	1,980.6
New World China Land	<b>4,021.2</b>	3,098.4
Net debts excluding listed subsidiaries	<b>11,618.3</b>	9,884.8

# 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  
Mr. Cheng Chi-Kong, Adrian

### 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

Woo, Kwan, Lee & Lo  
Kao, Lee & Yip  
Vincent T.K. Cheung, Yap & Co  
K.C. Yung & Co  
Yung, Yu, Yuen & Company

## SHARE REGISTRARS AND TRANSFER OFFICE

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

## REGISTERED OFFICE

30/F., 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:  
New World Development Company Limited  
30/F., New World Tower,  
18 Queen's Road Central,  
Hong Kong  
Tel: (852) 2131 6790  
Fax: (852) 2810 4673  
e-mail: [newworld@nwd.com.hk](mailto:newworld@nwd.com.hk)

## WEBSITE

[www.nwd.com.hk](http://www.nwd.com.hk)

# Project Summary

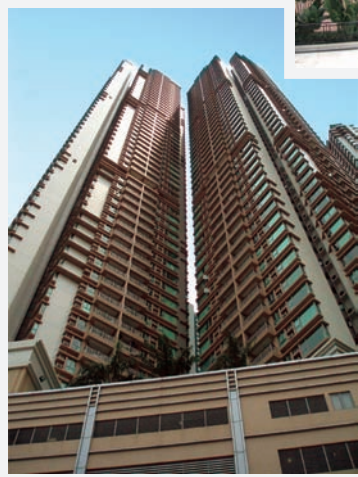
Major Property Development Projects in Hong Kong



◀ 33 Island Road



▲ Deep Bay Grove



▲ The Merton



## Name of Properties Under Development

- 1 7-10 Kwai Fong Street, Happy Valley
- 2 42-44 Belcher's Street, Western District
- 3 9-12 Chun Fai Terrace, Tai Hang
- 4 96-102 Java Road, North Point
- 5 1-15 New Eastern Terrace, North Point
- 6 55 Conduit Road, Mid-Levels
- 7 440-450 Prince Edward Road West, Kowloon City (Prince Ritz)
- 8 Hanoi Road Redevelopment Project, Tsim Sha Shui
- 9 Block A, Wylie Court, 23 Wylie Path, Homantin



◀ Parc Palais



The Grandiose ▶



Hanoi Road  
◀ Redevelopment Project

- MTR Island Line
- MTR Tsuen Wan Line
- MTR Kwun Tong Line
- MTR Tung Chung Line
- MTR Tseung Kwan O Line
- MTR Disneyland Resort Line
- MTR Airport Express
- KCR East Rail
- KCR West Rail
- KCR Ma On Shan Rail
- KCR Light Rail
- Tunnel

- 10 15-19 Luk Hop Street, San Po Kong
- 11 YLTL No. 515 in DD120, Ma Tin Road, Yuen Long
- 12 Phase 1, Lot No. 2131 in DD121, Tong Yan San Tsuen, Yuen Long
- 13 DD227 & DD229, Tai Po Tsai, Sai Kung
- 14 Phase 1, Lot No. 419 in DD127, Tai Tao Tsuen, Yuen Long
- 15 Phase 1, DD206, Wu Kai Sha, Ma On Shan
- 16 DD221, Sha Ha, Sai Kung
- 17 DD221, Sha Kok Mei, Sai Kung
- 18 DD91, 100, Fanling

- 19 DD115, Yuen Long
- 20 DD129, Yuen Long
- 21 DD221, Sai Kung
- 22 Phase 1, DD104, 107, Wing Kei Tsuen, Yuen Long
- 23 Phase 1, DD99, 101, Lin Barn Tsuen, Yuen Long
- 24 Phase 1, DD217, 219 & 222, Pak Kong, Sai Kung
- 25 Lot No. 4043 in DD120, Lung Tin Tsuen, Yuen Long
- 26 Phase 2, Lot No. 2139 in DD121, Tong Yan San Tsuen, Yuen Long
- 27 35-47 Tsing Yi Road

## Project Summary – Major Property Development Projects in Hong Kong

		Site Area (sq ft)	Total GFA (sq ft)	Group Interest (%)
<b>HONG KONG</b>				
1	7-10 Kwai Fong Street, Happy Valley	2,641	23,769	37.58
2	42-44 Belcher's Street, Western District	15,284	123,062	100.00
3	9-12 Chun Fai Terrace, Tai Hang	12,840	115,540	70.00
4	96-102 Java Road, North Point	4,555	37,662	24.85
5	1-15 New Eastern Terrace, North Point	41,480	331,524	50.00
6	55 Conduit Road, Mid-Levels	36,003	87,776	30.00
<b>KOWLOON</b>				
7	440-450 Prince Edward Road West, Kowloon City (Prince Ritz)	11,545	103,901	100.00
8	Hanoi Road Redevelopment Project, Tsim Sha Shui	89,330	1,106,600	78.75
9	Block A, Wylie Court, 23 Wylie Path, Homantin	78,050	75,783	100.00
10	15-19 Luk Hop Street, San Po Kong	23,788	285,588	100.00
<b>NEW TERRITORIES</b>				
11	YLTL No. 515 in DD120, Ma Tin Road, Yuen Long	138,780	485,736	100.00
12	Phase 1, Lot No. 2131 in DD121, Tong Yan San Tsuen, Yuen Long	262,747	262,747	100.00
13	DD227 & DD229, Tai Po Tsai, Sai Kung	719,029	1,078,543	56.00
14	Phase 1, Lot No. 419 in DD127, Tai Tao Tsuen, Yuen Long	230,000	228,991	100.00
15	Phase 1, DD206, Wu Kai Sha, Ma On Shan	1,135,064	3,025,254	35.00
16	DD221, Sha Ha, Sai Kung	510,000	960,149	83.00
17	DD221, Sha Kok Mei, Sai Kung	150,000	30,000	100.00
18	DD91, 100, Fanling	200,000	184,800	100.00
19	DD115, Yuen Long	120,000	69,300	100.00
20	DD129, Yuen Long	220,000	113,400	100.00
21	DD221, Sai Kung	138,000	111,300	83.42
22	Phase 1, DD104, 107, Wing Kei Tsuen, Yuen Long	3,000,000	270,284	100.00
23	Phase 1, DD99, 101, Lin Barn Tsuen, Yuen Long	3,540,000	702,028	62.00
24	Phase 1, DD217, 219 & 222, Pak Kong, Sai Kung	640,000	129,167	100.00
25	Lot No. 4043 in DD120, Lung Tin Tsuen, Yuen Long	190,000	950,000	100.00
26	Phase 2, Lot No. 2139 in DD121, Tong Yan San Tsuen, Yuen Long	80,000	80,000	100.00
27	35-47 Tsing Yi Road	305,190	1,525,958	93.00
<b>Total</b>		<b>11,894,326</b>	<b>12,498,862</b>	

Notes:

(1) "Others" includes hotel, office, service apartment and resort

(2) P=Planning; D=Demolition; SF=Site Formation; F=Foundation; S=Superstructure; LE=Land Exchange; SP=Site Preparation; SI=Site Investigation

Retail (sq ft)	Industrial (sq ft)	Residential (sq ft)	Others <sup>(1)</sup> (sq ft)	Total Attributable GFA (sq ft)	Stage of Completion <sup>(2)</sup>
		8,932		8,932	SI
777		122,285		123,062	F
		80,878		80,878	D
664		8,695		9,359	D
		165,762		165,762	P
		26,333		26,333	SF
15,211		88,690		103,901	S
264,734		386,687	220,027	871,448	S
		75,783		75,783	P
			285,588	285,588	P
		485,736		485,736	F
		262,747		262,747	SP
12,056		591,928		603,984	LE
		228,991		228,991	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
<b>331,116</b>	<b>1,419,141</b>	<b>6,706,590</b>	<b>505,615</b>	<b>8,962,462</b>	



# Project Summary

## Major Property Investment Projects in Hong Kong



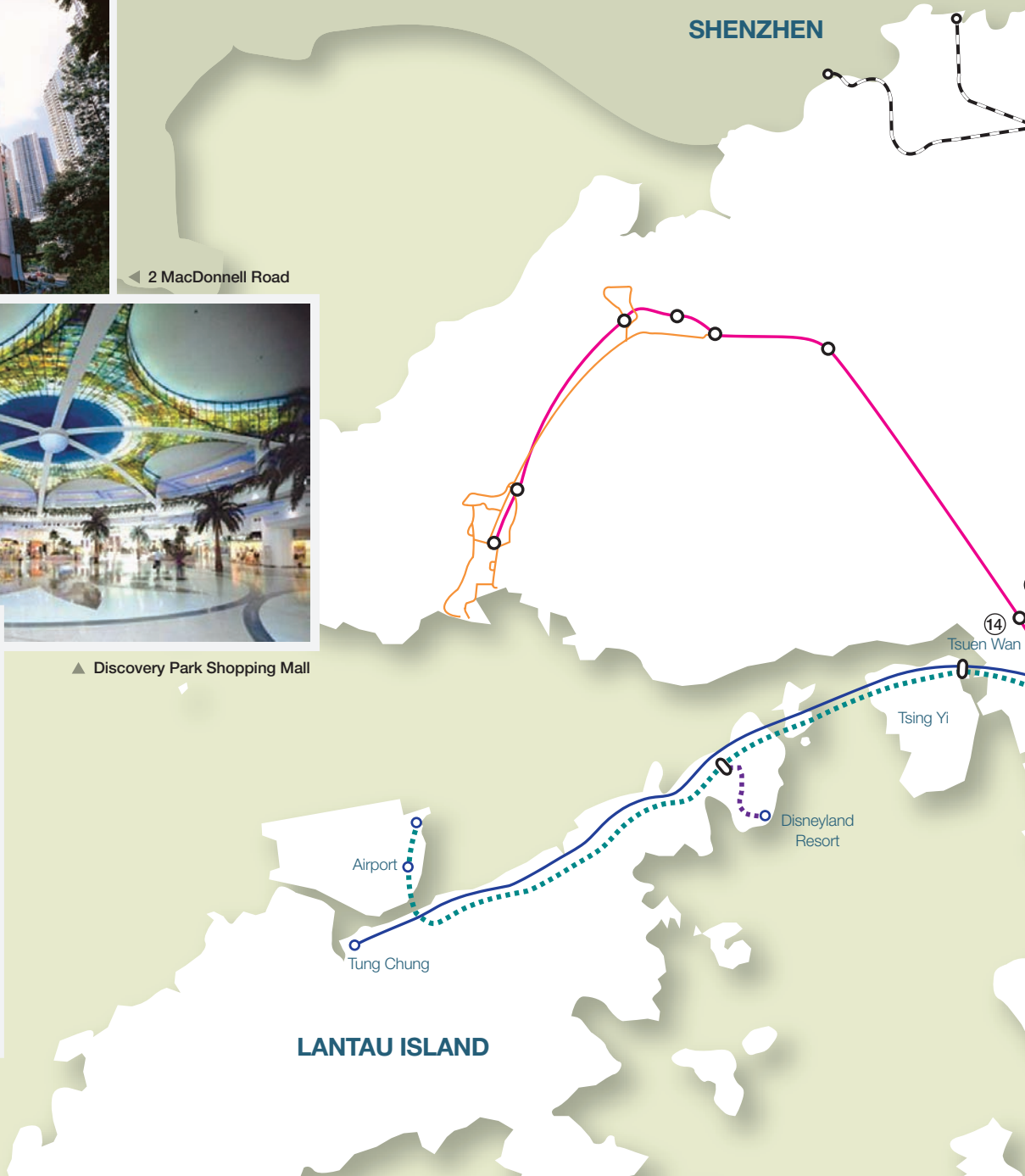
◀ 2 MacDonnell Road



▲ Discovery Park Shopping Mall

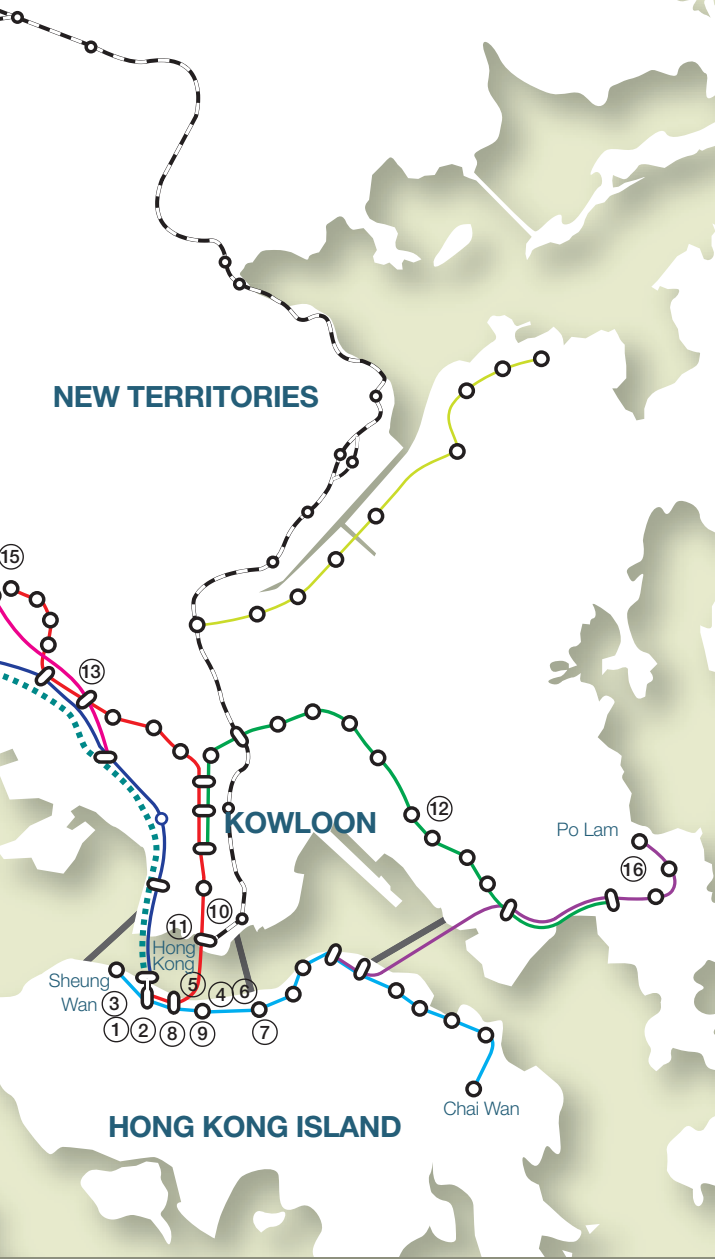


▲ New World Tower



### 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



New World Centre ▶



▲ Hong Kong Convention and Exhibition Centre



Renaissance Harbour View Hotel ▶

- MTR Island Line
- MTR Tsuen Wan Line
- MTR Kwun Tong Line
- MTR Tung Chung Line
- MTR Tseung Kwan O Line
- MTR Disneyland Resort Line
- MTR Airport Express
- KCR East Rail
- KCR West Rail
- KCR Ma On Shan Rail
- KCR Light Rail
- Tunnel

- 9 Methodist House
- 10 New World Centre
- 11 Sogo Department Store. TST
- 12 Telford Plaza
- 13 ATL Logistics Centre
- 14 Riviera Plaza Arcade
- 15 Discovery Park Shopping Mall
- 16 The Edge

## Project Summary – Major Property Investment Projects in Hong Kong

Name of Property	Total GFA (sq ft)	Group's Interest (%)	Total (sq ft)	
<b>COMPLETED</b>				
<b>HONG KONG</b>				
1	Manning House	110,040	100.0	110,040
2	New World Tower	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 <sup>(1)</sup>	116,954
9	Methodist House, Wanchai	40,813	99.0 <sup>(1)</sup>	40,405
<b>KOWLOON</b>				
10	New World Centre	2,197,307	100.0	2,197,307
11	Sogo Department Store. TST	141,439	100.0	141,439
12	Telford Plaza	335,960	100.0 <sup>(1)</sup>	335,960
<b>NEW TERRITORIES</b>				
13	ATL Logistics 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 <sup>(1)</sup>	233,200
16	The Edge	125,730	13.5 <sup>(1)</sup>	16,974
<b>Sub-total</b>		<b>11,993,543</b>		<b>7,189,317</b>
<b>TO BE COMPLETED</b>				
17	New World Centre Extension	988,340	100.0	988,340
<b>Grand total</b>		<b>12,981,883</b>		<b>8,177,657</b>

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 ATL Logistics 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 <sup>(2)</sup>		2047
242,685					324	2047
233,200					500	2047
16,974						2047
<b>2,274,917</b>	<b>1,264,050</b>	<b>1,347,385</b>	<b>539,689</b>	<b>1,763,276</b>	<b>4,516</b>	
		988,340				2052
<b>2,274,917</b>	<b>1,264,050</b>	<b>2,335,725</b>	<b>539,689</b>	<b>1,763,276</b>	<b>4,516</b>	

## Project Summary – Hotel Properties

	<b>Name of Hotel/Location</b>	<b>Number of rooms</b>	<b>Effective Interest (%)</b>
<b>EXISTING</b>			
<b>HONG KONG</b>			
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	<b>2,412</b>	
<b>CHINA</b>			
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	<b>2,968</b>	
<b>SOUTHEAST ASIA</b>			
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	<b>2,360</b>	
	<b>Total</b>	<b>7,740</b>	
<b>TO BE COMPLETED</b>			
16	The Chinese University Hotel Project	567	100.0
17	Hanoi Road Redevelopment Project	384	78.8
18	Wuhan New World Centre	324	42.8
19	Dalian New World Tower	406	71.3
	Sub-total	<b>1,681</b>	
	<b>Grand total</b>	<b>9,421</b>	

## Project Summary – Infrastructure Projects

		Gross Length	NWSH's Form of Investment	NWSH's Attributable Interest	Expected/ Actual Operation Date	JV Period (years)	Expiry Date <sup>(1)</sup>	
<b>ROADS</b>								
R1	Guangzhou City Northern Ring Road	22.0 km	CJV	65.29%	1/1994	33	2023	
R2	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)		CJV	25.00%		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%	12/2005	30	2032	
R4	Guangzhou-Zhaoqing Expressway		CJV	25.00%	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%	6/1993	30	2027	
	Roadway	21.8 km	CJV	50.00%	12/1997	26	2023	
R6	Gaoming Bridge	1.1 km	CJV	30.00%/80.00%	11/1996	25	2021	
R7	Guangzhou Dongxin Expressway	46.2 km	Equity	25.5%	mid 2008	28	2033	
					(partial operation)			
R8	Beiliu City Roadways		CJV	60.00%		25	2022	
	Phase I	18.2 km			8/1997			
	Phase II	21.6 km			5/1998			
R9	Rongxian Roadways		CJV	70.00%		25	2022	
	Phase I	9.2 km			10/1997			
	Phase II	16.8 km			5/1998			
R10	Yulin – Shinan Roadway	27.8 km	CJV	60.00%	5/1998	25	2022	
R11	Yulin Shinan – Dajiangkou Roadway		CJV	60.00%		25	2022	
	Phase I	8.7 km			8/1997			
	Phase II	30.0 km			1/1999			
R12	Roadway No. 321 (Wuzhou Section)		CJV	45.00%		25	2022	
	Phase I	8.7 km			3/1997			
	Phase II	4.3 km			12/1998			
R13	Cangwu County Roadway	10.1 km	CJV	70.00%	1/1999	25	2022	
R14	Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)	23.2 km	CJV	60.00%/90.00%	7/2000	27	2025	
R15	Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)	36.0 km	CJV	60.00%/90.00%	4/1999	27	2025	
R16	Roadway No. 309 (Changzhi Section)	22.2 km	CJV	60.00%/90.00%	7/2000	25	2023	
R17	Taiyuan – Changzhi Roadway (Changzhi Section)	18.3 km	CJV	60.00%/90.00%	8/2000	25	2023	
R18	Wuhan Airport Expressway	18.0 km	CJV	40.00%	4/1995	30	2025	
R19	Tangjin Expressway (Tianjin North Section)		CJV	90% distributable cash for the first 15 years; 60% distributable cash for the last 15 years		30		
	Section I	43.4 km			12/1998		2028	
	Section II	17.0 km			12/2000		2028	
R20	Tate's Cairn Tunnel	4.0 km	Equity	29.50%	6/1991	30	2018	
		<b>671.1 km</b>						

## Project Summary – Infrastructure Projects

		Installed Capacity/ Capacity	NWSH's Form of Investment	NWSH's Attributable Interest	Expected/ Actual Operation Date	JV Period (years)	Expiry Date <sup>(1)</sup>
<b>ENERGY</b>							
P1	Zhujiang Power Station – Phase I	600.0 MW	EJV	50.00%	1/1994	25	2017
P2	Zhujiang Power Station – Phase II	600.0 MW	EJV	25.00%	4/1996	25	2020
P3	Macau Power	472.0 MW	Equity	19.00%	11/1985	25	2010
P4	Chengdu Jintang Power Plant	600.0 MW	Equity	35.00%	6/2007	35	2040
		600.0 MW			12/2007		
					(Estimated)		
P5	Guangdong Baolihua New Energy Stock Co., Ltd.		Equity	9.45%		n/a	n/a
	Phase I	2 × 135.0 MW			9/2005		
	Phase II	2 × 300.0 MW			4/2008 & 8/2008		
					(Estimated)		
<b>3,742.0 MW</b>							
<b>WATER</b>							
W1	Macau Water Plant	330,000 m <sup>3</sup> /day	Equity	42.50%	1985	25	2010
W2	Lianjiang Water Plant	100,000 m <sup>3</sup> /day	Equity	30.00%	n/a	30	2027
W3	Zhongshan Tanzhou Water Plant		Equity	29.00%		35	2027
	Phase I	60,000 m <sup>3</sup> /day			1/1994		
	Phase II	90,000 m <sup>3</sup> /day			5/2007		
W4	Zhongshan Dafeng Water Plant		Equity	33.06%		22	2020
	Phase I	200,000 m <sup>3</sup> /day			4/1998		
	Phase II	200,000 m <sup>3</sup> /day			1/2008		
					(Estimated)		
W5	Zhongshan Quanlu Water Plant	500,000 m <sup>3</sup> /day	Equity	33.06%	4/1998	22	2020
W6	Dongguan Microfiltration Equipment Plant	n/a	Equity	25.00%	9/1995	20	2014
W7	Nanchang Water Plant		Equity	25.00%		28	2023
	Phase I	50,000 m <sup>3</sup> /day			1/1996		
	Phase II	50,000 m <sup>3</sup> /day			1/2008		
					(Estimated)		
W8	Baoding Water Plant	260,000 m <sup>3</sup> /day	Equity	27.50%	6/2000	20	2020
W9	Siping Water Plant	118,000 m <sup>3</sup> /day	Equity	25.00%	9/2000	30	2030
W10	Zhengzhou Water Plant	360,000 m <sup>3</sup> /day	Equity	25.00%	8/2001	30	2031
W11	Xinchang Water Plant	100,000 m <sup>3</sup> /day	Equity	25.00%	3/2002	30	2032
W12	Changtu Water Plant	50,000 m <sup>3</sup> /day	Equity	35.00%	12/2000	30	2029
W13	Panjin Water Plant	110,000 m <sup>3</sup> /day	Equity	30.00%	4/2002	30	2032
W14	Shanghai Spark Water Plant	100,000 m <sup>3</sup> /day	Equity	25.00%	1/2002	30	2031
W15	Shanghai SCIP Water Treatment Plants		Equity	25.00%	4/2005	50	2052
	Waste water	50,000 m <sup>3</sup> /day					
	Industrial water	200,000 m <sup>3</sup> /day					
W16	Qingdao Water Plant		Equity	25.00%		25	2027
	Phase I	543,000 m <sup>3</sup> /day			8/2002		
	Phase II	183,000 m <sup>3</sup> /day			9/2006		
W17	Chongqing Water Plant		Equity	30.00%		50	2052
	Phase I	345,000 m <sup>3</sup> /day			11/2002		
	Phase II	160,000 m <sup>3</sup> /day			7/2006		
W18	Sanya Water Plant	235,000 m <sup>3</sup> /day	Equity	25.00%	1/2004	30	2030
W19	Tanggu Water Plant	310,000 m <sup>3</sup> /day	Equity	25.00%	4/2005	35	2039
W20	Changshu Water Plant	675,000 m <sup>3</sup> /day	Equity	24.50%	12/2006	30	2036
W21	Chongqing Tangjiatuo Waste Water Plant	300,000 m <sup>3</sup> /day	Equity	25.00%	1/2007	30	2036
W22	Shanghai SCIP Waste Incineration Plant	60,000 tonnes/year	Equity	10.00%	8/2006	50	2053
W23	Far East Landfill Technologies Limited	35 million m <sup>3</sup>	Equity	47.00%	6/1995	50	2045
	Water and industrial water treatment:	<b>5,329,000 m<sup>3</sup>/day</b>					
	Waste water treatment:	<b>350,000 m<sup>3</sup>/day</b>					
	Waste management:	<b>60,000 tonnes/year</b>					
	Landfill:	<b>35 million m<sup>3</sup></b>					

		Handling Capacity	NWSH's Form of Investment	NWSH's Attributable Interest	Expected/ Actual Operation Date	JV Period (years)	Expiry Date <sup>(1)</sup>
<b>Ports</b>							
C1	Xiamen New World Xiangyu Terminals Co., Ltd.	1,000,000 TEUs p.a.	EJV	50.00%	4/1997	60	2052
C2	Tianjin Orient Container Terminals Co., Ltd.	1,400,000 TEUs p.a.	EJV	24.50%	1/1999	30	2027
C3	Tianjin Five Continents International Container Terminal Co., Ltd.	1,500,000 TEUs p.a.	EJV	18.00%	11/2005	30	2035
C4	Dalian Container Terminal Co., Ltd.	2,200,000 TEUs p.a.	EJV	4.80%	6/2002	50	2046
C5	Xiamen Xinyuan Container Terminal Co., Ltd.	23,000 TEUs p.a.	EJV	70.00%	1/1999	20	2018
C6	Xiamen New World Xiangyu Warehouse & Processing Zone Limited	n/a	WFOE	100.00%	1/1998	50	2045
C7	Wenzhou Zhuangyuan Ao New World International Terminals Company Limited Phase I	2,300,000 tonnes p.a.	EJV	55.00%	6/2008 (Estimated)	50	2056

(1) Project or JV expiry date

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	NWCL's Accounting Classification	NWCL's Attributable Interests	Total GFA (sq.m.)
<b>DEVELOPMENT PROJECTS</b>				
1	Beijing Xin Yi Garden Phase II	JCE	70%	169,460
2	Beijing Liang Guang Road Blocks 5 & 6	JCE	70%	93,822
	Beijing New View Garden Remaining Phases			42,813
	Beijing New View Commercial Centre			70,188
3	Beijing Xin Yu Commercial Centre	JCE	70%	125,655
	Beijing Xin Yu Garden			978,881
4	Beijing Xin Kang Garden Phase III	JCE	70%	6,822
5	Tianjin Xin Chun Hua Yuan Phase IV	JCE	60%	41,253
6	Tianjin Nanshi project	JCE	70%	220,540
7	Jinan Sunshine Garden Phase II	JCE	73%	158,901
	Jinan Sunshine Garden Phase III & IV			314,243
8	Jinan Springs Plaza	JCE	51%	44,226
9	Shenyang New World Garden Phase ID	Subsidiary	90%	168,551
	Shenyang New World Garden Remaining Phases			2,661,903
10	Dalian New World Tower	Subsidiary	100%	106,589
11	Shanghai Zhongshan Square Phase III	JCE	48%	142,074
12	Shanghai Hong Kong New World Garden Phase II	Subsidiary	70%	433,226
13	Wuhan Menghu Garden Remaining Phases	Subsidiary	70%	125,000
14	Wuhan Changqing Garden Phase VI	JCE	60%	169,338
	Wuhan Changqing Garden Phase VII			257,957
	Wuhan Changqing Garden Remaining Phases			1,608,164
15	Wuhan Xin Hua Garden Phase IV	JCE	60%	124,039
16	Chengdu New World Riverside Phase I	Subsidiary	30%	93,810
	Chengdu New World Riverside Remaining Phases			3,322,245
17	Changsha La Ville New World Phase I	Subsidiary	45%	317,604
	Changsha La Ville New World Remaining Phases			975,337
18	Guiyang Sunny Town Phase I	Subsidiary	50%	161,264
	Guiyang Sunny Town Remaining Phases			3,400,586
19	Nanjing New World Centre Phase II	Subsidiary	92%	41,206
20	Guangzhou Dong Yi Garden Remaining Phases	Subsidiary	100%	28,676
21	Guangzhou New World Oriental Garden Phase II	Subsidiary	100%	145,443
	Guangzhou New World Oriental Garden Phase III			93,237
22	Guangzhou Central Park-view Phase II	Subsidiary	91%	142,734
23	Guangzhou Covent Garden Phase III	JCE	60%	35,527
	Guangzhou Covent Garden Remaining Phases			1,008,095
24	Guangzhou Park Paradise Phase IID2	JCE	60%	85,075
	Guangzhou Park Paradise Phase IID3			132,001
	Guangzhou Park Paradise Remaining Phases			300,232
	Guangzhou Park Paradise Remaining Phases	Subsidiary	100%	700,284
25	Guangzhou Baiyun project	Subsidiary	100%	149,051
26	Guangzhou Xintang New World Garden Phase IV	JCE	63%	27,631
	Guangzhou Xintang New World Garden Phase V			346,976
27	Shenzhen Xilihu Development	Subsidiary	90%	27,402
28	Shenzhen New World Yi Shan Garden Phase III	Subsidiary	90%	98,631
29	Shunde New World Centre Phase III	Assoc. Co.	35%	51,907
30	Huiyang Palm Island Resort Remaining Phases	JCE	59%	206,813
31	Zhaoqing New World Garden Phase II	Assoc. Co.	40%	58,445
	Zhaoqing New World Garden Phase III			181,480
	Zhaoqing New World Garden Remaining Phases			44,600
32	Zhuhai New World Riviera Garden Phase III	Subsidiary	100%	81,827
	Zhuhai New World Riviera Garden Phase IV			138,865
33	Foshan Country Club	Subsidiary	79%	933,544
34	Huizhou Changhuyuan Phase IIB	JCE	63%	71,205
	Huizhou Changhuyuan Phase III			136,601
35	Haikou New World Garden Phase III	JCE	60%	125,589
36	Haikou Meilisha project	Subsidiary	100%	2,642,169
	Subtotal			24,369,737

Residential (sq.m.)	Commercial (sq.m.)	Office (sq.m.)	Hotel (sq.m.)	Carpark (sq.m.)	Development Status	Expected Completion Date
49,687	2,149	41,594	30,632	45,398	UNDER PLANNING	TBD
71,800	8,480			13,542	UNDER DEVELOPMENT	Jul-11
	8,661	25,492		8,660	UNDER PLANNING	TBD
	10,573	38,198		21,417	UNDER DEVELOPMENT	Feb-11
	32,000	58,941		34,714	UNDER PLANNING	TBD
578,493	145,778			254,610	UNDER PLANNING	TBD
6,822					UNDER DEVELOPMENT	Aug-07
36,453				4,800	UNDER PLANNING	TBD
160,400	18,140			42,000	UNDER PLANNING	TBD
121,877	11,834			25,190	UNDER DEVELOPMENT	Jun-08
176,299	92,158			45,786	UNDER PLANNING	TBD
	44,226				UNDER DEVELOPMENT	Jun-08
143,508	2,527			22,516	UNDER DEVELOPMENT	Dec-07
1,755,546	367,822	123,914		414,621	UNDER PLANNING	TBD
106,589					UNDER PLANNING	TBD
	16,200	97,020		28,854	UNDER DEVELOPMENT	Mar-10
327,302	25,895	52,554	27,475		UNDER PLANNING	TBD
125,000					UNDER PLANNING	TBD
143,773	6,325			19,240	UNDER DEVELOPMENT	Jun-08
233,308	2,570			22,079	UNDER DEVELOPMENT	Jul-09
1,144,562	346,887			116,715	UNDER PLANNING	TBD
105,336	4,428			14,275	UNDER DEVELOPMENT	Jun-09
93,810					UNDER DEVELOPMENT	Jun-09
2,605,488	296,757			420,000	UNDER PLANNING	TBD
270,312	13,923			33,369	UNDER DEVELOPMENT	Jun-10
774,182	66,009			135,146	UNDER PLANNING	TBD
126,481	8,283			26,500	UNDER DEVELOPMENT	Jun-08
2,734,519	235,717	60,000	35,000	335,350	UNDER PLANNING	TBD
	41,206				UNDER DEVELOPMENT	Dec-09
22,661	2,550			3,465	UNDER PLANNING	TBD
124,543	437			20,463	UNDER DEVELOPMENT	Dec-09
82,963				10,274	UNDER PLANNING	TBD
111,505	2,799			28,430	UNDER PLANNING	TBD
28,151	3,768			3,608	UNDER DEVELOPMENT	May-09
888,561	37,807			81,727	UNDER PLANNING	TBD
64,869	6,966			13,240	UNDER DEVELOPMENT	Dec-07
107,881				24,120	UNDER DEVELOPMENT	Oct-08
268,231	3,801			28,200	UNDER PLANNING	TBD
518,027	135,533			46,724	UNDER PLANNING	TBD
141,646	1,485			5,920	UNDER PLANNING	TBD
12,709	14,922				UNDER DEVELOPMENT	Dec-07
277,456				69,520	UNDER PLANNING	TBD
27,402					UNDER PLANNING	TBD
95,703				2,928	UNDER PLANNING	TBD
51,907					UNDER DEVELOPMENT	Dec-09
171,074			7,939	27,800	UNDER PLANNING	TBD
58,445					UNDER DEVELOPMENT	Dec-08
148,565	19,488			13,427	UNDER DEVELOPMENT	Dec-09
44,600					UNDER PLANNING	TBD
80,150	1,677				UNDER DEVELOPMENT	Aug-07
97,782	9,083			32,000	UNDER PLANNING	TBD
898,544	15,000		20,000		UNDER PLANNING	TBD
59,960	3,246			7,999	UNDER DEVELOPMENT	Jul-09
105,084	3,972			27,545	UNDER PLANNING	TBD
125,589					UNDER PLANNING	Sept-09
1,751,599	75,000	16,000	28,000	771,570	UNDER PLANNING	TBD
18,257,154	2,146,082	513,713	149,046	3,303,742		

## Project Summary – Major Property Projects in Mainland China

Ref	Project Name	NWCL's Accounting Classification	NWCL's Attributable Interests	Total GFA (sq.m.)
<b>INVESTMENT PROPERTIES UNDER DEVELOPMENT</b>				
10a	Dalian New World Tower	Subsidiary	100%	53,853
37	Wuhan New World Centre Phase IIA	Subsidiary	100%	20,098
	Subtotal			73,951
<b>HOTEL PROPERTIES UNDER DEVELOPMENT</b>				
10b	Dalian New World Tower	Subsidiary	100%	50,223
37a	Wuhan New World Centre Phase IIB	JCE	60%	37,432
	Subtotal			87,655
	Total (Properties under development)			24,531,343
<b>COMPLETED INVESTMENT PROPERTY PROJECTS</b>				
38	Beijing New World Centre Phase I	JCE	70%	125,330
39	Beijing New World Centre Phase II	JCE	70%	122,788
40	Beijing Zhengren Building	JCE	70%	22,551
41a	Beijing New World Garden Phase I & II	JCE	70%	36,044
41b	Beijing Xin Yang Commercial Building	JCE	70%	3,439
41c	Beijing Xin Cheng Commercial Building	JCE	70%	8,051
1b	Beijing Xin Yi Garden	JCE	70%	31,747
2a	Beijing New View Garden Phase I & II	JCE	70%	57,946
3a	Beijing Xin Yu Garden	JCE	70%	20,938
4a	Beijing Xin Kang Garden Phase II & III	JCE	70%	40,078
42	Tianjin New World Plaza	Subsidiary	100%	100,055
5a	Tianjin Xin Chun Hua Yuan Phase I	JCE	60%	17,448
43	Dalian New World Plaza Phase II	Subsidiary	88%	69,196
44	Shanghai Hong Kong New World Tower	Assoc. Co.	44%	113,847
45	Shanghai Ramada Plaza	Subsidiary	75%	20,202
45a	Shanghai Belvedere Service Apartment	Assoc. Co.	50%	55,141
46	Shenyang Courtyard Hotel Shopping Mall	Subsidiary	100%	13,976
19a	Nanjing New World Centre	Subsidiary	92%	19,601
37b	Wuhan New World Centre Phase I	Subsidiary	100%	144,006
14a	Wuhan Changqing Garden Phase I - IV	JCE	60%	49,567
15a	Wuhan Xin Hua Garden Phase I & III	JCE	60%	58,432
47	Wuhan New World Trade Tower I	Subsidiary	100%	121,828
47a	Wuhan New World Trade Tower II	Subsidiary	95%	10,005
20a	Guangzhou Dong Yi Garden Phase I - IV	Subsidiary	100%	32,109
21a	Guangzhou New World Oriental Garden Phase I	Subsidiary	100%	57,890
22a	Guangzhou Central Park-view	Subsidiary	91%	97,606
23a	Guangzhou Covent Garden	JCE	60%	11,700
24a	Guangzhou Park Paradise Phase II	JCE	60%	60,954
	Guangzhou Park Paradise Phase II	Subsidiary	100%	22,398
26a	Guangzhou Xintang New World Garden Phase III	JCE	63%	2,967
28a	Shenzhen New World Yi Shan Garden Phase IIB	Subsidiary	90%	4,937
29a	Shunde New World Centre	Assoc. Co.	35%	39,552
	Subtotal			1,592,329
<b>COMPLETED HOTEL PROPERTY PROJECTS</b>				
48	Courtyard by Marriott Beijing	JCE	55%	23,988
49	New World Hotel, Shenyang	Subsidiary	100%	34,535
50	New World Mayfair Hotel Shanghai	Subsidiary	75%	60,054
51	Courtyard by Marriott Shunde	Assoc. Co.	33%	36,524
	Subtotal			155,101
	Total (Completed investment and hotel properties)			1,747,430

Residential (sq.m.)	Commercial (sq.m.)	Office (sq.m.)	Hotel (sq.m.)	Carpark (sq.m.)	Development Status	Expected Completion Date
	27,480 12,516			26,373 7,582	UNDER DEVELOPMENT UNDER DEVELOPMENT	Oct-08 Jun-09
-	39,996	-	-	33,955		
			50,223 37,432		UNDER DEVELOPMENT UNDER DEVELOPMENT	Oct-08 Jun-08
-	-	-	87,655	-		
18,257,154	2,186,078	513,713	236,701	3,337,697		
4,028 45,607	74,232 47,345	24,451 2,557 6,136		22,619 27,279 16,415 36,044 3,439 8,051 31,747 52,278 20,938 28,158 10,184		
	5,668					
	11,920 80,439 17,448 49,413 17,528 12,772 9,579 13,976	9,432		19,783 14,362 7,430 5,918		
39,644		81,957				
	46,113 36,206 36,069	64,360 10,047		19,601 33,533 3,314 22,363 17,272		
	10,113 22,198 17,408	104,556 10,005		21,996 35,692 50,330 11,700 50,812 1,048		
29,868	10,142					
21,350	2,967 3,099 23,603			1,838 15,949		
140,497	548,238	313,501	-	590,093		
			23,988 34,535 60,054 36,524			
-	-	-	155,101	-		
140,497	548,238	313,501	155,101	590,093		

# Directors' Profile



## **DATO' DR. CHENG YU-TUNG**

*DPMS, LLD(Hon), DBA(Hon), DSSc(Hon) (Aged 82)*

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, the father of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter, and the grandfather of Mr. Cheng Chi-Kong, Adrian.



## **DR. CHENG KAR-SHUN, HENRY**

*BA, MBA, DBA(Hon), LLD(Hon), GBS (Aged 60)*

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, New World Department Store China Limited, Taifook Securities Group 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, the father of Mr. Cheng Chi-Kong, Adrian, the brother of Mr. Cheng Kar-Shing, Peter and the nephew of Mr. Cheng Yue-Pui.



### **LORD SANDBERG, MICHAEL**

*CBE (Aged 80)*

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 Properties Holdings Limited.



### **DR. SIN WAI-KIN, DAVID**

*DSSc(Hon) (Aged 78)*

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 and Investment Company, Limited, and Independent Non-executive Director of Hang Seng Bank Limited.



### **MR. CHENG YUE-PUI**

*(Aged 79)*

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, the uncle of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter, and the granduncle of Mr. Cheng Chi-Kong, Adrian.



### **MR. LIANG CHONG-HOU, DAVID**

*(Aged 62)*

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

# Directors' Profile



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

*(Aged 50)*

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



## **DR. CHA MOU-SING, PAYSON**

*JP DSSc(Hon) (Aged 65)*

Appointed as Director in April 1989. Chairman of HKR International Limited and Non-executive Chairman of Hanison Construction Holdings Limited. He is also an Independent Non-executive Director of Eagle Asset Management (CP) Limited — Manager of Champion Reit, the Executive Chairman of Asia Television Limited and an Independent Non-executive Director of Hong Kong International Theme Parks Limited. Dr. Cha is a Member of The National Committee of the Chinese People's Political and Consultative Conference.



## **MR. CHENG KAR-SHING, PETER**

*(Aged 55)*

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. Independent Non-executive Director of King Fook Holdings Limited and Symphony Holdings Limited. Mr. Cheng is the son of Dr. Cheng Yu-Tung, the brother of Dr. Cheng Kar-Shun, Henry, the uncle of Mr. Cheng Chi-Kong, Adrian and the nephew of Mr. Cheng Yue-Pui.



## **MR. LEUNG CHI-KIN, STEWART**

*(Aged 68)*

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 Hotels (Holdings) 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 65)*

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 57)*

Appointed as Alternate Director in September 2000. Mr. Cha is the Deputy Chairman and 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 a Member of the Chinese People's Political Consultative Committee of Zhejiang Province and a Council Member of The Hong Kong Polytechnic University.



### **MR. HO HAU-HAY, HAMILTON**

*(Aged 56)*

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 Non-executive Director of King Fook Holdings Limited and Dah Chong Hong Holdings Limited, and an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company Limited.



### **MR. LEE LUEN-WAI, JOHN**

*JP (Aged 58)*

Appointed as Independent Non-executive Director in August 2004. Managing Director of Lippo Limited and a Director of Lippo China Resources Limited and Hongkong Chinese 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, Solicitors Disciplinary Tribunal Panel and Non-local Higher and Professional Education Appeal Board. Mr. Lee is also the Chairman of Queen Elizabeth Hospital Governing Committee.



# Directors' Profile



## **MR. LIANG CHEUNG-BIU, THOMAS**

*(Aged 60)*

Appointed as Non-executive Director in August 2004. Non-executive Director of Miramar Hotel and Investment Company, Limited and 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.



## **MR. CHENG CHI-KONG, ADRIAN**

*(Aged 27)*

Appointed as an Executive Director in March 2007. Executive Director of New World China Land Limited and New World Department Store China Limited. Director of Centennial Success Limited and Chow Tai Fook Enterprises Limited. Mr. Cheng has worked in a major international bank prior to joining the New World group in September 2006 and has substantial experience in financial management. Mr. Cheng holds a Bachelor Degree from Harvard University. He is the grandson of Dr. Cheng Yu-Tung, the son of Dr. Cheng Kar-Shun, Henry, the grandnephew of Mr. Cheng Yue-Pui, and the nephew of Mr. Cheng Kar-Shing, Peter.

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# Report of the Directors

The Directors present their annual report and financial statements for the year ended 30 June 2007.

## GROUP ACTIVITIES

The principal activities of the Company remain investment holding and property investment. The principal activities of the principal subsidiaries, jointly controlled entities and associated companies are shown in Notes 48, 49 and 50 to the financial statements on pages 172 to 184.

## RESULTS AND APPROPRIATION

The results of the Group for the year ended 30 June 2007 are set out in the consolidated income statement on page 98 of this annual report.

The Directors have resolved to recommend a final dividend for the year ended 30 June 2007 of HK\$0.25 per share (2006: 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\$0.24 per share with a cash option to shareholders registered on 27 November 2007. Together with the interim dividend of HK\$0.15 per share paid in July 2007, total distribution for the year ended 30 June 2007 would thus be HK\$0.40 per share (2006: HK\$0.33 per share).

## SHARE CAPITAL

Details of movements in share capital during the year are set out in Note 37 to the financial statements.

## RESERVES

Details of movements in reserves are set out in Note 38 to the financial statements. Distributable reserves of the Company at 30 June 2007 amounted to HK\$11,225.8 million (2006: HK\$11,837.1 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 185 and 186.

## 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\$50.6 million (2006: HK\$12.5 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 75.

## 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 96.

## 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

Mr. Cheng Chi-Kong, Adrian (appointed on 16 March 2007)

### 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 94 of the Company's Articles of Association, Mr. Cheng Chi-Kong, Adrian retires and, being eligible, offer himself for re-election.

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Cheng Yue-Pui, Mr. Chow Kwai-Cheung, Mr. Ho Hau-Hay, Hamilton, Mr. Liang Cheung-Biu, Thomas and Mr. Lee Luen-Wai, John 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, Mr. Yeung Ping-Leung, Howard and Mr. Lee Luen-Wai, John. 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

- (a) 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\$11.8 million (approximately HK\$92.1 million) for the year ended 30 June 2007 (2006: US\$11.0 million (approximately HK\$85.8 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)*

- (b) On 14 February 2007, the Company entered into an agreement with Lightsource Holdings Limited ("Lightsource"), a company wholly-owned by Dr. Cheng Kar-Shun, Henry, regarding the disposal of the entire equity interests held by the Company in Surely Limited ("Surely") to Lightsource at a total consideration of approximately HK\$121.0 million. The sole asset of Surely was 1,110 shares in Mega Choice Holdings Limited ("Mega Choice") representing approximately 10.4% of the issued share capital of Mega Choice. As at the date of the said agreement, Dr. Cheng Kar-Shun, Henry, through a wholly-owned company, has approximately 24.3% interest in Mega Choice.

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 2007, 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 76 to 95.

## 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 Limited ("Lifestyle") group of companies	Department stores operations and property investment	Director

## 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	
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 and Investment Company, Limited ("Miramar") group of companies	Property investment and hotel operation	Director
Mr. Cheng Chi-Kong, Adrian	Grandhope Properties Limited	Property investment	Director and shareholder
	Cheung Hung Development (Holdings) Limited	Property investment and development	Director
Mr. Cheng Yue-Pui	CTF group of companies	Property investment and development and transport	Director
	Melbourne group of companies	Property investment	Director
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 Limited	Property investment	Director and shareholder
	Global Agents Ltd.	Investment holding	Director and shareholder

# 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. 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-Biu, 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 development and hotel operation	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.

## SHARE OPTION SCHEMES

Share option schemes of the Group are set out on pages 78 to 95.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2007, 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") <sup>(1)</sup>	—	1,348,865,983	1,348,865,983	36.53
Centennial Success Limited ("Centennial") <sup>(2)</sup>	—	1,348,865,983	1,348,865,983	36.53
Chow Tai Fook Enterprises Limited ("CTF") <sup>(3)</sup>	1,215,127,469	133,738,514	1,348,865,983	36.53

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 2007.

## OTHER PERSONS' INTERESTS IN SECURITIES

As at 30 June 2007, 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	5.64
Morgan Stanley	Interest of controlled corporations	216,874,161 <sup>(a)</sup>	—	254,209,884 <sup>(a)+(b)</sup>	6.89
	Interests held jointly with another person	—	37,335,723 <sup>(b)</sup>		

### Short 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
Morgan Stanley	Interest of controlled corporations	59,627,876	—	59,627,876	1.61

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 2007.



# Report of the Directors

## SUFFICIENCY OF PUBLIC FLOAT

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25.0% of the Company's total number of issued shares.

## 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 22 November 2006, the Company agreed to acquire from its 56.6% owned listed subsidiary company, New World Mobile Holdings Limited ("NWMH"), the entire issued share capital of Upper Start Holdings Limited ("Upper Start"), a wholly-owned subsidiary company of NWMH, for HK\$2,500.0 million. The sole asset of Upper Start is its 23.6% interest in CSL New World Mobility Limited which is a major mobile telecommunications network operator providing mobile wireless services.

On the same date, the Company agreed to sell to Moral Glory International Limited ("Moral Glory"), a company wholly-owned by a director of NWMH, the 55,336,666 shares (the "Sell Shares") in NWMH owned by the Group, represents approximately 56.6% interest in NWMH at HK\$0.65 per share. The consideration for the Sell Shares is approximately HK\$36.0 million.

The completion of the sale and purchase of Upper Start and the Sell Shares took place on 4 January 2007. The Group ceases to have any interest in NWMH from that date.

- (b) On 26 April 2007, NWS Financial Management Services Limited, a wholly-owned subsidiary of NWS Holdings Limited ("NWSH"), as purchaser entered into a share purchase agreement with Chow Tai Fook Nominee Limited, CTF, Lo Lin Shing, Simon, Wellington Equities Inc., Grand Partners Group Limited and William Junior Guilherme Doo (collectively, the "Vendors") regarding the purchase from the Vendors of 246,986,763 shares of HK\$0.1 each in Taifook Securities Group Limited ("Taifook") for a purchase price of HK\$2.43 per share subject to the terms and conditions contained therein. The transaction was completed on 8 June 2007. As at 30 June 2007, NWSH owned approximately 61.3% of the issued share capital of Taifook.
- (c) On 12 July 2007, the spin-off of the Company's department store operations and management business in Mainland China was completed and the shares of New World Department Store China Limited ("NWDS") were listed on the Main Board of The Stock Exchange of Hong Kong Limited. Following the spin-off, the Group's shareholding in NWDS decreased from 100.0% to approximately 72.3%.

## 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, 11 October 2007

## 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 the date of this report, 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 Mainland China income tax (“IT”) and land appreciation tax (“LAT”) in Mainland China 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\$6,934.4 million (2006: HK\$6,782.8 million). During the year, tax indemnity amounted to HK\$188.4 million (2006: HK\$34.8 million) was effected.

- (3) On 20 May 2004, Merryhill Group Limited (now known as NWS Transport Services Limited, “NWST”) and NWS Holdings Limited (“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.

Due to the expiry of the NWST Master Services Agreement, NWST and NWSH entered into a new master services agreement (the “New NWST Master Services Agreement”) on 18 May 2007 for a further term of three years in respect of the provision of certain operational services and rental or licensing of spare spaces. The New NWST Master Services Agreement and all the transactions contemplated thereunder also 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 agreements amounted to HK\$29.9 million and the total amount of annual cap for the NWST Master Services Agreement amounted to HK\$92.7 million.

- (4) 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 Sogo Department Store, TST (formerly 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 and/or business carried on 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 and/or business carried on in from and/or upon the Premises

# Report of the Directors

## CONNECTED TRANSACTIONS *(continued)*

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 year ended 30 June 2007 under the Lease Agreement amounted to HK\$36.2 million which is within the annual cap of HK\$75.0 million.

- (5) On 14 February 2007, the Company as seller entered into an agreement (the "Agreement") to dispose of one share of HK\$1.0 in Surely Limited ("Surely"), representing the entire issued share capital of Surely, and all amounts, including principal or interest, owing by Surely to the Company as at the date of completion, at a total consideration of approximately HK\$121.0 million with Lightsource Holdings Limited ("Lightsource"). The sole asset of Surely is 1,110 shares in Mega Choice Holdings Limited ("Mega Choice") representing approximately 10.35% of the issued share capital in Mega Choice. Mega Choice is the beneficial owner of the property known as Rural Building Lot No. 1106 (known as 6-10 Black's Link).

As Lightsource is wholly-owned by Dr. Cheng Kar-Shun, Henry, the Managing Director of the Company, who is a connected person of the Company, the entering into of the Agreement constituted a connected transaction for the Company under the Listing Rules. The transaction was completed on 14 March 2007.

- (6) On 23 April 2007, Starluxe Enterprises Limited ("Starluxe Enterprises"), an indirect wholly-owned subsidiary of NWCL entered into a joint venture contract ("JV Contract") with 海南中泓投資有限公司 (Hainan Zhonghong Investments Company Limited) ("Hainan Zhonghong") relating to the formation of a joint venture company, to be owned as to 70.0% and 30.0% by Starluxe Enterprises and Hainan Zhonghong respectively, with total investment of RMB333.3 million and registered capital of RMB166.7 million. On 19 July 2007, the joint venture company was incorporated under the name of 新世界中國地產有限公司 (New World Zhong Hong Property Co., Ltd.).

The joint venture company will serve as a vehicle for NWCL to engage in the land improvement and development works, and seek for probable acquisition of land use rights, in respect of a parcel of land located in Yuhua District, Changsha City, Hunan Province, the PRC with an area of approximately 280 mu (equivalent to approximately 186,666 square metres.)

As at the date of the JV Contract, Hainan Zhonghong was a connected person of the Company by virtue of its being a substantial shareholder of certain subsidiaries of NWCL. Accordingly, the entering into of the JV Contract constituted a connected transaction for the Company under the Listing Rules.

- (7) On 26 April 2007, NWS Financial Management Services Limited, a wholly-owned subsidiary of NWSH entered into a share purchase agreement (the "Share Purchase Agreement") with Chow Tai Fook Nominee Limited, CTF, Lo Lin Shing, Simon, Wellington Equities Inc., Grand Partners Group Limited and William Junior Guilherme Doo (collectively, the "Vendors") regarding the purchase of 246,986,763 shares of HK\$0.1 each, representing about 41.0% of the then issued share capital of Taifook Securities Group Limited ("Taifook") for a purchase price of HK\$2.43 per share (the aggregate purchase price being HK\$600.2 million) subject to the terms and conditions contained therein.

As the Vendors were regarded as connected persons of the Company, the entering into of the Share Purchase Agreement constituted a connected transaction for the Company under the Listing Rules. Upon completion of the transaction on 8 June 2007, Taifook and its subsidiaries became subsidiaries of both NWSH and the Company.

- (8) On 4 July 2007, New World Development (China) Limited ("NWDC"), a wholly-owned subsidiary of NWCL, entered into a capital contribution agreement (the "Capital Contribution Agreement") with Grand Partners Group Limited ("Grand Partners") and Stanley Enterprises Limited ("Stanley") in respect of the increase in registered capital of Shanghai Trio Property Development Co., Ltd. ("Shanghai Trio") from US\$54.0 million to US\$81.0 million.

Shanghai Trio is a company in which NWDC, Grand Partners and Stanley have 47.5%, 50.0% and 2.5% beneficial interest respectively. Pursuant to the Capital Contribution Agreement, NWDC, Grand Partners and Stanley agreed to make the capital contribution to Shanghai Trio in proportion to their respective interests in Shanghai Trio.

## CONNECTED TRANSACTIONS *(continued)*

The capital raised by Shanghai Trio will be utilised to finance the construction of Phase III of Shanghai Zhongshan Square located in Hongqiao Development Zone, Shanghai, the PRC.

Owing to the fact that Grand Partners, Stanley and Shanghai Trio are the associates of Mr. Doo who is a connected person of the Company, the transaction contemplated under the Capital Contribution Agreement constituted a connected transaction for the Company under the Listing Rules.

- (9) On 28 August 2007, NWHH, a 64%-owned subsidiary of the Company, had made a conditional irrevocable offer (the "Offer") to Lee Hing Development Limited ("Lee Hing") whereby NWHH would procure Keep Silver Investments Limited ("Keep Silver"), a wholly-owned subsidiary of NWHH, to sell to Lee Hing 54,500,000 shares ("Repurchase Shares") of Lee Hing at the consideration of HK\$163.5 million which shall be satisfied by Lee Hing by way of:
- (a) transferring and/or assigning one share in Ichiban Properties Limited ("Ichiban"), representing 50.0% of the total issued share capital of Ichiban and the sum of HK\$136.5 million owing by Ichiban to Lee Hing as at the date of the Offer; and
  - (b) procuring the transfer and/or assignment of 20 shares in Higrade Properties Limited ("Higrade"), representing 20.0% of the total issued share capital of Higrade and the sum of HK\$31.1 million owing by Higrade to Diamond Way Inc. ("Diamond Way"), a wholly-owned subsidiary of Lee Hing as at the date of the Offer, to Keep Silver and/or its nominee.

The Offer will lapse upon the earliest of (a) non-fulfilment of any of the conditions mentioned in the Offer (save to the extent of any time extension given by NWHH); or (b) the delivery by Lee Hing to NWHH of evidence of fulfillment of the conditions mentioned in the Offer and the entering into of an agreement by Lee Hing, Keep Silver and NWHH for the sale and purchase of the Repurchase Shares, by 6:00 pm on 27 November 2007 or some later time and/or date as NWHH shall in its sole discretion determine and notify to Lee Hing in writing. As at the date of this report, only one of the conditions mentioned in the Offer has been fulfilled.

Diamond Way is a substantial shareholder of Higrade which is a non-wholly owned subsidiary of the Company. Accordingly, the disposal of the Repurchase Shares by Keep Silver to Lee Hing would constitute a connected transaction for the Company under the Listing Rules.

The continuing connected transactions mentioned in paragraphs (3) and (4) 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.

In accordance with Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain agreed-upon procedures on the continuing connected transactions stated in paragraphs (3) and (4) above in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported to the Board of Directors of the Company that the transactions:

- (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 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 2007, 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		
<b>New World Development Company Limited</b>					
(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	32,974	—	—	32,974	0.00
Mr. Chow Kwai-Cheung	44,527	—	—	44,527	0.00
Mr. Ho Hau-Hay, Hamilton	—	—	439,177 <sup>(1)</sup>	439,177	0.01
Mr. Liang Cheung-Biu, Thomas	5,215	—	—	5,215	0.00
<b>Dragon Fortune Limited</b>					
(Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	—	15,869 <sup>(2)</sup>	15,869	27.41
<b>HH Holdings Corporation</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Sin Wai-Kin, David	42,000	—	—	42,000	7.00
<b>Master Services Limited</b>					
(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
<b>Mega Choice Holdings Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	—	—	3,710 <sup>(3)</sup>	3,710	34.61
<b>New World China Land Limited</b>					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-Shun, Henry	12,500,000	—	52,271,200 <sup>(4)</sup>	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
<b>NWS Holdings Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	9,179,199	587,000	8,000,000 <sup>(4)</sup>	17,766,199	0.88
Dr. Sin Wai-Kin, David	3,281	31	16,995,745 <sup>(5)</sup>	16,999,057	0.84
Mr. Cheng Kar-Shing, Peter	184,351	—	2,721,381 <sup>(6)</sup>	2,905,732	0.14
Mr. Liang Chong-Hou, David	164	—	—	164	0.00
Mr. Leung Chi-Kin, Stewart	3,398,161	—	—	3,398,161	0.17
Mr. Chow Kwai-Cheung	207,000	—	—	207,000	0.01
<b>Sun City Holdings Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	80,000	3,570,000 <sup>(7)</sup>	3,650,000	45.63

## 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		
<b>Sun Legend Investments Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	—	500 <sup>(8)</sup>	500	50.00
<b>YE Holdings Corporation</b>					
(Ordinary shares of HK\$1.00 each)					
Mr. Leung Chi-Kin, Stewart	37,500	—	—	37,500	1.50

*Notes:*

- (1) *These shares are 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 companies which are wholly-owned by Dr. Cheng Kar-Shun, Henry.*
- (4) *These shares are beneficially-owned by a company which is wholly-owned by Dr. Cheng Kar-Shun, Henry.*
- (5) *These shares are beneficially-owned by a company which is jointly-owned by Dr. Sin Wai-Kin, David and his spouse.*
- (6) *These shares are beneficially-owned by a company which is wholly-owned by Mr. Cheng Kar-Shing, Peter.*
- (7) *These shares are held by a company of which Mr. Cheng Kar-Shing, Peter has an indirect interest of 49.58%.*
- (8) *Mr. Cheng Kar-Shing, Peter is deemed to be interested in the shares of Sun Legend Investments Limited by virtue of his interests in Sun City.*

### (B) Long position in underlying shares — share options

During the year ended 30 June 2007, certain Directors of the Company have interest in share options to subscribe for shares in the Company and certain of its subsidiaries. Details of such interests and summaries of share option schemes of the Company and its subsidiaries are shown below.

# Report of the Directors

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Share Option Scheme of the Company

On 24 November 2006, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in the Company.

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

#### The Scheme

Purpose of the scheme

To reward directors and employees of the Group for past service or performance, to provide incentive, motivation or reward to eligible participants for increasing performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for or make contribution to the Group, to foster a sense of corporate identity and to allow the eligible participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.

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 the Company or any invested entity of the Group (the "Invested Entity");
- (iii) Any person seconded or nominated by the Group to represent the Group's interest in any of the Invested Entity or any other company or organisation;
- (iv) any supplier of goods or services to any member of the Group or any Invested Entity;
- (v) any customer of any member of the Group or any Invested Entity;
- (vi) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

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

The Company had granted 136,450,000 shares of the Company under the Scheme up to the date of this report.

The total number of shares available for issue under the Scheme is 229,938,464 representing approximately 6.19% of the Company's issued share capital as at the date of this report.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Share Option Scheme of the Company *(continued)*

#### The Scheme

Maximum entitlement of each participant under the scheme

Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the share capital of the Company in issue.

The period within which the shares must be taken up under an option

A period to be specified by the Directors and not to exceed 10 years from the date of grant of options.

The minimum period for which an option must be held before it can be exercised

Any period as determined by the Directors.

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

HK\$10.0 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 the Directors which must be at least the higher of (i) the closing price of the shares on The Stock Exchange of Hong Kong Limited ("HKEx") as stated in the HKEx's daily quotations sheets on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the HKEx's daily quotation sheets for the five business days immediately preceding the date of grant.

The remaining life of the scheme

The Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 24 November 2006.



# Report of the Directors

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Share Option Scheme of the Company *(continued)*

#### Share options granted to Directors

Name	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30 June 2007	Exercise price per share HK\$
			Balance as at 1 July 2006	Granted during the year	Exercised during the year	Lapsed during the year		
Dato Dr. Cheng Yu-Tung	19 March 2007	(1)	—	36,500,000	—	—	36,500,000	17.756
Dr. Cheng Kar-Shun, Henry	19 March 2007	(1)	—	36,500,000	—	—	36,500,000	17.756
Lord Michael Sandberg	19 March 2007	(1)	—	300,000	—	—	300,000	17.756
Dr. Sin Wai-Kin, David	19 March 2007	(1)	—	300,000	—	—	300,000	17.756
Mr. Cheng Yue-Pui	19 March 2007	(1)	—	200,000	—	—	200,000	17.756
Mr. Liang Chong-Hou, David	19 March 2007	(1)	—	300,000	—	—	300,000	17.756
Mr. Yeung Ping-Leung, Howard	19 March 2007	(1)	—	300,000	—	—	300,000	17.756
Dr. Cha Mou-Sing, Payson	19 March 2007	(1)	—	300,000	—	—	300,000	17.756
Mr. Cheng Kar-Shing, Peter	19 March 2007	(1)	—	200,000	—	—	200,000	17.756
		(2)	—	1,200,000	—	—	1,200,000	17.756
Mr. Leung Chi-Kin, Stewart	19 March 2007	(1)	—	36,500,000	—	—	36,500,000	17.756
Mr. Chow Kwai-Cheung	19 March 2007	(1)	—	200,000	—	—	200,000	17.756
		(2)	—	1,200,000	—	—	1,200,000	17.756
Mr. Ho Hau-Hay, Hamilton	19 March 2007	(1)	—	200,000	—	—	200,000	17.756
Mr. Lee Luen-Wai, John	19 March 2007	(1)	—	300,000	—	—	300,000	17.756
Mr. Liang Cheung-Biu, Thomas	19 March 2007	(1)	—	200,000	—	—	200,000	17.756
Mr. Cheng Chi-Kong, Adrian	19 March 2007	(2)	—	500,000	—	—	500,000	17.756
			—	115,200,000	—	—	115,200,000	

#### Notes:

(1) From 19 March 2007 to 18 March 2012.

(2) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.

(3) The closing price per share immediately before 19 March 2007, the date of grant, was HK\$16.9.

(4) The cash consideration paid by each Director for each grant of the share options is HK\$10.0.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Share Option Scheme of the Company *(continued)* Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options					Balance as at 30 June 2007	Exercise price per share HK\$
		Balance as at 1 July 2006	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed during the year		
19 March 2007	(1)	—	21,250,000 <sup>(2)</sup>	(230,000) <sup>(3)</sup>	—	—	21,020,000	17.756
		—	21,250,000	(230,000)	—	—	21,020,000	

Notes:

- (1) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.
- (2) The closing price per share immediately before 19 March 2007, the date of grant, was HK\$16.9.
- (3) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$19.56.
- (4) The cash consideration paid by each participant for each grant of the share options is HK\$10.0.

The fair value of the share options granted during the year with exercise price per share of HK\$17.756 is estimated at HK\$6.0378, using the Binomial pricing model. Values are appraised based on the risk-free rate of 4.098% per annum with reference to the rate prevailing on the Hong Kong government bond, a five-year period historical volatility of 41.16%, assuming a dividend yield of 1.81% per annum and an expected option life of five years.

The Binomial pricing model requires 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 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:

	<b>2000 Share Option Scheme</b>	<b>2002 Share Option Scheme</b>
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 18,976,400 shares of NWCL under the 2002 Share Option Scheme up to the date of this report, together with share options representing 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 88,116,529 shares of NWCL, representing approximately 2.30% 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.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Share Option Schemes of NWCL *(continued)*

	2000 Share Option Scheme	2002 Share Option Scheme
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 five years commencing on the expiry of one month after the date on which the option is accepted and expiring on the last day of the five-year period.	At any time during a period to be notified by NWCL's directors, which period not to exceed five years commencing on the expiry of one month after the date on which the option is accepted and expiring on a date not later than the last day of the five-year period.
The minimum period for which an option must be held before it can be exercised	one month	one 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 as stated in the HKEx's daily quotations sheets for the five 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 five 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

Name	Date of grant	Exercisable period	Number of share options			Balance as at 30 June 2007	Exercise price per share HK\$
			Balance as at 1 July 2006	Granted during the year	Exercised during the year		
Mr. Cheng Chi-Kong, Adrian	25 July 2006	26 August 2006 to 25 August 2011	—	552,400	—	552,400	2.865
			—	552,400	—	552,400	

*Notes:*

(1) *The share options are exercisable within 5 years commencing from one month after the date of 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.*

(2) *The closing price per share immediately before 25 July 2006, the date of grant, was HK\$2.84.*

(3) *The cash consideration paid by Mr. Cheng Chi-Kong, Adrian for the grant of the share options is HK\$10.0.*

#### Share options granted to employees

##### 2000 Share Option Scheme

Date of grant	Number of share options <sup>(1)</sup>			Balance as at 30 June 2007	Exercise price per share HK\$
	Balance as at 1 July 2006	Exercised during the year <sup>(4)</sup>	Lapsed during the year		
29 June 2001 to 26 July 2001	1,277,000	(888,000)	(389,000)	—	2.910
31 August 2001 to 27 September 2001	41,000	(41,000)	—	—	2.170
26 March 2002 to 22 April 2002	334,000	(333,800)	(200)	—	2.065
	1,652,000	(1,262,800)	(389,200)	—	

## 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 <sup>(1)</sup>				Balance as at 30 June 2007	Exercise price per share HK\$
	Balance as at 1 July 2006	Granted during the year <sup>(3)</sup>	Exercised during the year <sup>(5)</sup>	Lapsed during the year		
3 January 2003 to 30 January 2003	730,200	—	(501,200)	(104,800)	124,200	1.212
12 May 2003 to 6 June 2003	1,996,900	—	(532,200)	(113,400)	1,351,300	0.912
28 October 2003 to 22 November 2003	69,000	—	—	—	69,000	1.650
25 March 2004 to 21 April 2004	1,539,200	—	(378,200)	—	1,161,000	2.252
18 June 2004 to 15 July 2004	314,400	—	(104,800)	—	209,600	1.650
4 November 2004 to 1 December 2004	256,800	—	(85,600)	—	171,200	2.484
22 December 2004 to 18 January 2005	797,600	—	(284,000)	(414,200)	99,400	2.689
13 July 2005 to 9 August 2005	788,000	—	(231,600)	(107,600)	448,800	2.300
13 July 2005 to 9 August 2005	1,050,000 <sup>(2)</sup>	—	(350,000)	—	700,000	2.300
7 November 2005 to 2 December 2005	39,200	—	(9,600)	—	29,600	2.620
28 March 2006 to 24 April 2006	3,384,000	—	(498,800)	—	2,885,200	3.915
28 June 2006 to 26 July 2006	—	190,800	(37,600)	—	153,200	2.865
17 October 2006 to 13 November 2006	—	1,134,800	(117,800)	(486,600)	530,400	3.340
28 December 2006 to 24 January 2007	—	1,251,200	(187,600)	—	1,063,600	4.712
19 March 2007 to 13 April 2007	—	744,800	—	—	744,800	4.500
14 June 2007 to 11 July 2007	—	1,408,400	—	—	1,408,400	6.710
	10,965,300	4,730,000	(3,319,000)	(1,226,600)	11,149,700	

# 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)*

Notes:

- (1) *The share options are exercisable within 5 years commencing from one month after the dates of 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, except otherwise specified in Note 2.*
- (2) *The share options are exercisable within 2 years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each year is 50.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary year.*
- (3) *The closing price per share immediately before 28 June 2006, 17 October 2006, 28 December 2006, 19 March 2007 and 14 June 2007, the dates of offer to grant, was HK\$2.850, HK\$3.320, HK\$4.740, HK\$4.390 and HK\$6.680, 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\$3.517.*
- (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\$5.379.*
- (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\$2.865, HK\$3.340, HK\$4.712, HK\$4.500 and HK\$6.710 are estimated at HK\$1.07, HK\$1.22, HK\$1.60, HK\$1.57 and HK\$2.41 respectively using the Binomial pricing model. Values are estimated based on the risk-free rate ranging from 3.68% to 4.78% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility ranging from 0.43 to 0.47, assuming dividend yield ranging from 0% to 1.33% and an expected option life of 5 years.

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

## 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 amended on 12 March 2003 and 24 November 2006. Under the 2001 Share Option Scheme, the directors of NWSH may at their discretion grant options to any eligible participant as defined in the scheme to subscribe for ordinary shares in NWSH.

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

#### 2001 Share Option Scheme

Purpose of the 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 increasing 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	<p>Eligible participant may be a person or an entity belonging to any of the following classes:</p> <ul style="list-style-type: none"><li>(i) any eligible employee;</li><li>(ii) any non-executive director (including independent non-executive director) of NWSH Group or any invested entity of NWSH Group (the "Invested Entity");</li><li>(iii) any supplier of goods or services to any member of NWSH Group or any Invested Entity;</li><li>(iv) any customer of any member of NWSH Group or any Invested Entity;</li><li>(v) any person or entity that provides research, development or other technological support to NWSH Group or any Invested Entity;</li><li>(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;</li><li>(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</li><li>(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.</li></ul>



# Report of the Directors

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Share Option Scheme of NWSH *(continued)*

#### 2001 Share Option Scheme

Total number of shares available for issue under the scheme and percentage of issued share capital of NWSH as at the date of this annual report	<p>NWSH had granted options to certain eligible participants to subscribe for 71,805,125 shares of NWSH, which included certain adjustments made pursuant to the scheme, up to the date of this report.</p> <p>The total number of shares available for issue under the scheme is 108,109,514 representing approximately 5.37% of NWSH's issued share capital as at the date of this report.</p>
Maximum entitlement of each participant under the scheme	<p>Unless approved by shareholders of 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.</p>
The period within which the shares must be taken up under an option	<p>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.</p>
The minimum period for which an option must be held before it can be exercised	<p>Any period as determined by NWSH's directors.</p>
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	<p>HK\$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer.</p>
The basis of determining the exercise price	<p>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 five business days immediately preceding the date of grant.</p>
The remaining life of the scheme	<p>The scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 6 December 2001.</p>

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Share Option Scheme of NWSH *(continued)*

#### Share options granted to Directors

Name	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$
			Balance as at 1 July 2006	Exercised during the year	Balance as at 30 June 2007	
Mr. Leung Chi-Kin, Stewart	21 July 2003	21 July 2004 to 20 July 2008 <sup>(1)</sup>	68,820	—	68,820	3.711
			68,820	—	68,820	

Notes:

(1) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.

(2) The cash consideration paid by Mr. Leung Chi-Kin, Stewart for the grant of the share options is HK\$10.0.

#### Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options					Balance as at 30 June 2007	Exercise price per share HK\$
		Balance as at 1 July 2006	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed during the year		
21 July 2003	(1)	2,480,117	—	(1,061,926)	—	(6,844)	1,411,347	3.711
		2,480,117	—	(1,061,926)	—	(6,844)	1,411,347	

Notes:

(1) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008.

(2) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$19.474.

(3) The cash consideration paid by each eligible participant 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 "NWMH 2002 Share Option Scheme") in compliance with the requirements of 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.

Upon completion of the disposal of the entire interest held by the Company in NWMH on 4 January 2007 ("Completion Date"), NWMH ceased to be a subsidiary of the Group. Summary of the 2002 Share Option Scheme of NWMH as at the Completion Date is as follows:

#### NWMH 2002 Share Option Scheme

Purpose of the scheme	To enable NWMH to grant options to the participants as incentive or rewards for their contributions to NWMH and its subsidiaries.
Participants of the scheme	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.
Total number of shares available for issue under the scheme and percentage of issued share capital of NWMH as at the Completion Date	The total number of shares available for issue under the scheme is 3,341,555 shares (adjusted as a result of the share consolidation on 7 July 2004) which represents 3.42% of the issued share capital of NWMH as at the Completion Date.
Maximum entitlement of each participant under the scheme	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.
The period within which the shares must be taken up under an option	An option may be exercised in accordance with the terms of the 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.
The minimum period for which an option must be held before it can be exercised	The directors of NWMH may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.
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	Upon acceptance of the offer for an option, the grantee shall pay HK\$1.0 as consideration for the grant.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Share Option Scheme of NWMH *(continued)*

#### NWMH 2002 Share Option Scheme

The basis of determining the exercise price

The exercise price shall be 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 the HKEx's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The remaining life of the scheme

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

### Share options granted to Directors

#### 2002 Share Option Scheme

Name	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$
			Balance as at 1 July 2006	Exercised during the period	Balance as at 4 January 2007	
Dr. Cheng Kar-Shun, Henry	28 January 2005	28 January 2005 to 31 December 2010	780,000	(780,000) <sup>(1)</sup>	—	1.26
			780,000	(780,000)	—	

Notes:

(1) The exercise date was 4 December 2006. On the trading day immediately before the share options were exercised, the closing price per share was HK\$2.14.

(2) 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 participants

Date of grant	Exercisable period	Number of share options					Balance as at 4 January 2007	Exercise price per share HK\$
		Balance as at 1 July 2006	Granted during the period	Exercised during the period	Adjusted during the period	Cancelled during the period		
8 February 2002 <sup>(1)</sup>	9 February 2002 to 8 February 2008	200,000	—	—	—	—	200,000	2.440
28 January 2005 <sup>(2)</sup>	28 January 2005 to 31 December 2010	2,058,000	—	(1,498,000)	—	(482,000)	78,000	1.260
8 April 2005 <sup>(2)</sup>	8 April 2005 to 31 December 2010	78,000	—	(78,000)	—	—	—	1.276
		2,336,000	—	(1,576,000)	—	(482,000)	278,000	

Notes:

(1) Granted under the 1998 Share Option Scheme.

(2) Granted under the 2002 Share Option Scheme.

(3) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$2.175.

# Report of the Directors

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Share Option Scheme of New World Department Store China Limited ("NWDS")

On 12 June 2007, NWDS conditionally adopted a share option scheme (the "NWDS Scheme"). Under the NWDS Scheme, the directors of NWDS may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in NWDS.

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

#### NWDS Scheme

Purpose of the scheme	The purpose of the NWDS Scheme is to attract and retain the best available personnel and to provide additional incentives to employees, directors, consultants, business associates and advisers of the Company to promote the success of NWDS and its subsidiaries ("NWDS Group").
Participants of the scheme	The directors of NWDS may offer any employee (whether full-time or part-time), director, consultant, business associate or adviser of NWDS Group options to subscribe for shares of NWDS at a price calculated in accordance with the terms of the NWDS Scheme.
Total number of shares available for issue under the scheme and percentage of issued share capital of NWDS as at the date of this annual report	<p>NWDS had not granted any options under the NWDS Scheme up to the date of this report.</p> <p>The total number of shares available for issue under the NWDS Scheme is 162,520,000 representing approximately 10.0% of the issued share capital of NWDS as at the date on which the shares of NWDS are listed on the HKEx.</p>
Maximum entitlement of each participant under the scheme	Unless approved by shareholders of NWDS in the manner as set out in the NWDS Scheme, the total number of shares of NWDS issued and to be issued upon exercise of the options granted to each eligible person (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the relevant class of securities of NWDS in issue.
The period within which the shares must be taken up under an option	A period to commence not less than one year and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Not less than one year upon the grant of options by the directors of NWDS.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The amount payable for the acceptance of an option shall be the sum of \$1.0 which shall be paid upon acceptance of the offer of such option. An offer of an option must be made by NWDS in writing on a business day and accepted in writing by the participant in such manner as the board of directors of NWDS may prescribe within 21 calendar days (from and including the date of the offer by NWDS) of the same being made and if not so accepted such offer shall lapse.
The basis of determining the exercise price	The exercise price is determined by the directors of NWDS and shall be not less than the greater of (i) the closing price of the shares as stated in the HKEx's daily quotations sheet on the date of grant of option; (ii) the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of grant of option; and (iii) the nominal value of a share.
The remaining life of the scheme	The NWDS Scheme shall be valid and effective for a period not to exceed 10 years from the date of adoption, i.e. 12 June 2007.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Share Option Scheme of Taifook

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

#### Taifook Scheme

Purpose of the scheme	To attract, retain and motivate talented employees to strive towards long term performance targets set by Taifook and its subsidiary companies and at the same time to allow the participants to enjoy the results of Taifook attained through their effort and contribution.
Participants of the scheme	Any full time employees, executive and non-executive directors of Taifook or any of its subsidiary companies or associates.
Total number of shares available for issue under the scheme and percentage of issued share capital of Taifook as at the date of this annual report	<p>The maximum number of shares which may be issued upon exercise of all options to be granted under the Taifook Scheme and any other share option schemes of Taifook shall not in aggregate exceed 10.0% of the total number of shares in issue as at the date of adoption of the Taifook Scheme (the "Scheme Mandate Limit") but Taifook may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of Taifook under the Taifook Scheme and any other share option schemes of Taifook shall not exceed 10.0% of the issued share capital of Taifook as at the date of approval by the shareholders of Taifook at general meetings where such limit is refreshed. Options previously granted under the Taifook Scheme and any other share option schemes of Taifook (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10.0% limit as refreshed. Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Taifook Scheme and any other share option schemes of Taifook shall not exceed 30.0% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.</p> <p>The total number of shares available for issue under the Taifook Scheme is 57,936,169 shares representing approximately 9.41% of the issued share capital of Taifook as at the date of this report.</p>

# Report of the Directors

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Share Option Scheme of Taifook *(continued)*

#### Taifook Scheme

Maximum entitlement of each participant under the scheme

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the Taifook Scheme and any other share option schemes of Taifook (including both exercised and outstanding options) in any 12-month period shall not exceed 1.0% of the total number of shares of Taifook in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of Taifook at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of Taifook, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Taifook, or to any of their associates, in excess of 0.1% of the total number of shares in issue of Taifook at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of shares at the date on which such grant is proposed by the directors) in excess of HK\$5.0 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of Taifook.

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

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

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

HK\$1.0 is to be paid as consideration for the grant of option within 30 days from the date of the offer.

The basis of determining the exercise price

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

The remaining life of the scheme

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

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

### Share Option Scheme of Taifook *(continued)*

#### Share options granted to Directors

During the financial year ended 30 June 2007, no share options were granted to Directors under the Taifook Scheme.

#### Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options			Balance as at 30 June 2007	Exercise price per share HK\$	Weighted average closing price immediately before the dates of exercise of share options HK\$
		Balance as at 1 July 2006	Exercised during the year	Lapsed during the year			
5 September 2003	(1)	10,528,000	(8,828,000)	(400,000)	1,300,000	1.20	2.08
10 February 2006	(2)	30,450,000	(27,850,000)	(600,000)	2,000,000	0.94	2.16
		40,978,000	(36,678,000)	(1,000,000)	3,300,000		

Notes:

(1) Exercisable from 5 March 2004 to 4 March 2009.

(2) Exercisable from 10 August 2006 to 9 August 2014.

Save as disclosed above, as at 30 June 2007, none of the Directors, chief executive or any of their associates had or deemed to have any interest or short positions in the shares, 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 the 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 2007, the Group had given financial assistance and guarantees to its jointly controlled entities and associated companies (collectively "affiliated companies") as set out below:

	2007 HK\$m	2006 HK\$m
Amounts due by affiliated companies	16,011.6	16,744.5
Guarantees given for affiliated companies in respect of banking and other credit facilities	3,645.8	2,422.8
Commitments to capital injections and loan contributions	2,922.0	4,340.3
	<b>22,579.4</b>	<b>23,507.6</b>

- (a) The financial assistance, in aggregate exceeded 8.0% of the Company's total assets as at 30 June 2007.
- (b) The advances were unsecured and are interest free except for an aggregate amount of HK\$6,167.6 million (2006: HK\$6,382.7 million) which carried interest ranging from 0.6% above HIBOR to 10.0% per annum (2006: 2.0% to 12.0% per annum). Other than an amount of HK\$258.5 million (2006: HK\$269.2 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 combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2007 are presented as follows:

	Combined balance sheet HK\$m	Group's attributable interest HK\$m
Non-current assets	64,460.9	27,885.5
Current assets	31,098.2	19,754.6
Current liabilities	(23,260.3)	(11,503.8)
Total assets less current liabilities	72,298.8	36,136.3
Non-current liabilities	(39,525.8)	(19,943.5)
Net assets	<b>32,773.0</b>	<b>16,192.8</b>

The 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 2007.

# Report of the Independent Auditors

**PRICEWATERHOUSECOOPERS** 

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 of New World Development Company Limited (the "Company") set out on pages 98 to 184, which comprise the consolidated and company balance sheets as at 30 June 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Responsibility of the Directors for the financial statements**

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

**Responsibility of the Auditors**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 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.

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

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

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2007 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards 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, 11 October 2007

# Consolidated Income Statement

Year ended 30 June 2007

	Note	2007 HK\$m	2006 HK\$m
Turnover	6	23,284.5	23,910.2
Cost of sales		(17,364.6)	(17,708.2)
Gross profit		5,919.9	6,202.0
Other income	7	52.3	35.5
Other gains/(charge)	8	1,651.1	(1,763.9)
Selling and marketing expenses		(358.9)	(519.4)
Administrative expenses		(1,898.0)	(1,065.9)
Other operating expenses		(2,594.7)	(2,564.7)
Changes in fair value of investment properties		1,263.9	1,462.9
Operating profit	9	4,035.6	1,786.5
Financing income		817.8	541.2
Financing costs	10	(1,173.3)	(1,115.0)
		3,680.1	1,212.7
Share of results of			
Jointly controlled entities		1,664.1	1,636.2
Associated companies		1,325.8	656.8
Profit before taxation		6,670.0	3,505.7
Taxation	11	(902.5)	(892.6)
Profit for the year		5,767.5	2,613.1
Attributable to:			
Shareholders	12, 38	4,312.9	1,059.8
Minority interests		1,454.6	1,553.3
		5,767.5	2,613.1
Dividends	13	1,482.1	1,205.9
Earnings per share	14		
Basic		HK\$1.17	HK\$0.30
Diluted		HK\$1.17	HK\$0.30

# Consolidated Balance Sheet

As at 30 June 2007

	<i>Note</i>	2007 HK\$m	2006 HK\$m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	17	26,252.0	23,145.2
Property, plant and equipment	18	5,571.0	5,708.2
Leasehold land and land use rights	19	2,461.9	2,480.2
Intangible assets	20	863.0	258.1
Interests in jointly controlled entities	22	24,293.5	23,341.7
Interests in associated companies	23	10,340.3	9,384.7
Available-for-sale financial assets	24	3,719.4	3,061.7
Held-to-maturity investments	25	32.3	31.1
Properties for development	26	11,549.2	7,292.7
Deferred tax assets	27	108.8	106.6
Other non-current assets	28	1,085.8	1,681.3
		<b>86,277.2</b>	<b>76,491.5</b>
<b>Current assets</b>			
Properties under development	29	13,654.5	13,884.9
Properties for sale	30	5,178.4	4,867.5
Stocks	31	275.9	239.3
Debtors and prepayments	32	21,023.7	11,711.9
Financial assets at fair value through profit or loss	33	246.9	29.5
Cash held on behalf of customers	34	2,042.4	—
Cash and bank balances	35	15,400.1	6,936.0
		<b>57,821.9</b>	<b>37,669.1</b>
<b>Total assets</b>		<b>144,099.1</b>	<b>114,160.6</b>

# Consolidated Balance Sheet (Continued)

As at 30 June 2007

	Note	2007 HK\$m	2006 HK\$m
<b>EQUITY</b>			
Share capital	37	3,692.1	3,639.1
Reserves	38	55,867.2	48,903.6
Proposed final dividend	38	928.3	732.8
<hr/>			
Shareholders' funds		60,487.6	53,275.5
Minority interests		17,996.2	16,089.0
<hr/>			
<b>Total equity</b>		<b>78,483.8</b>	<b>69,364.5</b>
<hr/>			
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	39	28,393.5	15,372.8
Deferred tax liabilities	27	4,106.2	3,745.6
Other non-current liabilities	40	368.5	347.2
<hr/>			
		32,868.2	19,465.6
<hr/>			
<b>Current liabilities</b>			
Creditors and accrued charges	41	18,472.2	15,351.3
Current portion of long-term borrowings	39	4,580.1	6,794.5
Short-term borrowings	39	8,612.3	2,322.0
Current tax payable		1,082.5	857.1
Derivative financial instruments		—	5.6
<hr/>			
		32,747.1	25,330.5
<hr/>			
<b>Total liabilities</b>		<b>65,615.3</b>	<b>44,796.1</b>
<hr/>			
<b>Total equity and liabilities</b>		<b>144,099.1</b>	<b>114,160.6</b>
<hr/>			
<b>Net current assets</b>		<b>25,074.8</b>	<b>12,338.6</b>
<hr/>			
<b>Total assets less current liabilities</b>		<b>111,352.0</b>	<b>88,830.1</b>
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Dr. Sin Wai-Kin, David  
Director

Dr. Cheng Kar-Shun, Henry  
Director

# Company Balance Sheet

As at 30 June 2007

	Note	2007 HK\$m	2006 HK\$m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	17	42.0	36.5
Property, plant and equipment	18	—	—
Leasehold land and land use rights	19	0.5	0.5
Subsidiaries	21	28,312.1	26,998.0
Interests in jointly controlled entities	22	228.6	217.6
Interests in associated companies	23	352.8	46.4
Available-for-sale financial assets	24	27.1	29.4
		<b>28,963.1</b>	<b>27,328.4</b>
<b>Current assets</b>			
Properties under development	29	986.8	791.3
Debtors and prepayments	32	108.5	304.4
Amounts due from subsidiaries	21	37,644.3	36,057.5
Cash and bank balances	35	40.5	0.8
		<b>38,780.1</b>	<b>37,154.0</b>
<b>Total assets</b>		<b>67,743.2</b>	<b>64,482.4</b>
<b>EQUITY</b>			
Share capital	37	3,692.1	3,639.1
Reserves	38	38,034.1	37,495.7
Proposed final dividend	38	928.3	732.8
<b>Total equity</b>		<b>42,654.5</b>	<b>41,867.6</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	27	5.0	—
<b>Current liabilities</b>			
Creditors and accrued charges	41	1,003.0	1,016.5
Amounts due to subsidiaries	21	24,053.8	21,577.0
Short-term borrowings	39	26.9	21.3
		<b>25,083.7</b>	<b>22,614.8</b>
<b>Total liabilities</b>		<b>25,088.7</b>	<b>22,614.8</b>
<b>Total equity and liabilities</b>		<b>67,743.2</b>	<b>64,482.4</b>
<b>Net current assets</b>		<b>13,696.4</b>	<b>14,539.2</b>
<b>Total assets less current liabilities</b>		<b>42,659.5</b>	<b>41,867.6</b>

Dr. Sin Wai-Kin, David  
Director

Dr. Cheng Kar-Shun, Henry  
Director

# Consolidated Statement of Changes in Equity

Year ended 30 June 2007

	Share capital HK\$m	Reserves HK\$m	Shareholders' funds HK\$m	Minority interests HK\$m	Total HK\$m
<b>At 1 July 2005</b>	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
<b>Net income recognised directly in equity</b>	—	406.6	406.6	130.0	536.6
Profit for the year	—	1,059.8	1,059.8	1,553.3	2,613.1
<b>Total recognised income and expense for the year</b>	—	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)
Disposal of subsidiaries	—	—	—	(4.9)	(4.9)
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 new shares as scrip dividends	40.5	388.2	428.7	—	428.7
Employees' share-based payments	—	3.8	3.8	2.0	5.8
<b>At 30 June 2006</b>	3,639.1	49,636.4	53,275.5	16,089.0	69,364.5

## Consolidated Statement of Changes in Equity (Continued)

Year ended 30 June 2007

	Share capital HK\$m	Reserves HK\$m	Shareholders' funds HK\$m	Minority interests HK\$m	Total HK\$m
<b>At 1 July 2006</b>	<b>3,639.1</b>	<b>49,636.4</b>	<b>53,275.5</b>	<b>16,089.0</b>	<b>69,364.5</b>
Change in fair value of available-for-sale financial assets, net of taxation	—	1,235.1	1,235.1	548.5	1,783.6
Reclassification of property, plant and equipment to investment properties	—	128.4	128.4	—	128.4
Disposal of available-for-sale financial assets	—	(15.8)	(15.8)	(6.2)	(22.0)
Reclassification of available-for-sale financial assets as an associated company	—	(588.2)	(588.2)	(464.8)	(1,053.0)
Translation differences	—	857.1	857.1	422.9	1,280.0
<b>Net income recognised directly in equity</b>	<b>—</b>	<b>1,616.6</b>	<b>1,616.6</b>	<b>500.4</b>	<b>2,117.0</b>
Profit for the year	—	4,312.9	4,312.9	1,454.6	5,767.5
<b>Total recognised income and expense for the year</b>	<b>—</b>	<b>5,929.5</b>	<b>5,929.5</b>	<b>1,955.0</b>	<b>7,884.5</b>
Dividends	—	(1,286.6)	(1,286.6)	(629.5)	(1,916.1)
Acquisition of subsidiaries	—	95.7	95.7	636.7	732.4
Acquisition of additional interests in subsidiaries	—	—	—	(656.2)	(656.2)
Contributions from minority shareholders	—	—	—	51.9	51.9
Conversion of convertible bonds, net of taxation	—	(16.7)	(16.7)	(15.2)	(31.9)
Disposal of subsidiaries	—	—	—	(7.5)	(7.5)
Partial disposal of subsidiaries	—	—	—	(3.8)	(3.8)
Deemed disposal of interests in subsidiaries	—	—	—	459.8	459.8
Issue of new shares as scrip dividends	52.8	635.6	688.4	—	688.4
Issue of new shares upon exercise of share options	0.2	1.8	2.0	1.9	3.9
Issue of convertible bonds	—	1,086.0	1,086.0	114.1	1,200.1
Employees' share-based payments	—	713.8	713.8	—	713.8
<b>At 30 June 2007</b>	<b>3,692.1</b>	<b>56,795.5</b>	<b>60,487.6</b>	<b>17,996.2</b>	<b>78,483.8</b>



# Consolidated Cash Flow Statement

Year ended 30 June 2007

	Note	2007 HK\$m	2006 HK\$m
<b>Cash flows from operating activities</b>			
Net cash (used in)/generated from operations	44(a)	(1,774.1)	1,879.5
Hong Kong profits tax paid		(379.1)	(446.3)
Overseas taxation paid		(147.3)	(155.0)
<b>Net cash (used in)/from operating activities</b>		<b>(2,300.5)</b>	<b>1,278.2</b>
<b>Cash flows from investing activities</b>			
Interest received		816.6	536.7
Dividends received from			
Jointly controlled entities		996.9	948.1
Associated companies		642.8	161.0
Available-for-sale financial assets		52.3	35.5
Additions of investment properties, property, plant and equipment, leasehold land and land use rights		(749.4)	(913.3)
Decrease/(increase) in interests in jointly controlled entities		209.2	(739.4)
Increase in interests in associated companies		(693.7)	(163.0)
Increase in available-for-sale financial assets		(143.7)	(657.0)
Decrease in long-term receivables		16.5	58.1
(Increase)/decrease in financial assets at fair value through profit or loss		(113.2)	7.8
Acquisition of subsidiaries (net of cash and cash equivalents)	44(b), (c)	(229.2)	(452.5)
Acquisition of additional interests in subsidiaries		(779.2)	(351.0)
Proceeds from disposal of			
Property, plant and equipment, investment properties, leasehold land and land use rights		6.7	164.4
Jointly controlled entities		293.6	—
An associated company		14.1	—
Subsidiaries (net of cash and cash equivalents)	44(d), (e)	216.9	97.5
Partial interests in subsidiaries		5.8	3.9
<b>Net cash from/(used in) investing activities</b>		<b>563.0</b>	<b>(1,263.2)</b>

## Consolidated Cash Flow Statement (Continued)

Year ended 30 June 2007

	<i>Note</i>	2007 HK\$m	2006 HK\$m
<b>Cash flows from financing activities</b>			
Issue/(redemption) of convertible bonds		8,722.7	(425.7)
Placement of shares		—	1,230.5
Share placement expenses		—	(15.9)
Issue of shares upon exercise of share options		4.0	—
New bank and other loans		12,199.6	5,390.0
Repayment of bank and other loans		(9,422.5)	(8,373.2)
Increase/(decrease) in other non-current liabilities		—	(141.6)
Capital element of finance lease rental payments		(5.0)	(33.2)
Increase in loans from minority shareholders		236.8	97.9
Decrease in restricted bank balances		565.6	498.0
Contributions from minority shareholders		67.0	200.3
Interest paid		(1,379.7)	(1,132.6)
Dividends paid to shareholders of the Company		(517.5)	(269.6)
Dividends paid to minority shareholders		(600.7)	(1,066.2)
<b>Net cash from/(used in) financing activities</b>		<b>9,870.3</b>	<b>(4,041.3)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		6,308.5	10,286.3
Translation differences		110.0	48.5
<b>Cash and cash equivalents at the end of the year</b>		<b>14,551.3</b>	<b>6,308.5</b>
<b>Analysis of cash and cash equivalents</b>			
Cash at banks and on hand	35	8,013.2	4,430.0
Short-term bank deposits — unrestricted	35	6,618.1	1,878.5
Bank overdraft		(80.0)	—
		<b>14,551.3</b>	<b>6,308.5</b>

# Notes to the Financial Statements

## 1 GENERAL INFORMATION

New World Development Company Limited (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.

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.

These financial statements have been approved by the Board of Directors on 11 October 2007.

## 2 BASIS OF PREPARATION

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

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 below.

### (a) Adoption of new or revised standards

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

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

The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted:

Effective for the year ending 30 June 2008

HKAS 1 Amendment	Presentation of financial statements — capital disclosures
HKFRS 7	Financial instruments: disclosures
HK(IFRIC)–Int 10	Interim financial reporting and impairment
HK(IFRIC)–Int 11	HKFRS 2 — Group and treasury share transactions

Effective for the year ending 30 June 2009

HK(IFRIC)–Int 12	Service concession arrangements
HK(IFRIC)–Int 13	Customer loyalty programmes
HK(IFRIC)–Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

## 2 BASIS OF PREPARATION (Continued)

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

(Continued)

Effective for the year ending 30 June 2010

HKFRS 8	Operating segments
HKAS 23 (Revised)	Borrowing costs

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

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

### (a) Consolidation

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

#### (i) Subsidiaries

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

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

The purchase method of accounting is used to account for the acquisition of 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.

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.

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (a) Consolidation (Continued)

##### (ii) 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, using the straight line method, 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.

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

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.

###### (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.

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (a) Consolidation (Continued)

##### (iii) 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 receivable, 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.

##### (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, jointly controlled entities or associated companies at the date of acquisition.

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

Goodwill is allocated to cash-generating units for the purpose of testing for impairment.

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (b) Intangible assets (Continued)

##### (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 twenty 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) Trademark and licences

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

Licences with indefinite lives are tested for impairment annually either individually or at the cash-generating units. Such licences are not amortised.

##### (iv) 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 five years.

#### (c) 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.

#### (d) 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.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

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

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (e) 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 assets. 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 financial 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 borrowing costs 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. 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.

#### (f) 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.



### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (g) Investments

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

##### (ii) *Loans and receivable*

Loans and receivable 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 and are included in current assets, except for those with 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.

Regular purchases and sales of investments are recognised on trade-date, which is 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 receivable and held-to-maturity investments are carried at amortised cost using the effective interest method.

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 financial period in which they arise. 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 financial assets. Changes in the fair value of monetary financial assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the financial asset and other changes in the carrying amount of the financial asset. The translation differences on monetary financial assets are recognised in the income statement; translation differences on non-monetary financial assets are recognised in equity.

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (g) Investments (Continued)

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

The Group assesses at 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 classified as available-for-sale are not reversed through the income statement.

#### (h) Properties for/under development

Properties 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.

#### (i) Completed properties for sale

Completed properties 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.

#### (j) 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 (r)(iii), less provision for anticipated losses and progress payments received and receivable.

#### (k) Trade and other receivable

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

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (l) Cash and cash equivalents

Cash and bank balances 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. Bank overdrafts are shown within borrowings under current liabilities in the balance sheet.

#### (m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and 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.

#### (n) 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.

#### (o) 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, jointly controlled entities and associated companies, 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.

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (p) 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 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.

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.

#### (q) Convertible bonds

##### (i) *Convertible bonds with equity component*

Convertible bonds that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the bond is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. When the bond is redeemed, the relevant equity component is transferred to retained profit.

##### (ii) *Convertible bonds without equity component*

All other convertible bonds which do not exhibit the characteristics mentioned in (i) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract.

At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as a liability under the contract. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the income statement. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the bond is converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the bond is redeemed, any difference between the redemption amount and the carrying amounts of both components is recognised in the income statement.

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (r) Revenue recognition

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

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

#### (i) Rental

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

#### (ii) Property sales

Sale of properties is recognised when the risks and rewards of the properties are passed to the purchasers. Deposits and instalments received on properties sold prior to their completion are included under 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 and port operations

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

#### (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 the balance sheet date 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. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) **Revenue recognition** (Continued)

(x) **Dividend**

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

(s) **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 (e)(ii) above.

(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.

(t) **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.

(u) **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.

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (u) Employee benefits (Continued)

##### (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 over the remaining vesting period, with a corresponding adjustment to equity.

#### (v) 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.

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

##### (iii) *Group companies*

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

- (1) assets and liabilities for each balance sheet presented are translated at the exchange rate ruling at the date of that balance sheet;
- (2) income and expenses for each income statement are translated at average exchange rates; and
- (3) 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 exchange rate ruling at the balance sheet date.

#### (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.

### 3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (x) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that 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, properties for sale, properties for 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 financial period when the dividends become legal and constructive obligations of the Company.

### 4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

#### (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 to on-lend or contribute as equity to its subsidiaries, jointly controlled entities and associated companies 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.

#### (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.



## 4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

(Continued)

### (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 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.

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

*(Continued)*

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.

### (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 based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

### (d) Impairment of properties for development, properties under development and properties for sale

The Group assesses the carrying amounts of properties 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 Mainland China 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 financial period when the outcome of the potential liabilities can be reliably determined.

**5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** (Continued)**(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 current tax and deferred tax provisions in the financial 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.

**(h) Share-based payments**

The fair value of options granted is appraised by independent professional valuers based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the share options at the date of grant.

**6 TURNOVER AND SEGMENT INFORMATION**

	2007 HK\$m	2006 HK\$m
Rental	1,210.3	1,096.4
Property sales	2,916.7	5,325.5
Contracting	10,030.5	7,508.0
Provision of service	3,557.9	3,544.4
Infrastructure operations	299.5	308.1
Telecommunication services	890.0	2,297.6
Department store operations	1,704.1	1,357.1
Hotel operations	2,331.4	2,052.1
Others	344.1	421.0
	<b>23,284.5</b>	<b>23,910.2</b>

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

## 6 TURNOVER AND SEGMENT INFORMATION (Continued)

### (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
<b>2007</b>										
External	1,210.3	2,916.7	13,588.4	299.5	890.0	1,704.1	2,331.4	344.1	—	23,284.5
Inter-segment	173.9	—	1,345.3	—	69.3	—	—	—	(1,588.5)	—
<b>Turnover</b>	<b>1,384.2</b>	<b>2,916.7</b>	<b>14,933.7</b>	<b>299.5</b>	<b>959.3</b>	<b>1,704.1</b>	<b>2,331.4</b>	<b>344.1</b>	<b>(1,588.5)</b>	<b>23,284.5</b>
Segment results	779.2	310.2	572.4	84.1	(73.1)	247.0	621.2	(106.8)	—	2,434.2
Other gains/(charge)	(18.4)	(44.6)	164.6	(23.1)	14.8	32.9	(1.9)	1,526.8	—	1,651.1
Changes in fair value of investment properties	1,263.9	—	—	—	—	—	—	—	—	1,263.9
Unallocated corporate expenses										(1,313.6)
Operating profit										4,035.6
Financing income										817.8
Financing costs										(1,173.3)
										3,680.1
Share of results of Jointly controlled entities	408.7	236.4	335.5	716.5	—	—	53.1	(86.1)	—	1,664.1
Associated companies	287.8	41.4	258.4	316.5	493.2	—	0.6	(72.1)	—	1,325.8
Profit before taxation										6,670.0
Taxation										(902.5)
<b>Profit for the year</b>										<b>5,767.5</b>
Segment assets	27,486.7	35,755.3	18,609.9	2,155.7	1,598.8	2,414.2	2,161.3	3,774.5	—	93,956.4
Interests in jointly controlled entities	3,768.6	9,471.0	3,382.8	6,222.0	—	—	831.3	617.8	—	24,293.5
Interests in associated companies	2,772.5	1,389.0	1,778.6	1,961.2	2,256.5	—	128.8	53.7	—	10,340.3
Unallocated assets										15,508.9
<b>Total assets</b>										<b>144,099.1</b>
Segment liabilities	406.9	5,811.9	8,483.8	427.3	383.6	1,333.5	747.3	1,246.4	—	18,840.7
Unallocated liabilities										46,774.6
<b>Total liabilities</b>										<b>65,615.3</b>
Capital expenditure	101.1	210.4	187.1	1.5	86.7	138.0	56.0	42.6	—	823.4
Depreciation and amortisation	38.7	129.3	110.2	87.4	84.4	155.2	158.2	41.6	—	805.0
Impairment charge and provision	—	43.8	1.0	81.1	19.4	—	—	146.9	—	292.2

**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
<b>2006</b>										
External	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	182.0	—	1,236.7	—	62.4	—	—	—	(1,481.1)	—
<b>Turnover</b>	<b>1,278.4</b>	<b>5,325.5</b>	<b>12,289.1</b>	<b>308.1</b>	<b>2,360.0</b>	<b>1,357.1</b>	<b>2,052.1</b>	<b>421.0</b>	<b>(1,481.1)</b>	<b>23,910.2</b>
Segment results	662.6	1,060.4	303.6	119.8	(102.9)	107.4	442.1	50.5	—	2,643.5
Other gains/(charge)	4.3	(162.6)	30.8	(54.5)	759.5	(9.9)	(31.0)	(2,300.5)	—	(1,763.9)
Changes in fair value of investment properties	1,462.9	—	—	—	—	—	—	—	—	1,462.9
Unallocated corporate expenses										(556.0)
Operating profit										1,786.5
Financing income										541.2
Financing costs										(1,115.0)
										1,212.7
Share of results of Jointly controlled entities	312.6	469.4	328.9	597.0	—	—	(18.6)	(53.1)	—	1,636.2
Associated companies	231.3	(15.9)	108.9	369.9	27.7	—	2.0	(67.1)	—	656.8
Profit before taxation										3,505.7
Taxation										(892.6)
<b>Profit for the year</b>										<b>2,613.1</b>
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 jointly controlled entities	4,054.2	8,971.2	3,800.9	5,185.1	—	—	896.3	434.0	—	23,341.7
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
Unallocated assets										7,749.5
<b>Total assets</b>										<b>114,160.6</b>
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
Unallocated liabilities										29,092.0
<b>Total liabilities</b>										<b>44,796.1</b>
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

**6 TURNOVER AND SEGMENT INFORMATION** (Continued)**(b) Secondary reporting format – geographical segments**

	Turnover HK\$m	Segment assets HK\$m	Capital expenditure HK\$m
<b>2007</b>			
Hong Kong and Southeast Asia	12,167.9	62,798.2	500.5
Mainland China	6,007.8	29,362.1	322.6
Macau	5,108.8	1,425.6	0.3
North America	—	370.5	—
	<b>23,284.5</b>	<b>93,956.4</b>	<b>823.4</b>
<b>2006</b>			
Hong Kong and Southeast Asia	16,984.3	49,943.1	452.2
Mainland China	4,766.5	23,085.7	755.7
Macau	2,159.4	613.2	4.3
North America	—	42.7	—
	<b>23,910.2</b>	<b>73,684.7</b>	<b>1,212.2</b>

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**

	2007 HK\$m	2006 HK\$m
Dividend income from investments in		
Listed shares	15.8	11.7
Unlisted shares	36.5	23.8
	<b>52.3</b>	<b>35.5</b>

**8 OTHER GAINS/(CHARGE)**

	2007 HK\$m	2006 HK\$m
Write back of provision for		
Advance to an investee company	—	60.5
Loans receivable	13.8	—
Other receivable	64.8	38.8
Recovery from the PrediWave Companies ( <i>Note</i> )	1,593.6	—
Excess of fair value of net assets acquired over the cost of acquisition of		
Additional interests of subsidiaries	7.4	—
Additional interests of jointly controlled entities	—	103.4
Subsidiaries	3.7	32.1
Gain on redemption of convertible bonds	—	48.0
Gain on fair value of financial assets at fair value through profit or loss	7.8	5.3
Gain on deemed disposal of interests in a subsidiary	125.7	82.4
Net profit/(loss) on disposal of		
Property, plant and equipment, leasehold land and land use rights	(25.3)	22.7
Jointly controlled entities	—	17.3
Associated companies	—	317.4
Available-for-sale financial assets	18.6	—
Financial assets at fair value through profit or loss	9.1	—
Subsidiaries	122.8	1,048.2
Partial interests in subsidiaries	9.6	—
Impairment loss on		
Property, plant and equipment	(83.9)	(340.7)
Intangible assets	(36.3)	(42.5)
Deposits paid for joint ventures	—	(161.4)
Available-for-sale financial assets	(12.0)	(133.2)
Deposits for proposed investments	(9.5)	(1,531.2)
Loans receivable	(144.3)	(1,060.6)
Other assets	—	(47.5)
Write down of stocks to net realisable value	(6.2)	(15.2)
Loss on deemed disposal of interests in subsidiaries	(8.3)	(207.7)
	<b>1,651.1</b>	<b>(1,763.9)</b>

*Note:*

In May 2004, New World TMT Limited ("NWTMT") filed complaints to the Superior Court of the State of California for the County of Santa Clara (the "Court") in the United States of America (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 of video-on-demand and other digital broadcasting and related technology and added value services. The Group 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, on which full provision has been made by the Group in the previous years.

On 27 December 2006, the Court determined against Mr. Tony Qu and the PrediWave Companies with damages payable to NWTMT of over US\$2.8 billion (approximately HK\$21,840.0 million) (the "Judgement"), which includes US\$2.0 billion (approximately HK\$15,600.0 million) in punitive damages. Based on the Judgement, NWTMT sought recovery for the amount awarded from Mr. Tony Qu and the PrediWave Companies, including all their assets. Based on the best estimation of the Directors and taking into consideration of the remaining assets of PrediWave that could be recoverable by NWTMT, the Group recognised an aggregate recovery from the PrediWave litigations of HK\$1,593.6 million for the year ended 30 June 2007.

## 9 OPERATING PROFIT

Operating profit of the Group is arrived at after crediting/(charging) the following:

	2007 HK\$m	2006 HK\$m
Gross rental income from investment properties	1,050.3	907.8
Outgoings	(311.3)	(288.5)
	739.0	619.3
Cost of inventories sold	(3,441.6)	(5,152.8)
Depreciation		
Leased property, plant and equipment	(23.4)	(35.9)
Owned property, plant and equipment	(612.1)	(850.1)
Amortisation		
Development cost	(3.6)	—
Leasehold land and land use rights ( <i>Note</i> )	(165.9)	(136.8)
Operating lease rental expense		
Land and buildings	(543.9)	(619.5)
Other equipment	(8.7)	(10.0)
Staff costs ( <i>Note 15(a)</i> )	(3,969.5)	(3,227.0)
Foreign exchange gain/(loss), net	16.9	(96.9)
Auditors' remuneration		
Audit services	(50.5)	(43.9)
Non-audit services	(2.6)	(12.7)

*Note:*

Amortisation of leasehold land and land use rights is stated after amount capitalised in properties for development, properties under development and assets under construction of HK\$66.0 million, HK\$133.6 million and Nil (2006: HK\$32.9 million, HK\$142.7 million and HK\$6.6 million) respectively.

## 10 FINANCING COSTS

	2007 HK\$m	2006 HK\$m
Interest on bank loans and overdrafts		
Wholly repayable within five years	1,301.3	1,113.0
Not wholly repayable within five years	18.9	17.5
Interest on finance leases wholly payable within five years	3.3	3.9
Interest on convertible bonds		
Wholly repayable within five years	9.7	23.9
Not wholly repayable within five years	22.0	—
Interest on loans from minority shareholders		
Wholly repayable within five years	5.9	33.0
Not wholly repayable within five years	35.0	5.2
Loss/(gain) in fair value of financial instruments	0.3	(5.0)
Total borrowing costs incurred	1,396.4	1,191.5
Interest capitalised as cost of		
Property, plant and equipment	—	(10.0)
Properties under development	(223.1)	(66.5)
	1,173.3	1,115.0



## 11 TAXATION

	2007 HK\$m	2006 HK\$m
Current taxation		
Hong Kong profits tax	385.3	415.6
Mainland China and overseas taxation	204.7	169.2
Mainland China land appreciation tax	117.6	5.4
Deferred taxation		
Valuation of investment properties	273.6	275.8
Temporary differences	5.6	26.6
Effect of change in tax rate	(84.3)	—
	<b>902.5</b>	<b>892.6</b>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on Mainland China and 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. These rates range from 3.0% to 33.0% (2006: 3.0% to 33.0%). Mainland China land appreciation tax is provided at progressive rates ranging from 30.0% to 60.0% (2006: 30.0% to 60.0%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land use rights and property development expenditures.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), pursuant to which the corporate income tax rates for domestic and foreign enterprises are unified at 25.0% effective from 1 January 2008. The New CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit, on which detailed measures have yet to be issued. The Group has however reassessed the amount of deferred taxation as at 30 June 2007 based on the best estimation of the applicable corporate income tax rates. The Group will continue to evaluate the impact as more detailed regulations on these areas are announced.

Share of taxation of jointly controlled entities and associated companies of HK\$273.3 million and HK\$139.9 million (2006: HK\$341.4 million and HK\$155.9 million) respectively, are included in the income statement as share of results of jointly controlled entities and associated companies.

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:

	2007 HK\$m	2006 HK\$m
Profit before taxation and share of results of jointly controlled entities and associated companies	3,680.1	1,212.7
Calculated at a taxation rate of 17.5% (2006: 17.5%)	644.0	212.2
Effect of different taxation rates in other countries	100.5	58.7
Income not subject to taxation	(542.8)	(537.1)
Expenses not deductible for taxation purposes	501.0	851.8
Tax losses not recognised	138.9	150.1
Temporary differences not recognised	47.7	31.7
Tax exemption granted	(36.9)	(14.0)
Utilisation of previously unrecognised tax losses	(74.8)	(54.3)
Effect of change in tax rate	(84.3)	—
Others	91.6	188.1
	<b>784.9</b>	<b>887.2</b>
Mainland China land appreciation tax	117.6	5.4
Taxation charge	<b>902.5</b>	<b>892.6</b>

## 12 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$675.3 million (2006: HK\$2,140.1 million).

## 13 DIVIDENDS

	2007 HK\$m	2006 HK\$m
Interim dividend of HK\$0.15 (2006: HK\$0.13) per share	553.8	473.1
Final dividend proposed of HK\$0.25 (2006: HK\$0.20) per share	928.3	732.8
	<b>1,482.1</b>	1,205.9
Of which the following were settled by the issue of scrip:		
Interim dividend	382.5	277.5
Final dividend	*	410.9

\* Full amount had been set aside from retained profits for the 2007 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 11 October 2007, the Directors recommended a final dividend of HK\$0.25 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 2008.

## 14 EARNINGS PER SHARE

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

	2007 HK\$m	2006 HK\$m
Profit attributable to shareholders	4,312.9	1,059.8
Effect of dilutive potential shares:		
Interest expense on convertible bonds	18.2	—
Adjustment on the effect of dilution in the results of subsidiaries	(9.3)	(1.9)
	<b>4,321.8</b>	1,057.9
	Number of shares	
	2007	2006
Weighted average number of shares (million) for calculating basic earnings per share	3,676.1	3,557.8
Effect of dilutive potential shares:		
Convertible bonds	16.6	—
Share options	2.5	—
Weighted average number of shares (million) for calculating diluted earnings per share	<b>3,695.2</b>	3,557.8

## 15 STAFF COSTS

### (a) Staff costs

	2007 HK\$m	2006 HK\$m
Wages, salaries and other benefits	3,118.7	3,071.9
Pension costs — defined benefits plans ( <i>Note (b)(i)</i> )	(1.6)	—
Pension costs — defined contribution plans ( <i>Note (b)(ii)</i> )	138.6	149.3
Share options ( <i>Note (c)</i> )	713.8	5.8
	<b>3,969.5</b>	<b>3,227.0</b>

Staff costs include Directors' remuneration.

### (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.

	2007 HK\$m	2006 HK\$m
The amounts recognised in the balance sheet were as follows:		
Present value of defined benefit obligations	(70.2)	(72.6)
Fair value of plan assets	135.5	114.2
	<b>65.3</b>	<b>41.6</b>
Present value of unfunded obligations	—	(0.1)
Unrecognised actuarial gains	(41.4)	(20.1)
	<b>23.9</b>	<b>21.4</b>
Retirement benefit assets ( <i>Note 28</i> )	<b>23.9</b>	<b>21.4</b>

The movements in the present value of the defined benefit obligations are as follows:

At the beginning of the year	72.7	73.8
Interest cost	3.2	2.6
Current service cost	3.9	3.9
Contribution by employees	1.7	2.0
Benefit paid	(8.9)	(5.3)
Net transfer in/(out)	1.4	(0.7)
Actuarial gains	(3.8)	(3.6)
	<b>70.2</b>	<b>72.7</b>
At the end of the year	<b>70.2</b>	<b>72.7</b>

**15 STAFF COSTS** (Continued)**(b) Retirement benefit costs** (Continued)**(i) Defined benefit plans** (Continued)

	2007 HK\$m	2006 HK\$m
The movements in the fair value of plan assets are as follows:		
At the beginning of the year	114.2	102.4
Expected return of plan assets	7.9	6.5
Contribution by employees	1.7	2.0
Contribution by the Group	0.9	2.0
Benefit paid	(8.9)	(5.3)
Net transfer in/(out)	1.4	(0.7)
Actuarial gains	18.3	7.3
At the end of the year	135.5	114.2

Net expenses recognised in the income statement, under administrative expenses, were as follows:

Current service cost	3.9	3.9
Interest cost	3.2	2.6
Expected return on plan assets	(7.9)	(6.5)
Net actuarial gains recognised	(0.8)	—
Total included in staff costs (Note (a))	(1.6)	—

The actual return on plan assets was HK\$26.2 million (2006: HK\$13.5 million).

	2007	2006
The principal actuarial assumptions used were as follows:		
Discount rate	5.0%	5.0%
Expected rate of return on plan assets	7.0%	7.0%
Expected rate of future salary increases	4.0%	4.0%

Fair value of the plan assets are analysed as follows:

Equity instruments	72.0%	69.5%
Debt instruments	21.2%	21.4%
Other assets	6.8%	9.1%

The fair value of the plan assets does not include amounts relating to any of the Company's own financial instruments and property occupied by, or other assets used by the Group.

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

**15 STAFF COSTS** (Continued)**(b) Retirement benefit costs** (Continued)**(i) Defined benefit plans** (Continued)

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

	2007 HK\$m	2006 HK\$m
Present value of defined benefit obligations	(70.2)	(72.6)
Fair value of plan assets	135.5	114.2
Surplus	65.3	41.6
Experience adjustments on defined benefit obligations	1.5	(0.4)
Experience adjustments on plan assets	18.4	6.7

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

**(ii) 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\$138.6 million (2006: HK\$149.3 million) after netting off forfeited contributions of HK\$4.7 million (2006: HK\$12.4 million). Forfeited contributions available to reduce future contributions amounted to HK\$1.1 million (2006: HK\$0.1 million).

**(c) Share options**

The Company and its subsidiaries, New World China Land Limited ("NWCL"), NWS Holdings Limited ("NWSH"), New World Mobile Holdings Limited ("NWMH") and Taifook Securities Group Limited ("Taifook") operate share option schemes whereby options may be granted to eligible employees and Directors, to subscribe for shares of the Company, NWCL, NWSH, NWMH and Taifook respectively.

## 15 STAFF COSTS (Continued)

## (c) Share options (Continued)

Details of share options are as follows:

Grantor	Date of grant	Exercise price HK\$	Number of share options				30 June 2007	Note
			1 July 2006	Granted	Exercised	Lapsed/ cancelled		
The Company	19 March 2007	17.756	—	136,450,000	(230,000)	—	136,220,000	(i)
NWCL	29 June 2001 to 11 July 2007	0.912 to 6.710	12,617,300	5,282,400	(4,581,800)	(1,615,800)	11,702,100	(ii)
NWSH	21 July 2003	3.711	2,548,937	—	(1,061,926)	(6,844)	1,480,167	(iii)
NWMH	8 February 2002 to 8 April 2005	1.260 to 2.440	3,116,000	—	(2,356,000)	(482,000)	278,000	(iv)
Taifook	5 September 2003 to 10 February 2006	0.94 to 1.20	40,978,000	—	(36,678,000)	(1,000,000)	3,300,000	(v)

Notes:

(i) Except for 112,300,000 share options which are exercisable from 19 March 2007 to 18 March 2012, all the outstanding options are divided into 5 tranches and exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.

The fair value of the share options granted during the year was determined using the Binomial pricing model of HK\$823.9 million. The significant inputs to the model was share price of HK\$17.52 at the grant date, exercise price of HK\$17.756, risk-free interest rate of 4.098% per annum, a five-year period historical volatility of 41.2%, expected option life of 5 years, expected dividends of 1.81% and suboptimal exercise factor of 2 times of the exercise price (which accounts for the early exercise behaviour of the option holders).

(ii) Except for the 700,000 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 was determined using the Binomial Model of HK\$8.8 million (2006: HK\$6.9 million). The significant inputs to the model was share price ranging from HK\$2.865 to HK\$6.710 (2006: HK\$2.300 to HK\$3.875) at the grant dates, exercise prices ranging from HK\$2.865 to HK\$6.710 (2006: HK\$2.300 to HK\$3.915), volatility of the share of ranging from 43% to 47% (2006: 52% to 53%), expected life of options of 5 years (2006: 2 and 5 years), expected dividend yield of 0% to 1.33% (2006: 0%), risk-free interest rate ranging from 3.68% to 4.78% (2006: 3.18% to 4.50%) and suboptimal exercise factor of ranging from 1.55 to 1.74 (2006: 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.

(iii) The share options are exercisable on or before 20 July 2008.

(iv) The share options are exercisable on or before 31 December 2010. Upon completion of the disposal of the entire interest held by the Company in NWMH on 4 January 2007. NWMH ceased to be a subsidiary of the Group.

(v) The share options are exercisable on or before 9 August 2014.

## 16 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

Name of Directors	Fees HK\$m	Salaries, allowances and benefits	Bonus HK\$m	Retirement schemes contributions	Share options	Total HK\$m
		in kind HK\$m		HK\$m	HK\$m	
<b>Year ended 30 June 2007</b>						
Dr. Cheng Yu-Tung	0.3	—	—	—	220.4	220.7
Dr. Cheng Kar-Shun, Henry	0.7	17.3	1.3	0.8	220.4	240.5
Lord Sandberg, Michael	0.3	—	—	—	1.8	2.1
Dr. Sin Wai-Kin, David	0.2	—	—	—	1.8	2.0
Mr. Cheng Yue-Pui	0.2	—	—	—	1.2	1.4
Mr. Liang Chong-Hou, David	0.2	—	—	—	1.8	2.0
Mr. Yeung Ping-Leung, Howard	0.3	—	—	—	1.8	2.1
Dr. Cha Mou-Sing, Payson	0.3	—	—	—	1.8	2.1
Mr. Cheng Kar-Shing, Peter	0.4	2.8	0.4	0.3	2.7	6.6
Mr. Leung Chi-Kin, Stewart	0.4	4.5	0.7	0.4	220.4	226.4
Mr. Chow Kwai-Cheung	0.3	3.5	0.6	0.4	2.7	7.5
Mr. Ho Hau-Hay, Hamilton	0.2	—	—	—	1.2	1.4
Mr. Lee Luen-Wai, John	0.5	—	—	—	1.8	2.3
Mr. Liang Cheung-Biu, Thomas	0.2	—	—	—	1.2	1.4
Mr. Cheng Chi-Kong, Adrian	0.2	1.3	0.1	0.2	0.8	2.6
<b>Total</b>	<b>4.7</b>	<b>29.4</b>	<b>3.1</b>	<b>2.1</b>	<b>681.8</b>	<b>721.1</b>

Name of Directors	Fees HK\$m	Salaries, allowances and benefits	Bonus HK\$m	Retirement schemes contributions	Share options	Total HK\$m
		in kind HK\$m		HK\$m	HK\$m	
<b>Year ended 30 June 2006</b>						
Dr. Cheng Yu-Tung	0.3	—	—	—	—	0.3
Dr. Cheng Kar-Shun, Henry	0.5	13.9	1.2	0.6	0.1	16.3
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	0.3	—	—	—	—	0.3
Dr. Cha Mou-Sing, Payson	0.3	—	—	—	—	0.3
Mr. Cheng Kar-Shing, Peter	0.2	2.5	0.3	0.3	—	3.3
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	—	4.1
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
<b>Total</b>	<b>3.4</b>	<b>23.3</b>	<b>2.6</b>	<b>1.5</b>	<b>0.1</b>	<b>30.9</b>

## 16 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### (a) Directors' emoluments (Continued)

Fees paid to Independent Non-executive Directors amounted to HK\$1.4 million (2006: HK\$1.2 million). Other than share options granted to Independent Non-executive Directors, there were no other emoluments paid to Independent Non-executive Directors.

The value of the share options granted to the Directors of the Company and the senior management under the share option schemes of the Company and its subsidiaries represents the fair value of these options charged to the income statement for the year in accordance with HKFRS 2. In the financial statements for the year ended 30 June 2006, the emoluments relating to the share options represent the aggregate difference between the exercise price and the market price of total share options exercised at the dates of exercise. In order to conform to the basis of disclosure in the current year, the 2006 comparatives have been restated.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three Directors (2006: two Directors) whose emoluments are reflected above. The emoluments payable to the remaining two (2006: three) individuals during the year are as follows:

	2007 HK\$m	2006 HK\$m
Salaries and other emoluments	16.3	20.9
Contributions to retirement benefit schemes	0.4	0.9
Share options	1.2	0.2
	17.9	22.0

The emoluments of the individuals fell within the following bands:

Emolument band (HK\$)	2007	2006
5,000,001 – 5,500,000	—	1
8,000,001 – 8,500,000	—	1
8,500,001 – 9,000,000	1	1
9,500,001 – 10,000,000	1	—
	2	3

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.



## 17 INVESTMENT PROPERTIES

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
At the beginning of the year	23,145.2	20,385.9	36.5	33.1
Translation differences	142.5	84.5	—	—
Acquisition of subsidiaries	—	3.9	—	—
Additions	94.2	9.1	—	—
Transfer from property, plant and equipment, leasehold land and land use rights	548.5	357.0	—	—
Transfer from assets under construction upon completion	—	701.6	—	—
Transfer from properties under development	1,078.8	140.3	—	—
Disposals	(21.1)	—	—	—
Change in fair value	1,263.9	1,462.9	5.5	3.4
At the end of the year	26,252.0	23,145.2	42.0	36.5

The investment properties were revalued at 30 June 2007 by independent, professionally qualified valuers, Savills Valuation and Professional Services 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\$9,651.5 million (2006: HK\$9,951.4 million) (Note 39).

Investment properties include buildings held under finance leases of which the carrying amount is HK\$61.0 million (2006: HK\$58.0 million).

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

	2007 HK\$m	2006 HK\$m
In Hong Kong:		
Leases of over 50 years	8,974.8	8,595.5
Leases of between 10 to 50 years	12,155.4	11,427.2
Leases of less than 10 years	106.0	106.0
Outside Hong Kong:		
Leases of over 50 years	100.7	89.1
Leases of between 10 to 50 years	4,915.1	2,927.4
	26,252.0	23,145.2

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

## 18 PROPERTY, PLANT AND EQUIPMENT

	Group					Total HK\$m
	Buildings HK\$m	Toll roads, bridges and port facilities HK\$m	Telecom- munication equipment and systems HK\$m	Other assets HK\$m	Assets under con- struction HK\$m	
Cost						
At 1 July 2006	3,103.0	2,022.1	2,339.9	5,102.6	387.4	12,955.0
Translation differences	138.3	122.2	—	110.9	2.6	374.0
Acquisition of subsidiaries	2.3	—	—	71.7	—	74.0
Disposal of subsidiaries	(3.9)	—	—	(22.7)	(15.1)	(41.7)
Additions	28.1	—	86.3	323.9	208.7	647.0
Transfer to investment properties	(378.5)	—	—	(0.8)	—	(379.3)
Transfer upon completion	—	—	39.9	—	(39.9)	—
Disposals	(10.0)	—	(0.2)	(612.7)	(1.4)	(624.3)
At 30 June 2007	2,879.3	2,144.3	2,465.9	4,972.9	542.3	13,004.7
Accumulated depreciation and impairment						
At 1 July 2006	844.8	665.9	2,001.8	3,725.2	9.1	7,246.8
Translation differences	32.8	28.4	—	72.4	0.6	134.2
Disposal of subsidiaries	—	—	—	(18.0)	—	(18.0)
Impairment	—	81.1	—	2.8	—	83.9
Depreciation	128.5	84.1	74.9	348.0	—	635.5
Transfer to investment properties	(34.7)	—	—	(0.6)	—	(35.3)
Disposals	(9.8)	—	(0.2)	(603.4)	—	(613.4)
At 30 June 2007	961.6	859.5	2,076.5	3,526.4	9.7	7,433.7
Net book value						
At 30 June 2007	1,917.7	1,284.8	389.4	1,446.5	532.6	5,571.0

**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 con- struction HK\$m	Total HK\$m
<b>Cost</b>						
At 1 July 2005	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	(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
<b>Accumulated depreciation and impairment</b>						
At 1 July 2005	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	(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
<b>Net book value</b>						
At 30 June 2006	2,258.2	1,356.2	338.1	1,377.4	378.3	5,708.2

**18 PROPERTY, PLANT AND EQUIPMENT** (Continued)

	<b>Company Other assets HK\$m</b>
Cost	
At 1 July 2005, 30 June 2006 and 30 June 2007	3.3
Accumulated depreciation	
At 1 July 2005, 30 June 2006 and 30 June 2007	3.3
Net book value	
At 30 June 2006 and 2007	—

The aggregate net book value of assets pledged as securities for loans amounted to HK\$945.3 million (2006: HK\$1,203.2 million) (Note 39).

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\$23.4 million (2006: HK\$140.4 million) and HK\$0.1 million (2006: HK\$0.2 million) respectively.

Depreciation of HK\$197.3 million (2006: HK\$493.2 million) has been expensed in cost of sales, HK\$370.5 million (2006: HK\$334.9 million) in other operating expenses and HK\$67.7 million (2006: HK\$57.9 million) in administrative expenses.

**19 LEASEHOLD LAND AND LAND USE RIGHTS**

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
In Hong Kong:				
Leases of over 50 years	644.2	654.9	0.5	0.5
Leases of between 10 to 50 years	625.8	641.2	—	—
Outside Hong Kong:				
Leases of over 50 years	19.5	26.5	—	—
Leases of between 10 to 50 years	1,169.8	1,154.7	—	—
Leases of less than 10 years	2.6	2.9	—	—
	<b>2,461.9</b>	<b>2,480.2</b>	<b>0.5</b>	<b>0.5</b>
At the beginning of the year	2,480.2	2,756.9	0.5	0.5
Translation differences	68.8	22.6	—	—
Additions	8.2	6.9	—	—
Acquisition of subsidiaries	—	114.5	—	—
Transfer to investment properties	(34.1)	(334.0)	—	—
Disposals	—	(31.5)	—	—
Amortisation	(61.2)	(55.2)	—	—
At the end of the year	<b>2,461.9</b>	<b>2,480.2</b>	<b>0.5</b>	<b>0.5</b>

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\$782.0 million (2006: HK\$828.3 million) (Note 39).

## 20 INTANGIBLE ASSETS

	Group				Total HK\$m
	Goodwill HK\$m	Licences and software HK\$m	Trademark and licences HK\$m	Development costs HK\$m	
Cost					
At 1 July 2006	299.8	401.2	—	13.0	714.0
Additions	—	—	—	2.0	2.0
Acquisition of subsidiaries	9.8	—	159.3	—	169.1
Acquisition of additional interests in subsidiaries	473.7	—	—	—	473.7
At 30 June 2007	783.3	401.2	159.3	15.0	1,358.8
Accumulated amortisation and impairment					
At 1 July 2006	50.2	401.2	—	4.5	455.9
Amortisation	—	—	—	3.6	3.6
Impairment	36.3	—	—	—	36.3
At 30 June 2007	86.5	401.2	—	8.1	495.8
Net book amount					
At 30 June 2007	696.8	—	159.3	6.9	863.0
Cost					
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 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

**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 segments. For the purpose of impairment test, the recoverable amount of the business unit is determined based on value-in-use calculations, which uses cash flow projections based on financial budgets covering a period of five years and a pre-tax discount rate. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The key assumptions adopted on growth rates and discount rates used in the value-in-use calculations are based on management best estimates. Growth rates are determined by considering both internal and external factors relating to the relevant segments. Discount rates used also reflect specific risks relating to the relevant segments.

A summary of the goodwill allocation to segments is set out below:

	2007			2006		
	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	—	71.6	71.6	—	73.7	73.7
Service and infrastructure	625.2	—	625.2	175.9	—	175.9
	625.2	71.6	696.8	175.9	73.7	249.6

**21 SUBSIDIARIES**

	Company	
	2007 HK\$m	2006 HK\$m
Unlisted shares		
At cost	5,226.9	4,909.9
Provision for impairment	(552.7)	(552.7)
	4,674.2	4,357.2
Listed shares in Hong Kong, at cost	23,637.9	22,640.8
	28,312.1	26,998.0
Amounts receivable less provision	37,644.3	36,057.5
	65,956.4	63,055.5
Amounts payable	(24,053.8)	(21,577.0)
	41,902.6	41,478.5
Market value of listed shares	39,827.9	15,685.9

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 48.

## 22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Equity joint ventures				
Group's share of net assets	1,040.8	492.5	—	—
Goodwill on acquisition	2.2	2.2	—	—
Amounts receivable less provision (Note (a))	141.5	83.4	—	—
Amounts payable (Note (b))	(101.3)	(58.6)	—	—
	<b>1,083.2</b>	519.5	—	—
Co-operative joint ventures				
Cost of investment less provision	7,154.4	6,928.3	—	—
Goodwill on acquisition	—	15.9	—	—
Share of undistributed post-acquisition results	739.4	27.6	—	—
Amounts receivable less provision (Note (a))	7,276.4	7,863.6	—	—
Amounts payable (Note (b))	(1,105.0)	(967.9)	—	—
	<b>14,065.2</b>	13,867.5	—	—
Companies limited by shares				
Group's share of net assets	4,173.7	3,649.6	—	—
Goodwill on acquisition	132.5	132.5	—	—
Amounts receivable (Note (a))	5,445.4	5,637.8	228.6	217.6
Amounts payable (Note (b))	(713.9)	(557.1)	—	—
	<b>9,037.7</b>	8,862.8	<b>228.6</b>	217.6
Deposits paid for joint ventures (Note (c))	107.4	91.9	—	—
	<b>24,293.5</b>	23,341.7	<b>228.6</b>	217.6



**22 INTERESTS IN JOINTLY CONTROLLED ENTITIES** (Continued)

Notes:

(a) Amounts receivable are analysed as follows:

	Group	
	2007 HK\$m	2006 HK\$m
Interest bearing		
Fixed rates (Note (i))	4,169.4	4,823.6
Variable rates (Note (ii))	1,723.2	1,293.6
Non-interest bearing (Note (iii))	6,970.7	7,467.6
	<b>12,863.3</b>	<b>13,584.8</b>

(i) Carry interest rates ranging from 6.0% to 10.0% (2006: 2.0% to 12.0%) per annum.

(ii) Carry interest rates ranging from 0.6% above HIBOR to Prime Rate offered by banks in Hong Kong (2006: 0.6% above HIBOR to 1.5% above Prime Rate offered by the banks in the United States of America) per annum.

(iii) The amounts include HK\$228.6 million (2006: HK\$217.6 million) due to the Company.

The repayment terms of the amounts receivable are specified in the relevant joint venture agreements and their carrying amounts are not materially different from their fair values. These amounts are unsecured.

(b) The amounts payable are unsecured, interest free and repayable on demand and their carrying amounts are not materially different from their fair values.

(c) These represent 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:

	2007 HK\$m	2006 HK\$m
Revenues	7,640.4	7,894.0
Profit after taxation	1,664.1	1,636.2
Non-current assets	22,053.1	18,229.6
Current assets	18,830.2	20,895.2
Non-current liabilities	(16,163.2)	(16,434.7)
Current liabilities	(11,611.8)	(11,592.1)
Net assets	<b>13,108.3</b>	<b>11,098.0</b>

(e) Details of principal jointly controlled entities are given in Note 49.

## 23 INTERESTS IN ASSOCIATED COMPANIES

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Group's share of net assets				
Listed shares in Hong Kong	731.1	904.1	—	—
Listed shares in Mainland China	183.5	—	—	—
Unlisted shares	5,467.3	4,599.2	6.8	6.8
	<b>6,381.9</b>	5,503.3	<b>6.8</b>	6.8
Goodwill	1,292.2	1,127.4	—	—
Amounts receivable less provision (Note (a))	3,148.3	3,159.7	383.3	59.4
Amounts payable (Note (b))	(482.1)	(405.7)	(37.3)	(19.8)
	<b>2,666.2</b>	2,754.0	<b>346.0</b>	39.6
	<b>10,340.3</b>	9,384.7	<b>352.8</b>	46.4
Market value of listed shares	1,882.7	698.7	—	—

## Notes:

(a) Amounts receivable are analysed as follows:

	2007 HK\$m	2006 HK\$m
Interest bearing		
Fixed rates (Note (i))	93.1	100.4
Variable rates (Note (ii))	181.9	165.1
Non-interest bearing (Note (iii))	2,873.3	2,894.2
	<b>3,148.3</b>	<b>3,159.7</b>

(i) Carry interest rates ranging from 6.8% to 8.0% (2006: 5.8% to 8.0%) per annum.

(ii) Carry interest rates ranging from HIBOR plus 0.6% to Prime Rate offered by banks in Hong Kong (2006: HIBOR plus 0.6% to Prime Rate offered by banks in Hong Kong) per annum.

(iii) The amounts include HK\$383.3 million (2006: HK\$59.4 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.

**23 INTERESTS IN ASSOCIATED COMPANIES** (Continued)

Notes: (Continued)

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

	2007 HK\$m	2006 HK\$m
Revenues	4,747.3	2,898.5
Profit after taxation	1,325.8	656.8
Non-current assets	10,136.5	9,583.2
Current assets	2,863.8	3,217.9
Non-current liabilities	(3,843.5)	(4,197.5)
Current liabilities	(2,774.9)	(3,100.3)
Net assets	6,381.9	5,503.3

(d) Details of principal associated companies are given in Note 50.

**24 AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Equity securities				
Unlisted shares and investments, at fair value	2,576.7	2,212.4	27.1	29.4
Listed shares, at market value				
Hong Kong	716.2	386.7	—	—
Overseas	387.5	422.5	—	—
Debt securities				
Unlisted debentures and convertible bonds, at fair value	39.0	40.1	—	—
	3,719.4	3,061.7	27.1	29.4

**24 AVAILABLE-FOR-SALE FINANCIAL ASSETS** (Continued)

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

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Hong Kong dollar	2,261.6	1,801.2	11.2	11.2
Japanese Yen	594.0	416.0	—	—
Thai Baht	364.0	323.0	—	—
Renminbi	281.8	176.7	15.9	18.2
Others	218.0	344.8	—	—
	<b>3,719.4</b>	<b>3,061.7</b>	<b>27.1</b>	<b>29.4</b>

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

**25 HELD-TO-MATURITY INVESTMENTS**

	Group	
	2007 HK\$m	2006 HK\$m
Debt securities		
Unlisted debentures	32.3	31.1

**26 PROPERTIES FOR DEVELOPMENT**

	Group	
	2007 HK\$m	2006 HK\$m
Land cost	9,699.6	5,837.4
Development cost	2,918.1	2,641.0
	<b>12,617.7</b>	<b>8,478.4</b>
Provision	(1,068.5)	(1,185.7)
	<b>11,549.2</b>	<b>7,292.7</b>

**26 PROPERTIES FOR DEVELOPMENT** (Continued)

The carrying value of properties is analysed as follows:

	2007 HK\$m	2006 HK\$m
In Hong Kong:		
Leases of over 50 years	37.7	26.9
Leases of between 10 to 50 years	3,600.7	2,820.5
Outside Hong Kong:		
Freehold	89.4	47.5
Leases of over 50 years	6,290.7	2,888.9
Leases of between 10 to 50 years	1,530.7	1,508.9
	<b>11,549.2</b>	<b>7,292.7</b>

**27 DEFERRED TAXATION**

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Deferred tax assets	108.8	106.6	—	—
Deferred tax liabilities	(4,106.2)	(3,745.6)	(5.0)	—
	<b>(3,997.4)</b>	<b>(3,639.0)</b>	<b>(5.0)</b>	—
At the beginning of the year	<b>(3,639.0)</b>	(3,086.9)	—	—
Translation differences	(24.4)	(15.1)	—	—
Disposal of subsidiaries	—	(156.2)	—	—
Charged to income statement (Note 11)	(194.9)	(302.4)	(5.0)	—
(Charged)/credited to reserves	(69.3)	18.9	—	—
Acquisition of subsidiaries	(69.8)	(97.3)	—	—
At the end of the year	<b>(3,997.4)</b>	<b>(3,639.0)</b>	<b>(5.0)</b>	—

**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:

**Group****Deferred tax liabilities**

	Accelerated depreciation		Valuation of properties		Income from sales of properties		Fair value adjustments on acquisition		Other items		Total	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
At the beginning 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)
Translation differences	(13.0)	(15.6)	(9.4)	(3.9)	(2.5)	(2.3)	(8.3)	(4.5)	(0.2)	7.4	(33.4)	(18.9)
Disposal of subsidiaries (Charged)/credited to income statement	—	86.6	—	—	—	—	—	—	—	—	—	86.6
Charged to property revaluation reserve	(60.0)	(63.7)	(210.7)	(245.6)	12.6	41.5	82.7	—	16.3	(7.4)	(159.1)	(275.2)
Credited to convertible bond capital reserve	—	—	(42.0)	—	—	—	—	—	—	—	(42.0)	—
Charged to investment revaluation reserve	—	—	—	—	—	—	—	—	6.6	18.9	6.6	18.9
Acquisition of subsidiaries	—	—	—	—	—	—	(69.8)	(97.3)	—	—	(69.8)	(97.3)
At the end of the year	(1,660.9)	(1,587.9)	(2,229.9)	(1,967.8)	(31.5)	(41.6)	(287.6)	(292.2)	(36.1)	(24.9)	(4,246.0)	(3,914.4)

**Deferred tax assets**

	Provisions		Accelerated depreciation		Tax losses		Unrealised intra-group profit		Other items		Total	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
At the beginning 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
Translation differences	0.9	—	0.2	—	6.4	3.8	—	—	1.5	—	9.0	3.8
Disposal of subsidiaries (Charged)/credited to income statement	—	(2.2)	—	(2.3)	—	(238.3)	—	—	—	—	—	(242.8)
	(3.7)	—	25.3	(1.3)	(17.1)	(35.5)	—	—	(40.3)	9.6	(35.8)	(27.2)
At the end of the year	16.9	19.7	25.5	—	113.7	124.4	58.0	58.0	34.5	73.3	248.6	275.4

Deferred tax liabilities of the Company amounted to HK\$5.0 million (2006: Nil) are arising from valuation of properties held.

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.

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\$8,885.5 million (2006: HK\$9,230.2 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$762.7 million (2006: HK\$480.5 million) which will expire at various dates up to and including 2012 (2006: 2011).

**28 OTHER NON-CURRENT ASSETS**

	Group	
	2007 HK\$m	2006 HK\$m
Deposits for proposed investments ( <i>Note (a)</i> )	215.9	29.8
Retirement benefit assets ( <i>Note 15(b)(i)</i> )	23.9	21.4
Long-term receivables ( <i>Note (b)</i> )	784.9	873.6
Restricted bank balances ( <i>Note 35</i> )	—	706.9
Others	61.1	49.6
	<b>1,085.8</b>	<b>1,681.3</b>

Note:

**(a) Deposits for proposed investments**

Deposits for proposed investments include deposits and loan totalling approximately HK\$2,160.0 million by NWTMT, a wholly owned subsidiary, in 2002 to a company established in the PRC ("PRC Entity") in connection with the proposed investment of up to 70.0% interest in a fibre optic backbone network in the PRC.

In June 2004, NWTMT requested to withdraw from the proposed investment and demanded for repayment, however, there is no repayment of the amounts owed to NWTMT.

The Directors have taken into consideration the uncertainties in recovering the amounts owed to NWTMT and have concluded that a full provision of HK\$2,160.0 million made against the deposits and loan made to the PRC Entity remains most appropriate for the purpose of the financial statements for the year ended 30 June 2007.

**(b) Long-term receivables**

	Group	
	2007 HK\$m	2006 HK\$m
Accounts receivable, net of provision	711.3	990.3
Other loans	196.0	232.5
	<b>907.3</b>	<b>1,222.8</b>
Amounts receivable within one year included in debtors and prepayments	<b>(122.4)</b>	<b>(349.2)</b>
	<b>784.9</b>	<b>873.6</b>

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

**29 PROPERTIES UNDER DEVELOPMENT**

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Land cost	<b>7,076.8</b>	8,071.7	<b>368.6</b>	376.3
Development cost	<b>6,700.5</b>	5,849.0	<b>618.2</b>	415.0
	<b>13,777.3</b>	13,920.7	<b>986.8</b>	791.3
Provision	<b>(122.8)</b>	(35.8)	—	—
	<b>13,654.5</b>	13,884.9	<b>986.8</b>	791.3

The carrying value of properties is analysed as follows:

	2007 HK\$m	2006 HK\$m
In Hong Kong:		
Leases of over 50 years	<b>1,490.2</b>	1,006.7
Leases of between 10 to 50 years	<b>7,943.3</b>	8,071.6
Outside Hong Kong:		
Leases of over 50 years	<b>1,643.7</b>	3,046.8
Leases of between 10 to 50 years	<b>2,577.3</b>	1,759.8
	<b>13,654.5</b>	13,884.9

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

The Group's and the Company's aggregate carrying value of properties under development pledged as securities for borrowings amounted to HK\$5,674.8 million (2006: HK\$4,820.8 million) and HK\$986.8 million (2006: HK\$791.3 million) respectively (Note 39).



**30 PROPERTIES FOR SALE**

	Group	
	2007 HK\$m	2006 HK\$m
Land cost	2,151.9	1,874.5
Development cost	3,805.2	3,852.3
	5,957.1	5,726.8
Provision	(778.7)	(859.3)
	5,178.4	4,867.5

The carrying value of properties is analysed as follows:

	2007 HK\$m	2006 HK\$m
In Hong Kong:		
Leases of over 50 years	27.8	28.0
Leases of between 10 to 50 years	3,901.6	3,494.4
Outside Hong Kong:		
Leases of over 50 years	1,052.8	1,125.2
Leases of between 10 to 50 years	196.2	219.9
	5,178.4	4,867.5

The Group's aggregate carrying value of properties for sale pledged as securities for borrowings amounted to HK\$138.2 million (2006: HK\$2,445.1 million) (Note 39).

**31 STOCKS**

	Group	
	2007 HK\$m	2006 HK\$m
Raw materials	33.7	23.0
Work-in-progress	25.6	40.9
Finished goods	124.0	113.4
Merchandise	92.6	62.0
	275.9	239.3

## 32 DEBTORS AND PREPAYMENTS

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Trade debtors (Note (a))	11,158.5	4,879.0	—	—
Advances to customers (Note (b))	2,205.6	—	—	—
Amounts due from customers for contract work (Note 36)	427.0	296.4	—	—
Retention receivable for contract work	1,192.3	904.2	—	—
Deposits, prepayments and other debtors	6,040.3	5,632.3	108.5	304.4
	<b>21,023.7</b>	<b>11,711.9</b>	<b>108.5</b>	<b>304.4</b>

## Notes:

- (a) 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 receivable in respect of construction and engineering services are settled in accordance with the terms of respective contracts.

Aging analysis of trade debtors is as follows:

	2007 HK\$m	2006 HK\$m
Current to 30 days	10,050.0	4,190.5
31 to 60 days	357.3	219.1
Over 60 days	751.2	469.4
	<b>11,158.5</b>	<b>4,879.0</b>

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

- (b) The Group has made loans to margin customers for its securities businesses. Such loans are secured by the underlying pledged securities and are interest bearing. The amount of credit facilities granted to margin customers is determined by the discounted market value of the collateral securities accepted by the Group. As at 30 June 2007, the total market value of securities pledged as collateral in respect of the loans to margin customers was HK\$15,942.2 million (2006: Nil).
- (c) The carrying amounts of the debtors and prepayments, which approximate their fair values, are denominated in the following currencies:

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Hong Kong dollar	14,321.7	5,405.1	108.5	304.4
Renminbi	5,284.0	5,228.7	—	—
United States dollar	571.4	584.4	—	—
Others	846.6	493.7	—	—
	<b>21,023.7</b>	<b>11,711.9</b>	<b>108.5</b>	<b>304.4</b>

**33 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	Group	
	2007 HK\$m	2006 HK\$m
Unlisted shares and investments, at fair value		
Equity securities	54.7	—
Debt securities	70.6	—
Listed shares, at market value		
Hong Kong	111.9	1.1
Overseas	9.7	28.4
	<b>246.9</b>	<b>29.5</b>

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

	2007 HK\$m	2006 HK\$m
Hong Kong dollar	111.9	1.1
Renminbi	—	28.4
United States dollar	102.2	—
Others	32.8	—
	<b>246.9</b>	<b>29.5</b>

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

**34 CASH HELD ON BEHALF OF CUSTOMERS**

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

**35 CASH AND BANK BALANCES**

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Cash at banks and on hand	8,013.2	4,430.0	40.5	0.8
Short-term bank deposits				
Restricted	768.8	1,334.4	—	—
Unrestricted	6,618.1	1,878.5	—	—
Cash and bank balances	15,400.1	7,642.9	40.5	0.8
Restricted bank deposits included in other non-current assets (Note 28)	—	(706.9)	—	—
	15,400.1	6,936.0	40.5	0.8

The effective interest rates on short-term bank deposits range from 0.7% to 5.6% (2006: 1.4% to 5.4%) per annum and these deposits have an average maturity ranging from 3 to 147 days (2006: 3 to 94 days).

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

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Hong Kong dollar	4,979.7	2,007.9	40.5	0.8
Renminbi	4,297.5	2,954.5	—	—
United States dollar	5,750.5	2,442.7	—	—
Others	372.4	237.8	—	—
	15,400.1	7,642.9	40.5	0.8

Restricted bank balances are funds which are pledged to secure certain short-term borrowings and long-term borrowings (Note 39).

**36 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK**

	Group	
	2007 HK\$m	2006 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses	21,119.1	13,936.6
Progress payments received and receivable	(21,336.1)	(14,090.3)
	(217.0)	(153.7)
Representing:		
Gross amounts due from customers for contract work (Note 32)	427.0	296.4
Gross amounts due to customers for contract work (Note 41)	(644.0)	(450.1)
	(217.0)	(153.7)

## 37 SHARE CAPITAL

	2007 Number of shares (million)	2007 HK\$m	2006 Number of shares (million)	2006 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	3,639.1	3,639.1	3,491.6	3,491.6
Issue of new shares as scrip dividends	52.8	52.8	40.5	40.5
Placement of new shares	—	—	107.0	107.0
Exercise of share options	0.2	0.2	—	—
At the end of the year	3,692.1	3,692.1	3,639.1	3,639.1

During the year, 24,772,106 and 28,024,881 new shares were issued at HK\$11.2035 and HK\$14.66252 per share respectively for the settlement of 2006 interim and final scrip dividends.

## 38 RESERVES

	Group								
	Capital redemption reserve HK\$m	Share premium HK\$m	Investment revaluation reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Exchange reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2005	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 new shares	—	1,123.5	—	—	—	—	—	—	1,123.5
Share placement expenses	—	(15.9)	—	—	—	—	—	—	(15.9)
Translation differences	—	—	—	—	—	—	236.8	—	236.8
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)	—
Conversion of convertible bonds	—	—	—	—	—	(58.6)	—	—	(58.6)
Tax on the above movement	—	—	—	—	—	10.2	—	—	10.2
2005 final dividend paid	—	—	—	—	—	—	—	(698.3)	(698.3)
2006 interim dividend payable	—	—	—	—	—	—	—	(473.1)	(473.1)
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:									
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

## 38 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	Exchange reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2006	37.7	26,335.8	—	917.2	694.7	18.0	16.7	314.5	21,301.8	49,636.4
Conversion of convertible bonds	—	—	—	—	—	—	(20.2)	—	—	(20.2)
Change in fair value of available-for-sale financial assets	—	—	—	1,269.0	—	—	—	—	—	1,269.0
Reclassification of properties, plant and equipment to investment properties	—	—	170.4	—	—	—	—	—	—	170.4
Tax on the above movements	—	—	(42.0)	(33.9)	—	—	3.5	—	—	(72.4)
Scrip dividends	—	635.6	—	—	—	—	—	—	—	635.6
Employees' share-based payments	—	—	—	—	—	713.8	—	—	—	713.8
Issue of new shares upon exercise of share options	—	5.2	—	—	—	(3.4)	—	—	—	1.8
Acquisition of subsidiaries	—	—	—	—	95.7	—	—	—	—	95.7
Issue of convertible bonds	—	—	—	—	—	—	1,086.0	—	—	1,086.0
Reclassification of available-for-sale financial assets as an associated company	—	—	—	(588.2)	—	—	—	—	—	(588.2)
Disposal of available-for-sale financial assets	—	—	—	(15.8)	—	—	—	—	—	(15.8)
Profit attributable to shareholders	—	—	—	—	—	—	—	—	4,312.9	4,312.9
Transfer of reserves	—	—	—	—	57.1	—	—	—	(57.1)	—
Translation differences	—	—	—	—	—	—	—	857.1	—	857.1
2006 final dividend paid	—	—	—	—	—	—	—	—	(732.8)	(732.8)
2007 interim dividend payable	—	—	—	—	—	—	—	—	(553.8)	(553.8)
At 30 June 2007	37.7	26,976.6	128.4	1,548.3	847.5	728.4	1,086.0	1,171.6	24,271.0	56,795.5
Representing:										
At 30 June 2007	37.7	26,976.6	128.4	1,548.3	847.5	728.4	1,086.0	1,171.6	23,342.7	55,867.2
2007 proposed final dividend	—	—	—	—	—	—	—	—	928.3	928.3
	37.7	26,976.6	128.4	1,548.3	847.5	728.4	1,086.0	1,171.6	24,271.0	56,795.5

**38 RESERVES** (Continued)

	Company					
	Capital redemption reserve HK\$m	Share premium HK\$m	Investment revaluation reserve HK\$m	Employees' share-based compensation reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2005	37.7	24,840.0	35.7	—	10,868.4	35,781.8
Scrip dividends	—	388.2	—	—	—	388.2
Placement of new 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)
<b>At 30 June 2006</b>	<b>37.7</b>	<b>26,335.8</b>	<b>17.9</b>	<b>—</b>	<b>11,837.1</b>	<b>38,228.5</b>
Representing:						
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
	<b>37.7</b>	<b>26,335.8</b>	<b>17.9</b>	<b>—</b>	<b>11,837.1</b>	<b>38,228.5</b>
At 1 July 2006	<b>37.7</b>	<b>26,335.8</b>	<b>17.9</b>	<b>—</b>	<b>11,837.1</b>	<b>38,228.5</b>
Scrip dividends	—	635.6	—	—	—	635.6
Employees' share-based payments	—	—	—	707.2	—	707.2
Issue of new shares upon exercise of share options	—	5.2	—	(1.4)	—	3.8
Change in fair value of available-for-sale financial assets	—	—	(1.4)	—	—	(1.4)
Profit for the year	—	—	—	—	675.3	675.3
2006 final dividend paid	—	—	—	—	(732.8)	(732.8)
2007 interim dividend payable	—	—	—	—	(553.8)	(553.8)
<b>At 30 June 2007</b>	<b>37.7</b>	<b>26,976.6</b>	<b>16.5</b>	<b>705.8</b>	<b>11,225.8</b>	<b>38,962.4</b>
Representing:						
At 30 June 2007	37.7	26,976.6	16.5	705.8	10,297.5	38,034.1
2007 proposed final dividend	—	—	—	—	928.3	928.3
	<b>37.7</b>	<b>26,976.6</b>	<b>16.5</b>	<b>705.8</b>	<b>11,225.8</b>	<b>38,962.4</b>

## 39 BORROWINGS

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Long-term borrowings				
Secured bank loans	12,393.3	11,074.5	—	—
Unsecured bank loans	12,371.1	10,078.4	—	—
Obligations under finance leases (Note (b))	0.1	5.1	—	—
Convertible bonds (Note (c))	7,550.7	520.0	—	—
Loans from minority shareholders (Note (d))	658.4	489.3	—	—
	32,973.6	22,167.3	—	—
Current portion of long-term borrowings	(4,580.1)	(6,794.5)	—	—
	28,393.5	15,372.8	—	—
Short-term borrowings				
Secured bank loans	1,142.9	388.1	—	—
Unsecured bank loans	5,967.9	490.1	—	11.3
Other unsecured loans	52.1	50.2	26.9	10.0
Loans from minority shareholders (Note (d))	1,449.4	1,393.6	—	—
	8,612.3	2,322.0	26.9	21.3
Total borrowings	41,585.9	24,489.3	26.9	21.3

Notes:

(a) Maturity of bank loans is as follows:

	Group	
	2007 HK\$m	2006 HK\$m
Within one year	11,690.8	7,667.6
In the second year	5,479.6	6,395.4
In the third to fifth year	10,435.2	7,822.1
After the fifth year	4,269.6	146.0
	31,875.2	22,031.1

(b) Finance lease obligations

	Group	
	2007 HK\$m	2006 HK\$m
Minimum lease payments — within one year	0.1	5.3
Future finance charges	—	(0.2)
Present value	0.1	5.1



**39 BORROWINGS** (Continued)

Notes: (Continued)

**(c) Convertible bonds**

	Group	
	2007 HK\$m	2006 HK\$m
Zero coupon convertible bonds		
HK\$1,350.0 million due 2009 (Note(i))	—	520.0
HK\$6,000.0 million due 2014 (Note(ii))	5,116.5	—
RMB2,800.0 million due 2012 (Note(iii))	2,434.2	—
	<b>7,550.7</b>	<b>520.0</b>

Notes:

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

The bonds, guaranteed by NWSH, were 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 were 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 would be redeemed on the maturity date on 26 April 2009 at 97.53% of the principal amount.

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

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

During the year ended 30 June 2007, the remaining bondholders had also elected to fully convert their bonds totalling HK\$567.3 million into shares of NWSH at a conversion price of HK\$13.18 per share with 43,042,478 shares of HK\$1 each of NWSH issued under the conversion.

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

- (ii) On 4 June 2007, a subsidiary of the Company issued zero coupon guaranteed convertible bonds in the aggregate amount of HK\$6,000.0 million, which are convertible into fully paid shares with par value of HK\$1.00 each of the Company.

The bonds, guaranteed by the Company, are convertible into shares of the Company at a conversion price of HK\$26.784 per share at any time on and after 16 July 2007 up to 25 May 2014, subject to adjustments according to the terms governing the convertible bonds. The bonds are redeemable by the issuer at any time on or after 4 June 2012 at the option of the issuer, subject to the terms governing the convertible bonds. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed on the maturity date on 4 June 2014 at 128.3716% of the principal amount.

The fair value of the liability component at the date of the issue of the bonds, included in the long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in the convertible bond capital reserve. The fair value of the liability component of the convertible bonds at 30 June 2007, which was calculated using cash flows discounted at a rate of 6.5%, amounted to HK\$4,948.5 million.

Interest expense on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 6.1% per annum to the liability component.

**39 BORROWINGS** (Continued)

Notes: (Continued)

**(c) Convertible bonds** (Continued)

- (iii) In June 2007, a subsidiary of NWCL issued US dollar settled zero coupon guaranteed convertible bonds in the aggregate amount of RMB2,800.0 million, which are convertible into fully paid shares with par value of HK\$0.1 each of NWCL.

The bonds, guaranteed by NWCL, are convertible into shares of NWCL at a conversion price of HK\$8.044 per share at any time on and after 26 June 2007 up to 26 May 2012, with the Renminbi principal amount of the bonds translated into Hong Kong dollar at a fixed rate of HK\$1 to RMB0.9848, subject to adjustments according to the terms governing the convertible bonds. The bonds are redeemable by the issuer at any time on or after 11 June 2010 at the option of the issuer, subject to the terms governing the convertible bonds. Moreover, the bondholders have the option to redeem all or some of the bonds held by them on 11 June 2010 at 102.27% of the principal amount. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed on the maturity date on 11 June 2012 at 103.81% of the principal amount.

The fair value of the liability component at the date of the issue of the bonds, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in the convertible bond capital reserve. The fair value of the liability component of the convertible bonds at 30 June 2007, which was calculated using cash flows discounted at a rate of 4.9%, amounted to HK\$2,344.1 million.

Interest expense on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 4.1% to the liability component.

**(d) Loans from minority shareholders**

The loans of HK\$228.5 million (2006: HK\$227.2 million) are unsecured, bear interest at fixed rates ranging from 5.0% to 10.0% (2006: 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**

	2007			2006		
	Hong Kong dollar	United States dollar	Renminbi	Hong Kong dollar	United States dollar	Renminbi
Bank borrowings	5.2%	6.6%	6.2%	4.9%	6.1%	5.7%
Loans from minority shareholders	7.5%	—	5.8%	6.0%	—	5.8%
Other unsecured loans	4.6%	—	—	4.0%	—	—

The effective interest rates of the convertible bonds are disclosed in Note (c) above.

**(f) Carrying amounts and fair values of the borrowings**

The fair value of the liability component of the convertible bonds at 30 June 2007 is disclosed in Note (c) above.

The carrying amounts of other borrowings approximate their fair values.

**39 BORROWINGS** (Continued)

Notes: (Continued)

**(g) Currencies**

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

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Hong Kong dollar	35,307.1	21,032.0	26.9	21.3
Renminbi	6,050.6	2,908.4	—	—
United States dollar	228.2	548.9	—	—
	<b>41,585.9</b>	<b>24,489.3</b>	<b>26.9</b>	<b>21.3</b>

**(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
<b>2007</b>								
Within one year	31,875.2	52.1	—	0.1	31,927.4	—	26.9	26.9
In the fifth year	—	—	85.5	—	85.5	—	—	—
After the fifth year	—	—	143.0	—	143.0	—	—	—
	<b>31,875.2</b>	<b>52.1</b>	<b>228.5</b>	<b>0.1</b>	<b>32,155.9</b>	<b>—</b>	<b>26.9</b>	<b>26.9</b>
<b>2006</b>								
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	—	—	—
	<b>22,031.1</b>	<b>50.2</b>	<b>227.2</b>	<b>5.1</b>	<b>22,313.6</b>	<b>11.3</b>	<b>10.0</b>	<b>21.3</b>

**40 OTHER NON-CURRENT LIABILITIES**

	Group	
	2007 HK\$m	2006 HK\$m
Deferred income	163.3	167.6
Provision for long service payments	42.0	55.3
Long-term accounts payable	163.2	124.3
	<b>368.5</b>	<b>347.2</b>

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

## 41 CREDITORS AND ACCRUED CHARGES

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Trade creditors (Note (a))	8,716.8	6,071.1	—	—
Amounts due to customers for contract work (Note 36)	644.0	450.1	—	—
Deposits received on sale of properties	989.6	700.0	—	—
Other creditors and accrued charges	8,121.8	8,130.1	1,003.0	1,016.5
	<b>18,472.2</b>	<b>15,351.3</b>	<b>1,003.0</b>	<b>1,016.5</b>

Note:

(a) Aging analysis of trade creditors is as follows:

	2007 HK\$m	2006 HK\$m
Current to 30 days	3,468.1	4,231.4
31 to 60 days	580.2	476.2
Over 60 days	1,857.1	1,363.5
	<b>5,905.4</b>	<b>6,071.1</b>
Payable arising from securities business (Note)	2,811.4	—
	<b>8,716.8</b>	<b>6,071.1</b>

Note:

This payable relates to securities, equity options, leveraged foreign exchange, futures, options and bullion contracts transactions and is mainly repayable on demand. No aging analysis is disclosed in respect of this amount as an aging analysis is not meaningful in view of the nature of this business.

(b) The carrying amounts of creditors and accrued charges, which approximate their fair values, are denominated in the following currencies:

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Hong Kong dollar	13,003.0	11,185.1	1,003.0	1,016.5
Renminbi	4,882.9	3,813.6	—	—
United States dollar	250.0	138.7	—	—
Others	336.3	213.9	—	—
	<b>18,472.2</b>	<b>15,351.3</b>	<b>1,003.0</b>	<b>1,016.5</b>

**42 COMMITMENTS****(a) Capital commitments**

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Contracted but not provided for				
Property, plant and equipment	393.8	371.7	—	—
A subsidiary	—	—	55.0	55.0
Jointly controlled entities	1,610.2	1,096.7	—	—
Available-for-sale financial assets	—	14.3	—	—
Capital contribution for proposed development projects	35.8	665.6	—	—
	<b>2,039.8</b>	<b>2,148.3</b>	<b>55.0</b>	<b>55.0</b>
Authorized but not contracted for				
Property, plant and equipment	111.9	14.2	—	—
Jointly controlled entities	—	2,824.0	—	—
Capital contribution for proposed development projects	108.0	108.0	—	—
	<b>219.9</b>	<b>2,946.2</b>	<b>—</b>	<b>—</b>
The Group's share of capital commitments of the jointly controlled entities not included above are as follows:				
Contracted but not provided for	911.2	501.4	—	—
Authorized but not contracted for	143.6	101.0	—	—
	<b>1,054.8</b>	<b>602.4</b>	<b>—</b>	<b>—</b>

**(b) Commitments under operating leases**

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

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Land and buildings				
In the first year	257.6	258.3	—	—
In the second to the fifth year inclusive	870.9	1,120.6	—	—
After the fifth year	2,503.5	4,043.8	—	—
	<b>3,632.0</b>	<b>5,422.7</b>	<b>—</b>	<b>—</b>

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.

**42 COMMITMENTS** (Continued)**(c) Operating lease receivable**

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

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
In the first year	659.9	559.6	5.9	5.9
In the second to the fifth year inclusive	873.0	606.5	0.5	6.4
After the fifth year	656.9	534.7	—	—
	<b>2,189.8</b>	1,700.8	<b>6.4</b>	12.3

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

**43 CONTINGENT LIABILITIES**

	Group		Company	
	2007 HK\$m	2006 HK\$m	2007 HK\$m	2006 HK\$m
Mortgage facilities for certain purchasers of properties	398.4	428.7	—	—
Guarantees for credit facilities granted to				
Subsidiaries	—	—	26,312.0	20,032.2
Jointly controlled entities	3,451.6	2,387.1	69.5	69.5
Associated companies	522.0	239.7	—	—
Investee companies included under available-for-sale financial assets	59.2	59.2	4.2	4.2
Guarantee for convertible bonds issued by a subsidiary	—	—	6,000.0	—
Share of contingent liabilities of jointly controlled entities	70.6	65.0	—	—
Indemnity to non-wholly owned subsidiaries for Mainland China tax liabilities	2,069.1	2,019.2	6,934.4	6,782.8
	<b>6,570.9</b>	5,198.9	<b>39,320.1</b>	26,888.7

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.

**44 NOTES TO CONSOLIDATED CASH FLOW STATEMENT****(a) Reconciliation of operating profit to net cash (used in)/generated from operations**

	2007 HK\$m	2006 HK\$m
Operating profit	3,680.1	1,212.7
Depreciation	635.5	886.0
Amortisation	169.5	136.8
Changes in fair value of investment properties	(1,263.9)	(1,462.9)
Write back of provision for		
Advance to an investee company	—	(60.5)
Loans receivable	(13.8)	—
Other receivable	(64.8)	(38.8)
Excess of the fair value of net assets acquired over the cost of acquisition of		
Additional interests of jointly controlled entities	—	(103.4)
Subsidiaries	(3.7)	(32.1)
Additional interests in subsidiaries	(7.4)	—
Gain on redemption of convertible bonds	—	(48.0)
Gain on fair value of financial assets at fair value through profit or loss	(7.8)	(5.3)
Gain on deemed disposal of interests in a subsidiary	(125.7)	(82.4)
Net (profit)/loss on disposal of		
Property, plant and equipment, leasehold land and land use rights	25.3	(22.7)
Jointly controlled entities	—	(17.3)
Associated companies	—	(317.4)
Available-for-sale financial assets	(18.6)	—
Financial assets at fair value through profit or loss	(9.1)	—
Subsidiaries	(122.8)	(1,048.2)
Partial interests in subsidiaries	(9.6)	—
Impairment loss on		
Property, plant and equipment	83.9	340.7
Intangible assets	36.3	42.5
Deposit paid for joint ventures	—	161.4
Available-for-sale financial assets	12.0	133.2
Deposit for proposed investments	9.5	1,531.2
Loans receivable	144.3	1,060.6
Other assets	—	47.5
Write down of stocks to net realisable value	6.2	15.2
Loss on deemed disposal of interests in subsidiaries	8.3	207.7
Net interest expenses	355.5	573.8
Dividend income from available-for-sale financial assets	(52.3)	(35.5)
Translation differences	—	0.6
Share option expenses	713.8	—
Operating profit before working capital changes	4,180.7	3,075.4
(Increase)/decrease in stocks	(49.7)	39.8
(Increase)/decrease in properties for/under development and for sale	(4,376.1)	284.1
Increase in debtors and prepayments	(6,870.5)	(3,105.6)
Decrease in cash held on behalf of customers	329.0	—
(Decrease)/increase in creditors and accrued charges, and other payable	(143.2)	1,585.8
Increase in short-term bank loan for advances to customers of securities business	5,155.7	—
Net cash (used in)/generated from operations	(1,774.1)	1,879.5

**44 NOTES TO CONSOLIDATED CASH FLOW STATEMENT** (Continued)**(b) Acquisition of subsidiaries**

	2007 HK\$m	2006 HK\$m
Net assets acquired		
Investment properties	—	3.9
Property, plant and equipment	74.0	170.5
Leasehold land and land use rights	—	114.5
Intangible assets	169.1	—
Interests in jointly controlled entities	3.0	(289.4)
Interests in associated companies	—	(21.4)
Available-for-sale financial assets	141.8	—
Properties for development/sale	350.0	1,503.6
Stocks	—	32.1
Debtors and prepayments	3,327.9	100.3
Financial assets at fair value through profit or loss	87.3	—
Cash held on behalf of customers	2,371.4	—
Cash and bank balances	430.7	63.7
Creditors and accrued charges	(3,374.7)	(114.4)
Current tax payable	(41.3)	(6.0)
Deferred tax liabilities	(69.8)	(97.3)
Borrowings	(1,733.4)	(278.9)
Minority interests	(596.2)	(107.7)
	<b>1,139.8</b>	<b>1,073.5</b>
Interests originally held by the Group		
Interests in jointly controlled entities	(187.3)	(293.9)
Interests in associated companies	(288.9)	—
Available-for-sale financial assets	—	(210.0)
	<b>663.6</b>	<b>569.6</b>
Goodwill on acquisition	—	66.0
Excess of the fair value of net assets acquired over the cost of acquisition of subsidiaries	(3.7)	(32.1)
	<b>659.9</b>	<b>603.5</b>
Consideration	<b>659.9</b>	<b>603.5</b>
Satisfied by:		
Cash consideration	659.9	516.2
Debtors and prepayments	—	66.3
Shares of a listed subsidiary	—	21.0
	<b>659.9</b>	<b>603.5</b>

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

	2007 HK\$m	2006 HK\$m
Cash consideration	(659.9)	(516.2)
Cash and bank balances acquired	430.7	63.7
	<b>(229.2)</b>	<b>(452.5)</b>



**44 NOTES TO CONSOLIDATED CASH FLOW STATEMENT** (Continued)**(d) Disposal of subsidiaries**

	2007 HK\$m	2006 HK\$m
Net assets disposed		
Property, plant and equipment	23.7	1,151.6
Interests in associated companies	—	(74.5)
Available-for-sale financial assets	256.8	—
Deferred tax assets	—	164.9
Properties under development	—	12.3
Stocks	6.9	25.6
Debtors and prepayments	7.9	206.4
Cash and bank balances	88.7	—
Creditors and accrued charges	(170.0)	(443.7)
Loans from minority shareholders	(11.9)	(24.3)
Borrowings	—	(42.1)
Deferred tax liabilities	—	(8.7)
Minority interests	(7.5)	(4.9)
	194.6	962.6
Goodwill	—	56.0
Net profit on disposal of subsidiaries	122.8	1,048.2
Consideration	317.4	2,066.8
Satisfied by:		
Cash consideration	305.6	97.5
Interests in jointly controlled entities	1.1	—
Interests in associated companies	—	1,959.2
Debtors and prepayments	10.7	10.1
	317.4	2,066.8

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

	2007 HK\$m	2006 HK\$m
Cash consideration	305.6	97.5
Cash and bank balances disposed	(88.7)	—
	216.9	97.5

**(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 39(c)(i).

## 45 BUSINESS COMBINATIONS

- (a) As at 30 June 2006, the Group, through NWSH, held 21.5% of the share capital of Taifook Securities Group Limited ("Taifook"), a Hong Kong listed company (HK Stock Code: 0665) operating securities business both in Hong Kong and Mainland China and Taifook was accounted for as an associated company. On 8 June 2007, the Group acquired an additional 40.3% of the share capital of Taifook, for a consideration of HK\$600.2 million. Since then, Taifook became a subsidiary company. Details of net assets acquired are as follows:

	Acquiree's carrying amount HK\$m	Fair value HK\$m
Property, plant and equipment	73.9	73.9
Intangible assets	14.5	169.1
Interests in jointly controlled entities	3.0	3.0
Available-for-sale financial assets	141.8	141.8
Debtors and prepayments	3,314.8	3,314.8
Financial assets at fair value through profit or loss	87.3	87.3
Cash held on behalf of customers	2,371.4	2,371.4
Cash and bank balances	429.7	429.7
Creditors and accrued charges	(3,353.4)	(3,353.4)
Current tax payable	(39.8)	(39.8)
Borrowings	(1,733.4)	(1,733.4)
Minority interests	(4.4)	(4.4)
	1,305.4	1,460.0
Minority interests		(564.0)
Interest held as an associated company		(288.9)
Net assets acquired		607.1
Purchase consideration		
Cash paid		(600.2)
Direct costs relating to the acquisition		(6.9)
		—

The acquired subsidiary contributed turnover of HK\$129.4 million and net profit of HK\$23.0 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2006, the Group's turnover would have been increased by HK\$838.4 million, and profit for the year would have been increased by HK\$81.5 million.

**45 BUSINESS COMBINATIONS** (Continued)

- (b) In June 2007 and August 2006, the Group, through NWCL, acquired additional 20.0% equity interest in Shenzhen Top One Real Estate Development Co., Ltd. and additional 19.0% equity interest in Beijing New World Property Management Limited respectively for a total consideration of HK\$52.8 million. As a result, these entities which are engaged in property development and property management respectively, became subsidiaries of the Group. Details of net assets acquired and the excess of fair value of net assets acquired over cost of acquisition of subsidiaries are as follows:

	Acquirees' carrying amount HK\$m	Fair value HK\$m
Property, plant and equipment	0.1	0.1
Properties for development	70.7	350.0
Debtors and prepayments	13.1	13.1
Cash and bank balances	1.0	1.0
Creditors and accrued charges	(21.3)	(21.3)
Current tax payable	(1.5)	(1.5)
Deferred tax liabilities	—	(69.8)
	<b>62.1</b>	<b>271.6</b>
Minority interests		(27.8)
Interest held as jointly controlled entities		(187.3)
Net assets acquired		56.5
Purchase consideration		(52.8)
Excess of fair value of net assets acquired over cost of acquisition of interests in subsidiaries		<b>3.7</b>

The acquired subsidiaries contributed turnover of HK\$2.4 million and incurred net loss of HK\$0.3 million for the period since the date of acquisition. If the acquisition had occurred on 1 July 2006, the Group's turnover would have been increased by HK\$2.4 million, and profit for the year would have been decreased by HK\$2.1 million.

Excess of fair value of net assets acquired over cost of acquisitions of subsidiaries was resulted due to the following reasons:

- (i) The purchase consideration of the 20% equity interest of Shenzhen Top One Real Estate Development Co., Ltd. was determined and agreed in September 2003 whilst the transfer of equity interest was completed in June 2007, the Group has benefited from the appreciation in the fair value of the acquired net assets over the years.
- (ii) The acquisition of interest in Beijing New World Property Management Limited was accomplished by way of the increase in registered capital of this profit making jointly controlled entity originally held by the Group, the Group had wholly taken up increased capital stake while diluting the other shareholders' interests.

## 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:

	2007 HK\$m	2006 HK\$m
Jointly controlled entities		
Provision of contracting work services ( <i>Note (a)</i> )	701.7	244.8
Interest income ( <i>Note (b)</i> )	373.2	90.4
Associated companies		
Rental income ( <i>Note (c)</i> )	8.6	8.1
Interest income ( <i>Note (b)</i> )	5.6	8.3
Related companies		
Rental income ( <i>Note (a)</i> )	15.6	18.9
Management fee expenses ( <i>Note (d)</i> )	92.1	85.0
Accounts payable ( <i>Note (e)</i> )	113.0	212.0

Notes:

- (a) Revenue from provision of contracting work is principally charged in accordance with respective contracts.
- (b) Interest income is charged at interest rates as specified in Notes 22(a) and 23(a) on the outstanding amounts.
- (c) Rental income is charged in accordance with respective tenancy agreements.
- (d) Management fee expenses are charged at rates in accordance with relevant contracts.
- (e) The accounts payable are unsecured, interest free and are repayable on demand.
- (f) The balances with jointly controlled entities and associated companies are disclosed in Notes 22 and 23 respectively.
- (g) 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.

## 47 POST BALANCE SHEET EVENT

On 12 July 2007, the Company completed the spin-off of its department store operations and management business in the PRC into a separate company, New World Department Store China Limited ("NWDS"), whose shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited. Following the spin-off, the Group's shareholding in NWDS decreased from 100.0% to 72.3%, resulting in a gain on deemed disposal of interest in NWDS of approximately HK\$1.6 billion.

## 48 PRINCIPAL SUBSIDIARIES

As at 30 June 2007

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong</i>					
Addlight Investments Limited	9,998	1	—	56	Property investment
		2 <sup>1</sup>	—	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
AMPL Projects Limited	2	1	—	100	Project management
Anway Limited	1	1	—	56	Duty free operation and general trading
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
The Automall Discovery Park Limited	100	1	—	51	Used cars trading centre
Barbican Construction Company, Limited	230,000	100	—	56	Civil engineering
	20,000 <sup>1</sup>	100	—	56	
Billion Earn International Limited	1	1	100	100	Property investment
Billion Huge (International) Limited	950,001	1	—	70	Investment holding
Billion Park Investment Limited	1,000,000	1	—	57	Investment holding
Billionable Investment Limited	4,998	1	—	56	Investment holding
		2 <sup>1</sup>	100	100	
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	—	56	Property management
	3,000 <sup>1</sup>	10,000	100	—	
Calpella Limited	2	10	—	100	Property investment
Care & Services Company Limited	15,000,000	1	—	56	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	—	56	Provision of information technology solutions
	160,000 <sup>1</sup>	100	—	56	
City Team Development Limited	1,000,000	1	—	82	Property investment
Companion Glory Limited	100	100	—	56	Retail trade of ceramic tiles
Crown Field Properties Limited	100	1	—	70	Property investment
Dragon Crest Limited	2	1	—	100	Property investment
Environmental Pioneers & Solutions Limited	1,000	100	—	56	Environmental products and engineering
Extensive Trading Company Limited	8,500,000	1	—	56	Trading of building and engineering materials
	1,500,000 <sup>1</sup>	1	—	56	
Far East Engineering Services Limited	766,714	10	—	56	Mechanical and electrical engineering
	233,288 <sup>1</sup>	10	—	56	
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	—	56	Security services
	11,600 <sup>1</sup>	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
Grand Hyatt Hong Kong Company Limited	1,000	1	—	64	Hotel operation
	9,000 <sup>2</sup>	1	—	100	

**48 PRINCIPAL SUBSIDIARIES** (Continued)

As at 30 June 2007

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
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	—	56	Construction
	10,000 <sup>1</sup>	1,000	—	56	
Hip Hing Construction Company Limited	400,000	100	—	56	Construction and civil engineering
	600,000 <sup>1</sup>	100	—	56	
Hip Hing-Leader JV Limited	10,000	1	—	37	Construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	—	56	Management of HKCEC
	1 <sup>1</sup>	1	—	56	
Hong Kong Island Development Limited	33,400,000	5	6	100	Property investment
Hong Kong Island Landscape Company Limited	1,980,000	10	—	56	Landscaping and project contracting
	20,000 <sup>1</sup>	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	—	56	Ticketing services
Honour Shares Limited	100	1	—	100	Investment holding
International Property Management Limited	450,000	10	—	56	Property management
	95,500 <sup>1</sup>	10	—	47	
Joint Profit Limited	2	1	100	100	Property investment
Kamking Limited	2	1	100	100	Property investment
Kentfull Contracting Limited	10	1	—	56	Interior decoration
	5,000,000 <sup>1</sup>	1	—	56	contracting
Kentfull Engineering Company Limited	6,000 <sup>A</sup>	1	—	56	Building construction
	4,000 <sup>B</sup>	—	—	—	
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	—	56	Property agency
	2 <sup>1</sup>	1	—	56	management and consultancy
Kiu Lok Service Management Company Limited	2	100	—	56	Property management
	1,002 <sup>1</sup>	100	—	56	
Kleaners Limited	5,000,000	1	—	56	Laundry services
KLPS Group Limited	20,000,000	1	—	56	Investment holding
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 <sup>1</sup>	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	—	56	Mechanical and electrical engineering
Mega Choice Holdings Limited	10,720	1	—	65	Property investment
Millennium Engineering Limited	18,750,000	1	—	51	Supply and installation of aluminium windows and curtain wall
Million World Development Limited	100	1	100	100	Property investment
Moral Giant Limited	1	1	100	100	Property investment
New China Laundry Limited	40,000,002	1	—	56	Laundry services
	704,000 <sup>1</sup>	1	—	56	
New Town Project Management Limited	2	1	100	100	Project management
New Waly Interior Products Limited	1,000,000	1	—	56	Trading of interior products
New World China Enterprises Projects Limited	2	1	—	100	Project management

## 48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2007

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
New World Department Stores Limited	2	1	—	100	Management services to department stores
New World Department Stores (Holdings) Limited	3	1	—	100	Investment holding
New World Development (China) Limited	2	1	—	70	Investment holding
	2 <sup>1</sup>	1	100	100	
New World Finance Company Limited	200,000	100	100	100	Financial services
New World-Guangdong Highway Investments Co. Limited	100	100	—	56	Investment holding
	100 <sup>1</sup>	100	—	63	
New World Harbourview Hotel Company Limited	1,000	1	—	64	Hotel operation
	9,000 <sup>2</sup>	1	—	100	
New World Hotel Company Limited	40,000,000	1	—	64	Hotel operation
New World Hotel Management Limited	1	1	—	46	Hotel management
New World Hotels (Holdings) Limited	576,000,000	0.25	—	64	Investment holding
New World Insurance Management Limited	100,000	1	—	56	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 Sunlong Communication (HK) Limited	1	1	—	100	Trading of system integration products
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 <sup>1</sup>	1	—	100	
New World Tower Company Limited	2	10	—	100	Property investment
Ngo Kee Construction Company Limited	670,000	100	—	56	Building construction
	1 <sup>2</sup>	1	—	—	
NWD Finance Limited	2	1	100	100	Financial services
NWS (Finance) Limited	2	1	—	56	Financial services
NWS Holdings (China) Limited	1	1	—	56	Investment holding
NWS Holdings (Finance) Limited	1	1	—	56	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	—	56	Cleaning services
	500,020 <sup>1</sup>	1	—	48	
Polytown Company Limited	2	10	—	56	Property investment, operation, marketing, promotion and management of HKCEC
	100,000 <sup>1</sup>	10	—	56	
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
Richglows Limited	2	1	—	100	Property investment
Sky Connection Limited	100	1	—	56	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

## 48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2007

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
Tao Yun Company Limited	2	HK\$10	—	100	Property investment
Team Deco International Limited	2	HK\$1	—	56	Interior design
Top Flash Investments Limited	10,000	HK\$1	80	80	Property investment
Trade Port Enterprises Limited	2	HK\$1	100	100	Investment holding
Trend Island Limited	2	HK\$1	—	70	Investment holding
True Hope Investment Limited	4,998	HK\$1	—	56	Investment holding
	2 <sup>1</sup>	HK\$1	—	100	
Trump Champion Limited	2	HK\$1	—	100	Property investment
Try Force Limited	4,998	HK\$1	—	56	Investment holding
	2 <sup>1</sup>	HK\$1	—	100	
Tsuen Wan Properties Limited	200	HK\$100	—	100	Property investment
Uniformity Security Company Limited	2	HK\$100	—	56	Security services
	2,500 <sup>1</sup>	HK\$100	—	—	
Urban Parking Limited	10,000,000	HK\$1	—	56	Carpark management
Urban Property Management Limited	49,995,498	HK\$1	—	56	Property management
	4,502 <sup>1</sup>	HK\$1	—	37	
Vibro (H.K.) Limited	20,000,004	HK\$3	—	56	Foundation works
Wai Hong Cleaning & Pest Control Company Limited	400,000	HK\$100	—	56	Cleaning and pest control services
Waking Builders, Limited	20,000	HK\$1,000	—	56	Construction
Waygent Investment Limited	2	HK\$1	100	100	Property investment
Wincy Enterprises Limited	2	HK\$1	100	100	Property investment
Winpo Development Limited	2	HK\$1	100	100	Property investment
World Empire Property Limited	2	HK\$1	100	100	Property investment
Young's Engineering Company Limited	4,000,000	HK\$10	—	56	Mechanical and electrical engineering
<i>Incorporated in the Cayman Islands and operate in Hong Kong</i>					
New World China Land Limited	3,830,365,632	HK\$0.10	66	70	Investment holding
New World Department Store China Limited	60,946,000	HK\$0.10	100	100	Investment holding
New World TMT Limited	952,180,007	HK\$1	—	100	Investment holding
NWS Service Management Limited	1,323,943,165	HK\$0.10	—	56	Investment holding
<i>Incorporated and operate in the Philippines</i>					
New World International Development Philippines, Inc	6,988,016	Peso100	—	27	Hotel operation

<sup>#</sup> Represented ordinary share capital, unless otherwise stated<sup>1</sup> Non-voting deferred shares<sup>2</sup> Non-voting preference shares



**48 PRINCIPAL SUBSIDIARIES** (Continued)

As at 30 June 2007

	Registered capital	Attributable interest <sup>a</sup> (%)		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	—	64	Land development
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	—	70	Property development
Beijing Xintong Media & Cultural Development Co. Ltd.	Rmb100,000,000	—	83	Provision of advertising and media related services
Chengdu Xinyi Real Estate Development Co., Ltd.	Rmb30,000,000	—	51	Property development
Dalian New World Hotel Co., Ltd.	Rmb217,000,000	—	70	Hotel investment
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	—	85	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 Co., Ltd.	Rmb60,000,000	—	17	Operation of toll bridge
Fung Seng Estate Development (Shanghai) Co., Ltd.	US\$10,000,000	—	49	Property development
Guangxi Beiliu Xinbei Highways Co., Ltd.	Rmb99,200,000	—	34	Operation of toll road
Guangxi Cangwu Xincang Highways Limited	Rmb64,000,000	—	39	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	Rmb82,400,000	—	39	Operation of toll road
Guangxi Yulin Xinye Highways Co., Ltd.	Rmb63,800,000	—	34	Operation of toll road
Guangxi Yulin Xinyu Highways Co., Ltd.	Rmb96,000,000	—	34	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\$220,000,000	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\$81,550,000	—	85	Property development
Hip Hing Construction (China) Company Limited	HK\$50,000,000	—	56	Construction
Huamei Wealth (Beijing) Technology Co., Ltd.	Rmb40,000,000	—	70	Investment holding
Hunan Success New Century Investment Company Limited	Rmb50,000,000	—	77	Property development
Jinan New World Sunshine Development Ltd.	US\$29,980,000	—	51	Property development
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	—	64	Property development
New World Anderson (Tianjin) Development Co., Ltd.	US\$5,500,000	—	70	Property investment and development
New World (China) Investment Limited	US\$130,000,000	—	100	Investment holding
New World China Land Investments 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

## 48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2007

	Registered capital	Attributable interest <sup>o</sup> (%)		Principal activities
		To the Company	To the Group	
New World (Shenyang) Property Development Limited	Rmb97,720,000	—	63	Property development
Ningbo Firm Success Consulting Development Co., Ltd.	US\$5,000,000	—	100	Investment holding and provision of consultancy services
Ningbo New World Department Store Limited	Rmb40,000,000	—	100	Department store operation
NWS Engineering Ltd	Rmb50,000,000	—	56	Mechanical and electrical engineering
Shanghai Juyi Real Estate Development Co., Ltd.	Rmb641,590,000	—	49	Property development
Shanghai Ramada Plaza Ltd.	US\$42,000,000	—	53	Property investment and hotel operation
Shanxi Xinda Highways Ltd.	Rmb49,000,000	—	50	Operation of toll road
Shanxi Xinhuang Highways Ltd.	Rmb56,000,000	—	50	Operation of toll road
Shenyang New World Department Store Limited	Rmb30,000,000	—	100	Department store operation
Shenyang New World Hotel Co., Ltd.	Rmb201,520,000	—	70	Hotel operation
Shenyang Trendy Property Company Limited	Rmb27,880,000	—	70	Property investment
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
Taiyuan Xintai Highways Limited	Rmb72,120,000	—	50	Operation of toll road
Taiyuan Xinyuan Highways Limited	Rmb85,880,000	—	50	Operation of toll road
Tianjin New World Department Store Limited	US\$5,000,000	—	100	Department store operation
Tianjin Xin Guang Development Co., Ltd.	US\$4,500,000	—	70	Property development
Wuhan New Eagle Development Company Limited	US\$15,630,000	—	100	Property investment
Wuhan New Eagle Properties Co., Limited	US\$2,830,000	—	70	Property investment
Wuxi New World Department Store Limited	US\$5,000,000	—	100	Department store operation
Wuzhou Xinwu Highways Limited	Rmb72,000,000	—	25	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	—	56	Development of warehousing, processing and logistics facilities
Xiamen Xinyuan Container Terminal Co., Ltd.	Rmb17,000,000	—	39	Cargo consolidation, container storage, repairs and maintenance
<i>Incorporated and operate in Macau</i>				
Barbican (Macau) Limited	MOP25,000	—	56	Construction
Hip Hing Engineering (Macau) Company Limited	MOP100,000	—	56	Construction
Majestic Engineering (Macao) Company Limited	MOP25,000	—	56	Mechanical and electrical engineering
Ngo Kee (Macau) Limited	MOP25,000	—	56	Construction
Vibro (Macau) Limited	MOP1,000,000	—	56	Construction
Young's Engineering (Macao) Company Limited	MOP100,000	—	56	Mechanical and electrical engineering

<sup>o</sup> percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures.

## 48 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2007

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<i>Incorporated in Bermuda and operate in Hong Kong</i>					
NWS Holdings Limited	2,014,245,435	HK\$1	—	56	Investment holding
Taifook Securities Group Limited	614,849,699	HK\$0.1	—	34	Investment holding
<i>Incorporated in the British Virgin Islands</i>					
Beauty Ocean Limited	1	US\$1	—	56	Investment holding
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
Fotoland 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 China Land Finance Limited	1	US\$1	—	70	Financial services
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
NWS Engineering Group Limited	50,000,000	HK\$1	—	56	Investment holding
NWS Financial Management Services Limited	1	US\$1	—	56	Investment holding
NWS Infrastructure Bridges Limited	1	US\$1	—	56	Investment holding
NWS Infrastructure Management Limited	2	US\$1	—	56	Investment holding
NWS Infrastructure Power Limited	1	US\$1	—	56	Investment holding
NWS Infrastructure Roads Limited	1	US\$1	—	56	Investment holding
NWS Infrastructure Water Limited	1	US\$1	—	56	Investment holding
NWS Ports Management Limited	2	US\$1	—	56	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
Sherson Limited	1	US\$1	100	100	Bond issuer
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
Upper Start Holdings Limited	1	US\$1	—	100	Investment holding
Winner World Group Limited	10	US\$1	80	80	Investment holding

## 49 PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at 30 June 2007

	Registered capital	Attributable interest <sup>Ω</sup> (%)		Principal activities
		To the Company	To the Group	
<b>Equity joint ventures</b>				
<i>Incorporated and operate in the PRC</i>				
ATL Logistics Centre Yantian (Shenzhen) Limited	HK\$3,500,000	—	26	Operation of cargo handling and storage facilities
China United International Rail Containers Co., Limited	Rmb1,400,000,000	—	12	Operation of rail terminal and related business
Guodian Chengdu Jintang Power Plant Co. Ltd.	Rmb653,784,615	—	20	Generation and supply of electricity
Tianjin Orient Container Terminals Co., Ltd.	US\$29,200,000	—	14	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	—	28	Container handling and storage and road freight operations
The Waterman Co., Limited, Shanghai	US\$19,900,000	—	37	Manufacturing and distribution of distilled water
Wenzhou Zhuangyuan Ao New World International Terminals Company Limited	Rmb300,000,000	—	31	Development, operation and management of pier and related business
<b>Co-operative joint ventures</b>				
<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\$225,400,000	—	49	Property investment and development
Beijing Chong Yu Real Estate Development Co., Limited	US\$171,840,000	—	49	Property investment and development
Beijing Xin Lian Hotel Co., Ltd.	US\$12,000,000	—	55	Hotel operation
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 development
Guangzhou Fucheng Property Development Co., Limited	HK\$80,000,000	—	42	Property development
Guangzhou Hemsell Real Estate Development Co., Ltd.	Rmb79,597,000	—	44	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	—	37	Operation of toll road
Haikou New World Housing Development Limited	US\$8,000,000	—	42	Property development

**49 PRINCIPAL JOINTLY CONTROLLED ENTITIES** (Continued)

As at 30 June 2007

	Registered capital	Attributable interest <sup>Ω</sup> (%)		Principal activities
		To the Company	To the Group	
Huishen (Yantian) Expressway Huizhou Company Limited	Rmb139,980,000	—	19	Operation of toll road
Huizhou City Huixin Expressway Company Limited	Rmb34,400,000	—	28	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 Co., Ltd.	Rmb93,688,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xinlong Expressway Co., Ltd.	Rmb99,400,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xinlu Expressway Co., Ltd.	Rmb99,092,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xinming Expressway Co., Ltd.	Rmb85,468,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xinqing Expressway Co., Ltd.	Rmb99,368,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xinquan Expressway Co., Ltd.	Rmb92,016,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xinsen Expressway Co., Ltd.	Rmb87,300,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xinshi Expressway Co., Ltd.	Rmb99,388,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xinsi Expressway Co., Ltd.	Rmb96,624,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xintong Expressway Co., Ltd.	Rmb99,448,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xintuo Expressway Co., Ltd.	Rmb99,316,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xinxiang Expressway Co., Ltd.	Rmb90,472,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xinyan Expressway Co., Ltd.	Rmb89,028,000	—	50 <sup>@</sup>	Operation of toll road
Tianjin Xinzhan Expressway Co., Ltd.	Rmb89,392,000	—	50 <sup>@</sup>	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	Hotel investment
Wuxi New City Development Co., Limited	US\$10,400,000	—	26	Hotel operation

<sup>Ω</sup> *percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures.*

<sup>@</sup> *Represented cash sharing ratio for the first 15 years of the joint venture period, thereafter the ratio will change to 60%.*

**49 PRINCIPAL JOINTLY CONTROLLED ENTITIES** (Continued)

As at 30 June 2007

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
<b>Companies limited by shares</b>					
<i>Incorporated and operate in Hong Kong</i>					
Asian Success Investments Limited	900	1	—	33	Property investment
ATL Logistics Centre Hong Kong Limited	100,000'A'	1	—	31	Operation of cargo
	20,000'B'***	1	—	45	handling and storage
	54,918*	1	—	—	facilities
ATL Logistics Centre Yantian Limited	10,000	1	—	26	Investment holding
Best Link Development Limited	20	1	—	50	Property investment
China Aerospace New World Technology Limited	30,000,000	1	—	50	Investment holding
Direct Profit Development Limited	200,000	0.05	—	12	Property investment
Far East Landfill Technologies Limited	1,000,000	1	—	26	Landfill
First Star Development Limited	100	1	—	28	Property development
Gloryland Limited	900	1	—	33	Property investment
Grace Sign Limited	1,000	1	—	30	Property investment
Istaron Limited	4	1	—	32	Investment holding
Jade Gain Enterprises Limited	100	1	—	45	Property investment
Newfoundworld Holdings Limited	200,000	10	—	20	Investment holding
Newfoundworld Limited	200,000	10	—	20	Property investment
Ocean Champion Development Limited	10,000	1	—	50	Property investment
Poly Rising Development Limited	1	1	—	28	Property development
Sheeniy Enterprises Limited	10,000	1	—	50	Property investment
Super Lion Enterprises Limited	2	1	50	50	Property investment
Supertime Holdings Limited	100	1	—	28	Property development
Tate's Cairn Tunnel Company Limited	1,100,000	0.01	—	17	Operation of toll tunnel
	600,000,000*	1	—	—	
United Asia Terminals (Yantian) Limited	52,000'A'	1	—	—	Operation of cargo
	52,000'B'	1	—	56	handling and storage
	26,000'C'	1	—	—	facilities
Wise Come Development Limited	30	1	—	40	Property investment

**49 PRINCIPAL JOINTLY CONTROLLED ENTITIES** (Continued)

As at 30 June 2007

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number/Amount	Par value per share	To the Company	To the Group	
<i>Incorporated and operate in the PRC</i>					
Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd.	US\$16,950,000	—	—	27	Golf club and resort operation
Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd.	US\$20,800,000	—	—	41	Property development
<i>Incorporated in the 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 the British Virgin Islands</i>					
New World Liberty China Ventures Limited	1,134 100**	US\$1 US\$1	— —	71	Investment holding
NWS Transport Services Limited	500,000,016	HK\$1	—	28	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 10,000,000 <sup>^</sup>	M\$1 M\$0.10	— —	38 38	Property investment
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	1,450,280 <sup>A'</sup> 2,789,000 <sup>B'</sup> 1,338,720 <sup>C'</sup>	HK\$100 HK\$100 HK\$100	— — —	— 56 —	Investment holding, operation of water and electricity plants

<sup>#</sup> Represented ordinary shares, unless otherwise stated<sup>\*</sup> Non-voting deferred ordinary shares<sup>\*\*</sup> Non-voting preference shares<sup>^</sup> Redeemable cumulative preference share

**50 PRINCIPAL ASSOCIATED COMPANIES****As at 30 June 2007**

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong</i>					
Birkenhead Properties & Investments Limited	1,200,000	HK\$1	—	64	Property investment
Estoree Limited	500'A'	HK\$10	—	—	Property investment
	500'B'	HK\$10	—	50	
	9,000'C**	HK\$10	—	—	
Ever Light Limited	1,000	HK\$1	40	40	Property investment
Fook Hang Trading Company Limited	100	HK\$100	50	50	Property investment
Global Perfect Development Limited	1,000,000	HK\$1	—	35	Investment holding
Global Winner Limited	2	HK\$1	—	50	Property investment
Pure Jade Limited	1,000	HK\$1	—	20	Property investment
Quon Hing Concrete Company Limited	200,000	HK\$100	—	28	Production and sales of concrete
Ranex Investments Limited	100	HK\$1	—	10	Property investment
Shun Tak Centre Limited	1,000'A'	HK\$100	—	29	Property investment
	450'B'	HK\$10	—	64	
	550'C'	HK\$10	—	—	
Silver Rich Holdings Limited	2	HK\$1	—	50	Property investment
Silverland Limited	4	HK\$1	50	50	Property investment
Sun City Holdings Limited	8,000,000	HK\$1	—	21	Investment holding
Yargoan Company Limited	150,000	HK\$100	—	24	Stone quarrying
<i>Incorporated and operate in Thailand</i>					
Ploenchit Arcade Company Limited	200,000	Baht1,000	—	13	Investment holding



**50 PRINCIPAL ASSOCIATED COMPANIES** (Continued)

As at 30 June 2007

	Registered capital/ Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number/Amount	Par value per share	To the Company	To the Group	
<i>Incorporated in the British Virgin Islands</i>					
East Asia Secretaries (BVI) Limited	300,000,000	HK\$1	—	14	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	—	14	Investment holding
<i>Incorporated and operate in the PRC</i>					
Beijing — Zhuhai Expressway Guangzhou — Zhuhai Northern Section Company Limited	Rmb650,953,325	—	—	8	Operation of toll road
Guangdong Balihua New Energy Stock Co., Limited	Rmb740,730,000	—	—	5	Generation and supply of electricity
Guangzhou Oriental Power Co., Ltd.	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
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	—	—	31	Property investment
Tianjin Five Continents International Container Terminal Co., Ltd.	Rmb1,125,000,000	—	—	10	Operation of container terminal
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	821,408,494	HK\$0.10	—	13	Investment holding
	1,100,000,000 <sup>**</sup>	HK\$0.01	—	—	
CSL New World Mobility Limited	655,886,331	US\$0.3163	—	24	Provision of mobile telecommunications services
Wai Kee Holdings Limited	793,124,034	HK\$0.10	—	15	Investment holding

<sup>#</sup> Represented ordinary shares, unless otherwise stated<sup>\*</sup> Non-voting deferred ordinary shares<sup>\*\*</sup> Non-voting preference shares

# Five-Year Financial Summary

## CONSOLIDATED BALANCE SHEET

	2007 HK\$m	2006 HK\$m	2005 HK\$m	2004 HK\$m	2003 HK\$m
<b>Assets</b>					
Intangible assets	863.0	258.1	110.2	79.3	513.3
Investment properties, property, plant and equipment, leasehold land and land use rights	34,284.9	31,333.6	29,343.0	33,897.6	38,134.2
Investments in jointly controlled entities, associated companies and other non-current assets	51,129.3	44,899.8	41,825.3	36,403.5	39,930.6
Current assets	57,821.9	37,669.1	40,686.7	40,761.8	36,916.5
<b>Total assets</b>	<b>144,099.1</b>	<b>114,160.6</b>	<b>111,965.2</b>	<b>111,142.2</b>	<b>115,494.6</b>
<b>Equity and liabilities</b>					
Share capital	3,692.1	3,639.1	3,491.6	3,457.3	2,219.5
Reserves	55,867.2	48,903.6	46,710.2	50,809.4	43,737.7
Proposed final dividend	928.3	732.8	698.3	138.3	—
<b>Shareholders' funds</b>	<b>60,487.6</b>	<b>53,275.5</b>	<b>50,900.1</b>	<b>54,405.0</b>	<b>45,957.2</b>
<b>Minority interests</b>	<b>17,996.2</b>	<b>16,089.0</b>	<b>14,859.2</b>	<b>13,797.4</b>	<b>16,420.3</b>
<b>Total equity</b>	<b>78,483.8</b>	<b>69,364.5</b>	<b>65,759.3</b>	<b>68,202.4</b>	<b>62,377.5</b>
<b>Current liabilities</b>	<b>32,747.1</b>	<b>25,330.5</b>	<b>29,886.2</b>	<b>20,148.2</b>	<b>23,064.5</b>
<b>Non-current liabilities</b>	<b>32,868.2</b>	<b>19,465.6</b>	<b>16,319.7</b>	<b>22,791.6</b>	<b>30,052.6</b>
<b>Total equity and liabilities</b>	<b>144,099.1</b>	<b>114,160.6</b>	<b>111,965.2</b>	<b>111,142.2</b>	<b>115,494.6</b>

**CONSOLIDATED INCOME STATEMENT**

	2007 HK\$m	2006 HK\$m	2005 HK\$m	2004 HK\$m	2003 HK\$m
Turnover	<b>23,284.5</b>	23,910.2	19,539.2	25,653.0	21,056.3
Operating profit/(loss)	<b>4,035.6</b>	1,786.5	3,223.3	(2,978.0)	(3,964.8)
Net financing costs	<b>(355.5)</b>	(573.8)	(338.5)	(792.3)	(1,486.2)
Share of results of jointly controlled entities and associated companies	<b>2,989.9</b>	2,293.0	1,631.8	2,341.3	306.4
Profit/(loss) before taxation	<b>6,670.0</b>	3,505.7	4,516.6	(1,429.0)	(5,144.6)
Taxation	<b>(902.5)</b>	(892.6)	(515.3)	(980.2)	(317.4)
Profit/(loss) after taxation	<b>5,767.5</b>	2,613.1	4,001.3	(2,409.2)	(5,462.0)
Minority interests	<b>(1,454.6)</b>	(1,553.3)	(1,298.6)	1,433.0	754.3
Profit/(loss) attributable to shareholders	<b>4,312.9</b>	1,059.8	2,702.7	(976.2)	(4,707.7)
Dividend per share (HK\$)					
— interim	<b>0.15</b>	0.13	0.10	0.02	0.06
— final	<b>0.25</b>	0.20	0.20	0.04	—
	<b>0.40</b>	0.33	0.30	0.06	0.06
Earnings/(loss) per share					
Basic and diluted (HK\$)	<b>1.17</b>	0.30	0.78	(0.35)	(1.96)

# Glossary of Terms

## GENERAL TERMS

City bus	Citybus Limited
FY	Fiscal year, 1 July to 30 June
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
Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan for the purposes of this annual report
MTR	Mass Transit Railway
N/A or n/a	not applicable
New World or NWD	New World Development Company Limited
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 Store China 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
New World PCS	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
Taifook	Taifook Securities Group Limited
RMB	Renminbi, the lawful currency of PRC
TBD	To be determined
US	The United States of America
US\$ or USD	United States dollar(s), the lawful currency of US

## FINANCIAL TERMS

Gearing Ratio	$\frac{\text{Net Debt}}{\text{Total equity}}$
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 <sup>3</sup>	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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**New World Development Company Limited**

30/F, New World Tower, 18 Queen's Road Central, Hong Kong

Tel: (852) 2523 1056 Fax: (852) 2810 4673

[www.nwd.com.hk](http://www.nwd.com.hk)