



新創建 NWS

Scaling New Heights



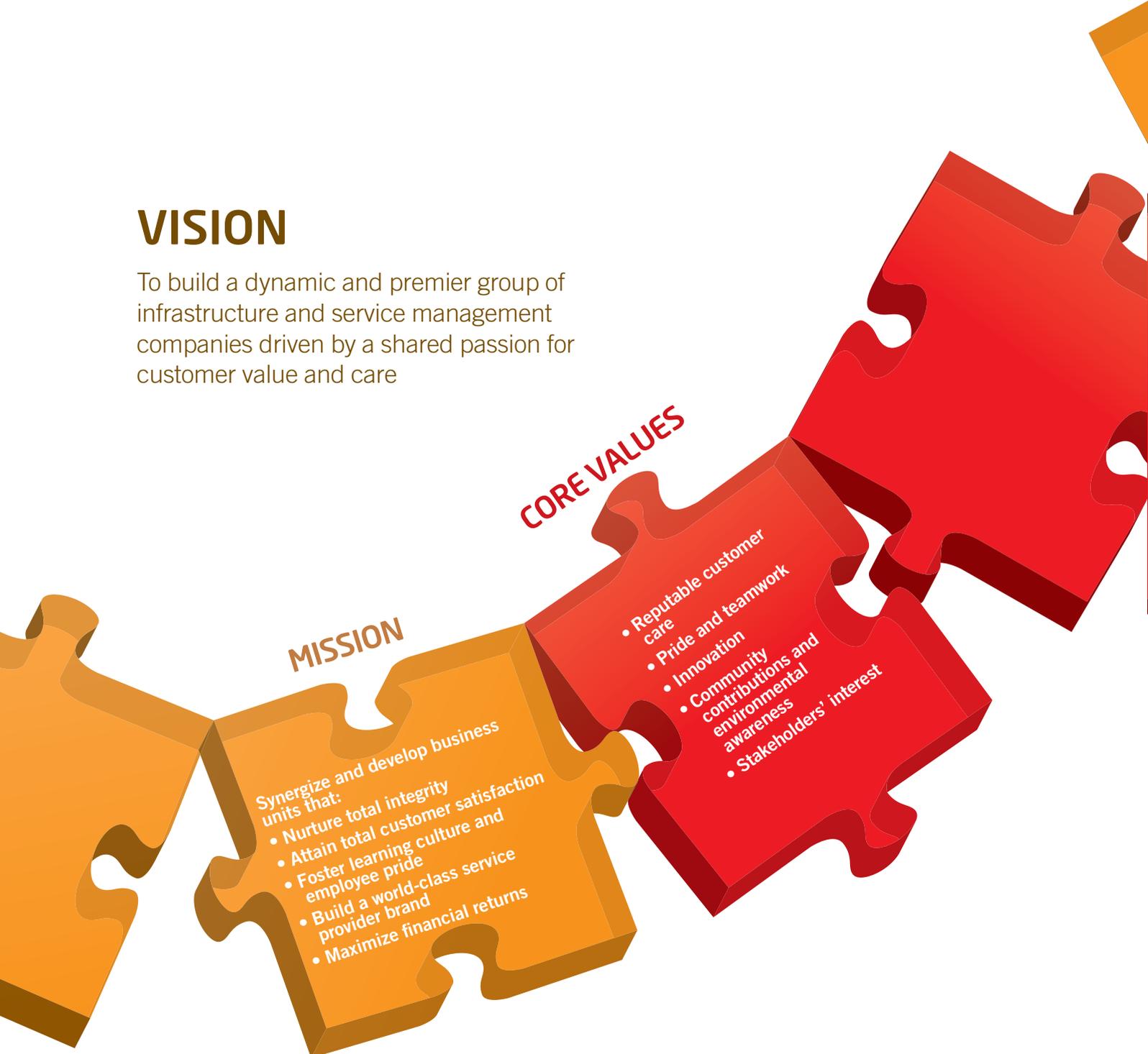
NWS HOLDINGS LIMITED

STOCK CODE: 659

ANNUAL REPORT 2010

VISION

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



MISSION

- Synergize and develop business units that:
- Nurture total integrity
 - Attain total customer satisfaction
 - Foster learning culture and employee pride
 - Build a world-class service provider brand
 - Maximize financial returns

CORE VALUES

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



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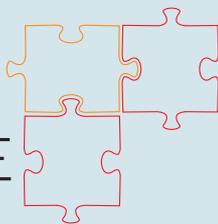
Design Rationale

“Scaling New Heights”

With the tagline “Scaling New Heights”, NWS Holdings Limited is committed to fulfilling long-term growth and excelling itself at various aspects.

On the basis of NWS Holding’s two core businesses, infrastructure and services, its investments spanning Hong Kong, Mainland China and Macau are symbolized by puzzles in their respective identity colours of the two businesses, red and orange, in the report. Also, the Group’s further expansion is denoted by adjoining right pieces of jigsaw puzzle strategically. By focusing on the vibrant growth areas, the Group has been maximizing its returns and reaching new heights ever since.

CORPORATE PROFILE



About NWS Holdings

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

Infrastructure

As a key infrastructure player in Mainland China, NWS Holdings has built up an extensive business network in managing and operating 63 projects in the four segments of Roads, Energy, Water as well as Ports & Logistics.

Water

Through its joint venture company, Sino-French Holdings (Hong Kong) Limited, NWS Holdings invests in the water markets of Mainland China and Macau where its 27 water treatment and waste treatment plants treat up to a total of seven million cbms of water and waste water and 540 tonnes of sludge per day. Besides holding stake in a 61-hectare landfill in Hong Kong and a strategic investment in Chongqing, the Group also invests in a hazardous waste incineration plant in Shanghai with annual capacity of 60,000 tonnes.



Roads

The road portfolio comprises 20 roads and related projects in Hong Kong and Mainland China's strategic locations, for example, Guangdong and Tianjin, covering approximately 618 km in length.



Energy

The Group operates four power plants in Guangdong, Sichuan and Macau with a total installed capacity of approximately 2,892 MW and a coal distributor company in Guangdong operating coal handling pier with annual capacity of seven million tonnes.



Ports & Logistics

NWS Holdings operates six port projects in strategic coastal locations of Mainland China such as Xiamen and Tianjin, with a container handling capacity of 7.1 million TEUs per year. By co-operating with its joint venture, China United International



Rail Containers Co., Limited, the Group is developing 18 pivotal rail container terminals across Mainland China. ATL Logistics Centre in Kwai Chung provides a full range of warehousing and logistics services for local and overseas clients.



NWS Holdings' Infrastructure portfolio comprises Roads, Energy, Water and Ports & Logistics projects. Its Services division covers Facilities Management, Contracting & Transport and Financial Services. With a 40,000-strong workforce, NWS Holdings is committed to achieving sustainable growth across its two core business areas.

Services

NWS Holdings offers a range of excellent services in Hong Kong, Mainland China and Macau, well positioning itself as a pioneer in its respective business areas beyond the regions.

Contracting & Transport



With abundant experience in contracting, the Group provides high quality construction services for its partners in Hong Kong, Mainland China and Macau. Jointly operating with Chow Tai Fook Enterprises Limited, NWS Holdings is committed to offering reliable bus and ferry services across the territory.

Facilities Management



The portfolio of the Group's Facilities Management segment includes facilities rental and duty free sales. Hong Kong Convention and Exhibition Centre,

operated and managed by the Group, is a premier international convention and meeting location for exhibitors. Free Duty retails duty free liquor, tobacco, perfume, cosmetics and general merchandize at the immigration zones.

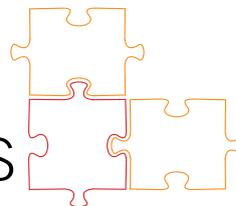


Financial Services



The Group's Financial Services segment consists of corporate finance, asset management, brokerage service, corporate administration and business support for corporate clients, institutional and individual investors.

MAJOR EVENTS AND ACCOLADES



2009

August

- ◆ NWS Holdings' Annual Report 2008 received Bronze Award under the "Overall Annual Report – Conglomerate" category and Honours Award in "Overall Annual Report – Diversified Business" category in the 2009 International ARC Awards.

August



October



November



November

October

- ◆ NWS Holdings established a sponsored Level 1 American Depositary Receipt facility.
- ◆ NWS Holdings' Annual Report 2008 won the Silver Award in the "Annual Reports: Diverse Business" category in the 20th Annual International Galaxy Awards.
- ◆ NWS Holdings was presented with the Award of 10,000 hours for Volunteer Service by the Social Welfare Department.
- ◆ Hong Kong Convention and Exhibition Centre together with the adjacent Golden Bauhinia Square was voted as one of the 60 top landmarks in China.
- ◆ New World First Bus Services Limited launched the Rickshaw Sightseeing Bus, providing two thematic sightseeing routes.
- ◆ Guangzhou City Northern Ring Road was rated 2008-2009 Guangzhou City Corporate Harmonious in Labour Relation (AA Rating) by the Guangzhou Municipal Labour & Social Security Bureau.

November

- ◆ NWS Holdings became the only corporation to receive the Third Hong Kong Volunteer Award (Corporate Award) from the Agency for Volunteer Service.
- ◆ NWS Holdings garnered the Best Practice Awards 2009 in the "Best Practices in Employee Involvement" category.
- ◆ The Macao Water Supply Company Limited renewed its water supply concession contract with the Macau Government to 2020, with further extension allowed to 2030.

December

- ◆ NWS Holdings reduced its shareholding interest in Taifook Securities Group Limited from approximately 61.86% to roughly 9% following a disposal of shares to Hai Tong (HK) Financial Holdings Limited.
- ◆ Vibro (H.K.) Limited was awarded the Outstanding Contractors (Piling), Outstanding Piling Project – Contractor and Civil Site Safety Team – Contractor in the New Works Projects of Quality Public Housing Construction & Maintenance Awards 2009 organized by the Hong Kong Housing Authority.

MAJOR EVENTS AND ACCOLADES

2010

January

- ◆ Hong Kong Convention and Exhibition Centre was voted Asia's Best Convention and Exhibition Centre in the CEI Asia Industry Awards 2010.



March



May



June

- ◆ Hip Hing Construction Company Limited was awarded the contract as the main contractor for Interlink, the landmark warehouse and distribution development project in Tsing Yi.
- ◆ Sino-French Holdings (Hong Kong) Limited was named one of the Top Ten Most Influential Enterprises in Mainland China's Water Industry Annual Award for 2009.

February

- ◆ NWS Hong Kong Geo Wonders Hike 2008 was honoured with a Silver Award in Promotion/Marketing: Environmental Protection Category at the 23rd International Mercury Awards.

March

- ◆ Chongqing Water Group Company Limited, NWS Holdings and Suez Environnement jointly owned a 13.44% stake, was listed on Shanghai Stock Exchange.

April

- ◆ NWS Holdings became a diamond sponsor of Hong Kong's participation in the Shanghai Expo.
- ◆ Hip Hing Construction Company Limited, in partnership with Gammon Construction Limited, was awarded a contract to build a new air cargo terminal at Hong Kong International Airport.

- ◆ Sino French Water Development Company Limited was awarded an operation and maintenance contract for two wastewater treatment plants in Dalian Changxing Island Harbor Industrial Zone.
- ◆ Chongqing Tangjiatuo Waste Water Plant was granted ISO/IEC17025: 2005 Laboratory Accreditation Certificate (General Requirements for the Competence of Testing and Calibration Laboratories) by China National Accreditation Service for Conformity Assessment.

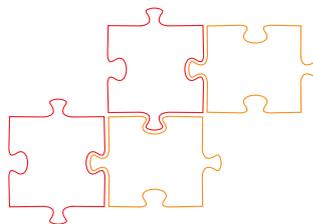
May

- ◆ Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited was named the 2008-2009 Advanced Enterprise in Compliance with Highway Administration Management by Guangdong Provincial Highway Administration Bureau.
- ◆ Through its equity joint venture company "Chongqing Sino French Water Investment Co. Ltd.", Sino French Water Development Company Limited signed an agreement to acquire interest in a 50-year concession contract for industrial water services in Chongqing Changshou Chemical Industry Park.

June

- ◆ NWS Holdings entered into an agreement with Fung Seng Enterprises Limited to dispose of certain subsidiaries engaged in service businesses.
- ◆ NWS Holdings entered into the share transfer agreement for acquiring 8% equity interest in China United International Rail Containers Co., Limited that will increase the Group's shareholding from 22% to 30%.
- ◆ The Atrium Link Extension of Hong Kong Convention and Exhibition Centre won the Quality Building Award 2010 – Grand Award in Hong Kong Non-Residential Category while One LaSalle was qualified as a finalist in the Hong Kong Residential Category in the same award.
- ◆ Macau Water Plant was granted the Honour Award 2010 East Asia Design – Project Innovation Awards by International Water Association.

FINANCIAL HIGHLIGHTS



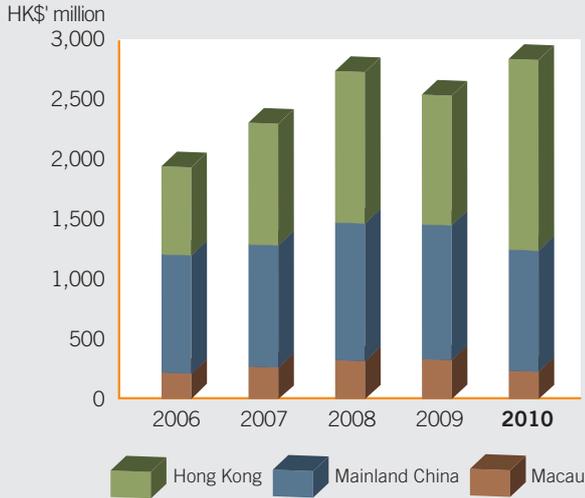
	2010 HK\$'m	2009 HK\$'m
Revenue	12,089.0	17,250.9
Profit Attributable to Shareholders of the Company	4,011.7	2,528.8
Net Debt	N/A	3,600.9
Net Debt (excluding borrowings for IPO financing)	N/A	1,955.9
Total Assets	37,680.9	44,278.6
Net Assets	26,452.1	24,259.4
Shareholders' Funds	26,187.0	23,175.2

	2010 HK\$	2009 HK\$
Earnings per Share – Basic and diluted	1.92	1.23
Net Assets per Share	12.14	11.71

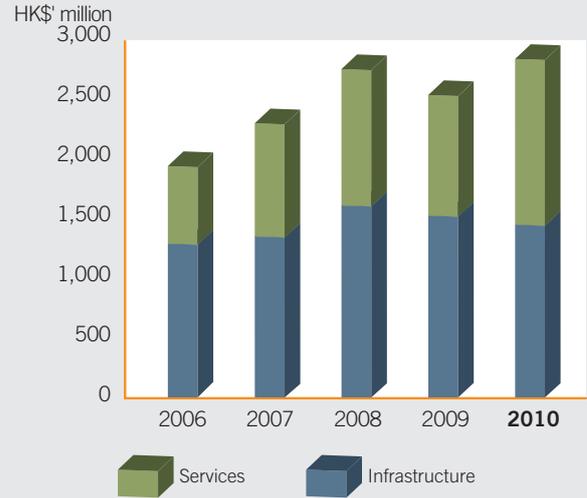
	2010	2009
Gearing Ratio	N/A	15%
Gearing Ratio (excluding borrowings for IPO financing)	N/A	8%
Return on Equity	15%	11%
Return on Capital Employed	13%	9%
Dividend Payout Ratio	51%	51%

FINANCIAL HIGHLIGHTS

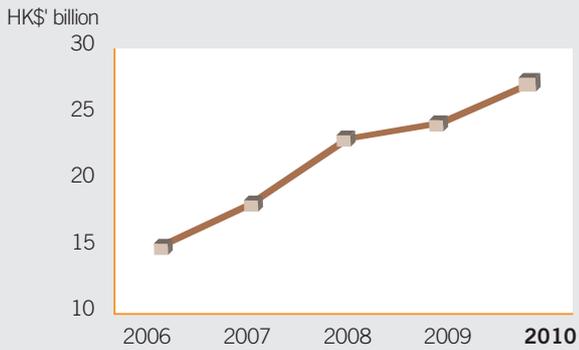
AOP by Region for the year ended 30 June



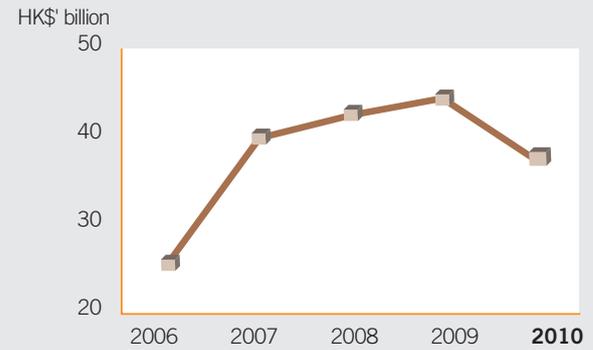
AOP by Division for the year ended 30 June



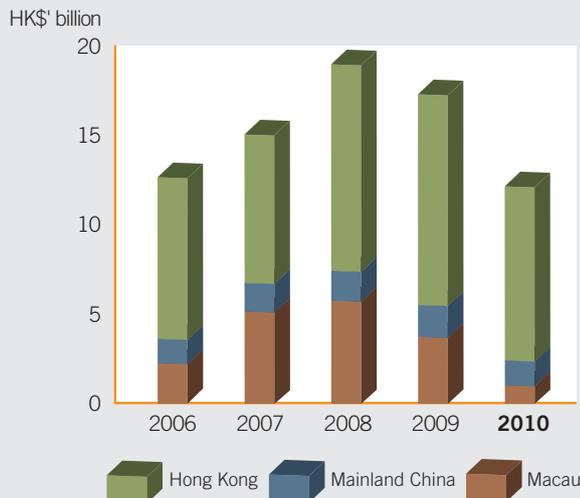
Total Equity as at 30 June



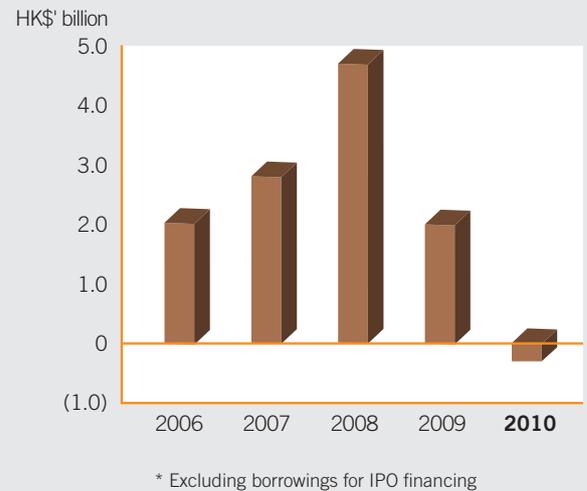
Total Assets as at 30 June



Revenue by Region for the year ended 30 June

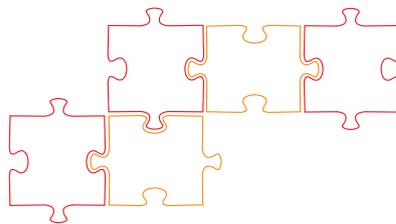


Net Debt*/(Net Cash) as at 30 June



* Excluding borrowings for IPO financing

CHAIRMAN'S STATEMENT



“On the constant lookout for **business opportunities**, the Group has given clear focus on **the areas of growth**, and been able to **maximize profitability** by channelling resources accordingly.”

Dear Shareholders,

On behalf of the Board, I am pleased to report that despite ongoing volatility of the global economy, the Group succeeded in achieving remarkable results during the year. On the basis of the Group's defensive business portfolio, which contributed to its high profit visibility, its focus on developing infrastructure businesses paid off, ensuring healthy growth in the Infrastructure division. The Group's performance in the Services division continued to be buoyed by the Hong Kong economy, which remained on a recovery track. Strong cash flow from operations and divestment of non-core businesses also enabled the Group to arrive at a first-ever net-cash position.

During the year, in line with its ongoing corporate strategy of streamlining its business structure, the Group recorded an exceptional gain of HK\$728.7 million by disposing of 52.86% shareholding in Taifook Securities Group Limited while a profit of HK\$337.9 million was registered from the sale of the Harbour Place residential units. In addition, part of our service businesses was disposed of through a management buyout in late July 2010. Upon completion of the whole transaction, a net gain of approximately HK\$0.3 billion will be realized for the Group.

To share the outstanding performance results with our shareholders, a final dividend of HK\$0.33 per share was proposed, representing a payout ratio of 50.6%.

Targeting key growth areas

The consolidation of non-core businesses was in line with the Group's commitment to fulfilling its long-term growth and shareholder return goals by engaging in more large-scale infrastructure projects with good potential. The successful listing of Chongqing Water Group Company Limited on the Shanghai Stock Exchange in March 2010 proved to be a fruitful investment. With an increasing emphasis on the water segment as an investment priority, the Group, through its joint venture Sino French Water Development Company Limited, together with Chongqing Water Group, secured a new 50-year concession for industrial water services in Chongqing Changshou Chemical Industrial Park in May 2010. This arrangement will provide industrial water production, distribution, industrial effluents collection and treatment services to all the companies within the park, which is slated to become one of the biggest bases of chemical industry in western China.

Moreover, the Group has also secured an operation and maintenance contract in Dalian for two wastewater treatment plants on Changxing Island in April 2010. The two plants already commenced operation in June 2010.

CHAIRMAN'S STATEMENT

Along with the rapid growth of the railway transport industry in Mainland China, the Group entered into a share transfer agreement to increase its shareholding in China United International Rail Containers Co., Limited ("CUIRC") from 22% to 30%, enabling the Group to remain the second largest shareholder of CUIRC. This sino-foreign joint venture enterprise develops, operates and manages 18 strategically located pivotal rail container terminals in Mainland China over a period of 50 years.

Laying down the infrastructure to tap into new growth potential

Scheduled for completion by end of 2012, the 18 rail container terminals network run by CUIRC is in an ideal position to serve the escalating demand for ports and logistics services in Mainland China. All these developments are yet another testament to the Group's unremitting commitment to enhancing shareholders' value by redoubling its efforts to focus on developing core infrastructure businesses.

Back on the home front, the Atrium Link Extension of the Hong Kong Convention and Exhibition Centre ("HKCEC") continued to generate new businesses. Since its completion in April 2009, the expansion project has contributed to the phenomenal growth of numerous public and trade shows at HKCEC, and enhanced the competitive edge of Hong Kong's exhibition and conference facilities. As the icing on the cake, the expansion project was named Grand Award Winner at the Hong Kong Non-residential Category of the Quality Building Award 2010. Totalling 21,500 sq m, the new space is evidently the right place to cash in on the new economic boom in Asia at the right time.

Success is a two-way street at NWS Holdings

Few success stories can do without a great team. As a firm believer in the power of team spirits, the Group spares no effort in creating a work environment where our employees can grow as a team. Apart from promoting work-life balance conducive to staff well-being among all our employees, a comprehensive set of staff training and development programmes is available to them for self-improvement. In appreciation of their dedication and achievements, top performers among our staff are honoured at the annual NWS Outstanding Employee Grand Award, which was organized for the seventh consecutive year in 2010.

A strong corporate culture is also cultivated by strengthening the Group's employer branding while an open communication channel through various initiatives, including staff newsletters and intranet, is maintained to facilitate mutual understanding between employees and management. A symbiosis is thus

formed between the Group and our staff in which the Group's success hinges on contributions from our staff, who in turn profit from their rewarding careers with the Group.

Investing towards a sustainable growth path

Ever striving to be an environmentally-friendly as well as socially-responsible corporate citizen, the Group is committed to providing a low-carbon environment for the community. Towards this end, the Group set up NWS Environmental Committee in 2007 to formulate green strategies and implement various energy-saving and waste-reduction measures. It was most gratifying that in recognition of our efforts in reducing our carbon footprint, the Group was honoured to be among a select few recipients of the Carbon "Less" Certificate of the Hong Kong Awards for Environmental Excellence.

On the international front, we are proud to be a diamond sponsor of the Hong Kong's participation in Expo 2010 Shanghai China. Echoing the Expo's theme of "Better City, Better Life", the Group's sponsorship would serve as part of its corporate social responsibility initiatives to promote Hong Kong's image as an Asia's world city at the mega event.

A word of thanks

In closing, a vote of thanks to our staff and management team, as well as my fellow Board members is in order. It is their dedication and outstanding performance that has enabled the Group to emerge successfully from challenging times and to stay on track towards achieving sustainable growth in the long run.

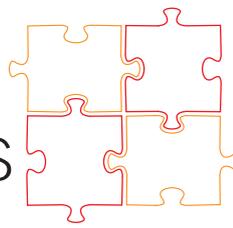


Dr Cheng Kar Shun, Henry

Chairman

Hong Kong, 5 October 2010

BOARD OF DIRECTORS



Dr Cheng Kar Shun, Henry



Mr Doo Wai Hoi, William



Mr Tsang Yam Pui



Mr Lam Wai Hon, Patrick



Mr Cheung Chin Cheung



Mr William Junior Guilherme Doo



Mr Cheng Chi Ming, Brian



Mr Wilfried Ernst Kaffenberger



Mr To Hin Tsun, Gerald



Mr Dominic Lai



Mr Yeung Kun Wah, David



Mr Kwong Che Keung, Gordon



Mr Cheng Wai Chee, Christopher



The Honourable Shek Lai Him,
Abraham

BOARD OF DIRECTORS

Dr Cheng Kar Shun, Henry *GBS* **Chairman**

Dr Cheng (63) was appointed as Executive Director in March 2000 and became the Chairman in March 2001. He is also a member of the Executive Committee of the Company and a director of certain subsidiaries of the Group. Dr Cheng is the Managing Director of New World Development Company Limited, a substantial shareholder of the Company, the Chairman and Managing Director of New World China Land Limited, the Chairman and Non-executive Director of New World Department Store China Limited and the Chairman of International Entertainment Corporation, an independent non-executive director of HKR International Limited and a non-executive director of Lifestyle International Holdings Limited, all being listed public companies in Hong Kong. He was the Chairman of Taifook Securities Group Limited, a listed public company in Hong Kong, up to his resignation on 13 January 2010. Dr Cheng is also the Managing Director of New World Hotels (Holdings) Limited and a director of several substantial shareholders of the Company, namely Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited and Mombasa Limited. Dr Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Eleventh Chinese People's Political Consultative Conference of The People's Republic of China. In 2001, he was awarded the Gold Bauhinia Star by the Government of the HKSAR. Dr Cheng is the father of Mr Cheng Chi Ming, Brian, the brother-in-law of Mr Doo Wai Hoi, William and the uncle of Mr William Junior Guilherme Doo.

Mr Doo Wai Hoi, William *JP* **Deputy Chairman**

Mr Doo (66) was appointed as Executive Director in March 2000 and became the Deputy Chairman in January 2003. He was re-designated to Non-executive Director with effect from 8 October 2009. Mr Doo's corporate positions include: Vice Chairman and Non-executive Director of New World China Land Limited; Executive Director of Lifestyle International Holdings Limited and Independent Non-executive Director of The Bank of East Asia, Limited, all being listed public companies in Hong Kong. Mr Doo was also appointed as Independent Non-executive Director of Neo-China Land Group (Holdings) Limited, a listed public company in Hong Kong, on 5 July 2010. Moreover, he was the Deputy Chairman of Taifook Securities Group Limited, a listed public company in Hong Kong, up to his resignation on 13 January 2010. He is also a director of New World Hotels (Holdings) Limited and Fung Seng Diamond Company Limited. Mr Doo is a member of the Standing Committee of the Eleventh Chinese People's Political Consultative Conference in Shanghai and the Convener of the Shanghai Committee in Hong Kong and Macau. He has been also serving as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. He is the Honorary Consul of the Kingdom of Morocco in Hong Kong. In 2008, he was awarded the Chevalier de la Légion d'Honneur by the Republic of France. Mr Doo is the father of Mr William Junior Guilherme Doo, the brother-in-law of Dr Cheng Kar Shun, Henry and the uncle of Mr Cheng Chi Ming, Brian.

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

Mr Tsang (64) was appointed as Executive Director in June 2004 and is also a member of the Executive Committee and the Chairman of the Corporate Social Responsibility Committee of the Company. He was appointed as the Chairman of the Remuneration Committee of the Company on 15 October 2009. He is also a director of certain subsidiaries of the Group. Mr Tsang is currently the Vice Chairman of New World First Bus Services Limited and Citybus Limited and a director of New World First Bus Services (China) Limited, New World First Ferry Services Limited and New World First Ferry Services (Macau) Limited. He is also the Vice Chairman of China United International Rail Containers Co., Limited in Mainland China and a director of Mapletree Investments Pte Ltd in Singapore. Mr Tsang also serves as a member of the Hong Kong Sanatorium & Hospital's Clinical Governance Committee. Prior to joining the Company, Mr Tsang had served with the Hong Kong Police Force for 38 years and retired from the Force as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. Mr Tsang was awarded the Gold Bauhinia Star, the OBE, the Queen's Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner's Commendation, and the HKSAR Police Long Service Medal.

Mr Lam Wai Hon, Patrick **Executive Director**

Mr Lam (48) was appointed as Executive Director in January 2003 and is also a member of each of the Executive Committee, the Remuneration Committee and the Corporate Social Responsibility Committee of the Company. He is also a director of certain subsidiaries of the Group. Mr Lam is a non-executive director of Wai Kee Holdings Limited and Road King Infrastructure Limited, both being listed public companies in Hong Kong, and the Assistant General Manager of New World Development Company Limited, a substantial shareholder of the Company. He is mainly responsible for overseeing the services business of the Group and managing the financial and human resources aspects of the Company. His area of responsibilities in New World Group includes property investment and development as well as service business. Mr Lam is also a director of Guangdong Baoliuhua New Energy Stock Co., Ltd., a listed company in the PRC. Moreover, he was a non-executive director of Build King Holdings Limited and Taifook Securities Group Limited, both being listed public companies in Hong Kong, up to his resignation on 24 October 2008 and 13 January 2010 respectively. Mr Lam is a Chartered Accountant by training, a Fellow of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada.

BOARD OF DIRECTORS

Mr Cheung Chin Cheung **Executive Director**

Mr Cheung (54) was appointed as Executive Director in October 2003 and is also a member of the Executive Committee of the Company. He had been an executive director of the Company during the period from May 1998 to January 2003. Mr Cheung is also a director of NWS Infrastructure Management Limited, Sino-French Holdings (Hong Kong) Limited, Far East Landfill Technologies Limited and a number of companies in Mainland China. He is the Vice Chairman of Companhia de Electricidade de Macau – CEM, S.A. and the Managing Director of The Macao Water Supply Company Limited. He is a director of certain subsidiaries of the Group and is mainly responsible for managing the Group's infrastructure business. Mr Cheung had been a member of the Infrastructure Development Advisory Committee and the China Trade Advisory Committee of the Hong Kong Trade Development Council. He has nearly 20 years of experience in business development, investment and management in the infrastructure business in Mainland China. Mr Cheung is a member of the Hebei Province Committee of the Tenth Chinese People's Political Consultative Conference of The People's Republic of China.

Mr William Junior Guilherme Doo **Executive Director**

Mr Doo (36) was appointed as Director in December 2005 and is also a member of each of the Executive Committee and the Corporate Social Responsibility Committee of the Company. He is also a director of certain subsidiaries of the Group. Mr Doo is a solicitor admitted in the HKSAR and is currently a non-practising solicitor in England and Wales. Before joining the Company, he had legal practice experience in one of the largest global law firms specializing in finance and corporate transactions. Since joining the Company in March 2003, Mr Doo has been acting as members of various management committees of the Group. His area of responsibilities includes managing ports investment and operations, and overseeing transport, logistics and water business. He is currently a member of the Beijing Committee of the Eleventh Chinese People's Political Consultative Conference of The People's Republic of China. Mr Doo is the son of Mr Doo Wai Hoi, William, the nephew of Dr Cheng Kar Shun, Henry and the cousin of Mr Cheng Chi Ming, Brian.

Mr Cheng Chi Ming, Brian **Executive Director**

Mr Cheng (27) was appointed as Executive Director on 1 July 2009 and is also a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Group. He has been with the Company since January 2008 and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of the Group. Mr Cheng was appointed as executive director of Taifook Securities Group Limited, a listed public company in Hong Kong, on 1 July 2009 and was re-designated to non-executive director with effect from 13 January 2010. He is also a director of Sino-French Holdings (Hong Kong) Limited, Sino-French Energy Development Company

Limited, The Macao Water Supply Company Limited and a director of a number of companies in Mainland China. Before joining the Company, Mr Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. Mr Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, U.S.A. Mr Cheng is the son of Dr Cheng Kar Shun, Henry, the nephew of Mr Doo Wai Hoi, William and the cousin of Mr William Junior Guilherme Doo.

Mr Wilfried Ernst Kaffenberger **Non-executive Director**

Mr Kaffenberger (66) was appointed Non-executive Director in January 2003. He is an independent financial advisor. In June 2008, he completed his role as Chief Executive Officer of the AIG Asian Infrastructure Fund II (the "Fund"), a US\$1.67 billion direct equity investment fund he organized in 1997. Prior to organizing the Fund, he was the Vice President, Operations, of the International Finance Corporation ("IFC"), a World Bank affiliate. His career at IFC covered 25 years. Mr Kaffenberger is, since August 2009, a director of AEI, a Houston, USA, based energy infrastructure company operating in Latin America, Central and Eastern Europe and Asia. Mr Kaffenberger is, with effect from September 2009, a director of the BAA Airports Limited, which owns and operates airports throughout the United Kingdom. Moreover, he was director of Hanaro Telecom, a listed company in Korea, up to his resignation in March 2008.

Mr To Hin Tsun, Gerald **Non-executive Director**

Mr To (61) was appointed as Independent Non-executive Director in May 1998 and was re-designated to Non-executive Director in August 2002. Mr To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr To is a non-executive director of Mongolia Energy Corporation Limited and an executive director of International Entertainment Corporation, both companies' shares being listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was formerly also a non-executive director of Taifook Securities Group Limited, a listed public company in Hong Kong, up to his resignation on 13 January 2010.

Mr Dominic Lai **Non-executive Director**

Mr Lai (63) was appointed as Independent Non-executive Director in August 2002 and was re-designated to Non-executive Director in September 2004. He is also a member of each of the Audit Committee and the Corporate Social Responsibility Committee of the Company. Mr Lai is a practising solicitor in Hong Kong and is also admitted in England and Wales, the Republic of Singapore, the States of New South Wales and Victoria, Australia. Mr Lai is a senior partner of the Hong Kong law firm, lu, Lai & Li and has been in practice for more than 35 years. He is also a non-executive director of Midas International Holdings Limited, Oriental Press Group Limited and Winfoong International Limited, all being listed public companies in Hong Kong.

BOARD OF DIRECTORS

Mr Yeung Kun Wah, David

Alternate Director to Mr Wilfried Ernst Kaffenberger

Mr Yeung (60) was appointed as Alternate Director to Mr Wilfried Ernst Kaffenberger in January 2003. Mr Yeung is the President and Chief Executive Officer of PineBridge Capital Partners Inc., a wholly owned subsidiary of PineBridge Investment Group (“PineBridge”). He is concurrently the Managing Director and Head of PineBridge’s emerging markets infrastructure group. He represents PineBridge on PineBridge-sponsored emerging market infrastructure funds with total committed capital of US\$4.7 billion and sits on the various Investment Committees of other PineBridge sponsored regional direct investment funds and on the board of various companies in PineBridge’s investment portfolio. Mr Yeung is a U.S. Certified Public Accountant and a Canadian Chartered Accountant.

Mr Kwong Che Keung, Gordon

Independent Non-executive Director

Mr Kwong (61) was appointed as Independent Non-executive Director in October 2002 and is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is also an independent non-executive director of a number of Hong Kong listed public companies including Agile Property Holdings Limited, Beijing Capital International Airport Company Limited, CITIC 1616 Holdings Limited, COSCO International Holdings Limited, China Chengtong Development Group Limited, China Power International Development Limited, Frasers Property (China) Limited, Global Digital Creations Holdings Limited, Henderson Investment Limited, Henderson Land Development Company Limited, OP Financial Investments Limited and Quam Limited. Moreover, he was an independent non-executive director of Ping An Insurance (Group) Company of China, Limited (retired on 3 June 2009), Tianjin Development Holdings Limited (retired on 26 May 2010) and China Oilfield Services Limited (resigned on 28 May 2010), all of which are listed public companies in Hong Kong. Mr Kwong graduated from The University of Hong Kong in 1972, qualifying as a chartered accountant in England in 1977 and was a Partner of Price Waterhouse from 1984 to 1998, an independent member of the Council of The Stock Exchange of Hong Kong Limited from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee.

Mr Cheng Wai Chee, Christopher GBS, OBE, JP

Independent Non-executive Director

Mr Cheng (62) was appointed as Independent Non-Executive Director in January 2003 and is a member of each of the Audit Committee and the Remuneration Committee of the Company. Mr Cheng is the Chairman of Wing Tai Properties Limited (formerly known as USI Holdings Limited) and Winsor Properties Holdings Limited. He is an independent non-executive director of New World China Land Limited and Kingboard Chemical Holdings Limited, all being listed public companies in Hong Kong, and an independent director of DBS Group Holdings Limited, a public listed company in Singapore. He is also a non-executive director of Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust). Moreover, he was an independent non-executive director of PICC Property and Casualty Company Limited, a listed public company in Hong Kong, up to his resignation on 23 October 2009. Mr Cheng has a keen interest in the public services. He is currently the Chairman of the Standing

Committee on Judicial Salaries and Conditions of Service, a member of the Exchange Fund Advisory Committee and a steward of the Hong Kong Jockey Club. He also serves as a member of the honorary court of the Hong Kong University of Science and Technology, the board of Overseers at Columbia Business School, the board of Temasek Foundation CLG Limited, and a member on the President’s Council on International Activities of the Yale University. Mr Cheng is the former Chairman of the Hong Kong General Chamber of Commerce. Mr Cheng holds a BBA from the University of Notre Dame, Indiana, USA, and an MBA from Columbia University, New York.

The Honourable Shek Lai Him, Abraham SBS, JP

Independent Non-executive Director

Mr Shek (65) was appointed as Independent Non-executive Director in September 2004 and is a member of each of the Audit Committee and the Remuneration Committee of the Company. Mr Shek graduated from the University of Sydney with Bachelor of Arts. He is a member of the Legislative Council for the HKSAR representing real estate and construction functional constituency since 2000. Currently, Mr Shek is a member of the Council of The Hong Kong University of Science & Technology and member of the Court of The University of Hong Kong. Mr Shek is a director of The Hong Kong Mortgage Corporation Limited and an independent non-executive director of MTR Corporation Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang’s Consortium International Limited, Chuang’s China Investments Limited, ITC Corporation Limited, ITC Properties Group Limited (also act as Vice Chairman), Titan Petrochemicals Group Limited, Country Garden Holdings Company Limited, Hsin Chong Construction Group Limited, Hop Hing Group Holdings Limited and SJM Holdings Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both of the trusts are listed on The Stock Exchange of Hong Kong Limited. Moreover, he was a director of See Corporation Limited, a listed public company in Hong Kong, up to his resignation on 1 October 2008. Mr Shek was awarded the Silver Bauhinia Star by the Government of the HKSAR in 2007.

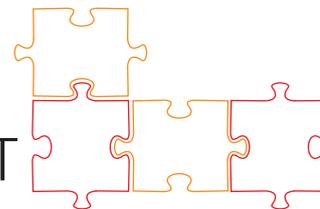
Senior Management

Mr Chow Tak Wing

Group Financial Controller and Company Secretary

Mr Chow (43) joined the Company in 2002 and was appointed as Company Secretary of the Company in October 2004. He is also the Group Financial Controller of the Company. Mr Chow is an associate member of the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a fellow member of the Association of Chartered Certified Accountants (UK). He has over 20 years’ experience in accounting and financial management and corporate governance. Prior to joining the Group, he was a manager of an international accounting firm and senior executive of several Hong Kong listed public companies.

CORPORATE GOVERNANCE REPORT



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

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



There are various guidelines, policies, and procedures that support the corporate governance framework of the Group. The following, which are reviewed regularly by the Board and the relevant board committees, constitute key components of the said framework:

- Director's Manual
- Corporate Governance Manual
- Guidelines on Internal Control System
- Risk Management Manual
- Code for Securities Transactions by Relevant Employees
- Corporate Policy on Staff Responsibility
- Terms of Reference of various board committees

With the establishment of the Corporate Governance Steering Committee (the "CG Committee") in 2007, the effectiveness of the Group's corporate governance practices is expected to be further enhanced. The CG Committee reviews the Group's corporate governance standards and practices regularly. Through the publication of "*Corporate Governance Newsletter*", a regular publication of the Company under the supervision of the CG Committee, information relating to the latest regulatory requirements and market practices is provided to the Group's senior management.

Compliance with the Code on Corporate Governance Practices

Throughout the year ended 30 June 2010, the Company has fully complied with all the applicable code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

In addition, the Company has made much effort in following recommendations as set out in the recommended best practices contained in the CG Code (the “RBP”). Listed below is a brief summary of the work done by the Company for implementing some of the RBP within the Group. This is not an exhaustive list of actions taken by the Company to comply with the RBP:

- The Company has arranged for appropriate liability insurance for directors of the Group for indemnifying their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis (A.1.9 of the RBP)
- Every board committee has its own written terms of reference which includes similar principles, procedures and arrangements as set out in the code provisions from A.1.1 to A.1.8. of the CG Code (A.1.10 of the RBP)
- The Chairman of the Board plays an active role in facilitating the effective operation of the Board. Draft agenda of each Board meeting is reviewed by the Chairman prior to the meeting. Chairman invites all Board members to express their opinion on the business operations and the corporate governance practices of the Group in every Board meeting so that they would contribute their expertise to the Board and provide constructive ideas for the management (A.2.4 to A.2.6 and A.2.9 of the RBP)
- The Chairman of the Board invites shareholders of the Company to raise their queries at the annual general meetings of the Company. Shareholders' enquiries, either received by telephone or by email, are properly attended by the Company Secretarial Department and are addressed to the Executive Committee, if necessary (A.2.8 of the RBP)
- The Company's website includes an updated list of directors of the Company in which their roles in the Board and memberships in the board committees are clearly stated. Besides, all updated information regarding the activities and publications of the Group is also included in the Company's website in order to provide comprehensive information of the Group for the shareholders of the Company as well as the general public (A.3.3 of the RBP)
- The Company includes in the “*Corporate Governance Manual*” a provision to govern the tenure in re-election of independent non-executive directors. Any appointment of such independent non-executive directors, who have served more than nine years, shall be subject to a separate resolution to be approved by the shareholders of the Company (A.4.3 of the RBP)
- For continuous professional development of the Company's directors and senior executives, the Company organizes training courses and seminars for them from time to time. The Training and Development Department of the Company provides a wide range of training courses, in particular courses relating to corporate governance practices (A.5.5 of the RBP)
- Non-executive directors play an active role in participation of the board committees. Except for the Executive Committee, all board committees consisted of at least one non-executive director and they have made significant contribution of their skills and expertise to these committees (A.5.7 of the RBP)
- The Company provides formal letter of appointment for each of its directors which sets out key terms and conditions in relation to their appointment (D.1.4 of the RBP)

Securities Transactions of Directors and Relevant Employees

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code. Having made specific enquiry of all directors, the Company is satisfied that they have complied with the required standards of the said code during the year. Securities interests in the Company and its associated corporations held by each of the directors of the Company are disclosed in the Report of the Directors on pages 53 to 57 of this annual report.

Moreover, all relevant employees have confirmed, following specific enquiry by the Company, that they complied with the standard set out in the “*Code for Securities Transactions by Relevant Employees*” during the year ended 30 June 2010.

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

CORPORATE GOVERNANCE REPORT

The Board

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

The Board currently comprises 13 members whose biographical details are set out on pages 10 to 13 of this annual report. An updated list of directors of the Company containing biographical information and identifying the independent non-executive directors is maintained on the website of the Company.

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

Board Meetings

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

The attendance record of each of the directors for the Board meetings, the board committees meetings and general meetings held during the year ended 30 June 2010 is listed as follows:

Name of director	Meetings attended / held				
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Corporate Social Responsibility Committee meeting	General meeting
Executive directors:					
Dr Cheng Kar Shun, Henry	5/5	–	–	–	2/2
Mr Chan Kam Ling (Note 1)	0/5	–	0/1	–	0/2
Mr Tsang Yam Pui	5/5	–	1/1	2/2	2/2
Mr Wong Kwok Kin, Andrew	5/5	–	–	–	2/2
Mr Lam Wai Hon, Patrick	5/5	3/3 (Note 2)	1/1	2/2	2/2
Mr Cheung Chin Cheung	5/5	–	–	–	2/2
Mr William Junior Guilherme Doo	5/5	–	–	2/2	2/2
Mr Cheng Chi Ming, Brian	5/5	–	–	–	2/2
Non-executive directors:					
Mr Doo Wai Hoi, William	5/5	–	–	–	1/2
Mr Wilfried Ernst Kaffenberger	5/5 (Note 3)	–	–	–	2/2 (Note 3)
Mr To Hin Tsun, Gerald	3/5	–	–	–	0/2
Mr Dominic Lai	5/5	3/3	–	2/2	0/2
Independent non-executive directors:					
Mr Kwong Che Keung, Gordon	5/5	3/3	1/1	–	2/2
Mr Cheng Wai Chee, Christopher	5/5	3/3	1/1	–	0/2
Mr Shek Lai Him, Abraham	5/5	3/3	1/1	–	0/2

Notes:

1. Mr Chan Kam Ling passed away on 15 August 2009.
2. Mr Lam Wai Hon, Patrick attended the Audit Committee meetings as an invitee.
3. One board meeting and two general meetings were attended by the alternate director to Mr Wilfried Ernst Kaffenberger.

Board Committees

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. Four board committees have been established and each of them has its specific duties and authorities setting out in its own terms of reference.

Executive Committee	
Members	Dr Cheng Kar Shun, Henry (Chairman), Mr Tsang Yam Pui, Mr Lam Wai Hon, Patrick, Mr Cheung Chin Cheung, Mr William Junior Guilherme Doo and Mr Cheng Chi Ming, Brian
Duties	<ul style="list-style-type: none"> • to develop and recommend to the Board overall strategy for the Group • to consider and approve investments and divestments • to review the Group's performance and manage its assets and liabilities in accordance with the policies and directives of the Board

CORPORATE GOVERNANCE REPORT

Audit Committee	
Members	Mr Kwong Che Keung, Gordon (Chairman), Mr Dominic Lai, Mr Cheng Wai Chee, Christopher and Mr Shek Lai Him, Abraham
Duties	<ul style="list-style-type: none"> • to make recommendation to the Board on the appointment, re-appointment and removal of external auditor and to approve its remuneration and terms of engagement • to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with the applicable standard • to develop and implement policy on the engagement of external auditor to supply non-audit services • to monitor integrity of the financial statements of the Company and its annual reports and accounts, half-year reports and to review significant financial reporting judgments contained in them • to review the Company's financial control, internal control and risk management systems • to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget • to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response • to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function • to review the Group's financial and accounting policies and practices • to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response • to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter • to report to the Board on the matters set out in code provision C.3.3 of the CG Code
Work performed during the year	<ul style="list-style-type: none"> • review of the audited financial statements of the Company for the year ended 30 June 2009 • review of the interim results of the Company for the year ended 30 June 2010 • approval of internal audit plan for the year ended 30 June 2010 • review of the internal audit reports prepared by Group Audit & Management Services Department ("GAMS") • review of the system of internal control of the Company • review of the audit plan from external auditor • review of the remuneration of external auditor • making recommendation on the re-appointment of external auditor • review of the manpower of Finance team of the Group

CORPORATE GOVERNANCE REPORT

Remuneration Committee	
Members	Mr Tsang Yam Pui (Chairman), Mr Lam Wai Hon, Patrick, Mr Kwong Che Keung, Gordon, Mr Cheng Wai Chee, Christopher and Mr Shek Lai Him, Abraham
Duties	<ul style="list-style-type: none"> • to make recommendation to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration • to determine the remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments and make recommendations to the Board of the remuneration of non-executive directors • to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time • to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company • to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate
Work performed during the year	<ul style="list-style-type: none"> • review of the remuneration policy, structure and packages for directors and senior management • making recommendation to the Board of the directors' fee and other allowances for the year ended 30 June 2010 • making recommendation to the Board of the remuneration package of executive directors • review of the performance-based remuneration
Corporate Social Responsibility Committee	
Members	Mr Tsang Yam Pui (Chairman), Mr Lam Wai Hon, Patrick, Mr William Junior Guilherme Doo, Mr Dominic Lai, Mr Kwan Chuk Fai and Ms Lam Yuet Wan, Elina
Duties	<ul style="list-style-type: none"> • to formulate the social responsibilities strategies and policies of the Group • to oversee the development and implementation of the Group's social responsibilities strategies, policies and practices as well as the Group's corporate volunteer team, NWS Volunteer Alliance, and other charitable activities

CORPORATE GOVERNANCE REPORT

Non-executive Directors

Coming from diverse business and professional backgrounds, the non-executive directors of the Company have shared their valuable experiences to the Board for promoting the best interests of the Company and its shareholders. They are appointed under a fixed term of three years and are also subject to retirement on a rotational basis in accordance with the bye-laws of the Company.

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

Remuneration of Directors

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

The emoluments paid to each director for FY2010 are shown in note 16 to the financial statements on pages 117 to 119 of this annual report.

Nomination, Appointment and Re-election of Directors

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

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

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

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

CORPORATE GOVERNANCE REPORT

Directors' responsibilities for financial reporting and disclosures

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

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

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

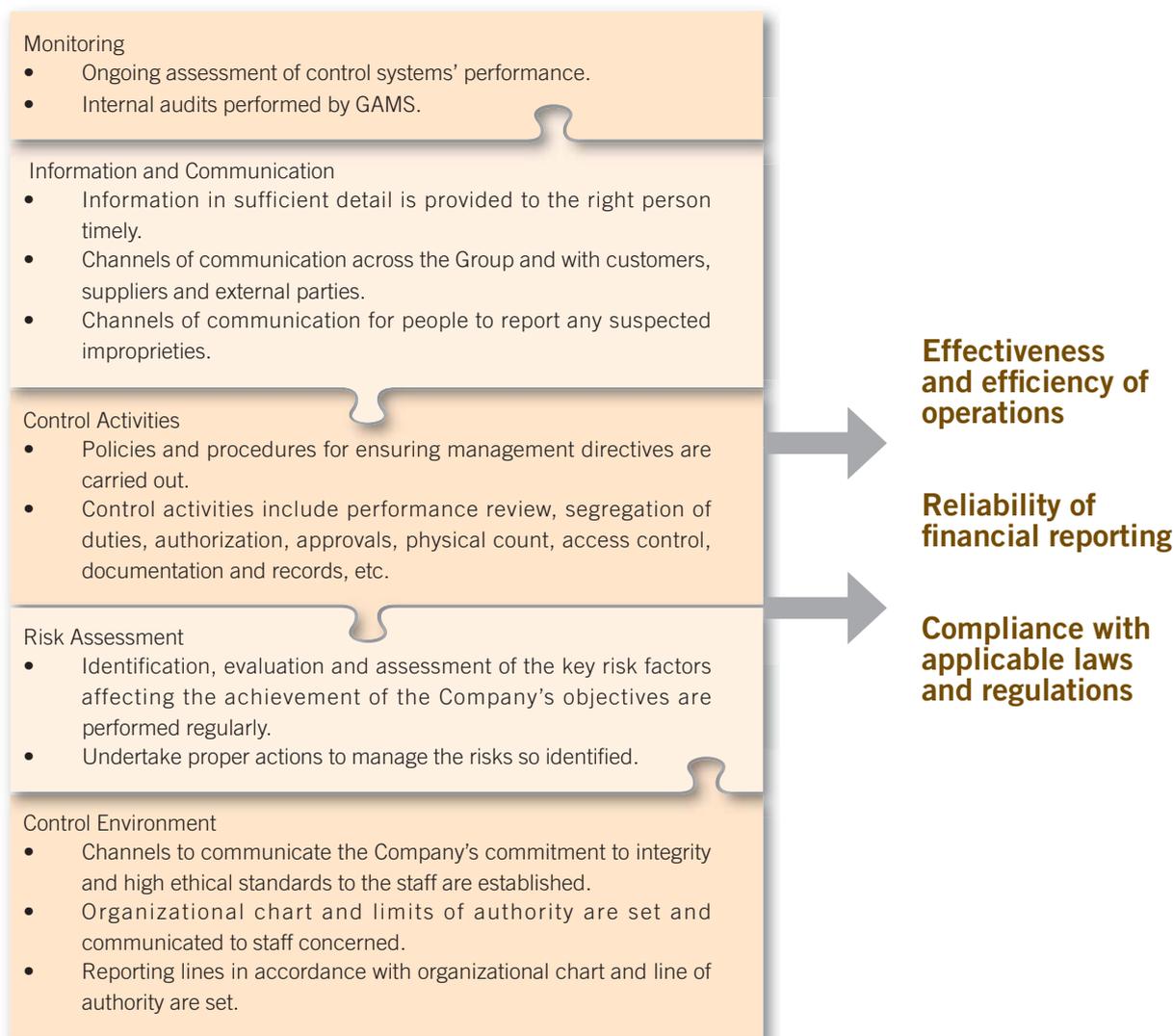
Internal Control and Risk Management

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

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

CORPORATE GOVERNANCE REPORT

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



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

The Board has conducted a review on the effectiveness of the system of internal control of the Group for the year ended 30 June 2010. The review covers the areas of control environment, risk assessment, control activities, information and communication and monitoring within the Group. Management of all subsidiaries are required to submit to GAMS an Internal Control Compliance Certificate and an Internal Control Assessment Checklist for reporting the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations half-yearly. GAMS will perform review and random checking on submitted checklists to ensure validity. Executive directors of the Company would also submit a written report on the effectiveness of the Group's internal control system to the Audit Committee for review half-yearly.

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

CORPORATE GOVERNANCE REPORT

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

Risk management is an integral part of corporate governance. Effective risk management facilitates the Group's business development and operation by setting the appropriate risk appetite, maintaining an optimal risk level and most importantly, proactively responding to risks.

While the Group's risk management is the responsibility of every management and embedded in daily operation of every business unit and staff, Risk Management Department of the Company ("RMD") acts as a central promoter, facilitator and communicator on areas concerning the Group's risk management.

The Group identifies and assesses risks both at Group and individual business unit levels. In FY2010, RMD oversaw the Group's risks in actual and potential legal cases, insurance coverage and claims, business performance, tendering, Capex transactions and investment. It reviewed relevant information from business units and submitted reports to the Executive Committee on a regular basis. Recommendations on risk responses were provided as well.

The Group also performed risk reviews and produced reports on identified risk areas like fraud, crisis readiness and re-organization of certain business units. Guidelines and assistance were provided accordingly.

RMD and GAMS monitor and update the Group's risk profile and exposure, and review the effectiveness of the Group's system of internal control in mitigating risks. They collaborate to enhance the risk resilience of business units by assuring proper execution of risk management measures set up following risk assessment exercises.

In addition, RMD has provided various risk management tools, such as Business Continuity Management Implementation Guide as well as a risk assessment checklist which supplements the Group's Internal Control Assessment Checklist, to substantiate the Group and its business units' compliance with Listing Rule's requirements on risk management.

The Group strives to enhance risk awareness and resilience of business units through education and promotion. To this end, about 14 classes on risk management related topics were conducted for over 320 management staff in FY2010. During the year, an internal publication on risk management was produced and distributed quarterly to all managerial staff members of the Group. In addition, market news, management tools, training materials and other information on risk management were shared with staff via the Group's intranet.

External Auditor

The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditor subject to endorsement by the Board and final approval and authorization by the shareholders of the Company in general meetings. The existing auditor of the Company, who is also the Group's principal auditor, is PricewaterhouseCoopers who was first appointed in 2000. PricewaterhouseCoopers adopts a policy of rotating every seven years the engagement partner servicing their client companies and the last rotation took place during FY2010. The reporting responsibilities of PricewaterhouseCoopers are stated in the Independent Auditor's Report on page 73 of this annual report.

Total auditors' remuneration in relation to statutory audit work of the Group amounted to HK\$20.8 million (2009: HK\$19.9 million), of which a sum of HK\$19.8 million was paid to PricewaterhouseCoopers. The remuneration paid to PricewaterhouseCoopers and its affiliated firms for services rendered is listed as follows:

	2010 HK\$m	2009 HK\$m
Statutory audit	19.8	18.9
Non-audit services	3.6	3.9
	23.4	22.8

CORPORATE GOVERNANCE REPORT

Review of Audited Financial Statements

The Audit Committee reviewed the audited financial statements of the Group for the year ended 30 June 2010 and the accounting principles and practices adopted by the Group.

Shareholders' Rights

The Board recognizes the importance of communication with the Company's shareholders. The "Key Information For Shareholders" section contained in this annual report provides comprehensive information regarding the Company's results and share price performance, shareholding structure, dividend policy and the corporate calendar.

Moreover, the annual general meeting of the Company provides an opportunity for face-to-face communication between the Board and the shareholders of the Company. Shareholders are welcome to raise any query in relation to the Group's businesses at the annual general meeting.

The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Company's bye-laws, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Shareholders who hold not less than one-tenth of the paid up capital of the Company shall have the right, by written requisitions to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The procedures for shareholders to put forward proposals at general meetings are clearly set out in the relevant notices of general meetings. Any vote of shareholders at a general meeting must be taken by poll and the Company will announce the results of the poll in the manner prescribed under the Listing Rules.

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

Investor Relations

NWS Holdings adheres to effective investor relations and high standard of corporate governance. To this end, the Company regularly interacts with its shareholders through various channels with respect to the disclosure of its developments.

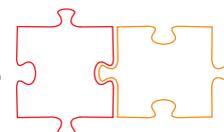
The Company's investor relations programme is spearheaded by the Investor Relations team comprising directors and senior management, who maintains an ongoing outreach to institutional investors, analysts and potential investors. Apart from attending 111 meetings and investors' corporate days, the team also hosted 82 road-shows in London, Zurich, Geneva, Frankfurt, New York, Boston, Philadelphia, Tokyo, Taiwan, Kuala Lumpur, Singapore and Hong Kong to meet institutional investors and analysts in FY2010.

Thanks to the proactive two-way communication between the Company and its shareholders, the Company is widely covered by leading research institutions including Nomura International, Credit Suisse, CLSA, Citigroup, Macquarie Securities and UOB Kay Hian.

To keep all shareholders abreast of the Company's up-to-date information, the corporate website www.nws.com.hk maintains an Investor World section which offers timely and comprehensive financial and operational performances of the Company. Other communication channels include annual general meetings, announcements, interim and annual reports, e-news alerts and press releases.

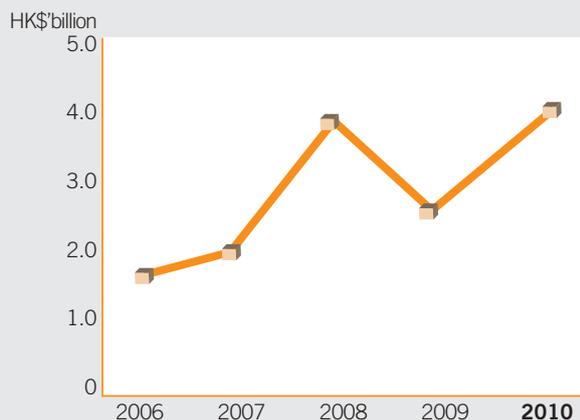
Under the principles of fairness, transparency and timeliness, the Company will continue to communicate with its shareholders to enable them to have thorough understanding of the Company's strategic direction and latest developments.

KEY INFORMATION FOR SHAREHOLDERS



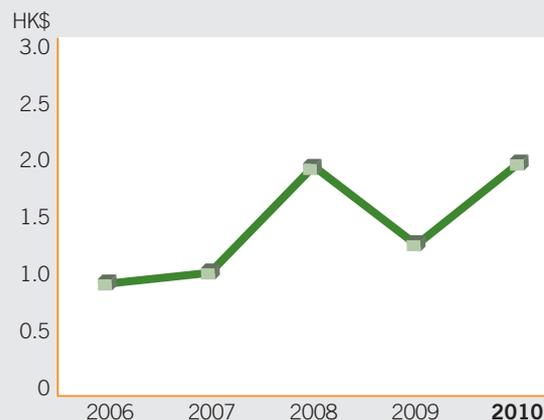
Profit Attributable to Shareholders

for the year ended 30 June



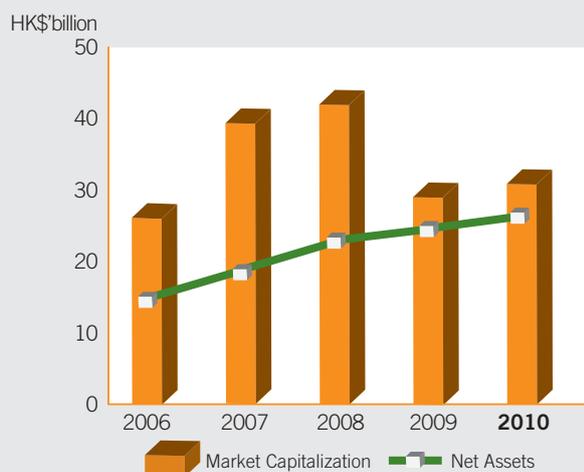
Earnings Per Share - Basic

for the year ended 30 June



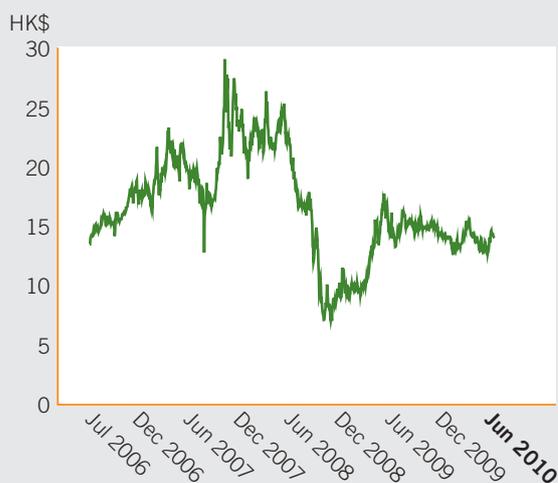
Market Capitalization and Net Assets

as at 30 June



Share Price Movement

for the period from 1 July 2006 to 30 June 2010



Analysis of Shareholding Structure

as at 30 June 2010

Category	Number of shares	Percentage of total issued share capital	Percentage of number of shareholders
NWD and its subsidiaries	1,283,317,138	58.90%	0.62%
Chow Tai Fook Enterprises Limited	59,831,893	2.74%	0.12%
Directors	33,793,856	1.55%	1.24%
Individuals	14,956,244	0.69%	94.07%
Institutions, corporates and nominees	787,028,752	36.12%	3.95%
Total	2,178,927,883	100.00%	100.00%

Note: the total number of registered shareholders of the Company as at 30 June 2010 was 810.

KEY INFORMATION FOR SHAREHOLDERS

Stock Code

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

Board Lot

1,000 Shares

Shareholder Services

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

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

Dividend Policy

Subject to the financial performance of the Company, we expect to pay two dividends each financial year with interim and final dividends payable around June and January respectively. Barring unforeseen special circumstances, the Company intends to maintain a dividend payout ratio at approximately 50%.

Dividend per share (HK\$)

Year	Interim	Final	Total	Payout ratio
2006	0.24	0.20	0.44	51.3%
2007	0.25	0.30	0.55	55.1%
2008	0.55	0.40	0.95	50.8%
2009	0.20	0.42	0.62	50.7%
2010	0.62	0.33	0.95	50.6%

Financial Calendar

Announcement of 2010 final results	5 October 2010
Last day to register for 2010 final dividend and bonus issue of shares	17 November 2010
Closure of register of members	18 November 2010 to 23 November 2010 (both days inclusive)
2010 annual general meeting	23 November 2010
2010 final dividend payment and bonus shares issue date	29 December 2010

Annual Report

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

Annual General Meeting

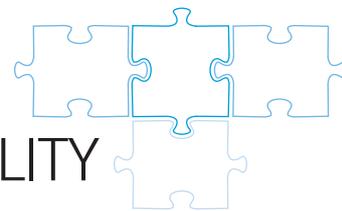
The 2010 annual general meeting ("AGM") will be held on 23 November 2010. Details of the AGM are set out in the notice of the AGM which constitutes part of the circular to shareholders sent together with this annual report. Notice of the AGM and the proxy form are also available on our corporate website.



ACHIEVE WITH HEART
ARRIVE AT HARMONY



Upholding corporate social responsibility is the premise of NWS Holdings' business philosophy. Over the years, we strive to create a harmonious society with focus on optimizing human resources, staging community services and initiating environmental management.



CORPORATE SOCIAL RESPONSIBILITY

Human Capital

WINNING EMPLOYEES' HEARTS AND MINDS

NWS Holdings believes that human capital is a great asset to a company and employees' hard work and loyalty play a big part in shaping the company's growth. We strive to adopt different human resources strategies and policies to create an environment in which employee involvement can be nurtured.

Cultivating pride across the team

Presented at the annual NWS Awards Presentation Ceremony, the NWS Outstanding Employee Grand Award recognizes exceptional team members. In addition to boosting staff pride, the award helps foster mutual learning and respect among all member companies. Open to all managerial, office and frontline staff in Hong Kong, Mainland China and Macau, the award reflects the high value we place on talents in all areas of our operations.

Tightening up employees' bonding

For NWS Holdings, strong culture of employee involvement fosters employees' loyalty and pride, and strengthens their understanding and commitment to the vision and goal of the Group. Our care for employees extends beyond work to our staff's families. Three-day paternity leave is offered to fathers so they can share the most important moment with their new born babies and families. Through the early adoption of the five-day week, both staff morale and productivity in the Group's Corporate Office have been greatly enhanced. Under our Dress Casual Policy, our staff can dress smart casual on all days in the summer months to foster a more environmentally-friendly workplace.

Well-defined talent management – the nucleus of sustained success

To strengthen our existing talent pool and ensure our sustained success, the Management Officer Training Programme is implemented to further demonstrate the Group's commitment to nurture young talents. Recruitment programmes were implemented in Hong Kong and overseas. The three-year programme offers trainees all-round development through work attachment with training, business projects, as well as abundant executive exposure.

On the other hand, coaching is offered to each unique staff through our Staff Career Development and Advancement Plan.

Employees are required to set stretching annual objectives and rewards are given according to our performance-based remuneration system. It is a strategic approach to enhance staff performance and productivity for long-term achievement.

Total dedication to employee wellness

Creating a better work-life balance and maintaining excellent staff relations are our important emphasis. NWS Sports and Recreation Committee organizes various sports activities each year, including Fun Day, to give employees and their families a closer bond with the Group. Also, birthday party is organized in Corporate Office every month to celebrate the occasion as a family. We trust harmonious working atmosphere brings the Group's management and employees closer.

Total rewards – win-win package

We reward staff's successes and share our success with them. The Group offers a competitive compensation package composed of salary, bonus and fringe benefits such as medical and dental schemes. Stock option plan for managerial staff also serves as an incentive for best results and ensures management priorities align with those of shareholders.

A culture of continuous learning

At NWS Holdings, we encourage life-long learning and ever improvement. We strongly believe staff training is one of the best ways to enrich human assets. The Manpower Developer 1st recognition bestowed on us by the Employees Retraining Board best testifies our commitment and outstanding performance in staff training and development.

Our Training & Development Department provides abundant training opportunities for staff at every level. In FY2010, over 2,000 staff members participated in 94 training classes or seminars. Over 9,000 of these training hours covered topics including management, business knowledge, team building, customer service and social skills.

CORPORATE SOCIAL RESPONSIBILITY

Apart from conducting training courses, relaxing luncheon talks on more leisure topics such as behavioral assessment and child care are arranged for staff. The innovative book and disc exchange fairs held by the NWS Reading Club, which encourage knowledge exchange and sharing, were also well-received by staff.

Engaging our staff

Having strong workforce in Hong Kong, Mainland China and Macau, the Group understands the importance of proactive communications to bring our staff together and cultivate the sense of belonging. Through our staff newsletters, *New Voice* and 《創建集》, as well as intranet, the Group disseminates company news to keep our staff abreast with the Group's latest developments. On the other hand, staff members also participate in the newsletter by sharing their photos and views in it. *New Voice* and 《創建集》 has won Silver Award under the Internal Communication category in the Ninth China Golden Awards for Excellence in Public Relations held by the China International Public Relations Association in July 2010.

We always welcome and treasure our staff's opinion and suggestions. To enhance mutual communication, the Staff Club meetings held regularly is yet another way to interact with staff members and a platform to collect feedbacks from them.

Professional recognition for our people orientation

In return for our unremitting efforts in promoting staff development, NWS Holdings garnered Best Practice Awards 2009 in the "Best Practices in Employee Involvement"

category. In moving forward, we will continue to maintain a high level of employee engagement and motivation to drive business success.



Our staff had an enjoyable moment with their families on NWS Fun Day 2010



In NWS Corporate Outing 2009, the seafood dinner and games have enhanced communication among staff members



The Annual NWS Outstanding Employee Grand Award rewards our staff at all levels for their excellent performance



NWS Sports and Recreation Committee organizes sports activities regularly to keep staff active and energetic

Community Care

SHARING A CARING CULTURE COMMUNITY - WIDE

At NWS Holdings, caring corporate culture is one of the qualities we pride ourselves on. Not only do we cherish our own people, our volunteer team, NWS Volunteer Alliance, has been at the service of our community since its establishment in 2001. Clocking up over 67,000 hours of service in the intervening years, NWS Volunteer Alliance has grown to be a 2,000-strong force to be reckoned with in promoting social harmony.

Sharing for the common good

For the second year in a row, the Group launched NWS Hong Kong Geo Wonders Hike again as a sponsor and co-organizer in November 2009. A series of hiking activities, sponsored by NWS Holdings Charities Foundation Limited, was the concerted efforts among government, business and public sectors. Attracting some 6,000 local citizens to take part, the interpretative hikings not only enabled participants to explore the rock wonders in Hong Kong, but also provided valuable opportunities for the public to learn about geoconservation. The event took on a special meaning as it also marked the opening of the Hong Kong National Geopark in November 2009.

As a diamond sponsor of Hong Kong's participation in the World Exposition 2010 Shanghai China, the Group offered advertising spaces and video broadcasts via its bus and ferry facilities to promote Hong Kong as a vibrant metropolis through the international event. On the other hand, to give the underprivileged a chance to broaden their exposure, we arranged for a group of 27 secondary school students living in Tin Shui Wai to gain first-hand experience of the innovative nature of the Expo and the latest developments in Shanghai through a five-day "Shanghai Expo Youth Learning Programme".

All about give and take

The Group and Hong Kong Playground Association co-organized a series of activities such as adventure training under the "Stand by You" Mentorship Programme. Through one-on-one matching of mentors and mentees, the NWS Volunteer Alliance members acted as life companions to youth-at-risk. Throughout the six-month period, the mentors kept in close touch with the mentees not only to offer them emotional support, but to help each of them accomplish one personal goal.

Other volunteer activities of an exchange nature were run under the Fairy Mentorship Programme jointly launched by NWS Volunteer Alliance and Hans Andersen Club in 2008. Apart from learning new skills for volunteer service, the young mentees conducted community services together with their mentors hand in hand.

As a civic-minded corporate citizen and member of the Caring Company Patron's Club, the Group also continued to share its corporate social responsibility experience with other business organizations during the year.

Giving a hand to those in need

During the year, service initiatives held to cater to the needy covered haircut service for the local elderly residents, services for the mentally handicapped and a full array of



Volunteers accompanied an elderly participant of Life Rejuvenation Scheme 2010 — Fond Memento to shop at supermarket

CORPORATE SOCIAL RESPONSIBILITY

charitable fund-raising activities. For the NWS Fun Day, a charity sale booth was set up to sell items donated by our staff and member companies for raising funds for St. James' Settlement. At the NWS Awards Presentation Ceremony, in return for the Group's donation of bathroom amenities, rain gears, etc, a group of students from Fresh Fish Traders' School performed a dance show to express their gratitude.

As for major volunteer events, NWS Caring Day 2010 was held on 20 February, which coincided with the seventh day of the Chinese New Year. Also known as "Day of Mankind" in Chinese tradition, the day was particularly auspicious to celebrate the seventh anniversary of the Group's First Trading Day. Volunteers from the Group's Corporate Office and 17 member companies joined hundreds of deprived elderly who have no knowledge of their birthdays to celebrate "everybody's birthday". About 120 elderly enjoyed the festive "poon choi" while 300 others received gift bags from our volunteers.

Another key volunteer activity was the Life Rejuvenation Scheme 2010 — Fond Memento, a year-long community

project to enable our volunteers and the beneficiaries to develop a long-term relationship. Besides taking photos for the elderly, other caring activities included home visits, gatherings and outings.

Corporate volunteering the fair way

Fair Trade Fortnight, an annual event organized by Fair Trade Hong Kong to promote fair and ethical trading values, received our full support once again. The Group not only served fair-trade products at our Monthly Employee Birthday Party in March 2010, but also provided our office staff with fair-trade tea bags throughout the fortnight.

A rewarding path for all parties

To enable our volunteers to be better prepared for their rewarding volunteering, skill enhancement workshops were conducted, including the DIY Tote Bag programme and a photography workshop.

In recognition of our volunteers' outstanding contributions to the community, they were presented with awards at the NWS Awards Presentation Ceremony 2010 in May. Other volunteering awards which they had been honoured with included The Outstanding Second Career Award from Lion Rock Junior Chamber and Tung Wah Group of Hospitals, and Social Welfare Department's Best Family Volunteers Recognition Scheme. Particularly rewarding was the Third Hong Kong Volunteer Award (Corporate Award) bestowed on the Group as its first corporate recipient by the Agency for Volunteer Service.

The Group and its 20 member companies were glad to be recipients once again of the Caring Company Logos from the Hong Kong Council of Social Service in March 2010. To demonstrate our commitment to giving back to the community, we will redouble our volunteering efforts on all fronts to make it equally rewarding for everyone involved.



Our multi-talented volunteer clown team performed for the elderly in the Mid-Autumn Festival celebration



The elderly enjoyed "poon choi" feast together with volunteers from NWS Volunteer Alliance



Our volunteers and mentally disabled residents enjoyed the festive lighting during the Bus Night Tour at Christmas

Environmental Friendliness

MAKING OUR MARK BY CUTTING CARBON FOOTPRINT

To achieve genuine sustainability for growth, simply eyeing future business opportunities through visionary initiatives is not enough. It is also important for us, to see the bigger picture and do our part to preserve the environment. This involves setting out clear objectives and implementing systematic measures.

Eco-friendly approach to management

NWS Holdings has made environmental considerations part and parcel of our decision-making process. Fully committed to the environmental cause by strictly enforcing compliance with relevant legislation among our member companies, the Group also undertakes to contribute to environmental improvements through energy-efficient initiatives.

We have been focusing our efforts on effecting lower consumption as well as waste production in our business operations. Through ongoing in-house promotion, we have been able to keep our staff and member companies engaged in minimizing our carbon footprint.

Corporate initiatives to minimize carbon footprint

NWS Environmental Committee was established in 2007 to drive the importance of environmental protection home across the Group. Through a series of green initiatives launched by the Committee, member companies of the Group have been required to formulate their own green policies, set up their own environmental committees, and acquire green labels and the relevant ISO certification. In line with this direction, the Green Office Campaign was launched, under which a Green Manager is appointed by each member company to monitor the implementation of green measures geared towards lowering carbon emissions, including reduction of energy, water and paper consumption and increased recycling, and report on progress on a regular basis.

During the year, an Environmental Seminar on the topic of "Carbon Footprint and Sustainability" was organized to keep our staff across the Group posted about the latest developments in the assessment tools and best practices in relation to carbon reduction.



The Group visited North East New Territories Landfill of Far East Landfill Technologies Limited

Observing good practices

Across the spectrum of the Group's businesses, a comprehensive range of good practices in energy and resource conservation have been put in place. For example, some of the Group's road projects in Mainland China have switched to the use of solar energy systems for higher energy efficiency, and reusable IC (integrated circuit) cards have been adopted to replace disposable tickets.

To conserve fossil fuel and reduce green house gas emission, landfill gas is used as an alternative heating fuel for the production of town gas at North East New Territories Landfill of Far East Landfill Technologies Limited. At ATL Logistics Centre, 1,500 fluorescent light exit signs and 300 halogen lamps have been replaced with LED light. As for New World First Bus and Citybus, a total of 66 Euro IV green buses went into service in 2009 while orders have been placed for 124 Euro V green buses for 2010 in phases. Other emission control measures implemented were regular maintenance checks and the use of near-zero-sulphur diesel.

CORPORATE SOCIAL RESPONSIBILITY



The Group organized Environmental Seminar on the theme of "Carbon Footprint and Sustainability" to promote the Group's targets in sustainability

The health benefits of green initiatives were one of our focus areas. In June 2010, low-carbon menus were introduced at the Hong Kong Convention and Exhibition Centre to promote a green and healthy diet. In the same month, a Green Birthday Party was held at the Group's Corporate Office, where staff members brought their own reusable utensils to share the low-carbon food on offer.

Spreading the green message across the community

Following the establishment of the Hong Kong National Geopark in November 2009, NWS Holdings Charities Foundation Limited sponsored NWS Hong Kong Geo Wonders Hike for the second year running. This large-scale hiking event attracted over 6,000 participants to take part in four guided tours and a Facebook fans page featuring activity details, photos and video footage was set up subsequently.

Under the Corporate Sustainability for Schools Programme organized by Business Environment Council, several site visits were arranged during the year for secondary school students to learn more about the Group's green facilities and sustainability strategies. To support the Greenpeace Hong Kong Carfree Day held in September 2009, the Group appealed to all its staff to go to work using public transport or on foot that day. In March 2010, companies and facilities of the Group joined the light switch-off and dimming exercise for the Earth Hour Campaign of the World Wide Fund for Nature.

Pledge of ongoing efforts to cherish the environment

In recognition of our contributions to the cause of energy and resource conservation, the Group was proud to be honoured with the following accolades during the year:

- The Group's Corporate Office was awarded the Carbon "Less" 8% Certificate of the Hong Kong Awards for Environmental Excellence ("HKAEE") for reducing 8% or 30 tonnes of carbon emissions during the year.
- A number of the Group's member companies received the Wastewi\$e, Energywi\$e and IAQwi\$e labels of HKAEE and achieved ISO 14001 certification.
- NWS Hong Kong Geo Wonders Hike won Silver Award under the Environmental Protection category in the Ninth China Golden Awards for Excellence in Public Relations organized by the China International Public Relations Association.
- New World First Bus and Citybus received the Outstanding Green Contribution Award in U Green Awards.

Despite the cost of conservation, we have succeeded in offsetting the financial burden by higher productivity and efficiency. We look forward to concerted efforts across the Group to contribute towards creating a low-carbon society by further reducing our carbon footprint.



Volunteers from NWS Volunteer Alliance promoted the preservation of local landscapes at NWS Hong Kong Geo Wonders Hike



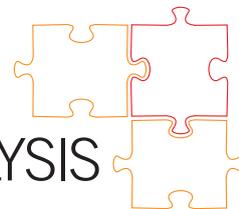
NWS Reading Club encourages staff to share and exchange books and discs



CREATE SHAREHOLDER VALUES
CONQUER NEW HEIGHTS



Bolstered by its defensive portfolio comprising infrastructure and services businesses, NWS Holdings made significant strides in delivering strong results in FY2010. By tapping the vast potential of Mainland China's market, the Group is well positioned to reach new heights and create greater values for its shareholders.



GROUP OVERVIEW

The Group achieved a record-high profit attributable to shareholders of HK\$4.012 billion for FY2010, representing an increase of HK\$1.483 billion or 59%, as compared to HK\$2.529 billion in FY2009. Attributable Operating Profit (“AOP”) rose by 12% to HK\$2.843 billion in FY2010. Infrastructure division generated an AOP of HK\$1.452 billion, marking a decrease of 4% as compared to HK\$1.520 billion in FY2009. The AOP of Services division recorded a significant growth of 37% to HK\$1.391 billion in FY2010.

A significant gain from the disposal of controlling interest in Taifook Securities Group Limited (“Taifook Securities”) of HK\$728.7 million was recognized during FY2010. This is in line with the Group’s continuing corporate strategy to consolidate its non-core businesses in order to enhance shareholders’ value and to refocus its efforts and resources on stable growth areas such as infrastructure business.

Contribution by Division for the year ended 30 June

	2010 HK\$'m	2009 HK\$'m
Infrastructure	1,451.9	1,520.1
Services	1,391.1	1,017.0
Attributable operating profit	2,843.0	2,537.1
<i>Head office and non-operating items</i>		
Net gain on disposal of controlling interest in subsidiaries	731.2	39.4
Net gain/(loss) from securities investments, net of tax	541.1	(37.8)
Share of profit from Harbour Place	337.9	338.0
Net gain on disposal and restructuring of projects	213.7	176.3
Fair value gain/(loss) on investment properties, net of tax	5.5	(10.0)
Goodwill impairment	(226.4)	–
Assets impairment loss	(30.5)	(4.8)
Gain on deemed acquisition of interest in a subsidiary	–	32.6
Corporate interest income	22.7	16.1
Corporate finance costs	(110.9)	(214.1)
Share-based payment	(15.3)	(41.2)
Corporate expenses and others	(300.3)	(302.8)
	1,168.7	(8.3)
Profit attributable to shareholders	4,011.7	2,528.8

Contributions from operations in Hong Kong accounted for 57% of AOP in FY2010 as compared to 43% in FY2009. Mainland China and Macau contributed 35% and 8% respectively, as compared to 45% and 12% respectively in FY2009.

Earnings per Share

The basic and diluted earnings per share increased by 56% from HK\$1.23 in FY2009 to HK\$1.92 in FY2010.

The Group also recorded a net gain of HK\$541.1 million during the year through the disposal of several securities investments.

Sale of residential flats of Harbour Place continued and contributed a profit of HK\$337.9 million in FY2010 thanks to the robust property market.

Keen competition and shrinkage in margin owing to the adverse market conditions were foreseen for certain operations in the mechanical and engineering business and the facility services business. Hence impairment assessments were performed and a provision for goodwill impairment of HK\$226.4 million was recognized during the year.

Treasury Management and Cash Funding

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

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity

As at 30 June 2010, the Group's total cash and bank balances amounted to HK\$5.158 billion, as compared to HK\$5.205 billion as at 30 June 2009. The Group also turned its Net Debt position of HK\$3.601 billion as at 30 June 2009 to Net Cash position of HK\$267.3 million as at 30 June 2010. The proceeds from the sale of the residential flats of Harbour Place and the disposal of Taifook Securities were the major contributors to the increase in cash and bank balances and reduced borrowings. In order to continually develop our core businesses, the Group is prepared to increase bank borrowings when necessary. The capital structure of the Group was 16% debt and 84% equity as at 30 June 2010, as compared to 27% debt and 73% equity as at 30 June 2009.

Debt Profile and Maturity

As at 30 June 2010, the Group's Total Debt decreased to HK\$4.890 billion from HK\$8.806 billion as at 30 June 2009. Long term bank loans and borrowings decreased to HK\$3.496 billion as at 30 June 2010 from HK\$5.467 billion as at 30 June 2009, with HK\$2.445 billion maturing in the second year and the remainder in the third to fifth year. Bank loans were all unsecured and mainly denominated in Hong Kong dollar and were mainly floating rate interest-bearing. The Group did not have any material exposure in exchange risk other than RMB during FY2010. No property, plant and equipment, investment properties or leasehold land and land use rights were pledged as at 30 June 2010.

Commitments

The Group's commitments for capital expenditure were HK\$2.710 billion as at 30 June 2010 as compared to HK\$1.974 billion as at 30 June 2009. This represented commitment for capital contributions in certain associated companies, jointly controlled entities, other projects and listed investment of HK\$2.097 billion as at 30 June 2010 as compared to HK\$1.251 billion as at 30 June 2009, and

commitments for properties and equipment of HK\$613.0 million as at 30 June 2010 as compared to HK\$723.3 million as at 30 June 2009. The share of commitments for capital expenditure committed by jointly controlled entities was HK\$982.8 million as at 30 June 2010 as compared to HK\$1.429 billion as at 30 June 2009. Sources of funding for capital expenditure include internally generated resources and banking facilities.

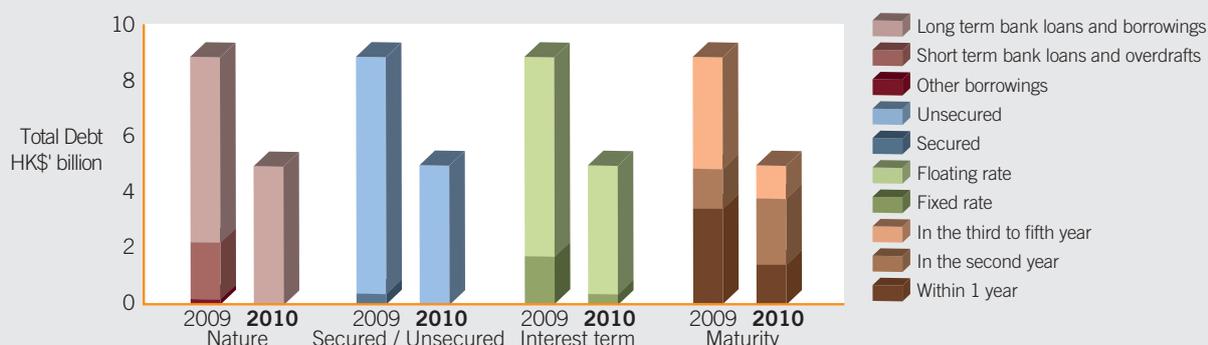
Contingent Liabilities

Contingent liabilities of the Group were HK\$239.0 million as at 30 June 2010 as compared to HK\$347.5 million as at 30 June 2009. These were composed of guarantees for credit facilities granted to associated companies, jointly controlled entities and a related company of HK\$11.9 million, HK\$115.4 million and HK\$111.7 million respectively as at 30 June 2010 as compared to HK\$11.9 million, HK\$223.9 million and HK\$111.7 million respectively as at 30 June 2009. The share of contingent liabilities of jointly controlled entities was HK\$2.6 million as at 30 June 2010, the same as that as at 30 June 2009.

Disposal of Non-core Business

On 11 June 2010, NWD and the Company jointly announced that agreements were entered into in respect of the disposal of some of its non-core businesses under a management buyout arrangement, including (a) laundry and landscaping; (b) security and guarding; (c) trading of building materials; (d) senior residents' homes; (e) insurance brokerage; (f) property management in Hong Kong; (g) cleaning; and (h) electrical and mechanical engineering subject to certain conditions precedent. Total consideration for the disposal was HK\$888.5 million and the expected gain to be derived would amount to approximately HK\$0.3 billion upon completion of the transactions. The disposal is in line with the Group's continuing corporate strategy to consolidate its non-core businesses in order to enhance shareholders' value and to refocus its efforts and resources on stable growth areas such as infrastructure business.

Debt Profile as at 30 June



INFRASTRUCTURE

AOP of the Infrastructure division for FY2010 decreased by 4% to HK\$1.452 billion, mainly due to the weakened AOP of the Roads segment as a result of the closure of a roadway for repair and maintenance during the year.



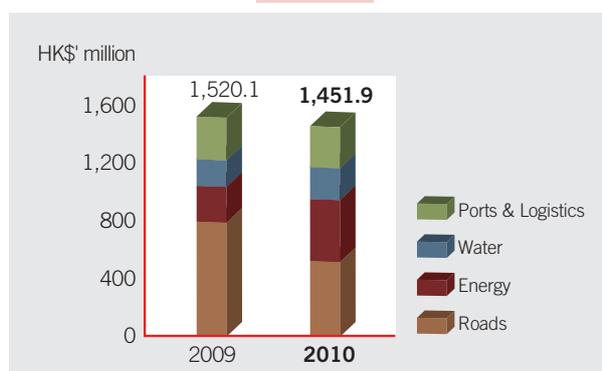
Beijing - Zhuhai Expressway (Guangzhou - Zhuhai Section)

OPERATIONAL REVIEW

AOP Contribution by Segment

for the year ended 30 June

HK\$'million	2010	2009	Change % Fav./Unfav.)
Roads	520.6	789.4	(34)
Energy	420.0	245.0	71
Water	233.3	185.6	26
Ports & Logistics	278.0	300.1	(7)
	1,451.9	1,520.1	(4)



Roads

The AOP of the Roads segment for FY2010 was HK\$520.6 million, down by HK\$268.8 million or 34%, which was mainly due to the disposal of Wuhan Airport Expressway in FY2009 and a significant drop in AOP contribution from Guangzhou City Northern Ring Road ("GNRR") in FY2010.

Performance of GNRR was severely affected by the partial closure of the expressway during its major repair and maintenance works from July to November 2009. Its average daily traffic flow shrank by 18% in FY2010. Performance of other expressways within the Pearl River Delta Region rebounded during the year. The average daily traffic flow of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and Shenzhen-Huizhou Roadway and Expressway rose by 15% and 19% respectively when compared to FY2009.

Guangxi Roadways Network was negatively affected after the opening of a competing expressway in December 2008. The combined average daily traffic flow was reduced by 10% in FY2010. The impact was mitigated by the implementation of toll-by-weight policy in March 2010.



The average daily traffic flow of Tangjin Expressway (Tianjin North Section) grew by 15% mainly due to the economic development of the Bohai Rim region and the introduction of administrative measures to bar overloaded trucks in July 2009 which increased their frequency of travel within normal capacity. However, the toll revenue dropped as the average toll per vehicle fell in FY2010.

The average daily traffic flow of Tate's Cairn Tunnel remained at a similar level in FY2010.

Energy

The AOP of the Energy segment rose from HK\$245.0 million to HK\$420.0 million, up by 71% from FY2009, as a result of softened coal price during the year.

The combined AOP of Zhujiang Power Plants for FY2010 achieved a growth of 94%. Combined electricity sales of Zhujiang Power Plants grew by 12% in FY2010 on the strength of the economic recovery.

The AOP from Chengdu Jintang Power Plant improved significantly in FY2010. Its electricity sales volume was up by 4% over FY2009 and achieved a better average tariff in FY2010.

In Macau, electricity sales of Macau Power reported a healthy growth of 8%, benefiting from the opening of new hotels and entertainment facilities during FY2010.



Zhujiang Power Plants

Water

The AOP contribution from the Water segment increased by HK\$47.7 million to HK\$233.3 million in FY2010, representing a growth of 26%.

MANAGEMENT DISCUSSION AND ANALYSIS

Contributions from joint ventures in Mainland China grew satisfactorily in FY2010. Chongqing Water Plant rose by 16% in daily average sales volume. Sales volume for industrial water and sewage treatment volume of Shanghai SCIP Water Treatment Plants increased by 23% and 15% respectively. In March 2009, the Group acquired a 26% effective interest in Tianjin Jieyuan Water Plant, which has been contributing AOP ever since. Tariff hikes of several water plants were approved in FY2010.

The average daily sales volume of Macau Water Plant was 1% higher than that in FY2009. In November 2009, the concession contract was renewed to 2020, with further extension to 2030.

The acquisition of Chongqing Water Group Company Limited ("CWG") in August 2008 provided a full-year contribution in FY2010. In March 2010, CWG was listed on the Shanghai Stock Exchange and our effective interest, as a result of the listing, has been diluted from 7.5% to 6.72%.

Ports & Logistics

The AOP contribution of Ports & Logistics segment decreased by 7% from HK\$300.1 million in FY2009 to HK\$278.0 million in FY2010. The results of this segment were affected by the global economic downturn.

Xiamen New World Xiangyu Terminals Co., Ltd. reported an 8% growth in throughput volume to 753,000 TEUs as trade activities rebounded during FY2010. However, its average tariff dropped as competition in Xiamen intensified during the year.

The throughput of Tianjin Orient Container Terminals Co., Ltd. increased by 3% to 886,000 TEUs while Tianjin Five Continents International Container Terminal Co., Ltd. decreased by 1% in throughput to 1,907,000 TEUs. The average tariff of both terminals dropped in FY2010 as a result of the change in cargo mix to a higher proportion of domestic cargoes.

Despite the global freight market downturn, ATL Logistics Centre is still making a steady profit contribution. The average occupancy remained high at 97% in FY2010.

China United International Rail Containers Co., Ltd. ("CUIRC") commenced operations of three terminals in Chongqing, Chengdu and Zhengzhou in FY2010. The throughput volume of Kunming terminal, which was opened in January 2008, increased remarkably by 68% to 267,000 TEUs in FY2010. The construction of the terminals in Dalian, Qingdao and Wuhan has been completed recently in the third quarter of 2010. All 18 rail container terminals are planned to be completed by end of 2012.



ATL Logistics Centre

BUSINESS OUTLOOK

In contrast with other countries, Mainland China has suffered less from the financial tsunami and has enjoyed a strong economic recovery. The annual GDP growth of China in 2009 was 8.7%. In the first half of 2010, its GDP growth reached 11.1%. Following consolidation of its businesses, the Group is focusing its attention on operating its current projects while exploring infrastructure-related businesses. The Group's new investment projects in recent years are well on course to making valuable contributions to its overall profits.

Roads



Guangzhou City Nansha Port Expressway

The automobile industry gained major support from various national policies and car sales volume in the first half of 2010 exceeded nine million vehicles. The implementation of the toll-by-weight policy will also continue to benefit the road business. Yet challenges faced in toll roads will be intensified by surging investment costs and increasing government interventions such as Green Passage Policy and Expressway Widening Policy.

Under the 85,000 km national expressway network plan, an annual average of 3,000 km expressway to be constructed up to 2010 involves an annual investment of RMB140 billion. It provides ample investment opportunities in Mainland China for both domestic and foreign enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, Guangzhou-Zhaoqing Expressway, a relatively new road under our roads portfolio, recorded a healthy growth of 22% in average daily traffic. Moreover, phase two of this expressway which was completed in September 2010 will greatly enhance its competitiveness in the Pearl River Delta region. Other new road projects are also well on target for completion. While the Guangzhou City Nansha Port Expressway has become operational, the Guangzhou Dongxin Expressway is expected to be completed towards the end of 2010. The Group is confident in these new investments to provide solid performance in the near term.

Energy

The operating environment for the power industry in Mainland China remained challenging. National power consumption has been recovering since the third quarter of 2009 and achieved a high growth of 22% for the first half of 2010. The Chengdu Jintang Power Plant in Sichuan achieved a turnaround during the year by making a profit. However, the electricity consumption growth may slow down as a result of the Mainland Government's austere economic measures. Coal price has gone up noticeably since the fourth quarter of 2009 and will put pressure on the profitability of power producers.

In Macau, the electricity demand is expected to grow stably during 2010. The concession rights of Macau Power will end in November 2010 and negotiation for renewal is in progress. The Macau Government has indicated that it would open up the market for the upstream business (i.e. transmission and generation) while the current operator will be in a position to retain the existing level of investment.

Water



Chongqing Tangjiatuo Waste Water Plant

Environmental issue remains as a top priority on the Mainland Government's agenda. The Central Government's increased support for environmental initiatives, such as wastewater and sludge treatment, has created investment opportunities for this segment. The Group will therefore continue to explore investment opportunities in waste water treatment and alternative energy business. Water demand is expected to grow healthily thanks to the continuous development in Mainland China. During the year, the Group acquired two

new water projects, namely Chongqing CCIP Water Treatment Plants and Dalian Changxing Island Environmental Services Company. The former is scheduled to commence operation by the end of 2010.

Water demand in Macau will remain stable in 2011. It is expected the water tariff reform to be introduced in 2011 will have no significant impact on the results of Macau Water Plant. The Macau Water concession contract was renewed until 2020, with further extension allowed to 2030.

Ports & Logistics

The global economy in the first half of 2010 was being slowly lifted from the bottom in 2009. However, the recovery was still under the shadow of protectionism and fragile economy of developed countries. The Central Government has adopted various measures to stimulate domestic consumption to compensate for the decline in foreign trade volume. Throughput of Chinese ports, after a 6% negative growth in 2009, rose by 22.3% in the first half of 2010 on a period-to-period basis. However, it is expected the growth of container market will be slowed down in second half of 2010.

The Xiamen Haicang Xinhaida Container Terminals, in which the Group owns a 40% stake, is scheduled to be operational in the second half of 2011. Benefiting from the strategic location of Xiamen, the terminals are well positioned to take advantage of the booming trade across the Taiwan Strait. On the other hand, CUIRC has formed a scale and achieved operational efficiency. Individual terminals are registering phenomenal growth. The project is well on track and is expected to break even at terminal EBIT level in the financial year ending 30 June 2012.

In view of the increasing demand for logistics and distribution facilities in Hong Kong, the Group has capitalized on this opportunity by developing a new logistics warehouse in Kwai Chung which is scheduled to be up and running in 2011. This warehouse project is set to provide a stable source of income as the Group has already entered into an agreement with one of the world's leading global logistics companies for leasing the entire warehouse building.



Kunming Rail Container Terminal

SERVICES

The Services division recorded an AOP of HK\$1.391 billion for FY2010. A substantial increase of AOP by HK\$374.1 million or 37% was mainly attributable to an encouraging performance of our duty free operation.



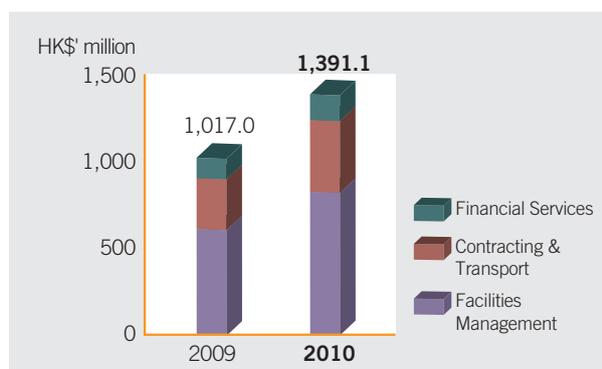
Hong Kong Convention and Exhibition Centre

OPERATIONAL REVIEW

AOP Contribution by Segment

for the year ended 30 June

HK'million	2010	2009	Change % Fav.
Facilities Management	825.1	612.1	35
Contracting & Transport	410.1	285.7	44
Financial Services	155.9	119.2	31
	1,391.1	1,017.0	37



Facilities Management

The Facilities Management segment comprises various service businesses including the Hong Kong Convention and Exhibition Centre (“HKCEC”), Free Duty and facility services such as property management, security and guarding, cleaning and laundry. This segment recorded an AOP of HK\$825.1 million for FY2010, representing an increase of 35% over FY2009.

HKCEC achieved remarkable success with its exhibition business for FY2010 subsequent to the increase of its total rental space to 91,500 sq m after the completion of extension works in April 2009. During FY2010, 1,185 events were held with total patronage in excess of 4.8 million. Most recurrent international trade exhibitions reflected growth in gross exhibition space and increase in the overall attendance. The food and beverage revenue was also improved following the opening of three new restaurants and the additional banquet space provided. HKCEC will not rest on its laurels but continue to enhance its services, facilities and equipment in order to maintain its leading position in the market.



Free Duty, the duty free tobacco and liquor retail business at various cross-boundary transportation terminals in Hong Kong, achieved outstanding results during FY2010. Benefiting from the robust growth in Mainland Chinese visitor arrivals via railway and the increased spending per passenger, Free Duty in MTR Lo Wu and MTR Hung Hom Stations registered particularly strong growths during FY2010 with an increasing trend in average spending per passenger. MTR Lok Ma Chau Station also recorded significant improvements in terms of both retail sales revenue and profits.

Profit contributions from the facility services business dropped by 14% over FY2009. The sharp decrease was primarily due to the loss of revenue and shrinkage in margin owing to keen competition in general.



Free Duty at MTR Lo Wu Station

MANAGEMENT DISCUSSION AND ANALYSIS

Contracting & Transport

The Contracting & Transport segment achieved an AOP of HK\$410.1 million for FY2010, marking an increase of 44% over FY2009.

The Contracting business gained an AOP of HK\$258.6 million for FY2010, representing a 40% increase over FY2009. The increase was mainly due to the general improvement in performance of the Construction business in Hong Kong. As at 30 June 2010, the gross value of contracts on hand for the Construction business was approximately HK\$17.6 billion. The management will continue to focus on cost reduction and right-sizing of the workforce while exerting extra efforts to minimize exposure to loss incurred by high-risk contracts.

The performance of the Group's mechanical and engineering business remained in line with our expectations. The total contracts on hand as at 30 June 2010 amounted to approximately HK\$5.4 billion.



One Central Macau, a project undertaken by Hip Hing Construction

The Group's Transport business scored an AOP of HK\$151.5 million for FY2010, representing a 49% increase over FY2009. The performance of local bus and ferry operations improved markedly as a result of the significant decline in overall fuel costs which had been hedged at a reasonable price level for the purpose of better cost control. Excluding a material gain on disposal of fixed assets recorded in FY2009, there was a turnaround in the operation of Macau ferry services with profit recorded due to reduction in fuel cost despite the decreasing trend of average daily patronage.



New World First Bus Rickshaw Sightseeing Bus

Financial Services

The Financial Services segment mainly comprises the results of Taifook Securities and Tricor Holdings Limited ("Tricor").

A significant improvement in AOP contribution from Taifook Securities was chiefly due to increase in stock market turnover and greater contribution from its core operations including brokerage service, corporate finance and margin finance during FY2010 since the stock market showed clear signs of rebound in March 2009. As part of the Group's continuing corporate strategy to consolidate its service-related businesses, the Group reduced its shareholding interest in Taifook Securities from approximately 61.9% to approximately 9% on 21 December 2009 following the completion of disposal of 373,434,720 Taifook Securities shares to Hai Tong (HK) Financial Holdings Limited at HK\$4.88 per share.

Tricor recorded a steady growth in its corporate services and investor services businesses during FY2010. Its business operations in Hong Kong and Singapore together contributed approximately 78% of the total profit during FY2010.

BUSINESS OUTLOOK

The economic recovery of Hong Kong became increasingly entrenched in the first quarter of 2010. Having resumed a positive year-on-year growth of 2.5% in the fourth quarter of 2009, GDP grew notably further by 7.2% in real terms in the first half of 2010. With the Hong Kong economy bouncing back for five quarters in a row, GDP has largely returned to the peak in early 2008, recouping all the lost ground in the 2009 financial turmoil. Given the current strong growth momentum in Hong Kong and in the region, and in the absence of major external crises, real GDP growth for the whole of 2010 is expected to be around 5-6%. Through the streamlining of our Services division, we will continue to improve our service quality and cost efficiency to ensure the long term growth of our business.

MANAGEMENT DISCUSSION AND ANALYSIS

Facing increasing operational cost, we are aiming to maximize the revenue of our Facilities Management segment by promoting licence rental associated with food and beverage functions, exploring events to be held over off-peak seasons and giving priority to events with potential growth, together with investment in staff development and training. To maintain its leading edge in the exhibition and convention industries in the Asia Pacific region, HKCEC is dedicated to creating value and quality of service beyond customers' expectations through innovative operations, tailor-made services and world-class facilities. With the completion of the atrium link expansion in April 2009, HKCEC is well on target to achieving this goal and continuing to contribute good results for the Group.



Hong Kong Convention and Exhibition Centre

Despite the negative impact on sales due to the Hong Kong Government's new cigarette entry restriction for all arriving passengers, the revenue and profit contribution of Free Duty are expected to be maintained at a high level. Passenger traffic volume through MTR Stations at Lo Wu, Lok Ma Chau and Hung Hom reached 116 million during the year, representing an increase of 4% over the previous year. The increased throughput, coupled with the increase in individual traveller's spending on duty free goods, contributed to significant growth in this business segment. We are optimistic that Free Duty will continue to upkeep its robust performance.

Expenditure on building and construction from public sector works continued to grow rapidly as the Hong Kong Government expedited small-scale works and as some large-scale infrastructure projects started, while private-sector construction activity remained slack. With this gradual pick-up in the construction activities in Hong Kong led by a booming property market and government infrastructure, our Construction business will concentrate its effort on the Hong Kong market, while downsizing or withdrawing from other markets. This strategy will enable the Group to devote its resources to mega-sized building projects in Hong Kong, in which the Group has an edge. During the year, Hip Hing Construction continued to be successful in securing participation in large-scale projects, including the Interlink warehouse & distribution centre at Tsing Yi and the Cathay Pacific Air Cargo Terminal at Hong Kong International Airport, which together worth over HK\$5 billion.

The profit of the Transport business is highly dependent on the fuel prices which have been affected by the financial derivatives in addition to the supply and demand in the energy markets. The growth of local franchised bus services is limited to the consolidation of existing routes that are regulated by the Hong Kong Government. In Macau the patronage of ferry business is expected to drop slightly in 2011 due to the keen competition from other ferry operators.



New World First Bus and Citybus

The net cash status following the disposal by the Group of its controlling interest in Taifook Securities and of its interest in some service companies will enable the Group to maximize growth potential for greater shareholders' returns. In the next few years, the various newly launched projects are expected to generate sustainable returns for the Group.



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REPORT OF THE DIRECTORS

The directors of the Company submit their report together with the audited financial statements of the Group for the year ended 30 June 2010.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

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

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

Results and Appropriations

The results of the Group for the year and the state of affairs of the Company and of the Group as at 30 June 2010 are set out in the financial statements on pages 74 to 165.

The Board has resolved to recommend a final dividend for the year ended 30 June 2010 in scrip form equivalent to HK\$0.33 per share (2009: HK\$0.42 per share) with a cash option to the shareholders whose names appear on the register of members of the Company on 23 November 2010. Together with the interim dividend of HK\$0.62 per share (2009: HK\$0.20 per share) paid in June 2010, total distribution of dividend by the Company for the year ended 30 June 2010 will thus be HK\$0.95 per share (2009: HK\$0.62 per share).

The Board has also proposed to make a bonus issue of shares to the shareholders of the Company on the basis of one bonus share for every two shares held by the shareholders whose names appear on the register of members of the Company on 23 November 2010 (the "Bonus Issue"). The bonus shares will not be entitled to the aforesaid final dividend, but will rank pari passu in all other respects with the existing issued shares of the Company.

The final scrip dividend and the Bonus Issue are conditional upon the passing of the relevant resolutions at the forthcoming annual general meeting and the Listing Committee of the Hong Kong Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the final scrip dividend and the Bonus Issue. Details about the Bonus Issue will be set out in a circular to be sent to the shareholders on or about 29 October 2010 and full details of the final scrip dividend and further details of the Bonus Issue will be set out in another circular to be sent to the shareholders together with a form of election for cash dividend on or about 24 November 2010.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 48 to the financial statements.

Associated Companies and Jointly Controlled Entities

Particulars of the Group's principal associated companies and jointly controlled entities are set out in notes 49 and 50 to the financial statements respectively.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements.

REPORT OF THE DIRECTORS

Distributable Reserves

At 30 June 2010, the Company's reserves available for distribution amounted to HK\$1,816.9 million (2009: HK\$1,613.6 million).

Donations

During the year, the Group made charitable donations amounting to HK\$0.4 million (2009: HK\$10.2 million).

Investment Properties

Details of movements in the investment properties of the Group during the year are set out in note 17 to the financial statements.

Property, Plant and Equipment

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

Share Capital

An ordinary resolution was passed by the shareholders of the Company on 8 December 2009 to increase the Company's authorized share capital from HK\$2.4 billion to HK\$4.0 billion by the creation of an additional 1.6 billion shares of HK\$1.00 each in the capital of the Company.

In order to ensure sufficient number of unissued shares are available for future purposes, an ordinary resolution in respect of the further increase of the Company's authorized share capital from HK\$4.0 billion to HK\$6.0 billion by the creation of an additional 2.0 billion shares of HK\$1.00 each in the capital of the Company is proposed to be approved by the shareholders of the Company at the forthcoming annual general meeting.

Details of movements in the share capital of the Company during the year are set out in note 34 to the financial statements.

Pre-emptive Rights

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

Purchase, Sale or Redemption of the Company's Listed Securities

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

Major Customers and Suppliers

The aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers respectively accounted for less than 30% of the Group's total turnover and purchases for the year ended 30 June 2010.

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

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

Executive directors

Dr Cheng Kar Shun, Henry
Mr Tsang Yam Pui
Mr Lam Wai Hon, Patrick
Mr Cheung Chin Cheung
Mr William Junior Guilherme Doo
Mr Cheng Chi Ming, Brian (Appointed on 1 July 2009)
Mr Chan Kam Ling (Passed away on 15 August 2009)
Mr Wong Kwok Kin, Andrew (Resigned on 1 August 2010)

Non-executive directors

Mr Doo Wai Hoi, William (Re-designated from executive director on 8 October 2009)
Mr Wilfried Ernst Kaffenberger
Mr To Hin Tsun, Gerald
Mr Dominic Lai
Mr Yeung Kun Wah, David
(alternate director to Mr Wilfried Ernst Kaffenberger)

Independent non-executive directors

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

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

Directors' Service Contracts

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

Directors' Interests in Contracts

On 11 June 2010, two sale and purchase agreements were entered into among NWS Service Management Limited ("NWSSM", an indirect wholly owned subsidiary of the Company) as vendor, Fung Seng Enterprises Limited ("FSE") as purchaser, Mr Doo Wai Hoi, William and Mr Wong Kwok Kin, Andrew jointly as warrantors whereby FSE agreed to purchase and NWSSM agreed to sell and/or to procure the sale of (i) the entire issued share capital of each of NWS Facility Services Limited, Building Material Supplies Limited, Clever Basis Limited, New World Risk Management (L) Limited and NWS International Insurance Limited; and (ii) the entire issued share capital of each of NWS Engineering Group Limited, Elite Master Holdings Limited and Waihong Cleaning Limited, the engineering business of NWS Engineering Ltd. and the contracts of property management in Hong Kong. Mr Doo Wai Hoi, William and Mr Wong Kwok Kin, Andrew, both were directors of the Company during the year, were interested in this transaction to the extent that they held 90% and 10% beneficial interest in FSE respectively.

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

REPORT OF THE DIRECTORS

Directors' Interests in Competing Business

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

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Dr Cheng Kar Shun, Henry	Chow Tai Fook Enterprises Limited group of companies	Investment in transport services business	Director
	HKR International Limited group of companies	Construction and property management	Director
Mr Lam Wai Hon, Patrick	Wai Kee Holdings Limited	Construction, investment in toll roads and infrastructure businesses and sale of general merchandized goods	Director
	Road King Infrastructure Limited	Development, operation and management of toll roads	Director
	Certain subsidiaries of East Asia Secretaries (BVI) Limited	Provision of corporate advisory services, nominee and custodian services	Director of East Asia Secretaries (BVI) Limited and certain of its subsidiaries
Mr Wilfried Ernst Kaffenberger	AEI	Investment in power plants	Director

Directors' Rights to Acquire Shares or Debentures

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

REPORT OF THE DIRECTORS

Directors' Interests in Securities

As at 30 June 2010, the directors and their respective associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO:

(a) Long position in shares

	Number of shares			Total	Approximate percentage of issued share capital as at 30.06.10
	Personal interests	Family interests	Corporate interests		
The Company					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar Shun, Henry	9,179,199	–	8,000,000 ⁽¹⁾	17,179,199	0.788%
Mr Doo Wai Hoi, William	2,006,566	–	9,130,000 ⁽²⁾	11,136,566	0.511%
Mr Tsang Yam Pui	120,000	–	–	120,000	0.006%
Mr Wong Kwok Kin, Andrew	1,400,000	–	–	1,400,000	0.064%
Mr Lam Wai Hon, Patrick	991,191	–	5,072 ⁽³⁾	996,263	0.046%
Mr Cheung Chin Cheung	980,386	–	–	980,386	0.045%
Mr William Junior Guilherme Doo	–	–	66,369 ⁽⁴⁾	66,369	0.003%
Mr Wilfried Ernst Kaffenberger	482,248	–	–	482,248	0.022%
Mr Kwong Che Keung, Gordon	608,757	–	–	608,757	0.028%
Mr Cheng Wai Chee, Christopher	824,068	–	–	824,068	0.038%
NWD					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar Shun, Henry	–	300,000 ⁽⁵⁾	–	300,000	0.008%
Mr Doo Wai Hoi, William	–	–	1,000,000 ⁽²⁾	1,000,000	0.026%
Mr Wong Kwok Kin, Andrew	100,000	–	–	100,000	0.003%
Mr Cheung Chin Cheung	62,200	–	–	62,200	0.002%
Mr William Junior Guilherme Doo	–	20,000 ⁽⁶⁾	–	20,000	0.001%
Mr Kwong Che Keung, Gordon	30,000	–	–	30,000	0.001%
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr Cheng Kar Shun, Henry	18,750,000	2,925,000 ⁽⁵⁾	78,406,800 ⁽¹⁾	100,081,800	1.738%
Mr Doo Wai Hoi, William	13,125,000	–	52,258,400 ⁽²⁾	65,383,400	1.136%
Mr Lam Wai Hon, Patrick	270,000	–	–	270,000	0.005%
Mr William Junior Guilherme Doo	–	75,000 ⁽⁶⁾	1,245,000 ⁽⁴⁾	1,320,000	0.023%
Mr Cheng Chi Ming, Brian	106,400	–	–	106,400	0.002%
Mr Cheng Wai Chee, Christopher	83,600	–	–	83,600	0.001%
Wai Kee Holdings Limited					
(Ordinary shares of HK\$0.10 each)					
Mr Lam Wai Hon, Patrick	300,000	–	–	300,000	0.038%
Mega Choice Holdings Limited (In liquidation)					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar Shun, Henry	–	–	420,585,070 ⁽¹⁾	420,585,070	34.608%

REPORT OF THE DIRECTORS

Directors' Interests in Securities (continued)

(a) Long position in shares (continued)

	Number of shares			Total	Approximate percentage of issued share capital as at 30.06.10
	Personal interests	Family interests	Corporate interests		
Building Material Supplies Limited (Ordinary shares of HK\$1.00 each) Mr Doo Wai Hoi, William	–	–	1 ⁽⁷⁾	1	100.000%
Clever Basis Limited (Ordinary shares of US\$1.00 each) Mr Doo Wai Hoi, William	–	–	1 ⁽⁷⁾	1	100.000%
Elite Master Holdings Limited (Ordinary shares of US\$1.00 each) Mr Doo Wai Hoi, William	–	–	1 ⁽⁷⁾	1	100.000%
New World Risk Management (L) Limited (Ordinary shares of US\$1.00 each) Mr Doo Wai Hoi, William	–	–	120,000 ⁽⁷⁾	120,000	100.000%
NWS Facility Services Limited (Ordinary shares of US\$1.00 each) Mr Doo Wai Hoi, William	–	–	1 ⁽⁷⁾	1	100.000%
NWS International Insurance Limited (Ordinary shares of US\$1.00 each) Mr Doo Wai Hoi, William	–	–	500,000 ⁽⁷⁾	500,000	100.000%
NWS Engineering Group Limited (Ordinary shares of HK\$1.00 each) Mr Doo Wai Hoi, William	–	–	50,000,000 ⁽⁷⁾	50,000,000	100.000%
Waihong Cleaning Limited (Ordinary shares of HK\$1.00 each) Mr Doo Wai Hoi, William	–	–	1 ⁽⁷⁾	1	100.000%

Notes:

- (1) The shares are held by a company/companies wholly owned by Dr Cheng Kar Shun, Henry.
- (2) The shares are held by a company/companies wholly owned by Mr Doo Wai Hoi, William.
- (3) The shares are held by a company wholly owned by Mr Lam Wai Hon, Patrick.
- (4) The shares are held by companies wholly owned by Mr William Junior Guilherme Doo.
- (5) The shares are held by the spouse of Dr Cheng Kar Shun, Henry.
- (6) The shares are held by the spouse of Mr William Junior Guilherme Doo.
- (7) The shares are deemed interest held by a company, which is 90% owned by Mr Doo Wai Hoi, William, under the contracts to acquire such interests and was subject to completion of all conditions contained therein.

Directors' Interests in Securities (continued)

(b) Long position in underlying shares – share options

(i) The Company

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

Name	Date of grant	Exercisable period (Note)	Number of share options					Balance as at 30.06.10	Exercise price per share ⁽²⁾ HK\$
			Balance as at 01.07.09	Granted during the year	Adjusted during the year ⁽²⁾	Exercised during the year	Lapsed during the year		
Dr Cheng Kar Shun, Henry	21 August 2007	(1)	3,001,277	–	25,551	–	–	3,026,828	16.055
Mr Doo Wai Hoi, William	21 August 2007	(1)	2,000,851	–	17,034	–	–	2,017,885	16.055
Mr Chan Kam Ling ⁽³⁾	21 August 2007	(1)	2,000,851	–	4,401	–	(2,005,252)	–	–
Mr Tsang Yam Pui	21 August 2007	(1)	1,500,638	–	12,775	–	–	1,513,413	16.055
Mr Wong Kwok Kin, Andrew	21 August 2007	(1)	1,500,638	–	12,775	–	–	1,513,413	16.055
Mr Lam Wai Hon, Patrick	21 August 2007	(1)	1,500,638	–	12,775	–	–	1,513,413	16.055
Mr Cheung Chin Cheung	21 August 2007	(1)	1,500,638	–	12,775	–	–	1,513,413	16.055
Mr William Junior Guilherme Doo	21 August 2007	(1)	1,500,638	–	12,775	–	–	1,513,413	16.055
Mr Wilfried Ernst Kaffenberger	21 August 2007	(1)	300,127	–	2,554	–	–	302,681	16.055
Mr To Hin Tsun, Gerald	21 August 2007	(1)	300,127	–	2,554	–	–	302,681	16.055
Mr Dominic Lai	21 August 2007	(1)	300,127	–	2,554	–	–	302,681	16.055
Mr Kwong Che Keung, Gordon	21 August 2007	(1)	600,255	–	5,109	–	–	605,364	16.055
Mr Cheng Wai Chee, Christopher	21 August 2007	(1)	600,255	–	5,109	–	–	605,364	16.055
Mr Shek Lai Him, Abraham	21 August 2007	(1)	600,255	–	5,109	–	–	605,364	16.055

Notes:

- (1) 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.
- (2) The Company declared final dividend for the year ended 30 June 2009 and interim dividend for the six months ended 31 December 2009 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK\$16.193 to HK\$16.157 on 22 January 2010, and further to HK\$16.055 on 7 June 2010.
- (3) Mr Chan Kam Ling passed away on 15 August 2009. All the share options granted to him lapsed on 15 February 2010 pursuant to the share option scheme of the Company.
- (4) The cash consideration paid by each of the directors for the grant of share options is HK\$10.

REPORT OF THE DIRECTORS

Directors' Interests in Securities (continued)

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

(ii) NWD

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

Name	Date of grant	Exercisable period	Number of share of options			Exercise price per share HK\$
			Balance as at 01.07.09	Exercised during the year	Balance as at 30.06.10	
Dr Cheng Kar Shun, Henry	19 March 2007	19 March 2007 to 18 March 2012	36,710,652	–	36,710,652	17.654

Note: The cash consideration paid by the director for the grant of the share options is HK\$10.

(iii) New World China Land Limited

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

Name	Date of grant	Exercisable period (Note)	Number of share options				Exercise price per share ⁽³⁾ HK\$
			Balance as at 01.07.09	Adjusted during the year ⁽³⁾	Exercised during the year	Balance as at 30.06.10	
Dr Cheng Kar Shun,	7 January 2008	(1)	2,000,000	238,806	–	2,238,806	6.228
Henry	29 December 2008	(2)	1,600,000	191,045	–	1,791,045	1.340
Mr Doo Wai Hoi,	7 January 2008	(1)	800,000	95,522	–	895,522	6.228
William	29 December 2008	(2)	650,000	77,612	–	727,612	1.340
Mr Cheng Wai Chee,	7 January 2008	(1)	300,000	35,821	–	335,821	6.228
Christopher	29 December 2008	(2)	300,000	35,821	(83,600)	252,221	1.340

Notes:

- Divided into 3 tranches exercisable from 8 February 2008, 8 February 2009 and 8 February 2010 respectively to 7 February 2011.
- Divided into 4 tranches exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012 respectively to 29 January 2013.
- NWCL announced rights issue on 9 October 2009 which became unconditional on 16 November 2009. Accordingly, adjustments were made to the number of outstanding share options and the exercise prices in accordance with the share option scheme of NWCL on 17 November 2009. Exercise prices per share were adjusted from HK\$6.972 to HK\$6.228 for the share options granted on 7 January 2008 and from HK\$1.500 to HK\$1.340 for the share options granted on 29 December 2008.
- The cash consideration paid by each of the directors for each grant of the share options is HK\$10.

Directors' Interests in Securities (continued)**(b) Long position in underlying shares – share options (continued)****(iv) New World Department Store China Limited**

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

Name	Date of grant	Exercisable period (Note)	Number of share options			Exercise price per share HK\$
			Balance as at 01.07.09	Exercised during the year	Balance as at 30.06.10	
Dr Cheng Kar Shun, Henry	27 November 2007	(1)	1,000,000	–	1,000,000	8.660

Notes:

- (1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013 provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) The cash consideration paid by the director for the grant of share option is HK\$1.

(v) Wai Kee Holdings Limited

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

Name	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$
			Balance as at 01.07.09	Exercised during the year	Balance as at 30.06.10	
Mr Lam Wai Hon, Patrick	9 July 2007	9 July 2008 to 8 July 2011	330,000	–	330,000	3.390

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

REPORT OF THE DIRECTORS

Share Option Schemes

(a) The Company

On 6 December 2001, the Company adopted a share option scheme (the “Share Option Scheme”) and certain rules of this scheme were amended on 12 March 2003 and 24 November 2006. Under the Share Option 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 Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

Purpose of the Share Option Scheme	To reward directors and employees of the Group for past service or performance, to provide incentive and motivation or reward to eligible participants for increasing performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for the Group and to foster a sense of corporate identity.
Participants of the Share Option Scheme	<p>Eligible participant may be a person or an entity belonging to any of the following classes:</p> <ul style="list-style-type: none">(i) any eligible employee;(ii) any non-executive director (including independent non-executive director) of the Group or any invested entity of the Group (the “Invested Entity”);(iii) any supplier of goods or services to any member of the Group or any Invested Entity;(iv) any customer of any member of the Group or any Invested Entity;(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and(viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

Share Option Schemes (continued)

(a) The Company (continued)

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

The Company had granted options to certain eligible participants to subscribe for a total of 72,518,283 shares of the Company under the Share Option Scheme, which included certain adjustments made pursuant to the rules of the Share Option Scheme, up to the date of this report.

The total number of shares available for issue under the Share Option Scheme is 110,755,288 representing approximately 5.08% of the Company's issued share capital as at the date of this report.

Maximum entitlement of each participant under the Share Option 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% of the share capital of the Company in issue.

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

At any time during a period as specified by the directors, however in any event the share options must be exercised within 10 years from the date of grant of options.

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

Any period as determined by the directors.

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

HK\$10 is to be paid as consideration for the grant of option within 14 days from the date of offer.

The basis of determining the exercise price

The exercise price is determined by the directors which must be at least the higher of the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant or the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

The remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 6 December 2001.

REPORT OF THE DIRECTORS

Share Option Schemes (continued)

(a) The Company (continued)

During the financial year ended 30 June 2010, movement of share options granted by the Company under the Share Option Scheme is as follows:

- (i) Details of the movement of share options granted to the directors of the Company are disclosed under the section headed "Directors' Interests in Securities" above.
- (ii) Details of the movement of share options to other eligible participants are as follows:

Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30.06.10	Exercise price per share ⁽²⁾ HK\$
		Balance as at 01.07.09	Adjusted during the year ⁽²⁾	Exercised during the year	Lapsed during the year		
21 August 2007	(1)	11,901,044	97,052	–	(596,122)	11,401,974	16.055
28 January 2008	(1)	700,295	5,958	–	–	706,253	20.417

Notes:

- (1) 40% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.
- (2) The Company declared final dividend for the year ended 30 June 2009 and interim dividend for the six months ended 31 December 2009 in scrip form (with cash option) during the year which give rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 21 August 2007 was adjusted from HK\$16.193 to HK\$16.157 on 22 January 2010, and further to HK\$16.055 on 7 June 2010 and the exercise price per share of the share options granted on 28 January 2008 was adjusted from HK\$20.591 to HK\$20.546 on 22 January 2010, and further to HK\$20.417 on 7 June 2010.
- (3) The cash consideration paid by each eligible participant for each grant of share options is HK\$10.

(b) Taifook Securities Group Limited

On 23 August 2002, the shareholders of Taifook Securities Group Limited ("Taifook Securities") approved the adoption of a share option scheme (the "Taifook Scheme"). Upon completion of the disposal of 52.86% interest held by the Group in Taifook Securities (the "Taifook Disposal") on 21 December 2009, Taifook Securities ceased to be a subsidiary of the Group. Summary of the Taifook Scheme as at 20 December 2009 i.e. the date immediately preceding the completion of the Taifook Disposal, disclosed in accordance with the Listing Rules is as follows:

Purpose of the Taifook Scheme	To attract, retain and motivate talented employees to strive towards long term performance targets set by Taifook Securities and its subsidiaries and at the same time to allow the participants to enjoy the results of Taifook Securities attained through their effort and contribution.
Participants of the Taifook Scheme	Any full time employees, executive and non-executive directors of Taifook Securities or any of its subsidiaries or associates.

Share Option Schemes (continued)

(b) Taifook Securities Group Limited (continued)

Total number of shares available for issue under the Taifook Scheme and percentage of the issued share capital of Taifook Securities as at 20 December 2009

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

As at 20 December 2009, the total number of shares available for issue under the Taifook Scheme was 33,884,734 shares, which represented approximately 4.80% of the issued share capital of Taifook Securities at that day.

Maximum entitlement of each participant under the Taifook Scheme

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

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

REPORT OF THE DIRECTORS

Share Option Schemes (continued)

(b) Taifook Securities Group Limited (continued)

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

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

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

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

The basis of determining the exercise price

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

The remaining life of the Taifook Scheme

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

During the period from 1 July 2009 to 20 December 2009 (the "Period"), details of the movement of share options granted by Taifook Securities under the Taifook Scheme are as follows:

Date of grant	Exercisable period (Note)	Number of share options				Balance as at 20.12.09	Exercise price per share HK\$
		Balance as at 01.07.09	Granted during the Period	Exercised during the Period	Lapsed during the Period		
1 December 2007	(1)	26,692,988	–	–	(2,643,383)	24,049,605	5.875

Notes:

- (1) Exercisable from 1 June 2008 to 31 May 2016.
- (2) The cash consideration paid by each eligible participant for each grant of share options is HK\$1.

Substantial Shareholders' Interest in Securities

As at 30 June 2010, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under Section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Number of shares			Approximate percentage to the issued share capital of the Company
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited	–	1,343,149,031 ⁽¹⁾	1,343,149,031	61.64%
Centennial Success Limited	–	1,343,149,031 ⁽²⁾	1,343,149,031	61.64%
Chow Tai Fook Enterprises Limited	59,831,893	1,283,317,138 ⁽³⁾	1,343,149,031	61.64%
NWD	849,019,893	434,297,245 ⁽⁴⁾	1,283,317,138	58.90%
Mombasa Limited	385,471,948	–	385,471,948	17.69%

Notes:

- (1) Cheng Yu Tung Family (Holdings) Limited holds 51% direct interest in Centennial Success Limited ("CSL") and is accordingly deemed to have an interest in the shares deemed to be interested by CSL.
- (2) CSL holds 100% direct interest in Chow Tai Fook Enterprises Limited ("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, hold more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.
- (4) NWD holds 100% indirect interest in Mombasa Limited and is accordingly deemed to have an interest in the shares held by Mombasa Limited in the Company. NWD is also deemed to be interested in 1,986,513 shares held by Financial Concepts Investment Limited, 16,672,555 shares held by Hing Loong Limited, 16,672,555 shares held by Fine Reputation Incorporated and 13,493,674 shares held by New World Hotels Corporation Limited, all of them are subsidiaries of NWD.
- (5) All the interests stated above represent long positions.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30 June 2010.

Sufficiency of Public Float

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

REPORT OF THE DIRECTORS

Connected Transactions

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

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

Premise A : 9 years and 5 months commencing from 1 November 2006 and expiring on 31 March 2016 (both days inclusive)

Premise B : 9 years and 4 months commencing from 1 December 2006 and expiring on 31 March 2016 (both days inclusive)

Premise C : 9 years and 3 months commencing from 1 January 2007 and expiring on 31 March 2016 (both days inclusive)

Premise D : 8 years commencing from 1 April 2008 and expiring on 31 March 2016 (both days inclusive)

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

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

The total rent, air-conditioning charge and management fee incurred pursuant to the Tenancy Agreement during the year amounted to approximately HK\$5.1 million.

- (2) On 18 May 2007, NWS Transport Services Limited (“NWST”) and the Company entered into a master services agreement (the “NWST Master Services Agreement”) whereby NWST agreed to, and agreed to procure that members of the NWST Group, including NWST and its subsidiaries, (to the extent practicable) engage relevant members of the Group to provide operational services, which includes contracting services, facility management services, security and guarding services, cleaning and landscaping services, financial services and property management services and such other types of services as NWST and the Company may agree upon from time to time in writing, to NWST and/or relevant members of the NWST Group and to rent or license spare spaces to members of the Group during the term of the NWST Master services Agreement. The NWST Master Services Agreement has an initial term of three years and shall be automatically renewed for a further term of three years unless either party gives written notice to the other party not later than two months before the expiry of the initial term.

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

Connected Transactions (continued)

(2) (continued)

During the year ended 30 June 2010, the contract amount for each category of services under the NWST Master Services Agreement are summarized as follows:

Category of services	Approximate total contract amount HK\$'000	Annual cap HK\$'000
Contracting services	3.2	13,000.0
Facility management services	944.7	7,500.0
Security and guarding services	847.7	7,000.0
Cleaning and landscaping services	282.0	35,000.0
Financial services	471.9	1,000.0
Property management services	–	1,000.0
Rental or licensing of spare spaces	3,870.3	9,000.0

Due to the entering into of the CTF Master Services Agreement (as defined hereinafter), the NWST Master Services Agreement was terminated with effect from 1 July 2010.

- (3) On 24 January 2008, CTF and the Company entered into: (i) the master operational services agreement (the “CTF Master Operational Services Agreement”) whereby each of the Company and CTF agreed to procure that members of the Group or the CTF Group (including CTF and its associates but excluding the Group and NWST Group) (to the extent practicable) engage relevant members of the CTF Group or the Group to provide operational services, which include contracting services, general services and rental services, to relevant members of the Group or the CTF Group during the term of the CTF Master Operational Services Agreement; and (ii) the master financial services agreement (the “CTF Master Financial Services Agreement”) whereby CTF agreed to procure that members of the CTF Group engage relevant members of the Group to provide financial services to relevant members of the CTF Group during the term of the CTF Master Financial Services Agreement.

NWD held approximately 56.37% of the total issued share capital of the Company as at the date of signing of the abovesaid agreements, it is a substantial shareholder of the Company and hence a connected person of the Company. CTF held approximately 37.02% of the total issued share capital of NWD as at the date of signing of the abovesaid agreements, it is a controlling shareholder of NWD and was considered a connected person of the Company. Accordingly, the CTF Master Operational Services Agreement, the CTF Master Financial Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions to the Company pursuant to Rule 14A.14 of the Listing Rules.

Moreover, on the same day, Mr Lo Lin Sing, Simon (“Mr Lo”) and the Company entered into the master services agreement (the “Mr Lo Master Services Agreement”) pursuant to which the Group will provide financial services to Mr Lo and his associates. Mr Lo was the then deputy chairman and an executive director of Taifook Securities, a subsidiary of the Company during the year ended 30 June 2010, and hence a connected person of the Company. The Mr Lo Master Services Agreement and all the transactions contemplated thereunder also constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules.

REPORT OF THE DIRECTORS

Connected Transactions (continued)

(3) (continued)

The CTF Master Operational Services Agreement, the CTF Master Financial Services Agreement and the Mr Lo Master Services Agreement and the continuing connected transactions contemplated under such agreements were approved by the independent shareholders at the special general meeting of the Company held on 10 March 2008.

All of the CTF Master Operational Services Agreement, the CTF Master Financial Services Agreement and the Mr Lo Master Services Agreement have an initial term of three years commencing from 24 January 2008 to 23 January 2011. Subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules and/or any other applicable requirements under the Listing Rules at the relevant time, all of the CTF Master Operational Services Agreement, the CTF Master Financial Services Agreement and the Mr Lo Master Services Agreement may be renewed for a further term of three years.

During the year ended 30 June 2010, the contract amount for each category of the operational services under the CTF Master Operational Services Agreement are summarized as follows:

Operational Services	Approximate total contract amount HK\$m	Annual cap HK\$m
Services provided by members of the Group to members of the CTF Group:		
– Contracting services	2,098.4	6,165.2
– General services	128.2	226.4
– Rental services	0.9	5.5
Services provided by members of CTF Group to members of the Group:		
– General services	9.1	9.2
– Rental services	44.0	71.8

In addition, during the year ended 30 June 2010, the contract amount for the financial services under the CTF Master Financial Services Agreement and the Mr Lo Master Services Agreement are summarized as follows:

Financial Services	Approximate total contract amount HK\$m	Annual cap HK\$m
Fees from the provision of the financial services by the Group including the underwriting and sub-underwriting services	4.5	98.2
Value of the securities which may be acquired by the Group pursuant to the underwriting and sub-underwriting commitments under the underwriting and sub-underwriting services	–	3,000.0

Due to the completion of the Taifook Disposal on 21 December 2009, Mr Lo was no longer a connected person of the Company since then. Thus, the transactions contemplated under the Mr Lo Master Services Agreement did not constitute continuing connected transactions of the Company with effect from 21 December 2009. Furthermore, upon commencement of the CTF Master Services Agreement on 1 July 2010, both the CTF Master Operational Services Agreement and the CTF Master Financial Services Agreement were terminated on that day.

Connected Transactions (continued)

(4) On 16 July 2009, the following agreements in respect of the provision of project management services were entered into by the Group:

- (a) an agreement (the “Shanghai Agreement”) was entered into among 上海三聯物業發展有限公司 Shanghai Trio Property Development Co., Ltd. (“Shanghai Trio”), NWS Engineering Ltd. (“NWS Engineering”, an indirect wholly owned subsidiary of the Company) and the branch office of NWS Engineering in Shanghai for the provision of project management services by NWS Engineering to Shanghai Trio in respect of the electrical and mechanical engineering works of the property development project situated at Hongqiao Development Zone, Shanghai, the PRC (the “Shanghai Zhongshan Square (Phase III) Project”); and
- (b) an agreement (the “Li Yuen Street East Agreement”) was entered into among Dragon Plaza (H.K.) Limited (“DPHKL”), Great City Developments Limited (“GCDL”) and Hip Hing Builders Company Limited (“Hip Hing Builders”, an indirect wholly owned subsidiary of the Company) for the provision of project management services by Hip Hing Builders to DPHKL and GCDL for the development of the property development project situated at No. 39 Queen’s Road Central and Nos. 19-28 Li Yuen Street East, Hong Kong (the “Li Yuen Street East Project”).

Under the Shanghai Agreement, NWS Engineering was entitled to a service fee of RMB19.0 million (equivalent to approximately HK\$21.6 million). If the aggregate of the final total construction cost incurred in respect of the electrical and mechanical engineering works of the Shanghai Zhongshan Square (Phase III) Project was less than RMB197.0 million (being the estimated total construction costs in respect of the entire electrical and mechanical engineering works of the Shanghai Zhongshan Square (Phase III) Project which was subject to final determination), NWS Engineering would be entitled to a bonus in the amount to be agreed between the contracting parties.

Moreover, under the Li Yuen Street East Agreement, Hip Hing Builders was entitled to a management fee which would be calculated as follows:

- (a) 2% of the part of the cost in relation to the execution and completion of mechanical and electrical installations of the Li Yuen Street East Project; and
- (b) 6% of the cost of the Li Yuen Street East Project other than that in paragraph (a) above.

Under the estimation based on the budget of the project, the maximum management fee in respect of the Li Yuen Street East Project was expected to be approximately HK\$18.67 million.

As at the date of signing of the Shanghai Agreement and the Li Yuen Street East Agreement, each of NWS Engineering and Hip Hing Builders was an indirect wholly owned subsidiary of the Company. Mr Doo Wai Hoi, William (“Mr Doo”), a director of the Company, beneficially owned 52.5% interest in Shanghai Trio and 50% interest in each of DPHKL and GCDL and thus, Shanghai Trio, DPHKL and GCDL were associates of Mr Doo and in turn connected persons of the Company. The transactions contemplated under the Shanghai Agreements and the Li Yuen Street East Agreement constituted connected transactions for the Company under the Listing Rules.

REPORT OF THE DIRECTORS

Connected Transactions (continued)

(4) (continued)

Furthermore, certain members of the Group had entered into the following transactions (the “Previous Transactions”) with 上海局一房地產發展有限公司 Shanghai Juyi Real Estate Development Co., Ltd. (“Shanghai Juyi”) prior to the signing of the Shanghai Agreement and the Li Yuen Street East Agreement:

- (a) the provision of project management services by 協興建築(中國)有限公司 (Hip Hing Construction (China) Company Limited, an indirect wholly owned subsidiary of the Company), to Shanghai Juyi pursuant to the relevant project management agreement dated 16 January 2009 in relation to the construction works of a property development project situated at Shanghai, the PRC at a service fee of 2.7% of the total estimated construction cost which amounted to approximately RMB81.0 million (equivalent to approximately HK\$92.0 million); and
- (b) the provision of project management services by NWS Engineering to Shanghai Juyi pursuant to the relevant project management agreement dated 28 February 2009 in relation to the electrical and mechanical engineering works of a property development project situated at Shanghai, the PRC at a service fee of approximately RMB40.35 million (equivalent to approximately HK\$45.85 million).

At the time when the relevant agreements for the Previous Transactions were entered into, apart from the participating interest held by Mr Doo (in which he was entitled to 30% of the returns received by NWCL in respect of Shanghai Juyi), he did not have any equity interest or voting right in Shanghai Juyi. He also did not have any power to control the composition of a majority of the board of directors of Shanghai Juyi. Shanghai Juyi was therefore not a connected person of the Company and the Previous Transactions did not constitute connected transactions for the Company on the date of execution of the relevant agreement. However, at the date of signing of the Shanghai Agreement and the Li Yuen Street East Agreement, Shanghai Juyi was owned as to 50% by Mr Doo and being an associate of Mr Doo and therefore a connected person of the Company. Thus, the Previous Transactions then also constituted connected transactions for the Company and were further aggregated together with the transactions contemplated under the Shanghai Agreement and the Li Yuen Street East Agreement upon the disclosure made by the Company pursuant to the Listing Rules.

- (5) On 30 September 2009, an agreement (the “S&P Agreement”) was entered into between 溫州港集團有限公司 Wenzhou Port Group Co., Ltd. (the “PRC Party”) and NWS Ports Management (Wenzhou) Limited (“NWSPMWZ”, an indirect 63.6% subsidiary of the Company), pursuant to which NWSPMWZ agreed to sell, and the PRC Party agreed to purchase and procure its nominee(s) to purchase, 55% equity interest in 溫州狀元嶼新創建國際碼頭有限公司 Wenzhou Zhuangyuan Ao New World International Terminals Company Limited (“WZNWT”) for the consideration of RMB282.0 million (equivalent to approximately HK\$320.5 million) (the “Consideration”) which was paid by instalments pursuant to the terms of the S&P Agreement. Upon completion of the S&P Agreement, which was expected to take place within 6 months upon signing of the S&P Agreement, the said 55% equity interest in WZNWT would be transferred by NWSPMWZ to the PRC Party and its nominee(s).

As at the date of signing of the S&P Agreement, WZNWT was 55% owned by NWSPMWZ, a then non-wholly owned subsidiary of the Company. The PRC Party owned 45% equity interest in WZNWT and thus, the PRC Party was a connected person of the Company. The disposal contemplated under the S&P Agreement constituted a connected transaction for the Company under the Listing Rules.

Moreover, NWSPMWZ entered into a share transfer contract (the “Share Transfer Contract”) with the PRC Party and its nominee, Ngan Tong Company Limited (the “Nominee”) on 12 March 2010 confirming the transfer of 30% and 25% equity interest of WZNWT from NWSPMWZ to the PRC Party and the Nominee respectively under the S&P Agreement. On 12 March 2010, NWSPMWZ, the PRC Party and the Nominee also entered into a supplemental contract for the purpose of setting out the arrangement for the payment of the Consideration and the completion date. Completion of the aforesaid disposal took place on 24 March 2010 and the Consideration was received in full by NWSPMWZ.

Connected Transactions (continued)

- (6) On 7 May 2010, a master services agreement (the “CTF Master Services Agreement”) was entered into between CTF and the Company whereby each of the Company and CTF agreed to, and agreed to procure that members of the Group or the CTF Enterprises Group (being CTF and its subsidiaries and any other company in the equity capital of which CTF and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings which excluding the Group but including the NWST Group) (to the extent practicable) engage relevant members of the CTF Enterprises Group or the Group to provide certain operational services to relevant members of the Group or the CTF Enterprises Group during the term of the CTF Master Services Agreement.

As at the date of signing of the CTF Master Services Agreement, NWD held approximately 57.9% of the total issued share capital of the Company, it is a substantial shareholder of the Company and hence a connected person of the Company. As at the date of signing of the CTF Master Services Agreement, CTF held approximately 39.9% of the total issued share capital of NWD, it is a controlling shareholder of NWD and hence a connected person of the Company. Accordingly, the CTF Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

The CTF Master Services Agreement and the transactions contemplated thereunder were approved by the independent shareholders at the special general meeting of the Company held on 8 June 2010.

The CTF Master Services Agreement would have an initial term of three years commencing from 1 July 2010 to 30 June 2013 (both days inclusive). Subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules at the relevant time, the CTF Master Services Agreement may be renewed for a further term of three years.

- (7) On 11 June 2010, a sale and purchase agreement (the “Group A SP Agreement”) was entered into among NWSSM (an indirect wholly owned subsidiary of the Company) as vendor, FSE as purchaser, Mr Doo and Mr Wong Kwok Kin, Andrew (“Mr Wong”) jointly as warrantors whereby FSE agreed to purchase and NWSSM agreed to sell and/or procure the sale of the entire issued share capital of each of NWS Facility Services Limited, Building Material Supplies Limited, Clever Basis Limited, New World Risk Management (L) Limited and NWS International Insurance Limited at the consideration of HK\$445.9 million. 10% of such consideration being HK\$44.59 million, was paid by FSE on the date of signing of the Group A SP Agreement while the remaining balance was paid on the date of completion of the Group A SP Agreement.

Furthermore, on the same day, another sale and purchase agreement (the “Group B SP Agreement”) was entered into among NWSSM as vendor, FSE as purchaser, Mr Doo and Mr Wong jointly as warrantors whereby FSE agreed to purchase and NWSSM agreed to sell and/or procure the sale of the entire issued share capital of each of NWS Engineering Group Limited, Elite Master Holdings Limited and Waihong Cleaning Limited, the engineering business of NWS Engineering (an indirect wholly owned subsidiary of the Company) and the contracts of property management in Hong Kong at the consideration of HK\$442.6 million. 10% of such consideration, being HK\$44.26 million, was paid by FSE on the date of signing of the Group B SP Agreement. Another 70% of the said consideration, being HK\$309.82 million, was paid within five business days after obtaining of the independent shareholders' approval of both NWD and the Company to the Group B SP Agreement and the transactions contemplated thereunder while the remaining balance will be paid on the date of completion of the Group B SP Agreement.

For ensuring the stability of both the Group and the companies to be disposed under each of the Group A SP Agreement and the Group B SP Agreement (the “Disposal Group”) during the transitional period immediately after completion of the relevant sale and purchase agreements, NWSSM would provide certain consultancy services to members of the Disposal Group for a term of one year commencing from the date of completion of the Group A SP Agreement at a fixed monthly fee of HK\$100,000 payable to NWSSM for the consultancy services of up to 40 working hours per month. All out-of-pocket expenses reasonably incurred by NWSSM in providing the consultancy services and working hours beyond the 40 working hours per month will be charged on an “as incurred” basis. Furthermore, in order to allow time for FSE in obtaining fresh banking or other credit facilities for the operation of the Disposal Group following completion of each of the Group A SP Agreement and the Group B SP Agreement, bank guarantees provided by member(s) of the Group that are subsisting at the respective dates of completion of the Group A SP Agreement and the Group B SP Agreement (the “Bank Guarantees”) were to remain in place for a period of six months from the said respective dates of completion (or such longer period as may be agreed by NWSSM at its sole discretion) unless any of the Bank Guarantees shall have expired earlier according to their terms. FSE is to pay NWSSM a monthly maintenance fee of 1/12% on the aggregate amount of banking facilities granted to the Disposal Group and guaranteed by the Bank Guarantees as at the last day of a calendar month immediately preceding the date of payment of monthly fee of the next calendar month from and on the first business day of the fourth month after the respective dates of completion of the Group A SP Agreement and the Group B SP Agreement.

REPORT OF THE DIRECTORS

Connected Transactions (continued)

(7) (continued)

As at the date of signing of each of the Group A SP Agreement and the Group B SP Agreement, Mr Doo and Mr Wong (both of them were directors of the Company and connected persons of the Company under the Listing Rules) held 90% and 10% indirect interest of FSE respectively. Accordingly, FSE was an associate of Mr Doo and hence a connected person of the Company under the Listing Rules. The aforesaid disposal constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Group A SP Agreement, the Group B SP Agreement and the transactions contemplated thereunder were approved by the independent shareholders at the special general meeting of the Company held on 20 July 2010.

Completion of the Group A SP Agreement took place on 27 July 2010 and as at that date, bank guarantees provided by members of the Group to the companies disposed under the Group A SP Agreement (the "Group A Members") amounted to approximately HK\$57 million.

(8) Following completion of the Group A SP Agreement and in the ordinary course of their businesses, members of the Group regularly enter into continuing connected transactions with members of the Services Group (being any company in the equity capital of which Mr Doo is directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings which comprising the Group A Members). In order to streamline such continuing connected transactions, a master services agreement (the "Master Services Agreement") was entered into between Mr Doo and the Company on 27 July 2010 whereby each of the Company and Mr Doo agreed to, and agreed to procure that members of the Group or the Services Group (to the extent practicable) engage relevant members of the Services Group or the Group to provide certain operational services to relevant members of the Group of the Services Group. The Master Services Agreement has an initial term of three years commencing from its date of signing. Subject to re-compliance with the reporting and announcement requirements under the Listing Rules, the Master Services Agreement may be renewed for a further term of three years.

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

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

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

Connected Transactions (continued)

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

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

Save as disclosed above, a summary of significant related party transactions, which do not constitute connected transactions, made during the year is disclosed in note 45 to the financial statements.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 30 June 2010, the Group has provided financial assistance, by way of shareholders’ loans/advances, in the aggregate amount of HK\$2,736.4 million to its affiliated companies (included in amounts disclosed in notes 23, 24 and 28 of the financial statements), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$127.3 million (included in the amounts disclosed in note 43 of the financial statements) and contracted to provide an aggregate amount of HK\$1,082.1 million in capital and loans to affiliated companies. The said amounts, in aggregate, represents approximately 10.7% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

The advances are unsecured, interest free and have no definite repayment terms except for an aggregate amount of HK\$104.7 million which carries interest at 8% per annum and an amount of HK\$12.1 million which carries interest at Hong Kong prime rate per annum. Contracted capital and loan contributions to affiliated companies would be funded by internally generated resources and banking facilities of the Group.

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group’s attributable interest in those affiliated companies as at 30 June 2010 are presented as follows:

	Proforma combined statement of financial position HK\$m	Group’s attributable interest HK\$m
Non-current assets	41,165.9	16,628.3
Current assets	10,388.3	4,074.9
Current liabilities	(12,651.0)	(5,627.6)
Non-current liabilities	(10,488.4)	(4,565.3)
	28,414.8	10,510.3

The proforma combined statement of financial position of the affiliated companies is prepared by combining their statements of financial position, after making adjustments to conform with the Group’s significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 30 June 2010.

REPORT OF THE DIRECTORS

Employees and Remuneration Policies

As at 30 June 2010, approximately 40,000 staff were employed by entities under the Group's management of which approximately 21,000 were employed in Hong Kong. Total staff related costs, excluding directors' remunerations, were HK\$2.468 billion (2009: HK\$2.743 billion), in which provident funds and staff bonuses were included. Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes were provided to employees on an ongoing basis.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 166 and 167.

Auditor

The financial statements for the year ended 30 June 2010 have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 5 October 2010

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道會計師事務所

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TO THE SHAREHOLDERS OF NWS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of NWS Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 74 to 165, which comprise the consolidated and Company statements of financial position as at 30 June 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 5 October 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June

	Note	2010 HK\$'m	2009 HK\$'m
Revenue	6	12,089.0	17,250.9
Cost of sales		(10,111.7)	(15,407.3)
Gross profit		1,977.3	1,843.6
Net gain on disposal of controlling interest in subsidiaries	7	731.2	39.4
Other income (net)	8	358.8	569.9
General and administrative expenses		(1,145.7)	(1,202.1)
Operating profit	9	1,921.6	1,250.8
Finance costs	11	(114.4)	(224.3)
Share of results of			
Associated companies		485.0	(63.5)
Jointly controlled entities		2,122.0	1,780.6
Profit before income tax		4,414.2	2,743.6
Income tax expenses	12	(332.2)	(162.9)
Profit for the year		4,082.0	2,580.7
Attributable to			
Shareholders of the Company	13	4,011.7	2,528.8
Non-controlling interests		70.3	51.9
		4,082.0	2,580.7
Dividends	14	2,028.0	1,281.0
Earnings per share attributable to shareholders of the Company	15		
Basic and diluted		HK\$1.92	HK\$1.23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June

	2010 HK\$'m	2009 HK\$'m
Profit for the year	4,082.0	2,580.7
Other comprehensive (loss)/income		
Fair value changes on available-for-sale financial assets	55.0	258.5
Release of investment revaluation deficit to the income statement	–	156.2
Release of reserve upon disposal of available-for-sale financial assets	(248.4)	–
Release of reserve upon disposal of assets held for sale	(7.2)	(9.4)
Share of other comprehensive income/(loss) of a jointly controlled entity	6.0	(8.2)
Cash flow hedges	(5.8)	–
Currency translation differences	(10.0)	(6.7)
	(210.4)	390.4
Total comprehensive income for the year	3,871.6	2,971.1
Total comprehensive income attributable to		
Shareholders of the Company	3,799.4	2,918.6
Non-controlling interests	72.2	52.5
	3,871.6	2,971.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

	Note	2010 HK\$m	2009 HK\$m
ASSETS			
Non-current assets			
Investment properties	17	2,060.0	1,117.7
Property, plant and equipment	18	321.2	719.7
Leasehold land and land use rights	19	16.6	727.7
Intangible concession rights	20	911.1	977.3
Intangible assets	21	580.2	1,046.8
Associated companies	23	4,505.4	3,162.8
Jointly controlled entities	24	15,962.1	15,152.7
Available-for-sale financial assets	25	1,508.8	600.5
Other non-current assets	26	1,069.2	601.7
		26,934.6	24,106.9
Current assets			
Inventories	27	213.0	250.2
Trade and other receivables	28	3,510.2	10,725.4
Financial assets at fair value through profit or loss	29	35.5	63.3
Cash held on behalf of customers	30	–	3,661.9
Cash and bank balances	31	5,157.6	5,205.1
		8,916.3	19,905.9
Assets held for sale	32	1,830.0	265.8
		10,746.3	20,171.7
Total assets			
		37,680.9	44,278.6
EQUITY			
Share capital	34	2,178.9	2,071.3
Reserves	35	23,289.1	20,234.0
Proposed final dividend	35	719.0	869.9
Shareholders' funds		26,187.0	23,175.2
Non-controlling interests		265.1	1,084.2
Total equity		26,452.1	24,259.4
LIABILITIES			
Non-current liabilities			
Borrowings	36	3,496.4	5,466.5
Other non-current liabilities	37	315.3	319.7
		3,811.7	5,786.2
Current liabilities			
Trade and other payables	38	4,473.9	10,671.7
Taxation		254.9	221.8
Borrowings	36	1,393.9	3,339.5
		6,122.7	14,233.0
Liabilities directly associated with assets held for sale	32	1,294.4	–
		7,417.1	14,233.0
Total liabilities			
		11,228.8	20,019.2
Total equity and liabilities			
		37,680.9	44,278.6
Net current assets			
		3,329.2	5,938.7
Total assets less current liabilities			
		30,263.8	30,045.6

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

STATEMENT OF FINANCIAL POSITION

As at 30 June

	Note	2010 HK\$'m	2009 HK\$'m
ASSETS			
Non-current assets			
Property, plant and equipment	18	4.2	5.3
Subsidiaries	22	7,893.3	7,893.3
		7,897.5	7,898.6
Current assets			
Trade and other receivables	28	11,153.2	11,513.4
Cash and bank balances	31	1,257.4	1,116.1
		12,410.6	12,629.5
Total assets		20,308.1	20,528.1
EQUITY			
Share capital	34	2,178.9	2,071.3
Reserves	35	13,176.5	11,558.3
Proposed final dividend	35	719.0	869.9
Total equity		16,074.4	14,499.5
LIABILITIES			
Current liabilities			
Trade and other payables	38	4,233.7	6,028.6
Total liabilities		4,233.7	6,028.6
Total equity and liabilities		20,308.1	20,528.1
Net current assets		8,176.9	6,600.9
Total assets less current liabilities		16,074.4	14,499.5

Dr Cheng Kar Shun, Henry
Director

Mr Tsang Yam Pui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

HK\$m	Note	Shareholders' funds					Non-controlling interests	Total
		Share capital	Share premium	Revenue reserve	Other reserves	Total		
At 1 July 2009		2,071.3	10,814.9	7,981.1	2,307.9	23,175.2	1,084.2	24,259.4
Profit for the year		–	–	4,011.7	–	4,011.7	70.3	4,082.0
Other comprehensive income/(loss)								
Fair value changes								
on available-for-sale financial assets		–	–	–	53.6	53.6	1.4	55.0
Release of reserve upon disposal of available-for-sale financial assets		–	–	–	(248.4)	(248.4)	–	(248.4)
Release of reserve upon disposal of assets held for sale		–	–	–	(7.2)	(7.2)	–	(7.2)
Share of other comprehensive income of a jointly controlled entity		–	–	–	6.0	6.0	–	6.0
Cash flow hedges		–	–	–	(5.8)	(5.8)	–	(5.8)
Currency translation differences		–	–	–	(10.5)	(10.5)	0.5	(10.0)
Total comprehensive income for the year		–	–	4,011.7	(212.3)	3,799.4	72.2	3,871.6
Dividends paid to								
Shareholders of the Company		–	–	(2,178.9)	–	(2,178.9)	–	(2,178.9)
Non-controlling interests		–	–	–	–	–	(59.7)	(59.7)
Scrip dividends								
Nominal value of new shares issued		107.6	–	–	–	107.6	–	107.6
Share premium on new shares issued		–	1,263.7	–	–	1,263.7	–	1,263.7
Share options								
Value of services provided		–	–	–	17.6	17.6	–	17.6
Disposal of a subsidiary	44(b)	–	–	30.9	(28.5)	2.4	(826.2)	(823.8)
Derecognition of non-controlling interests		–	–	–	–	–	(5.4)	(5.4)
Transfer		–	–	(43.9)	43.9	–	–	–
At 30 June 2010		2,178.9	12,078.6	9,800.9	2,128.6	26,187.0	265.1	26,452.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

HK\$m	Note	Shareholders' funds				Total	Non-controlling interests	Total
		Share capital	Share premium	Revenue reserve	Other reserves			
At 1 July 2008		2,057.6	10,605.8	6,687.0	1,896.3	21,246.7	1,266.4	22,513.1
Profit for the year		–	–	2,528.8	–	2,528.8	51.9	2,580.7
Other comprehensive income/(loss)								
Fair value changes								
on available-for-sale financial assets		–	–	–	260.4	260.4	(1.9)	258.5
Release of reserve upon disposal of assets held for sale		–	–	–	(9.4)	(9.4)	–	(9.4)
Release of investment revaluation deficit to the income statement		–	–	–	154.0	154.0	2.2	156.2
Share of other comprehensive loss of a jointly controlled entity		–	–	–	(8.2)	(8.2)	–	(8.2)
Currency translation differences		–	–	–	(7.0)	(7.0)	0.3	(6.7)
Total comprehensive income for the year		–	–	2,528.8	389.8	2,918.6	52.5	2,971.1
Dividends paid to								
Shareholders of the Company		–	–	(1,232.4)	–	(1,232.4)	–	(1,232.4)
Non-controlling interests		–	–	–	–	–	(92.1)	(92.1)
Repurchase of shares								
Nominal value		(4.7)	–	–	–	(4.7)	–	(4.7)
Share premium		–	(42.2)	–	–	(42.2)	–	(42.2)
Scrip dividends								
Nominal value of new shares issued		18.1	–	–	–	18.1	–	18.1
Share premium on new shares issued		–	249.1	–	–	249.1	–	249.1
Share options								
Value of services provided		–	–	–	40.3	40.3	–	40.3
Nominal value of new shares issued		0.3	–	–	–	0.3	–	0.3
Share premium on new shares issued		–	1.6	–	–	1.6	–	1.6
Disposal of subsidiaries	44(b)	–	–	–	(20.2)	(20.2)	(21.3)	(41.5)
Deemed acquisition of interests in a subsidiary		–	–	–	–	–	(121.3)	(121.3)
Transfer		–	0.6	(2.3)	1.7	–	–	–
At 30 June 2009		2,071.3	10,814.9	7,981.1	2,307.9	23,175.2	1,084.2	24,259.4

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June

	Note	2010 HK\$'m	2009 HK\$'m
Cash flows from operating activities			
Net cash generated from operations	44(a)	1,978.2	1,388.5
Finance costs paid		(78.1)	(214.2)
Interest received		348.5	93.3
Hong Kong profits tax paid		(94.5)	(166.0)
Mainland China and overseas taxation paid		(106.6)	(70.3)
Net cash generated from operating activities		2,047.5	1,031.3
Cash flows from investing activities			
Dividends received from associated companies		154.6	55.1
Dividends received from jointly controlled entities		1,598.7	1,398.2
Disposal of an associated company		–	2.1
Disposal of jointly controlled entities		235.1	10.2
Settlement of proceeds from disposal of a subsidiary in previous years		60.0	–
Disposal of subsidiaries	44(c)	1,393.2	117.5
Acquisition of additional interests in a subsidiary		–	(12.8)
Increase in investments in associated companies		(750.1)	(51.6)
(Increase)/decrease in investments in jointly controlled entities		(176.8)	1,087.2
Additions of property, plant and equipment and intangible assets		(343.5)	(630.7)
Disposal of property, plant and equipment, leasehold land and land use rights and intangible assets		46.4	11.2
Addition of available-for-sale financial assets and financial assets at fair value through profit or loss		(1,612.0)	(196.9)
Disposal of available-for-sale financial assets and financial assets at fair value through profit or loss		565.7	465.9
Disposal of assets held for sale		389.7	446.4
Dividends received from available-for-sale financial assets and financial assets at fair value through profit or loss		22.5	4.0
Decrease in short term deposits		–	126.4
(Increase)/decrease in other non-current assets		(475.0)	49.2
Net cash generated from investing activities		1,108.5	2,881.4
Cash flows from financing activities			
New bank loans and other borrowings		1,527.8	3,464.3
Repayment of bank loans and other borrowings		(3,262.1)	(5,092.3)
Issuance of new shares		–	1.9
Repurchase and cancellation of shares		–	(46.9)
Decrease in loans from non-controlling shareholders		–	(20.3)
Dividends paid to shareholders		(807.6)	(965.1)
Dividends paid to non-controlling shareholders		(59.7)	(78.8)
Net cash used in financing activities		(2,601.6)	(2,737.2)
Net increase in cash and cash equivalents		554.4	1,175.5
Cash and cash equivalents at the beginning of year		5,172.4	3,996.9
Cash and cash equivalents at the end of year		5,726.8	5,172.4
Analysis of cash and cash equivalents			
Cash and bank balances	31	5,157.6	5,205.1
Bank overdrafts		–	(32.7)
Cash and bank balances of subsidiaries reclassified as assets held for sale	32(a)	569.2	–
		5,726.8	5,172.4

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries include:

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

During the year, the Group has disposed of and contracted to dispose of its controlling interests in Taifook Securities Group Limited (“Taifook Securities”) and certain of its non-core services businesses as detailed in note 7 and note 32(a) to the financial statements respectively.

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

The financial statements were approved for issuance by the Board on 5 October 2010.

2 Basis of preparation

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (continued)

(a) Adoption of new or revised standards

During FY2010, the Group has adopted the following new or revised standards, amendments and interpretations which are mandatory for FY2010:

HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 Amendments	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 Amendment	Eligible Hedged Items
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs Amendments	Improvements to HKFRSs 2008

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

HKFRS 8 – Operating Segments

The standard replaces HKAS 14 – Segment Reporting. The new standard uses a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. This standard includes certain new disclosure requirements, i.e. to report quantitative and qualitative information about its operating segments. The adoption of HKFRS 8 has resulted in a redesignation of the Group’s reportable segments such that segment information presented are consistent with internal reporting provided to chief operating decision maker, which is represented by the Executive Committee of the Company.

HKAS 1 (Revised) – Presentation of Financial Statements

The standard required all non-owner changes in equity (i.e. comprehensive income) to be presented in a single statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The statement of comprehensive income includes various other comprehensive income, e.g. fair value gain of investments and exchange reserve movements. The Group has chosen to adopt the two statements approach and a new consolidated statement of comprehensive income is included after the consolidated income statement in the financial statements for FY2010.

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (continued)

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

HKAS 27 (Revised) – Consolidated and Separate Financial Statements

The standard provides that the transactions undertaken with non-controlling interests that do not result in the loss of control are accounted for as equity transactions and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is remeasured to fair value and the difference between the fair value and the carrying amount is recognized in the income statement. The change in accounting policy in respect of HKAS 27 (Revised) has been applied prospectively to transactions during FY2010.

The effect of the changes in the accounting policies following the adoption of the HKAS 27 (Revised) on the consolidated income statement for FY2010 and the consolidated statement of financial position as at 30 June 2010 are as follows:

Consolidated Income Statement

	Note	For the year ended 30 June 2010 HK\$'m
Gain on remeasuring non-controlling interest retained at fair value after disposal of partial interest in a subsidiary	7	105.8
Increase in basic and diluted earnings per share		HK\$0.05

Consolidated Statement of Financial Position

	At 30 June 2010 HK\$'m
Increase in interest in associated companies	105.8
Increase in revenue reserve	105.8

HKAS 40 Amendment – Investment Property

The standard provides that all property that is being constructed or developed for future use as investment property was transferred from property, plant and equipment and revalued to fair value on that date determined by an external valuer. The change in accounting policy in respect of HKAS 40 Amendment has been applied prospectively to transactions during FY2010.

The effect of the changes in the accounting policies following the adoption of the HKAS 40 Amendment on the consolidated statement of financial position as at 30 June 2010 is as follows:

Consolidated Statement of Financial Position

	Note	At 30 June 2010 HK\$'m
Increase in investment properties	17	935.7
Decrease in property, plant and equipment	18	313.5
Decrease in leasehold land and land use rights	19	622.2

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (continued)

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

The following new or revised standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2010 or later periods but which the Group has not early adopted:

Effective for the year ending 30 June 2011

HKFRSs Amendments	Improvements to HKFRSs 2009
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 1 Amendment	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HKAS 32 Amendment	Classification of Rights Issues
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Effective for the year ending 30 June 2012 or after

HKFRSs Amendments	Improvements to HKFRSs 2010
HKFRS 9	Financial Instruments
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement

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

3 Principal accounting policies

The principal accounting policies adopted for the preparation of the 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. They are deconsolidated from the date that control ceases. Any investment retained in the former subsidiary is recognized at its fair value at the date when control is lost.

3 Principal accounting policies (continued)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

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

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

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

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

(ii) Associated companies

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

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

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

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

NOTES TO THE FINANCIAL STATEMENTS

3 Principal accounting policies (continued)

(a) Consolidation (continued)

(iii) Jointly controlled entities

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

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

(1) *Equity joint ventures*

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

(2) *Co-operative joint ventures*

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

(3) *Companies limited by shares*

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

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

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

3 Principal accounting policies (continued)

(b) Non-controlling interests

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

(c) Intangible assets

(i) Goodwill

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

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

(ii) Trademark and licences

Acquired trademark and licences are shown at historical cost. Trademark has a finite useful life and is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method to allocate the cost of trademark over its estimated useful life.

Licences have indefinite useful lives and are carried at cost less impairment. Such licences are not amortized. The useful lives of licences are reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(iii) Operating right

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

NOTES TO THE FINANCIAL STATEMENTS

3 Principal accounting policies (continued)

(c) Intangible assets (continued)

(iv) Intangible concession rights

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

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

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

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

(d) Revenue recognition

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

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

(i) Port revenue

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

(ii) Toll revenue

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

(iii) Service fee income

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

3 Principal accounting policies (continued)

(d) Revenue recognition (continued)

(iv) Rental income

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

(v) Construction and engineering revenue

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

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

(vi) Financial services income

Financial services income represents commission and profit or loss on trading of financial instruments, consultancy, financial advisory, fund management and related fees and income from leveraged foreign exchange transactions.

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

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

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

(vii) Sales of goods

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

(viii) Interest income

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

(ix) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

3 Principal accounting policies (continued)

(e) Leases

(i) Finance leases

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

(ii) Operating leases

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

(f) 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.

(g) Investment properties

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

Investment property 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 at the end of each reporting period. Changes in fair values are recognized in the income statement.

Subsequent expenditure is included in the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the 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 stated at fair value.

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

3 Principal accounting policies (continued)

(h) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the assets or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of replaced parts is derecognized. All other repairs and maintenance costs are charged to 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 asset's carrying amount 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 capitalized as the costs of the assets.

(ii) Depreciation

No depreciation is provided in respect of construction in progress.

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

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

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

(iii) Gain or loss on disposal

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

(i) Property for development

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

NOTES TO THE FINANCIAL STATEMENTS

3 Principal accounting policies (continued)

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

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

(k) Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading and those designated as at fair value through profit or loss at inception.

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

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

3 Principal accounting policies (continued)

(k) Financial assets (continued)

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

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

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

(l) Derivative financial instruments

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

(m) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS

3 Principal accounting policies (continued)

(n) Inventories

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

(o) Contracts in progress

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

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

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

(p) Assets held for sale

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

(q) Cash and cash equivalents

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

(r) Trade payables

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

(s) Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 Principal accounting policies (continued)

(t) Share capital

Ordinary shares are classified as equity.

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

(u) Contingent liabilities and contingent assets

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

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

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

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

(v) Current and deferred income tax

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

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

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

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

(w) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

3 Principal accounting policies (continued)

(x) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

- (a) assets and liabilities for each statement of financial position presented are translated at the exchange rate prevailing at the date of that statement of financial position;
- (b) income and expenses for each income statement are translated at the average exchange rate during the period covered by the income statement; and
- (c) all resulting exchange differences are recognized as a separate component of equity.

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

3 Principal accounting policies (continued)

(y) Employee benefits

(i) Employee leave entitlements

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

(ii) Bonus plans

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

(iii) Defined contribution plans

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

(iv) Defined benefit plans

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

(v) Share-based compensation

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 Principal accounting policies (continued)

(z) Borrowings

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

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

(aa) Segment reporting

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

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

(ab) Dividend distribution

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

(ac) Insurance contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management and fair value estimation

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

The Group has centralized the treasury function for all of its subsidiaries.

(a) Market risk

(i) Interest rate risk

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

The Group's borrowings are principally on a floating rate basis, which will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk.

The Group's interest rate risk concentrates on fluctuations of Hong Kong Interbank Offered Rate as the Group's interest-bearing assets and liabilities are mainly Hong Kong dollar denominated.

Interest bearing financial assets and liabilities are mainly subject to an interest re-pricing risk of 3 months or below.

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been HK\$27.4 million (2009: HK\$43.4 million) lower/higher.

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

(ii) Foreign exchange risk

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

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

At 30 June 2010, the Group's entities with functional currency of Hong Kong dollar had United States dollar net monetary assets of HK\$873.4 million (2009: HK\$630.3 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there is no significant foreign exchange risk with respect to the United States dollar.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management and fair value estimation (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

At 30 June 2010, the Group's entities with functional currency of Hong Kong dollar had net monetary assets denominated in Renminbi of HK\$1,066.0 million (2009: HK\$676.2 million). If Hong Kong dollar had strengthened/weakened by 5% against Renminbi with all other variables held constant, the Group's profit for the year would have been HK\$53.3 million (2009: HK\$26.8 million) lower/higher.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. There are no other significant monetary balances held by group companies at 30 June 2010 that are denominated in a non-functional currency. Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(iii) Price risk

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

At 30 June 2010, if the price of listed and unlisted equity investments had been 25% higher with all other variables held constant, the Group's profit for the year and investment revaluation reserve would have been HK\$7.4 million and HK\$377.2 million higher respectively (2009: HK\$13.2 million and HK\$150.1 million). If the price of listed and unlisted equity investments had been 25% lower with all other variables held constant, the Group's profit for the year and investment revaluation reserve would have been HK\$7.4 million and HK\$377.2 million lower respectively (2009: HK\$42.7 million and HK\$117.4 million). The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(b) Credit risk

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

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

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

Except for the long term receivable as stated in note 26(a) which are secured by certain property, plant and equipment of the debtor, the maximum exposure to credit risk is represented by the carrying amount of other financial assets in the statement of financial position after deducting any impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management and fair value estimation (continued)

(c) Liquidity risk

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

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

Group

At 30 June 2010 HK\$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years
Trade payables	38	413.0	413.0	413.0	–
Retention money payables and other payables		3,163.3	3,163.3	2,701.4	461.9
Amounts due to non-controlling shareholders	38	75.0	75.0	75.0	–
Amounts due to associated companies	38	304.1	304.1	304.1	–
Amounts due to jointly controlled entities	38	115.7	115.7	115.7	–
Borrowings and contracted interest payments	36	4,890.3	4,956.9	1,430.2	3,526.7
Loans from non-controlling shareholders	37	98.0	98.0	–	98.0
		9,059.4	9,126.0	5,039.4	4,086.6

At 30 June 2009 HK\$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but within 5 years
Trade payables	38	5,147.3	5,147.3	5,147.3	–
Retention money payables and other payables		4,730.6	4,730.6	3,855.4	875.2
Amounts due to non-controlling shareholders	38	62.6	62.6	62.6	–
Amounts due to associated companies	38	1.3	1.3	0.4	0.9
Amounts due to jointly controlled entities	38	21.4	21.4	14.4	7.0
Borrowings and contracted interest payments	36	8,806.0	9,065.4	3,456.7	5,608.7
Loans from non-controlling shareholders	37	98.0	98.0	78.0	20.0
		18,867.2	19,126.6	12,614.8	6,511.8

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management and fair value estimation (continued)

(c) Liquidity risk (continued)

Company

At 30 June 2010 HK\$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
Other payables		50.9	50.9	50.9
Amounts due to subsidiaries	38	4,179.6	4,179.6	4,179.6
		4,230.5	4,230.5	4,230.5
<hr/>				
At 30 June 2009 HK\$'m	Note	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
Other payables		36.3	36.3	36.3
Amounts due to subsidiaries	38	5,989.7	5,989.7	5,989.7
		6,026.0	6,026.0	6,026.0

(d) Capital management

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

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

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management and fair value estimation (continued)

(d) Capital management (continued)

The gearing ratios at 30 June were as follows:

	Note	2010 HK\$'m	2009 HK\$'m
Total borrowings	36	(4,890.3)	(8,806.0)
Add: Cash and bank balances and short term deposits	31	5,157.6	5,205.1
Net cash/(debt)		267.3	(3,600.9)
Less: Taifook Securities' borrowings for IPO financing		–	1,645.0
Net cash/(debt) (excluding borrowings for IPO financing)		267.3	(1,955.9)
Total equity		26,452.1	24,259.4
Gearing ratio		N/A	15%
Gearing ratio (excluding borrowings for IPO financing)		N/A	8%

The change from net debt to net cash position as at 30 June 2010 was primarily contributed by proceeds from the disposal of controlling interests of Taifook Securities and the sale of residential flats of Harbour Place.

(e) Fair value estimation

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

- (i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.
- (ii) The fair value of long term financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.
- (iii) The carrying values of bank balances, receivables, payables and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

4 Financial risk management and fair value estimation (continued)

(e) Fair value estimation (continued)

- (iv) Effective from 1 July 2009, the Group adopted the amendments to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, these require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2010.

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

HK\$m	Level 1	Level 3	Total
Assets			
Financial assets at fair value through profit or loss			
Trading securities	35.5	–	35.5
Available-for-sale financial assets			
Equity securities	1,327.0	171.8	1,498.8
Debt securities	–	10.0	10.0
	1,362.5	181.8	1,544.3

The following table presents the changes in level 3 instruments for FY2010:

HK\$m	Available-for-sale financial assets
At 1 July 2009	347.2
Disposal	(101.8)
Disposal of a subsidiary	(62.3)
Total loss recognized in statement of comprehensive income	(1.3)
At 30 June 2010	181.8

5 Critical accounting estimates and judgments

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

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

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

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

(b) Valuation of investment properties

The fair value of each investment property is individually determined at the end of each reporting period by independent valuers based on a market value assessment. The valuers have relied on the discounted cash flow analysis and the capitalization of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and 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.

The fair value of investment property that is under construction or development is determined at the end of each reporting period by independent valuers based on the depreciated replacement cost approach in light of the usage of the property. This methodology is based upon the determination of land value by the direct comparison method, the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic/external obsolescence, if present and measurable.

At 30 June 2010, if the market value of investment properties had been 8% higher/lower with all other variables held constant, the carrying value of the Group's completed investment properties would have been HK\$89.9 million (2009: HK\$89.4 million) higher/lower.

NOTES TO THE FINANCIAL STATEMENTS

5 Critical accounting estimates and judgments (continued)

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

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

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

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

The Group tests annually whether goodwill has suffered any impairment according to their recoverable amounts determined by the cash-generating units based on value in use calculations and detailed in note 21(a). These calculations require the use of estimates which are subject to changes of economic environment in future.

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

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

(e) Income taxes

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

NOTES TO THE FINANCIAL STATEMENTS

5 Critical accounting estimates and judgments (continued)

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

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

(g) Estimated volume of Infrastructures of public services

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

6 Revenue and segment information

The Group's revenue is analyzed as follows:

	2010 HK\$'m	2009 HK\$'m
Roads	225.4	247.6
Energy & Water	2.9	8.2
Facilities Management	6,163.9	5,404.1
Contracting & Transport	5,196.0	10,904.0
Financial Services	500.8	687.0
	12,089.0	17,250.9

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

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

NOTES TO THE FINANCIAL STATEMENTS

6 Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2010 is as follows:

HK\$m	Ports & Logistics	Roads	Energy & Water	Facilities Management	Contracting & Transport	Financial Services	Total
2010							
Total revenue	-	225.4	2.9	6,266.4	5,654.6	516.4	12,665.7
Inter-segment	-	-	-	(102.5)	(458.6)	(15.6)	(576.7)
Revenue – external	-	225.4	2.9	6,163.9	5,196.0	500.8	12,089.0
Attributable operating profit							
Company and subsidiaries	2.0	52.6	-	822.8	67.0	90.7	1,035.1
Associated companies	30.7	3.0	-	1.5	125.7	65.2	226.1
Jointly controlled entities	245.3	465.0	653.3	0.8	217.4 (i)	-	1,581.8
	278.0	520.6	653.3	825.1	410.1	155.9	2,843.0
Reconciliation							
Net gain on disposal of controlling interest in subsidiaries							731.2
Net gain from securities investments, net of tax							541.1
Share of profit from Harbour Place							337.9
Net gain on disposal and restructuring of projects							213.7
Fair value gain of investment properties, net of tax							5.5
Goodwill impairment							(226.4)
Assets impairment loss							(30.5)
Corporate interest income							22.7
Corporate finance costs							(110.9)
Share-based payment							(15.3)
Corporate expenses and others							(300.3)
Profit attributable to shareholders							4,011.7

(i) The amount included the Group's share of attributable operating profit of HK\$151.5 million from its Transport business.

(ii) The amount included the Group's share of profits of HK\$263.6 million from three associated companies engaged in investment activities.

NOTES TO THE FINANCIAL STATEMENTS

6 Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2010 is as follows (continued):

HK\$m	Ports & Logistics	Roads	Energy & Water	Facilities Management	Contracting & Transport	Financial Services	Segment total	Corporate	Eliminations	Consolidated
2010										
Depreciation	-	2.1	-	61.9	26.7	17.2	107.9	7.6	-	115.5
Amortization of leasehold land and land use rights	-	-	-	0.2	1.3	-	1.5	0.4	-	1.9
Amortization of intangible concession rights	-	66.2	-	-	-	-	66.2	-	-	66.2
Amortization of intangible assets	-	-	-	31.2	-	3.9	35.1	-	-	35.1
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	144.7	2.2	-	117.1	60.4	17.1	341.5	2.0	-	343.5
Interest income	1.2	26.3	-	0.2	17.2	6.9	51.8	22.7	(6.0)	68.5
Finance costs	-	0.2	-	0.7	8.6	-	9.5	110.9	(6.0)	114.4
Income tax expenses	4.7	45.0	11.5	165.0	34.0	28.8	289.0	43.2	-	332.2
As at 30 June 2010										
Company and subsidiaries	980.1	1,580.4	2.3	3,324.3	4,336.1	-	10,223.2	6,990.2	-	17,213.4
Associated companies	337.4	399.4	-	-	1,096.2	736.5	2,569.5	1,935.9	-	4,505.4
Jointly controlled entities	3,141.4	5,220.8	5,766.7	17.3	1,717.1 (i)	-	15,863.3	98.8	-	15,962.1
Total assets	4,458.9	7,200.6	5,769.0	3,341.6	7,149.4	736.5	28,656.0	9,024.9	-	37,680.9
Total liabilities	11.0	405.6	16.1	1,025.7	3,100.7	-	4,559.1	6,669.7	-	11,228.8

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

NOTES TO THE FINANCIAL STATEMENTS

6 Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2010 is as follows (continued):

HK\$m	Ports & Logistics	Roads	Energy & Water	Facilities Management	Contracting & Transport	Financial Services	Total
2009							
Total revenue	-	247.6	8.2	5,502.0	11,671.7	698.8	18,128.3
Inter-segment	-	-	-	(97.9)	(767.7)	(11.8)	(877.4)
Revenue – external	-	247.6	8.2	5,404.1	10,904.0	687.0	17,250.9
Attributable operating profit							
Company and subsidiaries	1.0	51.9	-	608.9	100.4	58.9	821.1
Associated companies	31.4	(31.4)	15.6	1.3	38.6	60.3	115.8 (b)
Jointly controlled entities	267.7	768.9	415.0	1.9	146.7 (i)	-	1,600.2 (b)
	300.1	789.4	430.6	612.1	285.7	119.2	2,537.1
Reconciliation							
Net gain on disposal of controlling interest in subsidiaries							39.4
Net loss from securities investments, net of tax							(37.8) (ii)
Share of profit from Harbour Place							338.0
Net gain on disposal and restructuring of projects							176.3
Fair value loss of investment properties, net of tax							(10.0)
Assets impairment loss							(4.8)
Gain on deemed acquisition of interest in a subsidiary							32.6
Corporate interest income							16.1
Corporate finance costs							(214.1)
Share-based payment							(41.2)
Corporate expenses and others							(302.8)
Profit attributable to shareholders							2,528.8

(i) The amount included the Group's share of attributable operating profit of HK\$101.4 million from its Transport business.

(ii) The amount included the Group's share of losses of HK\$173.7 million from three associated companies engaged in investment activities.

NOTES TO THE FINANCIAL STATEMENTS

6 Revenue and segment information (continued)

(a) The information of the reportable segments provided to the Executive Committee for FY2010 is as follows (continued):

HK\$m	Ports & Logistics	Roads	Energy & Water	Facilities Management	Contracting & Transport	Financial Services	Segment total	Corporate	Eliminations	Consolidated
2009										
Depreciation	0.6	1.8	-	53.9	28.5	29.6	114.4	6.3	-	120.7
Amortization of leasehold land and land use rights	-	-	-	0.2	1.4	-	1.6	0.4	-	2.0
Amortization of intangible concession rights	-	75.6	-	-	-	-	75.6	-	-	75.6
Amortization of intangible assets	-	-	-	7.8	-	7.7	15.5	-	-	15.5
Additions to non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets	142.8	2.2	-	396.1	14.8	58.6	614.5	16.5	-	631.0
Interest income	1.8	129.2	-	3.4	16.5	39.3	190.2	16.1	(6.1)	200.2
Finance costs	-	5.8	-	1.9	8.6	-	16.3	214.1	(6.1)	224.3
Income tax expenses	2.0	31.9	7.8	82.8	32.3	5.0	161.8	1.1	-	162.9
As at 30 June 2009										
Company and subsidiaries	1,034.4	1,899.6	3.3	3,408.9	6,827.9	9,095.6	22,269.7	3,693.4	-	25,963.1
Associated companies	333.5	422.9	-	1.9	1,050.8	437.3	2,246.4	916.4	-	3,162.8
Jointly controlled entities	2,861.7	5,417.0	5,174.1	18.6	1,516.1 (i)	-	14,987.5	165.2	-	15,152.7
Total assets	4,229.6	7,739.5	5,177.4	3,429.4	9,394.8	9,532.9	39,503.6	4,775.0	-	44,278.6
Total liabilities	2.5	445.3	9.9	824.2	5,082.6	7,022.7	13,387.2	6,632.0	-	20,019.2

(i) The balance included the Group's investment in its Transport business of HK\$1,399.7 million.

NOTES TO THE FINANCIAL STATEMENTS

6 Revenue and segment information (continued)

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

HK\$m	Associated companies		Jointly controlled entities	
	2010	2009	2010	2009
Attributable operating profit	226.1	115.8	1,581.8	1,600.2
Corporate associated companies and jointly controlled entities				
Investment companies	263.6	(173.7)	–	–
Harbour Place	–	–	337.9	338.0
Disposal gains of projects	–	–	253.6	–
Others	(4.7)	(5.6)	(51.3)	(157.6)
Share of results of associated companies and jointly controlled entities	485.0	(63.5)	2,122.0	1,780.6

(c) Information by geographical areas:

HK\$m	Revenue		Non-current assets other than financial instruments, deferred tax assets and post-employment benefits assets	
	2010	2009	2010	2009
Hong Kong	9,671.8	11,672.5	2,906.0	3,464.8
Mainland China	1,421.9	1,832.1	958.2	1,057.4
Macau	992.1	3,742.4	24.9	67.0
Others	3.2	3.9	–	–
	12,089.0	17,250.9	3,889.1	4,589.2

NOTES TO THE FINANCIAL STATEMENTS

7 Net gain on disposal of controlling interest in subsidiaries

	Note	2010 HK\$m	2009 HK\$m
Net profit on disposal of partial interest in subsidiaries		622.9	56.7
Net profit/(loss) on disposal of subsidiaries		2.5	(17.3)
Gain on remeasuring non-controlling interest retained at fair value after disposal of partial interest in a subsidiary	2(a)	105.8	–
		731.2	39.4

Pursuant to the sale and purchase agreement dated 19 November 2009, the Group disposed of part of its interest in Taifook Securities during FY2010 (the “Disposal”) and the Disposal was completed on 21 December 2009. Immediately before the completion of the Disposal, the Group held approximately 61.86% interest in Taifook Securities and pursuant to the Disposal, approximately 52.86% interest in Taifook Securities was disposed of and approximately 9% interest was retained.

Pursuant to the Group’s participation on the board of directors of Taifook Securities, the Board considers the Group has significant influence over Taifook Securities and accordingly, the Group’s retained interest in Taifook Securities is accounted for as an associated company.

Summarized financial information of Taifook Securities is set out below:

	For the period up to the date of the Disposal HK\$m	For the year ended 30 June 2009 HK\$m
Revenue	480.9	665.6
Profit for the period/year	140.4	74.4

	At the date of the Disposal HK\$m	At 30 June 2009 HK\$m
Total assets	8,410.1	9,094.4
Total liabilities	6,200.3	6,972.1

NOTES TO THE FINANCIAL STATEMENTS

8 Other income (net)

	Note	2010 HK\$'m	2009 HK\$'m
Profit on disposal of available-for-sale financial assets		133.0	54.1
Profit on disposal of assets held for sale		257.8	274.5
Net profit/(loss) on disposal of financial assets at fair value through profit or loss		16.8	(71.0)
Fair value gain/(loss) on financial assets at fair value through profit or loss		4.1	(19.4)
Fair value gain/(loss) on investment properties	17	6.6	(12.0)
Interest income		68.5	200.2
Management fee income		54.3	40.1
Machinery hire income		39.8	43.0
Dividends and other income		34.8	7.2
Gain from extinguishment of financial liabilities		–	105.0
Gain on deemed acquisition of interest in a subsidiary		–	32.6
Net profit on disposal of an associated company and jointly controlled entities		–	71.3
Goodwill impairment		(226.4)	–
Assets impairment loss		(30.5)	(10.2)
Impairment loss on available-for-sale financial assets		–	(145.5)
		358.8	569.9

9 Operating profit

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

	Note	2010 HK\$'m	2009 HK\$'m
Crediting			
Gross rental income from investment properties		43.3	44.5
Less: outgoings		(11.5)	(11.5)
		31.8	33.0
Exchange gains		13.6	0.4
Charging			
Auditor's remuneration		20.8	19.9
Cost of inventories sold		1,837.1	1,525.8
Cost of services rendered		8,274.6	13,881.5
Depreciation	18	115.5	120.7
Amortization of leasehold land and land use rights	19	1.9	2.0
Amortization of intangible concession rights	20	66.2	75.6
Amortization of intangible assets	21	35.1	15.5
Operating lease rental expenses			
Properties		95.3	124.7
Other equipment		3.8	6.4
Staff costs (including directors' emoluments)	10	2,233.5	2,567.9

NOTES TO THE FINANCIAL STATEMENTS

10 Staff costs (including directors' emoluments)

	Note	2010 HK\$m	2009 HK\$m
Wages, salaries and other benefits		2,425.0	2,672.9
Share-based payments	35	15.3	41.2
Pension costs – defined contribution plans	40(a)	97.5	105.6
Pension costs – defined benefits plans	40(b)(ii)	(0.3)	(3.1)
		2,537.5	2,816.6
Less: capitalized under contracts in progress		(304.0)	(248.7)
	9	2,233.5	2,567.9

11 Finance costs

	2010 HK\$m	2009 HK\$m
Interest on borrowings wholly repayable within five years	101.7	208.6
Interest on loans from non-controlling shareholders wholly repayable within five years	0.1	5.8
Other borrowing costs	12.6	9.9
	114.4	224.3

12 Income tax expenses

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

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

	Note	2010 HK\$m	2009 HK\$m
Current income tax			
Hong Kong profits tax		198.0	84.7
Mainland China and overseas taxation		113.3	83.5
Deferred income tax charge/(credit)	39	20.9	(5.3)
		332.2	162.9

Share of taxation of associated companies and jointly controlled entities of HK\$38.7 million (2009: HK\$27.4 million) and HK\$347.1 million (2009: HK\$296.6 million) respectively are included in the consolidated income statement as share of results of associated companies and jointly controlled entities respectively.

NOTES TO THE FINANCIAL STATEMENTS

12 Income tax expenses (continued)

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

	2010 HK\$'m	2009 HK\$'m
Profit before income tax	4,414.2	2,743.6
Excluding share of results of associated companies	(485.0)	63.5
Excluding share of results of jointly controlled entities	(2,122.0)	(1,780.6)
	1,807.2	1,026.5
Calculated at a tax rate of 16.5% (2009: 16.5%)	298.2	169.4
Effect of different taxation rates in other countries	(4.3)	(6.6)
Tax exemption granted	(13.9)	(5.0)
Income not subject to tax	(162.1)	(139.1)
Expenses not deductible for tax purposes	110.7	95.0
Tax losses not recognized	60.5	69.7
Utilization of previously unrecognized tax losses	(23.9)	(28.1)
Withholding tax on dividend income	57.3	37.6
Others	9.7	(30.0)
Income tax expenses	332.2	162.9

13 Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$2,373.3 million (2009: HK\$1,269.5 million).

14 Dividends

	2010 HK\$'m	2009 HK\$'m
Interim dividend paid of HK\$0.62 (2009: HK\$0.20) per share	1,309.0	411.1
Final dividend proposed of HK\$0.33 (2009: paid of HK\$0.42) per share	719.0	869.9
	2,028.0	1,281.0

At a meeting held on 5 October 2010, the board of directors recommended a final dividend of HK\$0.33 per share in scrip form with a cash option. This proposed dividend is not reflected as a dividend payable in the financial statements but will be reflected as an appropriation of the retained profits for the year ending 30 June 2011.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting the listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholder could elect to receive in cash and they will be given the option to elect to receive payment in cash of HK\$0.33 per share instead of the allotment of shares. Full details of the final scrip dividend will be set out in circular to be sent to the shareholders together with a form of election for cash dividend on or about 24 November 2010.

NOTES TO THE FINANCIAL STATEMENTS

15 Earnings per share

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

	2010 HK\$'m	2009 HK\$'m
Profit attributable to shareholders of the Company and for calculation of basic and diluted earnings per share	4,011.7	2,528.8
	Number of shares	
	2010	2009
Weighted average number of shares for calculating basic earnings per share	2,093,228,132	2,056,499,872
Effect of dilutive potential ordinary shares Share options	–	21,972
Weighted average number of shares for calculating diluted earnings per share	2,093,228,132	2,056,521,844

16 Emoluments of directors and senior management

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

	Note	2010 HK\$'m	2009 HK\$'m
Fees		3.1	3.0
Basic salaries, allowances and other benefits		56.4	44.2
Employer's contribution to retirement benefits schemes		2.2	2.5
Share option benefits	(a)	61.7	49.7
	(b)	8.3	24.2
		70.0	73.9

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

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

NOTES TO THE FINANCIAL STATEMENTS

16 Emoluments of directors and senior management (continued)

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

Name of director	Fees HK\$m	Basic salaries, allowances and other benefits HK\$m	Employer's contribution to retirement benefits schemes HK\$m	2010 Total emoluments HK\$m	2009 Total emoluments HK\$m
Dr Cheng Kar Shun, Henry	0.30	10.20	0.40	10.90	9.29
Mr Doo Wai Hoi, William #	0.15	3.22	0.06	3.43	4.61
Mr Chan Kam Ling	0.16	0.77	0.07	1.00	6.97
Mr Tsang Yam Pui	0.27	6.44	0.32	7.03	6.21
Mr Wong Kwok Kin, Andrew	0.15	18.32 **	0.35	18.82	5.64
Mr Lam Wai Hon, Patrick	0.25	5.29	0.35	5.89	5.71
Mr Cheung Chin Cheung	0.15	5.16	0.35	5.66	5.38
Mr William Junior Guilherme Doo	0.20	4.44	0.22	4.86	4.43
Mr Cheng Chi Ming, Brian	0.07	2.32	0.08	2.47	–
Mr Wilfried Ernst Kaffenberger #	0.15	0.01	–	0.16	0.16
Mr To Hin Tsun, Gerald #	0.15	0.11	–	0.26	0.16
Mr Dominic Lai #	0.25	0.03	–	0.28	0.28
Mr Kwong Che Keung, Gordon *	0.30	0.03	–	0.33	0.32
Mr Cheng Wai Chee, Christopher *	0.25	0.03	–	0.28	0.27
Mr Shek Lai Him, Abraham *	0.25	0.03	–	0.28	0.27
	3.05	56.40	2.20	61.65	49.70

Non-executive director

* Independent non-executive director

** This amount includes the gratuity payment of HK\$13.0 million in recognition of Mr Wong's long service and contribution to the Group.

NOTES TO THE FINANCIAL STATEMENTS

16 Emoluments of directors and senior management (continued)

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

Name of director	2010 Deemed share option benefits HK\$m	2009 Deemed share option benefits HK\$m
Dr Cheng Kar Shun, Henry	1.53	4.22
Mr Doo Wai Hoi, William #	1.02	2.82
Mr Chan Kam Ling	0.61	2.82
Mr Tsang Yam Pui	0.76	2.11
Mr Wong Kwok Kin, Andrew	0.76	2.11
Mr Lam Wai Hon, Patrick	0.76	2.11
Mr Cheung Chin Cheung	0.76	2.11
Mr William Junior Guilherme Doo	0.76	2.11
Mr Wilfried Ernst Kaffenberger #	0.15	0.42
Mr To Hin Tsun, Gerald #	0.15	0.42
Mr Dominic Lai #	0.15	0.42
Mr Kwong Che Keung, Gordon *	0.31	0.84
Mr Cheng Wai Chee, Christopher *	0.31	0.84
Mr Shek Lai Him, Abraham *	0.31	0.84
	8.34	24.19

Non-executive director

* Independent non-executive director

The deemed share option benefits are calculated in accordance with the requirement as stipulated in HKFRS 2 "Share-based payment". None of the directors of the Company has exercised the share options during the year.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2009: four) directors whose emoluments are reflected above. The emoluments payable to the remaining one individual in FY2009 were as follows:

	2010 HK\$m	2009 HK\$m
Basic salaries, allowances and other benefits	–	13.03
Employer's contribution to retirement benefits schemes	–	0.01
	–	13.04

The emoluments of the individual fell within the following band:

Emolument band (HK\$)	Number of individuals	
	2010	2009
13,000,001 – 13,500,000	–	1

NOTES TO THE FINANCIAL STATEMENTS

17 Investment properties

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
At beginning of year		1,117.7	1,129.7
Transfer from property, plant and equipment, leasehold land and land use rights	2(a),18,19	935.7	–
Fair value changes	8	6.6	(12.0)
At end of year		2,060.0	1,117.7

	Group	
	2010 HK\$'m	2009 HK\$'m
Analyzed by		
Completed properties	1,124.3	1,117.7
Property under construction	935.7	–
	2,060.0	1,117.7

The investment property under construction is a new logistics warehouse in Hong Kong which is scheduled for completion in 2011.

The investment properties were revalued on 30 June 2010 and 30 June 2009 by independent, professionally qualified valuers, Vigers Hong Kong Limited or Amercian Appraisal China Limited. Valuations were based on market value assessment or the depreciated replacement cost approach as stated in note 5(b).

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

	2010 HK\$'m	2009 HK\$'m
Held in Hong Kong, on		
Leases of over 50 years	53.0	1,104.5
Leases of between 10 to 50 years	2,002.3	8.5
Held in Mainland China, on		
Leases of over 50 years	4.7	4.7
	2,060.0	1,117.7

NOTES TO THE FINANCIAL STATEMENTS

18 Property, plant and equipment (continued)

HK\$m	Note	Group				Total	Company
		Properties	Port facilities and terminal equipment	Construction in progress	Other plant and equipment		Other plant and equipment
Cost							
At 1 July 2008		132.9	6.0	–	1,727.1	1,866.0	26.8
Additions		1.9	–	142.8	151.2	295.9	0.4
Amortization from leasehold land and land use rights capitalized	19	–	–	13.0	–	13.0	–
Disposals		(0.7)	(6.0)	–	(101.8)	(108.5)	(1.5)
Disposal of subsidiaries	44(b)	–	–	–	(37.3)	(37.3)	–
At 30 June 2009		134.1	–	155.8	1,739.2	2,029.1	25.7
Accumulated depreciation and impairment							
At 1 July 2008		25.8	2.6	–	1,275.4	1,303.8	18.3
Depreciation	9	3.6	0.6	–	116.5	120.7	3.6
Impairment		3.4	–	–	–	3.4	–
Disposals		(0.2)	(3.2)	–	(95.3)	(98.7)	(1.5)
Disposal of subsidiaries	44(b)	–	–	–	(19.8)	(19.8)	–
At 30 June 2009		32.6	–	–	1,276.8	1,309.4	20.4
Net book value							
At 30 June 2009		101.5	–	155.8	462.4	719.7	5.3
At 30 June 2008		107.1	3.4	–	451.7	562.2	8.5

NOTES TO THE FINANCIAL STATEMENTS

19 Leasehold land and land use rights

		Group	
	Note	2010 HK\$'m	2009 HK\$'m
Cost			
At beginning of year		785.5	788.3
Disposals		(20.4)	(2.8)
Transferred to investment properties	2(a),17	(648.2)	–
Reclassified as assets held for sale	32(a)	(94.4)	–
At end of year		22.5	785.5
Accumulated amortization and impairment			
At beginning of year		57.8	42.8
Amortization charged to income statement	9	1.9	2.0
Amortization capitalized on construction in progress	18	13.0	13.0
Impairment		4.2	1.4
Disposals		(3.0)	(1.4)
Transferred to investment properties	2(a),17	(26.0)	–
Reclassified as assets held for sale	32(a)	(42.0)	–
At end of year		5.9	57.8
Net book value			
At end of year		16.6	727.7

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

	2010 HK\$'m	2009 HK\$'m
Held in Hong Kong, on		
Leases of over 50 years	3.9	17.4
Leases of between 10 to 50 years	6.4	683.5
Held in Mainland China and overseas, on		
Leases of over 50 years	4.7	11.3
Leases of between 10 to 50 years	1.6	15.3
Leases of below 10 years	–	0.2
	16.6	727.7

NOTES TO THE FINANCIAL STATEMENTS

20 Intangible concession rights

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
Cost			
At beginning of year		1,505.9	1,885.6
Disposals		–	(193.1)
Disposal of subsidiaries	44(b)	–	(186.6)
At end of year		1,505.9	1,505.9
Accumulated amortization and impairment			
At beginning of year		528.6	582.5
Amortization	9	66.2	75.6
Disposals		–	(58.8)
Disposal of subsidiaries	44(b)	–	(70.7)
At end of year		594.8	528.6
Net book value			
At end of year		911.1	977.3

NOTES TO THE FINANCIAL STATEMENTS

21 Intangible assets

HK\$'m	Note	Group			Total
		Goodwill	Trademark and licences	Operating right	
Cost					
At 1 July 2009		358.7	162.8	567.4	1,088.9
Disposal of a subsidiary	44(b)	(65.1)	(162.8)	–	(227.9)
At 30 June 2010					
		293.6	–	567.4	861.0
Accumulated amortization and impairment					
At 1 July 2009		15.4	18.9	7.8	42.1
Amortization	9	–	3.9	31.2	35.1
Impairment	(a)	226.4	–	–	226.4
Disposal of a subsidiary	44(b)	–	(22.8)	–	(22.8)
At 30 June 2010					
		241.8	–	39.0	280.8
Net book value					
At 30 June 2010					
		51.8	–	528.4	580.2
At 30 June 2009					
		343.3	143.9	559.6	1,046.8

HK\$'m		Group			Total
		Goodwill	Trademark and licences	Operating right	
Cost					
At 1 July 2008		360.4	162.8	232.3	755.5
Additions		–	–	335.1	335.1
Disposal of subsidiaries	44(b)	(1.7)	–	–	(1.7)
At 30 June 2009					
		358.7	162.8	567.4	1,088.9
Accumulated amortization and impairment					
At 1 July 2008		15.4	11.2	–	26.6
Amortization	9	–	7.7	7.8	15.5
At 30 June 2009					
		15.4	18.9	7.8	42.1
Net book value					
At 30 June 2009					
		343.3	143.9	559.6	1,046.8
At 30 June 2008					
		345.0	151.6	232.3	728.9

NOTES TO THE FINANCIAL STATEMENTS

21 Intangible assets (continued)

(a) Goodwill

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units identified according to country of operation and business segment. For the purpose of impairment test, the recoverable amount of the business unit is determined based on value in use calculations. The key assumptions adopted on growth rates and discount rates used in the value in use calculations are based on management's best estimates and past experience. Growth rates with range from 0% to 2.2% are determined by considering both internal and external factors relating to the Roads and Financial Services segments. Projected cashflow periods range from 15 to 20 years. Pre-tax discount rates used ranging from 4.34% to 7.55% also reflect specific risks relating to the Roads and Financial Services segments.

The mechanical and engineering business under the Contracting segment and the facility services business, which comprises property management, security and guarding, cleaning and laundry business units, under the Facilities Management segment continue to operate under keen competition with decreasing margin and increasing operating costs. The Group adopted a discounted cash flow model in determining recoverable amount of the goodwill allocated to these business units and recognized impairment charges of HK\$136.8 million and HK\$89.6 million respectively for the goodwill of the Contracting segment and the Facilities Management segment. These charges have been recorded in the consolidated income statement in FY2010.

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

HK\$m	Hong Kong	Mainland China	Total
2010			
Roads	–	17.7	17.7
Financial Services	34.1	–	34.1
	34.1	17.7	51.8
2009			
Contracting	136.8	–	136.8
Facilities Management	89.6	–	89.6
Roads	–	17.7	17.7
Financial Services	99.2	–	99.2
	325.6	17.7	343.3

(b) Trademark and licences

Trademark and licences as at 30 June 2009 were primarily resulted from the acquisition of securities business. As set out in note 7, the Group has disposed of its controlling interest in securities business in December 2009.

(c) Operating right

Operating right as at 30 June 2010 was primarily resulted from the acquisition of right to operate its facilities management business. Operating right is amortized over the period of the operating right and tested for impairment when there is indication of impairment.

NOTES TO THE FINANCIAL STATEMENTS

22 Subsidiaries

	Company	
	2010 HK\$m	2009 HK\$m
Unlisted shares, at cost	7,893.3	7,893.3

Particulars of principal subsidiaries are given in note 48.

23 Associated companies

	Note	Group	
		2010 HK\$m	2009 HK\$m
Group's share of net assets			
Listed shares in Hong Kong	(a)	1,298.0	900.8
Unlisted shares	(b)	3,031.1	1,761.5
		4,329.1	2,662.3
Goodwill		31.4	31.4
Amounts receivable	(c)	144.9	469.1
		4,505.4	3,162.8

(a) The market value of the Group's listed associated companies in Hong Kong amounts to HK\$718.5 million (2009: HK\$286.6 million).

(b) Included in the HK\$3,031.1 million unlisted associated companies are three investment companies in which the Group has participating interests and are held for investment purposes. The Group's investments in these companies as at 30 June 2010 amounted to HK\$1,869.7 million (2009: HK\$916.4 million), which mainly represents various loans receivables and the fair value of investments in various listed and unlisted securities. For FY2010, the Group's share of profits of these three investment companies amounted to HK\$263.6 million (2009: share of losses HK\$173.7 million) as detailed in note 6(a)(ii).

(c) The amounts receivable are unsecured, interest free and have no fixed terms of repayment except for an amount of HK\$104.7 million (2009: HK\$104.7 million) which bears interest at 8% per annum. As at 30 June 2010, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

(d) Dividend income from associated companies for the year was HK\$149.3 million (2009: HK\$51.9 million).

(e) Details of principal associated companies are given in note 49.

NOTES TO THE FINANCIAL STATEMENTS

23 Associated companies (continued)

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

	Group	
	2010 HK\$'m	2009 HK\$'m
Revenue	904.0	849.5
Profit/(loss) for the year	485.0	(63.5)
Non-current assets	4,714.5	3,731.0
Current assets	1,725.3	584.4
Current liabilities	(1,515.0)	(956.1)
Non-current liabilities	(595.7)	(697.0)
Net assets	4,329.1	2,662.3

24 Jointly controlled entities

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
Co-operative joint ventures			
Cost of investment less provision		1,178.9	1,190.0
Goodwill		90.0	90.0
Share of undistributed post-acquisition results		991.5	1,275.1
Amounts receivable	(a)	341.4	537.8
		2,601.8	3,092.9
Equity joint ventures			
Group's share of net assets		3,270.8	3,100.2
Goodwill		159.3	159.3
Amounts receivable	(a)	230.9	-
		3,661.0	3,259.5
Companies limited by shares			
Group's share of net assets		7,421.4	6,408.9
Goodwill		555.8	578.2
Amounts receivable	(a)	1,722.1	727.9
		9,699.3	7,715.0
Deposit paid for a joint venture	(b)	-	1,085.3
		15,962.1	15,152.7

NOTES TO THE FINANCIAL STATEMENTS

24 Jointly controlled entities (continued)

(a) Amounts receivable are analyzed as follows:

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
Interest bearing			
Fixed rate	(i)	–	14.2
Variable rates	(ii)	12.1	11.3
Non-interest bearing		2,282.3	1,240.2
		2,294.4	1,265.7

(i) Represent fixed rate at 6% per annum as at 30 June 2009.

(ii) Represent Hong Kong prime rate (2009: Hong Kong prime rate).

As at 30 June 2010, the carrying amounts of the amounts receivable are not materially different from their fair values and are fully performing.

- (b) Deposit paid for a joint venture was reclassified as companies limited by shares in the current year upon fulfillment of the relevant joint venture contracts.
- (c) Dividend income from jointly controlled entities for the year was HK\$2,168.1 million (2009: HK\$1,467.8 million).
- (d) Details of principal jointly controlled entities are given in note 50.
- (e) Contingent liabilities relating to the Group's interests in the jointly controlled entities are disclosed in note 43.
- (f) The Group's share of revenue, results, assets and liabilities of jointly controlled entities are summarized below:**

	Group	
	2010 HK\$'m	2009 HK\$'m
Revenue	10,298.6	10,372.4
Profit for the year	2,122.0	1,780.6
Non-current assets	18,811.7	17,697.0
Current assets	4,539.8	4,666.4
Current liabilities	(5,595.0)	(5,952.2)
Non-current liabilities	(4,893.9)	(4,437.0)
Net assets	12,862.6	11,974.2

NOTES TO THE FINANCIAL STATEMENTS

25 Available-for-sale financial assets

	Group	
	2010 HK\$'m	2009 HK\$'m
Listed securities		
Equity securities listed in Hong Kong	1,327.0	201.3
Equity securities listed overseas	–	38.9
Unlisted securities		
Equity securities	171.8	350.3
Debt securities	10.0	10.0
	1,508.8	600.5
Market value of listed securities	1,327.0	240.2

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

	Group	
	2010 HK\$'m	2009 HK\$'m
Hong Kong dollar	1,298.2	224.3
Renminbi	–	140.8
United States dollar	210.6	173.1
Others	–	62.3
	1,508.8	600.5

NOTES TO THE FINANCIAL STATEMENTS

26 Other non-current assets

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
Long term receivable	(a)	–	39.0
Retirement benefit assets	40(b)(i)	9.1	17.2
Deferred tax assets	39	3.3	17.3
Property for development		141.7	143.8
Security deposits		377.6	377.6
Investment deposits	(b)	291.5	–
Held-to-maturity investment	(c)	246.0	–
Others		–	6.8
		1,069.2	601.7

(a) Long term receivable

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
Long term receivable		38.6	116.7
Current portion included in trade and other receivables	28	(38.6)	(77.7)
		–	39.0

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

- (b) As at 30 June 2010, the Group paid an investment deposits amounting HK\$291.5 million for the purpose of acquiring an interest in a company through an investment vehicle. The balance of authorized but not contracted for commitment is disclosed in note 42. As at the date of this report, an aggregate amount of approximately HK\$1.3 billion, including the investment deposits, was paid by the Group in relation to the acquisition.

(c) Held-to-maturity investment

	Group	
	2010 HK\$'m	2009 HK\$'m
Listed security		
Debt security listed overseas	246.0	–

Held-to-maturity investment is initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less impairment.

The market value of the held-to-maturity investment approximates its carrying value.

NOTES TO THE FINANCIAL STATEMENTS

27 Inventories

	Group	
	2010 HK\$'m	2009 HK\$'m
Raw materials	8.0	25.2
Work-in-progress	–	14.6
Finished goods	205.0	210.4
	213.0	250.2

28 Trade and other receivables

	Note	Group		Company	
		2010 HK\$'m	2009 HK\$'m	2010 HK\$'m	2009 HK\$'m
Trade receivables	(a)	611.3	3,963.9	–	–
Retention money receivables		728.7	1,335.7	–	–
Current portion of long term receivable	26(a)	38.6	77.7	–	–
Amounts due from customers for contract works	33	88.6	185.6	–	–
Advances to customers	(b)	–	1,726.7	–	–
Other receivables, deposits and prepayments		1,781.9	2,989.8	4.7	4.3
Amounts due from associated companies	(c)	38.3	62.1	–	–
Amounts due from jointly controlled entities	(c)	222.8	383.9	–	–
Amounts due from subsidiaries	(c)	–	–	11,148.5	11,509.1
		3,510.2	10,725.4	11,153.2	11,513.4

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

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
Receivables arising from securities business	(i)	–	2,746.0
Other trade receivables		611.3	1,217.9
		611.3	3,963.9

- (i) Receivables arising from securities business mainly represented accounts receivable from clients, brokers, dealers and clearing houses which were mainly aged under 3 months and accounts receivable from subscription of new shares in initial public offerings (“IPO”) amounted to HK\$1,646.9 million which were settled within one week after 30 June 2009. As set out in note 7, the Group disposed of its controlling interest in securities business in December 2009.

NOTES TO THE FINANCIAL STATEMENTS

28 Trade and other receivables (continued)

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

The ageing analysis of trade receivables is as follows:

	Group	
	2010 HK\$m	2009 HK\$m
Under 3 months	418.7	3,737.5
4 to 6 months	157.9	80.3
Over 6 months	34.7	146.1
	611.3	3,963.9

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

The maximum exposure of trade receivables equal their carrying amounts.

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

At 30 June 2010, over 37% (2009: over 85%) of trade receivables is neither past due nor impaired, and trade receivables of HK\$381.7 million (2009: HK\$553.7 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2010 HK\$m	2009 HK\$m
Under 3 months	263.5	355.7
4 to 6 months	88.3	71.4
Over 6 months	29.9	126.6
	381.7	553.7

NOTES TO THE FINANCIAL STATEMENTS

28 Trade and other receivables (continued)

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

At 30 June 2010, trade receivables of HK\$7.4 million (2009: HK\$25.2 million) were impaired, which were related to customers that were in financial difficulties. The ageing analysis of these trade receivables is as follows:

	Group	
	2010 HK\$'m	2009 HK\$'m
Under 3 months	–	0.1
4 to 6 months	0.4	1.5
Over 6 months	7.0	23.6
	7.4	25.2

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

	Group	
	2010 HK\$'m	2009 HK\$'m
At beginning of year	25.2	131.2
Increase in provision recognized in income statement	1.4	0.5
Amounts recovered	(0.1)	(2.1)
Amounts written off during the year	(3.4)	(104.4)
Reclassified as assets held for sale	(15.7)	–
At end of year	7.4	25.2

(b) The Group has made loans to margin clients for its securities business as at 30 June 2009. As set out in note 7, the Group disposed of its controlling interest in securities business in December 2009.

(c) The amounts receivable are interest free, unsecured, have no fixed repayment terms and are fully performing as at 30 June 2010.

The Group has recognized a loss of HK\$1.4 million (2009: HK\$0.5 million) for the impairment of its trade receivables during the year ended 30 June 2010. The loss has been included in general and administrative expenses in the consolidated income statement.

Included in the Group's trade and other receivables are HK\$327.4 million (2009: HK\$1,607.4 million) denominated in Renminbi and HK\$607.1 million (2009: HK\$1,259.2 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong dollar.

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

NOTES TO THE FINANCIAL STATEMENTS

29 Financial assets at fair value through profit or loss

	Group	
	2010 HK\$m	2009 HK\$m
Listed securities		
Equity securities listed in Hong Kong	34.0	24.9
Unlisted securities		
Equity securities	1.5	34.0
Debt securities	–	4.4
	35.5	63.3
Market value of listed securities	34.0	24.9

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

	Group	
	2010 HK\$m	2009 HK\$m
Hong Kong dollar	34.0	27.4
United States dollar	1.5	35.9
	35.5	63.3

30 Cash held on behalf of customers

The cash held on behalf of customer is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. Accordingly, the Group maintains segregated trust accounts with authorized institutions to hold clients' monies arising from its securities business. As set out in note 7, the Group disposed of its controlling interest in securities business in December 2009.

NOTES TO THE FINANCIAL STATEMENTS

31 Cash and bank balances

	Group		Company	
	2010 HK\$'m	2009 HK\$'m	2010 HK\$'m	2009 HK\$'m
Time deposits	2,301.0	1,836.7	1,038.9	1,082.1
Other cash at bank and in hand	2,856.6	3,368.4	218.5	34.0
	5,157.6	5,205.1	1,257.4	1,116.1

The effective interest rate on time deposits was 0.66% (2009: 0.13%) per annum; these deposits have an average maturity of 21 days (2009: 23 days).

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

	Group		Company	
	2010 HK\$'m	2009 HK\$'m	2010 HK\$'m	2009 HK\$'m
Hong Kong dollar	1,991.5	2,625.9	857.4	933.8
United States dollar	414.0	289.0	400.0	182.3
Renminbi	2,563.3	2,014.6	–	–
Macau Pataca	187.1	240.5	–	–
Others	1.7	35.1	–	–
	5,157.6	5,205.1	1,257.4	1,116.1

32 Assets held for sale/liabilities directly associated with assets held for sale

Assets held for sale

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
Listed securities			
Equity security listed in Hong Kong		13.3	10.8
Equity security listed in Mainland China		115.9	255.0
Assets of the Disposal Group reclassified as held for sale	(a)	1,700.8	–
		1,830.0	265.8

Liabilities directly associated with assets held for sale

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
Liabilities of the Disposal Group reclassified as held for sale	(a)	(1,294.4)	–

NOTES TO THE FINANCIAL STATEMENTS

32 Assets held for sale/liabilities directly associated with assets held for sale (continued)

- (a) On 11 June 2010, NWD and the Company jointly announced that agreements were entered into in respect of the disposal of certain of the Group's non-core businesses under a management buyout arrangement, including (a) laundry and landscaping; (b) security and guarding; (c) trading of building materials; (d) senior residents' home; (e) insurance and brokerage; (f) property management in Hong Kong; (g) cleaning; and (h) electrical and mechanical engineering (collectively, the "Disposal Group") subject to certain conditions precedent. Total consideration for the disposal was HK\$888.5 million and the expected gain would amount to approximately HK\$0.3 billion upon completion of the transactions. Assets and liabilities of the Disposal Group are reclassified as held for sale.

	Note	2010 HK\$m	2009 HK\$m
Assets			
Property, plant and equipment	18	151.8	–
Leasehold land and land use rights	19	52.4	–
Associated companies		6.1	–
Jointly controlled entities		3.8	–
Other non-current assets		9.4	–
Inventories		31.0	–
Trade and other receivables		1,247.5	–
Cash and bank balances		569.2	–
		2,071.2	–
Less: Amounts due from group companies		(370.4)	–
Assets of the Disposal Group reclassified as held for sale		1,700.8	–
Liabilities			
Deferred tax liabilities	39	(1.5)	–
Other non-current liabilities		(25.0)	–
Trade and other payables		(1,478.8)	–
Taxation		(32.3)	–
Borrowings		(0.1)	–
		(1,537.7)	–
Less: Amounts due to group companies		243.3	–
Liabilities of the Disposal Group reclassified as held for sale		(1,294.4)	–

NOTES TO THE FINANCIAL STATEMENTS

33 Contracts in progress

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
Contract costs incurred plus attributable profits less foreseeable losses		28,949.8	38,053.4
Progress payments received and receivable		(29,196.2)	(38,459.1)
		(246.4)	(405.7)
Representing			
Gross amount due from customers for contract works	28	88.6	185.6
Gross amount due to customers for contract works	38	(335.0)	(591.3)
		(246.4)	(405.7)

34 Share capital

	Ordinary Shares	
	No. of shares	HK\$'m
Authorized		
At 1 July 2009	2,400,000,000	2,400.0
Increase	1,600,000,000	1,600.0
At 30 June 2010	4,000,000,000	4,000.0
Issued and fully paid		
At 1 July 2008	2,057,626,809	2,057.6
Exercise of share options	314,128	0.3
Issued as scrip dividends	18,078,923	18.1
Repurchase of shares	(4,712,000)	(4.7)
At 30 June 2009	2,071,307,860	2,071.3
Issued as scrip dividends	107,620,023	107.6
At 30 June 2010	2,178,927,883	2,178.9

NOTES TO THE FINANCIAL STATEMENTS

34 Share capital (continued)

Share Option Schemes

(a) The Company

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

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

	Note	Number of options		Weighted average exercise price of each category (HK\$)	
		2010	2009	2010	2009
At beginning of year		29,808,654	31,117,132	16.296	16.007
Exercised		–	(314,128)	–	6.094
Lapsed		(2,601,374)	(994,350)	16.157	10.466
Adjusted	(a)(ii)	236,860	–	16.267	–
At end of year		27,444,140	29,808,654	16.270	16.296

- (i) On 21 August 2007 and 28 January 2008, 29,694,000 and 700,000 share options were granted to directors and certain eligible participants at the exercise price of HK\$16.2 and HK\$20.6 respectively, which represents the closing price of the Company’s shares on the Hong Kong Stock Exchange on the dates of grant. Such share options will expire on 21 August 2012.
- (ii) Pursuant to the Share Option Scheme, the number of unexercised share options and exercise price may be subject to adjustment in case of alteration in the capital structure of the Company. The Company declared certain dividends in scrip form (with cash option) during FY2010 which gave rise to adjustments to the number of unexercised share options and the exercise price in accordance with the Share Option Scheme. The exercise price per share for the share options granted on 21 August 2007 and 28 January 2008 was adjusted to HK\$16.055 and HK\$20.417 respectively, both with effect from 7 June 2010.

NOTES TO THE FINANCIAL STATEMENTS

34 Share capital (continued)

Share Option Schemes (continued)

(a) The Company (continued)

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

	Expiry Date	Number of options		Vested percentage	
		2010	2009	2010	2009
Exercise price		HK\$16.055	HK\$16.193		
Director	21 August 2012	15,335,913	17,207,315	60%	40%
Other eligible participants	21 August 2012	11,401,974	11,901,044	60%	40%
		26,737,887	29,108,359		

	Expiry Date	Number of options		Vested percentage	
		2010	2009	2010	2009
Exercise price		HK\$20.417	HK\$20.591		
Other eligible participants	21 August 2012	706,253	700,295	60%	40%

(b) Taifook Securities

Taifook Securities, a former subsidiary of the Company, operates a share option scheme whereby options may be granted to eligible employees and directors, to subscribe for shares of Taifook Securities. As set out in note 7, the Group disposed of its controlling interest in securities business in December 2009.

- (c) The share options will be vested according to the share option schemes and the terms of grant provided that for the vesting to occur the grantee has to remain as an eligible participant on such vesting date.

NOTES TO THE FINANCIAL STATEMENTS

35 Reserves

HK\$m	Note	Group					Total
		Share premium	Special reserves	Investments revaluation reserve	Exchange reserve	Revenue reserve	
At 1 July 2009		10,814.9	409.0	278.1	1,620.8	7,981.1	21,103.9
Profit for the year		-	-	-	-	4,011.7	4,011.7
Dividends to shareholders of the Company		-	-	-	-	(2,178.9)	(2,178.9)
Fair value changes on available-for-sale financial assets							
Group		-	-	(105.1)	-	-	(105.1)
Associated companies		-	-	158.7	-	-	158.7
Release of reserve upon disposal of available-for-sale financial assets							
Group		-	-	(29.2)	-	-	(29.2)
Associated companies		-	-	(219.2)	-	-	(219.2)
Release of reserve upon disposal of assets held for sale		-	(0.2)	2.7	(9.7)	-	(7.2)
Release of reserve upon disposal of subsidiaries	44(b)	-	(30.9)	2.4	-	30.9	2.4
Currency translation differences							
Group		-	-	-	(3.6)	-	(3.6)
Associated companies		-	-	-	16.1	-	16.1
Jointly controlled entities		-	-	-	(23.0)	-	(23.0)
Scrip dividends							
Share premium on new shares issued		1,263.7	-	-	-	-	1,263.7
Share options							
Value of services provided							
Group		-	15.3	-	-	-	15.3
Associated companies		-	2.0	-	-	-	2.0
Jointly controlled entities		-	0.3	-	-	-	0.3
Share of other comprehensive income of a jointly controlled entity		-	6.0	-	-	-	6.0
Transfer		-	44.7	-	(0.8)	(43.9)	-
Cash flow hedges		-	(5.8)	-	-	-	(5.8)
At 30 June 2010		12,078.6	440.4	88.4	1,599.8	9,800.9	24,008.1
Representing							
Balance at 30 June 2010		12,078.6	440.4	88.4	1,599.8	9,081.9	23,289.1
Proposed final dividend		-	-	-	-	719.0	719.0
		12,078.6	440.4	88.4	1,599.8	9,800.9	24,008.1

NOTES TO THE FINANCIAL STATEMENTS

35 Reserves (continued)

HK\$'m	Note	Group					Revenue reserve	Total
		Share premium	Special reserves	Investments revaluation reserve	Exchange reserve			
At 1 July 2008		10,605.8	375.5	(139.8)	1,660.6	6,687.0	19,189.1	
Profit for the year		–	–	–	–	2,528.8	2,528.8	
Dividends to shareholders of the Company		–	–	–	–	(1,232.4)	(1,232.4)	
Fair value changes on available-for-sale financial assets								
Group		–	–	(24.5)	–	–	(24.5)	
Associated companies		–	–	284.9	–	–	284.9	
Release of reserve upon disposal of assets held for sale		–	(0.3)	3.5	(12.6)	–	(9.4)	
Release of reserve upon disposal of subsidiaries	44(b)	–	–	–	(20.2)	–	(20.2)	
Release of investment revaluation deficit to the income statement – Group		–	–	154.0	–	–	154.0	
Currency translation differences								
Group		–	–	–	(3.0)	–	(3.0)	
Associated companies		–	–	–	(4.9)	–	(4.9)	
Jointly controlled entities		–	–	–	0.9	–	0.9	
Repurchases of shares		(42.2)	–	–	–	–	(42.2)	
Scrip dividends								
Share premium on new shares issued		249.1	–	–	–	–	249.1	
Share options								
Value of services provided								
Group		–	41.2	–	–	–	41.2	
Associated companies		–	(1.4)	–	–	–	(1.4)	
Jointly controlled entities		–	0.5	–	–	–	0.5	
Share premium on new shares issued		1.6	–	–	–	–	1.6	
Share of other comprehensive loss of a jointly controlled entity		–	(8.2)	–	–	–	(8.2)	
Transfer		0.6	1.7	–	–	(2.3)	–	
At 30 June 2009		10,814.9	409.0	278.1	1,620.8	7,981.1	21,103.9	
Representing								
Balance at 30 June 2009		10,814.9	409.0	278.1	1,620.8	7,111.2	20,234.0	
Proposed final dividend		–	–	–	–	869.9	869.9	
		10,814.9	409.0	278.1	1,620.8	7,981.1	21,103.9	

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

NOTES TO THE FINANCIAL STATEMENTS

35 Reserves (continued)

HK\$m	Company				Total
	Share premium	Contributed surplus	Special reserves	Revenue reserve	
At 1 July 2009	10,814.6	237.3	80.9	1,295.4	12,428.2
New issuance of shares	1,263.7	–	–	–	1,263.7
Profit for the year	–	–	–	2,373.3	2,373.3
Dividends	–	–	–	(2,178.9)	(2,178.9)
Share options					
Value of services provided	–	–	9.2	–	9.2
Transfer	0.3	–	(8.3)	8.0	–
At 30 June 2010	12,078.6	237.3	81.8	1,497.8	13,895.5
Representing					
Balance at 30 June 2010	12,078.6	237.3	81.8	778.8	13,176.5
Proposed final dividend	–	–	–	719.0	719.0
	12,078.6	237.3	81.8	1,497.8	13,895.5
At 1 July 2008	10,605.8	237.3	55.2	1,257.7	12,156.0
New issuance of shares	249.1	–	–	–	249.1
Repurchase of shares	(42.2)	–	–	–	(42.2)
Profit for the year	–	–	–	1,269.5	1,269.5
Dividends	–	–	–	(1,232.4)	(1,232.4)
Share options					
Value of services provided	–	–	26.6	–	26.6
Share premium on new shares issued	1.6	–	–	–	1.6
Transfer	0.3	–	(0.9)	0.6	–
At 30 June 2009	10,814.6	237.3	80.9	1,295.4	12,428.2
Representing					
Balance at 30 June 2009	10,814.6	237.3	80.9	425.5	11,558.3
Proposed final dividend	–	–	–	869.9	869.9
	10,814.6	237.3	80.9	1,295.4	12,428.2

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

Special reserves mainly include capital redemption reserve and share option reserve.

NOTES TO THE FINANCIAL STATEMENTS

36 Borrowings

		Group	
		2010 HK\$'m	2009 HK\$'m
Non-current			
Bank loans	(a),(b)	3,496.4	5,466.3
Other borrowings – unsecured	(b)	–	0.2
		3,496.4	5,466.5
Current			
Current portion of bank loans	(a),(b)	1,393.9	1,118.3
Short term bank loans and overdrafts – secured	(b)	–	266.7
Short term bank loans and overdrafts – unsecured	(b)	–	1,854.4
Other borrowings – unsecured	(b)	–	100.1
		1,393.9	3,339.5
		4,890.3	8,806.0

(a) Bank loans

		Group	
		2010 HK\$'m	2009 HK\$'m
Bank loans, unsecured and wholly repayable within five years		4,890.3	6,584.6
Amounts repayable within one year included in current liabilities		(1,393.9)	(1,118.3)
		3,496.4	5,466.3

The maturity of bank loans is as follows:

		Group	
		2010 HK\$'m	2009 HK\$'m
Within one year		1,393.9	1,118.3
In the second year		2,444.7	1,464.4
In the third to fifth year		1,051.7	4,001.9
		4,890.3	6,584.6

NOTES TO THE FINANCIAL STATEMENTS

36 Borrowings (continued)

- (b) The effective interest rates of borrowings at the end of the reporting period were as follows:

	2010	2009
Bank loans	1.01%	1.22%
Other loans	–	4%
Bank overdraft	–	1.02%

The carrying amounts of the borrowings approximate their fair values and are mainly denominated in Hong Kong dollar.

As at 30 June 2010, the Group's long term borrowings of HK\$4.890 billion (2009: HK\$6.585 billion) are exposed to interest rate risk of contractual repricing dates falling within one year.

37 Other non-current liabilities

		Group	
	Note	2010 HK\$m	2009 HK\$m
Long service payment obligations		34.1	40.3
Deferred tax liabilities	39	168.4	166.6
Deferred interest income		14.8	14.8
Loans from non-controlling shareholders	(a)	98.0	98.0
		315.3	319.7

- (a) The loans are interest free, unsecured and not repayable within one year except for an amount of HK\$2.1 million which bears interest at 6% per annum (2009: 6% per annum).

NOTES TO THE FINANCIAL STATEMENTS

38 Trade and other payables

	Note	Group		Company	
		2010 HK\$'m	2009 HK\$'m	2010 HK\$'m	2009 HK\$'m
Trade payables	(a)	413.0	5,147.3	–	–
Retention money payables		602.5	1,043.7	–	–
Advances received from customers for contract works		–	35.4	–	–
Amounts due to customers for contract works	33	335.0	591.3	–	–
Amounts due to non-controlling shareholders	(b)	75.0	62.6	–	–
Other payables and accruals		2,628.6	3,768.7	54.1	38.9
Amounts due to associated companies	(b)	304.1	1.3	–	–
Amounts due to jointly controlled entities	(b)	115.7	21.4	–	–
Amounts due to subsidiaries	(b)	–	–	4,179.6	5,989.7
		4,473.9	10,671.7	4,233.7	6,028.6

(a) Trade payables are further analyzed as follows:

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
Payables arising from securities business	(i)	–	4,694.1
Other trade payables	(ii)	413.0	453.2
		413.0	5,147.3

(i) Payables arising from securities business mainly represented accounts payable to clients, brokers, dealers and clearing houses. The majority of accounts payable balances were repayable on demand except where certain accounts payable to clients represented those required margin deposits received from clients for their trading activities under normal course of business. As set out in note 7, the Group disposed of its controlling interest in securities business in December 2009.

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

	Group	
	2010 HK\$'m	2009 HK\$'m
Under 3 months	390.0	355.9
4 to 6 months	1.4	40.3
Over 6 months	21.6	57.0
	413.0	453.2

NOTES TO THE FINANCIAL STATEMENTS

38 Trade and other payables (continued)

- (b) The amounts payable are interest free, unsecured and have no fixed repayment terms.
- (c) Included in the Group's trade and other payables are HK\$551.9 million (2009: HK\$1,027.8 million) denominated in Renminbi and HK\$764.0 million (2009: HK\$1,575.4 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong dollar.
- (d) The Company's trade and other payables are mainly denominated in Hong Kong dollar.

39 Deferred income tax

	Note	Group	
		2010 HK\$m	2009 HK\$m
At beginning of year		149.3	161.0
Net amount charged/(credited) to income statement	12	20.9	(5.3)
Disposal of subsidiaries	44(b)	(3.6)	(6.4)
Reclassified as liabilities directly associated with assets held for sale	32(a)	(1.5)	–
At end of year		165.1	149.3

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2009: 16.5%).

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK\$1,323.8 million (2009: HK\$1,489.0 million) to carry forward against future taxable income. These tax losses have no expiry date.

As at 30 June 2010, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized totalled approximately HK\$118.9 million (2009: HK\$154.0 million).

NOTES TO THE FINANCIAL STATEMENTS

39 Deferred income tax (continued)

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

Deferred tax assets

HK\$m	Group							
	Accelerated accounting depreciation		Tax losses		Others		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
At beginning of year	4.7	–	10.0	8.2	4.4	4.2	19.1	12.4
Disposal of subsidiaries	(4.4)	–	(7.7)	–	–	–	(12.1)	–
Reclassified as assets held for sale	(0.6)	–	(0.2)	–	–	–	(0.8)	–
Credited/(charged) to income statement	0.3	4.7	(0.9)	1.8	(0.7)	0.2	(1.3)	6.7
At end of year	–	4.7	1.2	10.0	3.7	4.4	4.9	19.1

Deferred tax liabilities

HK\$m	Group											
	Accelerated tax depreciation		Fair value gains		Amortization of concession rights		Dividend income withholding tax		Others		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
At beginning of year	47.8	38.1	7.9	10.0	81.2	93.9	31.2	31.2	0.3	0.2	168.4	173.4
Disposal of subsidiaries	(15.7)	(0.2)	–	–	–	(6.2)	–	–	–	–	(15.7)	(6.4)
Reclassified as liabilities directly associated with assets held for sale	(2.3)	–	–	–	–	–	–	–	–	–	(2.3)	–
(Credited)/charged to income statement	8.1	9.9	1.1	(2.1)	(2.1)	(6.5)	12.4	–	0.1	0.1	19.6	1.4
At end of year	37.9	47.8	9.0	7.9	79.1	81.2	43.6	31.2	0.4	0.3	170.0	168.4

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

	Note	Group	
		2010 HK\$m	2009 HK\$m
Deferred tax assets	26	(3.3)	(17.3)
Deferred tax liabilities	37	168.4	166.6
		165.1	149.3

NOTES TO THE FINANCIAL STATEMENTS

40 Retirement benefits

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

(a) Defined contribution plans

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

Contributions made by the Group to defined contribution plans and MPF schemes amounted to HK\$97.5 million (2009: HK\$105.6 million) during FY2010. Forfeited contributions totalling HK\$1.4 million (2009: HK\$1.6 million) were utilized during the year leaving HK\$1.0 million (2009: HK\$0.6 million) available at 30 June 2010 to reduce future contributions. No contributions (2009: HK\$0.1 million) were payable to the plans at the year end.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries and joint ventures in the PRC. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group.

(b) Defined benefits plans

The Group's defined benefits 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.

(i) The amounts recognized in the statement of financial position are as follows:

	Note	Group	
		2010 HK\$m	2009 HK\$m
Present value of defined benefit obligations		(39.7)	(63.0)
Fair value of plan assets		45.3	76.9
		5.6	13.9
Unrecognized actuarial losses		3.5	3.3
Retirement benefits assets	26	9.1	17.2

NOTES TO THE FINANCIAL STATEMENTS

40 Retirement benefits (continued)

(b) Defined benefits plans (continued)

(ii) The amount recognized in the income statement, under general and administrative expenses, are as follows:

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
Current service cost		3.1	3.1
Interest cost		2.6	2.9
Expected return on plan assets		(10.7)	(8.0)
Net actuarial losses/(gains) recognized		4.7	(1.1)
Total included in staff costs	10	(0.3)	(3.1)

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

	Group	
	2010 HK\$'m	2009 HK\$'m
At beginning of year	63.0	55.4
Current service cost	3.1	3.1
Interest cost	2.6	2.9
Contributions by plan participants	1.5	1.5
Actuarial (gains)/losses	(0.2)	2.4
Benefits paid	(2.1)	(2.5)
Reclassified as assets held for sale	(28.1)	–
Net transfer	(0.1)	0.2
At end of year	39.7	63.0

(iv) The movements in the fair value of plan assets are as follows:

	Group	
	2010 HK\$'m	2009 HK\$'m
At beginning of year	76.9	88.8
Expected return on plan assets	10.7	8.0
Actuarial losses	(7.3)	(19.6)
Employer contributions	0.2	0.5
Employee contributions	1.5	1.5
Benefits paid	(2.1)	(2.5)
Reclassified as assets held for sale	(34.5)	–
Net transfer	(0.1)	0.2
At end of year	45.3	76.9

NOTES TO THE FINANCIAL STATEMENTS

40 Retirement benefits (continued)

(b) Defined benefits plans (continued)

- (iv) The movements in the fair value of plan assets are as follows (continued):

The principal actuarial assumptions used are as follows:

	2010	2009
Discount rates	2.5-3.5%	2.8-3.5%
Expected rate of return on plan assets	7%	7%
Expected rate of future salary increases	0-4%	0-4%

The actual return on plan assets was HK\$3.4 million (2009: HK\$12.1 million).

Fair value of the plan assets are analyzed as follows:

	2010	2009
Equity instruments	69%	65%
Debt instruments	26%	31%
Other assets	5%	4%
	100%	100%

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

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

- (v) There are no expected contributions to defined benefit plans for the year ending 30 June 2011.

	2010 HK\$m	2009 HK\$m	2008 HK\$m	2007 HK\$m	2006 HK\$m
Present value of defined benefit obligations	(39.7)	(63.0)	(55.4)	(46.5)	(47.2)
Fair value of plan assets	45.3	76.9	88.8	78.0	65.5
Surplus	5.6	13.9	33.4	31.5	18.3
Experience adjustments on defined benefit obligations	(0.8)	0.4	0.3	1.4	(1.1)
Experience adjustments on plan assets	3.6	(18.2)	5.0	8.7	3.9

NOTES TO THE FINANCIAL STATEMENTS

41 Financial instruments by category

Financial assets in the statement of financial position include available-for-sale financial assets, financial assets at fair value through profit or loss, trade receivables, loan and other receivables, short term deposits and cash and bank balances. All these financial assets are carried at amortized cost using the effective interest method as “loans and receivables” and “held-to-maturity investment” except for the “available-for-sale financial assets” and “financial assets at fair value through profit or loss” which are both carried at fair value.

Financial liabilities in the statement of financial position include borrowings, trade payables, loan and other payables. All these financial liabilities are carried at amortized cost using the effective interest method.

42 Commitments

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

	Note	Group	
		2010 HK\$'m	2009 HK\$'m
Contracted but not provided for			
Property, plant and equipment		10.2	27.6
Investment properties under development		389.4	–
Capital contributions to associated companies, jointly controlled entities and other projects	(i)	1,082.1	1,250.6
Listed investment		39.2	–
Authorized but not provided for			
Investment properties under development		213.4	695.7
Capital contributions to other projects		975.8	–
		2,710.1	1,973.9

- (i) The Group has committed to provide sufficient funds in the form of capital and loan contributions to certain associated companies, jointly controlled entities and other projects to finance relevant projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$1,082.1 million (2009: HK\$1,250.6 million) which represents the attributable portion of the capital and loan contributions to be made to the associated companies, jointly controlled entities and other projects.

NOTES TO THE FINANCIAL STATEMENTS

42 Commitments (continued)

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

	Group	
	2010 HK\$m	2009 HK\$m
Contracted but not provided for Property, plant and equipment	590.9	756.5
Authorized but not contracted for Property, plant and equipment	391.9	672.4
	982.8	1,428.9

(c) Commitments under operating leases

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

	Group	
	2010 HK\$m	2009 HK\$m
Buildings		
In the first year	70.3	105.5
In the second to fifth year inclusive	94.8	76.1
After the fifth year	5.0	10.2
	170.1	191.8
Equipment		
In the first year	–	2.4
	170.1	194.2

(d) Future minimum rental payments receivable

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

	Group	
	2010 HK\$m	2009 HK\$m
In the first year	6.8	7.9
In the second to fifth year inclusive	1.9	4.3
	8.7	12.2

The Group's operating leases terms range from one to five years.

NOTES TO THE FINANCIAL STATEMENTS

43 Contingent liabilities and financial guarantee contracts

(a) The Group's and the Company's financial guarantee contracts are as follows:

	Group		Company	
	2010 HK\$'m	2009 HK\$'m	2010 HK\$'m	2009 HK\$'m
Guarantees for credit facilities granted to				
Subsidiaries	–	–	11,860.9	12,519.4
Associated companies	11.9	11.9	11.9	11.9
Jointly controlled entities	115.4	223.9	–	–
A related company	111.7	111.7	–	–
	239.0	347.5	11,872.8	12,531.3

(b) The Group's share of contingent liabilities of the jointly controlled entities not included above is HK\$2.6 million as at 30 June 2010 (2009: HK\$2.6 million).

NOTES TO THE FINANCIAL STATEMENTS

44 Notes to consolidated statement of cash flows

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

	2010 HK\$'m	2009 HK\$'m
Operating profit	1,921.6	1,250.8
Depreciation and amortization	218.7	213.8
Share-based payments	15.3	41.2
Goodwill impairment	226.4	–
Assets impairment loss	30.5	10.2
Impairment loss on available-for-sale financial assets	–	145.5
Net gain on disposal of subsidiaries	(731.2)	(39.4)
Interest income	(68.5)	(200.2)
Fair value (gain)/loss of financial asset at fair value through profit or loss	(4.1)	19.4
Fair value (gain)/loss on investment properties	(6.6)	12.0
Net gain on disposal of an associated company and jointly controlled entities	–	(71.3)
Gain on deemed acquisition of interests in a subsidiary	–	(32.6)
Profit on disposal of assets held for sale	(257.8)	(274.5)
Gain from extinguishment of financial liabilities	–	(105.0)
Net (gain)/loss on disposal of available-for-sale financial assets and financial assets at fair value through profit or loss	(149.8)	16.9
Dividend income from available-for-sale financial assets and financial assets at fair value through profit or loss	(22.5)	(4.0)
Other non-cash items	56.1	11.1
Operating profit before working capital changes	1,228.1	993.9
Increase in retirement benefit assets	(0.5)	(3.6)
Decrease in inventories	3.6	20.9
Decrease/(increase) in trade and other receivables	2,681.9	(1,073.4)
Increase in cash held on behalf of customers	(997.2)	(556.1)
Increase in trade and other payables	34.7	465.5
Decrease/(increase) in balances with associated companies and jointly controlled entities	456.6	(18.8)
Increase/(decrease) in long service payment obligations	16.8	(10.4)
Increase/(decrease) in amounts due to non-controlling shareholders	12.4	(23.1)
(Decrease)/increase in IPO and margin financing loans of securities business	(1,458.2)	1,593.6
Net cash generated from operations	1,978.2	1,388.5

NOTES TO THE FINANCIAL STATEMENTS

44 Notes to consolidated statement of cash flows (continued)

(b) Disposal of subsidiaries

	Note	2010 HK\$'m	2009 HK\$'m
Net assets disposed			
Property, plant and equipment	18	118.9	17.5
Intangible concession rights	20	–	115.9
Intangible assets	21	205.1	1.7
Associated company		10.8	–
Jointly controlled entities		–	289.2
Available-for-sale financial assets		96.3	–
Deferred tax assets	39	10.6	–
Other non-current assets		21.1	–
Inventories		–	6.5
Trade and other receivables		2,874.2	70.8
Financial assets at fair value through profit or loss		58.5	–
Amounts due from non-controlling shareholders		–	4.8
Cash held on behalf of customers		4,659.1	–
Cash and bank balances		417.7	39.3
Trade and other payables		(5,476.7)	(127.5)
Taxation		(44.8)	(0.6)
Borrowings		(726.0)	–
Deferred tax liabilities	39	(14.2)	(6.4)
Loans from non-controlling shareholders		–	(14.9)
Non-controlling interests		(826.2)	(21.3)
		1,384.4	375.0
Net gain on disposals		625.4	39.4
Release of reserve upon disposal	35	2.4	(20.2)
Gain on remeasuring non-controlling interest retained at fair value after disposal of a partial interest in a subsidiary		105.8	–
Included under an associated company		(307.1)	–
Included under trade and other receivables		–	(183.5)
		1,810.9	210.7
Represented by			
Cash received		1,810.9	156.8
Trade and other receivables		–	53.9
		1,810.9	210.7

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

	2010 HK\$'m	2009 HK\$'m
Cash consideration	1,810.9	156.8
Cash and bank balances disposed of	(417.7)	(39.3)
	1,393.2	117.5

NOTES TO THE FINANCIAL STATEMENTS

45 Related party transactions

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

	Note	2010 HK\$'m	2009 HK\$'m
Transactions with affiliated companies			
	(i)		
Provision of contracting work services	(ii)	23.1	101.1
Provision of other services	(iii)	5.9	17.8
Interest income	(iv)	21.0	157.3
Management fee income	(v)	28.6	21.1
Rental and other related expenses	(vi)	(10.3)	(11.0)
Transactions with other related parties			
	(i)		
Provision of contracting work services	(ii)	2,122.9	2,502.9
Provision of other services	(iii)	138.8	143.6
Rental and other related expenses	(vi)	(58.4)	(65.1)
Interest expenses	(vii)	(0.5)	(0.9)

- (i) Affiliated companies include associated companies and jointly controlled entities of the Group. Related parties are subsidiaries, associated companies and jointly controlled entities of NWD, Chow Tai Fook Enterprises Limited ("CTF") and Mr. Doo Wai Hoi, William and his associates which are not companies within the Group. NWD is the ultimate holding company of the Company and CTF is the controlling shareholder of NWD. Mr. Doo Wai Hoi, William is a non-executive director of the Company.
- (ii) Revenue from the provision of contracting work services was charged in accordance with the relevant contracts.
- (iii) The Group provided various kinds of services including facilities management, financial, environmental and other services to certain related parties. The services were provided and charged in accordance with the relevant contracts.
- (iv) Interest income was charged at interest rates as specified in notes 23 and 24 on the outstanding balances due by the affiliated companies.
- (v) Management fee was charged at rates in accordance with relevant contracts.
- (vi) Rental and other related expenses were charged at rates in accordance with respective tenancy agreements.
- (vii) Interest expenses were charged at interest rates in accordance with the relevant contracts on the outstanding balances due to related companies.

NOTES TO THE FINANCIAL STATEMENTS

45 Related party transactions (continued)

(b) On 11 June 2010, the Group entered into agreements with the purchaser, Mr. Doo Wai Hoi, William and Mr. Wong Kwok Kin, Andrew, to dispose of certain of its non-core businesses. Mr. Doo Wai Hoi, William and Mr. Wong Kwok Kin, Andrew were a non-executive director and an executive director of the Company respectively as at the agreement date, they hold 90% and 10% indirect interest of the purchaser respectively. Details are set out in note 32.

(c) Key management compensation

No significant compensation arrangement has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 16.

(d) The amounts of outstanding balances with associated companies, jointly controlled entities, a related company, non-controlling shareholders and a fellow subsidiary are disclosed in notes 23, 24, 28, 37 and 38.

46 Comparative figures

Certain comparative figures have been reclassified to conform with FY2010 presentation as a result of changes in segment presentation.

47 Ultimate holding company

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

NOTES TO THE FINANCIAL STATEMENTS

48 Principal subsidiaries

As at 30 June 2010

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share HK\$	Company	Group	
Incorporated and operate in Hong Kong					
Anway Limited	1	1	–	100.0	Duty free operation and general trading
Barbican Construction Company, Limited	1,630,000	100	–	100.0	Civil engineering
	20,000*	100	–	100.0	
Billionable Investment Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	100.0	
Broadway-Nassau Investments Limited	2	10,000	–	100.0	Property management
	3,000*	10,000	–	100.0	
Care & Services Company Limited ##	15,000,000	1	–	100.0	Elderly care services
Cheering Step Investments Limited	1	1	–	100.0	Investment holding
CiF Solutions Limited	10	100	–	100.0	Provision of information technology solutions
	160,000*	100	–	100.0	
Companion Glory Limited ##	100	100	–	100.0	Retail trade of ceramic tiles
Environmental Pioneers & Solutions Limited ##	1,000	100	–	100.0	Environmental products and engineering
Extensive Trading Company Limited ##	8,500,000	1	–	100.0	Trading of building and engineering materials
	1,500,000*	1	–	100.0	
Far East Engineering Services Limited ##	766,714	10	–	100.0	Mechanical and electrical engineering
	233,288*	10	–	100.0	
General Security (H.K.) Limited ##	8,402	100	–	100.0	Security services
	11,600*	100	–	99.7	
General Security Limited	2	100	–	100.0	Security services
(formerly: Uniformity Security Company Limited) ##	2,500*	100	–	–	
Grand Express International Limited	1	1	–	100.0	Investment holding
Hip Hing Builders Company Limited	40,000	1,000	–	100.0	Construction
	10,000*	1,000	–	100.0	
Hip Hing Construction Company Limited	400,000	100	–	100.0	Construction and civil engineering
	600,000*	100	–	100.0	
Hip Hing Engineering Company Limited	670,000	100	–	100.0	Building construction
	1**	1	–	–	
Hip Hing – Leader JV Limited	10,000	1	–	66.7	Construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	–	100.0	Management of Hong Kong Convention and Exhibition Centre (“HKCEC”)
	1*	1	–	100.0	
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	–	100.0	Investment holding
Hong Kong Island Landscape Company Limited ##	1,980,000	10	–	100.0	Landscaping and project contracting
	20,000*	10	–	100.0	
Hong Kong Ticketing Limited	11,481,580	1	–	100.0	Ticketing services
International Property Management Limited ##	450,000	10	–	99.0	Property management
	95,500*	10	–	83.5	
Kiu Lok Property Services (China) Limited	2	1	–	100.0	Property agency management and consultancy
	2*	1	–	100.0	
Kiu Lok Service Management Company Limited ##	2	100	–	100.0	Property management
	1,002*	100	–	100.0	

NOTES TO THE FINANCIAL STATEMENTS

48 Principal subsidiaries (continued)

As at 30 June 2010

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share HK\$	Company	Group	
Incorporated and operate in Hong Kong (continued)					
Kleaners Limited ##	5,000,000	1	–	100.0	Laundry services
KLPS Group Limited ##	20,000,000	1	–	100.0	Investment holding
Majestic Engineering Company Limited ##	30,000	1,000	–	100.0	Mechanical and electrical engineering
Millennium Engineering Limited	18,750,000	1	–	90.4	Supply and installation of aluminium windows and curtain wall
New China Laundry Limited ##	40,000,002	1	–	100.0	Laundry services
	704,000*	1	–	100.0	
New Waly Interior Products Limited	1,000,000	1	–	100.0	Trading of interior products
New World-Guangdong Highway Investments Co. Limited	100	100	–	100.0	Investment holding
	100*	100	–	50.0	
New World Insurance Management Limited ##	100,000	1	–	100.0	Insurance broking
New World Port Investments Limited	2	1	–	100.0	Investment holding
New World (Xiamen) Port Management Limited	2	1	–	100.0	Investment holding
NWS (Finance) Limited	2	1	–	100.0	Financial services
NWS Hong Kong Investment Limited	1	1	100.0	100.0	Investment holding
NWS Holdings (China) Limited	1	1	100.0	100.0	Investment holding
NWS Holdings (Finance) Limited	1	1	100.0	100.0	Financing
NWS Ports Management (Tianjin) Limited	1	1	–	100.0	Investment holding
Polytown Company Limited	2	10	–	100.0	Property investment, operation, marketing, promotion and management of HKCEC
	100,000*	10	–	100.0	
Profit Now Limited	1	1	–	100.0	Investment holding
Sky Connection Limited	100	1	–	100.0	Duty free, liquor and tobacco sales
Twinic International Limited	1	1	–	100.0	Investment holding
True Hope Investment Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	100.0	
Trend Wood Investments Limited	1	1	–	100.0	Investment holding
Try Force Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	100.0	
Urban Parking Limited	10,000,000	1	–	100.0	Carpark management
Urban Property Management Limited ##	49,995,498	1	–	100.0	Property management
	4,502*	1	–	66.7	
Vibro (H.K.) Limited	20,000,004	3	–	99.8	Piling, ground investigation and civil engineering
Waihong Environmental Services Limited ##	400,000	100	–	100.0	Cleaning and pest control services
Waking Builders, Limited	20,000	1,000	–	100.0	Construction
Wisemec Enterprises Limited	2	1	–	100.0	Investment holding
Young's Engineering Company Limited ##	4,000,000	10	–	100.0	Mechanical and electrical engineering

NOTES TO THE FINANCIAL STATEMENTS

48 Principal subsidiaries (continued)

As at 30 June 2010

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share HK\$	Company	Group	
Incorporated in Cayman Islands and operates in Hong Kong					
NWS Service Management Limited	1,323,943,165	0.10	100.0	100.0	Investment holding
Incorporated in British Virgin Islands and operate in Hong Kong					
Best Star Investments Limited	1	US\$1	–	100.0	Investment holding
Creative Profit Group Limited	1	US\$1	–	100.0	Investment holding
Forever Great Development Limited	1	US\$1	–	100.0	Investment holding
Great Start Group Corporation	1	US\$1	–	100.0	Investment holding
Hetro Limited	101	US\$1	–	100.0	Investment holding
NWS Engineering Group Limited ##	50,000,000	1	–	100.0	Investment holding
NWS Financial Management Services Limited	1	US\$1	–	100.0	Investment holding
NWS Infrastructure Management Limited	2	US\$1	100.0	100.0	Investment holding
NWS Ports Management Limited	2	US\$1	100.0	100.0	Investment holding
Shine Fame Holdings Limited	1	US\$1	–	100.0	Development of logistics centre
Sunny Start Group Limited	1	US\$1	–	100.0	Investment holding
Tin Fook Development Limited	1	US\$1	–	100.0	Investment holding
Incorporated in British Virgin Islands					
Beauty Ocean Limited	1	US\$1	–	100.0	Investment holding
Economic Velocity Limited	1	US\$1	–	100.0	Investment holding
Ideal Global International Limited	1	US\$1	–	100.0	Investment holding
Lucky Strong Limited	1	US\$1	–	100.0	Investment holding
NWS CON Limited	1	1	–	100.0	Investment holding
NWS Construction Limited	1	US\$1	–	100.0	Investment holding
NWS Infrastructure Bridges Limited	1	US\$1	–	100.0	Investment holding
NWS Infrastructure Power Limited	1	US\$1	–	100.0	Investment holding
NWS Infrastructure Roads Limited	1	US\$1	–	100.0	Investment holding
NWS Infrastructure Water Limited	1	US\$1	–	100.0	Investment holding
Right Heart Associates Limited	4	US\$1	–	100.0	Investment holding
Righteous Corporation	1	US\$1	–	100.0	Investment holding
Rise Reach Group Limited	1	US\$1	–	100.0	Investment holding
Stockfield Limited	1	US\$1	–	100.0	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

48 Principal subsidiaries (continued)

As at 30 June 2010

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
Incorporated and operate in Mainland China				
Foshan Gaoming Xinming Bridge Co., Ltd.	Rmb60,000,000	–	30.0(a)	Operation of toll bridge
Guangxi Beiliu Xinbei Highways Co., Ltd.	Rmb59,520,000	–	100.0(b)	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	Rmb57,680,000	–	100.0(b)	Operation of toll road
Guangxi Yulin Xinye Highways Co., Ltd.	Rmb63,800,000	–	60.0(b)	Operation of toll road
Guangxi Yulin Xinyu Highways Co., Ltd.	Rmb96,000,000	–	65.0(a)	Operation of toll road
Hip Hing Construction (China) Company Limited	HK\$50,000,000	–	100.0	Construction
NWS Engineering Ltd	Rmb150,000,000	–	100.0	Mechanical and electrical engineering
Shanxi Xinda Highways Ltd.	Rmb49,000,000	–	90.0(c)	Operation of toll road
Shanxi Xinhuang Highways Ltd.	Rmb56,000,000	–	90.0(c)	Operation of toll road
Wuzhou Xinwu Highways Limited	Rmb72,000,000	–	52.0(a)	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	–	100.0	Management consultation

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

Represented ordinary shares, unless otherwise stated

* Non-voting deferred shares

** Redeemable preference shares

Companies classified as assets held for sale/liabilities directly associated with assets held for sale

(a) Profit sharing percentage

(b) Percentage of interest in ownership and profit sharing

(c) Cash sharing ratio for the first 12 years and thereafter 60%

NOTES TO THE FINANCIAL STATEMENTS

49 Principal associated companies

As at 30 June 2010

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated and operate in Hong Kong					
Joy Fortune Investments Limited	10,000	HK\$1	–	50.0	Investment holding
Quon Hing Concrete Company Limited	200,000	HK\$100	–	50.0	Production and sales of concrete
Yargoan Company Limited	150,000	HK\$100	–	42.0	Stone quarrying
Taifook Securities Group Limited	708,959,805	HK\$0.10	–	9.0(a)	Securities and related businesses
Incorporated in British Virgin Islands and operate in Hong Kong					
VMS Private Investment Partners III Limited	1,500*	US\$0.01	–	–	Securities investment
	270**	US\$0.01	–	100.0	
Incorporated in British Virgin Islands					
East Asia Secretaries (BVI) Limited	300,000,000	HK\$1	–	24.4	Business, corporate and investor services
Tricor Holdings Limited	7,001	US\$1	–	24.4	Business, corporate and investor services
VMS Private Investment Partners II Limited	2,500*	US\$0.01	–	–	Securities investment
	1,791**	US\$0.01	–	100.0	
VMS Private Investment Partners IV Limited	1,500*	US\$0.01	–	–	Securities investment
	230**	US\$0.01	–	60.0	
Incorporated in Bermuda and operates in Hong Kong					
Wai Kee Holdings Limited	793,124,034	HK\$0.10	–	27.0	Construction
	Amount of registered capital		Approximate percentage of attributable interest		Principal activities
	Company	Group	Company	Group	
Incorporated and operate in Mainland China					
Tianjin Five Continents International Container Terminal Co., Ltd.	Rmb1,145,000,000	–	18.0(a)		Operation of container terminal
Zhaoqing Yuezhaoh Expressway Co., Ltd.	Rmb818,300,000	–	25.0(b)		Operation of toll road

Represented ordinary shares, unless otherwise stated

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

** Non-voting, redeemable participating shares

(a) The directors of the Company considered the Group has significant influence over Tianjin Five Continents International Container Terminal Co., Ltd. ("TFCI") and Taifook Securities through its representation on the board of directors of TFCI and Taifook Securities respectively.

(b) Percentage of interest in ownership and profit sharing

NOTES TO THE FINANCIAL STATEMENTS

50 Principal jointly controlled entities

As at 30 June 2010

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
Incorporated and operate in Mainland China				
ATL Logistics Centre Yantian (Shenzhen) Limited	HK\$3,500,000	–	46.2	Operation of cargo handling and storage facilities
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	Rmb580,000,000	–	25.0(a)	Operation of toll road
China United International Rail Containers Co., Limited	Rmb3,977,267,380	–	22.0	Operation of rail container terminals and related business
Chongqing Suyu Business Development Company Limited	Rmb650,000,000	–	50.0	Investment holding
Guangzhou City Chuangyue Transport Electronic Technology Company Limited	HK\$1,500,000	–	33.3	Development of transport electric technology
Guangzhou Development Nansha Power Co., Ltd.	Rmb300,000,000	–	22.0	Generation and supply of electricity
Guangzhou Northring Freeway Company Limited	US\$19,255,000	–	65.3(a)	Operation of toll road
Guangzhou Oriental Power Co., Ltd	Rmb990,000,000	–	25.0(b)	Generation and supply of electricity
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	Rmb359,676,800	–	35.0(b)	Wholesale assembling and storage of fuel
Guang Zhou Pearl River Power Company Limited	Rmb420,000,000	–	50.0(a)	Generation and supply of electricity
Guodian Chengdu Jintang Power Generation Co., Ltd.	Rmb924,000,000	–	35.0(b)	Generation and supply of electricity
Huishen (Yantian) Expressway Huizhou Company Limited	Rmb139,980,000	–	33.3(a)	Operation of toll road
Huizhou City Huixin Expressway Company Limited	Rmb34,400,000	–	50.0(a)	Investment holding and operation of toll road
Tianjin Xindi Expressway Co., Ltd.	Rmb93,688,000	–	90.0(c)	Operation of toll road
Tianjin Xinlong Expressway Co., Ltd.	Rmb99,400,000	–	90.0(c)	Operation of toll road
Tianjin Xinlu Expressway Co., Ltd.	Rmb99,092,000	–	90.0(c)	Operation of toll road
Tianjin Xinming Expressway Co., Ltd.	Rmb85,468,000	–	90.0(c)	Operation of toll road
Tianjin Xinqing Expressway Co., Ltd.	Rmb99,368,000	–	90.0(c)	Operation of toll road
Tianjin Xinquan Expressway Co., Ltd.	Rmb92,016,000	–	90.0(c)	Operation of toll road
Tianjin Xinsen Expressway Co., Ltd.	Rmb87,300,000	–	90.0(c)	Operation of toll road
Tianjin Xinshi Expressway Co., Ltd.	Rmb99,388,000	–	90.0(c)	Operation of toll road
Tianjin Xinsi Expressway Co., Ltd.	Rmb96,624,000	–	90.0(c)	Operation of toll road
Tianjin Xintong Expressway Co., Ltd.	Rmb99,448,000	–	90.0(c)	Operation of toll road
Tianjin Xintuo Expressway Co., Ltd.	Rmb99,316,000	–	90.0(c)	Operation of toll road
Tianjin Xinxiang Expressway Co., Ltd.	Rmb90,472,000	–	90.0(c)	Operation of toll road
Tianjin Xinyan Expressway Co., Ltd.	Rmb89,028,000	–	90.0(c)	Operation of toll road
Tianjin Xinzhan Expressway Co., Ltd.	Rmb89,392,000	–	90.0(c)	Operation of toll road
Xiamen Haicang Xinhaida Container Terminals Co., Limited	Rmb283,765,556	–	40.0(b)	Operation of container terminal
Xiamen New World Xiangyu Terminals Co., Ltd.	Rmb384,040,000	–	50.0(b)	Operation of container terminal

NOTES TO THE FINANCIAL STATEMENTS

50 Principal jointly controlled entities (continued)

As at 30 June 2010

	Issued share capital #		Approximate percentage of share held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated and operate in Hong Kong					
ATL Logistics Centre Hong Kong Limited	100,000 'A'	HK\$1	–	56.0	Operation of cargo handling and storage facilities
	20,000 'B'**	HK\$1	–	79.6	
	54,918*	HK\$1	–	–	
ATL Logistics Centre Yantian Limited	10,000	HK\$1	–	46.2	Investment holding
Far East Landfill Technologies Limited	1,000,000	HK\$1	–	47.0	Landfill
First Star Development Limited	100	HK\$1	–	50.0	Property development
NWS Infrastructure SITA Waste Services Limited	2	HK\$1	–	50.0	Investment holding
Poly Rising Development Limited	1	HK\$1	–	50.0	Property development
Supertime Holdings Limited	100	HK\$1	–	50.0	Property development
Tate's Cairn Tunnel Company Limited	1,100,000	HK\$0.01	–	29.5	Operation of toll tunnel
	600,000,000*	HK\$1	–	–	
Incorporated in British Virgin Islands					
DP World New World Limited	2,000	US\$1	–	50.0	Investment holding
NWS Transport Services Limited	500,000,016	HK\$1	–	50.0	Investment holding and operation of transport services
Success Concept Investments Limited	1,000	US\$1	–	80.0	Investment holding
Wincon International Limited	300,000,000	HK\$1	–	50.0	Investment holding
Incorporated and operates in Thailand					
Hip Hing Construction (Thailand) Company Limited	10,000,000	10Baht	–	49.0	Building and construction
Incorporated in Hong Kong and operates in Macau and Mainland China					
Sino-French Holdings (Hong Kong) Limited	2,890,680 'A'	HK\$100	–	–	Investment holding and operation of water and electricity plants
	5,559,000 'B'	HK\$100	–	100.0	
	2,668,320 'C'	HK\$100	–	–	
Unincorporated joint venture (Hong Kong)					
Gammon-Hip Hing Joint venture	N/A	N/A	–	50.0	Construction

Represented ordinary shares, unless otherwise stated

* Non-voting deferred shares

** Non-voting preference shares

(a) Percentage of interest in ownership and profit sharing

(b) Percentage of equity interest in equity joint venture

(c) Cash sharing ratio for the first 15 years of the joint venture period, and thereafter 60%

FIVE-YEAR FINANCIAL SUMMARY

	2010	2009	2008 (restated)	2007	2006
Earnings per share – Basic (HK\$)	1.92	1.23	1.90	1.01	0.89
Earnings per share – Diluted (HK\$)	1.92	1.23	1.89	1.01	0.85
Key ratios					
Gearing ratio	N/A	15%	21%	46%	13%
Return on Equity	15%	11%	18%	11%	11%
Return on Capital Employed	13%	9%	14%	9%	9%
Income statement data (HK\$'m)					
Revenue	12,089.0	17,250.9	18,889.5	15,047.1	12,543.9
Revenue by activities					
Ports & Logistics	–	–	3.1	17.9	16.3
Roads	225.4	247.6	283.7	239.7	239.2
Energy & Water	2.9	8.2	16.8	23.7	25.5
Facilities Management	6,163.9	5,404.1	4,518.2	3,412.8	3,628.0
Contracting & Transport	5,196.0	10,904.0	12,658.4	11,205.0	8,619.9
Financial Services	500.8	687.0	1,409.3	148.0	15.0
Revenue by region					
Hong Kong	9,671.8	11,672.5	11,496.9	8,313.1	8,955.0
Macau	992.1	3,742.4	5,716.8	5,108.8	2,159.4
Mainland China and others	1,425.1	1,836.0	1,675.8	1,625.2	1,429.5
Profit attributable to shareholders of the Company	4,011.7	2,528.8	3,836.9	2,005.4	1,656.6
Attributable operating profit	2,843.0	2,537.1	2,741.7	2,291.1	1,937.6
Attributable operating profit by segments					
Roads	520.6	789.4	744.7	566.4	469.1
Energy	420.0	245.0	383.5	402.8	487.8
Water	233.3	185.6	126.5	102.2	87.4
Ports & Logistics	278.0	300.1	344.6	292.5	260.3
Facilities Management	825.1	612.1	427.0	428.3	318.6
Contracting & Transport	410.1	285.7	380.3	357.3	248.6
Financial Services	155.9	119.2	335.1	141.6	65.8

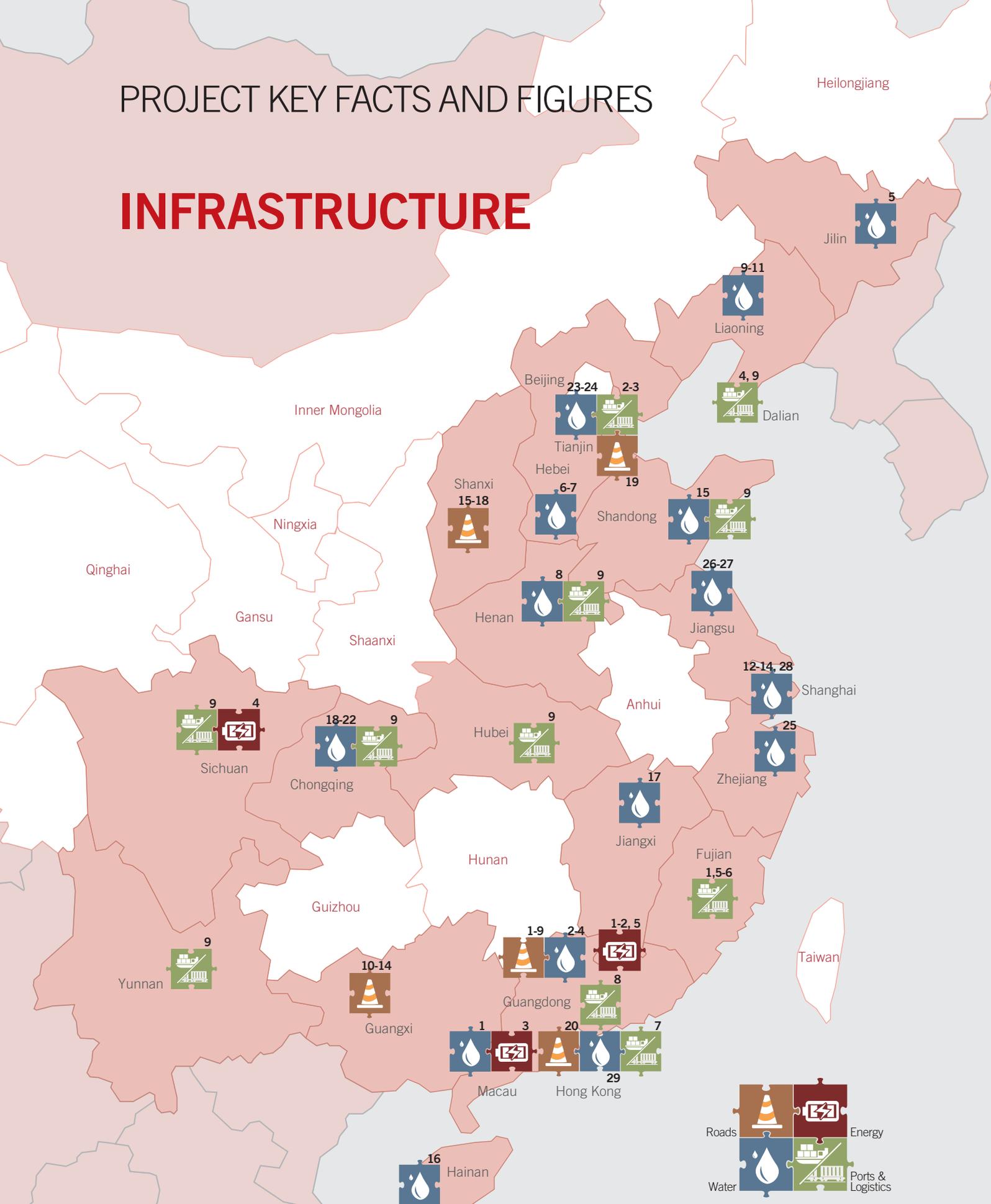
FIVE-YEAR FINANCIAL SUMMARY

	2010	2009	2008 (restated)	2007	2006
Income statement data (continued)					
(HK\$'m)					
Attributable operating profit by region					
Hong Kong	1,599.7	1,083.5	1,264.8	1,003.5	738.6
Macau	220.6	309.6	311.6	250.5	208.2
Mainland China and others	1,022.7	1,144.0	1,165.3	1,037.1	990.8
Head office and non-operating items					
Net gain on disposal of controlling interest in subsidiaries	731.2	39.4	–	–	–
Net gain/(loss) on disposal and restructuring of projects	213.7	176.3	(21.9)	–	152.5
Goodwill impairment	(226.4)	–	–	–	–
Assets impairment loss	(30.5)	(4.8)	(10.3)	(13.0)	(30.0)
Write-back of provision for receivables or accruals	–	–	17.3	58.0	–
Net gain on redemption of convertible bonds	–	–	–	–	39.6
Share of profit from Harbour Place	337.9	338.0	1,632.6	–	–
Fair value gain/(loss) on investment properties, net of tax	5.5	(10.0)	22.0	19.2	2.5
Net gain/(loss) from securities investment, net of tax	541.1	(37.8)	(35.3)	32.3	5.7
Corporate interest income	22.7	16.1	43.7	78.2	74.3
Corporate finance costs	(110.9)	(214.1)	(284.3)	(208.0)	(227.6)
Share-based payment	(15.3)	(41.2)	(81.8)	–	–
Gain on deemed acquisition or disposal of interest in a subsidiary	–	32.6	75.3	–	–
Corporate expenses and others	(300.3)	(302.8)	(262.1)	(252.4)	(298.0)
Statement of financial position data					
(HK\$'m)					
Total assets	37,680.9	44,278.6	42,593.9	39,782.0	25,587.6
Total liabilities and non-controlling interests	11,493.9	21,103.4	21,347.2	22,585.5	11,121.3
Total debt	4,890.3	8,806.0	8,790.9	11,685.6	4,528.3
Shareholders' funds	26,187.0	23,175.2	21,246.7	17,196.5	14,466.3

Comparative figures for the year ended 30 June 2006 and 30 June 2007 have not been restated to reflect the adoption of new/ revised HKFRSs as the directors are of the opinion that it is impracticable to do so.

PROJECT KEY FACTS AND FIGURES

INFRASTRUCTURE



Roads Water Energy Ports & Logistics

As at 5 October 2010



ROADS

Guangdong Province



	1. Guangzhou City Northern Ring Road	2. Beijing – Zhuhai Expressway (Guangzhou – Zhuhai Section)
Attributable Interest	65.29%	25%
Form of Investment	CJV	CJV
Length	22 km	Section I: 8.6 km Section II: 53.8 km
Lanes	Dual 3-Lane	Section I: Dual 3-Lane Section II: Dual 2 to 3-Lane
Location	Guangzhou City	Guangdong Province
Operation Date	January 1994	Section I: May 1997 Section II: December 1999
Expiry Date	2023	2030
Current Toll Rates	RMB2 – RMB65	Section I: RMB6 – RMB18.58 Section II: RMB3 – RMB160
Average Daily Traffic Flow	2010 131,756 2009 160,231 2008 164,242	2010 103,773 2009 90,076 2008 100,667

	3. Beijing – Zhuhai Expressway (Guangzhou – Zhuhai Northern Section)	4. Guangzhou – Zhaoqing Expressway	5a. Shenzhen – Huizhou Expressway (Huizhou Section)	5b. Shenzhen – Huizhou Roadway (Huizhou Section)
Attributable Interest	15%	25%	33.33%	50%
Form of Investment	CJV	CJV	CJV	CJV
Length	27 km*	Phase 1: 48 km Phase 2: 5.39km	34.7 km	21.8 km
Lanes	Dual 3-Lane	Phase 1: Dual 2-Lane Phase 2: Dual 3-Lane	Dual 2-Lane	Dual 2-Lane
Location	Guangzhou City	Zhaoqing & Foshan City	Huizhou City	Huizhou City
Operation Date	December 2005	Phase 1: April 2005 Phase 2: September 2010	June 1993	December 1997
Expiry Date	2032	2031	2027	2023
Current Toll Rates	RMB5 – RMB55	RMB5 – RMB75	RMB2 – RMB75	RMB1 – RMB21
Average Daily Traffic Flow	2010 17,595 2009 12,757 2008 14,238 * Seeking approval to change from 37 km.	2010 32,032 2009 26,142 2008 24,442	2010 39,118 2009 30,505 2008 28,869	2010 8,661 2009 9,716 2008 11,344

	6. Gaoming Bridge	7. Guangzhou Dongxin Expressway	8. Guangzhou City Nansha Port Expressway	9. Guangzhou Chuangyue Transport Electronic Technology
Attributable Interest	30% / 80%	40.8%	22.5%	33.3%
Form of Investment	CJV	Equity	CJV	EJV
Length	1.1 km	46.22 km	72.4 km	N/A
Lanes	Dual 1-Lane	Dual 3 to 4-Lane	Dual 3 to 4-Lane	N/A
Location	Gaoming District, Foshan City	Guangzhou City	Guangzhou City	Guangzhou City
Operation Date	November 1996	end of 2010 (Estimate)	November 2007	November 2007
Expiry Date	2021	2033	2031	2037
Current Toll Rates	N/A (annual toll ticket system has been implemented since March 2003)	N/A	RMB2 – RMB158	N/A
Average Daily Traffic Flow	2010 N/A 2009 N/A 2008 N/A	2010 N/A 2009 N/A 2008 N/A	2010 74,037 2009 N/A 2008 N/A	2010 N/A 2009 N/A 2008 N/A

PROJECT KEY FACTS AND FIGURES

Guangxi Province

	10. Beiliu City Roadways			
	Attributable Interest	100%		
	Form of Investment	WFOE		
	Length	16.3 km		
	Lanes	Dual 1 to 2-Lane		
	Location	Beiliu City		
	Operation Date	May 1998		
	Expiry Date	2026		
	Current Toll Rates	RMB1 – RMB30 (Normal) RMB1.8/tonne (Toll-by-weight vehicle)		
	Average Daily Traffic Flow	2010	2009	2008
	2,027	2,342	3,750	

	11. Rongxian Roadways	12. Yulin – Shinan Roadway	13. Yulin Shinan – Dajiangkou Roadway	14. Roadway No. 321 (Wuzhou Section)
Attributable Interest	100%	65%	60%	52%
Form of Investment	WFOE	CJV	CJV	CJV
Length	16.8 km	27.8 km	Phase 1: 8.7 km Phase 2: 30 km	Phase 1: 8.7 km Phase 2: 4.3 km
Lanes	Dual 1 to 2-Lane	Dual 2-Lane	Dual 1 to 2-Lane	Dual 2-Lane
Location	Rongxian	Yulin City	Yulin City	Wuzhou City
Operation Date	May 1998	May 1998	Phase 1: August 1997 Phase 2: January 1999	Phase 1: March 1997 Phase 2: December 1998
Expiry Date	2026	2026	Phase 1: 2026 Phase 2: 2024	2022
Current Toll Rates	RMB1 – RMB30 (Normal) RMB1.8/tonne (Toll-by-weight vehicle)	RMB1 – RMB30 (Normal) RMB1.8/tonne (Toll-by-weight vehicle)	RMB1 – RMB30 (Normal) RMB1.45-1.8/tonne (Toll-by-weight vehicle)	RMB1 – RMB35
Average Daily Traffic Flow	2010 2,008	2010 4,905	2010 2,713	2010 6,025
	2009 2,320	2009 5,665	2009 2,733	2009 6,614
	2008 3,807	2008 8,156	2008 3,225	2008 5,955

Shanxi Province

	15. Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)			16. Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)			
	Attributable Interest	60% / 90%			60% / 90%		
	Form of Investment	CJV			CJV		
	Length	23.18 km			36.02 km		
	Lanes	Dual 1-Lane			Dual 1-Lane		
	Location	Taiyuan City			Gujiao City		
	Operation Date	July 2000			April 1999		
	Expiry Date	2025			2025		
	Current Toll Rates	RMB10 – RMB60			RMB10 – RMB60		
	Average Daily Traffic Flow	2010	2009	2008	2010	2009	2008
	1,067	336	806	1,223	769	967	

PROJECT KEY FACTS AND FIGURES

	17. Roadway No. 309 (Changzhi Section)	18. Taiyuan – Changzhi Roadway (Changzhi Section)
Attributable Interest	60% / 90%	60% / 90%
Form of Investment	CJV	CJV
Length	22.2 km	18.3 km
Lanes	Dual 1 to 2-Lane	Dual 1 to 2-Lane
Location	Changzhi City	Changzhi City
Operation Date	July 2000	August 2000
Expiry Date	2023	2023
Current Toll Rates	RMB10 – RMB60	RMB10 – RMB70
Average Daily Traffic Flow	2010 2,705 2009 2,523 2008 2,738	2010 2,191 2009 2,649 2008 2,718

Tianjin Municipality

	19. Tangjin Expressway (Tianjin North Section)
Attributable Interest	90% distributable cash for the first 15 years; 60% distributable cash for the last 15 years
Form of Investment	CJV
Length	Section I: 43.4 km Section II: 17 km
Lanes	Dual 2 to 3-Lane
Location	Tianjin Municipality
Operation Date	Section I: December 1998 Section II: December 2000
Expiry Date	Section I: 2028 Section II: 2028
Current Toll Rates	RMB5 - RMB137
Average Daily Traffic Flow	2010 33,405 2009 29,077 2008 22,763



Hong Kong

	20. Tate's Cairn Tunnel
Attributable Interest	29.5%
Form of Investment	Equity
Length	4 km
Lanes	Dual 2-Lane
Location	Hong Kong
Operation Date	June 1991
Expiry Date	2018
Current Toll Rates	HK\$11 – HK\$31
Average Daily Traffic Flow	2010 51,502 2009 51,497 2008 56,285



PROJECT KEY FACTS AND FIGURES



ENERGY

	1. Zhujiang Power Station – Phase I	2. Zhujiang Power Station – Phase II	3. Macau Power	4. Chengdu Jintang Power Plant
Attributable Interest	50%	25%	19%	35%
Form of Investment	EJV	EJV	Equity	Equity
Installed Capacity	600 MW	620 MW	472 MW	1,200 MW
Location	Nansha Economic Development Zone, Guangzhou City	Nansha Economic Development Zone, Guangzhou City	One in Macau and two in Coloane	Huakou Industrial Zone, Jintang, Chengdu City, Sichuan Province
Type of Power	Coal-Fired Thermal	Coal-Fired Thermal	Oil & Gas-Fired Thermal	Coal-Fired Thermal
Operation Date	January 1994	April 1996	November 1985	June 2007
Expiry Date	2017	2020	2010	2040
Electricity Sales (GWh)	2010 3,498 2009 3,339 2008 3,707	2010 3,706 2009 3,091 2008 3,999	2010 3,566 2009 3,289 2008 3,160	2010 5,971 2009 5,735 2008 4,832
	5. Guangzhou Fuel Company			
Attributable Interest	35%			
Form of Investment	EJV			
Throughput capacity	7 million tonnes / year			
Location	Nansha Economic Development Zone, Guangzhou City			
Nature of business	Wholesale, assembling and storage of coal			
Operation Date	January 2008			
Expiry Date	2033			



WATER

	1. Macau Water Plant	2. Zhongshan Tanzhou Water Plant	3. Zhongshan Dafeng Water Plant	4. Zhongshan Quanlu Water Plant
Attributable Interest	42.5%	29%	33.06%	33.06%
Form of Investment	Equity	Equity	Equity	Equity
Capacity	330,000m ³ / day	Phase 1: 60,000m ³ / day Phase 2: 90,000m ³ / day	Phase 1: 200,000m ³ / day Phase 2: 300,000m ³ / day	500,000m ³ / day
Location	Macau	Zhongshan, Guangdong Province	Zhongshan, Guangdong Province	Zhongshan, Guangdong Province
Operation Date	1985	Phase 1: January 1994 Phase 2: May 2007	Phase 1: April 1998 Phase 2: November 2008	April 1998
Expiry Date	2030	2027	2020	2020
Average Daily Volume Sold (m³)	2010 186,486 2009 184,125 2008 185,029	2010 77,263 2009 81,102 2008 88,799	2010 591,494	2009 585,240 2008 622,789
	5. Siping Water Plant			
Attributable Interest	25%			
Form of Investment	Equity			
Capacity	118,000m ³ / day			
Location	Siping, Jilin Province			
Operation Date	September 2000			
Expiry Date	2030			
Average Daily Volume Sold (m³)	2010 N/A 2009 75,000 2008 69,973	2010 7,274 2009 N/A 2008 N/A	2010 234,000 2009 234,000 2008 234,000	2010 206,486 2009 202,789 2008 240,367
	6. Qinhuangdao Changli Water Plant			
Attributable Interest	40%			
Form of Investment	Equity			
Capacity	72,000m ³ / day			
Location	Qinhuangdao, Hebei Province			
Operation Date	September 2009			
Expiry Date	2029			
Average Daily Volume Sold (m³)	2029			
	7. Baoding Water Plant			
Attributable Interest	27.5%			
Form of Investment	Equity			
Capacity	260,000m ³ / day			
Location	Baoding, Hebei Province			
Operation Date	June 2000			
Expiry Date	2020			
Average Daily Volume Sold (m³)	2020			
	8. Zhengzhou Water Plant			
Attributable Interest	25%			
Form of Investment	Equity			
Capacity	360,000m ³ / day			
Location	Zhengzhou, Henan Province			
Operation Date	August 2001			
Expiry Date	2031			
Average Daily Volume Sold (m³)	2031			

PROJECT KEY FACTS AND FIGURES

	9. Panjin Water Plant	10. Changtu Water Plant	11. Dalian Changxing Island Environmental Services Company	12. Shanghai Spark Water Plant
Attributable Interest	30%	35%	47.5%	25%
Form of Investment	Equity	Equity	Equity	Equity
Capacity	110,000m ³ / day	50,000m ³ / day	Waste Water : 40,000m ³ / day	100,000m ³ / day
Location	Panjin, Liaoning Province	Tieling, Liaoning Province	Dalian, Liaoning Province	Shanghai
Operation Date	April 2002	December 2000	June 2010	January 2002
Expiry Date	2032	2029	2040	2031
Average Daily Volume Sold (m³)	2010 81,014 2009 80,376 2008 78,077	2010 22,686 2009 21,540 2008 21,516	Average Daily Volume Treated (m³) N/A	2010 48,730 2009 46,668 2008 48,670
	13. Shanghai SCIP Water Treatment Plants			14. Sino French Water Environmental Technology Consulting Company
Attributable Interest	25%			Attributable Interest 50%
Form of Investment	Equity			Form of Investment Equity
Capacity	Waste Water: Industrial Water: Demineralized Water:	50,000m ³ / day 200,000m ³ / day 4,800m ³ / day		Capacity Waste Water : 5,000m ³ / day
Location	Shanghai			Location Shanghai
Operation Date	Waste Water & Industrial Water: Demineralized Water:	April 2005 February 2008		Operation Date October 2009
Expiry Date	2052			Expiry Date 2039
Average Daily Volume Sold (m³)	Waste Water: Industrial Water: Demineralized Water:	2010 44,606 2009 38,669 2008 40,325	2010 120,277 2009 97,834 2008 99,184	Average Daily Volume Treated (m³) 2010 3,975 2009 N/A 2008 N/A
	15. Qingdao Water Plant	16. Sanya Water Plant	17. Nanchang Water Plant	18. Chongqing Water Plant
Attributable Interest	25%	25%	25%	32.69%
Form of Investment	Equity	Equity	Equity	Equity
Capacity	Phase 1: 543,000m ³ / day Phase 2: 183,000m ³ / day	235,000m ³ / day	Phase 1: 50,000m ³ / day Phase 2: 50,000m ³ / day	Phase 1: 380,000m ³ / day Phase 2: 160,000m ³ / day
Location	Qingdao, Shandong Province	Sanya, Hainan Province	Nanchang, Jiangxi Province	Chongqing
Operation Date	Phase 1: August 2002 Phase 2: September 2006	January 2004	Phase 1: January 1996 Phase 2: September 2008	Phase 1: November 2002 Phase 2: July 2006
Expiry Date	2027	2033	2023	2052
Average Daily Volume Sold (m³)	2010 545,872 2009 495,805 2008 509,373	2010 185,387 2009 158,733 2008 147,964	2010 79,925 2009 76,088 2008 68,572	2010 331,328 2009 284,484 2008 260,874
	19. Chongqing Yue Lai Water Plant		20. Chongqing Tangjiatuo Waste Water Plant	
Attributable Interest	28.36%	Attributable Interest	28.36%	
Form of Investment	Equity	Form of Investment	Equity	
Capacity	200,000m ³ / day	Capacity	300,000m ³ / day	
Location	Chongqing	Location	Chongqing	
Operation Date	July 2011 (Estimate)	Operation Date	January 2007	
Expiry Date	2038	Expiry Date	2036	
Average Daily Volume Sold (m³)	N/A	Average Daily Volume Treated (m³)	2010 255,746 2009 234,951 2008 236,487	

PROJECT KEY FACTS AND FIGURES

	21. Chongqing Construction Company			22. Chongqing CCIP Water Treatment Plants								
Attributable Interest	21.86%			25.52%								
Form of Investment	Equity			Equity								
Capacity	Waste Water : 100,000m ³ / day Sludge Treatment : 240 tonnes/ day			Waste Water : 40,000 m ³ / day Industrial Water : 120,000 m ³ / day								
Location	Chongqing			Chongqing								
Operation Date	Waste Water : 1 st half of 2012 (Estimate) Sludge Treatment : 1 st half of 2011 (Estimate)			2 nd half of 2010 (Estimate)								
Expiry Date	2038			2060								
Average Daily Volume Treated (m ³)	N/A			N/A								
Average Daily Volume Treated (tonnes)	N/A											
	23. Tianjin Jieyuan Water Plant		24. Tanggu Water Plant	25. Xinchang Water Plant		26. Changshu Water Plant						
Attributable Interest	26.03%		25%	25%		24.5%						
Form of Investment	Equity		Equity	Equity		Equity						
Capacity	500,000m ³ / day		310,000m ³ / day	100,000m ³ / day		Phase 1: 675,000m ³ / day Phase 2: 200,000m ³ / day						
Location	Tianjin		Tanggu, Tianjin	Xinchang, Zhejiang Province		Changshu, Jiangsu Province						
Operation Date	March 2009		April 2005	March 2002		Phase 1: December 2006 Phase 2: 2 nd half of 2011 (Estimate)						
Expiry Date	2022		2039	2032		2036						
Average Daily Volume Sold (m ³)	2010	2009	2008	2010	2009	2008	2010	2009	2008			
	254,055	270,769	N/A	171,812	164,124	169,214	64,279	62,934	68,811	426,171	400,155	413,578
	27. Suzhou Industrial Park Sludge Treatment Plant			28. Shanghai SCIP Waste Incineration Plant			29. Far East Landfill Technologies Limited					
Attributable Interest	24.5%			Attributable Interest			10%			47%		
Form of Investment	Equity			Form of Investment			Equity			Equity		
Capacity	300 tonnes/ day			Capacity			60,000 tonnes/ year			35 million m ³		
Location	Suzhou			Location			Shanghai			Hong Kong		
Operation Date	1 st half of 2011 (Estimate)			Operation Date			August 2006			June 1995		
Expiry Date	2039			Expiry Date			2053			2045		
Average Daily Volume Treated (tonnes)	N/A			Annual Treated Volume (tonnes)			2010	2009	2008	2010	2009	2008
							52,612	24,195	26,737	912,577	872,350	818,010



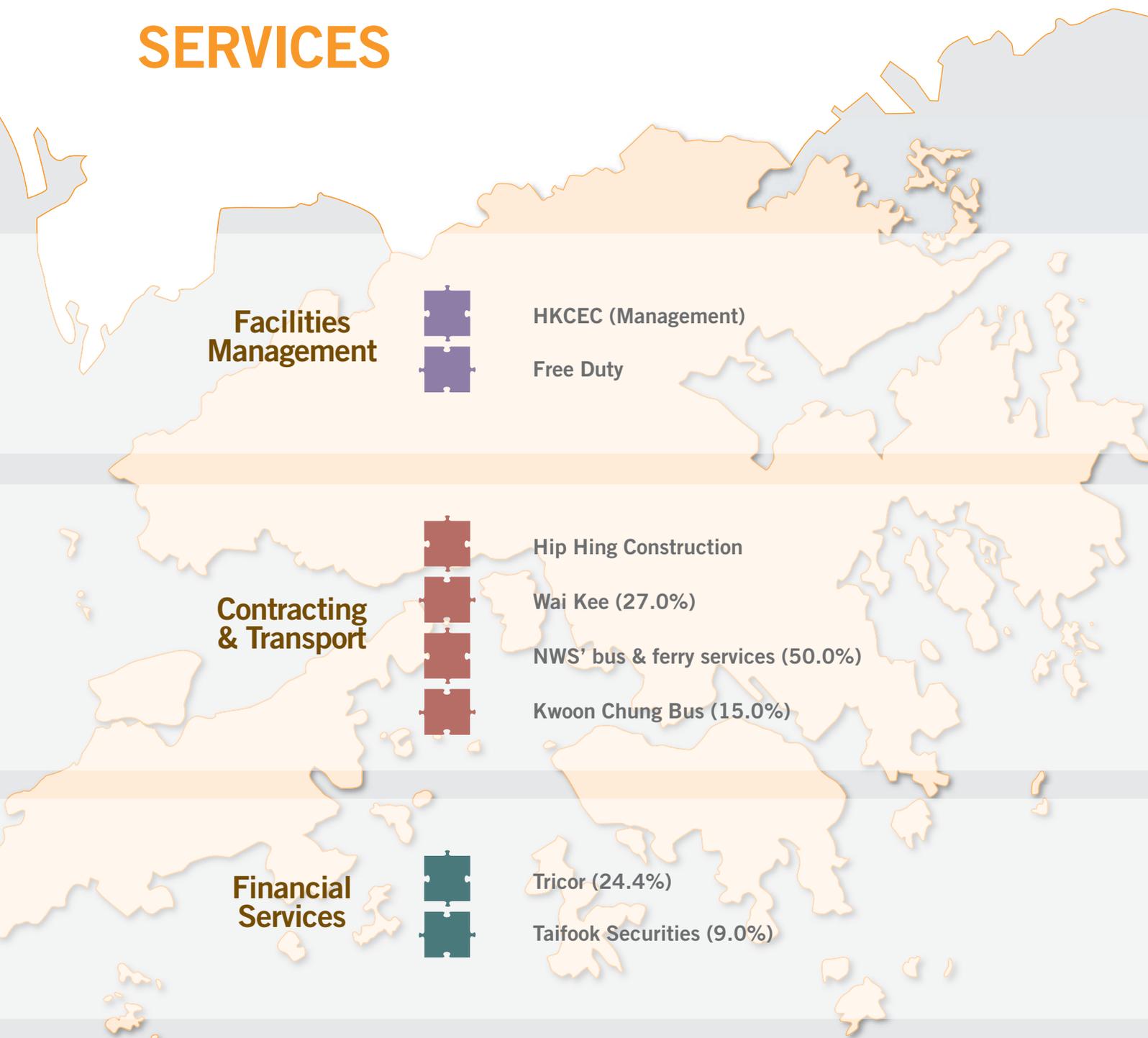
PORTS & LOGISTICS

	1. Xiamen New World Xiangyu Terminals Co., Ltd.			2. Tianjin Orient Container Terminals Co., Ltd.			3. Tianjin Five Continents International Container Terminal Co., Ltd.		
Attributable Interest	50%			24.5%			18%		
Form of Investment	EJV			EJV			EJV		
Handling Capacity	1 million TEUs pa			1.4 million TEUs pa			1.5 million TEUs pa		
Total Area	483,000 sq m			469,000 sq m			447,000 sq m		
Location	Huli Industrial Zone, Xiamen, Fujian			Xingang Dongtudi South Terminal, Tanggu, Tianjin			Xingang Dongtudi North Terminal, Tanggu, Tianjin		
Operation Date	April 1997			January 1999			November 2005		
Expiry Date	2052			2027			2035		
Length of Berths	976 m			1,136 m			1,202 m		
No. of Cranes	9			10			12		
Throughput Achieved (TEUs)	2010	2009	2008	2010	2009	2008	2010	2009	2008
	753,000	696,000	745,000	886,000	857,000	1,129,000	1,910,000	1,920,000	1,991,000

PROJECT KEY FACTS AND FIGURES

	4. Dalian Container Terminal Co., Ltd.		5. Xiamen New World Xiangyu Warehouse & Processing Zone Limited
Attributable Interest	4.8%	Attributable Interest	100%
Form of Investment	EJV	Form of Investment	WFOE
Handling Capacity	2.2 million TEUs pa	Location	Huli Industrial Zone, Xiamen, Fujian
Total Area	740,000 sq m	Operation Date	January 1998
Location	Berths 3 to 7, 9 and 10, Dayaowan, Dalian	Expiry Date	2045
Operation Date	June 2002		
Expiry Date	2046		
Length of Berths	1,856 m		
Throughput Achieved (TEUs)	2010 1,673,000	2009 1,609,000	2008 1,853,000
	6. Xiamen Haicang Xinhaida Container Terminals Co., Limited		7. ATL Logistics Centre Hong Kong Limited
Attributable Interest	40%	Attributable Interest	56%
Form of Investment	EJV	Form of Investment	Equity
Handling Capacity	1 million TEUs pa	Lettable Area	5.9 million sq ft
Total Area	431,000 sq m	Location	Berth 3, Kwai Chung Container Terminals, Hong Kong
Location	Berths 18 to 19, Haicang Port Zone, Xiamen	Operation Dates	Phase 1: February 1987 Phase 2: March 1988 Phase 3: February 1992 Phase 4: January 1994 Phase 5: November 1994
Operation Date	2 nd half of 2011 (Estimate)	Expiry Date	2047
Expiry Date	2058	Yearly Average Occupancy Rate	2010 97.0%
Length of Berths	754 m		2009 98.7%
No. of Quay Cranes	6		2008 97.7%
Throughput Achieved (TEUs)	2010 N/A	2009 N/A	2008 N/A
	8. ATL Logistics Centre Yantian Limited		9. China United International Rail Containers Co., Limited
Attributable Interest	46.17%	Attributable Interest	22%
Form of Investment	Equity	Form of Investment	EJV
Handling Capacity	600,000m ³ pa	Investment Scope	18 pivotal rail container terminals
Total Area	26,000 sq m	Locations	Kunming, Chongqing, Zhengzhou, Dalian, Chengdu, Qingdao, Xian, Wuhan, Shanghai, Tianjin, Harbin, Ningbo, Shenzhen, Lanzhou, Beijing, Shenyang, Guangzhou, Urumqi
Location	Yantian, Shenzhen	Operation Dates	Kunming: January 2008 Chongqing: December 2009 Chengdu: March 2010 Zhengzhou: April 2010 Dalian: July 2010 Qingdao: August 2010 Wuhan: August 2010
Operation Date	January 2002	Expiry Date	2057
Expiry Date	2019	Throughput Achieved (TEUs)	2010 366,000
CFS Handling Volume (m³)	2010 238,000		2009 159,000
			2008 70,000

SERVICES



As at 5 October 2010

PROJECT KEY FACTS AND FIGURES

FACILITIES MANAGEMENT

	Hong Kong Convention and Exhibition Centre (Management) Limited		Free Duty
Services Offered	Management and operation of venues for exhibitions, conventions, meetings, entertainment events, banquets and catering events, etc	Services Offered	Retail of duty free tobacco, liquor, perfume, cosmetics and general merchandise
Gross Rentable Space	91,500 sq m	Locations of Shops	Hong Kong International Airport, Hong Kong-Macau Ferry Terminal, China Ferry Terminal and MTR Hung Hom, Lo Wu and Lok Ma Chau Stations
No. of Events Held This Year	1,185		
No. of Attendants This Year	Over 4.7 million		

CONTRACTING & TRANSPORT

	Hip Hing Construction Company Limited		New World First Bus Services Limited
Service Offered	Construction engineering service	Service Offered	Franchised bus service in Hong Kong
Total Contract Sum This Year	HK\$9,291 million	Fleet Size	704 buses
Contract on Hand	HK\$16,295 million (remaining work: HK\$10,980 million)	No. of Routes	97
Major Projects	Design and construction of Tamar Government Complex Development Project; Construction of Cathay Pacific Air Cargo Terminal at Hong Kong International Airport; Construction of Interlink warehouse & distribution centre in Tsing Yi; Residential Development at MTR Che Kung Temple Station; Design and construction of Tseung Kwan O Hospital Expansion; Construction of Public Rental Housing at Tai Pak Tin Street, Kwai Chung, etc	Average Daily Patronage	486,000

	Citybus Limited		Kunming New World First Bus Services Ltd
Service Offered	Franchised bus service in Hong Kong	Service Offered	Public bus service in Kunming
Fleet Size	933 buses	Fleet Size	1,019 buses
No. of Routes	110	No. of Routes	65
Average Daily Patronage	591,000	Average Daily Patronage	759,000

	New World First Ferry Services Limited		New World First Ferry Services (Macau) Limited
Service Offered	Passenger ferry service within Hong Kong waters	Service Offered	Passenger ferry service between Tsim Sha Tsui and Macau
Fleet Size	17 vessels	Fleet Size	9 vessels
No. of Routes	5	Daily Patronage	About 8,800
Daily Patronage	About 33,800		

GLOSSARY OF TERMS

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

General terms

“Board”	the board of directors of NWS Holdings
“FY2009”	the financial year ended 30 June 2009
“FY2010”	the financial year ended 30 June 2010
“GDP”	gross domestic product
“Group”	NWS Holdings and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Hong Kong” or “HKSAR”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Macau”	The Macau Special Administrative Region of the PRC
“Mainland China”	the PRC excluding Hong Kong, Macau and Taiwan
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
“MOP”	the lawful currency of Macau
“MPF”	Mandatory Provident Fund
“NWD”	New World Development Company Limited
“NWS Holdings” or “Company”	NWS Holdings Limited
“PRC”	The People’s Republic of China
“RMB” or “Rmb”	the lawful currency of the PRC
“US\$”	the lawful currency of the United States of America

Technical terms

“cbm(s)”	cubic metre(s)
“CJV”	co-operative joint venture company
“EJV”	equity joint venture company
“ft”	foot (feet)
“GW”	gigawatt(s), equals to 1,000,000 kilowatts
“ha”	hectare(s), equals to 10,000 square metres
“km”	kilometre(s)
“kWh”	kilowatt hour(s), a unit of measurement of electric energy, which is equal to the work done by one kilowatt of electric power in one hour

GLOSSARY OF TERMS

Technical terms

“m”	metre(s)
“MW”	megawatt(s), equals to 1,000 kilowatts
“PMPH(s)”	productive moves per hour, a measure of the productivity of quay cranes
“sq ft”	square foot (feet)
“sq km”	square kilometre(s)
“sq m”	square metre(s)
“TEU(s)”	twenty-foot equivalent unit(s), a standard measurement unit of a container. It is based on the dimensions of a container 20 feet long by 8 feet wide by 8.5 feet high with an average load of approximately nine tonnes
“tonne(s)”	equal to 1,000 kilograms

Financial terms

“Attributable operating profit” or “AOP”	Profit available for appropriation before head office and non-operating items
“Dividend Payout Ratio”	$\frac{\text{Dividends}}{\text{Profit attributable to shareholders of the Company}}$
“Earnings per Share – Basic”	$\frac{\text{Profit attributable to shareholders of the Company}}{\text{Weighted average number of shares in issue during the year}}$
“EBIT”	Earnings before interests and tax expenses
“Gearing Ratio”	$\frac{\text{Net Debt}}{\text{Total equity}}$
“Net Assets”	Total assets less total liabilities
“Net Assets per Share”	$\frac{\text{Net Assets}}{\text{Number of issued shares at the end of the year}}$
“Net Debt”	Total Debt less cash and bank balances and short term deposits
“Return on Capital Employed”	$\frac{\text{Profit for the year}}{\text{Total equity + Non-current liabilities}}$
“Return on Equity”	$\frac{\text{Profit for the year}}{\text{Total equity}}$
“Total Debt”	The aggregate of bank loans, other loans, overdrafts and finance leases

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Directors

Mr Doo Wai Hoi, William (Deputy Chairman)
Mr Wilfried Ernst Kaffenberger
Mr To Hin Tsun, Gerald
Mr Dominic Lai
Mr Yeung Kun Wah, David
(alternate director to Mr Wilfried Ernst Kaffenberger)

Independent Non-executive Directors

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

Board Committees

Executive Committee

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

Audit Committee

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

Remuneration Committee

Mr Tsang Yam Pui (Chairman)
Mr Lam Wai Hon, Patrick
Mr Kwong Che Keung, Gordon
Mr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Corporate Social Responsibility Committee

Mr Tsang Yam Pui (Chairman)
Mr Lam Wai Hon, Patrick
Mr William Junior Guilherme Doo
Mr Dominic Lai
Mr Kwan Chuk Fai
Ms Lam Yuet Wan, Elina

Company Secretary

Mr Chow Tak Wing

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
BNP Paribas Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
CITIC Bank International Limited
Dah Sing Bank, Limited
DBS Bank Ltd. Hong Kong Branch
Hang Seng Bank Limited
Mizuho Corporate Bank, Ltd. Hong Kong Branch
Oversea-Chinese Banking Corporation Limited
Scotiabank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation Hong Kong Branch
The Bank of Tokyo – Mitsubishi UFJ, Ltd. Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank Limited

Website

www.nws.com.hk

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Where the English and the Chinese texts conflict,
the English text prevails.

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新創建 NWS

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NWS Holdings Limited takes every practicable measure to conserve resources and minimize waste.

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