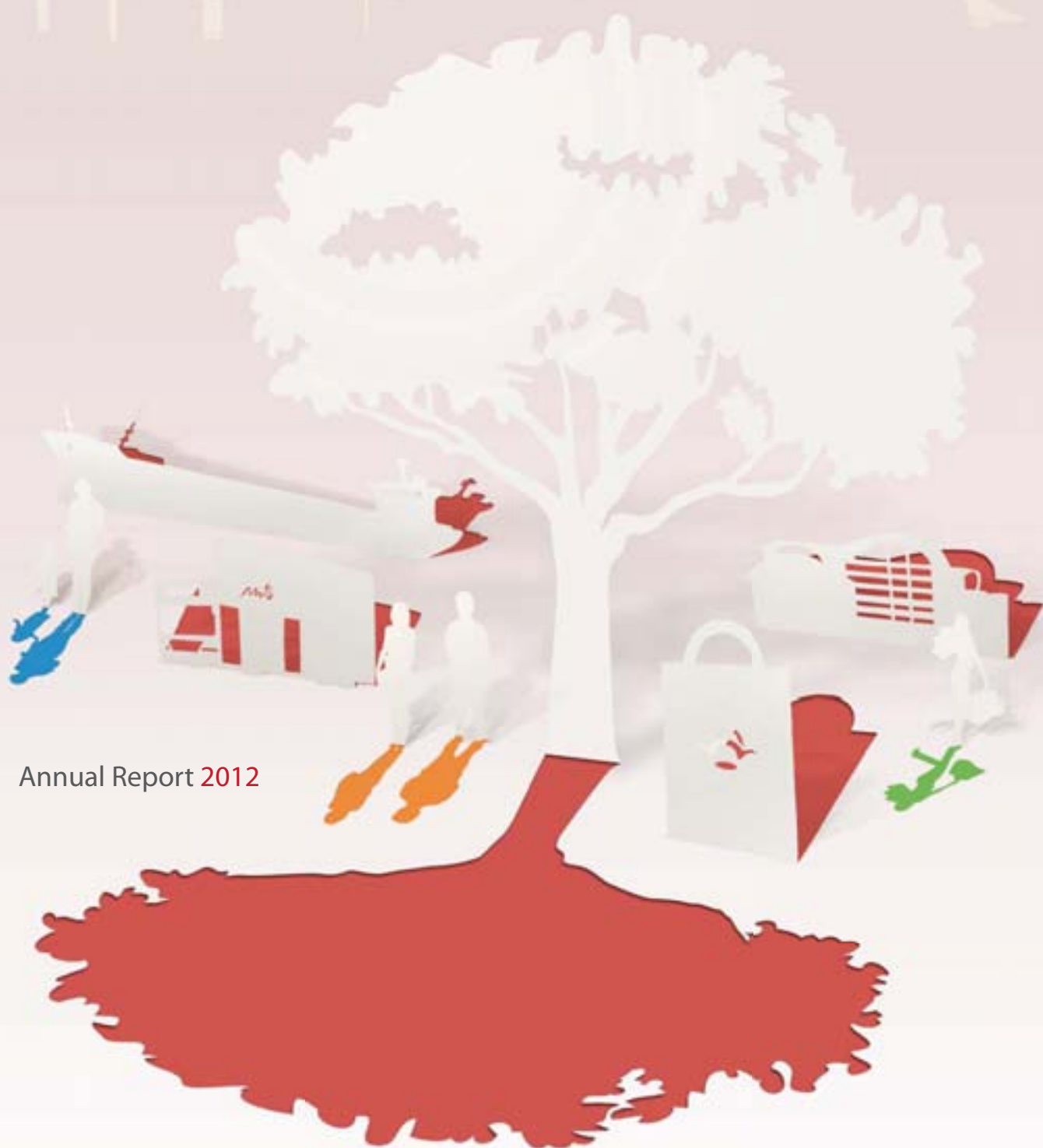




New World Development Company Limited

(Stock Code: 0017)

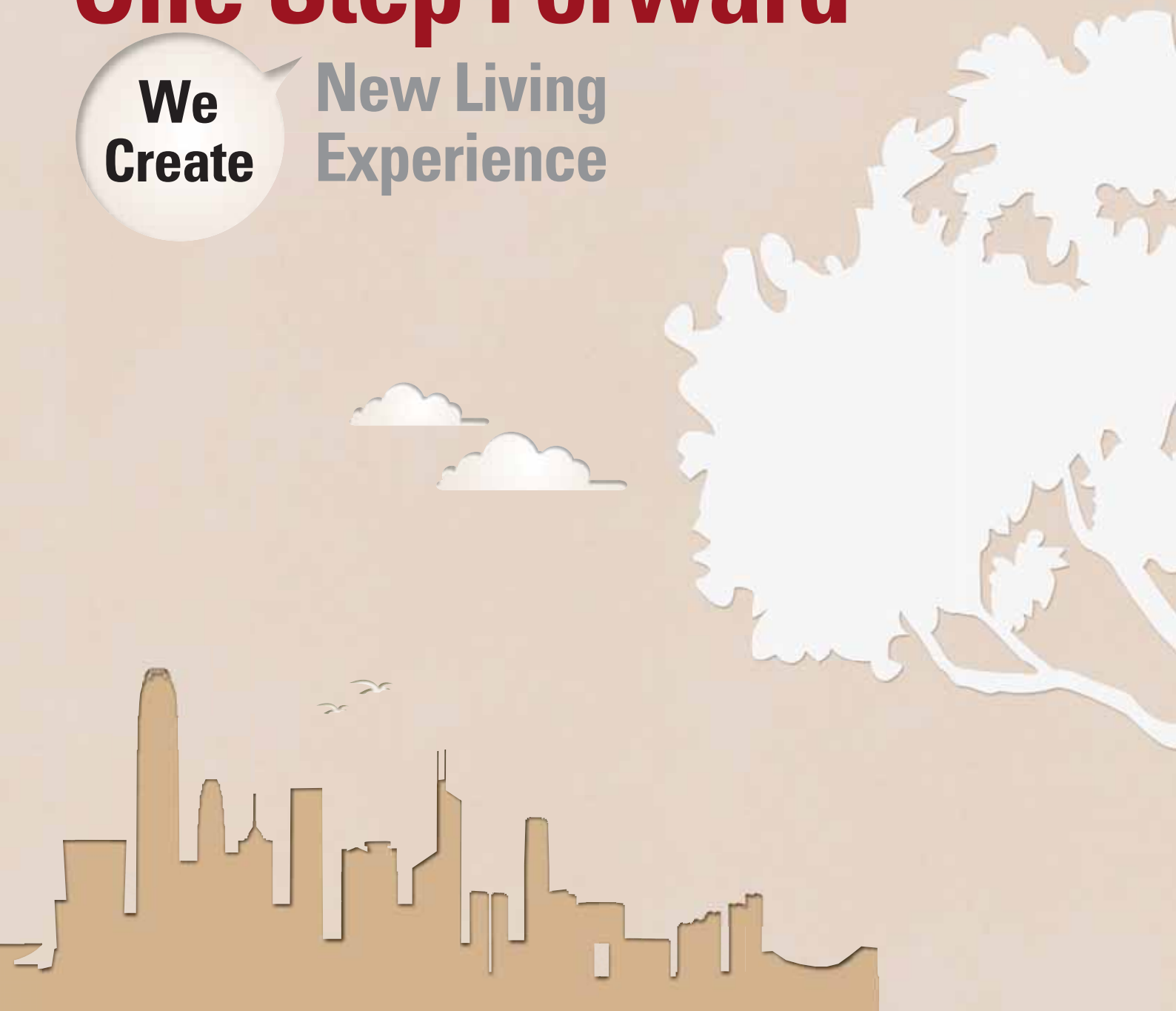


Annual Report 2012

One Step Forward

**We
Create**

**New Living
Experience**



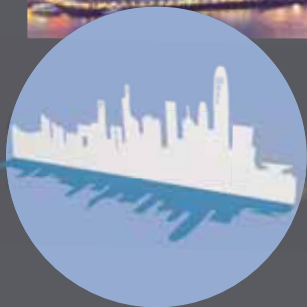
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PROPERTY

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



INFRASTRUCTURE

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



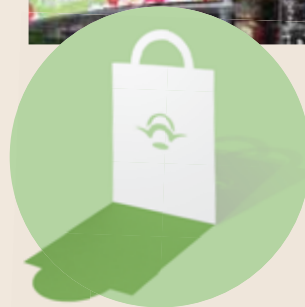
SERVICE

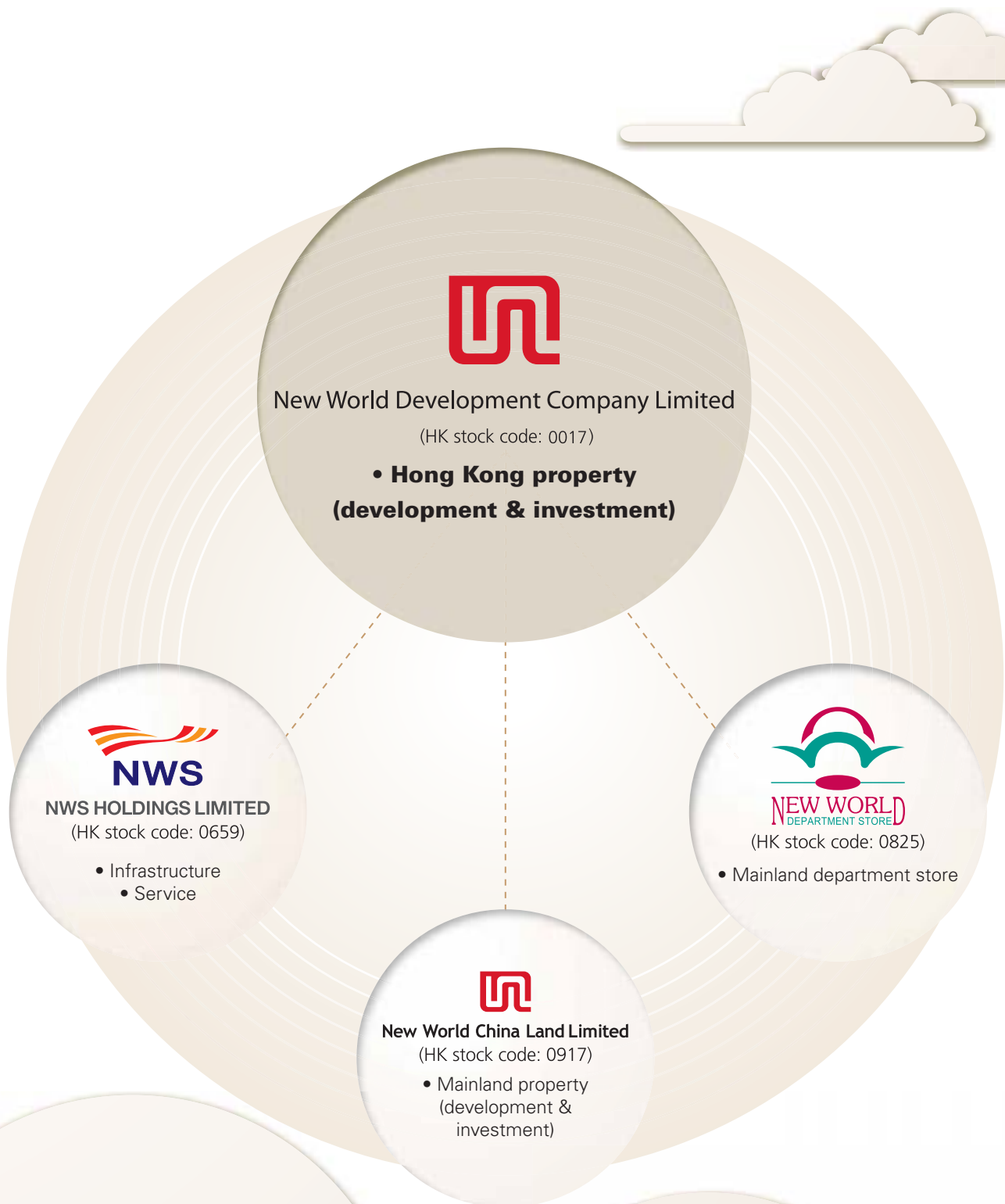
Our service businesses comprise facilities management, contracting & transport and strategic investments.



DEPARTMENT STORE

New World Department Store operates and manages renowned department store chain in 18 major cities in Mainland China.



CORPORATE STRUCTURE

FINANCIAL HIGHLIGHTS

	FY2012 HK\$m	FY2011 HK\$m
Revenues	35,620.1	32,882.0
Segment results ⁽¹⁾	13,241.6	10,987.6
Profit before taxation	18,721.6	15,577.8
Profit attributable to shareholders of the Company	10,139.0	9,153.9
		(Adjusted)
Earnings per share (HK\$)	1.88	2.10
Dividend per share (HK Cents)		
Interim	10.0	10.0
Final	28.0	28.0
Full-year	38.0	38.0
	As at 30 June 2012 HK\$m	As at 30 June 2011 HK\$m
Total assets	286,371.7	229,115.4
Net debt ⁽²⁾	57,773.4	34,992.4
Gearing ratio ⁽³⁾	36.6%	26.0%

Remarks:

- (1) Segment results include share of results of jointly controlled entities and associated companies
- (2) Net debt: The aggregate of bank loans, other loans, fixed rate bonds and convertible bonds less cash and bank balances
- (3) Gearing ratio: Net debt divided by total equity



CHAIRMAN'S STATEMENT

NEW WORLD, ONE STEP FORWARD

TO OUR SHAREHOLDERS,

"What Is Seen and What Is Not Seen" by Frédéric Bastiat¹: There is only one difference between a bad economist and a good one: the bad economist confines himself to the visible effect; the good economist takes into account both the effect that can be seen and those effects that must be foreseen.

Whenever a new thing is introduced to a system, there must be a series of effects triggered. Of these effects, usually there is an immediate one, which appears simultaneously with its cause, desirable and easily foreseeable by a lot of people, i.e. "Seen". However, what matter, are actually the ones, which are not foreseeable by most of the general public, carry tremendous consequences, sometimes even disastrous, i.e. "Not Seen". A bad economist pursues a small present good that will be followed by a great evil to come, while a good economist pursues a great good to come, at the risk of a small present evil.

This theory also applies in many cases and situations such as running a business. Whenever a decision is made, there is something you want to achieve followed by possible impacts on the organisation, employees, customers or competitors. A good balance has to be stroked to have a home-run result together with some minimal negative side effects. Both the "Seen" and "Unseen" factors have to be carefully examined beforehand.

¹ Frédéric Bastiat was an economist who was also a member of the French parliament in the middle of the nineteenth century.



CHAIRMAN'S STATEMENT

Property development has been our core operation since New World Group founded in 1970. Our recent move is to upbeat our property business to be more competitive. A series of closely linked and intensified reformation, covering from team work to development flow, product quality to brand image and staff training to talent recruitment, have been implemented by the Group to enable smooth management flow, efficient team cooperation and continual enhancement of the New World brand. The successful launches of "The Signature" and "The Riverpark" have marked the fruitful performance resulted from our dedicated efforts.

In the coming months, New World Group will have a continuous pipeline of property launches in Hong Kong. The "COLLECTABLE RESIDENCES", a series of new and high quality residential projects in the Hong Kong Island, including South Lane Project in Western District and Kwai Fong Street Project in Happy Valley. Together with Austin Station Project, situated at the core location of high-end residences in West Kowloon and adjacent to Hong Kong Terminal Station of Guangzhou-Shenzhen-Hong Kong Express Rail Link, and a number of diversified living communities in New Territories, a total of nine new projects will provide over 3,300 residential units to the market. Diversified product types and a layout focusing on projects in urban area are anticipated to make substantial contribution.

New World, One Step Forward

The Group will capitalise on its team spirit and synergies, in a bid to create quality and superior products, services and brand image, and further its success and core values achieved through efforts and diligence over the past years with a pragmatic attitude, an open mindset and a broad vision.

Dr. Cheng Kar-Shun, Henry

Chairman

Hong Kong, 26 September 2012



ENRICH PEOPLE'S LIVING
PROPERTY





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



JOINT GENERAL MANAGERS' REPORT – PROPERTY



HONG KONG PROPERTY DEVELOPMENT

The lackluster global economy has pushed various countries to launch bailout plans with focus on monetary easing, in a bid to stimulate economic recovery. In early 2012, the Central Government has adopted a slightly eased monetary policy. Such measures have stimulated the residential mortgage business of banks in Hong Kong. Various banks therefore launched a number of preferential mortgage plans, which in turn has fueled the demand for home purchase.

The recovery of the residential mortgage business indicates that the residential property market is stirring back to life. According to the information of The Land Registry, the transaction volume in residential property market saw a remarkable rebound after the Lunar New Year of 2012. The number of sale and purchase agreements for residential building units almost tripled in March 2012, increasing to 11,358 on a month-on-month basis.

With the signs of recovery of market sentiment in the residential property sector, the Group launched “The Signature”, the first luxury project in the market during the year, in March 2012, providing a total of 62 typical units and four duplex units. The project, located in Tai Hang, a traditional luxury location, boasts the spacious view of Happy Valley with fashionable, elegant and flexible designs catering for the needs of different buyers. The project has been well-received by a large number of upgraders in the district and long-term investors since its launch. The unit selling price per sq ft hits record high, setting a new benchmark in the district. All typical units have been sold out, remaining only four duplex units still available for sale.

Riding on the excellent performance of “The Signature”, the Group launched “The Riverpark”, the first large-scale residential project in the market during the year, in June 2012, providing a total of 937 standard units and 44 special units. The project is adjacent to Che Kung Temple MTR Station in Sha Tin, enjoying a prime location just a bridge away from Sha Tin town centre. It also

Agricultural landbank by location	Total land area (sq ft)	Attributable land area (sq ft)	Landbank by location	Attributable GFA (sq ft)
Yuen Long	14,288,500	12,913,500	Hong Kong Island	690,269
Fanling	2,590,000	2,386,000	Kowloon	4,260,686
Sha Tin/Tai Po	2,162,000	2,162,000	New Territories (excluding areas pending agricultural land conversion)	4,443,294
Sai Kung	1,265,000	1,100,000		
Tuen Mun	120,000	120,000		
Total	20,425,500	18,681,500	Total	9,394,249

JOINT GENERAL MANAGERS' REPORT – PROPERTY

boasts the endless breathtaking view from Shing Mun River to Tolo Harbour as well as the greenery of the Sha Tin Park. The diversified unit types and high quality of the project have attracted a number of first-time buyers and end-users. As at 25 September 2012, 748 units have been sold.

"The Masterpiece", another luxury project of the Group in Tsim Sha Tsui, has received overwhelming market response since its re-launch in 2011. As at 25 September 2012, a total of 72 residential units were sold, including a number of special units with a value of over HK\$100 million per unit since the beginning of FY2012. Currently, 31 residential units were still available for sale. The remaining units are mainly upper floor and large-sized residential units commanding spectacular views of Victoria Harbour.

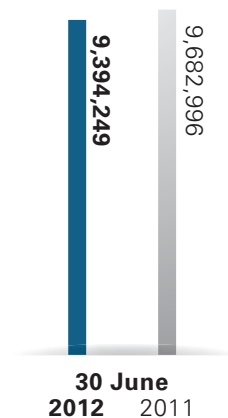
"Double Cove", the Group's joint-venture residential project next to Wu Kai Sha MTR Station in Ma On Shan was launched in early September 2012. As at 25 September 2012, 436 units have been sold.

Since the beginning of FY2012 and up to 25 September 2012, a total of 1,318 units of the above four residential projects have been sold.

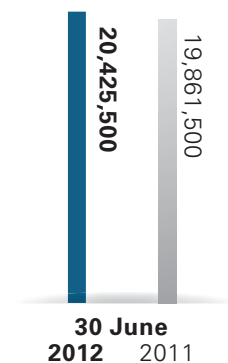
In addition to residential property sales, after reviewing the asset portfolio during the year under review, the Group sold certain of its non-core assets, including retail shops and car parks in residential properties developed by the Group. Since the beginning of FY2012 and up to 25 September 2012, the Group's effective share of sales proceeds approximately HK\$700 million. Currently, the Group is actively negotiating with interested investors on a number of its non-core assets.

Given the lackluster global economy, US Federal Reserve began the third round of quantitative easing and reiterated its plan to keep interest rates ultra-low through mid-2015 to ensure sustainable economic recovery. Facing the risk of economic downturn, the Central Government is anticipated to continue with its eased monetary policies, which will be the focus of economic policies

**Hong Kong landbank
Attributable GFA (sq ft)**



**Hong Kong
agricultural landbank
Total land area (sq ft)**



JOINT GENERAL MANAGERS' REPORT – PROPERTY



in the second half of the year. Under the two favourable factors above, and coupled with the limited supply of new residential units in the short run, the residential property sector in Hong Kong is expected to witness steady development.

"The Reach", the Group's joint-venture residential project located in the centre of Yuen Long is expected to launch in 2012. In 2013, the Group plans to launch "COLLECTABLE RESIDENCES", a series of high quality residential projects in Hong Kong Island, together with the high-end Austin Station Project next to the Hong Kong Terminal Station of Express Rail Link in West Kowloon and a number of diversified living communities in New Territories, several new projects will be launched in the market.

In the launching pipeline	Total no. of units	No. of attributable units
Tai Tong Road project, Yuen Long – The Reach	2,580	541
Tong Yan Sun Tsuen project, Yuen Long – Park Villa	51	51
Tai Tao Tsuen project, Yuen Long – The Woodsville	236	236
Hung Shui Kiu project, Yuen Long	98	98
Double Cove, Phase II, Ma On Shan	865	277
Austin Station project, Site C, West Kowloon	576	288
**South Lane project, Western District – Eight South Lane	94	94
**Kwai Fong Street project, Happy Valley	152	132
Lung Tin Tsuen project, Yuen Long – Park Signature	1,620	1,620
Total	6,272	3,337

** : "COLLECTABLE RESIDENCES"

The Group has been pursuing to replenish its landbank through various means, including public auction, old building redevelopment projects, private acquisition and tendering as well as agricultural land conversion. Resources consumed in our current development were actively replenished to provide the Group with a steady pipeline of land supply in the coming years and to plan for property development and strategies in the long run. During the year under review, the Group successfully increased its landbank through agricultural land conversion, old building redevelopment and private acquisition.

In respect of agricultural land conversion, the Group paid a land premium of HK\$6,640.3 million to the government for land conversion of the residential land of Tai Po Tsai Project in Sai Kung in July 2011. The project covers a total

JOINT GENERAL MANAGERS' REPORT – PROPERTY

site area of approximately 719,000 sq ft with total GFA of approximately 1,080,000 sq ft. The project is situated in the luxurious location at Clear Water Bay Road, Sai Kung and will be developed into a low-density and high-end residential community.

In February 2012, the Group successfully acquired a residential site at South Lane, Western District, Hong Kong Island through private acquisition. The project covers a total site area of 5,142 sq ft with total GFA of 41,134 sq ft. Surrounded by a number of prestigious educational institutions in the Central and Western District and in close proximity to the Hong Kong University Station of MTR West Island Line which is under construction, the project will be developed into a boutique residence.

For old building redevelopment in urban areas, in February 2012, the Group has further acquired 35% interest in the residential project situated at 1–15 New Eastern Terrace & 5–11 Dragon Road, Tin Hau, increasing its attributable interest from 50% to 85%. In June 2012, the Group completed amendments to land leases of the project with a land premium of HK\$3,749 million. The Group's attributable GFA in this project is approximately 337,064 sq ft.

As at 30 June 2012, the Group has a landbank of around 9.4 million sq ft total attributable GFA for immediate development, of which, over 50% is in the urban area. The Group's effective share of GFA for residential property development amounted to around 6.0 million sq ft. Meanwhile, the Group has a total of approximately 18.7 million sq ft of agricultural land reserve pending conversion, ranking it one of the developers with the largest agricultural land reserve in Hong Kong.

In September 2012, the Group won the tender from The Urban Renewal Authority for the development of Sai Yee Street Project in Mong Kok. The project, with a site area of about 26,673 sq ft, is bounded by parts of Sai Yee Street, Nelson Street and Fa Yuen Street and situated in or near the cluster of sports retail outlets in Mong Kok. Upon completion, it is expected to deliver a residential GFA of 186,712 sq ft. The project is also expected to yield a multi-level commercial portion with a GFA of about 53,346 sq ft.





HONG KONG PROPERTY INVESTMENT

Located in the traditional core commercial districts of Central, the grade A offices in Queen's Road Central occupy a prime location with diversified interior design and flexibility for changes, which are well-received by local and international corporation headquarters as well as specialised medical organisation and law firms with more stable business. The overall occupancy and rental level of such offices therefore remained stable. It is expected that under the continued limited supply and consistently low overall vacancy remained, the rental rates of grade A offices in core commercial districts of Hong Kong remain resilient to further decline.



Supported by various favourable factors such as stable local consumption demand and the growth of visitor arrivals to Hong Kong, the retail industry of Hong Kong has achieved satisfactory growth in recent years. According to The Census and Statistics Department, the total retail sales value of Hong Kong increased by 13.1% year-on-year in the first half of 2012, whereas the total sales volume increased by 9.0%. Mainland visitors are still the major growth driver of the local retail market. Despite that the figures released by The Hong Kong Tourism Board showing that the growth of local retail sales of high-value products has slowed down in recent months, international retail brands continue to set foot in the Hong Kong market. The demand for retail space in core retail and tourism districts such as Central and Tsim Sha Tsui is still strong.

During the year under review, the Group's gross rental income in Hong Kong amounted to HK\$1,316.6 million, representing a year-on-year increase of 15.9%. All major projects in the Group's investment portfolio attained satisfactory occupancy. In particular, New World Tower and Manning House, located in the core commercial hub of Central, achieved satisfactory occupancies together with rental rates.



JOINT GENERAL MANAGERS' REPORT – PROPERTY

Benefited from the steady performance of the overall retail market in Hong Kong, and high visitors flow and their strong consumption power, the Group's K11 in Tsim Sha Tsui, Discovery Park Shopping Centre in Tsuen Wan and Pearl City Shopping Mall in Causeway Bay recorded high pedestrian flow and made increasing contributions to the property investment segment during the year under review. During the year under review, K11 in Tsim Sha Tsui, located in the core retail and tourism district, delivered satisfactory leasing performance with average monthly pedestrian flow over a million.

To strengthen the contribution of the Group's Hong Kong investment property portfolio and enhance the quality of its project assets in order to achieve higher return on assets, the Group will undertake interior renovation and facilities upgrade in New World Tower and Manning House in Central, together with Pearl City in Causeway Bay. In response to the rising consumption demand both within the district and from Mainland China tourists, renovation of Discovery Park Shopping Centre in Tsuen Wan will be undertaken in phases starting at 4Q 2012.

The redevelopment project of New World Centre in the core location of Tsim Sha Tsui promenade has commenced during the year under review. The demolition works of buildings have been completed and foundation work such as foundation levelling and reinforcement are currently in progress.





HOTEL OPERATIONS

Notwithstanding uncertainties in the global economy, better economic performances observed in Mainland China than other economies, coupled with the persistently strong exchange rates of most major currencies against the Hong Kong dollar, more visitors from various countries were encouraged to spend in Hong Kong, bringing great opportunities to Hong Kong's tourism and hotel business. Apart from the continuous increase in visitors from Mainland China, visitors from other emerging markets, such as Russia and India, also increased as a result of visa-free access arrangement and newly operated or more frequent direct flights. According to the statistics from The Hong Kong Tourism Board, visitor arrivals to Hong Kong reached 22.32 million in the first half of 2012, up 15.5% year-on-year. Amongst which, visitors from Mainland China increased by more than 20% and over 10 million visitors came to Hong Kong under the Individual Visit Scheme. Increase in visitor arrivals has provided strong support to local hotel business.

During the year under review, the Group's four major hotel projects in Hong Kong, namely, Grand Hyatt Hong Kong, Hyatt Regency Hong Kong, Tsim Sha Tsui, Hyatt Regency Hong Kong, Sha Tin and Renaissance Harbour View Hotel in Hong Kong, delivered strong business performances of continuous growth in average occupancies and average room rates. In particular, Grand Hyatt Hong Kong has made remarkable contributions to the Group's hotel operations, with revenues growth of 10.3% year-on-year. Hyatt Regency Hong Kong, Tsim Sha Tsui and Hyatt Regency Hong Kong, Sha Tin, both commenced operations in 2009, achieved outstanding performances with average occupancy of over 82%, average room rates at a year-on-year growth of 12.2% and 20.7% respectively.



JOINT GENERAL MANAGERS' REPORT – PROPERTY

During the year under review, Courtyard by Marriott Wuxi in Jiangsu Province ceased business after 31 December 2011. In addition, the Group disposed its interests of Renaissance Kuala Lumpur Hotel, Malaysia in March 2012. As at 30 June 2012, the Group had a total of 16 hotels located in Hong Kong, Mainland China and Southeast Asia, providing 7,235 hotel rooms.

New World Hospitality manages three unique hotel brands, namely, the premium and luxurious Rosewood Hotels & Resorts, the deluxe New World Hotel and the trendy and cosy pentahotel.





MAINLAND CHINA PROPERTY DEVELOPMENT AND INVESTMENT

In 2011, home purchase restriction and credit control measures implemented in a number of major cities in Mainland China have already resulted in substantial adjustment to transaction volume and overall property prices. Such measures have proved successful in curbing speculative activities and bringing property prices back to reasonable levels.

In March 2012, the Central Government and the national financial institutions moderately adjusted control measures to increase market liquidity in response to external economic environment, domestic social development and property market trend. As concrete demand for new purchases and upgrades increased given the low probability for a new round of control measures, property market sentiment gradually picked up with higher transaction volume and stable property prices.

Pursuant to the requirements of “maintain growth, adjust economic structure, benefit people’s livelihood” and in response to the negative impacts from decreased foreign consumption due to the international financial crisis, it is anticipated that the Central Government will stimulate the economy by maintaining sufficient market liquidity with relaxed monetary policies, such as low interest rate and tax reduction. Meanwhile, sustainable economic development strategies will be implemented through the Central Government’s strengthened support to infrastructure construction and community welfare undertakings, in a bid to reduce over reliance on exports, increase consumption power per capita, stimulate domestic consumption and spending growth. Such measures will be critical to the steady and healthy development of the property market.



JOINT GENERAL MANAGERS' REPORT – PROPERTY

In FY2012, New World China Land Limited (“NWCL”) recorded profit attributable to shareholders of HK\$3,080.9 million, representing a year-on-year increase of 1.8%. Attributable operating profit before finance costs and taxation charge amounted to HK\$4,584.1 million, representing a year-on-year increase of 6.7%.

Property market sentiment has been generally weak and construction progress has been adjusted since the introduction of home purchase restriction and a series of tightened monetary policies in 2011. Under the combined influence of the aforesaid international and domestic factors, NWCL recorded a decline in total GFA of both volume of newly completed properties and property sales. During the year under review, total GFA of newly completed properties decreased by 39% year-on-year to 828,153 sq m, and total GFA of property contracted sales decreased by 26% year-on-year to 780,379 sq m.

Although sales volume declined as a result of the fall in number of completed property projects and the negative impacts arising from austerity measures, the inclusion of Central Park-view, a high-end residential project in Pearl River New Town, Guangzhou, and commercial properties with higher average price and gross profit in the property sales portfolio of NWCL, coupled with the different levels of increase in average selling price of residential projects in general during the year under review, gross sale proceeds were generally maintained at approximately RMB9.8 billion. Overall gross profit margin also increased significantly by 17 percentage points year-on-year to 50%.

As at 30 June 2012, NWCL has a total GFA of over 27 million sq m of properties under development or held for development spreading across more than 20 major cities or transportation hubs in Mainland China.

Benefitting from the increase in rental contribution from Beijing New World Centre shopping mall and Guangzhou Canton Residence, NWCL's rental operation recorded a year-on-year increase of 4% in contribution to HK\$461.5 million in FY2012. However, contribution from Shanghai Hong Kong New World Tower declined due to full closure for overhaul renovation of its shopping arcade during the year under review, suppressing the overall growth of rental operation.



**ACCELERATE COUNTRY'S
ADVANCEMENT**

INFRASTRUCTURE





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



JOINT GENERAL MANAGERS' REPORT – INFRASTRUCTURE



NWS Holdings Limited ("NWSH") achieved a profit attributable to shareholders of HK\$5,251.1 million for FY2012, representing an increase of 13.5% as compared to FY2011. During FY2012, NWSH acquired 95% effective interest in Hangzhou Ring Road ("HZRR") and its performance stood out as the most significant contributor of the infrastructure segment.

ROAD

In the Pearl River Delta Region, average daily traffic flow of Guangzhou City Northern Ring Road grew by 13%, as benefited from the repairs and maintenance being undertaken by a competing road during FY2012. Average daily traffic flow of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and Shenzhen-Huizhou Expressway increased by 7% and 9% respectively when compared to FY2011. Phase two of Guangzhou-Zhaoqing Expressway, which was completed in September 2010, has greatly enhanced the project competitiveness in the Pearl River Delta Region and reported a traffic growth of 17% in FY2012.



After the completion of the fourth stage of acquisition of HZRR in January 2012, NWSH owns 95% effective interest in the project. This 103.4 km long expressway boasted a daily traffic volume of over 100,000 vehicles and contributed significantly to the road business in FY2012. To capture the high rate of economic growth in Tianjin Binhai New Area, the entire Tangjin Expressway (Tianjin North Section) will be expanded to six driving lanes. Partial closure of the expressway began in June 2012 to pave way for the expansion works. Its average daily traffic flow in FY2012 was maintained at a similar level as FY2011.



ENERGY

Surging coal price continued to put pressure on the profitability of power producers in FY2012. Due to system upgrade and overhaul works carried out during FY2012, Zhujiang Power Plants registered a decrease in electricity sales of 5%. Electricity sales of Chengdu Jintang Power Plant grew by 6% when compared with FY2011. The on-grid tariff increase in December 2011 mitigated the impact of high fuel costs.

Trading revenue of Guangzhou Fuel Company grew by 17% but its profitability was under pressure as a result of lower gross margin and higher finance costs in relation to the investment in a coal mine in Mainland China. Electricity sales of Macau Power reported a healthy growth of 9% with more entertainment and hotel facilities commencing operations during FY2012.

JOINT GENERAL MANAGERS' REPORT – INFRASTRUCTURE

WATER

During FY2012, sales volume of Chongqing Water Plant and Sanya Water Plant were increased by 6% and 8% respectively. Waste water treated by Chongqing Tangjiatuo Waste Water Plant reported a growth of 13%. Apart from a healthy increase of 13% in water sales revenue, the tax refund obtained by Shanghai SCIP Water Treatment Plants after the project was certified as a hi-tech enterprise also contributed to the growth. Meanwhile, water sales volume in Macau Water Plant rose by 6% when compared to FY2011.

Moreover, the new Chongqing CCIP Water Treatment Plants commenced operation in September 2011.

PORTS AND LOGISTICS

The throughput of Xiamen New World Xiangyu Terminals Co., Ltd. rose by 29% to 1,000,000 TEUs due to additional shipping routes obtained in FY2012. The throughput of Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd grew by 10% and 3% respectively in FY2012.

In Hong Kong, ATL Logistics Centre continued to make stable contribution. Average occupancy rate increased from 96% to 98% in FY2012. The entire newly completed NWS Kwai Chung Logistics Centre has been leased out and is expected to generate a steady contribution and cash flow.

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



SUSTAIN THE NATION'S ECONOMIC GROWTH SERVICE





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



**JOINT GENERAL MANAGERS' REPORT –
SERVICE****FACILITIES MANAGEMENT**

Hong Kong Convention and Exhibition Centre ("HKCEC") continued to benefit from the growth of exhibition and convention industry in FY2012. During the year, 1,224 events were held at HKCEC with total patronage of approximately 5.6 million.

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

CONSTRUCTION AND TRANSPORT

The contribution from construction business recognised a 15% increase from FY2011. As at 30 June 2012, the gross value of contracts on hand for the construction business was approximately HK\$21.4 billion.

The transport business recorded a 27% increase in profit over FY2011. This was mainly attributable to the gain on the disposals of the Macau ferry operation and the bus operation in Kunming, the PRC. Two new 10-year franchises were granted to New World First Bus Services Limited and Citybus Limited's Airport and North Lantau Bus Network (Franchise 2) during the year and will take effect when the current franchises expire on 1 July 2013 and 1 May 2013 respectively.



JOINT GENERAL MANAGERS' REPORT – SERVICE**STRATEGIC INVESTMENT**

Tricor recorded a steady growth in its corporate services and investor services businesses during FY2012. It captured about 52% of the total share of new listings in Hong Kong in FY2012. Haitong Securities achieved a year-on-year increase in total revenue by 10%.

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

During the year, Hyva's revenue in Mainland China has been affected by a slowdown in heavy truck sales. In Europe, however, despite the general negative market sentiments, replacement needs continue to support sales. Russia and Middle East markets are also expected to continue their growth momentum.



BRING VARIETY AND QUALITY TO SHOPPERS

DEPARTMENT STORE





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



JOINT GENERAL MANAGERS' REPORT – DEPARTMENT STORE



In FY2012, New World Department Store China Limited ("NWDS") recorded total revenue of HK\$3,490.1 million, an increase of 27.6% compared to last year. Net profit was HK\$607.7 million.

Commission income from concessionaire sales was the major income contributor, accounting for 68.9% of the total revenue. Proceeds from direct sales and rental income accounted for 19.4% and 11.1% respectively of the total revenue. The remaining 0.6% was derived from management fees. Regional-wise, Northern China Region contributed the most to the revenue of NWDS, amounting to 48.6% of total revenue, followed by the Central Western China Region and the South Eastern China Region, which accounted for 28.3% and 23.1% of the total revenue respectively.



Facing adverse impact from the European sovereign debt crisis on China economy, NWDS has established counter measures in advance, seizing the opportunity endowed by initiatives by the Central Government to boost the overall economy with domestic demands, strategically conducting business expansion in different regions.

In terms of new store expansion, during the year, NWDS successfully acquired the property and operating rights of "Channel 1調頻壹" shopping mall in Putuo District, Shanghai in November 2011. The project was renamed as Shanghai – Hong Kong New World Department Store – Shanghai Shaanxi Road Store on 28 June 2012.



In addition, NWDS made its business presence in Mianyang, Sichuan Province in December 2011, opening Mianyang New World Department Store positioned as a "one-stop shopping" living gallery. Shenyang Jianqiao Road Branch Store, which has completed expansion, also opened on 28 April 2012 with its GFA increased by approximately 34,000 sq m.

In terms of store transformation, Lanzhou New World Department Store has been converted from a managed store to a self-owned store in November 2011, thus strengthening development edge of NWDS in North Western China. Beijing Liying Store has also been converted from a managed store to a self-owned store in January 2012.

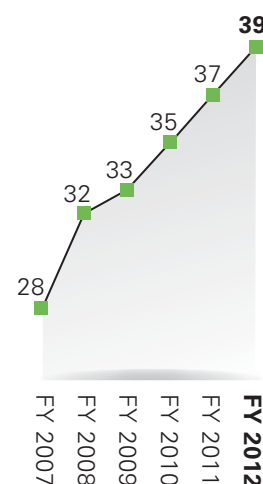
JOINT GENERAL MANAGERS' REPORT – DEPARTMENT STORE

As at 30 June 2012, NWDS operated and managed a total of 39 stores spreading across 18 cities in Mainland China with total GFA 1,387,670 sq m. In particular, 36 were self-owned stores with total GFA close to 1,279,970 sq m whilst three were managed stores with total GFA over 107,700 sq m. The total GFA of self-owned stores showed an increase of 17.6% when compared with the same period over last year.

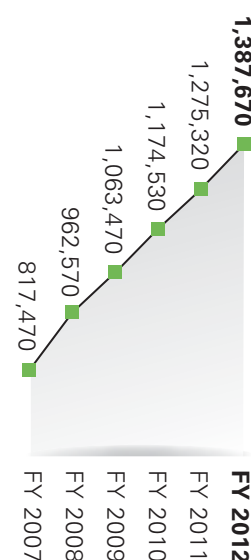
In September 2009, NWDS started its rebranding programme by dividing all of its department stores in China into "Fashion Gallery" and "Living Gallery". As at 30 June 2012, department stores in Shenyang, Harbin, Beijing, Tianjin, Shanghai, Taizhou and Lanzhou, and Wuhan Hanyang Branch Store have already completed rebranding. The remaining department stores in Ningbo, Nanjing, Dalian, Anshan, Changsha, Chongqing, Chengdu, Kunming and Wuhan will complete rebranding successively by the end of 2012.

In September 2011, NWDS readjusted its operating structure in order to improve its operational efficiency and to cater for future expansion strategies. NWDS has established a new management pattern by dividing its China roadmap into three major operational regions, namely Central Western China Region, South Eastern China Region and Northern China Region, with nine operational districts to be managed by its respective region. NWDS will continue to implement the business concepts of "Fashion Gallery" and "Living Gallery" under the brand-new pattern of regional operation, highlighting the "Fashion Gallery" as a thematic department store with a "trendy character", as well as conducting the "Living Gallery" into a "One-stop Shopping Department Store".

No. of stores by year



GFA by year (sq m)



**JOINT GENERAL MANAGERS' REPORT –
TELECOMMUNICATIONS**

CSL New World Mobility ("CSLNWM") is responsible for providing full mobile services including handset sales, voice, and data product in Hong Kong. These services are delivered over CSL's 3G and 4G LTE networks. In FY2012, revenue performance of CSLNWM grew by 10.0% to HK\$6,890 million. This was driven by the strong growth in mobile customers. During the year, a total of 475,000 mobile customers were added, bringing the total customers number on our CSL network to 3.5 million. The increase in customer's base also supported the growth momentum in CSL's EBITDA margin, up 4.1 percentage points to 26%.



New World Telecommunications ("NWT") has launched the Cloud Enterprise Solution in early 2011 by providing innovative services to capture the emerging business demands. In October 2011, NWT has formed partnership with VMware – the worldwide leader in cloud computing, by joining the VMware Service Provider Program. Through this program, NWT is able to continuously provide the latest highly secured cloud solutions to customers.

In order to capture the highly-growing Cloud Service business, the Cloud platform expansion will be taking place in the third quarter of 2012, with more value added services such as Global Traffic Management, and further enhanced security on the platform. Moreover, NWT will expand the Metro Ethernet network capacity to meet the growing demand of mobile carriers and commercial sectors, in particular the coming demand from 4G deployment in the mobile market.

In FY2012, NWT had signed International Telecom Service Agreements with an addition of over 30 preferred partners, making the total number of global carrier partners to 470. These partners are providing new opportunities for NWT to further extend its wholesale business around the world.

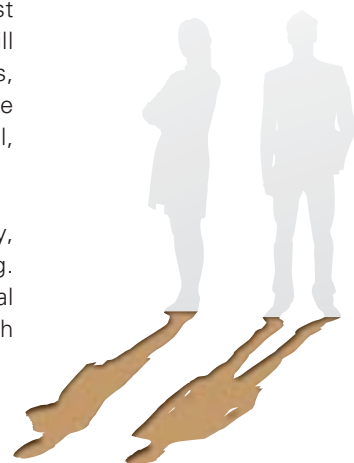
JOINT GENERAL MANAGERS' REPORT – OUTLOOK

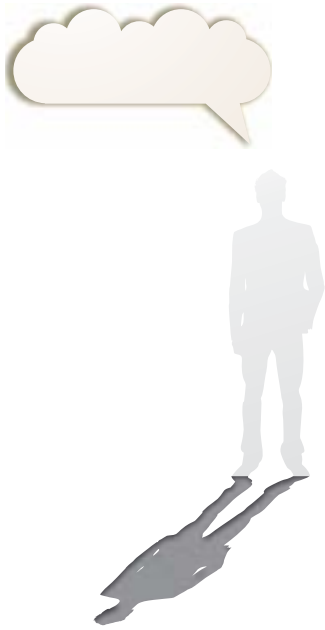
Global economic recovery faced challenges. Eurozone and EU economy saw a negative quarter-on-quarter growth in the second quarter of 2012, pushing some EU countries towards deep recession and resulting in a potential double dip in the European economy. US economic recovery was at a sluggish pace with employment and consumer spending remained stagnant. Under the background of global economic downturn, larger-scale withdrawal of foreign investment in emerging economies was expedited, slowing down economic growth in emerging economies due to currency depreciation and weak export. As one of the emerging economies driving the recovery of global economy, China was also under the pressure of economic downturn. According to preliminary estimates of the National Bureau of Statistics of China, annual GDP growth was 7.8% during the first half of 2012 and the growth in the second quarter was slower compared to the first quarter.

Being an externally-oriented economy, Hong Kong is also adversely affected by the fragile global economy. According to The Census and Statistics Department of Hong Kong, real GDP growth in Hong Kong rose slightly by 1.1% year-on-year in the first half of 2012. On a seasonally adjusted quarter to quarter comparison, GDP recorded a decline of 0.1% in the second quarter of 2012 and goods exports decreased by 3.7% year-on-year, which are the main reasons to the sluggish economic growth. Private consumption grew by 3.7% year-on-year, but slower than the growth of 6.5% in the first quarter of 2012. As at June 2012, unemployment rate stood at 3.2%, reflecting a state of full employment. Development of the European sovereign debt crisis and the weak performances of major economies, however, may affect business environment and recruitment intentions, bringing uncertainties to the outlook in the job market. Amidst the current circumstances, the HKSAR government further cut its full-year forecast of economic growth for 2012 from 1-3% to 1-2%.

The property market of Hong Kong is, to a certain extent, affected by the various uncertainties in the outlook of external economic environment. Fortunately, a large portion of the vacant office space was taken up by Mainland Chinese financial institutions which set up their headquarters and branches in Hong Kong to be in line with the “going out” development strategy from the Central Government. Absorption of grade A office space in prime locations is anticipated to be benefited with a neutralising and balancing effect from such new demand. According to the statistics from The Rating and Valuation Department, grade A office space forecast completions in 2012 will be around 150,000 sq m, while completions in 2013 will decline. Around 73% of the new supply in 2012 would be found in non-core areas, while the percentage in 2013 will rise to 90%. Limited new supply of grade A office space in core areas, particularly the traditional prime areas in Queen’s Road Central, also created favourable market environment.

In early 2012, the Central Government has adopted a slightly eased monetary policy, which has stimulated the residential mortgage business of banks in Hong Kong. Coupled with the launch of a number of quality projects, the Hong Kong residential property sector has gained growth momentum. Transaction volume of projects with



JOINT GENERAL MANAGERS' REPORT – OUTLOOK

geographical advantages was encouraging, with overall transaction volume picked up gradually. “The Signature” and “The Riverpark”, two new residential projects launched by the Group in 2012, were well received by local purchasers and foreign investors because of its prime location and superior quality, thereby achieving satisfactory sales performance. The new term of the HKSAR government reiterated on increasing residential housing supply so as to alleviate the shortage in residential housing, resulting in market concerns about the government’s property market policies. Despite the foregoing, under the current situation, the government tends to moderately increase supply with an aim to develop the property market steadily and healthily, provide Hong Kong citizens with good living environment and mitigate risks arising from market fluctuations, rather than to hinder natural development of the property market through vigorous administrative means. Such measures are welcomed by property developers.

Given the lackluster global economy, US Federal Reserve began the third round of quantitative easing and reiterated its plan to keep interest rates ultra-low through mid-2015, as well as expressed that it will take additional measures, if necessary, to ensure sustainable economic recovery. Facing the risk of economic downturn, the Central Government is generally anticipated to continue with its eased monetary policies which will be the overall focus of policy regulation in the second half of the year. As the former is anticipated to keep Hong Kong’s interest rate low, which will be favourable to the property market, and the latter will be beneficial to the property market in terms of capital inflow, it would be more good than bad to the Hong Kong society with over 50% of population living in private housing at present. Meanwhile, concrete demand for new purchases and upgrades were boosted by the significant increase in personal income level, as well as the continual rise in newly married and newborn population in Hong Kong in the recent years. As such, stable demand is expected to provide further support to the residential property market.

For Hong Kong retail property market, entering the first half of 2012, risks of the Mainland China economy have hampered Mainland China visitors’ consumer spending on luxury goods in Hong Kong. Sales volume of jewellery, watches and clocks, and valuable gifts, which used to be the favourites of Mainland China visitors, fell by 2.9% year-on-year in May 2012, tapering off the growth in value of total retail sales in Hong Kong. Visitor arrivals from Mainland China maintained at a relatively high level and visitors from emerging markets increased, however, are beneficial to the development of the Hong Kong retail and retail property leasing markets as the weak exchange rate of the Hong Kong dollars has boosted overall consumption. The strong demand from the international and local brands for retail space in prime locations at present and the limited new supply of retail space in core shopping districts such as Tsim Sha Tsui and Central in the short run have accelerated the rise in occupancies and rental rates of retail property in those areas.

JOINT GENERAL MANAGERS' REPORT – OUTLOOK

Hong Kong's hotel industry experienced a remarkable growth in 2011. New highs were recorded in both occupancy and average room rate. Visitor arrivals from Mainland China and emerging markets kept growing and provided a strong support to the development of Hong Kong's hotel industry as a whole. However, high operating costs of the hotel industry and peak overall property prices in Hong Kong are impairing the competitive advantages of the hotel industry of Hong Kong compared with its surrounding counterparts. In fact, other major Asian countries, including Singapore, Japan and Korea, are upgrading their tourism destinations and introducing preferential policies so as to boost visitor arrivals. Direct flights between Mainland China and Taiwan also undermined the role of Hong Kong as a transit hub for cross-strait travelling. Mainland Chinese travellers changing their destinations to Europe and US for new shopping and travelling experience together with decreasing number of long haul business travellers from Europe and US as a result of corporations' tightening budgets on international conference and travelling expenses due to challenging economic environment in those countries have exerted downward pressure on the Hong Kong hotel industry as a whole.

With regard to the property market in Mainland China, the Central Government aim to mitigate risks and impacts arising from economic downturn by implementing a series of stimulating measures and adjusting economic development strategies. The Central Government is gradually shifting from the previous focus of rapid economic growth to new growth models and benefits from sound economic system and policies. Following a dual model, sufficient market liquidity is maintained by adopting relaxed monetary policies, such as low interest rate, to stimulate the economy, while sustainable economic development strategies are implemented through the Central Government's strengthened support to infrastructure construction and community welfare undertakings, in a bid to reduce over reliance on exports, increase consumption power per capita, stimulate domestic consumption and spending growth.

In March 2012, the Central Government and the national financial institutions moderately adjusted control measures to increase market liquidity in response to community development and property market trend. As concrete demand for new purchases and upgrades increased given the low probability for a new round of control measures, the property market sentiment gradually picked up with higher transaction volume and stable property prices. Under the current global market conditions, it is generally anticipated that the Central Government, around the convening of the 18th National People's Congress, will adhere to its stable principle on economic development so as to prevent overheating and volatility in the market. Through eased monetary policies and persistent attitude towards the property market, initiatives will be taken to intensify and adjust macroeconomic measures already introduced in a timely manner. Efforts will also be put to boost domestic consumption and consumer demand, and actively promote trade balance, in a bid to maintain the stable development momentum of the overall economy and the overall focus to ensure healthy and steady development of the property market.



JOINT GENERAL MANAGERS' REPORT – OUTLOOK

Since September 2012, Hang Seng Indexes Company Limited has moved New World Development from the Hang Seng Commerce and Industry Sub-index to the Hang Seng Properties Sub-index, and changed its industry classification from “Conglomerates” to “Properties and Construction”. The indicative move of reclassifying New World Development from conglomerates category to property and construction category has demonstrated the Group’s achievements in property development in Hong Kong over time and once again confirmed our determination of being a major property developer in Hong Kong.

In fact, satisfactory sales performance, as well as quality, design, sales and marketing of our projects, have proved the Group and the new management team’s success in striving for improvement and optimising the important procedures of property development. In addition, we take a step forward and actively review various procedures and operations of property development, strengthening and enhancing work efficiency of key procedures by formulating different indicators and strategies, thereby lifting our product value and brand image and fully putting into practice our philosophy of “We offer unique and we offer better ones”.

Going forward, resources will be primarily invested in property operations in Hong Kong and Mainland China to develop “New World” as a quality brand of major local property developer and maintain the strong growth momentum created through joint efforts of the new management team and all of the staff over time.

With respect to property development, the Group, as a property developer providing the public with quality housing, will diversify product types according to market needs, exercise strict control on product quality and design and cater to the needs of different home buyers with excellent products and superior services. Furthermore, the Group will keep a steady pace of property launch and sales, and timely launch projects according to its original schedule and market conditions, in a bid to ensure contributions from the property development segment to the Group’s results, maintain sound stability and increase stakeholders’ confidence on the New World property development brand.

The Group has planned to launch “COLLECTABLE RESIDENCES”, a series of new and high quality residential projects in Hong Kong Island in 2013, including South Lane Project in Western District and Kwai Fong Street Project in Happy Valley. Together with Austin Station Project, situated at the core location of high-end residences in West Kowloon and adjacent to Hong Kong Terminal Station of Guangzhou-Shenzhen-Hong Kong Express Rail Link, and a number of diversified living communities in New Territories, several new projects to be launched in the market. Diversified product types and a layout focusing on projects in urban area are anticipated to make substantial contribution.

In order to ensure sufficient land supply for its property development and strategies planning in the long run, the Group will actively and seriously consider every opportunity to replenish its landbank. Whether through public auction, private acquisition or agricultural land conversion upon negotiation with the government, the Group will carry out in-depth research to moderately increase residential projects with good development potential and in line with the Group’s development direction, thereby enhancing the strengths of the Group in respect of future development.



JOINT GENERAL MANAGERS' REPORT – OUTLOOK

The Group has been pursuing to replenish its landbank through various means. For instance, three projects launched during the year, namely, "The Signature", "The Riverpark" and "Double Cove", were developed by way of old building redevelopment, joint development with MTRC and agricultural land conversion, respectively. Since land is valuable resource to property developers, the Group will adhere to its diversified land acquisition development model with equal emphasis on old building redevelopment, public auction, tendering and agricultural land conversion, so as to maintain a steady and quality pipeline of landbanks to support property development and grow the property operations in Hong Kong.

With respect to value enhancement, the Group will strive to raise profit contributions from the Hong Kong property portfolio by reviewing its assets portfolio and gradually optimising the quality and services of its investment properties, in a bid to generate better return on assets. Taking Discovery Park Shopping Centre in the prime location in Tsuen Wan as an example, our team formulated an upgrade plan immediately after acquisition of the remaining 50% interest in the Shopping Centre in 2011, with an aim to upgrading the project and enhancing rental return through renovation and reorganisation of tenant mix. Besides, we actively reviewed our assets portfolio in recent years and sold non-core assets to raise capital for future property development. These initiatives have undoubtedly exerted positive effects on the Group's results and brand building.

With respect to property development in Mainland China, NWCL, the Group's flagship enterprise in property development in Mainland China, will continue to develop property operations in Mainland China by adopting diversified property development concepts, closely monitoring overall environment at home and abroad and adhering to our prudent management principle and innovative ideas. We will focus on development of our existing landbank, expedite development progress, improve production flow and strictly control costs through product standardisation and centralised regional procurement and timely adjust development plans based on market changes, so as to achieve rapid sales and high turnover. We will offer unit types catering to the actual needs of the market and the mass public, as well as deluxe, superior and multi-functional products catering to the lifting lifestyle in Mainland China.

The Group is committed to optimising its property development operations in Hong Kong and Mainland China. In a bid to grasp opportunities and overcome challenges ahead, we will come up with new concepts and equip ourselves on an ongoing basis as well as adopt flexible means, create innovative ideas and set clear objectives. The new management team and our staff are working well with mutual understanding after a period of cooperation. In the coming future, we will fully leverage on our team spirit, work diligently with clear objectives and move forward with the Group hand in hand to build New World as a renowned brand for superior property development.

**New World, One Step Forward
We Create New Living Experience**

Cheng Chi-Kong, Adrian

*Executive Director & Joint General Manager
Hong Kong, 26 September 2012*

Chen Guanzhan

Executive Director & Joint General Manager

MANAGEMENT DISCUSSION AND ANALYSIS

In FY2012, NWD recorded a consolidated revenues of HK\$35,620.1 million and profit attributable to shareholders of the Company amounted to HK\$10,139.0 million, up 8.3% and 10.8% respectively. The Group's underlying profits amounted to HK\$5,017.7 million, up 7.5%. Total segment results (including share of results of jointly controlled entities and associated companies) amounted to HK\$13,241.6 million, increased 20.5%.

Consolidated Income Statement

	FY2012 HK\$m	FY2011 HK\$m
Revenues	35,620.1	32,882.0
Cost of sales	(19,925.7)	(20,672.6)
Gross profit	15,694.4	12,209.4
Other income	76.0	82.8
Other gains, net	1,924.5	2,132.6
Selling and marketing expenses	(935.0)	(650.6)
Administrative and other operating expenses	(5,547.6)	(5,023.1)
Changes in fair value of investment properties	4,902.7	3,534.6
Operating profit	16,115.0	12,285.7
Financing income	686.5	423.5
Financing costs	(1,200.0)	(889.4)
	15,601.5	11,819.8
Share of results of		
Jointly controlled entities	1,962.7	2,654.0
Associated companies	1,157.4	1,104.0
Profit before taxation	18,721.6	15,577.8
Taxation	(4,400.5)	(2,833.8)
Profit for the year	14,321.1	12,744.0
Attributable to:		
Shareholders of the Company	10,139.0	9,153.9
Non-controlling interests	4,182.1	3,590.1

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues – by business segments

	FY2012 HK\$m	FY2011 HK\$m
Property development	12,627.1	16,117.0
Property investment	1,892.8	1,589.3
Service	11,073.3	8,380.6
Infrastructure	1,926.2	277.7
Hotel operations	3,559.5	2,767.5
Department stores	3,517.3	2,815.9
Telecommunications	754.3	712.6
Others	269.6	221.4
Total	35,620.1	32,882.0

In FY2012, the Group's revenues increased 8.3% to HK\$35,620.1 million from HK\$32,882.0 million, mainly due to the strong growth from service and infrastructure segments, up 32.1% and 593.6% respectively. In FY2012, the revenues from contracting business in service segment up 67.3%. During FY2012, NWSH acquired 95% effective interest in Hangzhou Ring Road ("HZRR") and its performance stood out as the most significant contributor of the infrastructure segment. Moreover, the contribution from hotel operations and department stores recorded a significant growth, increased 28.6% and 24.9% respectively.

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

	FY2012 HK\$m	FY2011 HK\$m
Property development	5,274.0	4,743.1
Property investment	2,016.9	1,761.5
Service	1,907.2	1,620.2
Infrastructure	2,343.7	1,872.6
Hotel operations	609.6	433.1
Department stores	766.1	582.4
Telecommunications	177.5	99.6
Others	146.6	(124.9)
Total	13,241.6	10,987.6

MANAGEMENT DISCUSSION AND ANALYSIS

Property development

During the year under review, the contribution from property development segment was HK\$5,274.0 million, up 11.2%. In FY2012, the major contribution for the property sales in Hong Kong was from “The Masterpiece” whereas the property sales in the last fiscal year was mainly from “Emerald Green” and “Belcher’s Hill”, resulting in a drop of the property sales in Hong Kong.

During the year under review, the Group launched two projects, “The Signature” at Tai Hang and “The Riverpark” at Sha Tin, in Hong Kong. Both projects received overwhelming responses from the market.

In March 2012, the Central Government and the national financial institutions moderately adjusted control measures to increase market liquidity in response to external economic environment, domestic social development and property market trend. As concrete demand for new purchases and upgrades increased given the low probability for a new round of control measures, property market sentiment gradually picked up with higher transaction volume and stable property prices.

The inclusion of Central Park-view, a high-end residential project in Pearl River New Town, Guangzhou, and commercial properties with higher average price and gross profit in the property sales portfolio of NWCL, coupled with the different levels of increase in average selling price of residential projects in general during the year, overall gross profit margin also increased significantly by 17 percentage points year-on-year to 50%.

Property investment

In FY2012, property investment contributed HK\$2,016.9 million, up 14.5% from FY2011’s HK\$1,761.5 million mainly due to the contribution from the projects in Mainland China.

Service

During the year under review, service segment contributed HK\$1,907.2 million, up 17.7%. The key contributor of service segment was the Free Duty business. Strong patronage of affluent travellers from Mainland China contributed to the significant growth of Free Duty’s tobacco and liquor retail business at various cross-boundary transportation terminals in Hong Kong.

HKCEC continued to benefit from the growth of exhibition and convention industry in FY2012. During the year, 1,224 events were held at HKCEC with total patronage of approximately 5.6 million. Therefore, HKCEC maintained a stable contribution to the service segment.

MANAGEMENT DISCUSSION AND ANALYSIS

The transport business recorded a 27% increase in profit over FY2011. This was mainly attributable to the gain on the disposals of the Macau ferry operation and the bus operation in Kunming, the PRC. Two new 10-year franchises were granted to New World First Bus Services Limited and Citybus Limited's Airport and North Lantau Bus Network (Franchise 2) during the year and will take effect when the current franchises expire on 1 July 2013 and 1 May 2013 respectively.

Infrastructure

In FY2012, the contribution from infrastructure segment was HK\$2,343.7 million, up 25.2%. After the completion of the fourth stage of acquisition of HZRR in January 2012, NWSH owns 95% effective interest in the project. This 103.4 km long expressway boasted a daily traffic volume of over 100,000 vehicles and contributed significantly to the road business in FY2012. Meanwhile, average daily traffic flow of Guangzhou City Northern Ring Road grew by 13%, as benefited from the repairs and maintenance being undertaken by a competing road during FY2012.

Surging coal price continued to put pressure on the profitability of power producers in FY2012. Due to system upgrade and overhaul works carried out during FY2012, Zhujiang Power Plants registered a decrease in electricity sales of 5%.

Water sales volume maintained a steady growth in most of the water plants in Mainland China and Macau. Moreover, the Chongqing CCIP Water Treatment Plants, which commenced operation in September 2011, became a new source of contribution to infrastructure segment.

ATL Logistics Centre continued to make stable contribution. Average occupancy rate increased from 96% to 98% in FY2012. The entire newly completed NWS Kwai Chung Logistics Centre has been leased out and is expected to generate a steady contribution and cash flow.

Hotel operations

During the year under review, hotel operations segment contributed HK\$609.6 million, up 40.8%. During the year, the Group's four major hotel projects in Hong Kong, namely, Grand Hyatt Hong Kong, Hyatt Regency Hong Kong, Tsim Sha Tsui, Hyatt Regency Hong Kong, Sha Tin and Renaissance Harbour View Hotel in Hong Kong, delivered strong business performances of continuous growth in average occupancies and average room rates. In particular, Grand Hyatt Hong Kong has made remarkable contributions to the Group's hotel operations with revenues growth of 10.3% year-on-year. Hyatt Regency Hong Kong, Tsim Sha Tsui and Hyatt Regency Hong Kong, Sha Tin, both commenced operations in 2009, achieved outstanding performances with average occupancy of over 82%, average room rates at a year-on-year growth of 12.2% and 20.7% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

In FY2012, the continual improvement in operating results of hotel operations in Mainland China was primarily due to the continual growth in operating performance and total operating profit of hotels.

Department stores

During the year under review, department stores segment contributed HK\$766.1 million, up 31.5%.

Despite facing adverse impact from the European sovereign debt crisis in China economy, the same store sales growth of our self-owned department store was 14.1% as compared to 18.2% for the prior fiscal year. NWDS has established counter measures in advance, seizing the opportunity endowed by initiatives by the Central Government to boost the overall economy with domestic demands, strategically conducting business expansion in different regions.

In terms of new store expansion, during FY2012, NWDS successfully acquired the property and operating rights of “Channel 1調頻壹” shopping mall in Putuo District, Shanghai in November 2011. The project was renamed as Shanghai – Hong Kong New World Department Store – Shanghai Shaanxi Road Store on 28 June 2012. In addition, NWDS made its business presence in Mianyang, Sichuan Province in December 2011, opening and positioning Mianyang New World Department Store as a “one-stop shopping” living gallery. Shenyang Jianqiao Road Branch Store, which has completed expansion, also opened on 28 April 2012 with its GFA increased by approximately 34,000 sq m.

As at 30 June 2012, NWDS operated and managed a total of 39 stores spreading across 18 cities in Mainland China with total GFA 1,387,670 sq m. In particular, 36 were self-owned stores with total GFA close to 1,279,970 sq m whilst three were managed stores with total GFA over 107,700 sq m. The total GFA of self-owned stores showed an increase of 17.6% when compared with the same period over last year.

Telecommunications

Telecommunication business segment recorded a profit of HK\$177.5 million, up 78.2%. This strong growth was mainly due to the outstanding performance of CSLNWM, with a total of 475,000 mobile customers added during FY2012.

Others

Other businesses recorded a profit of HK\$146.6 million as compared to a loss of HK\$124.9 million in the prior fiscal year, mainly due to the contribution from New World Liberty China Ventures Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

Other gains, net

Net other gains amounted to HK\$1,924.5 million, decreased 9.8%. Net other gains included gain on deemed disposal of interest in Newton Resources by NWSH, disposal of associated companies and jointly controlled entities, including the disposal of the Group's interests of Renaissance Kuala Lumpur Hotel, Malaysia in March 2012, gain on remeasuring previously held assets of a jointly controlled operation at fair value upon acquisition of control, gain on disposal of available-for-sale financial assets and net exchange gain.

Changes in fair value of investment properties

Changes in fair value of investment properties amounted to HK\$4,902.7 million, increased 38.7%. The redevelopment project of New World Centre in the prime location of Tsim Sha Tsui promenade has commenced during the year. Therefore, the fair value of New World Centre was enhanced. Meanwhile, due to the improvement of the market sentiment in Mainland China, the contribution from the properties of NWCL increased significantly.

Liquidity and capital resources

The Group's debts were primarily denominated in Hong Kong dollar and Renminbi. In respect of the Group's operations in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging of Renminbi contributed to those projects. Apart from this, the Group does not have any material foreign exchange exposure.

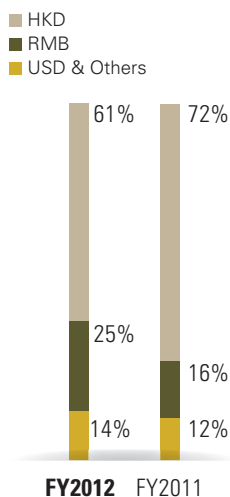
The Group's borrowings were mainly arranged on a floating rate basis. The Group used interest rate swaps and foreign currency swap to hedge part of the Group's underlying interest rate and foreign exchange exposure. As at 30 June 2012, the Group had outstanding derivative instruments in the amounts of HK\$5,800.0 million and US\$700.0 million (equivalent to approximately HK\$5,460.0 million) respectively.

As at 30 June 2012, the Group had outstanding foreign currency swap contracts in the amounts of RMB1,000.0 million (equivalent to approximately HK\$1,219.5 million).

As at 30 June 2012, the Group's cash and bank balances stood at HK\$28,036.3 million (2011: HK\$24,092.8 million) and the consolidated net debt amounted to HK\$57,773.4 million (2011: HK\$34,992.4 million). The net debt to equity ratio was 36.6%, an increase of 10.6% as compared with FY2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Currency Profile of Borrowings



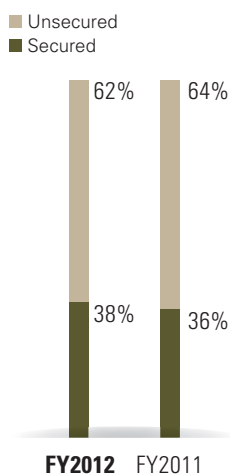
The Group has completed the following significant transactions during the year:

	HK\$m
NWD: Payment of land premium for Tai Po Tsai project, Hong Kong	6,640
NWD: Payment of land premium for New Eastern Terrace project, Hong Kong	3,749
NWDS: Acquisition of Channel 1 調頻壹, Shanghai	1,793
NWSH: Acquisition of Hangzhou Ring Road, Hangzhou	6,769
NWCL: Acquisition of Rosewood Hotels & Resorts' brand and distribution network	2,049
Total	21,000

During the year, the Company raised approximately HK\$11,332.0 million, before expenses, by way of a rights issue of 1,995,062,501 rights shares on the basis of one rights share for every two shares of the Company at the subscription price of HK\$5.68 per rights share ("NWD Rights Issue").

During the year, NWCL also raised approximately HK\$4,293.1 million, before expenses, by way of a rights issue of 2,881,306,455 rights shares on the basis of one rights share for every two shares of NWCL at subscription price of HK\$1.49 per rights share ("NWCL Rights Issue").

Nature of Debts



The net proceeds from the above two Rights Issues has been used for the funding of the Group's property projects and as general working capital of the Group.

The proceeds from the NWD Rights Issue and the NWCL Rights Issue have strengthened the capital base and the financial position of both the Company and NWCL so as to facilitate the carrying out of their plans to develop their landbank.

During the year, NWCL raised an aggregate amount of RMB4,300.0 million in the bond market by way of issuance of 8.50% and 8.12% RMB Bonds respectively due 2015 (Stock code: 86021).

On 11 June 2012, the maturity date of the USD settled zero coupon guaranteed convertible bonds ("Bonds") (stock code: 01517) issued by a subsidiary of NWCL, all outstanding Bonds totaling 3,132 units with face value of RMB100,000 each were redeemed for an aggregate consideration of US\$51.5 million (before expenses) in accordance with the terms and conditions of the Bonds.

During the year, NWSH issued RMB1,000.0 million 2.75% guaranteed bonds due in 2014 and US\$500.0 million 6.5% guaranteed bonds due in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Floating/fixed rate and maturity profile

As at 30 June 2012, the Group's long-term bank loans, fixed rate bonds and convertible bonds amounted to HK\$80,094.7 million. Short-term bank and other loans as at 30 June 2012 were HK\$5,715.0 million. The maturity of long-term bank loans, fixed rate bonds and convertible bonds as at 30 June 2012 was as follows:

	HK\$m
Within one year	12,391.8
In the second year	16,317.5
In the third to fifth year	40,958.9
After the fifth year	10,426.5
Total	80,094.7

As at 30 June 2012, the Group's assets of HK\$56,182.0 million (2011: HK\$35,292.9 million) and certain shares of subsidiaries of the Group were pledged as securities for certain banking facilities of the Group.

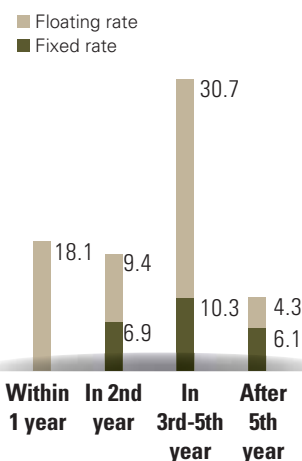
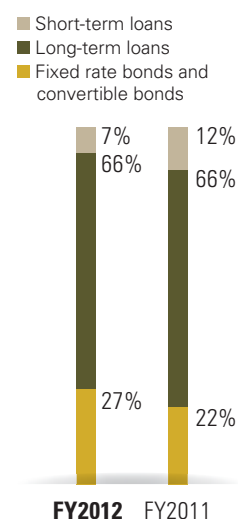
Equity of the Group as at 30 June 2012 increased to HK\$158,040.7 million against HK\$134,368.6 million as at 30 June 2011.

Gross debt

	FY2012 HK\$m	FY2011 HK\$m
Consolidated gross debt	85,809.7	59,085.2
NWSH	17,666.1	6,662.0
NWCL	26,254.6	19,110.5
NWDS	1,007.7	—
Gross debt (exclude listed subsidiaries)	40,881.3	33,312.7

Net debt

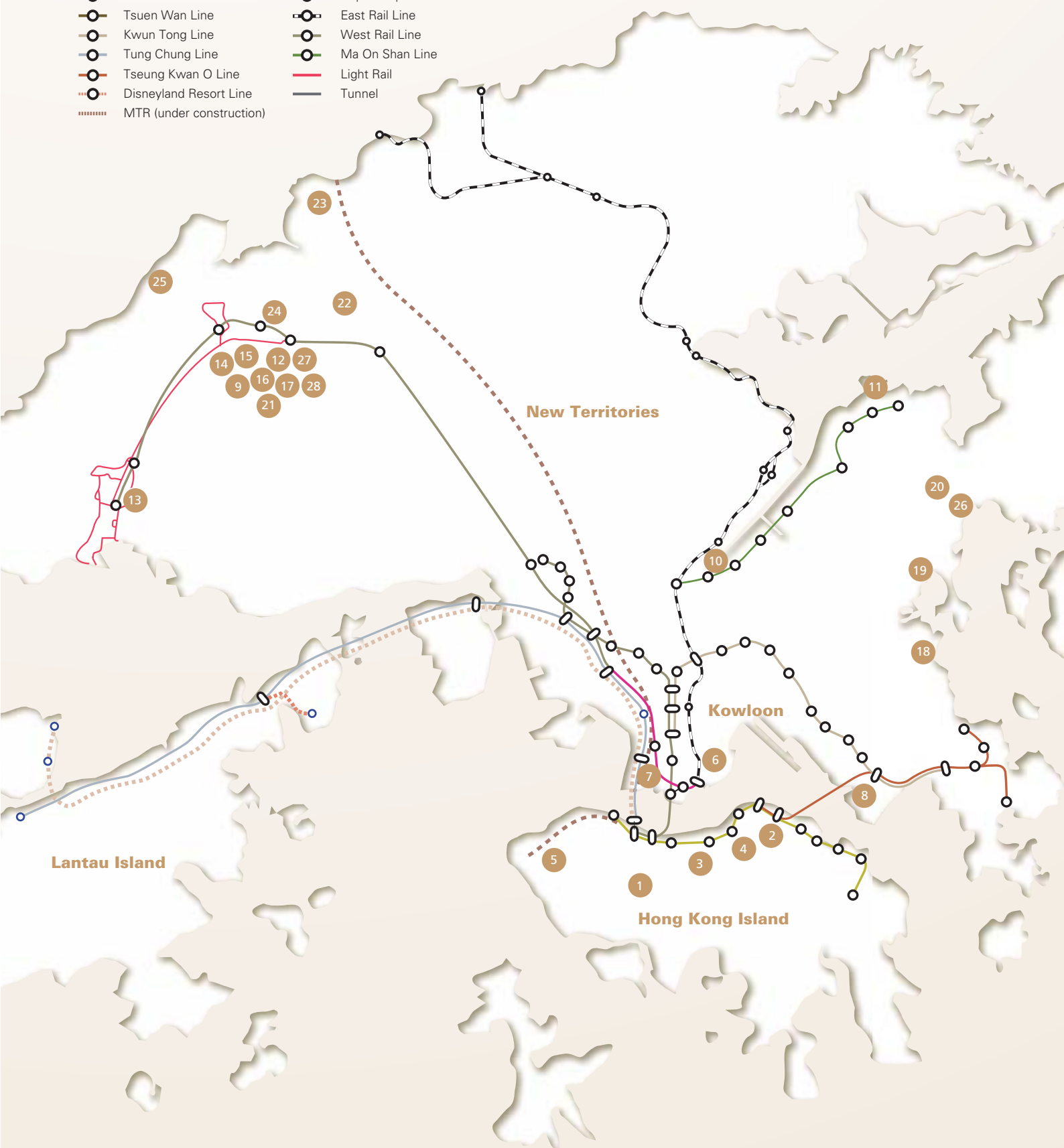
	FY2012 HK\$m	FY2011 HK\$m
Consolidated net debt	57,773.4	34,992.4
NWSH	12,280.1	2,161.5
NWCL	12,997.0	8,459.6
NWDS – cash and bank balances	(2,613.3)	(4,153.0)
Net debt (exclude listed subsidiaries)	35,109.6	28,524.3

Floating/Fixed Rate and Maturity Profile as at 30 June 2012 (HK\$ Billion)**Source of Borrowings**

PRINCIPAL PROJECTS SUMMARY

Major Property Development Projects in Hong Kong

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



PRINCIPAL PROJECTS SUMMARY

No. Name of Property Development Projects

1	55 Conduit Road, Mid-Levels
2	Upper & Lower Kai Yuen Lane and 5 Kai Yuen Street, North Point
3	1-10 Kwai Fong Street, Happy Valley
4	1-15 New Eastern Terrace and 5-11 Dragon Road, Tin Hau
5	4-14 South Lane, Western District
6	Chatham Gate, Chatham Road, Hung Hom
7	Site C, Austin Station Project, West Kowloon Site D, Austin Station Project, West Kowloon
8	Yau Tong Redevelopment Project, Yau Tong
9	Phase 1 – Site A, Lot No. 2131 in DD121, Tong Yan San Tsuen, Yuen Long
10	The Riverpark, Sha Tin
11	Double Cove, Lok Wo Sha, Ma On Shan Phase 2, DD206, Lok Wo Sha, Ma On Shan Phase 3, DD206, Lok Wo Sha, Ma On Shan Phase 4, DD206, Lok Wo Sha, Ma On Shan Phase 5, DD206, Lok Wo Sha, Ma On Shan
12	YLTL 526, Tai Tong Road, Yuen Long
13	76-92 Tuen Mun Heung Sze Wui Road, Tuen Mun
14	Site A&B, Hung Shui Kiu Project, Yuen Long
15	Lot No. 419 in DD127, Tai Tao Tsuen, Yuen Long
16	Phase 2, Lot No. 2139 in DD121, Tong Yan San Tsuen, Yuen Long
17	Lot No. 4043 in DD120, Lung Tin Tsuen, Yuen Long
18	DD227 & DD229, Tai Po Tsai, Clear Water Bay, Sai Kung
19	DD217, 219 & 222, Pak Kong, Sai Kung
20	DD221, Sha Kok Mei, Sai Kung
21	Phase 2, Lung Tin Tsuen, Yuen Long
22	Phase 1, DD104, 107, Wing Kei Tsuen, Yuen Long
23	Phase 1, DD99, 101, Lin Barn Tsuen, Yuen Long
24	Phase 3, Tong Yan San Tsuen, Yuen Long
25	Phase 2, Deep Bay Grove, Yuen Long
26	DD221, Sha Ha, Sai Kung
27	Lot No. 4537 in DD116, Tai Tong Road, Yuen Long
28	YLTL 524, Tai Tong Road, Yuen Long



PRINCIPAL PROJECTS SUMMARY

PROJECT SUMMARY – MAJOR PROPERTY DEVELOPMENT PROJECTS IN HONG KONG

No.	Name of Property Development Projects	Site Area (sq ft)	Total GFA (sq ft)
HONG KONG ISLAND			
1	55 Conduit Road, Mid-Levels	36,003	87,780
2	Upper & Lower Kai Yuen Lane and 5 Kai Yuen Street, North Point	72,000	573,301
3	1-10 Kwai Fong Street, Happy Valley	6,515	65,150
4	1-15 New Eastern Terrace and 5-11 Dragon Road, Tin Hau	49,569	396,546
5	4-14 South Lane, Western District	5,142	41,134
KOWLOON			
6	Chatham Gate, Chatham Road, Hung Hom	40,754	366,786
7	Site C, Austin Station Project, West Kowloon ⁽²⁾	135,443	543,324
	Site D, Austin Station Project, West Kowloon ⁽²⁾	159,738	738,841
8	Yau Tong Redevelopment Project, Yau Tong	784,044	4,430,705
NEW TERRITORIES			
9	Phase 1 – Site A, Lot No. 2131 in DD121, Tong Yan San Tsuen, Yuen Long	78,502	79,993
10	The Riverpark, Sha Tin ⁽²⁾	195,194	966,520
11	Double Cove, Lok Wo Sha, Ma On Shan	947,673	782,231
	Phase 2, DD206, Lok Wo Sha, Ma On Shan		647,702
	Phase 3, DD206, Lok Wo Sha, Ma On Shan		810,917
	Phase 4, DD206, Lok Wo Sha, Ma On Shan		389,775
	Phase 5, DD206, Lok Wo Sha, Ma On Shan		320,035
12	YLTL 526, Tai Tong Road, Yuen Long	371,358	1,299,753
13	76-92 Tuen Mun Heung Sze Wui Road, Tuen Mun	8,000	83,651
14	Site A&B, Hung Shui Kiu Project, Yuen Long	64,423	79,664
15	Lot No. 419 in DD127, Tai Tao Tsuen, Yuen Long	228,993	228,993
16	Phase 2, Lot No. 2139 in DD121, Tong Yan San Tsuen, Yuen Long	85,251	85,251
17	Lot No. 4043 in DD120, Lung Tin Tsuen, Yuen Long	215,614	1,098,463
18	DD227 & DD229, Tai Po Tsai, Clear Water Bay, Sai Kung	719,035	1,078,553
19	DD217, 219 & 222, Pak Kong, Sai Kung	820,217	322,920
20	DD221, Sha Kok Mei, Sai Kung	150,000	30,000
21	Phase 2, Lung Tin Tsuen, Yuen Long	85,600	428,000
22	Phase 1, DD104 & 107, Wing Kei Tsuen, Yuen Long	786,000	314,000
23	Phase 1, DD99 & 101, Lin Barn Tsuen, Yuen Long	1,300,000	532,000
24	Phase 3, Tong Yan San Tsuen, Yuen Long	180,000	180,000
25	Phase 2, Deep Bay Grove, Yuen Long	99,459	22,910
26	DD221, Sha Ha, Sai Kung	615,453	923,174
27	Lot No. 4537 in DD116, Tai Tong Road, Yuen Long	6,086	21,301
28	YLTL 524, Tai Tong Road, Yuen Long	48,922	171,228
Grand Total		8,294,988	18,140,601

Remarks:

(1) P=Planning; D=Demolition; F=Foundation; S=Superstructure; LE=Land Exchange, SP=Site Preparation













(2) Property in which the Group entitled to a share of development profits in accordance with the terms and conditions of the respective development agreements

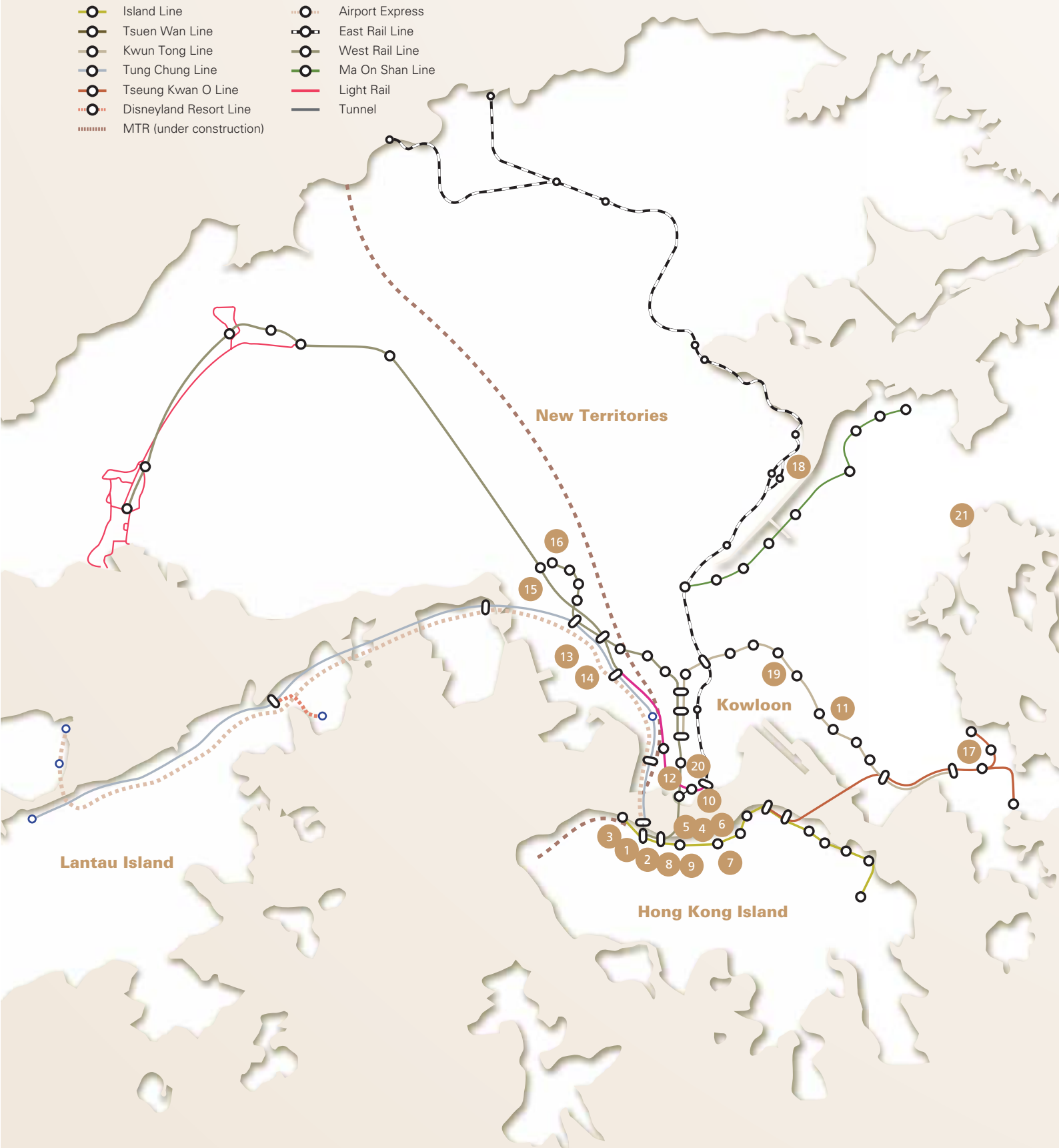
PRINCIPAL PROJECTS SUMMARY

Group Interest (%)	Retail (sq ft)	Residential (sq ft)	Total Attributable GFA (sq ft)	Stage of Completion ⁽¹⁾
30.0		26,334	26,334	F
40.0		229,320	229,320	F
86.6		56,417	56,417	D
85.0		337,064	337,064	F
100.0		41,134	41,134	D
10.0	6,113	30,566	36,679	S
50.0		271,662	271,662	F
50.0		369,421	369,421	F
7.8		346,038	346,038	D
100.0		79,993	79,993	P
100.0		966,520	966,520	S
32.0	31,541	218,773	250,314	S
32.0	2,904	204,361	207,265	F
32.0		259,493	259,493	F
32.0		124,728	124,728	F
32.0		102,411	102,411	F
21.0		272,558	272,558	S
100.0	12,919	70,732	83,651	S
100.0		79,664	79,664	F
100.0		228,993	228,993	F
100.0		85,251	85,251	F
100.0	43,056	1,055,407	1,098,463	F
56.0	12,056	591,934	603,990	SP
100.0		322,920	322,920	F
100.0		30,000	30,000	P
100.0		428,000	428,000	LE
100.0		314,000	314,000	P
70.0		372,400	372,400	P
100.0		180,000	180,000	LE
100.0		22,910	22,910	P
60.0		553,904	553,904	P
21.0	1,005	3,462	4,467	LE
21.0		35,907	35,907	LE
	109,594	8,312,277	8,421,871	

PRINCIPAL PROJECTS SUMMARY

Major Property Investment Projects in Hong Kong

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



PRINCIPAL PROJECTS SUMMARY

No. Name of Property Investment Projects

1	Manning House
2	New World Tower
3	Shun Tak Centre, Shopping Arcade
4	Hong Kong Convention and Exhibition Centre, Shopping Arcade
5	Grand Hyatt Hong Kong
6	Renaissance Harbour View Hotel
7	Pearl City – Portion of Ground Floor to 4th Floor Pearl City – Portion of Ground Floor & Basement
8	2 MacDonnell Road
9	Methodist House
10	Sogo Department Store, Tsim Sha Tsui
11	Telford Plaza
12	K11 Hyatt Regency Hong Kong, Tsim Sha Tsui
13	ATL Logistics Centre
14	NWS Kwai Chung Logistic Centre
15	Riviera Plaza Arcade
16	Discovery Park Shopping Centre
17	The Edge
18	Hyatt Regency Hong Kong, Sha Tin
19	15-19 Luk Hop Street, San Po Kong
20	New World Centre
21	Lot No. 1780 in DD221, Sai Kung



PRINCIPAL PROJECTS SUMMARY

PROJECT SUMMARY – MAJOR PROPERTY INVESTMENT PROJECTS IN HONG KONG

No.	Name of Property Investment Projects	Total GFA (sq ft)	Group Interest (%)	Total Attributable GFA (sq ft)
COMPLETED				
HONG KONG ISLAND				
1	Manning House	110,040	100.0	110,040
2	New World Tower	640,135	100.0	640,135
3	Shun Tak Centre, Shopping Arcade	214,336	45.0	96,451
4	Hong Kong Convention and Exhibition Centre, Shopping Arcade	87,999	100.0	87,999
5	Grand Hyatt Hong Kong	524,928	100.0	524,928
6	Renaissance Harbour View Hotel	544,518	100.0	544,518
7	Pearl City – Portion of Ground Floor to 4th Floor	53,691	40.0	21,476
	Pearl City – Portion of Ground Floor & Basement	24,682	100.0	24,682
8	2 MacDonnell Road	116,954	100.0 ⁽¹⁾	116,954
9	Methodist House	40,813	99.0 ⁽¹⁾	40,405
KOWLOON				
10	Sogo Department Store, Tsim Sha Tsui	141,439	100.0	141,439
11	Telford Plaza	335,960	100.0 ⁽¹⁾	335,960
12	K11	335,939	78.8 ⁽¹⁾	264,552
	Hyatt Regency Hong Kong, Tsim Sha Tsui	277,877	78.8 ⁽¹⁾	218,828
NEW TERRITORIES				
13	ATL Logistics Centre	9,329,000	31.9	2,975,951
14	NWS Kwai Chung Logistic Centre	920,000	60.7	558,739
15	Riviera Plaza Arcade	242,685	100.0	242,685
16	Discovery Park Shopping Centre	466,400	100.0	466,400
17	The Edge	125,730	13.5 ⁽¹⁾	16,974
18	Hyatt Regency Hong Kong, Sha Tin	538,000	100.0 ⁽¹⁾	538,000
	Grand Total	15,071,126		7,967,116
TO BE COMPLETED/ UNDER DEVELOPMENT				
19	15-19 Luk Hop Street, San Po Kong	285,588	100.0	285,588
20	New World Centre	3,185,647	100.0	3,185,647
21	Lot No. 1780 in DD221, Sai Kung	14,801	100.0	14,801

Notes:

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

(2) Meeting rooms

(3) Represents the logistic centre

(4) TBD = to be determined

PRINCIPAL PROJECTS SUMMARY

Retail (sq ft)	Office (sq ft)	Hotel (sq ft)	Residential (sq ft)	Others (sq ft)	Carpark (number)	Lease Expiry
63,383	46,657					2843
77,948	562,187				387	2863
96,451					38	2055
69,173				18,826 ⁽²⁾	1,070	2060
		524,928				2060
		544,518				2060
21,476						2868
24,682						2868
			116,954			2031
	40,405					2084
141,439					260	2052
335,960					136	2047
264,552					234	2057
		218,828				2057
				2,975,951 ⁽³⁾		2047
				558,739 ⁽³⁾		2058
242,685					324	2047
466,400					1,000	2047
16,974						2047
		538,000			100	2047
1,821,123	649,249	1,826,274	116,954	3,553,516	3,549	
		285,588				2057
TBD	TBD	TBD	TBD	TBD	TBD	2052
		14,801				2047

PRINCIPAL PROJECTS SUMMARY

PROJECT SUMMARY – MAJOR PROPERTY DEVELOPMENT PROJECTS IN MAINLAND CHINA

No.	Name of Property	NWCL's Accounting Classification	NWCL's Attributable Interest	Total GFA (sq m)
PROJECT UNDER DEVELOPMENT/HELD FOR DEVELOPMENT				
1	Beijing Xin Yi Garden Phase III	JCE	70%	85,626
2	Beijing New View Garden Phase III	JCE	70%	20,414
	Beijing New View Garden Remaining Phases			22,561
	Beijing New View Garden Commercial Centre			39,653
3	Beijing Xin Yu Garden Remaining Phases	JCE	70%	680,190
	Beijing Xin Yu Garden Commercial Centre			89,620
4	Beijing Yanjing Building	JCE	70%	30,627
5	Beijing Yuzhuang Project	Subsidiary	75%	155,916
6	Langfang New World Centre	Subsidiary	100%	385,984
7	Langfang New World Garden	Subsidiary	100%	365,788
8	Tangshan New World Centre	Subsidiary	100%	229,045
9	Tianjin Xin Hui Hua Ting	Subsidiary	100%	301,641
10	Jinan Sunshine Garden Phase III	Subsidiary	100%	212,723
	Jinan Sunshine Garden Remaining Phases			78,428
11	Shenyang New World Garden Phase IIB	Subsidiary	90%	58,716
	Shenyang New World Garden Phase IIB			621,892
	Shenyang New World Garden Remaining Phases			1,616,850
12	Shenyang New World Centre – Expo	Subsidiary	90%	115,398
	Shenyang New World Centre Phase I			238,243
	Shenyang New World Centre Remaining Phases			968,960
13	Shenyang New World Commercial Centre Phase I	Subsidiary	100%	73,847
14	Anshan New World Garden Phase IA III-IV	Subsidiary	100%	143,696
	Anshan New World Garden Phase IIA			24,969
	Anshan New World Garden Remaining Phases			1,140,171
15	Dalian New World Tower Remaining Portion	Subsidiary	100%	83,571
16	Wuhan Menghu Garden Phase IIIA/C	Subsidiary	100%	48,864
	Wuhan Menghu Garden Phase IIIB			4,614
17	Wuhan Changqing Nanyuan Phase III	JCE	60%	78,465
18	Wuhan Changqing Garden Phase VII Area 5	JCE	60%	39,613
	Wuhan Changqing Garden Phase VIII Area 8			113,515
	Wuhan Changqing Garden Phase VIII Area 6			300,930
	Wuhan Changqing Garden Remaining Phases			1,404,590
19	Wuhan New World Centre Western Portion	Subsidiary	100%	63,955

PRINCIPAL PROJECTS SUMMARY

	Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)	Development Status	Expected Completion Date
		768	17,311	52,625	14,922	Under development	Jan-13
18,146	2,268					Under development	Jan-13
	2,223	12,629			7,709	Under planning	Aug-15
	16,531	8,052			15,070	Under planning	Oct-15
296,200	143,990				240,000	Under planning	TBD
	60,925				28,695	Under planning	Jun-16
	22,889				7,738	Under development	Oct-12
122,142	3,139				30,635	Under planning	Mar-16
155,622	65,260	42,145	38,025	84,932		Under development	Feb-16
247,889	16,045			101,854		Under planning	Feb-16
84,368	35,912	49,048		59,717		Under development	Oct-14
189,401	10,640			101,600		Under development	Jan-14
146,606	5,319	16,669		44,129		Under development	Jun-14
			37,061	16,124	25,243	Under planning	TBD
58,716						Under development	Dec-12
456,268	16,318				149,306	Under development	Dec-13
1,091,620	112,303	73,260			339,667	Under planning	TBD
					115,398	Under development	Jun-13
				91,125	147,118	Under development	Jun-13
337,412	292,881	298,871	39,796			Under planning	TBD
46,174	23,058				4,615	Under development	Jun-13
113,634	1,160				28,902	Under development	Jun-13
24,969						Under development	Jun-13
772,426	35,364	30,000			302,381	Under planning	TBD
83,571						Under development	Jun-13
48,864						Planning completed	Dec-14
4,614						Under development	Dec-12
62,219	7,269				8,977	Under development	Jun-14
38,878	735					Under development	Jun-13
92,293	9,490				11,732	Under development	Jun-13
244,500	6,500				49,930	Planning completed	Jun-14
588,686	388,404	14,100			413,400	Under planning	TBD
	12,000		40,792		11,163	Under planning	TBD

PRINCIPAL PROJECTS SUMMARY

PROJECT SUMMARY – MAJOR PROPERTY DEVELOPMENT PROJECTS IN MAINLAND CHINA (continued)

No.	Name of Property	NWCL's Accounting Classification	NWCL's Attributable Interest	Total GFA (sq m)
PROJECT UNDER DEVELOPMENT/HELD FOR DEVELOPMENT (CONTINUED)				
20	Wuhan Guanggu New World	Subsidiary	100%	160,816
	Wuhan Guanggu New World Remaining Portion			341,462
21	Changsha La Ville New World Phase IIA	Subsidiary	48%	26,795
	Changsha La Ville New World Phase IIA Remaining Portion			82,190
	Changsha La Ville New World Phase IIIB			177,825
	Changsha La Ville New World Phase IIIB			163,793
	Changsha La Ville New World Phase IV			422,390
22	Yiyang Scenic Heights	Subsidiary	100%	1,098,867
23	Chengdu New World Riverside Phase II 1A	Subsidiary	30%	304,690
	Chengdu New World Riverside Phase I Remaining Portion			81,520
	Chengdu New World Riverside Phase II 1B			355,745
	Chengdu New World Riverside Phase II 2B			271,661
	Chengdu New World Riverside Phase II Commercial District			374,211
	Chengdu New World Riverside Remaining Phases			2,308,505
24	Guiyang Jinyang Sunny Town Phase IIA	Subsidiary	50%	393,301
	Guiyang Jinyang Sunny Town Phase IIB			88,482
	Guiyang Jinyang Sunny Town Phase IIIA			58,332
	Guiyang Jinyang Sunny Town Phase IIC			195,764
	Guiyang Jinyang Sunny Town Phase IIIB			159,436
	Guiyang Jinyang Sunny Town Remaining Phases			2,562,635
	Guiyang Jinyang Sunny Town Commercial Centre District			803,416
25	Guangzhou Dong Yi Garden Phase V	Subsidiary	100%	36,970
26	Guangzhou New World Oriental Garden Phase III	Subsidiary	100%	93,009
27	Guangzhou Covent Garden Phase IIIA	Subsidiary	100%	246,279
	Guangzhou Covent Garden Phase IIIB			102,000
	Guangzhou Covent Garden Phase III Remaining Portion			606,653
28	Guangzhou Park Paradise Phase III	Subsidiary	100%	87,349
	Guangzhou Park Paradise Phase IV			234,741
	Guangzhou Park Paradise Remaining Phases			459,297
29	Guangzhou Baiyun Project	Subsidiary	100%	191,364
30	Guangzhou Xintang New World Garden Phase VB	JCE	63%	72,201
	Guangzhou Xintang New World Garden Phase VC			87,262
31	Guangzhou Foshan New World Metropolitan Complex Phase I (#09 & #10)	Subsidiary	85%	88,123
	Guangzhou Foshan New World Metropolitan Complex Phase I (#19)			61,774
	Guangzhou Foshan New World Metropolitan Complex Remaining Phases			925,579

PRINCIPAL PROJECTS SUMMARY

	Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)	Development Status	Expected Completion Date
	127,566				33,250	Under development	Dec-12
	47,073	67,075	98,299	68,435	60,580	Under planning	Jun-17
	24,485	2,310				Under development	Jun-13
	55,316	6,004			20,870	Under development	Jun-14
	131,085				46,740	Under development	Jun-13
	64,749	35,399	20,726		42,919	Under development	Jun-15
	377,768	7,239			37,383	Under planning	TBD
	802,560	38,877	62,500		194,930	Under planning	TBD
	219,250				85,440	Under development	Dec-15
				55,422	26,098	Planning completed	TBD
	232,969				122,776	Under planning	Dec-16
	195,180				76,481	Under planning	Dec-17
	77,200	155,755			141,256	Under planning	Dec-17
	1,623,513				684,992	Under planning	TBD
	263,524				129,777	Under development	Oct-13
			17,898	39,521	31,063	Under development	Feb-14
	57,349	983				Under development	Jul-14
	113,566	28,000		10,203	43,995	Planning completed	Mar-16
	129,266				30,170	Planning completed	Mar-17
	1,815,683	242,462			504,490	Under planning	TBD
		645,756			157,660	Under planning	TBD
	22,996				13,974	Under planning	Oct-15
	82,893				10,116	Under development	Dec-12
	208,047				38,232	Under development	Apr-14
	61,545				40,455	Under development	Feb-15
	541,191	37,147			28,315	Planning completed	TBD
	39,000	7,274	7,000	14,725	19,350	Under planning	TBD
	208,188				26,553	Under development	Jul-13
	263,675	74,038			121,584	Planning completed	TBD
	148,139				43,225	Under development	Dec-14
	72,201					Under development	Dec-12
	87,262					Under planning	Jun-14
	88,123					Under development	Sep-13
	61,774					Under planning	Jun-14
	844,478			81,101		Under planning	TBD

PRINCIPAL PROJECTS SUMMARY

PROJECT SUMMARY – MAJOR PROPERTY DEVELOPMENT PROJECTS IN MAINLAND CHINA (continued)

No.	Name of Property	NWCL's Accounting Classification	NWCL's Attributable Interest	Total GFA (sq m)
PROJECT UNDER DEVELOPMENT/HELD FOR DEVELOPMENT (CONTINUED)				
32	Shenzhen New World Yi Shan Garden Phase III	Subsidiary	100%	127,591
33	Shenzhen Jian Gang Shan Project	Subsidiary	100%	64,427
34	Zhaoqing New World Garden Phase III Remaining Portion	Subsidiary	100%	133,840
	Zhaoqing New World Garden Phase IV			50,206
35	Huiyang Hu Xia Liao Project	Subsidiary	88%	162,717
36	Huiyang Palm Island Resort Phase VI	JCE	59%	17,080
	Huiyang Palm Island Resort Remaining Portion			269,430
37	Huizhou Changhuyuan Phase III	JCE	63%	144,170
	Huizhou Changhuyuan Phase IV			155,406
38	Zhuhai Jin Hai New World Phase IV	Subsidiary	100%	147,021
39	Haikou New World Garden Phase III	Subsidiary	100%	165,422
40	Haikou Meilisha Project Phase I (#2)	Subsidiary	100%	33,313
	Haikou Meilisha Project Phase I (#4)			78,827
	Haikou Meilisha Project Remaining Phases			2,510,105
Total (Project under development/held for development)				27,623,067

TBD = To be determined

PRINCIPAL PROJECTS SUMMARY

	Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)	Development Status	Expected Completion Date
	95,686				31,905	Under development	Jun-14
	58,113				6,314	Under development	Dec-12
	116,101	2,346			15,393	Under development	Nov-14
	42,607				7,599	Under development	Nov-13
	162,717					Under planning	TBD
	17,080					Under development	Mar-13
	269,430					Under planning	TBD
	108,148	2,010			34,012	Under development	Feb-13
	101,906	8,500			45,000	Under planning	Dec-16
	106,456	10,162			30,403	Under development	Aug-13
	124,352				41,070	Under development	Jun-13
	23,608				9,705	Under development	Jul-13
	47,311	7,813			23,703	Under development	Jun-13
	1,544,950	132,036		62,652	770,467	Under planning	TBD
	17,231,297	2,802,577	846,361	569,754	6,173,078		

PRINCIPAL PROJECTS SUMMARY

PROJECT SUMMARY – MAJOR PROPERTY INVESTMENT PROJECTS AND HOTELS IN MAINLAND CHINA

No.	Name of Property	NWCL's Accounting Classification	NWCL's Attributable Interest	
COMPLETED INVESTMENT PROPERTIES				
41	Beijing New World Centre Phase I	JCE	70%	
42	Beijing New World Centre Phase II	JCE	70%	
43	Beijing Zhengren Building	JCE	70%	
44	Beijing New World Garden	JCE	70%	
	Beijing Xin Yang Commercial Building			
	Beijing Xin Cheng Commercial Building			
1a	Beijing Xin Yi Garden	JCE	70%	
2a	Beijing New View Garden	JCE	70%	
3a	Beijing Xin Yu Garden	JCE	70%	
45	Beijing Xin Kang Garden	JCE	70%	
46	Beijing Baoding Building Shopping Arcade	Subsidiary	100%	
47	Tianjin Xin An New World Plaza	Subsidiary	100%	
48	Tianjin New World Garden	Subsidiary	100%	
10a	Jinan Sunshine Garden	Subsidiary	100%	
11a	Shenyang New World Garden	Subsidiary	90%	
14a	Anshan New World Garden	Subsidiary	100%	
49	Dalian New World Plaza	Subsidiary	88%	
15a	Dalian New World Tower	Subsidiary	100%	
50	Shanghai Hong Kong New World Tower	JCE	50%	
51	Shanghai Ramada Plaza	Subsidiary	100%	
	Shanghai Belvedere Service Apartment			
52	Shanghai Jiu Zhou Shopping Arcade	Subsidiary	100%	
53	Wuhan New World International Trade Tower I	Subsidiary	100%	
	Wuhan New World International Trade Tower II			
19a	Wuhan New World Centre	Subsidiary	100%	
	Wuhan New World Centre	JCE	60%	
54	Wuhan K11 Gourmet Tower	Subsidiary	100%	
18a	Wuhan Changqing Garden	JCE	60%	
55	Wuhan Xin Hua Garden	JCE	60%	
21a	Changsha La Ville New World Phase I	Subsidiary	48%	
23a	Chengdu New World Riverside Phase I	Subsidiary	30%	
56	Nanjing New World Centre	Subsidiary	100%	
24a	Guiyang Jinyang Sunny Town	Subsidiary	50%	
25a	Guangzhou Dong Yi Garden	Subsidiary	100%	
26a	Guangzhou New World Oriental Garden	Subsidiary	100%	

PRINCIPAL PROJECTS SUMMARY

Total GFA (sq m)	Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)
94,188		74,232			19,956
73,392		46,378			27,014
16,415					16,415
34,544					34,544
3,439					3,439
8,051					8,051
43,707					43,707
12,933		1,535			11,398
24,800		3,603			21,197
39,910		11,725			28,185
62,286		40,286			22,000
98,999		78,283	9,432		11,284
7,395					7,395
7,417		7,417			
206,578		5,692			200,886
34,442					34,442
69,196		49,413			19,783
48,982		27,067			21,915
130,385		35,474	80,549		14,362
34,340		20,743			13,597
37,935	37,935				
130		130			
121,828			104,556		17,272
10,004			10,004		
135,811		45,766	62,151		27,894
6,202			563		5,639
20,900		10,320			10,580
90,646		65,563	7,041		18,042
72,006		36,069			35,937
25,115		3,594			21,521
76,561					76,561
52,794		41,712			11,082
28,458		17,760			10,698
13,950		8,352			5,598
30,430		23,630			6,800

PRINCIPAL PROJECTS SUMMARY

PROJECT SUMMARY – MAJOR PROPERTY INVESTMENT PROJECTS AND HOTELS IN MAINLAND CHINA

(continued)

No.	Name of Property	NWCL's Accounting Classification	NWCL's Attributable Interest
COMPLETED INVESTMENT PROPERTIES (CONTINUED)			
57	Guangzhou Central Park-view	Subsidiary	91%
27a	Guangzhou Covent Garden	Subsidiary	100%
28a	Guangzhou Park Paradise	Subsidiary	100%
30a	Guangzhou Xintang New World Garden	JCE	63%
32a	Shenzhen New World Yishan Garden	Subsidiary	100%
58	Shunde New World Centre	Assoc. Co.	35%
34a	Zhaoqing New World Garden Phase III	Subsidiary	100%
37a	Huizhou Changhuyuan	JCE	63%
	Subtotal		
COMPLETED HOTEL PROPERTIES			
59	pentahotel Beijing	JCE	55%
60	New World Shenyang Hotel	Subsidiary	100%
61	New World Dalian Hotel	Subsidiary	100%
62	New World Shanghai Hotel	Subsidiary	100%
63	pentahotel Shanghai	Subsidiary	100%
64	New World Wuhan Hotel	JCE	60%
65	New World Shunde Hotel	Assoc. Co.	33%
	Subtotal		
	Total (Completed investment and hotel properties)		

PRINCIPAL PROJECTS SUMMARY

Total GFA (sq m)	Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark and others (sq m)
68,070	29,868	17,408			20,794
20,792		15,008			5,784
65,417	22,220	6,956			36,241
70,485		22,886			47,599
14,162		3,099			11,063
48,517		33,577			14,940
15,062		15,062			
13,466		305			13,161
2,090,140	90,023	769,045	274,296		956,776
23,988				23,988	
21,169				21,169	
53,248				53,248	
46,942				46,942	
13,353				13,353	
29,411				29,411	
36,524				36,524	
224,635				224,635	
2,314,775	90,023	769,045	274,296	224,635	956,776

PRINCIPAL PROJECTS SUMMARY

PROJECT SUMMARY – HOTEL PROJECTS

No.	Name of Hotel	Number of Rooms	Group Effective Interest (%)
HONG KONG			
1	Renaissance Harbour View Hotel	857	64.0
2	Grand Hyatt Hong Kong	549	64.0
3	Hyatt Regency Hong Kong, Sha Tin	560	100.0
4	Hyatt Regency Hong Kong, Tsim Sha Tsui	381	78.8
5	Novotel Citygate Hong Kong	440	17.4
	Subtotal	2,787	
MAINLAND CHINA			
6	pentahotel Beijing	307	38.5
7	New World Beijing Hotel ⁽¹⁾	435	52.5
8	New World Shanghai Hotel	605	70.0
9	pentahotel Shanghai	258	70.0
10	New World Shenyang Hotel	259	70.0
11	New World Shunde Hotel	370	22.8
12	New World Wuhan Hotel	327	42.0
13	New World Dalian Hotel	420	70.0
	Subtotal	2,981	
SOUTHEAST ASIA			
14	New World Makati City, Manila Hotel, The Philippines	598	26.9
15	New World Saigon Hotel, Vietnam	533	43.2
16	Renaissance Riverside Hotel Saigon, Vietnam	336	46.1
	Subtotal	1,467	
	Total	7,235	

Notes:

(1) New World Hotel Beijing with 435 rooms, ceased operation after 20 April 2010 for renovation

(2) Courtyard by Marriott Wuxi with 276 rooms (Group effective interest: 25.6%), ceased business after 31 December 2011

PRINCIPAL PROJECTS SUMMARY

PROJECT SUMMARY — INFRASTRUCTURE PROJECTS

No.	Name of Project	Gross Length	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/Actual Operation Date	Expiry Date ⁽¹⁾
ROADS						
R1	Guangzhou City Northern Ring Road	22.0 km	CJV	65.3	1/1994	2023
R2	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)		CJV	25.0		2030
	Section I	8.6 km			5/1997	
	Section II	53.8 km			12/1999	
R3	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)	27.0 km	CJV	15.0	12/2005	2032
R4	Guangzhou-Zhaoqing Expressway		CJV	25.0		2031
	Phase I	48.0 km			4/2005	
	Phase II	5.4 km			9/2010	
R5	Shenzhen-Huizhou Expressway (Huizhou Section)					
	Expressway	34.7 km	CJV	33.3	6/1993	2023
	Roadway	21.8 km	CJV	50.0	12/1997	2023
R6	Gaoming Bridge	1.1 km	CJV	30.0/80.0	11/1996	2021
R7	Guangzhou Dongxin Expressway	46.2 km	Equity	40.8	12/2010	2035 ⁽²⁾
R8	Guangzhou City Nansha Port Expressway	72.4 km	Equity	22.5	11/2007	2031
R9	Guangzhou Chuangyue Transport Electronic Technology	N/A	EJV	33.3	11/2007	2037
R10	Hangzhou Ring Road	103.4 km	Equity	95.0 (Since 1/2012)	7/2011	2029
R11	Beiliu City Roadways	16.3 km	WFOE	100.0	5/1998	2026
R12	Rongxian Roadways	16.8 km	WFOE	100.0	5/1998	2026
R13	Yulin – Shinan Roadway	27.8 km	CJV	65.0	5/1998	2026
R14	Yulin Shinan – Dajiangkou Roadway		CJV	60.0		
	Phase I	8.7 km			8/1997	2026
	Phase II	30.0 km			1/1999	2024
R15	Roadway No. 321 (Wuzhou Section)		CJV	52.0		2022
	Phase I	8.7 km			3/1997	
	Phase II	4.3 km			12/1998	
R16	Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)	23.2 km	CJV	60.0/90.0	7/2000	2025
R17	Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)	36.0 km	CJV	60.0/90.0	4/1999	2025
R18	Roadway No. 309 (Changzhi Section)	22.2 km	CJV	60.0/90.0	7/2000	2023
R19	Taiyuan – Changzhi Roadway (Changzhi Section)	18.3 km	CJV	60.0/90.0	8/2000	2023
R20	Tangjin Expressway (Tianjin North Section)		CJV	90.0/60.0		
	Section I	43.45 km			12/1998	2028
	Section II	17.22 km			12/2000	2028
R21	Tate's Cairn Tunnel	4.0 km	Equity	29.5	6/1991	2018
		721.37 km				

PRINCIPAL PROJECTS SUMMARY

PROJECT SUMMARY – INFRASTRUCTURE PROJECTS *(continued)*

No.	Name of Project	Installed Capacity/ Handling Capacity	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Expiry Date ⁽¹⁾
ENERGY						
E1	Zhujiang Power Station – Phase I	600.0 MW	EJV	50.0	1/1994	2017
E2	Zhujiang Power Station – Phase II	620.0 MW	EJV	25.0	4/1996	2020
E3	Macau Power	472.0 MW	Equity	19.0	11/1985	2025
E4	Chengdu Jintang Power Plant	1,200.0 MW	Equity	35.0	6/2007	2040
E5	Guangzhou Fuel Company	7 million tonnes/year	EJV	35.0	1/2008	2033
Power Plant Installed Capacity		2,892.0 MW				

PRINCIPAL PROJECTS SUMMARY

No.	Name of Project	Capacity	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Expiry Date ⁽¹⁾
WATER						
W1	Macau Water Plant	330,000 m ³ /day	Equity	42.5	1985	2030
W2	Zhongshan Tanzhou Water Plant		Equity	29.0		2027
	Phase I	60,000 m ³ /day			1/1994	
	Phase II	90,000 m ³ /day			5/2007	
W3	Zhongshan Dafeng Water Plant		Equity	33.1		2020
	Phase I	200,000 m ³ /day			4/1998	
	Phase II	300,000 m ³ /day			11/2008	
W4	Zhongshan Quanlu Water Plant	500,000 m ³ /day	Equity	33.1	4/1998	2020
W5	Nanchang Water Plant		Equity	25.0		2023
	Phase I	50,000 m ³ /day			1/1996	
	Phase II	50,000 m ³ /day			9/2008	
W6	Baoding Water Plant	260,000 m ³ /day	Equity	27.5	6/2000	2020
W7	Siping Water Plant	118,000 m ³ /day	Equity	25.0	9/2000	2030
W8	Zhengzhou Water Plant	360,000 m ³ /day	Equity	25.0	8/2001	2031
W9	Xinchang Water Plant	100,000 m ³ /day	Equity	25.0	3/2002	2032
W10	Changtu Water Plant	50,000 m ³ /day	Equity	35.0	12/2000	2029
W11	Panjin Water Plant	110,000 m ³ /day	Equity	30.0	4/2002	2032
W12	Shanghai Spark Water Plant	100,000 m ³ /day	Equity	25.0	1/2002	2031
W13	Shanghai SCIP Water Treatment Plants		Equity	25.0		2052
	Waste water	50,000 m ³ /day			4/2005	
	Industrial water	200,000 m ³ /day			4/2005	
	Demineralized water	4,800 m ³ /day			2/2008	
W14	Qingdao Water Plant		Equity	25.0		2027
	Phase I	543,000 m ³ /day			8/2002	
	Phase II	183,000 m ³ /day			9/2006	
W15	Chongqing Water Plant		Equity	28.4		2052
	Phase I	380,000 m ³ /day			11/2002	
	Phase II	160,000 m ³ /day			7/2006	
W16	Sanya Water Plant	235,000 m ³ /day	Equity	25.0	1/2004	2033
W17	Tanggu Water Plant	310,000 m ³ /day	Equity	25.0	4/2005	2034
W18	Changshu Water Plant		Equity	24.5		2036
	Phase I	675,000 m ³ /day			12/2006	
	Phase II	200,000 m ³ /day			2H2012 (Estimated)	

PRINCIPAL PROJECTS SUMMARY

PROJECT SUMMARY – INFRASTRUCTURE PROJECTS (continued)

No.	Name of Project	Capacity	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Expiry Date ⁽¹⁾
W19	Chongqing Tangjiatuo Waste Water Plant	300,000 m ³ /day	Equity	28.4	1/2007	2036
W20	Chongqing Construction Company		Equity	20.5		2038
	Waste water	100,000 m ³ /day			2H2012 (Estimated)	
	Sludge treatment	240 tonnes/day			2H2012 (Estimated)	
W21	Shanghai SCIP Waste Incineration Plant	60,000 tonnes/year	Equity	10.0	8/2006	2053
W22	Far East Landfill Technologies Limited	35 million m ³	Equity	47.0	6/1995	2045
W23	Tianjin Jieyuan Water Plant	500,000 m ³ /day	Equity	26.0	3/2009	2022
W24	Suzhou Industrial Park Sludge Treatment Plant	300 tonnes/day	Equity	24.5	5/2011	2039
W25	Chongqing Yue Lai Water Plant	200,000 m ³ /day	Equity	28.4	7/2011	2038
W26	Sino French Water Environmental Technology Consulting Company	5,000 m ³ /day	Equity	50.0	10/2009	2039
W27	Chongqing CCIP Water Treatment Plants		Equity	25.5		2055
	Waste Water	40,000 m ³ /day			9/2011	
	Industrial Water	120,000 m ³ /day			9/2011	
W28	Dalian Changxing Island Environmental Services Company	40,000 m ³ /day	Equity	47.5	6/2010	2040
W29	Wuhan Chemical Industry Park Water Treatment Plants		Equity	21.5		2041
	Waste water	10,000 m ³ /day			12/2012 (Estimated)	
	Industrial water	50,000 m ³ /day			6/2013 (Estimated)	
	Water and industrial water treatment:	6,434,000 m ³ /day				
	Demineralized water:	4,800 m ³ /day				
	Waste water treatment:	545,000 m ³ /day				
	Sludge treatment:	540 tonnes/day				
	Waste management:	60,000 tonnes/year				
	Landfill:	35 million m ³				

PRINCIPAL PROJECTS SUMMARY

No.	Name of Project	Handling Capacity	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/Actual Operation Date	Expiry Date ⁽¹⁾
PORTS						
P1	Xiamen New World Xiangyu Terminals Co., Ltd.	1,000,000 TEUs p.a.	EJV	50.0	4/1997	2052
P2	Tianjin Orient Container Terminals Co., Ltd.	1,400,000 TEUs p.a.	Equity	24.5	1/1999	2027
P3	Tianjin Five Continents International Container Terminal Co., Ltd.	1,500,000 TEUs p.a.	EJV	18.0	11/2005	2035
P4	Xiamen Haicang Xinhaida Container Terminals Co., Limited	1,000,000 TEUs p.a.	EJV	46.0	9/2011	2058
LOGISTICS						
L1	ATL Logistics Centre Hong Kong Limited	5.9 million sq.ft. lettable area	Equity	56.0	Phase 1: 2/1987	2047
					Phase 2: 3/1988	
					Phase 3: 2/1992	
					Phase 4: 1/1994	
					Phase 5: 11/1994	
L2	NWS Kwai Chung Logistics Centre	920,000 sq.ft. lettable area	Equity	100.0	12/2011	2058
L3	China United International Rail Containers Co., Limited	18 pivotal rail container terminals in Mainland China	EJV	30.0	Kunming: 1/2008	2057
					Chongqing: 12/2009	
					Chengdu: 3/2010	
					Zhengzhou: 4/2010	
					Dalian: 7/2010	
					Qingdao: 8/2010	
					Wuhan: 8/2010	
					Xian: 12/2010	

Notes:

(1) Project or JV expiry date

(2) Subject to approval

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

EJV = Equity Joint Venture (percentage of equity interest)

WFOE = Wholly Foreign Owned Enterprise

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The board of Directors (the "Board") will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective board to optimise return for shareholders.

The Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules was amended and revised as the Corporate Governance Code (the "Revised Code") which became effective on 1 April 2012. For the year under review, the Company has complied with the applicable code provisions of the CG Code and the Revised Code as and when they were/are in force, except for the deviation as disclosed in this report.

DEVIATION FROM CG CODE/REVISED CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions.

As required under code provision A.5.4 of the CG Code (A.6.4 of the Revised Code), the Board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the securities of the Company. The Board has established guidelines for employees in respect of their dealings in the securities of the Company but they are not on no less exacting terms than the Model Code. Such deviation from the CG Code/Revised Code is mainly because the Company currently has about 47,000 employees and operates in diversified businesses, it will cause immense administrative burden for processing written notifications from the relevant employees by the Company if it shall follow the exact guidelines of the Model Code.

DIRECTORS' SECURITIES TRANSACTIONS

Having made specific enquiry of all Directors, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 June 2012.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Composition

The Board oversees the management, businesses, strategic directions and financial performance of the Group. After the re-organisation in March 2012, the Board currently comprises a total of 13 Directors, being six Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. The number of Independent Non-executive Directors represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules. The biographies of the Directors are set out on pages 94 to 100 of this annual report.

All Directors entered into formal letters of appointment with the Company during the year for a term of three years commencing from 16 March 2012, subject to retirement by rotation in accordance with the articles of association of the Company. Article 103(A) of the articles of association of the Company provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Also, pursuant to Article 94 of the Company's articles of association, any Director appointed to fill a casual vacancy or as an addition to the Board is subject to re-election at the next following general meeting or next following annual general meeting of the Company respectively.

Independence of Independent Non-executive Directors

Mr. Liang Cheung-Biu, Thomas ("Mr. Thomas Liang") was re-designated as Independent Non-executive Director on 1 March 2012. Mr. Thomas Liang was a Non-executive Director immediately preceding his re-designation. He is also a cousin of Mr. Liang Chong-Hou, David ("Mr. David Liang"). Notwithstanding his previous relationship with the Company as a Non-executive Director and his cousin relationship with Mr. David Liang, the Board believes that Mr. Thomas Liang is sufficiently independent to act as an Independent Non-executive Director of the Company and he will be able to perform his duties as an Independent Non-executive Director impartially and independently, for the following reasons:

- (a) as a Non-executive Director, Mr. Thomas Liang had not carried out any executive or managerial functions for the Company and was not financially dependent on the Company;
- (b) even though Mr. Thomas Liang is the cousin of Mr. David Liang, they are independent of each other, and Mr. Thomas Liang does not have any business dealings with Mr. David Liang; and

CORPORATE GOVERNANCE REPORT

- (c) other than his previous relationship with the Company as a Non-executive Director and his cousin relationship with Mr. David Liang, Mr. Thomas Liang is independent of and does not have any connection with the Company, its controlling shareholders, any of their respective subsidiaries or connected persons of the Company.

The Company has received annual confirmation of independence from all the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

Role of the Board

The Board is collectively responsible for the management and operation of the Company. It is the ultimate decision making body of the Company except for matters requiring the approval of shareholders in accordance with the articles of association of the Company, the Listing Rules and other applicable laws and regulations.

Day-to-day businesses of the Company are delegated to the management who works under the leadership and supervision of the two Joint General Managers and the Executive Committee of the Board as discussed in sections below.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

CORPORATE GOVERNANCE REPORT

Board Meetings

Regular Board meetings are held at least four times a year with at least 14 days' notice and additional meetings with reasonable notice will be held as and when the Board considers appropriate. The Company Secretary assists the Chairman in preparing agenda for each meeting. Draft agenda for each Board meeting is circulated to all Directors to enable them to include other matters in the agenda. Agenda accompanying board papers are sent to all Directors at least three days before each Regular Board meeting. Board decisions are voted upon at Board meetings. The Company Secretary records all matters considered by the Board, decisions reached and any concerns raised or dissenting views expressed by Directors. Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors for information and records.

Directors' Training

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company Secretary also provides Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time.

Also, with effect from 1 April 2012, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

CORPORATE GOVERNANCE REPORT

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for Directors in the form of seminar and reading materials since the Revised Code became effective from 1 April 2012. A summary of training received by Directors since 1 April 2012 up to 30 June 2012 according to the records provided by the Directors is as follows:

Name of Directors	Type of Continuous Professional Development	
	Training on corporate governance, regulatory development and other relevant topics	Attending corporate events or visits
<i>Executive Directors</i>		
Dr. Cheng Kar-Shun, Henry	✓	–
Mr. Cheng Chi-Kong, Adrian	✓	✓
Mr. Chen Guanzhan	✓	✓
Ms. Ki Man-Fung, Leonie	✓	–
Mr. Cheng Chi-Heng	✓	–
Ms. Cheng Chi-Man, Sonia	✓	–
<i>Non-executive Directors</i>		
Mr. Liang Chong-Hou, David	✓	–
Mr. Cheng Kar-Shing, Peter	✓	–
<i>Independent Non-executive Directors</i>		
Mr. Yeung Ping-Leung, Howard	✓	–
Mr. Cha Mou-Sing, Payson	✓	–
Mr. Cha Mou-Zing, Victor (alternate to Mr. Cha Mou-Sing, Payson)	✓	–
Mr. Ho Hau-Hay, Hamilton	✓	–
Mr. Lee Luen-Wai, John	✓	–
Mr. Liang Cheung-Biu, Thomas	✓	–

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND THE JOINT GENERAL MANAGERS

On 1 March 2012, Dr. Cheng Kar-Shun, Henry succeeded Dato' Dr. Cheng Yu-Tung as Chairman. Dr. Cheng Kar-Shun, Henry has provided leadership for the Board and ensured that the Board works effectively and that all important issues are discussed in a timely manner. On 1 March 2012, each of Mr. Cheng Chi-Kong, Adrian and Mr. Chen Guanzhan became Executive Director and Joint General Manager. They jointly manage the Company's day-to-day business and implement major strategies and policies of the Company. The responsibilities of the Chairman and the two Joint General Managers are clearly set out in their respective letters of appointment. The positions of the Chairman and the Joint General Managers are held by separate individuals so as to maintain an effective segregation of duties.

NON-EXECUTIVE DIRECTORS

Non-executive Directors (including the Independent Non-executive Directors) serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group. They have the same duties of care and skill and fiduciary duties as Executive Directors. During the year, each Non-executive Director has entered into a letter of appointment with the Company for a fixed term of three years, subject to retirement by rotation in accordance with the articles of association of the Company.

BOARD COMMITTEES

The Board currently has four committees, namely the Executive Committee, Remuneration Committee, Audit Committee and Nomination Committee. All the Board committees are empowered by the Board under their own terms of reference which have been posted on HKEx's website and the Company's website.

Executive Committee

Members:

Executive Director	Dr. Cheng Kar-Shun, Henry (<i>Chairman</i>) Mr. Cheng Chi-Kong, Adrian Mr. Chen Guanzhan Ms. Ki Man-Fung, Leonie Mr. Cheng Chi-Heng Ms. Cheng Chi-Man, Sonia
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The Board has delegated an Executive Committee comprising all Executive Directors of the Board with authority and responsibility for handling the management functions and day-to-day operations of the Company, while reserving certain key matters such as the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee shall monitor the execution of the Company's strategic plans and the operations of all business units of the Company, and manage and develop generally the businesses of the Company. The Executive Committee meets regularly as when necessary.

CORPORATE GOVERNANCE REPORT**Audit Committee**

Members:

Independent Non-executive Director	Mr. Cha Mou-Sing, Payson (<i>Chairman</i>) Mr. Yeung Ping-Leung, Howard Mr. Lee Luen-Wai, John Mr. Ho Hau-Hay, Hamilton
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To tie in with the amendments in the Revised Code effective from 1 April 2012, the terms of reference of the Audit Committee were updated during the year. The Audit Committee is responsible for the review and supervision of the Group's financial reporting process and internal controls.

During the year, the Audit Committee reviewed the audited financial statements for the year ended 30 June 2011 and the unaudited interim financial statements for the six months ended 31 December 2011 with recommendations to the Board for approval, reviewed reports on internal control system of the Group, and discussed with the management and the external auditors the accounting policies and practices which may affect the Group and financial reporting matters. The Audit Committee reviewed the system of internal control and the financial statements for the year ended 30 June 2012 with recommendation to the Board for approval.

Remuneration Committee

Members:

Independent Non-executive Director	Mr. Ho Hau-Hay, Hamilton (<i>Chairman</i>) Mr. Yeung Ping-Leung, Howard Mr. Cha Mou-Sing, Payson Mr. Lee Luen-Wai, John
Executive Director	Dr. Cheng Kar-Shun, Henry

To tie in with the amendments in the Revised Code effective from 1 April 2012, the terms of reference of the Remuneration Committee were updated during the year. The Remuneration Committee is responsible for making recommendations on the Company's policy and structure on the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for approval by the Board. It shall also make recommendations to the Board on the remuneration packages of individual Executive Director and senior management.

CORPORATE GOVERNANCE REPORT

The remuneration for the Executive Directors comprises basic salary, pensions and discretionary bonus. Share options were granted to all Directors to subscribe for shares in the Company under the Company's share options scheme. All outstanding options granted by the Company in 2007 lapsed during the year due to expiry of the option period. During the year, the Remuneration Committee met twice to (i) review the remuneration policy for Directors and senior management of the Company; and (ii) review and recommend to the Board the granting of new share options to all Directors and senior management of the Company under the Company's share options scheme. In addition to the above, certain Directors had been granted options under share option schemes of various listed subsidiaries to enable the Directors to subscribe for shares in those subsidiaries. Details of the remuneration paid to Directors and members of senior management for the financial year ended 30 June 2012 are disclosed in the notes to the financial statements.

Nomination Committee

Members:

Executive Director	Dr. Cheng Kar-Shun, Henry, Chairman of the Board (<i>Chairman</i>)
Independent Non-executive Director	Mr. Lee Luen-Wai, John Mr. Liang Cheung-Biu, Thomas

The Nomination Committee was established in March 2012 with specific terms of reference in accordance with the Revised Code. The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. Before its establishment, the role and function of the Nomination Committee was taken up by the Board. During the year under review, no meeting was held by the Nomination Committee.

CORPORATE GOVERNANCE REPORT

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Name of Directors	Number of Meetings Attended/Eligible to attend for the year ended 30 June 2012					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meeting
<i>Executive Directors</i>						
Dato' Dr. Cheng Yu-Tung*	2/5	–	–	–	1/1	0/1
Dr. Cheng Kar-Shun, Henry (appointed as Chairman with effect from 1 March 2012)	6/6	–	2/2	0/0	1/1	1/1
Dr. Sin Wai-Kin, David*	5/5	–	–	–	0/1	1/1
Mr. Cheng Chi-Kong, Adrian	6/6	–	–	–	1/1	0/1
Ms. Ki Man-Fung, Leonie [Ⓢ]	4/6	–	–	–	1/1	1/1
Mr. Cheng Chi-Heng	4/6	–	–	–	1/1	0/1
Mr. Chen Guanzhan [^]	1/1	–	–	–	0/0	0/0
Ms. Cheng Chi-Man, Sonia [^]	0/1	–	–	–	0/0	0/0
<i>Non-executive Directors</i>						
Mr. Liang Chong-Hou, David [Ⓢ]	4/6	–	–	–	1/1	1/1
Mr. Cheng Kar-Shing, Peter	4/6	–	–	–	1/1	0/1
Mr. Leung Chi-Kin, Stewart [#]	4/4	–	–	–	1/1	0/1
Mr. Chow Kwai-Cheung*	3/5	–	–	–	0/1	0/1
<i>Independent Non-executive Directors</i>						
Mr. Yeung Ping-Leung, Howard	3/6	2/2	1/2	–	1/1	0/1
Mr. Cha Mou-Sing, Payson	5/6	2/2	2/2	–	0/1	0/1
Mr. Ho Hau-Hay, Hamilton	5/6	2/2	2/2	–	1/1	1/1
Mr. Lee Luen-Wai, John	5/6	2/2	1/2	0/0	1/1	1/1
Mr. Liang Cheung-Biu, Thomas ^Ω	5/6	–	–	0/0	1/1	1/1

* Resigned on 1 March 2012

Resigned on 1 January 2012

^ Appointed on 1 March 2012

Ω Re-designated as Independent Non-executive Director on 1 March 2012

Ⓢ Re-designated as Executive Director on 1 March 2012

Ⓢ Re-designated as Non-executive Director on 1 March 2012

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year ended 30 June 2012, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Type of services	Fee paid/payable for the year ended 30 June	
	2012 HK\$m	2011 HK\$m
Audit services	56.6	55.9
Non-audit services	10.1	5.1
Total	66.7	61.0

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement by the auditors of the Company and the Group regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditors' Report on page 139 of this annual report.

INTERNAL CONTROL

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

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

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

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. The biography of the Company Secretary is set out on page 101 of this annual report.

CONSTITUTIONAL DOCUMENTS

During the year, there is no significant change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting ("EGM") and Putting Forward Proposals at Shareholders' Meetings

Shareholders holding not less than one-twentieth (1/20) of the paid-up capital of the Company can deposit a written request to convene an EGM (stating the objects of the meeting and signed by the shareholders concerned) at the registered office of the Company for the attention of the Company Secretary. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

To put forward proposals at shareholders' meeting, a request in writing must be made by:

- (a) shareholders holding not less than one-fortieth (1/40) of the total voting rights of all shareholders having the right to vote at the meeting; or
- (b) not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK\$2,000,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

CORPORATE GOVERNANCE REPORT

If a shareholder of the Company intends to propose a person other than a Director of the Company for election as a Director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later than seven days prior to the date of such general meeting.

Detailed procedures can be found in the following documents which are available on the Company's website:

- "Procedures for Shareholders to convene Extraordinary General Meetings and putting forward proposals at General Meetings"
- "Procedures for Shareholders to propose a person for election as a Director"

Enquiries to the Board

Enquiries may be put to the Board through the Company's Investor Relations Department at 30/F., New World Tower, 18 Queen's Road Central, Hong Kong (email: ir@nwd.com.hk).

COMMUNICATION WITH SHAREHOLDERS

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

EMPHASISE INVESTOR RELATIONS

To ensure that the investors have a comprehensive and thorough understanding of the Group, the Group participates in different international forums and overseas roadshows on a regular basis to elaborate the Group's business development plans to global investors. We also show our key development projects in both Mainland and Hong Kong to the media and investors via site visits and meetings, and establish timely and effective two-way communications. The Investor Relations section is set out on pages 82 and 83 of this annual report.

INVESTOR RELATIONS

The Group is committed to upholding corporate credibility and shareholders' interests. We believe that effective communication with shareholders and the investment community is essential for enhancing the stakeholders' knowledge and understanding of the Group's business performance and future development plans. To maintain a good relationship with the investors, the Group has established the shareholder's communication policy so that the investors can acquire balanced and understandable information about the Group. They are allowed to exercise their rights in an informed manner and engage actively with the Group.

CONSTRUCTIVE COMMUNICATIONS WITH INVESTORS

The Board and senior management are dedicated to maintain an on-going dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting and other general meetings. The Chairman, Executive Directors and other members of the Board attend the annual general meeting with external auditors, recognising it as one of the significant means to communicate with the individual shareholders. The Directors will answer questions raised by the shareholders on the performance of the Group so as to allow them to fully understand the Company's operations and development.



Besides general meetings, the Group is pledged to keep the shareholders and the investors abreast of its latest updates by proactive means. The Company holds press conferences and analyst meetings at least twice a year respectively following the release of interim and full year results at which the Executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group. Our corporate website (www.nwd.com.hk) which contains corporate information, interim and annual reports, presentations, announcements and circulars issued by the Group as well as the recent developments of the Group enables the Company's shareholders to have timely and updated information of the Group. A dedicated "For Investors" section is available on the corporate website to ensure easy access of information to shareholders and the investment community. Information released by the Company to The Stock Exchange of Hong Kong Limited will be posted on the corporate website as soon as practicable after their release.

The Investor Relations team acts as the linkage between the Company and investment community. Please send an email to ir@nwd.com.hk for enquiries or suggestions.

INVESTOR RELATIONS

MAJOR INVESTOR RELATIONS EVENTS IN FY2012

The Group participates in different global investor summits and organises roadshows and site visits on a regular basis to elaborate on the Group's latest business development to investors and analyst, enabling them to be fully aware of the Group's updated information, products details and financial position by enhancing the Group's transparency.

During the year under review, the Group had joined over 20 global investor summits and roadshows held in China, Hong Kong, Singapore, Japan, America and Europe, together with several site visits organised in China and Hong Kong. The Group has maintained active communications with over 800 investors and analyst.

MARKET RECOGNITIONS

New World Group regards annual reports as its communication channels with investors and external parties and is committed to enhancing corporate transparency and providing accurate information to investors and stakeholders. The Group highly values the contents and production of its annual reports. Annual reports of its four listed companies for FY2011 have been awarded in various international renowned annual report competitions, recognising the Group's outstanding performance in corporate communications and annual report production. The Company's FY2011 annual report has garnered the Gold Award in Overall Presentation: Holdings & Property – Developments in the 2011 International Mercury Awards. Other prizes such as the International ARC Awards and International Astrid Awards organised by MerComm, Inc. were granted to the Group's subsidiaries.

As one of the market leaders in Hong Kong property development industry, New World Development Company Limited has been changed from the Hang Seng Commerce and Industry Sub-index to the Hang Seng Properties Sub-index in September 2012. It is now classified as "Properties & Construction" (previously "Conglomerates") under Hang Seng Industry Classification System.



Building a desirable living environment is always a prime objective of New World Group. In addition to the development of projects such as residential buildings, shopping malls, hotels and commercial buildings, the Group also undertakes to create a better and harmonious community. The Group treasures equal opportunities for all people in society and strives to improve social mobility for the under-resourced children and youth through taking corporate sustainability initiatives that, focus on sports, art and culture. Pursuing profits is not the Group's only business goal, it also actively promotes the development of the community, its staff and the environment to build a better New World.

GROUP SUSTAINABILITY STEERING COMMITTEE AND SUSTAINABILITY POLICY

The Group has established its Group Sustainability Steering Committee (the "Committee") chaired by Mr. Adrian Cheng, Executive Director and Joint General Manager at the beginning of 2012. The Committee has established the Group's Sustainability Policy and is responsible for formulating relevant policies and objectives to lead the Group, its employees and stakeholders to a sustainable future. Subsidiaries of the Group have also set up their own sustainability committees, formed by different departments, offering flexibility to execute sustainable development programmes according to their own operational needs.

NEW WORLD GROUP CHARITY FOUNDATION

To enhance the Group's commitment to corporate sustainability, the Group has established the New World Group Charity Foundation with an aim to improve the social mobility of the under-resourced communities through a series of sports, art and cultural initiatives.

"LOVE • NEW WORLD" VOLUNTEERS

The Group strives to build an outstanding team of staff and encourages staff and their family members to participate in voluntary activities to build a harmonious society. "Love • New World" Volunteers was formed in July 2012 by staff and their family members with plans to include business partners to join its volunteering activities for communities in need.



CORPORATE SUSTAINABILITY

COMMUNITY

New World Development has been awarded the Caring Company Logo for eight consecutive years which is an endorsement of the Group's efforts in being a responsible corporate citizen. The Group will continue to strive to build a better society.

Sports energise and liberate a person's abilities. Through various sporting activities, the Group hopes to convey the message to society and its staff that difficulties and obstacles can be overcome by perseverance.



New World Harbour Race

Since 2011, the Group has partnered with the Hong Kong Amateur Swimming Association to organise the "New World Harbour Race" which has revitalised a historical event that has ceased for 33 years. Following the success of the "New World Harbour Race 2011", the Major Sports Event Committee has awarded the "M" Mark Status to the "New World Harbour Race 2012", further illustrating Hong Kong's ability to host major sports events. The Group hopes that the Harbour Race will once again demonstrate the spirit of Hong Kong people and in the not-too-distant future become an international sports event.



New World Springboard

Apart from sponsoring local major sports events, New World Group also aspires to assist under-resourced young people to cultivate the virtue of perseverance and motivate them to embrace challenges. The sustainable community project, "New World Springboard", is designed to help young people to unleash their potential through participation in sports.

The "New World Springboard" demonstrated the long-term commitment of New World Group for youth development locally through sustainable programmes such as the "New World Swimming Academy" and "New World Basketball League" to improve the social mobility of under-resourced youths. Understanding the negative impact of lack of resources and opportunities on young people's self-confidence and determination in overcoming obstacles, New World Group hopes to motivate them to strive for a better future by providing sports training.



CORPORATE SUSTAINABILITY



The initial phase of the project focuses on swimming and basketball by providing seven years of professional training to qualified children and youth, with an aim to discover new talents for Hong Kong. The trainees will also participate in the "Love • New World" Volunteers mentorship programme.

Apart from providing professional training, the Group hopes to inspire the participants through personal sharing of successful athletes. The Group invited NBA superstar Mr. Jeremy Lin to officiate at the inauguration ceremony of the "New World Springboard" and attended the "A journey of LINmagination with Jeremy @ K11" event. Mr. Jeremy Lin shared his story with children and talented young basketball players on his success in becoming an NBA player and encouraged them to set their own targets and persevere when meeting challenges.

In addition, the Group invited 2004 Olympic 100m Breaststroke Gold Medalist Ms. Luo Xuejuan to share her Olympic journey with participants of the "New World Swimming Academy" and the general public. A demonstration match between members of the Hong Kong National Swimming Training Squad and the Hong Kong Regional Swimming Training Squad was also held. During the session Ms. Luo shared her fondest memories of her swimming career, her road to success and her experience on how to compete against the odds.



New World Cycling Charity Championship 2012

Apart from the "New World Harbour Race" and "New World Springboard", the Group is also the title sponsor of the "New World Cycling Charity Championship 2012", in line with the Hong Kong government's promotion of the New Territories cycling network as part of the holistic development. The event also promotes importance of safety as well as building a "bicycle-friendly" city. The Group also hopes to advocate cycling as a leisure activity or a means of short-distance transportation which will improve the health of the general public and provide a low-carbon lifestyle.

Employment of Retired Athletes

Apart from organising various sporting activities, the Group has partnered with the "Hong Kong Athletes Career and Education Programme" under the Sports Federation & Olympic Committee of Hong Kong to explore employment opportunities for retired athletes. While helping the athletes to blend into the commercial sector after their retirement, the Group also benefits from their positive attitudes and endurance being applied to work as well as the positive energy they bring to their colleagues.

CORPORATE SUSTAINABILITY

Art and Culture *beautifies peoples' souls and is a common language for people from different backgrounds and cultures. Through various activities, the Group shoulders the responsibilities to bring art and culture closer to the community. The Group specifically hopes to widen the vision of the youths, inspire them to appreciate the creativity of modern art and motivate them to strive for excellence through providing music trainings.*

**Asian Youth Orchestra ("AYO")**

Since 2009, the Group has supported the AYO to perform in Hong Kong, allowing young talented musicians to expand their networks and to provide performance opportunities for them. The AYO comprises top talented young musicians from Mainland China, Hong Kong, Taiwan, Japan, Korea, Malaysia, Philippines, Singapore, Thailand and Vietnam. The Group has provided hotel accommodation for the musicians during their rehearsal camps and performances in Hong Kong, nurturing the development of the orchestra and the talented as a whole.

**Eastern District Youth Chinese Orchestra ("EDCO")**

The Group has supported the Eastern District Arts Council and Music for Our Young Foundation ("MOY") to organise the EDCO by sponsoring the training venue and part of the tuition fees for instrumental training to youngsters in Eastern District with the aim of character-building and instilling the values of discipline and hard work. The EDCO comprises 50 members between the age of 6 and 18 and provides trainings of nine different Chinese musical instruments (erhu, cello, yangqin, liuqin, zhongruan, pipa, dizi, sheng and percussion).

Youth Development *has always been a key area of the Group's commitment in nurturing human capital for society.*

**BiciLine Social Enterprise**

A new eco cycling tour "New World ECOASIS Series – Kam Pok Eco Tour", jointly organised by New World Group and Tung Wah Group of Hospitals ("TWGHs") BiciLine Cycling Ecotourism Social Enterprise ("BiciLine"), was established to provide employment opportunities for youths from low income families in Yuen Long and Tin Shui Wai with low skills and low qualifications. The programme aims to institute positive attitudes to a group of motivated youths who will introduce the undiscovered oasis in town to citizens and promote local eco tours, and enhance public awareness on environmental protection and nature conservation.

**New World Navigator Business Mentorship Programme**

New World Group undertakes to nurture the younger generation and partnered with the University of Hong Kong and the Chinese University of Hong Kong on the New World Navigator Business Mentorship Programme. Senior management within the Group mentored a group of elite students selected from the business faculties from these universities on a one-to-one basis. Activities in the programme included "CEO talk", attendance at results announcement press conference, in-depth tours and sharings of the Group's businesses in Mainland China and Hong Kong, golfing and wine tasting experience sessions and "job shadowing" to prepare the students to become future business leaders.



“New Youth New World” Summer Internship

New World Group and the Hong Kong United Youth Association (HKUYA) jointly organised the “New Youth New World” summer internship programme, a six-week internship programme for elite students selected from local universities to work in Beijing, Shanghai, Dalian and Chengdu to experience the working environment in Mainland China and learn the culture as to prepare them for entering the business world. In addition to job placements at New World China Land Limited, New World Department Store China Limited, New World TMT Limited and Chow Tai Fook Jewellery Group Limited, participants are also placed at Mainland government bureaux, media agencies and cultural organisations. The organisers arranged visits to government departments, large corporations, local scenic spots and a series of talks so that participants had the opportunities to meet local students as well as role models from different sectors.



Chairman's Sharing

The Group's Chairman, Dr. Henry Cheng regularly shares with students his philosophy for running successful businesses. This year, Dr. Cheng's sharings were held for students from Tsinghua University and EMBA students from the Chinese University of Hong Kong.

Society is all about bonding among people and families. The Group strives to promote a harmonious, caring and loving society.



Médecins Sans Frontières Day (“MSF Day”)

The Group participated in the MSF Day 2012 and raised nearly HK\$450,000 for MSF. This is the fourth consecutive year for the Group to be the top fund raiser and the sixth time of receiving this honour since 2006.



Blood Donation

In support of the World Blood Donor Day, New World Group has arranged blood donation activities at New World Tower, Hong Kong Convention and Exhibition Centre and Discovery Park – Shopping Centre to appeal to staff and the general public to support this meaningful initiative.



“Homeless World Cup”

New World Group sponsored and participated in the “Homeless World Cup” Fundraising Tournament to support the Hong Kong Contingent to go to Mexico for the Homeless World Cup 2012. This programme provides an opportunity to rebuild and elevate the self-respect and dignity of the homeless participants.

CORPORATE SUSTAINABILITY

Contributing to Mainland China is one of the means to fulfill the Group's social responsibility. In addition to responding to various disasters relief activities, New World Group is committed to the development of the Greater China through nurturing mainland's professional talents.



Foundation for Thousand Foreign Experts Programme

New World Group goes to great length for talent development for our motherland. To support talent development of our country, the Group and the State Administration of Foreign Experts Affairs ("SAFEA") has each contributed RMB10 million to the "Foundation for Thousand Foreign Experts Programme" to kick start the programme which facilitates 1,000 overseas experts to work for the country over a 10-year period.



New World/Harvard Kennedy School Fellows Programme

For years, New World Group has been dedicated to the development of senior government officials in Mainland China. The Group has signed an agreement with SAFEA and Harvard Kennedy School, Harvard University in 1998 and each year, outstanding senior government officials are sent to Harvard for a four-month executive programme. Officials who have participated in this programme received world-class training and highly appraised the content of the programme.



STAFF MEMBERS

Staff members are part of the New World family. In late 2011, the Group was awarded a "Family-Friendly Employers Award" in the "Family-Friendly Employers Award Scheme", endorsing the Group's effort in ensuring work-life balance for its employees.

UNITI

The Group launched its new corporate values – "UNITI", emphasising an innovative and progressive corporate culture. "UNITI" means You, New World, Innovation, Trust, and Improvement which signifies the Group's core values. "UNITI" also imply "Unity", meaning uniting the Group, its employees and stakeholders for a better future.



Enhancing Mutual Communication

New World Group communicates with its employees through monthly newsletter, intranet, emails and employees magazine “*New World • New Words*”. The Group also launched the “Management Channel” in September 2012 for Group’s employees to understand the latest management thinking. The Group’s Human Resources Committee organised “Luncheon with Adrian” to allow staff from different levels and different subsidiaries to have a chance to interact and voice their views to Mr. Adrian Cheng, Executive Director and Joint General Manager.

The “Employee-friendly Programme – Employee Feedback Sessions” was launched by Human Resources Department in May 2012 allowing staff to express their views with regards to working environment, staff benefits, internal communications, staff activities and trainings. The internal discussion forum “Net Work” also allows colleagues from different regions to exchange their views on the Group.



Building an Excellent Team

As at 30 June 2012, the Group has approximately 47,000 employees. Having an excellent workforce is the foundation of success and hence the Group is committed to nurturing talents through offering sustainable training via “The New World University”. Programmes offered include “New World Star Executive Development Programme”, “Accelerating Management Talent Programme”, “New World YoungSTAR Programme”, management trainee programme, annual management forum and a series of training courses which aim to further develop the leadership, practical skills and knowledge for staff at various levels.

Areas on which training is provided by the Group include management, legal and financial knowledge, corporate governance, team building, communication and presentation skills, customer service, computer knowledge and innovative thinking. Workshops and seminars held by professionals are organised on a regular basis.

CORPORATE SUSTAINABILITY

Caring for Staff

New World Group understands the needs of its employees and strives to make them feel proud to be part of the New World family. The Group has implemented five-day week, birthday leave and three-day paternity leave to allow employees to spend more time with their families. Various gifts were delivered to employees during different festivals and monthly birthday parties were held.

In early 2012, the Group established "New World Sports Club" to organise corporate teams and training courses to staff members of the Group. Trainings by professional coaches were provided to enhance their skills. A volleyball team, a fencing course and a long distance running team were set up to build up the team spirit amongst staff members, enhancing their mental and physical abilities and improving their perseverance and endurance. The Group also holds different sports competitions, such as the New World Group Basketball League 2012, to provide an opportunity for staff members from Hong Kong and even Mainland China to compete on the court.

In addition, the Group's Sports and Recreation Club regularly organises activities for staff to enjoy and network with other colleagues in the Group. Some of these activities, such as the "New World Group Fun Day", also welcome family members. Through competitive games, employees build a stronger team spirit while enjoying the time spent with their families. In August 2012, the "New World Group Family Open Day" was held in which family members were invited to New World offices.



NATURE

Society is developing rapidly and continually. New World Group understands that potential environmental impacts arising from operations should be minimised and that, education for the general public is necessary in order to achieve long-term sustainable growth.



Green Building and Environmental Certifications

The following certifications and awards demonstrated the Group's commitment to applying its beliefs in sustainable development to its development projects. The residential development project at Austin Station received a Gold Certification (Provisional Assessment) under the BEAM Plus 1.1 (New Construction). The development adopted various elements for sustainable land use and indoor environmental quality resulting in energy and water resources conservation.



The residential development at Che Kung Temple Station, Ma On Shan is a finalist at the Hong Kong Green Building Council's Green Building Award (New Building Category [Building Under Construction] – Hong Kong). Another residential development, Double Cove project in Lok Wo Sha, won the Merit Award in the same category as well as a three-star award of China Green Building (Hong Kong) Council's Certificate of Green Building Design Label.

The Group's K11 Art Mall also won a number of environmental accolades such as Hong Kong Green Mark Certificate, Source Separation Certificate of Commercial and Industrial Waste from Environmental Protection Department, Quality Water Recognition Scheme for Building, etc. K11 is recognised for its efforts in promoting low carbon and energy savings by The United Nations Industrial Development Organisation and International Energy Conservation Environmental Protection Association's "Carbon-value Ecological Practice Award" and *The Economic Observer's* "China Low-Carbon Model Enterprise" with New World China Land Limited. LEED Precertifications (Gold Level) were awarded to K11 Art Malls at Shenyang, Shanghai and Beijing and LEED Gold Certifications were awarded to Wuhan New World International Trade Tower and Wuhan New World Centre.

CORPORATE SUSTAINABILITY

**Food Waste Recycling Programmes**

The Group's K11 Art Mall has launched the "K11 Multicultural Living District – Food Waste Recycling Scheme" encouraging tenants of the mall as well as nearby restaurants to implement source separation of food waste under which K11 centralises the collection of food waste and sends to food waste recyclers for processing into animal feedstock. After the three-month trial period, food waste from participating restaurants showed a 15% reduction. In addition, Discovery Park – Shopping Centre is also studying a food waste recycling programme with its tenants.

Hong Kong Convention and Exhibition Centre (Management) Ltd's Congress Restaurant under the Group also participated in the Food Angel Food Recovery Programme in which excess food is donated to the needy.

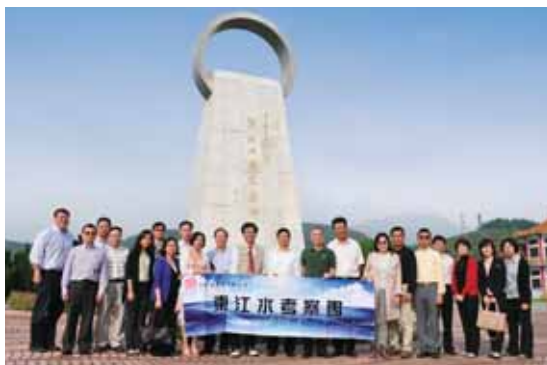
Energy Saving Charter

New World Group has signed the Energy Saving Charter launched by the Environment Bureau and Council for Sustainable Development. Its K11 Art Mall and Discovery Park – Shopping Centre has committed to maintaining an indoor temperature between 24°C and 26°C at public places during the months from June to September 2012 to reduce energy consumption.

**"The Green Book"**

The Group is keen to promote environment awareness and "The Green Book", containing local and international environmental tidbits to provoke readers' mind to learn about environmental protection, was published. "The Green Book" contains over 100 pages of information covering topics such as food, architecture, transportation, design, eco-tourism and nature conservation to promote green living.

Utilising the convenience of information technology, an iPhone Apps and an internet version of the book are also available for free download and viewing (www.nwd.com.hk/thegreenbook). "The Green Book" is also accessible at public libraries in Hong Kong.

**Management's Dongjiang River Field Trip**

In April 2012, Mr. Chen Guanzhan, Executive Director and Joint General Manager led a delegation of management staff from group companies to a field trip along the Dongjiang River in Guangdong Province. The delegation was guided by Professor K C Ho, Dean of the School of Science and Technology of the Open University of Hong Kong, officials from Water Resources Department of Guangdong Province and the Heyuan Municipal People's Government to visit major water supply infrastructure and water quality of the Dongjiang River to increase management staff's knowledge on water conservation and the importance of environmental protection.

DIRECTORS' PROFILE

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

*BA, MBA, DBA(Hon),
LLD(Hon), GBS (Aged 65)*

DR. CHENG KAR-SHUN, HENRY

Appointed as Director in October 1972, Executive Director in 1973, became Managing Director from 1989 and Chairman from March 2012. Dr. Cheng is a member of the Remuneration Committee and the chairman of the Nomination Committee and Executive Committee of the Board of Directors of the Company. Dr. Cheng is the chairman and managing director of New World China Land Limited, the chairman of NWS Holdings Limited, the chairman and non-executive director of New World Department Store China Limited and Newton Resources Ltd, the chairman and executive director of Chow Tai Fook Jewellery Group Limited, 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 of them are listed public companies in Hong Kong. He was the chairman of Haitong International Securities Group Limited (formerly Taifook Securities Group Limited) (a listed public company in Hong Kong) up to his resignation on 13 January 2010. Dr. Cheng is also the chairman of New World Hotels (Holdings) Limited and a director of certain subsidiaries of the Group. He is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, all of them are substantial shareholders of the Company. 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, Dr. Cheng was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the father of Mr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia, the brother of Mr. Cheng Kar-Shing, Peter and the uncle of Mr. Cheng Chi-Heng.

DIRECTORS' PROFILE

MR. CHENG CHI-KONG, ADRIAN

Appointed as an Executive Director in March 2007, and became Executive Director and Joint General Manager from March 2012. Mr. Cheng is a member of the Executive Committee of the Board of Directors of the Company. Mr. Cheng is an executive director of New World China Land Limited, New World Department Store China Limited, Chow Tai Fook Jewellery Group Limited and International Entertainment Corporation, and a non-executive director of Giordano International Limited, all being listed public companies in Hong Kong. He is a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, both are substantial shareholders of the Company. He is also the chairman of New World Group Charity Foundation Limited and a director of certain subsidiaries of the Group. Mr. Cheng worked in a major international bank prior to joining the Group in September 2006 and has substantial experience in corporate finance. Mr. Cheng holds a Bachelor of Arts Degree (*cum laude*) from Harvard University. He is the vice-chairman of the Youth Federation of the Central State-owned Enterprises, the vice-chairman of All-China Youth Federation, a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, a consultant of the Beijing Municipal Committee of The Chinese People's Political Consultative Conference, chairman of China Young Leaders Foundation and the honorary chairman of Fundraising Committee of the Wu Zhi Qiao (Bridge to China) Charitable Foundation. He is the son of Dr. Cheng Kar-Shun, Henry, the brother of Ms. Cheng Chi-Man, Sonia, the nephew of Mr. Cheng Kar-Shing, Peter and the cousin of Mr. Cheng Chi-Heng.



**MR. CHENG
CHI-KONG, ADRIAN**
(Aged 32)

MR. CHEN GUANZHAN

Appointed as an Executive Director and Joint General Manager in March 2012. Mr. Chen joined the Company as general manager in January 2011. He is a member of the Executive Committee of the Board of Directors of the Company. He also acts as director of New World Group Charity Foundation Limited and certain subsidiaries of the Group. Mr. Chen was an executive director of Yuexiu Transport Infrastructure Limited (formerly known as GZI Transport Limited), a listed public company in Hong Kong, up to his resignation on 3 November 2009. Mr. Chen holds a Bachelor of Science Degree from Sun Yat-Sen University in Guangzhou and a Master of Science Degree in Environmental Chemical Engineering from South China University of Technology in Guangzhou. He had also been a visiting scholar to the California State University, Northridge in the U.S.A., where he studied Public Administration. Mr. Chen had previously taught at South China University of Technology, and held certificates as university lecturer, senior engineer, and held offices in various departments of the Guangzhou Municipal People's Government. Mr. Chen has extensive experience in administration management, corporate management and capital management with a strong theoretical and practical foundation.



**MR. CHEN
GUANZHAN**
(Aged 53)

DIRECTORS' PROFILE

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

(Aged 67)

MR. LIANG CHONG-HOU, DAVID

Appointed as Director in November 1979, became Executive Director in 1986 and was re-designated as Non-executive Director in March 2012. He is a director of Macao Dragon Company Limited which is under creditors' voluntary winding up. Mr. Liang is the cousin of Mr. Liang Cheung-Biu, Thomas.



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

(Aged 55)

MR. YEUNG PING-LEUNG, HOWARD

Appointed as Director in November 1985. Mr. Yeung is a member of the Audit Committee and the Remuneration Committee of the Board of Directors of the Company. He is also the chairman of King Fook Holdings Limited and a non-executive director of Miramar Hotel and Investment Company, Limited, both being listed public companies in Hong Kong.



**MR. CHA
MOU-SING, PAYSON**

JP DSSc(Hon) (Aged 70)

MR. CHA MOU-SING, PAYSON

Appointed as Director in April 1989. Mr. Cha is the chairman of the Audit Committee and a member of the Remuneration Committee of the Board of Directors of the Company. Mr. Cha is also the chairman of HKR International Limited and the non-executive chairman of Hanison Construction Holdings Limited, both of them are listed public companies in Hong Kong. He is also an independent non-executive director of Eagle Asset Management (CP) Limited – Manager of Champion Real Estate Investment Trust which is listed on The Stock Exchange of Hong Kong Limited, the chairman of Mingly Corporation, a director of Asia Television Limited and an independent non-executive director of Hong Kong International Theme Parks Limited. Mr. Cha is a committee member of the Eleventh Chinese People's Political Consultative Conference of The People's Republic of China.

DIRECTORS' PROFILE

MR. CHENG KAR-SHING, PETER

Appointed as Director in October 1994. Mr. Cheng is a director of New World Hotels (Holdings) Limited, the deputy managing director of New World Development (China) Limited, and a director of NWS Service Management Limited and certain subsidiaries of the Group. He is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, all of them are substantial shareholders of the Company. He is also an executive director of New World China Land Limited, and an independent non-executive director of King Fook Holdings Limited and Symphony Holdings Limited, all being listed public companies in Hong Kong. Mr. Cheng is the chairman of Chow Tai Fook Charity Foundation. He is a Fellow of The Hong Kong Institution of Engineers, a Fellow of The Hong Kong Institute of Arbitrators, an Accredited Mediator of Hong Kong Mediation Centre, a CEDR Accredited Mediator, HKIAC Accredited Mediator (General), a Panel Mediator of Land (Compulsory Sale For Redevelopment) Ordinance Pilot Mediation Scheme of The Joint Mediation Helpline Office and an Arbitrator of Huizhou Arbitration Commission. Mr. Cheng is the brother of Dr. Cheng Kar-Shun, Henry, the father of Mr. Cheng Chi-Heng and the uncle of Mr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia.



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

(Aged 60)

MR. CHA MOU-ZING, VICTOR

Appointed as Alternate Director in September 2000. Mr. Cha is the deputy chairman and managing director of HKR International Limited, and an independent non-executive director of SOHO China Limited, both are listed public companies in Hong Kong, and a director of United Nigerian Textiles PLC which was privatised and delisted from The Nigerian Stock Exchange in October 2011. He has extensive experience in the textile manufacturing and real estate businesses. He is a member of the Chinese People's Political Consultative Committee of Zhejiang Province.



**MR. CHA
MOU-ZING, VICTOR**

*(Alternate Director to
Mr. Cha Mou-Sing, Payson)
(Aged 62)*

DIRECTORS' PROFILE

**MR. HO
HAU-HAY, HAMILTON**
(Aged 61)

MR. HO HAU-HAY, HAMILTON

Appointed as Non-executive Director in August 2004 and was re-designated as Independent Non-executive Director in November 2007. Mr. Ho was an Alternate Director of the Company from 7 January 2004 to 29 August 2004. Mr. Ho is the chairman of the Remuneration Committee and a member of the Audit Committee of the Board of Directors of the Company. He is also an independent non-executive director of King Fook Holdings Limited (a listed public company in Hong Kong). He was an independent non-executive director of CITIC Pacific Limited and a non-executive director of Dah Chong Hong Holdings Limited, both being listed public companies in Hong Kong, until 1 January 2010. He is also an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited.



**MR. LEE
LUEN-WAI, JOHN**
BBS, JP (Aged 63)

MR. LEE LUEN-WAI, JOHN

Appointed as Independent Non-executive Director in August 2004. Mr. Lee is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board of Directors of the Company. Mr. Lee is also the Managing Director and Chief Executive Officer of Lippo Limited, an Executive Director and Chief Executive Officer of Lippo China Resources Limited and Hongkong Chinese Limited, as well as an Independent Non-executive Director of New World China Land Limited, all being listed public companies in Hong Kong. He was a Non-executive Director of Asia Now Resources Corp., a company listed on TSX Venture Exchange of Canada, and Export and Industry Bank, Inc., a listed public company in the Republic of Philippines, up to his resignation on 21 June 2012 and 13 December 2011 respectively. Export and Industry Bank, Inc. was placed under receivership on 26 April 2012. Mr. Lee is a Fellow Member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and an Associate Member of The Institute of Chartered Accountants in England and Wales. He was a partner of Price Waterhouse (now PricewaterhouseCoopers) in Hong Kong and has extensive experience in corporate finance and capital markets. Mr. Lee is an Honorary Fellow of the City University of Hong Kong and a Justice of Peace in Hong Kong. He serves as a member on a number of Hong Kong Government Boards and Committees including as a member of the Hospital Authority and the chairman of its Finance Committee. He is also the chairman of the Board of Trustees of the Hospital Authority Provident Fund Scheme, as well as the chairman of the Queen Elizabeth Hospital Governing Committee. In addition, Mr. Lee serves as a member of Non-local Higher and Professional Education Appeal Board and a member of the Appeal Boards Panel (Education). In 2011, Mr Lee was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region.

DIRECTORS' PROFILE

MR. LIANG CHEUNG-BIU, THOMAS

Appointed as Non-executive Director in August 2004 and was re-designated as Independent Non-executive Director in March 2012. Mr. Liang is a member of the Nomination Committee of the Board of Directors of the Company. Mr. Liang is a non-executive director of Miramar Hotel and Investment Company, Limited (a listed public company in Hong Kong) and the group chief executive of Wideland Investors Limited. Mr. Liang is a member of the Court of the Hong Kong Baptist University. He has extensive experience in financial management, corporate finance, banking, real estate development and equity investment. Mr. Liang is the cousin of Mr. Liang Chong-Hou, David.



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

(Aged 65)

MS. KI MAN-FUNG, LEONIE

Appointed as a Non-executive Director in December 2008 and was re-designated as Executive Director in March 2012. Ms. Ki is a member of the Executive Committee of the Board of Directors of the Company. Ms. Ki has been the managing director of New World China Enterprises Projects Limited (a subsidiary of the Company) since 1997 and is also a director of certain subsidiaries of the Group. Ms. Ki is an independent non-executive director of Clear Media Limited and Sa Sa International Holdings Limited, both are listed public companies in Hong Kong. Ms. Ki is also a director of Chow Tai Fook Charity Foundation and New World Group Charity Foundation Limited. Ms. Ki has more than 30 years' experience in integrated communication and marketing services. She was the founder, partner and chairman/chief executive officer of Grey Hong Kong Advertising Limited and Grey China Advertising Limited. Ms. Ki is committed to the community and public services. She was the first chief executive of The Better Hong Kong Foundation. She is currently a life member of the Children's Cancer Foundation, trustee of Ocean Park Conservation Fund, honorary secretary of Wu Zhi Qiao Charitable Foundation, a member of the Sports Commission of Hong Kong, a member of the Hong Kong Housing Society, a court and council member of Lingnan University, a member of the Asian Advisory Board of Cheng Yu Tung Management Institute, Richard Ivey School of Business (University of Western Ontario, Canada), a member of the Advisory Board of the EMBA Programme of The Chinese University of Hong Kong, a member of the Career Advisory Board of The University of Hong Kong, and a member of The Chinese People's Political Consultative Conference of Yunnan Province, and a recipient of Honorary University Fellows from The Open University of Hong Kong and The University of Hong Kong, Beta Gamma Sigma from The Chinese University of Hong Kong Faculty of Business Administration, Justice of Peace and the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region.



**MS. KI
MAN-FUNG, LEONIE**

BA(Hon), SBS, JP

(Aged 65)

DIRECTORS' PROFILE

**MR. CHENG
CHI-HENG**

(Aged 34)

MR. CHENG CHI-HENG

Appointed as an Executive Director in June 2010. Mr. Cheng is a member of the Executive Committee of the Board of Directors of the Company. Mr. Cheng is an executive director of Chow Tai Fook Jewellery Group Limited, a listed public company in Hong Kong. Mr. Cheng is a director of Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, both are substantial shareholders of the Company. Mr. Cheng worked in Yu Ming Investment Management Limited from 1999 to 2000 as a corporate finance executive. He obtained his Bachelor of Arts degree majoring in Economics from the University of Western Ontario, Canada in 1999. He is the son of Mr. Cheng Kar-Shing, Peter, the nephew of Dr. Cheng Kar-Shun, Henry, and the cousin of Mr. Cheng Chi-Kong, Adrian and Ms. Cheng Chi-Man, Sonia.



**MS. CHENG
CHI-MAN, SONIA**

(Aged 31)

MS. CHENG CHI-MAN, SONIA

Appointed as an Executive Director in March 2012. Ms. Cheng is a member of the Executive Committee of the Board of Directors of the Company. She is currently the chief executive officer of New World Hospitality and oversees the hotel division as well as the project management division of the Group. She is also an executive director of New World China Land Limited, a listed public company in Hong Kong, and a director of certain subsidiaries of the Group. Before joining the Group in 2008, Ms. Cheng worked in a major international investment bank and a global US private equity firm specialising in real estate investments. Ms. Cheng holds a Bachelor of Arts Degree in Applied Mathematics with concentration in Economics from Harvard University in the U.S.A.. Ms. Cheng is the daughter of Dr. Cheng Kar-Shun, Henry, the sister of Mr. Cheng Chi-Kong, Adrian, the niece of Mr. Cheng Kar-Shing, Peter, and the cousin of Mr. Cheng Chi-Heng.

SENIOR MANAGEMENT PROFILE

MR. AU TAK-CHEONG *(Aged 60)*

Mr. Au is currently the senior director of the finance and accounts department of the Company. He is also a non-executive director of New World Department Store China Limited since 2007. Mr. Au possesses over 30 years of experience in the area of finance and accounting.

MR. SITT NAM-HOI *BA(Hons), BArch(Distinction), HKIA (Aged 58)*

Appointed as Head of Projects (Hong Kong) of the Company in February 2011. He is currently a senior director of the Project Management Department of the Company. Mr. Sitt is a Registered Architect and is responsible for overseeing all project management matters for all property development projects of the Company in Hong Kong. Before joining the Company, Mr. Sitt was the project director of Sun Hung Kai Properties Limited which he worked for over 25 years. Mr. Sitt has extensive project management experience and participated in various significant projects in Hong Kong and the PRC.

MR. WONG MAN-HOI *BSc(Eng)(Hon), LLB(Hon) (Aged 53)*

Appointed as the Company Secretary of the Company in January 2011. Mr. Wong joined the Company in November 2000 and has headed the Legal Department since November 2001. Mr. Wong is a member of the Law Society of Hong Kong and has been a qualified solicitor in Hong Kong since 1994. Before joining the Company, Mr. Wong worked as a solicitor in Deacons specialising in real estate practice. Mr. Wong obtained his Bachelor of Science (Engineering) degree from the University of Hong Kong in 1981, Bachelor of Laws degree from the University of London in 1990 and passed the Solicitors' Final Examination of the Law Society of England and Wales in 1992.



CORPORATE INFORMATION**EMERITUS CHAIRMAN**

Dato' Dr. Cheng Yu-Tung

BOARD OF DIRECTORS**Executive Directors**

Dr. Cheng Kar-Shun, Henry (*Chairman*)

Mr. Cheng Chi-Kong, Adrian
(*Joint General Manager*)

Mr. Chen Guanzhan
(*Joint General Manager*)

Ms. Ki Man-Fung, Leonie JP

Mr. Cheng Chi-Heng

Ms. Cheng Chi-Man, Sonia

Non-Executive Directors

Mr. Liang Chong-Hou, David

Mr. Cheng Kar-Shing, Peter

Independent Non-Executive Directors

Mr. Yeung Ping-Leung, Howard

Mr. Cha Mou-Sing, Payson JP

Mr. Cha Mou-Zing, Victor (*alternate director to Mr. Cha Mou-Sing, Payson*)

Mr. Ho Hau-Hay, Hamilton

Mr. Lee Luen-Wai, John JP

Mr. Liang Cheung-Biu, Thomas

COMPANY SECRETARY

Mr. Wong Man-Hoi

JOINT AUDITORS

PricewaterhouseCoopers

H.C. Watt & Company Limited

SOLICITORS

Woo, Kwan, Lee & Lo

Kao, Lee & Yip

Vincent T.K. Cheung, Yap & Co

lu, Lai & Li

Eversheds

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26/F., Tesbury Centre,

28 Queen's Road East,

Wanchai, Hong Kong

REGISTERED OFFICE

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

Tel: (852) 2523 1056

Fax: (852) 2810 4673

PRINCIPAL BANKERS

Bank of China (Hong Kong)

Bank of Communications

Bank of East Asia

China Merchants Bank

Citibank N.A.

DBS Bank

Hang Seng Bank

Industrial and Commercial Bank of China
(Asia) Ltd.

Nanyang Commercial Bank

Sumitomo Mitsui Banking Corporation

Standard Chartered Bank

The Hongkong and Shanghai

Banking Corporation

The Bank of Tokyo-Mitsubishi UFJ

STOCK CODE

Hong Kong Stock Exchange 0017

Reuters 0017.HK

Bloomberg 17 HK

INFORMATION FOR INVESTORS

For more information about the Group,
please contact the Investor Relations
Department at:

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Limited

30/F., New World Tower,
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WEBSITE

www.nwd.com.hk

FINANCIAL **SECTION CONTENTS**

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REPORT OF THE DIRECTORS

The Directors present their annual report and financial statements for the year ended 30 June 2012.

GROUP ACTIVITIES

The principal activities of the Company remain investment holding and property investment. The principal activities of the principal subsidiaries, jointly controlled entities and associated companies are shown in notes 50, 51 and 52 to the financial statements on pages 244 to 261.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 30 June 2012 are set out in the consolidated income statement on page 140 of this annual report.

The Directors have resolved to recommend a final dividend for the year ended 30 June 2012 of HK\$0.28 per share (2011: HK\$0.28 per share) comprising a cash dividend of HK\$0.01 per share (which is being paid in order to ensure that the shares of the Company continue to qualify as Authorised Investments for the purpose of the Trustee Ordinance of Hong Kong) and a scrip dividend by way of an issue of new shares equivalent to HK\$0.27 per share with a cash option to shareholders registered on 26 November 2012. Together with the interim dividend of HK\$0.10 per share paid in May 2012, total distribution for the year ended 30 June 2012 would thus be HK\$0.38 per share (2011: HK\$0.38 per share).

SHARE CAPITAL

Details of movements in share capital during the year are set out in note 39 to the financial statements.

RESERVES

Details of movements in reserves are set out in note 40 to the financial statements. Distributable reserves of the Company at 30 June 2012 amounted to HK\$14,117.1 million (2011: HK\$13,175.9 million).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 262 and 263.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DONATIONS

The Group made charitable and other donations during the year amounting to HK\$51.9 million (2011: HK\$42.3 million).

PROPERTY, PLANT AND EQUIPMENT

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

REPORT OF THE DIRECTORS**MAJOR ACQUISITIONS AND DISPOSALS**

- a. On 4 July 2011, the spin-off of Newton Resources Ltd ("Newton Resources") was completed and dealings in shares of Newton Resources on the Main Board of the Hong Kong Stock Exchange commenced on the same day. Upon its listing, the effective interest of NWS Holdings Limited ("NWSH") in Newton Resources diluted to 48.0%. Newton Resources therefore ceased to be a subsidiary and became an associated company of the Group. As a result, a gain of HK\$1,842.7 million on the deemed disposal of interest was recorded in the consolidated income statement in the year.
- b. NWSH acquired 95.0% effective interest of a project company operating Hangzhou Ring Road in Zhejiang Province, PRC under four phases since June 2011 at a total consideration of US\$1,073.0 million (equivalent to approximately HK\$8,358.0 million), out of which HK\$1,588.9 million was paid as deposit during FY2011 and HK\$6,769.1 million was paid during the year. Phase 4 of acquisition was completed on 6 January 2012.
- c. In July 2011, New World China Land Limited ("NWCL") acquired 100% interest in Rosewood Hotels and Resorts, L.L.C. ("Rosewood") and the intellectual property rights of "Carlyle", a hotel brand, for a consideration of HK\$2,049.3 million. The acquisition was completed on 29 July 2011 and Rosewood became a wholly owned subsidiary of NWCL.
- d. On 21 September 2011, a subsidiary of New World Department Store China Limited entered into a sale and purchase agreement with independent third parties to acquire 100% of the equity interest in Moral High Limited ("Moral High"), a limited liability company incorporated in Samoa, for a gross consideration of RMB1,460.0 million (equivalent to approximately HK\$1,792.6 million), which is subject to the deductions and adjustments based on the terms and conditions of the agreement. The principal activity of Moral High is the investment holding of 100% equity interest in Peak Moral Commercial Development (Shanghai) Company Limited ("Peak"), a limited liability company established in the PRC. Peak is a property owner and operator of a shopping mall in Shanghai. The acquisition was completed on 17 November 2011.

CONNECTED TRANSACTIONS

Connected transactions of the Company during the year and up to the date of this report are set out on pages 111 to 117.

RULE 13.20 AND 13.22 OF THE LISTING RULES

The disclosure pursuant to Rules 13.20 and 13.22 of the Listing Rules is set out on page 138.

REPORT OF THE DIRECTORS**DIRECTORS**

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

Executive Directors

Dato' Dr. Cheng Yu-Tung	(resigned on 1 March 2012)
Dr. Cheng Kar-Shun, Henry (<i>Chairman</i>)	
Dr. Sin Wai-Kin, David	(resigned on 1 March 2012)
Mr. Cheng Chi-Kong, Adrian (<i>Joint General Manager</i>)	
Mr. Chen Guanzhan (<i>Joint General Manager</i>)	(appointed on 1 March 2012)
Ms. Ki Man-Fung, Leonie JP	(re-designated on 1 March 2012)
Mr. Cheng Chi-Heng	
Ms. Cheng Chi-Man, Sonia	(appointed on 1 March 2012)

Non-executive Directors

Mr. Liang Chong-Hou, David	(re-designated on 1 March 2012)
Mr. Cheng Kar-Shing, Peter	
Mr. Leung Chi-Kin, Stewart	(resigned on 1 January 2012)
Mr. Chow Kwai-Cheung	(resigned on 1 March 2012)

Independent Non-executive Directors

Mr. Yeung Ping-Leung, Howard	
Mr. Cha Mou-Sing, Payson JP	
Mr. Cha Mou-Zing, Victor	
<i>(alternate director to Mr. Cha Mou-Sing, Payson)</i>	
Mr. Ho Hau-Hay, Hamilton	
Mr. Lee Luen-Wai, John JP	
Mr. Liang Cheung-Biu, Thomas	(re-designated on 1 March 2012)

In recognition of Dato' Dr. Cheng's outstanding contributions to the Company, Dato' Dr. Cheng Yu-Tung was honoured the title of chairman emeritus of the Company, following his retirement.

In accordance with Article 94 of the Company's Articles of Association, Mr. Chen Guanzhan and Ms. Cheng Chi-Man, Sonia retire and, being eligible, offer themselves for re-election.

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Cheng Kar-Shing, Peter, Mr. Ho Hau-Hay, Hamilton, Mr. Lee Luen-Wai, John, Ms. Ki Man-Fung, Leonie and Mr. Cheng Chi-Heng shall retire by rotation and, being eligible, offer themselves for re-election.

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

AUDIT COMMITTEE

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

Pursuant to an agreement dated 5 August 1993 (the "Agreement") made between Hotel Property Investments (B.V.I.) Limited ("HPI") and Renaissance Hotel Holdings (B.V.I.) Limited ("Renaissance"), both being former subsidiaries of the Group, and CTF Holdings Limited ("CTFHL"), HPI agreed to pay CTFHL an annual fee in accordance with the terms of the Agreement. This Agreement was assigned to New World Hotels (Holdings) Limited ("NWHH"), a subsidiary of the Group, on 25 July 1997. CTFHL was paid a fee of US\$9.9 million (approximately HK\$77.0 million) for the year ended 30 June 2012 (2011: US\$9.9 million (approximately HK\$77.4 million)). Dr. Cheng Kar-Shun, Henry, Director of the Company and Mr. Doo Wai-Hoi, William ("Mr. Doo"), director of certain subsidiaries of the Group, are interested in this transaction to the extent that they have beneficial interests in CTFHL.

Save for contracts amongst group companies and the aforementioned transaction, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, interests of the Directors and their associates in shares, underlying shares and debentures of the Company and its associated corporations which were recorded in the register to be kept by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") are set out on pages 118 to 137.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of businesses	
Mr. Cheng Kar-Shing, Peter	CTF group of companies	Property investment and development, hotel operations and transport	Director
	Long Vocation Investments Limited group of companies	Property investment	Director and shareholder
Mr. Chow Kwai-Cheung*	Flying Dragon Properties Limited	Property investment	Director and shareholder
	Asia Leisure Development Co. Ltd.	Property development	Director
Mr. Liang Cheung-Biu, Thomas [□]	Bermuda Investments Limited	Property investment	Director
	Greenwich Investors Limited	Property investment	Director
	Lambda Enterprises Limited	Property management	Director
	Miramar group of companies	Property investment and development and hotel operations	Director
Mr. Cheng Chi-Kong, Adrian	CTF group of companies	Property investment and development, hotel operations and transport	Director
	Grandhope Properties Limited	Property investment	Director and shareholder
	Cheung Hung Development (Holdings) Limited	Property investment and development	Director
	International Entertainment Corporation group of companies	Hotel operations	Director
Mr. Cheng Chi-Heng	CTF group of companies	Property investment and development, hotel operations and transport	Director

* Resigned on 1 March 2012

□ Re-designated as Independent Non-executive Director on 1 March 2012

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

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

Share option schemes of the Group are set out on pages 119 to 137.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2012, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares

Name	Number of shares held			Approximate % of shareholding
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") ⁽¹⁾	–	2,569,423,013	2,569,423,013	41.77
Cheng Yu Tung Family (Holdings II) Limited ("CYTFH-II") ⁽²⁾	–	2,569,423,013	2,569,423,013	41.77
Chow Tai Fook Capital Limited ("CTFC") ⁽³⁾	–	2,569,423,013	2,569,423,013	41.77
Chow Tai Fook (Holding) Limited ("CTFHL") ⁽⁴⁾	–	2,569,423,013	2,569,423,013	41.77
Chow Tai Fook Enterprises Limited ("CTF") ⁽⁵⁾	2,336,516,714	232,906,299	2,569,423,013	41.77

Notes:

- (1) CYTFH holds 48.98% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (2) CYTFH-II holds 46.65% direct interest in CTFC and is accordingly deemed to have an interest in the shares deemed to be interested by CTFC.
- (3) CTFC holds 74.07% direct interest in CTFHL and is accordingly deemed to have an interest in the shares deemed to be interested by CTFHL.
- (4) CTFHL holds 100% direct interest in CTF and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.
- (5) CTF together with its subsidiaries.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having an interest in 10.0% or more of the issued share capital of the Company as at 30 June 2012.

OTHER PERSONS' INTERESTS IN SECURITIES

As at 30 June 2012, the interests or short positions of persons (other than Directors or chief executives or substantial shareholders (as defined in the Listing Rules)) in the shares and underlying shares of the Company as recorded in the register as required to be kept under Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of shares/ underlying shares held	Total	Approximate % of shareholding
JPMorgan Chase & Co.	Beneficial owner	34,772,486	339,089,578 ⁽¹⁾	5.51
	Investment manager	110,605,675		
	Custodian corporation/ approved lending agent	193,711,417		

REPORT OF THE DIRECTORS

OTHER PERSONS' INTERESTS IN SECURITIES *(continued)***Short positions in the shares and underlying shares of the Company**

Name	Capacity	Number of shares/ underlying shares held	Total	Approximate % of shareholding
JPMorgan Chase & Co.	Beneficial owner	27,337,652	27,337,652 ⁽²⁾	0.44

Notes:

- (1) The interests included aggregate interests in 18,492,395 underlying shares through its holding of certain listed physically settled derivatives (1,298,605 underlying shares), and unlisted cash settled derivatives (17,193,790 underlying shares). It also included 193,711,417 shares in the lending pool.
- (2) The interests included aggregate interests in 20,337,652 underlying shares through its holding of certain listed derivatives (physically settled: 1,616,610 underlying shares; cash settled: 9,303,432 underlying shares) and unlisted cash settled derivatives (9,417,610 underlying shares).

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

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITORS

The financial statements have been audited by Messrs PricewaterhouseCoopers and H.C. Watt & Company Limited who will retire at the forthcoming annual general meeting of the Company.

H.C. Watt & Company Limited, due to its decision to implement a voluntary cessation of its corporate practice business in the course of next year, will retire as one of the joint auditors of the Company and will not seek for re-appointment while Messrs PricewaterhouseCoopers will offer themselves for re-appointment.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs PricewaterhouseCoopers as the sole auditor of the Company.

On Behalf of the Board

Dr. Cheng Kar-Shun, Henry

Chairman

Hong Kong, 26 September 2012

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

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

On 25 July 1997, NWHH sold its entire interests in HPI to CTFHL, a company controlled by Dr. Cheng Kar-Shun, Henry, Director of the Company and Mr. Doo, a director of certain subsidiaries of the Company. Under the sale, the Indemnity will continue. Arrangements have therefore been entered into whereby CTF will counter-indemnify the Company fully against any liability arising under the Indemnity in respect of the said lease obligations and guarantees of leases. It is presently estimated that the maximum liability of the Company under the Indemnity will be approximately US\$8.2 million per annum. Up to the date of this report, no payment has ever been made by the Company or CTF under the Indemnity.

- (2) In July 1999, a deed of tax indemnity was entered into between the Company and NWCL whereby the Company undertakes to indemnify NWCL in respect of, inter alia, certain Mainland China income tax ("IT") and land appreciation tax ("LAT") in Mainland China payable in consequence of the disposal of certain properties held by NWCL as at 31 March 1999 and in respect of which the aggregate amount of LAT and IT is estimated at approximately HK\$6,166.9 million (2011: HK\$6,586.5 million). During the year, tax indemnity amounted to HK\$503.5 million (2011: HK\$654.3 million) was effected.

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

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

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

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

On 11 May 2011, the annual cap for each of the three financial years ending 30 June 2012, 2013 and 2014 is set at HK\$68.0 million, HK\$75.0 million and HK\$83.0 million respectively. The total rental received from Sogo HK during the year ended 30 June 2012 under the Lease Agreement amounted to approximately HK\$67.7 million which is within the annual cap of HK\$68.0 million.

On 31 July 2012, Hong Kong Island and Sogo HK entered into a supplemental deed, pursuant to which Hong Kong Island and Sogo HK agreed to terminate the Lease Agreement with effect from 15 February 2014.

REPORT OF THE DIRECTORS**CONNECTED TRANSACTIONS** *(continued)*

- (4) On 22 May 2009, New World Department Store China Limited ("NWDS") and Chow Tai Fook Jewellery Company Limited ("CTF Jewellery") entered into an agreement (the "Master Concessionaire Counter Agreement") for a term of three years from 1 July 2009, pursuant to which NWDS agreed to, and to procure its subsidiaries to, provide floor space in the department stores owned by NWDS and its subsidiaries (the "NWDS Group") from time to time ("Stores") to CTF Jewellery and its subsidiaries ("CTF Jewellery Group") from time to time for exhibiting and selling jewellery during the duration of the Master Concessionaire Counter Agreement.

For each transaction under the Master Concessionaire Counter Agreement, pursuant to the relevant concessionaire counter agreements and rental agreements, commissions and basic usage costs and rebates are payable by the CTF Jewellery Group to members of the NWDS Group for the use of the floor space in the Stores. Such commissions and rebates are to be calculated by a pre-determined percentage of sales made for each type of the products sold at the concessionaire counters and the gross sales figures of concessionaire counters, while the basic usage costs comprise the general promotional contributions and other fixed charges.

As CTF Jewellery is an associate of CTF which is a connected person of the Company, the transactions contemplated under the Master Concessionaire Counter Agreement constitute continuing connected transactions for the Company under the Listing Rules.

On 22 March 2012, NWDS and Chow Tai Fook Jewellery Group Limited ("CTFJ", the holding company of CTF Jewellery) entered into a new master concessionaire counter agreement ("New Master Concessionaire Counter Agreement") commencing from 24 April 2012 (the "New Agreement Effective Date") up to and including 30 June 2014, pursuant to which members of the NWDS Group and the CTFJ Group (i.e. CTFJ and its subsidiaries) may from time to time enter into definitive concessionaire agreements in relation to any transactions arising from the concessionaire arrangements or rental agreements in respect of retailing counters for the sale of jewellery products and watches by the CTFJ Group at properties in the PRC owned by, or leased to the NWDS Group or at which the NWDS Group operates its business.

The New Master Concessionaire Counter Agreement may be renewed for a successive period of three years after the initial term or subsequent renewal term subject to compliance with relevant requirement of the Listing Rules. The Master Concessionaire Counter Agreement was terminated on the New Agreement Effective Date.

As CTFJ is a fellow subsidiary of CTF which is a substantial shareholder of the Company, CTFJ is therefore a connected person of the Company and the transactions contemplating under the New Master Concessionaire Counter Agreement constitute continuing connected transactions for the Company under the Listing Rules.

For the year ended 30 June 2012, the aggregate amount of the transactions under the Master Concessionaire Counter Agreement and the New Master Concessionaire Counter Agreement amounted to approximately RMB91.3 million, which is within the annual cap of RMB133.8 million.

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

Mr. Doo, who is a director of certain subsidiaries of the Company, holds 90.0% indirect interest in FSE. After completion of the Disposal, members of the Disposal Group, which were wholly owned by FSE, became associates of Mr. Doo. Accordingly, FSE and the members of the Disposal Group are connected persons of the Company under the Listing Rules. A bank guarantee amounted to approximately MOP38.0 million (equivalent to approximately HK\$37.0 million), which was provided by a member of the Group to a member of the Disposal Group, was still valid upon completion of the Agreements. Such bank guarantee was properly released with effect from 31 December 2011.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS *(continued)*

- (6) On 19 May 2011, a master services agreement (the “Mr. Doo Master Services Agreement”) was entered into between the Company and Mr. Doo in relation to the provision of certain operational and rental services, which includes contracting services, cleaning and landscaping services, facilities management services, property management services, security and guarding services and rental services, between members of the Group and members of the Services Group (being Mr. Doo and any company in the equity capital of which Mr. Doo is or will be directly or indirectly interested so as to exercise or control the exercise of 30.0% or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary).

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

The Mr. Doo Master Services Agreement has an initial term of three years commencing from 1 July 2011. Subject to re-compliance with the relevant requirements under the Listing Rules, the Mr. Doo Master Services Agreement may be renewed for a further term of three years.

During the year ended 30 June 2012, the contract amount for the operational and rental services under the Mr. Doo Master Services Agreement is summarised as follows:

Categories of services	Approximate total contract sum HK\$m	Annual cap HK\$m
Provision of operational and rental services by members of the Group to members of the Services Group	9.3	19.0
Provision of operational and rental services by members of the Services Group to members of the Group	444.9	2,624.9

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

The Existing Continuing Transactions involved the provision of the mechanical and electrical engineering services, property management services, cleaning services and rental services from members of the Group to members of the Services Group or vice versa. A total of over 100 agreements, of which the remaining term is not exceeding three years, are included in these Existing Continuing Transactions with the aggregate transaction values for the remaining term of the relevant agreements as at 30 June 2012 as follows:

	HK\$m
Provision of services by members of the Group to members of the Services Group	17.8
Provision of services by members of the Services Group to members of the Group	449.9

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS *(continued)*

- (8) On 30 June 2011, the Company and CTF entered into a master services agreement (the “CTF Master Services Agreement”) whereby each of the Company and CTF agreed to, and agreed to procure members of the Group or the CTF Group (being CTF, 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 30.0% or more of the voting power at general meetings or to control the composition of a majority of the board of directors, and the subsidiaries of such other companies, but excluding members of the Group) (to the extent practicable) to engage relevant members of the CTF Group or the Group (as the case may be) to provide the relevant operational services, which include contracting services, general and rental services, project management and consultancy services, and hotel management and consultancy services, to members of the Group or the CTF Group (as the case may be) during the term of the CTF Master Services Agreement.

As CTF is a connected person of the Company, the entering into of the CTF Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

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

On 7 May 2012, in view of the completion of the acquisition by NWCL of Rosewood Hotels and Resorts, L.L.C. (which provides hotel management and consultancy services to members of the CTF Group and became an indirect subsidiary of the Company) in July 2011 and the additional construction contracts for projects owned by the CTF Group, the annual caps for the three years ending 30 June 2014 were revised.

Also, on 7 May 2012, the Company entered into a supplemental agreement with CTF for the purposes of amending the definitions of “CTF Group” and “subsidiary” in the CTF Master Services Agreement to allow more flexibility for the Company to comply with the disclosure requirement under the Listing Rules.

Under the new definition, “CTF Group” means CTF, (a) any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company, and/or (b) any other company in the equity capital of which CTF and such other companies referred to in (a) above taken together are directly or indirectly interested so as to exercise or control the exercise of 30.0% (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary, and for the purpose of the CTF Master Services Agreement, such term shall exclude members of the Group. “Subsidiary” means any entity which falls within the definition of subsidiary under the Listing Rules or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

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

Categories of services	Approximate total contract sum HK\$m	Annual cap HK\$m
Provision of operational services by members of the Group to members of the CTF Group	187.1	290.4
Provision of operational services by members of the CTF Group to members of the Group	2.6	6.0

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS *(continued)*

- (9) On 16 August 2011, Newly Development Limited ("Newly Development", a wholly owned subsidiary of the Company) as the vendor and Fast Solution Limited ("Fast Solution") as the purchaser entered into an agreement (the "Disposal Agreement") pursuant to which Newly Development agreed to sell, and Fast Solution agreed to purchase the property situated at 16th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong for a consideration of HK\$143.0 million to be paid in cash, subject to the existing licence and tenancy.

Mr. Doo is the director of certain subsidiaries of the Company and hence a connected person of the Company under the Listing Rules. As Fast Solution is indirectly owned as to 90.0% by Mr. Doo, it is an associate of Mr. Doo and a connected person of the Company under the Listing Rules. The entering into of the Disposal Agreement therefore constitutes a connected transaction for the Company under the Listing Rules. The Disposal Agreement was completed on 18 August 2011.

- (10) On 24 August 2011, Grace Crystal Limited ("Grace Crystal", an indirectly wholly owned subsidiary of NWSH) entered into an agreement (the "Capital Increase Agreement") with 天津高速公路集團有限公司 (Tianjin Expressway Group Co., Ltd.) ("Tianjin Expressway Group") pursuant to which (i) the total investment amount of 天津新展高速公路有限公司 (Tianjin Xinzhan Expressway Company Limited) ("Tianjin Xinzhan", in which Grace Crystal and Tianjin Expressway Group holds 60.0% and 40.0% equity interest respectively) shall be increased from RMB3,300.0 million to RMB6,957.23 million; and (ii) the registered capital of Tianjin Xinzhan shall be increased from RMB1,320.0 million to RMB2,539.1 million. The increase of the total investment amount of RMB3,657.23 million shall be made up of the increase of the registered capital of RMB1,219.1 million (the "Capital Increase") and bank loans of RMB2,438.13 million.

Pursuant to the Capital Increase Agreement, Grace Crystal shall contribute 60.0% of the Capital Increase, being RMB731.46 million (equivalent to approximately HK\$881.28 million), in cash while Tianjin Expressway Group shall contribute 40.0% of the Capital Increase, being RMB487.64 million (equivalent to approximately HK\$587.52 million), in cash. Upon completion of the Capital Increase, the equity interest held by Grace Crystal and Tianjin Expressway Group in Tianjin Xinzhan shall remain the same at 60.0% and 40.0% respectively.

By virtue of being a substantial shareholder of Tianjin Xinzhan before and after completion of the Capital Increase, Tianjin Expressway Group is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Capital Increase Agreement constitutes a connected transaction for the Company under the Listing Rules.

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

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

- (a) US\$80,000,000 upon signing of the 75% Widefaith Sale and Purchase Agreement;
- (b) US\$138,000,000 on the third business day after fulfillment of a condition as set out in the 75% Widefaith Sale and Purchase Agreement; and
- (c) the remaining balance on the date of completion of the 75% Widefaith Sale and Purchase Agreement.

REPORT OF THE DIRECTORS**CONNECTED TRANSACTIONS** *(continued)*

(11) *(continued)*

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

An ordinary resolution approving the 75% Widefaith Sale and Purchase Agreement was duly passed by the independent shareholders of the Company by way of poll at an extraordinary general meeting of the Company held on 28 December 2011. Completion of the 75% Widefaith Sale and Purchase Agreement took place on 6 January 2012.

(12) On 28 November 2011, a tenancy framework agreement (the "Tenancy Framework Agreement") was entered into between the Company and CTFJ, pursuant to which members of the Group and members of the CTFJ Group may from time to time enter into definitive agreements in relation to leases or tenancy agreements between members of the Group as landlord and members of the CTFJ Group as tenant upon, and subject to, the terms and conditions in compliance with the Tenancy Framework Agreement.

The Tenancy Framework Agreement will commence on the date on which the listing of CTFJ on the HKEx takes place and will continue up to and including 31 March 2014, and may be renewed for a successive period of three years upon expiration of the initial term or subsequent renewal term, subject to compliance with the relevant requirements of the Listing Rules.

As CTFJ is a fellow subsidiary of CTF which is a substantial shareholder of the Company, CTFJ is therefore a connected person of the Company and the entering into of the Tenancy Framework Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

The annual cap for each of the financial years ending 30 June 2012, 2013 and 2014 were set at HK\$61.0 million, HK\$75.0 million and HK\$86.0 million respectively. The aggregate amount of the transactions under the Tenancy Framework Agreement for the year ended 30 June 2012 amounted to approximately HK\$58.3 million.

On 15 June 2012, taking into account the estimated increase in rental upon the renewal of the existing definitive agreements and the rentals under the new definitive agreements to be entered into between members of the Group and members of the CTFJ Group, the annual caps in respect of the two years ending 30 June 2014 were revised to HK\$99.0 million and HK\$120.0 million respectively.

(13) On 22 March 2012, NWDS, the Company and CTFJ entered into a master sales agreement ("Master Sales Agreement") to provide a framework for the sales transactions between members of the NWDS Group, members of the Group and/or members of the CTFJ Group involving the use of various cash equivalent gift coupons, gift cards and stored value shopping cards issued by the Group ("Shopping Vouchers"), prepaid shopping cards issued by the NWDS Group to the Group and/or CTFJ Group ("Prepaid Shopping Cards"), various joint name cards and/or joint name vouchers issued by the CTFJ Group and/or the NWDS Group ("Joint Name Vouchers") or other means acceptable to the NWDS Group as payment for purchasing goods at the Stores and the settlement of the relevant value represented by such Shopping Vouchers (with shopping vouchers commission and rebates), the Prepaid Shopping Cards (with the discounts where applicable), the Joint Name Vouchers (with the joint name vouchers commissions) or by any other means acceptable to the NWDS Group among relevant members of the NWDS Group, the Group or the CTFJ Group.

REPORT OF THE DIRECTORS**CONNECTED TRANSACTIONS** *(continued)*

(13) *(continued)*

The Master Sales Agreement commenced from 22 March 2012 up to and including 30 June 2014, and may be renewed for a successive period of three years upon the expiration of the initial term or subsequent renewal term subject to compliance with relevant requirements of the Listing Rules.

As CTFJ is a fellow subsidiary of CTF which is a substantial shareholder of the Company, CTFJ is therefore a connected person of the Company and the sales transactions contemplating under the Master Sales Agreement constitute continuing connected transactions for the Company under the Listing Rules.

The aggregate amount of the transactions under the Master Sales Agreement for the period ended 30 June 2012 amounted to approximately RMB13.8 million, which is within the annual cap of RMB55.5 million.

The continuing connected transactions mentioned in paragraphs (3), (4), (6), (7), (8), (12) and (13) above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions stated in paragraphs (3), (4), (6), (7), (8), (12) and (13) above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the HKEx.

Save as disclosed above, a summary of significant related party transactions that did not constitute connected transactions made during the year was disclosed in note 49 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the interests of the Directors and their associates in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO were as follows:

(A) Long position in shares

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
New World Development Company Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	—	450,000	—	450,000	0.01
Mr. Ho Hau-Hay, Hamilton	—	—	658,765 ⁽¹⁾	658,765	0.01
Mr. Liang Cheung-Biu, Thomas	7,822	—	—	7,822	0.00
Ms. Ki Man-Fung, Leonie	90,000	—	—	90,000	0.00
Dragon Fortune Limited					
(Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	—	15,869 ⁽²⁾	15,869	27.41
Mega Choice Holdings Limited (in liquidation)					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	—	—	420,585,070 ⁽³⁾	420,585,070	34.61
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-Shun, Henry	28,125,000	4,387,500	117,610,200 ⁽⁴⁾	150,122,700	1.74
Mr. Lee Luen-Wai, John	299,400	—	—	299,400	0.00
Mr. Cheng Chi-Kong, Adrian	371,194	—	—	371,194	0.00
Ms. Ki Man-Fung, Leonie	45,000	—	—	45,000	0.00
Ms. Cheng Chi-Man, Sonia	168,400	—	—	168,400	0.00
New World Department Store China Limited					
(Ordinary shares of HK\$0.10 each)					
Ms. Ki Man-Fung, Leonie	20,000	—	—	20,000	0.00
Ms. Cheng Chi-Man, Sonia	92,000	—	—	92,000	0.01

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(A) Long position in shares** (continued)

	Number of shares				Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests	Total	
NWS Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	13,768,798	—	12,000,000 ⁽⁴⁾	25,768,798	0.72
Mr. Liang Chong-Hou, David	256	—	—	256	0.00
Mr. Cheng Kar-Shing, Peter	359,061	—	5,074,520 ⁽⁵⁾	5,433,581	0.15
Ms. Ki Man-Fung, Leonie	15,000	—	—	15,000	0.00
Sun City Holdings Limited					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	80,000	3,570,000 ⁽⁶⁾	3,650,000	45.63
Sun Legend Investments Limited					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	—	—	500 ⁽⁷⁾	500	50.00

Notes:

- (1) These shares are beneficially-owned by a company in which Mr. Ho Hau-Hay, Hamilton owns 40.0% of its issued share capital.
- (2) 4,102 shares are held by a company wholly owned by Mr. Cheng Kar-Shing, Peter and 11,767 shares are held by Sun City Holdings Limited ("Sun City"), of which Mr. Cheng Kar-Shing, Peter is deemed to be interested in 45.63% of its issued share capital.
- (3) These shares are beneficially-owned by companies which are wholly owned by Dr. Cheng Kar-Shun, Henry.
- (4) These shares are beneficially-owned by a company which is wholly owned by Dr. Cheng Kar-Shun, Henry.
- (5) These shares are beneficially-owned by a company which is wholly owned by Mr. Cheng Kar-Shing, Peter.
- (6) These shares are held by a company of which Mr. Cheng Kar-Shing, Peter has an indirect interest of 49.58%.
- (7) Mr. Cheng Kar-Shing, Peter is deemed to be interested in these shares by virtue of his interests in Sun City.

(B) Long position in underlying shares – share options

During the year ended 30 June 2012, certain Directors of the Company have interest in share options to subscribe for shares in the Company and certain of its subsidiaries. Details of such interests and summaries of share option schemes of the Company and its subsidiaries are shown below.

Share Option Scheme of the Company

On 24 November 2006, the Company adopted a share option scheme (the "Scheme") and certain rules of such scheme were amended on 13 March 2012. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in the Company.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Scheme of the Company** (continued)

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

	The Scheme
Purpose of the scheme	To reward directors and employees of the Group for past service or performance, to provide incentive, motivation or reward to eligible participants for increasing performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for or make contribution to the Group, to foster a sense of corporate identity and to allow the eligible participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.
Participants of the scheme	<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 Company or any invested entity of the Group (the "Invested Entity"); (iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Invested Entity or any other company or organisation; (iv) any supplier of goods or services to any member of the Group or any Invested Entity; (v) any customer of any member of the Group or any Invested Entity; (vi) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.
Total number of shares available for issue under the scheme and percentage of issued share capital as at the date of this annual report	<p>The Company had granted 243,750,000 shares of the Company under the Scheme up to the date of this report.</p> <p>The total number of shares available for issue under the Scheme is 258,638,745 representing approximately 4.2% of the Company's issued share capital as at the date of this report.</p>
Maximum entitlement of each participant under the scheme	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the share capital of the Company in issue.
The period within which the shares must be taken up under an option	A period to be specified by the Directors and not to exceed 10 years from the date of grant of options.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)***(B) Long position in underlying shares – share options** *(continued)***Share Option Scheme of the Company** *(continued)*

	The Scheme
The minimum period for which an option must be held before it can be exercised	Any period as determined by the Directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The basis of determining the exercise price	The exercise price is determined by the Directors which must be at least the higher of (i) the closing price of the shares on the HKEx as stated in the HKEx's daily quotations sheets on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the HKEx's daily quotation sheets for the five business days immediately preceding the date of grant.
The remaining life of the scheme	The Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 24 November 2006.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Scheme of the Company** (continued)

Share options granted to Directors

Name	Date of grant	Exercisable period (Note)	Number of share options						Balance as at 30 June 2012	Exercise price per share ⁽⁴⁾ HK\$
			Balance as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year ⁽⁴⁾	Re-classified during the year ⁽⁵⁾	Lapsed during the year		
Dato' Dr. Cheng Yu-Tung*	19 March 2007	(1)	36,714,392	–	–	3,784,390	(40,498,782)	–	–	16.003
Dr. Cheng Kar-Shun, Henry	19 March 2007	(1)	36,714,392	–	–	3,784,390	–	(40,498,782)	–	16.003
	19 March 2012	(3)	–	10,000,000	–	1,320	–	–	10,001,320	9.769
Dr. Sin Wai-Kin, David*	19 March 2007	(1)	301,760	–	–	31,103	(332,863)	–	–	16.003
Mr. Liang Chong-Hou, David	19 March 2007	(1)	301,760	–	–	31,103	–	(332,863)	–	16.003
	19 March 2012	(3)	–	500,000	–	66	–	–	500,066	9.769
Mr. Yeung Ping-Leung, Howard	19 March 2007	(1)	301,760	–	–	31,103	–	(332,863)	–	16.003
	19 March 2012	(3)	–	500,000	–	66	–	–	500,066	9.769
Mr. Cha Mou-Sing, Payson	19 March 2007	(1)	301,760	–	–	31,103	–	(332,863)	–	16.003
	19 March 2012	(3)	–	500,000	–	66	–	–	500,066	9.769
Mr. Cheng Kar-Shing, Peter	19 March 2007	(1)	201,172	–	–	20,735	–	(221,907)	–	16.003
		(2)	1,207,047	–	–	124,417	–	(1,331,464)	–	16.003
	19 March 2012	(3)	–	500,000	–	66	–	–	500,066	9.769
Mr. Leung Chi-Kin, Stewart [#]	19 March 2007	(1)	35,708,517	–	–	3,680,708	(39,389,225)	–	–	16.003
Mr. Chow Kwai-Cheung*	19 March 2007	(2)	1,207,047	–	–	124,417	(1,331,464)	–	–	16.003
Mr. Ho Hau-Hay, Hamilton	19 March 2007	(1)	201,172	–	–	20,735	–	(221,907)	–	16.003
	19 March 2012	(3)	–	500,000	–	66	–	–	500,066	9.769
Mr. Lee Luen-Wai, John	19 March 2007	(1)	301,760	–	–	31,103	–	(332,863)	–	16.003
	19 March 2012	(3)	–	500,000	–	66	–	–	500,066	9.769
Mr. Liang Cheung-Biu, Thomas	19 March 2007	(1)	201,172	–	–	20,735	–	(221,907)	–	16.003
	19 March 2012	(3)	–	500,000	–	66	–	–	500,066	9.769
Mr. Cheng Chi-Kong, Adrian	19 March 2007	(2)	502,935	–	–	51,840	–	(554,775)	–	16.003
	19 March 2012	(3)	–	3,500,000	–	462	–	–	3,500,462	9.769
Ms. Ki Man-Fung, Leonie	19 March 2007	(2)	1,005,871	–	–	103,680	–	(1,109,551)	–	16.003
	19 March 2012	(3)	–	3,000,000	–	396	–	–	3,000,396	9.769
Mr. Cheng Chi-Heng	19 March 2012	(3)	–	500,000	–	66	–	–	500,066	9.769
Mr. Chen Guanzhan [^]	19 March 2012	(3)	–	3,500,000	–	462	–	–	3,500,462	9.769
Ms. Cheng Chi-Man, Sonia [^]	19 March 2012	(3)	–	3,000,000	–	396	–	–	3,000,396	9.769
			115,172,517	27,000,000	–	11,875,126	(81,552,334)	(45,491,745)	27,003,564	

* Resigned on 1 March 2012

[#] Resigned on 1 January 2012[^] Appointed on 1 March 2012

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Scheme of the Company** (continued)

Share options granted to Directors (continued)

Notes:

- (1) From 19 March 2007 to 18 March 2012.
- (2) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.
- (3) Divided into 4 tranches exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.
- (4) The Company declared final dividend for the year ended 30 June 2011 and interim dividend for the six months ended 31 December 2011 in scrip form (with cash option) during the year and announced rights issue on 18 October 2011 which became unconditional on 25 November 2011. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 19 March 2007 was adjusted from HK\$17.652 to HK\$16.004 on 28 November 2011, and further to HK\$16.003 on 30 December 2011. The exercise price per share of the share options granted on 19 March 2012 was adjusted from HK\$9.77 to HK\$9.769 on 17 May 2012.
- (5) The interests of Dato' Dr. Cheng Yu-Tung, Dr. Sin Wai-Kin, David, Mr. Leung Chi-Kin, Stewart and Mr. Chow Kwai-Cheung was re-classified as employees' interests on their respective dates of cessation as Director of the Company.
- (6) The cash consideration paid by each Director for the grant of share options is HK\$10.0.

Share options granted to other eligible participants

Date of grant	Exercisable Period (Note)	Number of share options						Balance as at 30 June 2012	Exercise price per share ⁽⁴⁾ HK\$
		Balance as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year ⁽⁴⁾	Re-classified as employees' interest during the year	Lapsed during the year		
19 March 2007	(1)	–	–	–	–	80,220,870	(80,220,870)	–	16.003
19 March 2007	(2)	15,248,983	–	–	1,504,387	1,331,464	(18,084,834)	–	16.003
19 March 2012	(3)	–	80,300,000	–	10,576	–	(800,105)	79,510,471	9.769
		15,248,983	80,300,000	–	1,514,963	81,552,334	(99,105,809)	79,510,471	

Notes:

- (1) From 19 March 2007 to 18 March 2012.
- (2) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.
- (3) Divided into 4 tranches exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.
- (4) The Company declared final dividend for the year ended 30 June 2011 and interim dividend for the six months ended 31 December 2011 in scrip form (with cash option) during the year and announced rights issue on 18 October 2011 which became unconditional on 25 November 2011. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 19 March 2007 was adjusted from HK\$17.652 to HK\$16.004 on 28 November 2011, and further to HK\$16.003 on 30 December 2011. The exercise price per share of the share options granted on 19 March 2012 was adjusted from HK\$9.77 to HK\$9.769 on 17 May 2012.
- (5) The cash consideration paid by each participant for the grant of share options is HK\$10.0.

The fair value of the share options granted during the year with exercise price per share of HK\$9.77 (adjusted to HK\$9.769) is estimated at HK\$2.92 using the Binomial pricing model. Value is estimated based on the risk-free rate at 0.53% per annum with reference to the market yield rates of the Hong Kong Government bond (maturing 28 February 2014 and 21 March 2016) as of the value date, a historical volatility of 48.52% based on share price movement for the past 10 years assuming dividend yield of 2.62% and an expected option life of four years.

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Schemes of New World China Land Limited ("NWCL")**

On 26 November 2002, NWCL adopted a share option scheme ("NWCL 2002 Share Option Scheme") pursuant to which employees, including directors of NWCL and its subsidiaries ("NWCL Group"), were given opportunity to obtain equity holdings in NWCL. In anticipation of the expiry of the NWCL 2002 Share Option Scheme, NWCL adopted a new share option scheme ("NWCL 2011 Share Option Scheme") at the annual general meeting of NWCL held on 22 November 2011 and terminated the operation of the NWCL 2002 Share Option Scheme. Any share options which were granted under the NWCL 2002 Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance with the rules of the NWCL 2002 Share Option Scheme.

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

NWCL 2002 Share Option Scheme and NWCL 2011 Share Option Scheme

Purpose of the schemes	To provide an opportunity for the full-time or part-time employees, including directors, of NWCL Group to participate in the equity of NWCL as well as to motivate them to optimise their performance.
Participants of the schemes	Full-time or part-time employees, including directors, of NWCL Group.
Total number of shares available for issue under the schemes and percentage of issued share capital of NWCL as at the date of this annual report	NWCL had granted share options representing the rights to subscribe for 96,226,400 shares of NWCL under the NWCL 2002 Share Option Scheme up to the date of this report, together with share options representing 6,465,900 shares and 5,357,008 shares and 2,029,087 shares by way of adjustment on the number of share options as a result of NWCL's issue of rights shares becoming unconditional on 8 April 2005, 16 November 2009 and 22 December 2011, respectively. No further share options will be granted under the NWCL 2002 Share Option Scheme. NWCL had granted share options representing the rights to subscribe for 8,212,600 shares under the NWCL 2011 Share Option Scheme up to the date of this report. NWCL may further grant share options to subscribe for 568,091,891 shares of NWCL, representing approximately 6.57% of NWCL's total issued share capital as at the date of this report.
Maximum entitlement of each participant under the schemes	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the shares in issue unless the same is approved by NWCL's shareholders in general meeting.
The period within which the shares must be taken up under an option	At any time during a period to be notified by NWCL's directors, which period not to exceed five years commencing on the expiry of one month after the date on which the option is accepted and expiring on a date not later than the last day of the five-year period.
The minimum period for which an option must be held before it can be exercised	one month.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.
The basis of determining the exercise price	The exercise price shall be determined by NWCL's directors, being at least the higher of: (a) the closing price of shares as stated in the HKEx's daily quotations sheet on the date of offer, which must be a business day; and (b) the average closing price of shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of offer.
The remaining life of the schemes	The NWCL 2002 Share Option Scheme and NWCL 2011 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the respective dates of their adoption.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Schemes of New World China Land Limited ("NWCL")** (continued)

Share options granted to Directors

NWCL 2002 Share Option Scheme

Name	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30 June 2012	Exercise price per share (before adjustment) ⁽⁵⁾ HK\$	Exercise price per share (after adjustment) ⁽⁵⁾ HK\$
			Balance as at 1 July 2011	Adjusted during the year ⁽⁵⁾	Exercised during the year	Re-classified during the year ⁽⁶⁾			
Dr. Cheng Kar-Shun, Henry	29 December 2008	(1)	1,791,045	69,781	–	–	1,860,826	1.340	1.290
	18 January 2011	(2)	2,000,000	77,922	–	–	2,077,922	3.154	3.036
Mr. Cheng Kar-Shing, Peter	29 December 2008	(1)	727,612	28,349	–	–	755,961	1.340	1.290
	18 January 2011	(2)	800,000	31,169	–	–	831,169	3.154	3.036
Mr. Leung Chi-Kin, Stewart	29 December 2008	(1)	127,910	1,635	(85,934) ⁽⁶⁾	(43,611)	–	1.340	1.290
	18 January 2011	(2)	200,000	7,792	–	(207,792)	–	3.154	3.036
Mr. Chow Kwai-Cheung	29 December 2008	(1)	167,910	6,542	–	(174,452)	–	1.340	1.290
	18 January 2011	(2)	200,000	7,792	–	(207,792)	–	3.154	3.036
Mr. Lee Luen-Wai, John	29 December 2008	(1)	252,221	9,827	(174,000) ⁽⁷⁾	–	88,048	1.340	1.290
	18 January 2011	(2)	300,000	11,688	–	–	311,688	3.154	3.036
Mr. Cheng Chi-Kong, Adrian	29 December 2008	(3)	337,284	13,141	–	–	350,425	1.340	1.290
	18 January 2011	(2)	1,500,000	58,442	–	–	1,558,442	3.154	3.036
Ms. Cheng Chi-Man, Sonia	29 December 2008	(4)	755,821	29,448	–	–	785,269	1.340	1.290
			9,159,803	353,528	(259,934)	(633,647)	8,619,750		

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Schemes of New World China Land Limited ("NWCL")** (continued)

Share options granted to Directors (continued)

NWCL 2002 Share Option Scheme (continued)

Notes:

- (1) Divided into 4 tranches exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012, respectively to 29 January 2013.
- (2) Divided into 5 tranches exercisable from 19 February 2011, 19 February 2012, 19 February 2013, 19 February 2014 and 19 February 2015, respectively to 18 February 2016.
- (3) Divided into 2 tranches exercisable from 30 January 2011 and 30 January 2012, respectively to 29 January 2013.
- (4) Divided into 5 tranches exercisable from 30 January 2009, 30 January 2010, 30 January 2011, 30 January 2012 and 30 January 2013, respectively to 29 January 2014.
- (5) NWCL announced rights issue on 18 October 2011 which became unconditional on 22 December 2011. Accordingly, adjustments were made to the number of outstanding share options and the exercise price in accordance with the NWCL 2002 Share Option Scheme on 23 December 2011.
- (6) The exercise date was 8 December 2011. On the trading date immediately before the exercise date, the closing price per share was HK\$1.65.
- (7) The exercise date was 29 December 2011. On the trading date immediately before the exercise date, the closing price per share was HK\$1.58.
- (8) The interests of Mr. Leung Chi-Kin, Stewart and Mr. Chow Kwai-Cheung was re-classified as employees' interests on their respective dates of cessation as Directors of the Company.
- (9) The cash consideration paid by each of the above Directors for each grant of share options is HK\$10.0.

Share options granted to other eligible participants

NWCL 2002 Share Option Scheme

Date of grant	Number of share options ⁽¹⁾							Balance as at 30 June 2012	Exercise price per share (before adjustment) ⁽⁴⁾ HK\$	Exercise price per share (after adjustment) ⁽⁴⁾ HK\$
	Balance as at 1 July 2011	Granted during the year ⁽³⁾	Exercised during the year (before adjustment) ⁽⁵⁾	Adjusted during the year ⁽⁴⁾	Exercised during the year (after adjustment) ⁽⁵⁾	Re-classified as employees' interest during the year	Lapsed during the year			
28 June 2006 to 26 July 2006	64,925	-	(64,000)	-	-	-	(925)	-	2.559	N/A
17 October 2006 to 13 November 2006	111,492	-	-	-	-	-	(111,492)	-	2.984	N/A
28 December 2006 to 24 January 2007	759,850	-	-	29,604	-	-	(789,454)	-	4.209	4.051
19 March 2007 to 13 April 2007	822,985	-	-	32,064	-	-	(855,049)	-	4.020	3.869
14 June 2007 to 11 July 2007	1,669,701	-	-	43,386	-	-	(556,119)	1,156,968	5.994	5.769
17 October 2007 to 13 November 2007	1,635,223	-	-	36,600	-	-	(695,821)	976,002	7.209	6.939
28 December 2007 to 24 January 2008	826,119	-	-	32,186	-	-	-	858,305	6.228	5.994

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Schemes of New World China Land Limited ("NWCL")** (continued)

Share options granted to other eligible participants (continued)

NWCL 2002 Share Option Scheme (continued)

Date of grant	Number of share options ⁽¹⁾							Exercise price per share (before adjustment) ⁽⁴⁾ HK\$	Exercise price per share (after adjustment) ⁽⁴⁾ HK\$	
	Balance as at 1 July 2011	Granted during the year ⁽²⁾	Exercised during the year (before adjustment) ⁽⁵⁾	Adjusted during the year ⁽⁴⁾	Exercised during the year (after adjustment) ⁽⁵⁾	Re-classified as employees' interest during the year	Lapsed during the year			Balance as at 30 June 2012
22 April 2008 to 19 May 2008	647,910	–	–	18,020	–	–	(185,373)	480,557	4.699	4.523
31 July 2008 to 27 August 2008	260,597	–	–	8,338	–	–	(46,566)	222,369	3.271	3.148
12 November 2008 to 9 December 2008	693,206	–	–	27,008	(203,548)	–	(63,733)	452,933	1.503	1.447
2 December 2008 to 29 December 2008	8,702,749 ⁽²⁾	–	(102,000)	335,093	(3,883,869)	218,063	(50,882)	5,219,154	1.340	1.290
2 December 2008 to 29 December 2008	1,138,883	–	–	44,371	(649,586)	–	–	533,668	1.340	1.290
3 February 2009 to 2 March 2009	685,528	–	(54,000)	24,604	(320,600)	–	–	335,532	1.769	1.703
26 June 2009 to 23 July 2009	3,013,208	–	–	117,397	–	–	–	3,130,605	4.065	3.913
19 November 2009 to 16 December 2009	2,970,000	–	–	86,493	–	–	(750,000)	2,306,493	3.068	2.953
12 January 2010 to 2 February 2010	4,561,600	–	–	154,488	(278,774)	–	(596,400)	3,840,914	2.900	2.878
18 May 2010 to 14 June 2010	1,144,000	–	–	33,818	(104,042)	–	(586,026)	487,750	2.350	2.262
31 May 2010 to 25 June 2010	888,000	–	–	34,597	(102,000)	–	–	820,597	2.440	2.349
10 November 2010 to 7 December 2010	4,350,400	–	–	152,290	–	–	(734,587)	3,768,103	3.130	3.013
18 January 2011 to 14 February 2011	9,019,400	–	–	351,405	–	415,584	(571,013)	9,215,376	3.154	3.036
3 May 2011 to 30 May 2011	1,348,400	–	–	52,535	–	–	–	1,400,935	2.860	2.753
26 July 2011 to 22 August 2011	–	1,572,400	–	61,262	–	–	–	1,633,662	2.810	2.705
	45,314,176	1,572,400	(220,000)	1,675,559	(5,542,419)	633,647	(6,593,440)	36,839,923		

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Schemes of New World China Land Limited ("NWCL")** (continued)

Share options granted to other eligible participants (continued)

NWCL 2011 Share Option Scheme

Date of grant	Number of share options ⁽¹⁾				Balance as at 30 June 2012	Exercise price per share HK\$
	Balance as at 1 July 2011	Granted during the year ⁽³⁾	Exercised during the year ⁽⁵⁾	Lapsed during the year		
3 May 2012 to 30 May 2012	–	8,212,600	(70,800)	(43,200)	8,098,600	2.450

Notes:

- (1) The share options are exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary years, except otherwise specified in note 2.
- (2) The share options are exercisable within four years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 25.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary year.
- (3) The closing price per share immediately before 26 July 2011 and 3 May 2012, the dates of offer to grant, was HK\$2.79 and HK\$2.42, respectively.
- (4) NWCL announced rights issue on 18 October 2011 which became unconditional on 22 December 2011. Accordingly, adjustments were made to the number of outstanding share options and the exercise price in accordance with the NWCL 2002 Share Option Scheme on 23 December 2011.
- (5) The weighted average closing price of the shares immediately before the dates on which share options were exercised under the NWCL 2002 Share Option Scheme and the NWCL 2011 share Option Scheme was HK\$2.45 and HK\$3.021 respectively.
- (6) The cash consideration paid by each eligible participant for each grant of share options is HK\$10.0.

The fair value of the share options granted during the year with exercise price per share of HK\$2.810 (adjusted to HK\$2.705) and HK\$2.450 is estimated at HK\$1.07 and HK\$0.92 respectively using the Binomial pricing model. Value is estimated based on the risk-free rate at 0.49% to 1.23% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 52.49% to 54.97%, assuming dividend yield of 1.91% to 2.57% and an expected option life of five years.

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)***(B) Long position in underlying shares – share options** *(continued)***Share Option Schemes of NWS Holdings Limited ("NWSH")**

On 6 December 2001, NWSH adopted a share option scheme (the "NWSH 2001 Share Option Scheme") and certain rules of such scheme were amended on 12 March 2003 and 24 November 2006. In anticipation of the expiry of the NWSH 2001 Share Option Scheme on 6 December 2011, NWSH adopted a new share option scheme (the "NWSH 2011 Share Option Scheme") at the annual general meeting of NWSH held on 21 November 2011. Share options granted under the NWSH 2001 Share Option Scheme prior to its expiry shall continue to be valid and exercisable pursuant to the rules of the NWSH 2001 Share Option Scheme. During the year ended 30 June 2012, no share option has been granted under the NWSH 2011 Share Option Scheme.

Under both the NWSH 2001 Share Option Scheme and the NWSH 2011 Share Option Scheme, the directors of NWSH may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in NWSH.

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

	NWSH 2001 Share Option Scheme and NWSH 2011 Share Option Scheme
Purpose of the schemes	To reward directors and employees of NWSH and its subsidiaries ("NWSH Group") for their past service or performance, providing incentive and motivation or reward to eligible participants for optimising their performance or making contribution to NWSH Group; attracting and retaining persons of right caliber with the necessary experience to work for or make contribution to NWSH Group; and fostering a sense of corporate identity.
Participants of the schemes	<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 NWSH Group or any invested entity of NWSH Group (the "Invested Entity"); (iii) any supplier of goods or services to any member of NWSH Group or any Invested Entity; (iv) any customer of any member of NWSH Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to NWSH Group or any Invested Entity; (vi) any shareholder of any member of NWSH Group or any Invested Entity or any holder of any securities issued by any member of NWSH Group or any Invested Entity; (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of NWSH Group or any Invested Entity; and (viii) any joint venture partner or business alliance that co-operates with any member of NWSH Group or any Invested Entity in any area of business operation or development.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Schemes of NWS Holdings Limited ("NWSH")** (continued)

	NWSH 2001 Share Option Scheme and NWSH 2011 Share Option Scheme
Total number of shares available for issue under the schemes and percentage of issued share capital of NWSH as at the date of this annual report	NWSH had granted options to certain eligible participants to subscribe for a total of 84,348,007 shares of NWSH under the NWSH 2001 Share Option Scheme, which included certain adjustments made pursuant to the rules of the NWSH 2001 Share Option Scheme, up to the date of this report. Since its expiry on 6 December 2011, no further option can be granted under the NWSH 2001 Share Option Scheme.
Maximum entitlement of each participant under the schemes	No share option has been granted under the NWSH 2011 Share Option Scheme since its adoption and up to the date of this report. The total number of shares available for issue under the NWSH 2011 Share Option Scheme is 338,774,507 representing approximately 9.43% of NWSH's issued share capital as at the date of this report.
The period within which the shares must be taken up under an option	Unless approved by shareholders of NWSH, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the share capital of NWSH in issue.
The minimum period for which an option must be held before it can be exercised	At any time during a period as specified by NWSH's directors, however in any event the share options must be exercised within 10 years from the date of grant of the share options.
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	Any period as determined by NWSH's directors.
The basis of determining the exercise price	HK\$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The remaining life of the schemes	The exercise price is determined by NWSH's directors which must be at least the higher of the closing price of the shares as stated in the HKEx's daily quotations sheet on the date of grant or the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of grant.
	The NWSH 2001 Share Option Scheme expired on 6 December 2011. The NWSH 2011 Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 21 November 2011.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Schemes of NWS Holdings Limited ("NWSH")** (continued)

Share options granted to Directors

NWSH 2001 Share Option Scheme

Name	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30 June 2012	Exercise price per share ⁽²⁾ HK\$
			Balance as at 1 July 2011	Granted during the year	Exercised during the year	Adjusted during the year ⁽²⁾		
Dr. Cheng Kar-Shun, Henry	21 August 2007	(1)	4,553,871	–	–	26,902	4,580,773	10.609

Notes:

- (1) 40.0% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60.0% 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) NWSH declared final dividend for the year ended 30 June 2011 and interim dividend for the six months ended 31 December 2011 both in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK\$10.672 to HK\$10.650 on 29 December 2011, and further to HK\$10.609 on 16 May 2012.
- (3) The cash consideration paid by the above Director for the grant of share options is HK\$10.0.

Share options granted to other eligible participants

NWSH 2001 Share Option Scheme

Date of grant	Exercisable period (Note)	Balance as at 1 July 2011	Number of share options				Balance as at 30 June 2012	Exercise price per share ⁽³⁾ HK\$
			Granted during the year	Exercised during the year ⁽²⁾	Adjusted during the year ⁽³⁾	Lapsed during the year		
21 August 2007	(1)	26,942,364	–	(17,516,551)	82,821	(902,478)	8,606,156	10.609
28 January 2008	(1)	1,062,551	–	–	6,273	–	1,068,824	13.490
		28,004,915	–	(17,516,551)	89,094	(902,478)	9,674,980	

Notes:

- (1) 40.0% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60.0% 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 weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$12.775.
- (3) NWSH declared final dividend for the year ended 30 June 2011 and interim dividend for the six months ended 31 December 2011 both in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 21 August 2007 was adjusted from HK\$10.672 to HK\$10.650 on 29 December 2011, and further to HK\$10.609 on 16 May 2012 and the exercise price per share of the share options granted on 28 January 2008 was adjusted from HK\$13.570 to HK\$13.542 on 29 December 2011, and further to HK\$13.490 on 16 May 2012.
- (4) The cash consideration paid by each eligible participant for each grant of share options is HK\$10.0.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Scheme of New World Department Store China Limited (“NWDS”)**

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

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

NWDS Scheme	
Purpose of the scheme	The purpose of the NWDS Share Option Scheme is to attract and retain the best available personnel and to provide additional incentives to employees, directors, consultants, business associates and advisers of NWDS to promote the success of NWDS and its subsidiaries (“NWDS Group”).
Participants of the scheme	The directors of NWDS may offer any employee (whether full-time or part-time), director, consultant, business associate or adviser of NWDS Group options to subscribe for shares of NWDS at a price calculated in accordance with the terms of the NWDS Share Option Scheme.
Total number of shares available for issue under the scheme and percentage of issued share capital of NWDS as at the date of this annual report	NWDS had granted share options representing the rights to subscribe for 24,128,000 shares of NWDS under the NWDS Share Option Scheme up to the date of this report. NWDS may further grant share options to subscribe for 138,392,500 shares of NWDS, representing approximately 8.21% of the issued share capital of NWDS as at the date of this report.
Maximum entitlement of each participant under the scheme	Unless approved by shareholders of NWDS in the manner as set out in the NWDS Share Option Scheme, the total number of shares of NWDS issued and to be issued upon exercise of the options granted to each eligible person (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the relevant class of securities of NWDS in issue.
The period within which the shares must be taken up under an option	A period to commence not less than one year and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Not less than one year upon the grant of options by the directors of NWDS.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The amount payable for the acceptance of an option shall be the sum of HK\$1.0 which shall be paid upon acceptance of the offer of such option. An offer of an option must be made by NWDS in writing on a business day and accepted in writing by the participant in such manner as the board of directors of NWDS may prescribe within 21 calendar days (from and including the date of the offer by NWDS) of the same being made and if not so accepted such offer shall lapse.
The basis of determining the exercise price	The exercise price is determined by the directors of NWDS and shall be not less than the greater of (i) the closing price of the shares as stated in the HKEx’s daily quotations sheet on the date of grant of option; (ii) the average closing price of the shares as stated in the HKEx’s daily quotations sheets for the five business days immediately preceding the date of grant of option; and (iii) the nominal value of a share.
The remaining life of the scheme	The NWDS Share Option Scheme shall be valid and effective for a period not to exceed 10 years from the date of adoption, i.e. 12 June 2007.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Scheme of New World Department Store China Limited ("NWDS")** (continued)

Share options granted to Directors

Name	Date of grant	Exercisable period (Note)	Number of share options			Exercise price per share HK\$
			Balance as at 1 July 2011	Granted during the year	Exercised during the year	Balance as at 30 June 2012
Dr. Cheng Kar-Shun, Henry	27 November 2007	(1)	1,000,000	–	–	1,000,000
Mr. Cheng Chi-Kong, Adrian	27 November 2007	(1)	500,000	–	–	500,000
			1,500,000	–	–	1,500,000

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 20.0% 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 each of the above Directors for the grant of share options is HK\$1.0.

Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Balance as at 1 July 2011	Number of share options				Balance as at 30 June 2012	Exercise price per share HK\$
			Granted during the year	Exercised during the year	Adjusted during the year	Lapsed during the year		
27 November 2007	(1)	14,969,000	–	–	–	(2,886,000)	12,083,000	8.660
25 March 2008	(2)	3,524,000	–	–	–	(995,000)	2,529,000	8.440
		18,493,000	–	–	–	(3,881,000)	14,612,000	

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 20.0% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) Divided into 5 tranches exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013 respectively to 24 March 2014, provided that the maximum number of share options that can be exercised during each anniversary year is 20.0% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (3) The cash consideration paid by each eligible participant for each grant of share option is HK\$1.0.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Schemes of Newton Resources Ltd (“Newton Resources”)**

Newton Resources, a subsidiary of the Group during the year ended 30 June 2012, adopted two share option schemes, one conditional share option scheme on 9 April 2010 (the “Newton Scheme”) and one unconditional share option scheme on 25 January 2011 (the “Newton Pre-IPO Scheme”). Upon listing of shares of Newton Resources on the HKEx on 4 July 2011, Newton Resources ceased to be a subsidiary of the Company.

Summary of each of the Newton Scheme and the Newton Pre-IPO Scheme as at 3 July 2011, i.e. the date immediately preceding the listing of Newton Resources, disclosed in accordance with the Listing Rules is as follows:

	Newton Scheme	Newton Pre-IPO Scheme
Purpose of the schemes	To attract and retain the best quality personnel for the development of Newton Resources' businesses; to provide additional incentives to the Qualifying Grantees (as defined below); and to promote the long-term financial success of Newton Resources by aligning the interests of the Option Holders (as defined below) to Newton Resources' shareholders.	To attract, retain and motivate the eligible participants to optimise their performance efficiency for the benefit of the Newton Group and at the same time recognise and acknowledge their contributions have or may have made to the Newton Group.
Participants of the schemes	<p>(1) any employee (whether full-time or part-time employee) of any member of the Newton Group or any Affiliates and any person who is an officer of the Newton Group or any Affiliates, provided that an Option Holder shall not cease to be an employee of the Newton Group in the case of (a) any leave of absence approved by Newton Resources or the relevant Affiliate; or (b) transfers between Newton Resources and any Affiliates or any successor;</p> <p>(2) any person who is seconded to work for any member of the Newton Group or any Affiliates;</p> <p>(3) any consultant, agent, representative, advisor, customer, contractor of the Newton Group or any Affiliates; or</p> <p>(4) (i) any business partner/ally/alliance, joint venture partner, supplier of goods or services to the Newton Group or any Affiliates or any employee thereof (collectively the “Eligible Person”); and (ii) any trust for the benefit of an Eligible Person or his immediate family members or any company controlled by an Eligible Person or his immediate family members.</p> <p>(collectively, the “Qualifying Grantees”)</p> <p>“Affiliate” means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, Newton Resources and includes any company which is (a) the holding company of Newton Resources; or (b) a subsidiary of the holding company of Newton Resources; or (c) a subsidiary of Newton Resources; or (d) a fellow subsidiary of Newton Resources; or (e) the controlling shareholder of Newton Resources; or (f) a company controlled by the controlling shareholder of Newton Resources; or (g) a company controlled by Newton Resources; or (h) an Associated Company of the holding company of Newton Resources; or (i) an Associated Company of Newton Resources; or (j) an Associated Company of controlling shareholder of Newton Resources;</p>	Any full-time or part-time employees or potential employees, executives or officers, any directors (including non-executive directors and independent non-executive directors) or any one who, in the sole opinion of the board of Newton Resources, have contributed or will contribute to Newton Resources and/or any Affiliates.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)***(B) Long position in underlying shares – share options** *(continued)***Share Option Schemes of Newton Resources Ltd (“Newton Resources”)** *(continued)*

	Newton Scheme	Newton Pre-IPO Scheme
	<p>“Associated Company” means a company in the equity share capital of which a company, directly or indirectly, has 20.0% or greater beneficial interest but excluding the subsidiaries of that company;</p> <p>“immediate family members” means spouse or person co-habiting as the spouse of an Eligible Person, and any child or step-child, parent or step-parent, brother, sister, step-brother, step-sister, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of an Eligible Person;</p> <p>“Newton Group” means Newton Resources and its subsidiaries;</p> <p>“officer” means company secretary or director (whether executive or non-executive); and</p> <p>“Option Holder” means any Qualifying Grantee who accepts an offer of the grant of an option in accordance with the terms of the Newton Scheme or (where the context so requires) the legal personal representatives of such Qualifying Grantee.</p>	
Total number of shares available for issue under the schemes and percentage of the issued share capital of Newton Resources as at 3 July 2011	<p>No share option has been granted since adoption.</p> <p>The maximum number of shares which may be issued upon exercise of all options to be granted under the Newton Scheme and any other share option schemes of Newton Resources shall not in aggregate exceed 10.0% of the total number of shares in issue as at the date of adoption of the Newton Scheme (the “Scheme Mandate Limit”) but Newton Resources may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of Newton Resources under the Newton Scheme and any other share option schemes of Newton Resources shall not exceed 10.0% of the issued share capital of Newton Resources as at the date of approval by the shareholders of Newton Resources at general meetings where such limit is refreshed. Options previously granted under the Newton Scheme and any other share option schemes of Newton Resources (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10.0% limit as refreshed. Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Newton Scheme and any other share option schemes of Newton Resources shall not exceed 30.0% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue of Newton Resources from time to time.</p>	<p>Newton Resources had granted options to certain eligible participants to subscribe for a total of 133,300,000 shares of Newton Resources under the Newton Pre-IPO Scheme up to 3 July 2011.</p> <p>As all the options granted under the Newton Pre-IPO Scheme were based on the issued share capital of Newton Resources upon listing of Newton Resources’ shares on the HKEx, i.e. 4 July 2011, no share was available for issue under the Newton Pre-IPO Scheme as at 3 July 2011.</p>

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Schemes of Newton Resources Ltd (“Newton Resources”) (continued)**

	Newton Scheme	Newton Pre-IPO Scheme
	As the Newton Scheme only became unconditional on the date of listing of Newton Resources' shares on the HKEx, i.e. 4 July 2011, no share was available for issue under the Newton Scheme as at 3 July 2011.	
Maximum entitlement of each participant under the schemes	<p>The maximum number of shares issued and to be issued upon exercise of the options granted to each Qualifying Grantee under the Newton Scheme and any other share option schemes of Newton Resources (including both exercised and outstanding options) in any 12-month period shall not exceed 1.0% of the total number of shares of Newton Resources in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of Newton Resources at a general meeting.</p> <p>Share options granted to a director, chief executive or substantial shareholders of Newton Resources, or to any of their associates, are subject to approval in advance by the independent non-executive directors of Newton Resources. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Newton Resources, or to any of their associates, in excess of 0.1% of the total number of shares in issue of Newton Resources at the date on which such grant is proposed by the directors of Newton Resources or with an aggregate value (based on the closing price of shares of Newton Resources at the date on which such grant is proposed by the directors of Newton Resources) in excess of HK\$5.0 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of Newton Resources.</p>	Unless approved by shareholders of Newton Resources, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant under the Newton Pre-IPO Scheme and any other share option schemes of Newton Resources (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the share capital of Newton Resources in issue.
The period within which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised	The exercise period of the share options granted is determinable by the directors of Newton Resources, and is specified in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein) and shall expire not later than 10 years after the date of grant of the options.	The exercise period of the share options shall commence not earlier than the date of the first anniversary of 4 July 2011 (if such anniversary date is not a business day, on the business day immediately prior to such anniversary date) and expire not later than the first business day after the fourth anniversary of 4 July 2011.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HK\$1.0 by the Qualifying Grantee.	The offer of a grant of share options may be accepted within 7 days from the date of the offer upon payment of a consideration of HK\$1.0 by the grantee.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(B) Long position in underlying shares – share options** (continued)**Share Option Schemes of Newton Resources Ltd (“Newton Resources”)** (continued)

	Newton Scheme	Newton Pre-IPO Scheme
The basis of determining the exercise price	The exercise price of the share options is determinable by the directors of Newton Resources, and shall be at least the highest of (i) the closing price of Newton Resources' shares as stated in the HKEx's daily quotations sheet on the date of grant; (ii) the average closing price of Newton Resources' shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Newton Resources' share.	The exercise price of the share options shall be the final offer price (HK\$1.75) as defined in the prospectus of Newton Resources.
The remaining life of the schemes	The Newton Scheme shall be valid and effective for a period of 10 years commencing from the date of listing of Newton Resources' shares on the HKEx, i.e. 4 July 2011.	The Newton Pre-IPO Scheme expired on 23 February 2011. However, the share options granted under the Newton Pre-IPO Scheme are still exercisable.

During the period ended 3 July 2011, no option has been granted under the Newton Scheme.

Details of the movement of share options granted by Newton Resources under the Newton Pre-IPO Scheme during the period ended 3 July 2011 are as follows:

Date of grant	Exercisable period (Note)	Number of share options				Balance as at 3 July 2011	Exercise price per share HK\$
		Balance as at 1 July 2011	Granted during the year	Exercised during the year	Lapsed during the year		
28 January 2011	(1)	133,300,000 ⁽²⁾	–	–	–	133,300,000	1.75

Notes:

- (1) 40.0% of the share options are exercisable from 4 July 2012 to 6 July 2015 while the remaining 60.0% of the share options are divided into 2 equal tranches exercisable from 4 July 2013 and 4 July 2014 respectively to 6 July 2015.
- (2) Share options were granted based on the issued share capital of Newton Resources upon listing of Newton Resources' shares on the HKEx since 4 July 2011.
- (3) The cash consideration paid by each eligible participant for each grant of share options is HK\$1.0.

(C) Long position in debentures
Fita International Limited (“Fita”)

Name	Amount of debentures in USD issued by Fita				Approximate % to the total amount of debentures in issue as at 30 June 2012
	Personal interests	Family interests	Corporate interests	Total	
Mr. Lee Luen-Wai, John	1,000,000	1,000,000	–	2,000,000	0.27

Save as disclosed above, as at 30 June 2012, none of the Directors, chief executives or any of their associates had or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

REPORT OF THE DIRECTORS

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

At 30 June 2012, the Group had given financial assistance and guarantees to its jointly controlled entities and associated companies (collectively “affiliated companies”) as set out below:

	2012 HK\$m	2011 HK\$m
Amounts due by affiliated companies	13,937.9	12,722.2
Guarantees given for affiliated companies in respect of banking and other credit facilities	7,286.7	7,752.6
Commitments to capital injections and loan contributions	1,183.4	1,461.3
	22,408.0	21,936.1

- (1) The advances were unsecured and are interest free except for an aggregate amount of HK\$5,068.7 million (2011: HK\$3,526.6 million) which carried interest ranging from 0.875% above HIBOR to People’s Bank of China two-year benchmark lending rate with 15% premium per annum (2011: from 0.875% above HIBOR to 10% per annum). The advances had no fixed repayment terms.
- (2) Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group’s attributable interests in those affiliated companies as at 30 June 2012 are presented as follows:

	Combined statement of financial position HK\$m	Group’s attributable interests HK\$m
Non-current assets	69,849.8	34,674.0
Current assets	35,041.5	18,445.6
Current liabilities	(27,209.8)	(13,507.2)
Total assets less current liabilities	77,681.5	39,612.4
Non-current liabilities	(34,424.6)	(16,552.6)
Net assets	43,256.9	23,059.8

The combined statement of financial position of the affiliated companies was 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 2012.

**INDEPENDENT AUDITORS'
REPORT**

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
NEW WORLD DEVELOPMENT COMPANY LIMITED**

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of New World Development Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 140 to 261, which comprise the consolidated and company statements of financial position as at 30 June 2012, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' 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 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
 Certified Public Accountants

H. C. Watt & Company Limited
 Certified Public Accountants
Robert Garfield Watt
 Practising Certificate No. P3436

Hong Kong, 26 September 2012

**CONSOLIDATED INCOME
STATEMENT**

For the year ended 30 June 2012

	Note	2012 HK\$m	2011 HK\$m
Revenues	6	35,620.1	32,882.0
Cost of sales		(19,925.7)	(20,672.6)
Gross profit		15,694.4	12,209.4
Other income	7	76.0	82.8
Other gains, net	8	1,924.5	2,132.6
Selling and marketing expenses		(935.0)	(650.6)
Administrative and other operating expenses		(5,547.6)	(5,023.1)
Changes in fair value of investment properties		4,902.7	3,534.6
Operating profit	9	16,115.0	12,285.7
Financing income		686.5	423.5
Financing costs	10	(1,200.0)	(889.4)
		15,601.5	11,819.8
Share of results of			
Jointly controlled entities		1,962.7	2,654.0
Associated companies		1,157.4	1,104.0
Profit before taxation		18,721.6	15,577.8
Taxation	11	(4,400.5)	(2,833.8)
Profit for the year		14,321.1	12,744.0
Attributable to:			
Shareholders of the Company	12, 40	10,139.0	9,153.9
Non-controlling interests		4,182.1	3,590.1
		14,321.1	12,744.0
Dividends	13	2,333.0	1,514.1
Earnings per share	14		(Adjusted)
Basic		HK\$1.88	HK\$2.10
Diluted		HK\$1.85	HK\$2.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	2012 HK\$m	2011 HK\$m
Profit for the year	14,321.1	12,744.0
Other comprehensive income		
Fair value changes of available-for-sale financial assets	(635.9)	338.7
– deferred tax arising from fair value changes thereof	1.0	(59.2)
Revaluation of property upon reclassification from property, plant and equipment to investment properties	12.8	2,302.0
– deferred tax arising from revaluation thereof	(3.2)	(0.7)
Release of investment revaluation deficit to the income statement upon impairment of available-for-sale financial assets	568.8	149.1
Release of reserve upon disposal of assets held for sale	(0.7)	(29.7)
Release of reserve upon disposal of available-for-sale financial assets	(246.0)	(582.2)
– reversal of deferred tax thereof	58.3	73.2
Release of exchange reserve upon disposal of subsidiaries and associated companies	(37.7)	(10.6)
Share of other comprehensive income of jointly controlled entities and associated companies	(1,095.5)	2,803.7
Cash flow hedges	(115.8)	1.4
Translation differences	493.5	1,792.9
Other comprehensive income for the year	(1,000.4)	6,778.6
Total comprehensive income for the year	13,320.7	19,522.6
Attributable to:		
Shareholders of the Company	9,070.8	14,991.0
Non-controlling interests	4,249.9	4,531.6
	13,320.7	19,522.6

**CONSOLIDATED STATEMENT
OF FINANCIAL POSITION**

As at 30 June 2012

	Note	2012 HK\$m	2011 HK\$m
ASSETS			
Non-current assets			
Investment properties	17	60,752.2	53,265.0
Property, plant and equipment	18	12,275.8	10,373.1
Land use rights	19	2,363.6	2,407.1
Intangible concession rights	20	16,622.5	763.5
Intangible assets	21	4,120.9	1,754.7
Interests in jointly controlled entities	23	40,776.1	40,352.2
Interests in associated companies	24	15,211.7	10,533.6
Available-for-sale financial assets	25	4,470.7	6,229.5
Held-to-maturity investments	26	38.5	281.5
Financial assets at fair value through profit or loss	35	1,009.1	1,006.3
Derivative financial instruments	27	–	119.8
Properties for development	28	20,929.7	17,293.0
Deferred tax assets	29	695.8	697.8
Other non-current assets	30	1,411.5	808.3
		180,678.1	145,885.4
Current assets			
Properties under development	31	44,760.1	27,714.3
Properties held for sale	32	12,766.2	10,654.1
Inventories	33	710.8	540.8
Available-for-sale financial assets	25	583.5	–
Debtors and prepayments	34	18,331.2	16,955.2
Financial assets at fair value through profit or loss	35	1.5	1.4
Derivative financial instruments	27	452.2	–
Restricted bank balances	36	123.7	121.2
Cash and bank balances	36	27,909.7	23,971.6
		105,638.9	79,958.6
Non-current assets classified as assets held for sale	38	54.7	3,271.4
		105,693.6	83,230.0
Total assets		286,371.7	229,115.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	2012 HK\$m	2011 HK\$m
EQUITY			
Share capital	39	6,151.1	3,990.1
Reserves	40	115,669.0	98,673.1
Proposed final dividend	40	1,722.8	1,117.2
Shareholders' funds		123,542.9	103,780.4
Non-controlling interests		34,497.8	30,588.2
Total equity		158,040.7	134,368.6
LIABILITIES			
Non-current liabilities			
Long-term borrowings	41	67,845.8	38,849.9
Deferred tax liabilities	29	7,685.7	4,624.8
Derivative financial instruments	27	1,411.7	756.8
Other non-current liabilities	42	696.6	650.7
		77,639.8	44,882.2
Current liabilities			
Creditors and accrued charges	43	25,273.0	23,756.0
Current portion of long-term borrowings	41	12,391.8	13,023.1
Short-term borrowings	41	8,473.8	8,735.7
Derivative financial instruments	27	533.8	—
Current tax payable		4,018.8	3,748.8
		50,691.2	49,263.6
Liabilities directly associated with assets held for sale	38	—	601.0
		50,691.2	49,864.6
Total liabilities		128,331.0	94,746.8
Total equity and liabilities		286,371.7	229,115.4
Net current assets		55,002.4	33,365.4
Total assets less current liabilities		235,680.5	179,250.8

Dr. Cheng Kar-Shun, Henry

Director

Cheng Chi-Kong, Adrian

Director

**COMPANY STATEMENT
OF FINANCIAL POSITION**

As at 30 June 2012

	Note	2012 HK\$m	2011 HK\$m
ASSETS			
Non-current assets			
Investment properties	17	74.0	70.0
Property, plant and equipment	18	–	0.5
Interests in subsidiaries	22	40,242.2	38,447.9
Interests in jointly controlled entities	23	918.3	906.5
Interests in associated companies	24	34.0	515.9
Available-for-sale financial assets	25	23.1	18.1
Deferred tax assets	29	55.4	28.6
		41,347.0	39,987.5
Current assets			
Properties held for sale	32	1,689.4	2,231.5
Debtors and prepayments	34	278.4	240.0
Amounts receivable from subsidiaries	22	44,727.6	33,982.1
Cash and bank balances	36	311.0	76.1
		47,006.4	36,529.7
Total assets		88,353.4	76,517.2
EQUITY			
Share capital	39	6,151.1	3,990.1
Reserves	40	53,341.8	43,512.3
Proposed final dividend	40	1,722.8	1,117.2
Total equity		61,215.7	48,619.6
LIABILITIES			
Current liabilities			
Creditors and accrued charges	43	519.4	2,295.8
Amounts payable to subsidiaries	22	26,618.3	25,595.6
Current tax payable		–	6.2
Total liabilities		27,137.7	27,897.6
Total equity and liabilities		88,353.4	76,517.2
Net current assets		19,868.7	8,632.1
Total assets less current liabilities		61,215.7	48,619.6

Dr. Cheng Kar-Shun, Henry
Director

Cheng Chi-Kong, Adrian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Share capital HK\$m	Share premium HK\$m	Retained profits HK\$m	Other reserves HK\$m	Share- holders' funds HK\$m	Non- controlling interests HK\$m	Total HK\$m
At 1 July 2011	3,990.1	30,556.7	53,960.2	15,273.4	103,780.4	30,588.2	134,368.6
Comprehensive income							
Profit for the year	–	–	10,139.0	–	10,139.0	4,182.1	14,321.1
Other comprehensive income							
Fair value changes of available-for-sale financial assets, net of taxation	–	–	–	(546.6)	(546.6)	(88.3)	(634.9)
Release of reserve upon disposal of assets held for sale	–	–	–	(0.3)	(0.3)	(0.4)	(0.7)
Release of reserve upon disposal of available-for-sale financial assets, net of taxation	–	–	–	(103.4)	(103.4)	(84.3)	(187.7)
Release of investment revaluation deficit to the income statement upon impairment of available-for-sale financial assets	–	–	–	446.7	446.7	122.1	568.8
Release of exchange reserve upon disposal of subsidiaries and associated companies	–	–	–	(31.1)	(31.1)	(6.6)	(37.7)
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of taxation	–	–	–	9.6	9.6	–	9.6
Share of other comprehensive income of jointly controlled entities and associated companies	–	–	(24.7)	(1,076.7)	(1,101.4)	5.9	(1,095.5)
Cash flow hedges	–	–	–	(70.3)	(70.3)	(45.5)	(115.8)
Translation differences	–	–	–	328.6	328.6	164.9	493.5
Other comprehensive income for the year	–	–	(24.7)	(1,043.5)	(1,068.2)	67.8	(1,000.4)
Total comprehensive income for the year	–	–	10,114.3	(1,043.5)	9,070.8	4,249.9	13,320.7

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONTINUED)**

For the year ended 30 June 2012

	Share capital HK\$m	Share premium HK\$m	Retained profits HK\$m	Other reserves HK\$m	Share- holders' funds HK\$m	Non- controlling interests HK\$m	Total HK\$m
Transactions with owners							
Contributions by/(distributions to) owners							
Dividends	–	–	(1,727.4)	–	(1,727.4)	(1,550.0)	(3,277.4)
Contributions from non-controlling shareholders	–	–	–	–	–	1,274.2	1,274.2
Issue of new shares as scrip dividends	165.9	1,000.1	–	–	1,166.0	–	1,166.0
Issue of rights shares	1,995.1	9,157.2	–	–	11,152.3	–	11,152.3
Employees' share-based payments	–	–	–	126.8	126.8	5.3	132.1
Share option lapsed	–	–	824.7	(824.7)	–	–	–
Redemption of convertible bonds	–	–	35.7	(35.7)	–	–	–
Transfer of reserves	–	–	27.3	(27.3)	–	–	–
	2,161.0	10,157.3	(839.7)	(760.9)	10,717.7	(270.5)	10,447.2
Changes in ownership interests in subsidiaries							
Acquisition of subsidiaries	–	–	–	–	–	3,833.9	3,833.9
Acquisition of additional interests in subsidiaries	–	–	(110.9)	–	(110.9)	(3,132.3)	(3,243.2)
Deemed disposal of interests in subsidiaries	–	–	38.6	–	38.6	156.9	195.5
Disposal of subsidiaries	–	–	–	–	–	18.3	18.3
Derecognition of non-controlling interests of Newton Resources	–	–	–	46.3	46.3	(946.6)	(900.3)
	–	–	(72.3)	46.3	(26.0)	(69.8)	(95.8)
Total transactions with owners	2,161.0	10,157.3	(912.0)	(714.6)	10,691.7	(340.3)	10,351.4
At 30 June 2012	6,151.1	40,714.0	63,162.5	13,515.3	123,542.9	34,497.8	158,040.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 30 June 2011

	Share capital HK\$m	Share premium HK\$m	Retained profits HK\$m	Other reserves HK\$m	Share- holders' funds HK\$m	Non- controlling interests HK\$m	Total HK\$m
At 1 July 2010	3,918.0	29,608.6	46,471.7	9,394.2	89,392.5	25,493.8	114,886.3
Comprehensive income							
Profit for the year	–	–	9,153.9	–	9,153.9	3,590.1	12,744.0
Other comprehensive income							
Fair value changes of available-for-sale financial assets, net of taxation	–	–	–	261.6	261.6	17.9	279.5
Release of reserve upon disposal of assets held for sale	–	–	–	(17.7)	(17.7)	(12.0)	(29.7)
Release of reserve upon disposal of available-for-sale financial assets, net of taxation	–	–	–	(489.6)	(489.6)	(19.4)	(509.0)
Release of investment revaluation deficit to the income statement upon impairment of available-for-sale financial assets	–	–	–	123.5	123.5	25.6	149.1
Release of exchange reserve upon disposal of subsidiaries	–	–	–	(6.5)	(6.5)	(4.1)	(10.6)
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of taxation	–	–	–	2,301.3	2,301.3	–	2,301.3
Share of other comprehensive income of jointly controlled entities and associated companies	–	–	–	2,438.6	2,438.6	365.1	2,803.7
Cash flow hedges	–	–	–	0.9	0.9	0.5	1.4
Translation differences	–	–	–	1,225.0	1,225.0	567.9	1,792.9
Other comprehensive income for the year	–	–	–	5,837.1	5,837.1	941.5	6,778.6
Total comprehensive income for the year	–	–	9,153.9	5,837.1	14,991.0	4,531.6	19,522.6

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONTINUED)**

For the year ended 30 June 2011

	Share capital HK\$m	Share premium HK\$m	Retained profits HK\$m	Other reserves HK\$m	Share- holders' funds HK\$m	Non- controlling interests HK\$m	Total HK\$m
Transactions with owners							
Contributions by/(distributions to) owners							
Dividends	–	–	(1,493.9)	–	(1,493.9)	(1,077.7)	(2,571.6)
Contributions from non-controlling shareholders	–	–	–	–	–	281.8	281.8
Issue of new shares as scrip dividends	72.1	948.1	–	–	1,020.2	–	1,020.2
Employees' share-based payments	–	–	–	25.1	25.1	7.9	33.0
Share option lapsed	–	–	9.3	(9.3)	–	–	–
Repurchase of convertible bonds	–	–	0.6	(1.9)	(1.3)	–	(1.3)
Transfer of reserves	–	–	(28.2)	28.2	–	–	–
	72.1	948.1	(1,512.2)	42.1	(449.9)	(788.0)	(1,237.9)
Changes in ownership interests in subsidiaries							
Acquisition of additional interests in subsidiaries	–	–	(149.5)	–	(149.5)	247.2	97.7
Acquisition of non-controlling interests of Newton Resources	–	–	–	–	–	979.8	979.8
Deemed disposal of interests in subsidiaries	–	–	(3.7)	–	(3.7)	123.8	120.1
	–	–	(153.2)	–	(153.2)	1,350.8	1,197.6
Total transactions with owners	72.1	948.1	(1,665.4)	42.1	(603.1)	562.8	(40.3)
At 30 June 2011	3,990.1	30,556.7	53,960.2	15,273.4	103,780.4	30,588.2	134,368.6

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	2012 HK\$m	2011 HK\$m
Cash flows from operating activities			
Net cash (used in)/generated from operations	47(a)	(12,718.9)	2,315.0
Hong Kong profits tax paid		(940.9)	(582.5)
Mainland China and overseas taxation paid		(2,768.0)	(1,340.0)
Net cash (used in)/generated from operating activities		(16,427.8)	392.5
Cash flows from investing activities			
Interest received		412.2	199.8
Dividends received from			
Jointly controlled entities		1,953.5	1,441.5
Associated companies		721.3	698.3
Available-for-sale financial assets and financial assets at fair value through profit or loss		76.0	82.8
Additions of investment properties, property, plant and equipment, land use rights, intangible concession rights and intangible assets		(2,755.0)	(4,764.0)
Increase in interests in jointly controlled entities		(4,085.4)	(4,904.2)
(Increase)/decrease in interests in associated companies		(1,319.7)	422.4
Decrease in long-term receivables		–	386.0
Decrease in short-term bank deposits maturing after more than three months		835.7	67.0
Acquisition of subsidiaries (net of cash and cash equivalents)	47(c)	(4,943.9)	(1,299.3)
Acquisition of additional interests in subsidiaries		(3,410.6)	–
Purchase of available-for-sale financial assets, held-to-maturity investments and financial assets at fair value through profit or loss		(772.2)	(2,835.0)
Proceeds from/(cash used in) disposal of			
Available-for-sale financial assets and financial assets at fair value through profit or loss		919.8	3,196.8
Non-current assets classified as assets held for sale		142.6	160.1
The Disposal Group (net of cash and cash equivalents)		–	319.3
Investment properties, property, plant and equipment, land use rights and intangible assets		394.4	817.8
Jointly controlled entities		519.4	38.6
Associated companies		171.2	8.5
Subsidiaries (net of cash and cash equivalents)	47(e)	1,233.7	(59.7)
Net cash used in investing activities		(9,907.0)	(6,023.3)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 30 June 2012

	Note	2012 HK\$m	2011 HK\$m
Cash flows from financing activities			
Issue of fixed rate bonds, net of transaction costs		10,571.5	—
New bank and other loans		36,354.0	18,343.5
Repayment of bank and other loans		(26,410.6)	(10,243.4)
Redemption/repurchase of convertible bonds		(401.5)	(20.5)
Increase/(decrease) in loans from non-controlling shareholders		1,378.2	(73.6)
Decrease/(increase) in restricted bank balances		568.8	(21.1)
Contributions from non-controlling shareholders		1,274.2	281.8
Issue of shares		11,152.3	—
Interest paid		(2,205.1)	(1,565.6)
Dividends paid to shareholders of the Company		(561.4)	(473.7)
Dividends paid to non-controlling shareholders		(1,132.7)	(861.8)
Net cash from financing activities		30,587.7	5,365.6
Net increase/(decrease) in cash and cash equivalents		4,252.9	(265.2)
Cash and cash equivalents at beginning of the year		22,964.7	22,805.8
Translation differences		127.1	424.1
Cash and cash equivalents at end of the year		27,344.7	22,964.7
Analysis of cash and cash equivalents			
Cash at banks and on hand	36	19,320.5	18,098.1
Short-term bank deposits maturing within three months		8,024.2	4,668.5
Cash and bank balances of subsidiaries reclassified as assets held for sale	38	—	198.1
		27,344.7	22,964.7

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company and its subsidiaries (together the “Group”) are principally engaged in property development and investment, contracting, provision of services (including property and facility management, transport and other services), infrastructure operations (including the operation of roads, power plants, water treatment, waste management plants, container handling, logistics and warehousing services), hotel and restaurant operations, department store operations, telecommunication services, and telecommunications, media, technology and strategic businesses.

These consolidated financial statements have been approved by the Board of Directors on 26 September 2012.

2 BASIS OF PREPARATION

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

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

(a) Adoption of revised standard, amendments to standards and interpretation

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

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

The adoption of the above revised standard, amendments to standards and interpretation does not have any significant effect on the results and financial position of the Group.

2 BASIS OF PREPARATION *(continued)***(b) Standards, amendments and interpretation which are not yet effective**

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

Effective for the year ending 30 June 2013

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
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Effective for the year ending 30 June 2014 or after

HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statement, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Associates and Joint Ventures
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements Project	Annual Improvements 2009–2011 Cycle

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

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of these consolidated financial statements, which have been consistently applied to all the years presented, unless otherwise stated, 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 recognised at its fair value at the date when control is lost.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 recognised amount of acquiree's identifiable net assets. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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 consideration is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(a) Consolidation** *(continued)***(ii) Joint ventures****(1) Jointly controlled entities**

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

The Group recognises its interests in jointly controlled entities using equity method of accounting. 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. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired jointly controlled entities at the date of acquisition. 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:

Equity joint ventures/wholly foreign owned enterprises

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

Co-operative joint ventures

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

Companies limited by shares

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

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(a) Consolidation** *(continued)***(ii) Joint ventures** *(continued)***(2) Jointly controlled operations**

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

(iii) 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 recognised at cost. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associated companies at the date of acquisition. The interests in associated companies also include long-term interest that, in substance, form part of the Group's net investment in the associated companies.

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

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies. Unrealised 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.

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

Gain or loss on deemed disposal on dilution arising from investments in associated companies are recognised in the consolidated income statement.

(iv) Transactions with non-controlling interests

Non-controlling 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. 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.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(b) Intangible assets****(i) Goodwill**

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

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

(ii) Trademarks

Separately acquired trademarks are recognised at initial cost. Trademarks acquired in a business combination are recognised at fair value at the date of acquisition. Trademarks with indefinite life are carried at cost less impairment and are not amortised.

(iii) Hotel management contracts

Separately acquired hotel management contracts are shown at historical cost. Hotel management contracts acquired in a business combination are recognised at fair value at the date of acquisition. Hotel management contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of hotel management contracts over their estimated useful lives of 20 years.

(iv) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the date of acquisition. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 20 years.

(v) Process, technology and know-how

Process, technology and know-how acquired in a business combination are recognised at fair value at the date of acquisition. Process, technology and know-how have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of process, technology and know-how over their estimated useful lives of 10 years.

(vi) Operating right

Operating right primarily resulted from the acquisition of right to operate facilities rental business. Operating right is carried at cost less accumulated amortisation and impairment. Amortisation 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)***(b) Intangible assets** *(continued)***(vii) Intangible concession rights**

The Group has entered into contractual service arrangements ("Service Concessions") with local government authorities for its participation in the development, financing, operation and maintenance of various infrastructures for public services, such as toll roads and bridges, power plants and water treatment plants (the "Infrastructures"). The Group carries out the construction or upgrade work of Infrastructures for the granting authorities in exchange for the right to operate the Infrastructures concerned and the right to collect the fees for a specified period of time. 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.

Amortisation 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 amortisation is provided based on the ratio of actual volume compared to the total projected volume or on a straight-line basis for water treatment plants 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.

(c) Non-current assets classified as assets held for sale

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

(d) Land use rights

The upfront prepayments made for the land use rights held under operating leases are expensed in the consolidated income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated income statement.

(e) Investment properties

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

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

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(e) Investment properties** *(continued)*

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

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

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

(f) Property, plant and equipment

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

(i) Assets under construction

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

(ii) Depreciation

No depreciation is provided on assets under construction until such time when the relevant assets are completed and available for intended use.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 10 to over 50 years or useful life
Buildings	20 to 40 years
Ports facilities and terminal equipment	7 to 44 years
Telecommunication equipment and systems	3 to 15 years
Other assets	2 to 25 years

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

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(f) Property, plant and equipment** *(continued)***(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 recognised in the consolidated income statement.

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

Non-financial assets that have an indefinite useful life, for example goodwill, or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. An impairment loss is recognised in the consolidated income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. 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.

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

(h) Investments

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

(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 under certain circumstances. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in the category are classified as current assets are expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable and are included in current assets, except for those with maturities more than 12 months after the end of the reporting period, which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(h) Investments** *(continued)***(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 12 months of the end of the reporting period.

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

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

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the consolidated income statement in the financial period in which they arise. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When available-for-sale financial assets are sold, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from financial assets. Changes in the fair value of monetary financial assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the financial asset and other changes in the carrying amount of the financial asset. The translation differences on monetary financial assets are recognised in the consolidated income statement; translation differences on non-monetary financial assets are recognised in other comprehensive income.

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

The fair values of listed investments are based on quoted bid prices at the end of the reporting period. 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.

(i) Derivative financial instruments

A derivative is initially recognised at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value at the end of each reporting period. The change in the fair value is recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(j) Impairment of financial assets****(i) Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(1) adverse changes in the payment status of borrowers in the portfolio;

(2) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(j) Impairment of financial assets** *(continued)***(ii) Assets classified as available for sale**

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. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

(k) Properties for/under development

Properties for/under development comprise leasehold land and land use rights, development expenditure and borrowing costs capitalised, and are carried at the lower of cost and net realisable value. Properties under development included in the current assets are expected to be realised in, or is intended for sale in the Group's normal operating cycle.

(l) Properties held for sale

Properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(m) Inventories

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

(n) Contracts in progress

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(o) Trade and other debtors**

Trade and other debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(p) Cash and cash equivalents

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

(q) 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.

(r) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(s) Provisions

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(t) Contingent liabilities and contingent assets**

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

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

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

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

(u) Current and deferred income tax

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(v) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement or capitalised on the basis set out in note 3(z) over the period of the borrowings using the effective interest method where appropriate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

At initial recognition, the fair value of liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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

The equity component is not remeasured subsequent to initial recognition except on conversion or expiry. When the bond is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. When the bond is redeemed, the relevant equity component is transferred to retained profits.

(ii) Convertible bonds without equity component

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

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

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

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

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(x) 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 recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Rental

Rental is recognised in the consolidated income statement on a straight-line basis over the lease term.

(ii) Property sales

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

(iii) Construction and engineering

Revenue from construction and engineering service contracts is recognised using the percentage of completion method when the contracts have progressed to a stage where 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 contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

(iv) Service fees

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

(v) Infrastructure operations

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

(vi) Telecommunication services

Telecommunication service revenue is recognised when service is rendered and is based on the usage of telecommunication network and facilities. Telecommunication revenue in respect of standard service plans billed in advance at the end of the reporting period is deferred and recognised when service is rendered. Revenue received in advance for the provision of telecommunication services using prepaid cards is deferred and amortised based on the actual usage by customers.

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(x) Revenue recognition** *(continued)***(vii) Department store operation**

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

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

(viii) Hotel operation

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

(ix) Interest

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

(x) Dividend

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

(y) 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 capitalised 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 balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities, as creditors and accrued charges. The finance charges are charged to the consolidated income statement over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets held under finance leases are depreciated on the basis described in note 3(f)(ii) above.

(ii) Operating leases

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

(z) Borrowing costs

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

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(aa) Employee benefits****(i) Employee leave entitlements**

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

(ii) Bonus plans

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

(iii) Defined contribution 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 The People's Republic of China ("PRC") are expensed as incurred. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

(iv) Defined benefit plans

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation. Defined benefit costs under defined benefit plans, which are assessed using the projected unit credit method, are charged to the consolidated income statement. Under this method, plan assets are measured at fair value and defined benefit obligations are measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. The actuarial gains and losses to the extent of the amount in excess of 10.0% of the greater of the present value of the plan obligations and the fair value of plan assets are recognised in the consolidated income statement over the expected average remaining service lives of the participating employees.

(v) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted 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 recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

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

On lapse of share option according to the plan, corresponding amount recognised in employees' share-based compensation reserve is transferred to retained profits.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

NOTES TO THE FINANCIAL STATEMENTS

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(ab) Foreign currencies****(i) Functional and presentation currency**

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

(ii) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

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

(iii) Group companies

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

- (1) assets and liabilities for each consolidated statement of financial position presented are translated at the exchange rate ruling at the date of that consolidated statement of the financial position;
- (2) income and expenses for each consolidated income statement are translated at the average exchange rate during the period covered by the consolidated income statement;
- (3) all resulting exchange differences are recognised as a separate component of equity; and
- (4) on the disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)***(ab) Foreign currencies** *(continued)***(iii) Group companies** *(continued)*

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling at the end of reporting period.

(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. If the carrying amount of the relevant insurance liabilities less than the best estimate of the expenditure required to settle the relevant insurance liabilities at the end of the reporting period, the Group recognises the entire difference in profit or loss. These estimates are recognised only when the outflow is probable and the estimates can be reliably measured.

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

(ad) Segment reporting

Operating segments 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 of the Board of Directors of the Company that makes strategic decisions.

Segment assets consist primarily of property, plant and equipment, 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, properties under development, properties held for sale, inventories and receivables and exclude derivative financial instruments, deferred tax assets, restricted bank balances and cash and bank balances. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings.

(ae) Dividend distribution

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

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 (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

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

(a) Market risk

(i) Foreign exchange risk

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

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

At 30 June 2012, the Group's entities with functional currency of Hong Kong dollar had aggregate United States dollar net monetary liabilities of HK\$8,657.5 million (2011: HK\$5,197.5 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 are no significant foreign exchange risk with respect to the United States dollar.

At 30 June 2012, the Group's entities with functional currency of Hong Kong dollar had aggregate Renminbi net monetary assets of HK\$3,786.6 million (2011: HK\$1,786.7 million). If Hong Kong dollar had strengthened/weakened by 5% against Renminbi with all other variables unchanged, the Group's profit before taxation would have been HK\$189.3 million (2011: HK\$89.3 million) lower/higher.

At 30 June 2012, the Group's entities with functional currency of Renminbi had aggregate net monetary assets denominated in United States dollar of HK\$4,947.4 million (2011: HK\$968.4 million). If Renminbi had strengthened/weakened by 5% against United States dollar with all other variables unchanged, the Group's profit before taxation would have been HK\$247.4 million (2011: HK\$48.4 million) lower/higher.

At 30 June 2012, the Group's entities with functional currency of Renminbi had aggregate net monetary liabilities denominated in Hong Kong dollar of HK\$11,106.8 million (2011: HK\$9,623.8 million). If Renminbi had strengthened/weakened by 5% against Hong Kong dollar with all other variables unchanged, the Group's profit before taxation would have been HK\$555.3 million (2011: HK\$481.2 million) higher/lower.

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 from the end of the reporting period until the end of next reporting period. There are no other significant monetary balances held by group companies at 30 June 2012 and 2011 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.

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION *(continued)***(a) Market risk** *(continued)***(ii) Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. 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 deposits at bank, advances to customers and amounts due from jointly controlled entities and associated companies. The Group's floating rate borrowings will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. The Group's borrowings issued at fixed rates exposed the Group to fair value interest rate risk.

To mitigate the risk, the Group has maintained fixed and floating rate debts. To match with underlying risk faced by the Group, the level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates on profit or loss, interest cover and the cash flow cycles of the Group's businesses and investments.

If interest rates had been 40 basis points (2011: 100 basis points) higher/lower with all other variables held constant, the Group's profit before taxation would have been HK\$52.3 million higher or HK\$67.2 million lower respectively (2011: HK\$438.8 million higher or HK\$449.1 million lower). The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 40 basis points (2011: 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 before taxation sensitivities.

(iii) Price risk

The Group is exposed to equity securities price risk arising from the listed and unlisted equity investments held by the Group. Gains and losses arising from changes in the fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are dealt with in equity and consolidated income statement respectively. The performance of the Group's listed and unlisted equity investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans. The Group is also exposed to other price risk arising from fair value of certain interest rate swaps which is determined based on the in-house indexes of banks. Changes in fair value of these interest rate swaps are dealt with in the consolidated income statement. The Group is not exposed to commodity price risk.

At 30 June 2012, if the price of listed and unlisted equity investments in available-for-sale financial assets had been 25% higher with all other variables held constant, the Group's investment revaluation reserve would have been HK\$1,263.6 million (2011: HK\$1,557.4 million) higher. If the price of listed and unlisted equity investments in available-for-sale financial assets had been 25% lower with all other variables held constant, the Group's profit before taxation and investment revaluation reserve would have been HK\$109.8 million and HK\$1,153.8 million (2011: HK\$38.5 million and HK\$1,518.9 million) lower respectively. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

At 30 June 2012, if the price of listed and unlisted equity investments in financial assets at fair value through profit or loss had been 25% higher/lower with all other variables held constant, the Group's profit before taxation would have been HK\$252.7 million (2011: HK\$251.9 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS**4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION** *(continued)***(b) Credit risk**

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

Deposits are mainly placed with high-credit-quality financial institutions. Trade debtors mainly include receivables from sale and lease of properties and other services. Loans receivable included in other non-current assets normally carry interest at rates with reference to prevailing market interest rate and are secured by collaterals. The Group and the Company carry out regular reviews and follow-up actions on any overdue amounts to minimise exposures to credit risk. There is no concentration of credit risk with respect to trade debtors from third party customers as the customer bases are widely dispersed in different sectors and industries.

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

The Group provides guarantees to banks in connection with certain property purchasers' borrowing of mortgage loans to finance their purchase of the properties until the issuance of the official property title transfer certificates by the relevant authority in the Mainland China. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the purchaser's deposit and sell the property to recover any amounts paid by the Group to the bank. Therefore the Group's credit risk is significantly reduced. Nevertheless, the net realisable values of the relevant properties are subject to the fluctuation of the property market in general, the Group assesses at the end of each reporting period the liabilities based on the current estimates of future cash flows. As at 30 June 2012 and 2011, no provision on the above guarantees to banks had been made in the financial statements.

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 adequate undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

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

Group

Non-derivative financial liabilities:

	Carrying amount HK\$m	Total contractual undiscounted cash flow HK\$m	Within 1 year or on demand HK\$m	Over 1 year but within 5 years HK\$m	After 5 years HK\$m
At 30 June 2012					
Creditors and accrued charges	18,936.1	18,936.1	18,236.8	699.3	–
Short-term borrowings	8,473.8	8,502.2	8,502.2	–	–
Long-term borrowings	80,237.6	88,880.3	14,614.9	62,326.4	11,939.0
At 30 June 2011					
Creditors and accrued charges	20,382.8	20,382.8	19,482.8	888.7	11.3
Short-term borrowings	8,735.7	8,739.1	8,739.1	–	–
Long-term borrowings	51,873.0	57,576.9	14,038.9	33,319.5	10,218.5

Derivative financial liabilities:

	Total contractual undiscounted cash flow HK\$m	Within 1 year or on demand HK\$m	Over 1 year but within 5 years HK\$m	After 5 years HK\$m
At 30 June 2012				
Derivative financial instruments (net settled)	657.2	118.7	398.8	139.7
Derivative financial instruments (gross settled)				
– outflow	1,275.4	21.7	1,253.7	–
– inflow	(1,287.8)	(33.6)	(1,254.2)	–
At 30 June 2011				
Derivative financial instruments (net settled)	1,055.1	15.7	384.4	655.0

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (continued)**(c) Liquidity risk** (continued)**Company**

Non-derivative financial liabilities:

	Carrying amount HK\$m	Total contractual undiscounted cash flow HK\$m	Within 1 year or on demand HK\$m	Over 1 year but within 5 years HK\$m	After 5 years HK\$m
At 30 June 2012					
Creditors and accrued charges	519.4	519.4	519.4	–	–
Amounts payable to subsidiaries	26,618.3	26,618.3	26,618.3	–	–
At 30 June 2011					
Creditors and accrued charges	2,295.8	2,295.8	2,295.8	–	–
Amounts payable to subsidiaries	25,595.6	25,595.6	25,595.6	–	–

(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 generally obtains long-term financing to on-lend or contribute as equity to its subsidiaries, jointly controlled entities and associated companies to meet their funding needs in order to provide more cost efficient financing. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue or repurchase shares, raise new debt financing or sell assets to reduce debt.

The Group monitors capital on the basis of the Group's gearing ratio and makes adjustments to it in light of changes in economic conditions and business strategies. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (excluding loans from non-controlling shareholders) less cash and bank balances.

The gearing ratios at 30 June 2012 and 2011 were as follows:

	2012 HK\$m	2011 HK\$m
Consolidated total borrowings (excluding loans from non-controlling shareholders)	85,809.7	59,085.2
Less: cash and bank balances	28,036.3	24,092.8
Consolidated net debt	57,773.4	34,992.4
Total equity	158,040.7	134,368.6
Gearing ratio	36.6%	26.0%

The increase in gearing ratio at 30 June 2012 was mainly due to the increase in demand on debt to meet the funding requirements of active business development and acquisitions, as well as the consolidation of the indebtedness of subsidiaries acquired during the year.

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION *(continued)***(e) Fair value estimation**

The Group's financial instruments that are measured at fair value are disclosed by levels of the following fair value measurement hierarchy:

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

The carrying amounts of the financial instruments of the Group are as follows:

- (i) Listed investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. They are included in level 1.

Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

- (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.

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

	Level 1 HK\$m	Level 2 HK\$m	Level 3 HK\$m	Total HK\$m
Available-for-sale financial assets	1,666.9	103.3	3,284.0	5,054.2
Financial assets at fair value through profit or loss	66.6	–	944.0	1,010.6
Derivative financial instruments				
Derivative financial assets	–	452.2	–	452.2
	1,733.5	555.5	4,228.0	6,517.0
Derivative financial instruments				
Derivative financial liabilities	–	(1,945.5)	–	(1,945.5)

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION *(continued)***(e) Fair value estimation** *(continued)**(ii) (continued)*

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

	Level 1 HK\$m	Level 2 HK\$m	Level 3 HK\$m	Total HK\$m
Available-for-sale financial assets	2,881.5	105.5	3,242.5	6,229.5
Financial assets at fair value through profit or loss	193.4	—	814.3	1,007.7
Derivative financial instruments				
Derivative financial assets	—	119.8	—	119.8
	3,074.9	225.3	4,056.8	7,357.0
Derivative financial instruments				
Derivative financial liabilities	—	(756.8)	—	(756.8)

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

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

	Available-for-sale financial assets HK\$m	Financial assets at fair value through profit or loss HK\$m	Total HK\$m
At 1 July 2011	3,242.5	814.3	4,056.8
Additions	50.4	474.1	524.5
Net gains recognised in the consolidated statement of comprehensive income/income statement	208.4	79.5	287.9
Disposals	(6.7)	(165.8)	(172.5)
Transfer to associated companies	(210.6)	(258.1)	(468.7)
At 30 June 2012	3,284.0	944.0	4,228.0

NOTES TO THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION *(continued)***(e) Fair value estimation** *(continued)**(ii) (continued)*

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

	Available- for-sale financial assets HK\$m	Financial assets at fair value through profit or loss HK\$m	Total HK\$m
At 1 July 2010	1,934.4	211.0	2,145.4
Additions	1,208.5	656.0	1,864.5
Net gains recognised in the consolidated statement of comprehensive income/income statement	114.1	11.8	125.9
Disposals	(14.5)	–	(14.5)
Transfer to available-for-sale financial assets included in level 1 upon listing	–	(64.5)	(64.5)
At 30 June 2011	3,242.5	814.3	4,056.8

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)***(b) Valuation of investment properties**

The fair value of each completed 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 capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in 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 properties under development is determined by reference to independent valuation. For the Group's majority of investment properties under development, their fair value reflects the expectations of market participants of the value of the properties when they are completed, less deductions for the costs required to complete the projects and appropriate adjustments for profit and risk. The valuation and all key assumptions used in the valuation should reflect market conditions at the end of each reporting period. The key assumptions include value of completed properties, period of development, outstanding construction costs, finance costs, other professional costs, risk associated with completing the projects and generating income after completion and investors' return as a percentage of value or cost. Certain of the fair value of investment properties under construction are based on the depreciated replacement cost approach in light of the usage of these properties. This methodology is based upon the determination of land value by the direct comparison method, the cost of reproducing or replacing the properties, less depreciation from physical deterioration and functional and economic/external obsolescence, if present and measurable.

At 30 June 2012, if the market value of investment properties had been 8% (2011: 8%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK\$4,860.2 million (2011: HK\$4,261.2 million) higher/lower.

(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 utilisation and physical condition of the assets concerned.

Management also regularly reviews whether there are any indications of impairment and will recognise 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 judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)***(d) Impairment of assets**

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

The Group determines whether an investment in jointly controlled entities and associated companies is impaired by regularly review whether there are any indications of impairment based on value in use calculations. In determining the value in use, management assesses the present value of estimated future cash flows expected to arise from their businesses. Estimates and judgements are applied in determining these future cash flows and discount rate. Management estimates the future cash flows based on certain assumptions, such as revenue growth, unit price, proved and probable mining reserve, production cost and production capacity. This evaluation is also subject to changes in factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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

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

(e) Financial guarantees and tax indemnity

The Group assesses at the end of each reporting period the liabilities under insurance contracts, using current estimates of future cash flows.

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

In respect of the tax indemnity provided to its non-wholly owned subsidiary, the Group makes estimates on the project costs for the development of the relevant properties and the potential exposure to the relevant Mainland China tax liabilities based on an estimation of the future market condition and economic environment. Provision will only be made in the financial period when the outcome of the potential liabilities can be reliably determined, or otherwise, the potential exposure attributable to the Group and the Company is disclosed as contingent liabilities set out in note 46.

(f) Income taxes

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

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

NOTES TO THE FINANCIAL STATEMENTS

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)***(g) Estimate of revenue and costs of construction works**

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

(h) Estimated volume of infrastructures of public services

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

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

6 REVENUES AND SEGMENT INFORMATION

Revenues (representing turnover) recognised during the year are as follows:

	2012 HK\$m	2011 HK\$m
Revenues		
Property sales	12,627.1	16,117.0
Rental	1,892.8	1,589.3
Contracting	2,791.3	2,410.0
Provision of services	8,282.0	5,970.6
Infrastructure operations	1,926.2	277.7
Hotel operations	3,559.5	2,767.5
Department store operations	3,517.3	2,815.9
Telecommunication services	754.3	712.6
Others	269.6	221.4
Total	35,620.1	32,882.0

6 REVENUES AND SEGMENT INFORMATION *(continued)*

The Executive Committee of the Company, being the chief operating decision-maker, determines and reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are determined based on the afore-mentioned internal reporting. The Executive Committee considers the business from product and service perspective, which comprises property development, property investment, service, infrastructure, hotel operations, department stores, telecommunications and others (including media and technology businesses) segments.

The Executive Committee assesses the performance of the operating segments based on each segment's operating profit. The measurement of segment operating profit excludes the effects of changes in fair value of investment properties, unallocated corporate expenses and non-recurring events. In addition, financing income and costs are not allocated to segments.

Sales between segments are carried out in accordance with terms agreed by the parties involved.

NOTES TO THE FINANCIAL STATEMENTS

6 REVENUES AND SEGMENT INFORMATION (continued)

	Property development HK\$m	Property investment HK\$m	Service HK\$m	Infra- structure HK\$m	Hotel operations HK\$m	Department stores HK\$m	Telecom- munications HK\$m	Others HK\$m	Consolidated HK\$m
2012									
Total revenues	12,627.1	2,094.5	14,396.0	1,926.2	3,559.5	3,517.3	809.0	303.2	39,232.8
Inter-segment	–	(201.7)	(3,322.7)	–	–	–	(54.7)	(33.6)	(3,612.7)
Revenue – external	12,627.1	1,892.8	11,073.3	1,926.2	3,559.5	3,517.3	754.3	269.6	35,620.1
Segment results	5,285.2	1,085.2	1,425.9	1,059.4	640.7	766.1	(4.2)	(136.8)	10,121.5
Other gains, net	90.8	42.2	1,597.9	144.5	559.5	16.6	(59.3)	(467.7)	1,924.5
Changes in fair value of investment properties	–	4,797.3	93.3	–	–	12.1	–	–	4,902.7
Unallocated corporate expenses									(833.7)
Operating profit									16,115.0
Financing income									686.5
Financing costs									(1,200.0)
									15,601.5
Share of results of									
Jointly controlled entities	(17.7)	511.3	40.5	1,204.5	(25.9)	–	–	250.0	1,962.7
Associated companies	6.5	420.4	440.8	79.8	(5.2)	–	181.7	33.4	1,157.4
Profit before taxation									18,721.6
Taxation									(4,400.5)
Profit for the year									14,321.1
Segment assets	89,336.9	57,199.9	12,705.1	17,035.2	9,555.2	8,481.5	619.9	6,268.8	201,202.5
Interests in jointly controlled entities	8,716.0	9,670.5	3,491.7	16,169.5	1,300.4	–	–	1,428.0	40,776.1
Interests in associated companies	449.8	3,020.4	7,825.2	1,413.1	108.4	–	2,266.0	128.8	15,211.7
Unallocated assets									29,181.4
Total assets									286,371.7
Segment liabilities	14,420.5	1,010.6	3,973.8	455.8	571.8	4,272.9	270.9	993.3	25,969.6
Unallocated liabilities									102,361.4
Total liabilities									128,331.0
Additions to non-current assets (note (a))	6,029.9	998.2	183.6	16,233.4	2,930.0	2,684.2	126.3	74.4	29,260.0
Depreciation and amortisation	55.3	23.6	131.4	557.0	410.8	359.6	48.5	18.0	1,604.2
Impairment charge and provision	20.2	–	264.7	51.8	–	–	60.0	260.0	656.7

NOTES TO THE FINANCIAL STATEMENTS

6 REVENUES AND SEGMENT INFORMATION (continued)

	Property development HK\$m	Property investment HK\$m	Service HK\$m	Infra- structure HK\$m	Hotel operations HK\$m	Department stores HK\$m	Telecom- munications HK\$m	Others HK\$m	Consolidated HK\$m
2011									
Total revenues	16,117.0	1,772.0	9,629.8	277.7	2,767.5	2,815.9	770.4	221.4	34,371.7
Inter-segment	–	(182.7)	(1,249.2)	–	–	–	(57.8)	–	(1,489.7)
Revenue – external	16,117.0	1,589.3	8,380.6	277.7	2,767.5	2,815.9	712.6	221.4	32,882.0
Segment results	4,366.6	1,057.5	898.0	6.8	448.6	582.4	(19.0)	(111.3)	7,229.6
Other gains, net	(191.2)	523.6	698.5	70.1	15.9	397.7	(129.3)	747.3	2,132.6
Changes in fair value of investment properties	–	3,033.9	479.9	–	–	20.8	–	–	3,534.6
Unallocated corporate expenses									(611.1)
Operating profit									12,285.7
Financing income									423.5
Financing costs									(889.4)
									11,819.8
Share of results of									
Jointly controlled entities	338.8	398.2	123.1	1,845.8	(10.8)	–	–	(41.1)	2,654.0
Associated companies	37.7	305.8	599.1	20.0	(4.7)	–	118.6	27.5	1,104.0
Profit before taxation									15,577.8
Taxation									(2,833.8)
Profit for the year									12,744.0
Segment assets	67,784.6	52,315.8	12,618.1	1,425.4	6,657.0	5,865.9	626.6	6,025.8	153,319.2
Interests in jointly controlled entities	6,587.4	9,329.2	3,633.9	17,170.7	1,284.4	–	–	2,346.6	40,352.2
Interests in associated companies	979.2	2,963.3	3,406.9	802.5	113.9	–	2,164.4	103.4	10,533.6
Unallocated assets									24,910.4
Total assets									229,115.4
Segment liabilities	13,961.3	1,380.1	3,991.7	278.1	576.4	3,569.6	261.0	989.5	25,007.7
Unallocated liabilities									69,739.1
Total liabilities									94,746.8
Additions to non-current assets (note (a))	4,395.8	4,316.4	1,181.5	–	523.1	884.5	188.6	5.9	11,495.8
Depreciation and amortisation	43.2	22.5	116.7	63.6	354.5	344.2	54.8	18.8	1,018.3
Impairment charge and provision	305.0	–	63.1	–	–	–	128.7	134.0	630.8

Note (a): Additions to non-current assets represent additions to non-current assets other than financial instruments (financial instruments include interests in jointly controlled entities and interests in associated companies), deferred tax assets and retirement benefit assets.

NOTES TO THE FINANCIAL STATEMENTS

6 REVENUES AND SEGMENT INFORMATION *(continued)*

	Revenues HK\$m	Non-current assets (note (b)) HK\$m
2012		
Hong Kong	16,879.3	54,097.9
Mainland China	18,318.5	62,682.4
Macau and others	422.3	284.4
	35,620.1	117,064.7
2011		
Hong Kong	15,212.6	50,273.6
Mainland China	17,213.0	34,886.4
Macau and others	456.4	696.4
	32,882.0	85,856.4

The Group's revenues and non-current assets attributable to Southeast Asia and North America accounted for an insignificant portion of the Group's total revenues and non-current assets respectively, and have been included under Macau and others.

Note (b): Non-current assets represent non-current assets other than financial instruments (financial instruments include interests in jointly controlled entities and interests in associated companies), deferred tax assets and retirement benefit assets.

7 OTHER INCOME

	2012 HK\$m	2011 HK\$m
Dividend income from investments in		
Listed shares	51.8	52.0
Unlisted shares	24.2	30.8
	76.0	82.8

NOTES TO THE FINANCIAL STATEMENTS

8 OTHER GAINS, NET

	2012 HK\$m	2011 HK\$m
Write back of provision for investments, loans and other receivables	24.7	275.2
Gain on deemed disposal of interest in a subsidiary (note 38)	1,842.7	—
Gain on remeasuring previously held interest of a jointly controlled entity at fair value upon further acquisition to become a subsidiary	204.8	—
Gain on remeasuring previously held net assets of a jointly controlled operation at fair value upon acquiring control	—	437.2
Excess of fair value of net assets acquired over the cost of acquisition of interests of subsidiaries	—	86.1
Net loss on fair value of financial assets at fair value through profit or loss	(789.9)	(482.2)
Gain on repurchase of convertible bonds	—	1.3
Net profit/(loss) on disposal of		
Investment properties, property, plant and equipment and land use rights	36.1	455.3
Assets held for sale	99.8	499.6
Available-for-sale financial assets	246.4	666.7
Financial assets at fair value through profit or loss	51.7	(78.6)
Subsidiaries	148.2	22.0
Jointly controlled entities	347.8	(30.9)
Associated companies	86.9	10.2
Impairment loss on		
Available-for-sale financial assets	(568.8)	(149.1)
Loans and other receivables	(2.3)	(43.7)
Properties held for sale, properties for development and property, plant and equipment	(85.6)	(438.0)
Net exchange gain	282.0	901.5
	1,924.5	2,132.6

NOTES TO THE FINANCIAL STATEMENTS

9 OPERATING PROFIT

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

	2012 HK\$m	2011 HK\$m
Gross rental income from investment properties	1,679.5	1,447.3
Outgoings	(553.8)	(385.4)
	1,125.7	1,061.9
Cost of inventories sold	(9,572.8)	(13,463.5)
Depreciation of property, plant and equipment (note 18)	(884.4)	(835.6)
Amortisation		
Intangible assets (note 21)	(79.4)	(31.2)
Land use rights (note 19)	(92.3)	(87.9)
Intangible concession rights (note 20)	(548.1)	(63.6)
Operating lease rental expense		
Land and buildings	(825.8)	(679.1)
Other equipment	(7.2)	(6.6)
Staff costs (note 15(a))	(4,206.1)	(3,276.8)
Auditors' remuneration	(56.6)	(55.9)

10 FINANCING COSTS

	2012 HK\$m	2011 HK\$m
Interest on bank loans and overdrafts		
Wholly repayable within five years	1,565.7	969.3
Not wholly repayable within five years	297.7	94.3
Interest on convertible bonds		
Wholly repayable within five years	408.9	386.8
Interest on fixed rate bonds		
Wholly repayable within five years	291.7	—
Not wholly repayable within five years	412.3	408.2
Interest on loans from non-controlling shareholders		
Wholly repayable within five years	—	0.1
Not wholly repayable within five years	10.6	91.9
Total borrowing costs incurred	2,986.9	1,950.6
Capitalised as (note):		
Cost of properties under development	(1,507.8)	(894.4)
Cost of property, plant and equipment under construction and investment properties under development	(279.1)	(166.8)
	1,200.0	889.4

Note: To the extent funds are borrowed generally and used for the purpose of financing certain properties under development, property, plant and equipment under construction and investment properties under development, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation is 3.3% (2011: 2.7%) for the year.

NOTES TO THE FINANCIAL STATEMENTS

11 TAXATION

	2012 HK\$m	2011 HK\$m
Current taxation		
Hong Kong profits tax	628.9	526.5
Mainland China and overseas taxation	1,398.2	1,198.1
Mainland China land appreciation tax	1,788.6	1,257.0
Deferred taxation (note 29)		
Valuation of investment properties	286.9	264.6
Other temporary differences	297.9	(412.4)
	4,400.5	2,833.8

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the year at the rates of taxation prevailing in the countries in which the Group, jointly controlled entities and associated companies operate. These rates range from 9% to 25% (2011: 9% to 25%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2011: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

Share of results of jointly controlled entities and associated companies is stated after deducting the share of taxation of jointly controlled entities and associated companies of HK\$735.3 million and HK\$81.4 million (2011: HK\$668.3 million and HK\$173.2 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS

11 TAXATION (continued)

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

	2012 HK\$m	2011 HK\$m
Profit before taxation and share of results of jointly controlled entities and associated companies	15,601.5	11,819.8
Calculated at a taxation rate of 16.5% (2011: 16.5%)	2,574.2	1,950.3
Effect of different taxation rates in other countries	668.1	415.5
Income not subject to taxation	(1,497.0)	(1,245.9)
Expenses not deductible for taxation purposes	879.8	416.8
Tax losses not recognised	233.8	188.0
Temporary differences not recognised	44.2	24.6
Tax exemption granted	(12.4)	(7.2)
Utilisation of previously unrecognised tax losses	(66.0)	(37.2)
Deferred taxation on undistributed profits	141.4	247.7
Recognition of previously unrecognised temporary differences	20.2	(1.0)
Under/(over)-provision in prior years	78.7	(69.0)
Land appreciation tax deductible for calculation of income tax purposes	(447.1)	(314.3)
Others	(6.0)	8.5
	2,611.9	1,576.8
Mainland China land appreciation tax	1,788.6	1,257.0
Taxation charge	4,400.5	2,833.8

12 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit for the year attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$1,886.8 million (2011: HK\$1,053.2 million).

13 DIVIDENDS

	2012 HK\$m	2011 HK\$m
Interim dividend of HK\$0.10 (2011: HK\$0.10) per share	610.2	396.9
Final dividend proposed of HK\$0.28 (2011: HK\$0.28) per share	1,722.8	1,117.2
	2,333.0	1,514.1
Of which the following were settled by the issue of scrip:		
Interim dividend	433.0	279.7
Final dividend	#	733.0

Full amount had been set aside from retained profits for the 2012 proposed final dividend on the basis that all shareholders would elect to receive cash being the alternative to their entitlements to the scrip dividends.

At a meeting held on 26 September 2012, the Directors recommended a final dividend of HK\$0.28 per share. This proposed dividend was not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

14 EARNINGS PER SHARE

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

	2012 HK\$m	2011 HK\$m (Adjusted)
Profit attributable to shareholders of the Company	10,139.0	9,153.9
Effect of dilutive potential ordinary shares in respect of convertible bonds issued by a subsidiary:		
Interest expense	329.1	310.3
Adjustment on the effect of dilution in the results of subsidiaries	(18.3)	(101.2)
Profit for calculating diluted earnings per share	10,449.8	9,363.0
	Number of shares (million)	
	2012	2011 (Adjusted)
Weighted average number of shares for calculating basic earnings per share	5,387.3	4,352.2
Effect of dilutive potential ordinary shares upon the conversion of convertible bonds	250.2	247.1
Weighted average number of shares for calculating diluted earnings per share	5,637.5	4,599.3

The earnings per share for the year ended 30 June 2011 have been adjusted to reflect the effect of rights issues of the Company and New World China Land Limited ("NWCL"), a subsidiary of the Group, during the year.

Diluted earnings per share for the years ended 30 June 2012 and 2011 did not assume the exercise of share options outstanding during the respective years since their exercise would have an anti-dilutive effect.

15 STAFF COSTS**(a) Staff costs**

	2012 HK\$m	2011 HK\$m
Wages, salaries and other benefits	3,870.1	3,093.4
Pension costs – defined benefit plans (note (b)(i))	0.5	1.4
Pension costs – defined contribution plans (note (b)(ii))	203.9	151.2
Share options (note (c))	131.6	30.8
	4,206.1	3,276.8

Staff costs include directors' remuneration.

NOTES TO THE FINANCIAL STATEMENTS

15 STAFF COSTS (continued)**(b) Retirement benefit costs**

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

(i) Defined benefit plans

The Group's defined benefit plans are valued by independent qualified actuaries annually using the projected unit credit method. Defined benefit plans were valued by Towers Watson Hong Kong Limited.

The amounts recognised in the consolidated statement of financial position were as follows:

	2012 HK\$m	2011 HK\$m
Present value of defined benefit obligations	(96.2)	(75.1)
Fair value of plan assets	86.0	86.4
Unrecognised actuarial losses/(gains)	23.0	(0.3)
Retirement benefit assets (note 30)	12.8	11.0

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

	2012 HK\$m	2011 HK\$m
At beginning of the year	75.1	71.0
Interest cost	2.1	2.0
Current service cost	3.6	3.6
Contribution by employees	0.9	0.6
Benefit paid	(3.0)	(4.5)
Net transfer in	7.2	—
Actuarial losses	10.3	2.4
At end of the year	96.2	75.1

The movements in the fair value of plan assets are as follows:

	2012 HK\$m	2011 HK\$m
At beginning of the year	86.4	80.0
Expected return on plan assets	5.7	5.3
Contribution by employees	0.9	0.9
Benefit paid	(3.0)	(4.5)
Net transfer in	7.8	—
Actuarial (losses)/gains	(11.8)	4.7
At end of the year	86.0	86.4

NOTES TO THE FINANCIAL STATEMENTS

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

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

	2012 HK\$m	2011 HK\$m
Current service cost	3.6	3.6
Interest cost	2.1	2.0
Expected return on plan assets	(5.7)	(5.3)
Net actuarial losses recognised	0.5	1.1
Total included in staff costs	0.5	1.4

The actual return on plan assets was a loss of HK\$6.2 million (2011: a gain of HK\$10.2 million).

	2012	2011
The principal actuarial assumptions used were as follows:		
Discount rate	1.0%	2.4%-3.5%
Expected rate of return on plan assets	7.5%	7.0%
Expected rate of future salary increases	4.0%	4.0%-5.0%
Fair value of the plan assets are analysed as follows:		
Equity instruments	71.5%	71.0%
Debt instruments	25.5%	26.0%
Other assets	3.0%	3.0%

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 reporting period. Expected returns on equity investments reflect long-term real rates of return experienced in the market.

NOTES TO THE FINANCIAL STATEMENTS

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

The Group does not expect to make contributions to its defined benefit plans for the year ending 30 June 2013.

	2012 HK\$m	2011 HK\$m	2010 HK\$m	2009 HK\$m	2008 HK\$m
Present value of defined benefit obligations	(96.2)	(75.1)	(71.0)	(98.4)	(91.3)
Fair value of plan assets	86.0	86.4	80.0	124.8	146.7
(Deficit)/surplus	(10.2)	11.3	9.0	26.4	55.4
Experience adjustments on defined benefit obligations	(1.0)	(1.2)	(0.3)	3.1	1.3
Experience adjustments on plan assets	(1.7)	0.7	1.0	(32.2)	2.9

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

(ii) Defined contribution plans

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

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries and joint ventures in the PRC. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group.

Contributions made by the Group to ORSO Schemes and MPF Schemes amounted to HK\$203.9 million (2011: HK\$151.2 million) during the year. No forfeited contributions were utilised during the year (2011: Nil), leaving HK\$0.8 million (2011: HK\$0.7 million) available at 30 June 2012 to reduce future contributions.

NOTES TO THE FINANCIAL STATEMENTS

15 STAFF COSTS (continued)**(c) Share options**

The Company and its subsidiaries during the year, NWCL, NWS Holdings Limited ("NWSH") and New World Department Store China Limited ("NWDS") operate share option schemes whereby options may be granted to eligible employees and directors, to subscribe for shares of the Company, NWCL, NWSH and NWDS respectively.

Details of share options are as follows:

Grantor	Date of grant	Exercise price HK\$	At 1 July 2011	Granted	Adjusted	Exercised	Lapsed/cancelled	At 30 June 2012	Number of share options exercisable as at 30 June 2012	Note
The Company	19 March 2007	16.003	130,421,500	–	13,375,949	–	(143,797,449)	–	–	(i)
	Weighted average exercise price of each category (HK\$)		17.652	–	16.004	–	16.011	–	–	
	19 March 2012	9.769	–	107,300,000	14,140	–	(800,105)	106,514,035	26,628,476	(i)
	Weighted average exercise price of each category (HK\$)		–	9.770	9.769	–	9.769	9.769	9.769	
NWCL	28 June 2006 to 26 July 2011	1.290 to 6.939	54,473,979	1,572,400	2,029,087	(6,022,353)	(6,593,440)	45,459,673	26,962,426	(ii)
	Weighted average exercise price of each category (HK\$)		2.945	2.810	2.744	1.445	3.914	2.867	2.830	
	3 May 2012	2.450	–	8,212,600	–	(70,800)	(43,200)	8,098,600	1,571,720	(ii)
	Weighted average exercise price of each category (HK\$)		–	2.450	–	2.450	2.450	2.450	2.450	
NWSH	21 August 2007 to 28 January 2008	10.609 to 13.490	32,558,786	–	115,996	(17,516,351)	(902,478)	14,255,753	14,255,753	(iii)
	Weighted average exercise price of each category (HK\$)		10.767	–	10.786	10.652	10.672	10.825	10.825	
NWDS	27 November 2007 to 25 March 2008	8.440 to 8.660	19,993,000	–	–	–	(3,881,000)	16,112,000	12,890,000	(iv)
	Weighted average exercise price of each category (HK\$)		8.621	–	–	–	8.604	8.625	8.625	

NOTES TO THE FINANCIAL STATEMENTS

15 STAFF COSTS *(continued)***(c) Share options** *(continued)*

Notes:

- (i) A share option scheme was adopted by the Company on 24 November 2006 and amended on 13 March 2012 which will be valid and effective for a period of ten years from the date of adoption. On 19 March 2012, 107,300,000 share options were granted to Directors and certain eligible participants at the exercise price of HK\$9.77 per share.

The Company declared final dividend for the year ended 30 June 2011 and interim dividend for the six months ended 31 December 2011 in scrip form (with cash option) during the year and announced rights issue on 18 October 2011 which became unconditional on 25 November 2011. Accordingly, adjustments were made to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 19 March 2007 was adjusted from HK\$17.652 to HK\$16.004 on 28 November 2011, and further to HK\$16.003 on 30 December 2011. The exercise price per share of the share options granted on 19 March 2012 was adjusted from HK\$9.77 to HK\$9.769 on 17 May 2012.

Except for 26,825,000 share options which are exercisable from 19 March 2012 to 18 March 2016, all the outstanding options are divided into 4 tranches and exercisable from 19 March 2012, 19 March 2013, 19 March 2014 and 19 March 2015 respectively to 18 March 2016.

The fair value of the options granted during the year determined using the Binomial pricing model was HK\$2.92 per option. Value is estimated based on the share price of HK\$9.55 at the grant date, the exercise price of HK\$9.77, the risk-free rate at 0.53% per annum with reference to the market yield rates of the Hong Kong Government bond (maturing 21 March 2016) as of the value date, a historical volatility of 48.52%, based on share price movement for the past 10 years assuming dividend yield of 2.62% and an expected option life of four years.

- (ii) On dates of grant, the share options are divided into 4 to 5 tranches and exercisable within a period of 4 to 5 years respectively commencing on the expiry of 1 month after the dates on which the options were accepted.

Adjustments were made to the exercise price and the number of outstanding share options in accordance with the share option scheme on 23 December 2011 as a result of the rights issue as announced by NWCL on 18 October 2011 which became unconditional on 22 December 2011.

The fair value of options granted during the year determined using the Binomial pricing model was HK\$9.2 million (2011: HK\$24.8 million). The significant inputs to the model was share price ranging from HK\$2.45 to HK\$2.81 (2011: HK\$2.86 to HK\$3.154) at the grant dates, exercise prices ranging from HK\$2.45 to HK\$2.81 (2011: HK\$2.86 to HK\$3.154), volatility of the share ranging from 52% to 55% (2011: 53% to 55%), expected life of options of 5 years (2011: 5 years), expected dividend yield ranging from 1.91% to 2.57% (2011: 1.63% to 1.88%), risk-free interest rate ranging from 0.49% to 1.23% per annum (2011: 1.10% to 1.70%) and suboptimal exercise factor ranging from 1.87 to 1.89 times (2011: 1.87 to 1.89 times) of the exercise prices (which accounts for the early exercise behaviour of the option holders). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of NWCL over the past 5 years.

- (iii) The share options are exercisable on or before 21 August 2012.
- (iv) All the outstanding share options are divided into 5 tranches and exercisable during a period of 5 years commencing 1 year after the date of grant when the offer of options were accepted.
- (v) The Binomial pricing model and the Black-Scholes option pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

NOTES TO THE FINANCIAL STATEMENTS

16 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Name of Directors	Fees HK\$m	Salaries and allowances HK\$m	Bonus HK\$m	Retirement schemes contributions HK\$m	Value of share options HK\$m	Total HK\$m
Year ended 30 June 2012						
Dato' Dr. Cheng Yu-Tung	0.2	–	–	–	–	0.2
Dr. Cheng Kar-Shun, Henry	0.8	32.4	2.6	0.9	8.4	45.1
Dr. Sin Wai-Kin, David	0.1	–	–	–	0.4	0.5
Mr. Liang Chong-Hou, David	0.2	–	–	–	0.4	0.6
Mr. Yeung Ping-Leung, Howard	0.3	–	–	–	0.4	0.7
Dr. Cha Mou-Sing, Payson	0.3	–	–	–	0.4	0.7
Mr. Cheng Kar-Shing, Peter	0.4	3.8	0.8	0.4	0.7	6.1
Mr. Leung Chi-Kin, Stewart	0.2	–	–	–	0.1	0.3
Mr. Chow Kwai-Cheung	0.2	–	–	–	0.4	0.6
Mr. Ho Hau-Hay, Hamilton	0.3	–	–	–	0.4	0.7
Mr. Lee Luen-Wai, John	0.5	–	–	–	0.5	1.0
Mr. Liang Cheung-Biu, Thomas	0.2	–	–	–	0.4	0.6
Mr. Cheng Chi-Kong, Adrian	0.5	5.7	1.1	0.4	3.3	11.0
Ms. Ki Man-Fung, Leonie	0.2	3.8	1.9	0.4	2.1	8.4
Mr. Cheng Chi-Heng	0.2	0.4	–	–	0.4	1.0
Mr. Chen Guanzhan	0.1	3.1	0.6	0.2	2.5	6.5
Ms. Cheng Chi-Man, Sonia	0.2	6.2	0.6	0.3	2.2	9.5
Total	4.9	55.4	7.6	2.6	23.0	93.5
Year ended 30 June 2011						
Dato' Dr. Cheng Yu-Tung	0.3	–	–	–	–	0.3
Dr. Cheng Kar-Shun, Henry	0.8	25.1	2.0	1.1	2.4	31.4
Dr. Sin Wai-Kin, David	0.2	–	–	–	–	0.2
Mr. Liang Chong-Hou, David	0.2	–	–	–	–	0.2
Mr. Yeung Ping-Leung, Howard	0.3	–	–	–	–	0.3
Dr. Cha Mou-Sing, Payson	0.3	–	–	–	–	0.3
Mr. Cheng Kar-Shing, Peter	0.4	3.5	0.6	0.4	1.9	6.8
Mr. Leung Chi-Kin, Stewart	0.3	2.8	0.9	0.3	0.1	4.4
Mr. Chow Kwai-Cheung	0.3	3.1	0.7	0.3	1.5	5.9
Mr. Ho Hau-Hay, Hamilton	0.3	–	–	–	–	0.3
Mr. Lee Luen-Wai, John	0.5	–	–	–	0.2	0.7
Mr. Liang Cheung-Biu, Thomas	0.2	–	–	–	–	0.2
Mr. Cheng Chi-Kong, Adrian	0.5	7.7	0.5	0.2	1.7	10.6
Ms. Ki Man-Fung, Leonie	0.2	3.6	2.8	0.4	1.1	8.1
Mr. Cheng Chi-Heng	0.2	–	–	–	–	0.2
Total	5.0	45.8	7.5	2.7	8.9	69.9

NOTES TO THE FINANCIAL STATEMENTS

16 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)***(a) Directors' emoluments** *(continued)*

Fees paid to independent non-executive directors amounted to HK\$1.6 million (2011: HK\$1.4 million). Other than share options granted to independent non-executive directors, there were no other emoluments paid to independent non-executive directors.

The value of the share options granted to the directors of the Company and the senior management under the share option schemes of the Company and its subsidiaries represents the fair value of these options charged to the consolidated income statement for the year in accordance with HKFRS 2.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 3 directors (2011: 2 directors) whose emoluments are reflected above. The emoluments payable to the remaining 2 (2011: 3) individuals during the year are as follows:

	2012 HK\$m	2011 HK\$m
Salaries and other emoluments	17.6	26.4
Contributions to retirement benefit schemes	0.8	1.3
Share options	1.9	1.6
	20.3	29.3

The emoluments of the individuals fell within the following bands:

	2012 Number of individuals	2011
Emolument band (HK\$)		
8,000,001–8,500,000	–	1
8,500,001–9,000,000	–	1
9,000,001–9,500,000	1	–
10,500,001–11,000,000	1	–
12,000,001–12,500,000	–	1
	2	3

During the year, the Group did not pay the directors or the five highest paid individuals any inducement to join the Group, nor 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 FIVE HIGHEST PAID INDIVIDUALS (continued)**(c) Emoluments of senior management**

Other than the emoluments of directors and five highest paid individuals disclosed in note 16(a) and 16(b), the emoluments of the senior management whose profiles are included in Senior Management Profile section of this report fell within the following bands:

Emolument band (HK\$)	2012 Number of individuals
5,000,001–5,500,000	1
7,000,001–7,500,000	2
	3

Senior management for the year 2011 were all Executive Directors whose emoluments have been shown in directors' emoluments above.

17 INVESTMENT PROPERTIES

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Completed investment properties	43,789.2	39,184.2	–	–
Investment properties under development	16,963.0	14,080.8	74.0	70.0
	60,752.2	53,265.0	74.0	70.0
The movements of investment properties during the year are as follows:				
At beginning of the year	53,265.0	41,083.0	70.0	57.0
Translation differences	154.7	746.5	–	–
Acquisition of subsidiaries	1,792.6	3,135.0	–	–
Disposal of subsidiaries	(1,123.3)	–	–	–
Additions	961.8	1,786.5	0.1	2.8
Transfer (to)/from property, plant and equipment and land use rights	(73.9)	3,203.8	–	–
Transfer from properties under development	1,138.8	26.3	–	–
Disposals	(266.2)	(250.7)	–	–
Changes in fair value	4,902.7	3,534.6	3.9	10.2
At end of the year	60,752.2	53,265.0	74.0	70.0

The investment properties were revalued at 30 June 2012 by independent, professionally qualified valuers, Jones Lang LaSalle Sallmanns Limited, Savills Valuation and Professional Services Limited and Knight Frank Petty Limited. Valuations were based on market value assessment, the income approach or the depreciated replacement cost approach as stated in note 5(b).

NOTES TO THE FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES *(continued)*

The aggregate fair value of investment properties pledged as securities for the Group's banking facilities amounted to HK\$27,712.8 million (2011: HK\$21,803.8 million) (note 41).

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

	2012 HK\$m	2011 HK\$m
In Hong Kong		
Leases of over 50 years	15,952.4	15,394.8
Leases of between 10 to 50 years	25,956.2	23,877.6
Leases of less than 10 years	28.0	49.0
Outside Hong Kong		
Leases of over 50 years	892.3	1,047.2
Leases of between 10 to 50 years	17,923.3	12,866.3
Leases of less than 10 years	–	30.1
	60,752.2	53,265.0

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

NOTES TO THE FINANCIAL STATEMENTS

18 PROPERTY, PLANT AND EQUIPMENT

	Group					Company	
	Leasehold land HK\$m	Buildings HK\$m	Telecom- munication equipment and systems HK\$m	Others (note (a)) HK\$m	Under construction HK\$m	Total HK\$m	HK\$m
Cost							
At 1 July 2011	2,964.8	5,946.2	3,048.4	6,640.1	713.5	19,313.0	3.8
Translation differences	–	83.4	–	37.8	3.4	124.6	–
Acquisition of subsidiaries	–	–	–	83.2	–	83.2	–
Additions	–	14.2	119.8	760.4	1,152.5	2,046.9	–
Transfer between property, plant and equipment and investment properties	–	56.3	–	3.0	–	59.3	–
Transfer from property held for sale	–	4.6	–	–	–	4.6	–
Transfer (to)/from properties under development	–	(10.3)	–	–	655.7	645.4	–
Disposals	(0.7)	(75.2)	–	(173.9)	–	(249.8)	(0.5)
Reclassification	–	–	–	1.3	(1.3)	–	–
At 30 June 2012	2,964.1	6,019.2	3,168.2	7,351.9	2,523.8	22,027.2	3.3
Accumulated depreciation and impairment							
At 1 July 2011	411.5	1,815.9	2,655.4	4,057.1	–	8,939.9	3.3
Translation differences	–	13.3	–	18.3	–	31.6	–
Transfer between property, plant and equipment and investment properties	–	(2.8)	–	(2.0)	–	(4.8)	–
Depreciation	13.8	246.4	32.2	592.0	–	884.4	–
Impairment	–	–	60.0	–	–	60.0	–
Disposals	–	(27.8)	–	(129.8)	–	(157.6)	–
Transfer to properties under development	–	(2.1)	–	–	–	(2.1)	–
At 30 June 2012	425.3	2,042.9	2,747.6	4,535.6	–	9,751.4	3.3
Net book value (note (b))							
At 30 June 2012	2,538.8	3,976.3	420.6	2,816.3	2,523.8	12,275.8	–

NOTES TO THE FINANCIAL STATEMENTS

18 PROPERTY, PLANT AND EQUIPMENT (continued)

	Group						Company
	Leasehold land HK\$m	Buildings HK\$m	Telecom- munication equipment and systems HK\$m	Others (note (a)) HK\$m	Under construction HK\$m	Total HK\$m	HK\$m
Cost							
At 1 July 2010	2,289.3	6,004.7	2,868.2	5,996.6	163.8	17,322.6	3.8
Translation differences	–	254.7	–	193.2	3.0	450.9	–
Acquisition of subsidiaries	–	–	–	127.8	0.1	127.9	–
Disposal of subsidiaries	–	(6.3)	–	(5.9)	–	(12.2)	–
Additions	2.5	115.6	181.9	794.4	703.8	1,798.2	–
Transfer to investment properties	(69.7)	(450.1)	–	–	–	(519.8)	–
Net transfer from properties for/under development and held for sale and other non- current assets	742.7	240.2	–	–	211.0	1,193.9	–
Transfer upon completion	–	–	–	18.9	(18.9)	–	–
Disposals	–	(211.4)	(1.7)	(339.1)	(0.3)	(552.5)	–
Reclassified as assets held for sale	–	(1.2)	–	(145.8)	(349.0)	(496.0)	–
At 30 June 2011	2,964.8	5,946.2	3,048.4	6,640.1	713.5	19,313.0	3.8
Accumulated depreciation and impairment							
At 1 July 2010	406.7	1,695.6	2,486.3	3,718.1	–	8,306.7	3.3
Translation differences	–	60.7	–	118.5	–	179.2	–
Disposal of subsidiaries	–	(1.0)	–	(3.7)	–	(4.7)	–
Transfer to investment properties	(6.8)	(9.1)	–	–	–	(15.9)	–
Depreciation	11.6	245.0	43.6	535.4	–	835.6	–
Impairment	–	–	127.2	5.4	–	132.6	–
Disposals	–	(175.0)	(1.7)	(315.3)	–	(492.0)	–
Reclassified as assets held for sale	–	(0.3)	–	(1.3)	–	(1.6)	–
At 30 June 2011	411.5	1,815.9	2,655.4	4,057.1	–	8,939.9	3.3
Net book value (note (b))							
At 30 June 2011	2,553.3	4,130.3	393.0	2,583.0	713.5	10,373.1	0.5

Notes: (a) Others mainly represented leasehold improvements for department stores, plant and machinery, motor vehicles, furniture and fixtures, office equipment and computer.

(b) The aggregate net book value of property, plant and equipment pledged as securities for banking facilities granted to the Group amounted to HK\$2,539.9 million (2011: HK\$3,674.9 million) (note 41).

NOTES TO THE FINANCIAL STATEMENTS

18 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The carrying value of leasehold land is analysed as follows:

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
In Hong Kong				
Leases of over 50 years	617.4	618.8	–	0.5
Leases of between 10 to 50 years	1,918.8	1,931.9	–	–
Outside Hong Kong				
Leases of over 50 years	2.6	2.6	–	–
	2,538.8	2,553.3	–	0.5

19 LAND USE RIGHTS

	Group	
	2012 HK\$m	2011 HK\$m
At beginning of the year	2,407.1	2,646.1
Translation differences	33.2	131.1
Additions	0.3	91.1
Transfer (to)/from properties under development	(7.2)	81.8
Transfer from/(to) investment properties	22.5	(397.9)
Reclassified as assets held for sale	–	(6.1)
Disposals	–	(51.1)
Amortisation	(92.3)	(87.9)
At end of the year	2,363.6	2,407.1

	Group	
	2012 HK\$m	2011 HK\$m
In Hong Kong		
Leases of between 10 to 50 years	112.3	115.5
Outside Hong Kong		
Leases of over 50 years	2.2	10.4
Leases of between 10 to 50 years	2,249.1	2,280.7
Leases of less than 10 years	–	0.5
	2,363.6	2,407.1

Interests in land use rights represent prepaid operating lease payments.

Certain bank borrowings of the Group are secured on land use rights with an aggregate carrying amount of HK\$319.2 million (2011: HK\$326.7 million) (note 41).

NOTES TO THE FINANCIAL STATEMENTS

20 INTANGIBLE CONCESSION RIGHTS

	Group	
	2012 HK\$m	2011 HK\$m
Cost		
At beginning of the year	1,785.8	1,693.7
Translation differences	243.5	92.1
Acquisition of a subsidiary	16,197.7	—
Additions	0.9	—
At end of the year	18,227.9	1,785.8
Accumulated amortisation and impairment		
At beginning of the year	1,022.3	919.7
Translation differences	35.0	39.0
Amortisation	548.1	63.6
At end of the year	1,605.4	1,022.3
Net book value		
At end of the year	16,622.5	763.5

Certain bank borrowings of the Group are secured on the concession right of HK\$16,197.7 million (2011: nil) (note 41).

NOTES TO THE FINANCIAL STATEMENTS

21 INTANGIBLE ASSETS

	Group							
	Goodwill HK\$m	Trademarks HK\$m	Hotel management contracts HK\$m	Process, technology and know-how HK\$m	Customer relationships HK\$m	Operating right HK\$m	Mining right HK\$m	Total HK\$m
Cost								
At 1 July 2011	1,486.6	–	–	–	–	567.2	–	2,053.8
Translation differences	2.4	–	–	–	–	–	–	2.4
Acquisition of subsidiaries	816.5	614.9	428.1	38.9	544.8	–	–	2,443.2
At 30 June 2012	2,305.5	614.9	428.1	38.9	544.8	567.2	–	4,499.4
Accumulated amortisation and impairment								
At 1 July 2011	228.9	–	–	–	–	70.2	–	299.1
Amortisation	–	–	19.6	3.6	25.0	31.2	–	79.4
At 30 June 2012	228.9	–	19.6	3.6	25.0	101.4	–	378.5
Net book value								
At 30 June 2012	2,076.6	614.9	408.5	35.3	519.8	465.8	–	4,120.9
Cost								
At 1 July 2010	1,190.6	–	–	–	–	567.4	–	1,758.0
Translation differences	10.4	–	–	–	–	–	–	10.4
Addition (note 38(a))	–	–	–	–	–	–	2,393.2	2,393.2
Acquisition of subsidiaries	285.6	–	–	–	–	–	–	285.6
Disposal	–	–	–	–	–	(0.2)	–	(0.2)
Reclassified as assets held for sale (note 38(a))	–	–	–	–	–	–	(2,393.2)	(2,393.2)
At 30 June 2011	1,486.6	–	–	–	–	567.2	–	2,053.8
Accumulated amortisation and impairment								
At 1 July 2010	228.9	–	–	–	–	39.0	–	267.9
Amortisation	–	–	–	–	–	31.2	–	31.2
At 30 June 2011	228.9	–	–	–	–	70.2	–	299.1
Net book value								
At 30 June 2011	1,257.7	–	–	–	–	497.0	–	1,754.7

NOTES TO THE FINANCIAL STATEMENTS

21 INTANGIBLE ASSETS (continued)**Impairment test for goodwill**

An operating segment level summary of the goodwill allocation is presented below:

	2012			2011		
	Hong Kong HK\$m	Mainland China HK\$m	Total HK\$m	Hong Kong HK\$m	Mainland China HK\$m	Total HK\$m
Property development	–	14.2	14.2	–	14.2	14.2
Property investment	–	7.6	7.6	–	5.9	5.9
Service and infrastructure	849.3	–	849.3	849.3	–	849.3
Hotel operations	–	332.4	332.4	–	9.2	9.2
Department stores	–	873.1	873.1	–	379.1	379.1
	849.3	1,227.3	2,076.6	849.3	408.4	1,257.7

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 either fair value less costs to sell or value-in-use calculations whichever is higher. The key assumptions adopted on growth rates and discount rates used in the value-in-use calculations are based on managements best estimates and past experience.

For the segments of property development and property investment, growth rates are determined by considering both internal and external factors relating to the relevant segments. Discount rates used also reflect specific risks relating to the relevant segment, which was 6% (2011: 8%).

For the segment of service and infrastructure, growth rates ranging from 0% to 2% are determined by considering both internal and external factors relating to the relevant segment. Discount rates used also reflect specific risks relating to the relevant segment, which was 4.3% (2011: 5.9%).

The segment of hotel operations includes hotel operations and hotel management services. The growth rates of hotel operations range from 7% to 10% are determined by considering both internal and external factors relating to the relevant segment. Discount rates used also reflect specific risks relating to the relevant segment, which ranged from 6.5% to 7.5% (2011: 8%). For hotel management services, a financial budget of six-year with growth rate ranging from 15% to 55% are determined by considering both internal and external factors relating to the relevant segment and the hotel management contracts in the pipeline. Cash flows beyond the six-year period are extrapolated using the estimated growth rates of 3%. Discount rates used also reflect specific risks relating to the relevant segment, which was 16.5%.

For the segment of department stores, growth rates ranging from 2% to 5% (2011: 2% to 5%) are determined by considering both internal and external factors relating to the relevant segment. Discount rates used also reflect specific risks relating to the relevant segment, which was 14.8% (2011: 14.8%).

NOTES TO THE FINANCIAL STATEMENTS

22 SUBSIDIARIES

	Company	
	2012 HK\$m	2011 HK\$m
Unlisted shares, at cost less provision	1,799.8	1,607.1
Listed shares in Hong Kong, at cost	33,872.0	29,722.9
Amounts receivable less provision	49,298.0	41,100.0
	84,969.8	72,430.0
Less: amounts receivable from subsidiaries less provision included in current assets	(44,727.6)	(33,982.1)
	40,242.2	38,447.9
Amounts payable to subsidiaries	(26,618.3)	(25,595.6)
Market value of listed shares	39,511.6	32,046.9

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

Details of principal subsidiaries are stated in note 50.

NOTES TO THE FINANCIAL STATEMENTS

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Equity joint ventures				
Group's share of net assets	4,216.0	4,308.1	—	—
Goodwill on acquisition	2.2	2.2	—	—
Amounts receivable less provision (note (a))	131.2	99.8	—	—
	4,349.4	4,410.1	—	—
Co-operative joint ventures				
Cost of investment less provision	6,536.5	6,221.2	—	—
Share of undistributed post-acquisition results	2,549.8	2,078.8	—	—
Amounts receivable less provision (note (a))	4,085.8	3,103.5	—	—
	13,172.1	11,403.5	—	—
Companies limited by shares				
Group's share of net assets	11,835.3	12,248.4	—	—
Goodwill on acquisition	1,554.9	1,462.0	—	—
Amounts receivable less provision (note (a))	7,921.6	7,432.5	918.3	906.5
	21,311.8	21,142.9	918.3	906.5
Wholly foreign owned enterprises				
Group's share of net assets	1,738.9	1,637.0	—	—
Amounts receivable less provision (note (a))	203.9	163.4	—	—
	1,942.8	1,800.4	—	—
Deposits paid for joint ventures (note (b))	—	1,595.3	—	—
	40,776.1	40,352.2	918.3	906.5

Notes:

(a) Amounts receivable are analysed as follows:

	Group	
	2012 HK\$m	2011 HK\$m
Interest bearing		
Fixed rates (note (i))	312.5	330.7
Floating rates (note (ii))	4,651.5	3,091.2
Non-interest bearing (note (iii))	7,378.5	7,377.3
	12,342.5	10,799.2

(i) Fixed rates represent interest rates ranging from 8.5% to 10.0% (2011: 8.5% to 10.0%) per annum.

(ii) Carry interest rates ranging from 0.875% over Hong Kong Interbank Offered Rates (HIBOR) to People's Bank of China two-year benchmark lending rate with 15% premium (2011: 0.875% over Hong Kong Interbank Offered Rates ("HIBOR") to PRC bank rates) per annum.

(iii) The amounts include HK\$918.3 million (2011: HK\$906.5 million) due to the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*Notes: *(continued)*

(b) As at 30 June 2011, the balance mainly represented a deposit paid for the investment in CFC as detailed in note 48(a).

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

	2012 HK\$m	2011 HK\$m
For the year ended 30 June		
Revenues	15,966.9	15,727.3
Profit after taxation	1,962.7	2,654.0
As at 30 June		
Non-current assets	40,083.5	39,202.6
Current assets	23,859.1	21,180.2
Non-current liabilities	(20,319.9)	(19,745.5)
Current liabilities	(16,746.2)	(14,143.8)
Net assets	26,876.5	26,493.5

(d) Details of principal jointly controlled entities are stated in note 51.

24 INTERESTS IN ASSOCIATED COMPANIES

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Group's share of net assets				
Listed shares in Hong Kong	4,789.5	1,351.7	—	—
Unlisted shares	7,475.7	6,203.5	—	3.7
	12,265.2	7,555.2	—	3.7
Goodwill	1,351.1	1,055.4	—	—
Amounts receivable less provision (note (a))	1,595.4	1,923.0	34.0	582.8
Amounts payable (note (b))	—	—	—	(70.6)
	15,211.7	10,533.6	34.0	515.9
Market value of listed shares	1,205.4	631.4	—	—

NOTES TO THE FINANCIAL STATEMENTS

24 INTERESTS IN ASSOCIATED COMPANIES (continued)

Notes:

- (a) Amounts receivable less provision are analysed as follows:

	Group	
	2012 HK\$m	2011 HK\$m
Interest bearing – fixed rate (note (i))	104.7	104.7
Non-interest bearing (note (ii))	1,490.7	1,818.3
	1,595.4	1,923.0

- (i) Carry interest rate of 8.0% (2011: 8.0%) per annum.

- (ii) The amounts include HK\$34.0 million (2011: HK\$582.8 million) due to the Company.

The interest bearing receivables were unsecured and not repayable within 12 months. Their carrying amounts were not materially different from their fair values.

- (b) The amounts payable are unsecured, interest free and have no fixed terms of repayment. The carrying amounts of amounts payable are not materially different from their fair values.
- (c) The market value of the Group's listed associated companies in Hong Kong amounts to HK\$1,205.4 million (2011: HK\$631.4 million). Management regularly reviews whether there are any indications of impairments of the Group's investments in associated companies based on value-in-use calculations, as detailed in note 5(d). Management is of the view that there is no impairment of Group's investments in associated companies as at 30 June 2012.
- (d) The Group's share of revenues, results, assets and liabilities of associated companies are as follows:

	2012 HK\$m	2011 HK\$m
For the year ended 30 June		
Revenues	4,151.0	2,885.8
Profit after taxation	1,157.4	1,104.0
	2012 HK\$m	2011 HK\$m
As at 30 June		
Non-current assets	12,447.0	9,315.1
Current assets	5,007.3	3,455.2
Non-current liabilities	(2,046.6)	(2,854.1)
Current liabilities	(3,142.5)	(2,361.0)
Net assets	12,265.2	7,555.2

- (e) Details of principal associated companies are stated in note 52.

NOTES TO THE FINANCIAL STATEMENTS

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Non-current				
Equity securities				
Unlisted shares and investments, at fair value	2,803.8	2,757.8	23.1	18.1
Listed shares, at market value				
Hong Kong	635.2	1,255.9	–	–
Overseas	1,031.7	1,625.6	–	–
Debt securities				
Unlisted securities, at fair value	–	590.2	–	–
	4,470.7	6,229.5	23.1	18.1
Current				
Debt securities				
Unlisted convertible redeemable preference shares, at fair value	583.5	–	–	–
	5,054.2	6,229.5	23.1	18.1

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

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

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

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Hong Kong dollar	2,551.9	3,081.5	0.3	0.3
United States dollar	1,303.6	1,238.4	–	–
Renminbi	982.3	1,222.2	22.8	17.8
Japanese yen	195.5	413.3	–	–
Thai baht	5.5	251.4	–	–
Others	15.4	22.7	–	–
	5,054.2	6,229.5	23.1	18.1

NOTES TO THE FINANCIAL STATEMENTS

26 HELD-TO-MATURITY INVESTMENTS

	Group	
	2012 HK\$m	2011 HK\$m
Debt securities		
Securities listed overseas	–	244.3
Unlisted debentures	38.5	37.2
	38.5	281.5

27 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2012 HK\$m	2011 HK\$m
Non-current assets		
Foreign exchange and interest rate swaps	–	9.3
Others	–	110.5
	–	119.8
Current assets		
Others	452.2	–
	452.2	119.8
Non-current liabilities		
Foreign exchange and interest rate swaps	(1,411.7)	(604.9)
Others	–	(151.9)
	(1,411.7)	(756.8)
Current liabilities		
Others	(533.8)	–
	(1,945.5)	(756.8)

The total notional principal amounts of the outstanding derivative financial instruments as at 30 June 2012 was HK\$12,479.5 million (2011: HK\$10,480.0 million).

NOTES TO THE FINANCIAL STATEMENTS

28 PROPERTIES FOR DEVELOPMENT

The carrying value of properties for development is analysed as follows:

	Group	
	2012 HK\$m	2011 HK\$m
In Hong Kong		
Leases of over 50 years	1,810.1	1,034.5
Leases of between 10 to 50 years	3,228.6	3,706.6
Outside Hong Kong		
Freehold	–	109.2
Leases of over 50 years	12,244.2	9,453.3
Leases of between 10 to 50 years	3,646.8	2,989.4
	20,929.7	17,293.0

The Group's aggregate carrying value of properties for development pledged as securities for banking facilities granted to the Group amounted to HK\$771.4 million (2011: HK\$1,067.1 million) (note 41).

29 DEFERRED TAXATION

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

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Deferred tax assets	695.8	697.8	55.4	28.6
Deferred tax liabilities	(7,685.7)	(4,624.8)	–	–
	(6,989.9)	(3,927.0)	55.4	28.6
At beginning of the year	(3,927.0)	(3,842.2)	28.6	0.9
Translation differences	(52.1)	(153.6)	–	–
Acquisition of subsidiaries	(2,483.2)	(92.3)	–	–
Disposal of subsidiaries	1.1	–	–	–
(Charged)/credited to consolidated income statement (note 11)	(584.8)	147.8	26.8	27.7
Credited to reserves	56.1	13.3	–	–
At end of the year	(6,989.9)	(3,927.0)	55.4	28.6

NOTES TO THE FINANCIAL STATEMENTS

29 DEFERRED TAXATION (continued)

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

Group

Deferred tax assets

	Provisions		Accelerated accounting depreciation		Tax losses		Unrealised intra-group profit		Other items		Total	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
At beginning of the year	24.5	22.1	27.3	11.6	534.7	360.1	210.6	276.8	131.0	67.9	928.1	738.5
Translation differences	0.3	1.2	-	0.5	1.7	6.7	-	-	2.4	3.6	4.4	12.0
Acquisition of subsidiaries	-	-	-	-	74.3	63.7	-	-	105.1	36.2	179.4	99.9
Disposal of subsidiaries	-	-	-	-	(1.3)	-	-	-	-	-	(1.3)	-
Credited/(charged) to consolidated income statement	0.1	1.2	(15.4)	15.2	(110.0)	104.2	13.3	(66.2)	(2.7)	23.3	(114.7)	77.7
At end of the year	24.9	24.5	11.9	27.3	499.4	534.7	223.9	210.6	235.8	131.0	995.9	928.1

Deferred tax liabilities

	Accelerated tax depreciation		Valuation of properties		Income from sales of properties		Fair value adjustments of properties on acquisitions		Amortisation of intangible concession rights		Undistributed profits of subsidiaries, jointly controlled entities & associated companies		Other items		Total	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
At beginning of the year	(2,024.1)	(1,856.0)	(689.6)	(395.1)	(8.2)	(7.7)	(1,519.3)	(1,390.3)	(82.0)	(79.1)	(350.8)	(171.7)	(181.1)	(80.8)	(4,855.1)	(4,580.7)
Translation differences	(6.7)	(28.5)	(6.3)	(29.2)	(0.1)	(0.5)	(14.6)	(75.0)	(29.6)	(4.7)	1.6	(11.3)	(0.8)	(16.4)	(56.5)	(165.6)
Acquisition of subsidiaries	(292.5)	(181.1)	-	-	-	-	-	-	(2,278.4)	-	(89.8)	-	(1.9)	(11.1)	(2,662.6)	(192.2)
Disposal of subsidiaries	2.0	-	0.4	-	-	-	-	-	-	-	-	-	-	-	2.4	-
(Charged)/credited to consolidated income statement	(254.8)	41.5	(286.9)	(264.6)	0.3	-	66.5	546.0	39.8	1.8	(20.3)	(167.8)	(14.7)	(86.8)	(470.1)	70.1
(Charged)/credited to reserves	-	-	(3.2)	(0.7)	-	-	-	-	-	-	-	-	59.3	14.0	56.1	13.3
At end of the year	(2,576.1)	(2,024.1)	(985.6)	(689.6)	(8.0)	(8.2)	(1,467.4)	(1,519.3)	(2,350.2)	(82.0)	(459.3)	(350.8)	(139.2)	(181.1)	(7,985.8)	(4,855.1)

Deferred tax assets of the Company amounting to HK\$55.4 million (2011: HK\$28.6 million) are arising from tax losses.

NOTES TO THE FINANCIAL STATEMENTS

29 DEFERRED TAXATION *(continued)*

Deferred tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$11,957.1 million (2011: HK\$11,198.3 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$1,195.1 million (2011: HK\$974.4 million) which will expire at various dates up to and including 2017 (2011: 2016).

As at 30 June 2012, the aggregate amount of temporary differences associated with investments in subsidiaries and jointly controlled entities for which deferred tax liabilities have not been recognised totalled approximately HK\$3.9 billion (2011: HK\$2.3 billion), as the directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

30 OTHER NON-CURRENT ASSETS

	Group	
	2012 HK\$m	2011 HK\$m
Deposits for proposed investments		
– Fibre optic backbone network (note (a))	–	–
Retirement benefit assets (note 15(b)(i))	12.8	11.0
Long-term receivables (note (b))	81.7	141.2
Long-term prepayments and deposits	1,314.1	656.1
Restricted bank deposits (note 36)	2.9	–
	1,411.5	808.3

Notes:

(a) Deposits for proposed investments – fibre optic backbone network

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

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

The directors have taken into consideration the uncertainties in recovering the amounts owed to NWTMT and have concluded that a full provision of HK\$2,160.0 million made in previous year against the deposits and loan made to the PRC Entity remains most appropriate for the purpose of the financial statements for the year ended 30 June 2012.

(b) Long-term receivables

	Group	
	2012 HK\$m	2011 HK\$m
Accounts receivable, net of provision	52.3	52.3
Other loans	33.4	91.0
	85.7	143.3
Amounts receivable within one year included in debtors and prepayments	(4.0)	(2.1)
	81.7	141.2

NOTES TO THE FINANCIAL STATEMENTS

31 PROPERTIES UNDER DEVELOPMENT

The carrying value of properties under development is analysed as follows:

	Group	
	2012 HK\$m	2011 HK\$m
In Hong Kong		
Leases of over 50 years	5,285.5	1,045.2
Leases of between 10 to 50 years	21,299.0	11,612.0
Outside Hong Kong		
Freehold	130.1	—
Leases of over 50 years	12,912.8	11,543.5
Leases of between 10 to 50 years	5,132.7	3,513.6
	44,760.1	27,714.3

The Group's aggregate carrying value of properties under development pledged as securities for borrowings amounted to HK\$23,480.6 million (2011: HK\$8,420.3 million) (note 41).

	Group	
	2012 HK\$m	2011 HK\$m
Properties under development		
Expected to be completed and available for sale after more than 12 months	34,619.8	21,426.4
Expected to be completed and available for sale within 12 months	10,140.3	6,287.9
	44,760.1	27,714.3

NOTES TO THE FINANCIAL STATEMENTS

32 PROPERTIES HELD FOR SALE

The carrying value of properties held for sale is analysed as follows:

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
In Hong Kong				
Leases of over 50 years	1,560.6	126.4	—	—
Leases of between 10 to 50 years	6,156.3	7,715.9	1,689.4	2,231.5
Outside Hong Kong				
Freehold	—	45.9	—	—
Leases of over 50 years	4,252.3	1,542.5	—	—
Leases of between 10 to 50 years	797.0	1,223.4	—	—
	12,766.2	10,654.1	1,689.4	2,231.5

The Group's aggregate carrying value of properties held for sale pledged as securities for borrowings amounted to HK\$1,358.0 million (2011: nil) (note 41).

33 INVENTORIES

	Group	
	2012 HK\$m	2011 HK\$m
Raw materials	17.7	14.9
Work-in-progress	3.2	7.9
Finished goods	689.9	518.0
	710.8	540.8

NOTES TO THE FINANCIAL STATEMENTS

34 DEBTORS AND PREPAYMENTS

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Trade debtors (note (a))	3,043.5	2,583.3	–	–
Amounts due from customers for contract work (note 37)	225.8	173.8	–	–
Retention receivable for contract work	465.6	505.9	–	–
Payment for purchase of land and land preparatory costs	7,117.3	7,477.0	–	–
Deposits, prepayments and other debtors	7,479.0	6,215.2	278.4	240.0
	18,331.2	16,955.2	278.4	240.0

Notes:

- (a) The Group has different credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Sales proceeds receivable from sale of properties and retention receivable in respect of construction and engineering services are settled in accordance with the terms of respective contracts.

Aging analysis of trade debtors is as follows:

	Group	
	2012 HK\$m	2011 HK\$m
Current to 30 days	1,873.0	1,914.1
31 to 60 days	341.4	78.0
Over 60 days	829.1	591.2
	3,043.5	2,583.3

There is no concentration of credit risk with respect to trade debtors as the customer bases are widely dispersed in different sectors and industries.

- (b) At 30 June 2012, trade debtors of HK\$1,613.3 million (2011: HK\$1,834.8 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 aging analysis of these trade debtors is as follows:

	Group	
	2012 HK\$m	2011 HK\$m
Current to 30 days	507.7	1,285.0
31 to 60 days	317.3	54.4
Over 60 days	788.3	495.4
	1,613.3	1,834.8

At 30 June 2012, trade debtors of HK\$77.7 million (2011: HK\$112.0 million) were impaired. The amount of the provision was HK\$76.8 million (2011: HK\$78.9 million). The aging of these debtors is as follows:

	Group	
	2012 HK\$m	2011 HK\$m
Current to 30 days	0.3	3.8
31 to 60 days	1.8	5.8
Over 60 days	75.6	102.4
	77.7	112.0

NOTES TO THE FINANCIAL STATEMENTS

34 DEBTORS AND PREPAYMENTS (continued)

Notes: (continued)

(c) Movements on the provision for impairment of trade debtors are as follows:

	Group	
	2012 HK\$m	2011 HK\$m
At beginning of the year	78.9	80.1
Translation differences	0.6	3.3
Increase in provision recognised in consolidated income statement	8.3	8.0
Amounts recovered	(6.0)	(1.3)
Amounts written off during the year	(5.0)	(11.2)
At end of the year	76.8	78.9

(d) The carrying amounts of the debtors and prepayments, which approximate their fair values, are denominated in the following currencies:

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Renminbi	13,358.0	12,580.4	—	—
Hong Kong dollar	3,910.4	3,780.5	278.4	240.0
United States dollar	810.8	211.7	—	—
Macau pataca	93.5	360.5	—	—
Others	158.5	22.1	—	—
	18,331.2	16,955.2	278.4	240.0

(e) Except for certain collaterals held as securities for other debtors, the Group does not hold other collaterals as securities for the debtors. The maximum exposure of the debtors and prepayment balances to credit risk at the reporting date is the carrying value mentioned above.

35 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012 HK\$m	2011 HK\$m
Non-current		
Unlisted equity securities, at fair value	942.5	814.5
Listed shares in Hong Kong, at market value	66.6	167.9
Listed shares overseas, at market value	—	23.9
	1,009.1	1,006.3
Current		
Unlisted equity securities, at fair value	1.5	1.4
Total	1,010.6	1,007.7
Representing:		
Held for trading	68.1	169.3
Designated as financial assets at fair value through profit or loss	942.5	838.4
Total	1,010.6	1,007.7

NOTES TO THE FINANCIAL STATEMENTS

35 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

	Group	
	2012 HK\$m	2011 HK\$m
United States dollar	856.2	794.9
Hong Kong dollar	66.6	167.9
Renminbi	68.1	—
Others	19.7	44.9
	1,010.6	1,007.7

36 CASH AND BANK BALANCES

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Cash and bank balances	19,320.5	18,098.1	311.0	76.1
Bank deposits				
Restricted	126.6	121.2	—	—
Unrestricted	8,589.2	5,873.5	—	—
	28,036.3	24,092.8	311.0	76.1
Restricted bank deposits included in other non-current assets (note 30)	(2.9)	—	—	—
	28,033.4	24,092.8	311.0	76.1

The effective interest rates on bank deposits range from 0.005% to 5.00% (2011: 0.005% to 4.15%) per annum and these deposits have maturities ranging from 1 to 869 days (2011: 1 to 180 days).

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

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Renminbi	14,393.2	15,325.7	0.1	0.8
United States dollar	8,272.4	2,655.9	21.6	—
Hong Kong dollar	5,181.4	5,920.9	289.3	75.3
Others	189.3	190.3	—	—
	28,036.3	24,092.8	311.0	76.1

Restricted bank deposits are funds which are pledged to secure certain borrowings (note 41), interest rate swaps and advance payment guarantee.

The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

NOTES TO THE FINANCIAL STATEMENTS

37 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	Group	
	2012 HK\$m	2011 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses	20,691.1	16,687.6
Progress payments received and receivable	(20,637.2)	(16,665.8)
	53.9	21.8
Representing:		
Gross amounts due from customers for contract work (note 34)	225.8	173.8
Gross amounts due to customers for contract work (note 43)	(171.9)	(152.0)
	53.9	21.8

38 NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

	Group	
	2012 HK\$m	2011 HK\$m
Non-current assets classified as assets held for sale		
Assets of Newton Resources reclassified as held for sale (note (a))	–	3,175.5
Listed securities, at market value		
Equity securities listed in Hong Kong	7.8	13.3
Equity securities listed in Mainland China	46.9	57.0
Unlisted equity securities	–	18.5
Property, plant and equipment and land use right	–	7.1
	54.7	3,271.4
Liabilities directly associated with assets held for sale		
Liabilities of Newton Resources reclassified as held for sale (note (a))	–	(601.0)

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

38 NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE (continued)

Note: (Continued)

(a) (Continued)

	2012 HK\$m	2011 HK\$m
Assets		
Property, plant and equipment	–	493.5
Intangible assets (note 21)	–	2,393.2
Cash and bank balances	–	198.1
Other assets	–	90.7
Assets of Newton Resources reclassified as held for sale	–	3,175.5
Liabilities		
Borrowings	–	(486.5)
Other liabilities	–	(114.5)
Liabilities of Newton Resources reclassified as held for sale	–	(601.0)

39 SHARE CAPITAL

	2012		2011	
	Number of shares (million)	HK\$m	Number of shares (million)	HK\$m
Authorised:				
Shares of HK\$1.00 each	10,000.0	10,000.0	10,000.0	10,000.0
Issued and fully paid:				
Shares of HK\$1.00 each				
At beginning of the year	3,990.1	3,990.1	3,918.0	3,918.0
Issue of new shares as scrip dividends (note a)	165.9	165.9	72.1	72.1
Issue of rights shares (note b)	1,995.1	1,995.1	–	–
At end of the year	6,151.1	6,151.1	3,990.1	3,990.1

Notes:

(a) Issue of new shares as scrip dividends

During the year, 116,867,035 and 49,086,903 new shares were issued by the Company at HK\$6.2719 and HK\$8.8217 per share respectively for the settlement of 2011 final scrip dividends and 2012 interim scrip dividends.

(b) Issue of rights shares

During the year, 1,995,062,501 new shares of HK\$1.00 each were issued and allotted under the rights issue at the subscription price of HK\$5.68 each on the basis of one rights share for every two shares held by the shareholders on 28 October 2011.

NOTES TO THE FINANCIAL STATEMENTS

40 RESERVES

	Group									
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Exchange reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2011	37.7	30,556.7	3,430.6	3,541.7	1,050.0	968.1	840.2	5,405.1	53,960.2	99,790.3
Fair value changes of available-for-sale financial assets, net of taxation	-	-	-	(546.6)	-	-	-	-	-	(546.6)
Release of reserve upon disposal of assets held for sale	-	-	-	0.1	-	-	-	(0.4)	-	(0.3)
Release of reserve upon disposal of available-for-sale financial assets, net of taxation	-	-	-	(103.4)	-	-	-	-	-	(103.4)
Release of investment revaluation deficit to the income statement upon impairment of available-for-sale financial assets	-	-	-	446.7	-	-	-	-	-	446.7
Redemption of convertible bonds	-	-	-	-	-	-	(35.7)	-	35.7	-
Issue of new shares as scrip dividends	-	1,000.1	-	-	-	-	-	-	-	1,000.1
Issue of rights shares	-	9,157.2	-	-	-	-	-	-	-	9,157.2
Employees' share-based payments	-	-	-	-	-	126.8	-	-	-	126.8
Share options lapsed	-	-	-	-	-	(824.7)	-	-	824.7	-
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	(110.9)	(110.9)
Release of exchange reserve upon disposal of subsidiaries and associated companies	-	-	-	-	-	-	-	(31.1)	-	(31.1)
Deemed disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	38.6	38.6
Profit attributable to shareholders	-	-	-	-	-	-	-	-	10,139.0	10,139.0
Share of other comprehensive income of jointly controlled entities and associated companies	-	-	-	(1,180.8)	(17.8)	-	-	121.9	(24.7)	(1,101.4)
Cash flow hedges	-	-	-	-	(70.3)	-	-	-	-	(70.3)
Transfer of reserves	-	-	(55.5)	-	28.2	-	-	-	27.3	-
Derecognition of non-controlling interest of Newton Resources	-	-	-	-	46.3	-	-	-	-	46.3
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of taxation	-	-	9.6	-	-	-	-	-	-	9.6
Translation differences	-	-	-	-	-	-	0.4	328.2	-	328.6
2011 final dividend paid	-	-	-	-	-	-	-	-	(1,117.2)	(1,117.2)
2012 interim dividend paid	-	-	-	-	-	-	-	-	(610.2)	(610.2)
At 30 June 2012	37.7	40,714.0	3,384.7	2,157.7	1,036.4	270.2	804.9	5,823.7	63,162.5	117,391.8
Representing:										
At 30 June 2012	37.7	40,714.0	3,384.7	2,157.7	1,036.4	270.2	804.9	5,823.7	61,439.7	115,669.0
2012 proposed final dividend	-	-	-	-	-	-	-	-	1,722.8	1,722.8
	37.7	40,714.0	3,384.7	2,157.7	1,036.4	270.2	804.9	5,823.7	63,162.5	117,391.8

NOTES TO THE FINANCIAL STATEMENTS

40 RESERVES (continued)

	Group									
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Exchange reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2010	37.7	29,608.6	1,129.3	1,879.5	1,029.2	952.3	840.1	3,526.1	46,471.7	85,474.5
Fair value changes of available-for-sale financial assets, net of taxation	–	–	–	261.6	–	–	–	–	–	261.6
Release of reserve upon disposal of assets held for sale	–	–	–	0.6	(0.1)	–	–	(18.2)	–	(17.7)
Release of reserve upon disposal of available-for-sale financial assets, net of taxation	–	–	–	(489.6)	–	–	–	–	–	(489.6)
Release of investment revaluation deficit to the income statement upon impairment of available-for- sale financial assets	–	–	–	123.5	–	–	–	–	–	123.5
Repurchase of convertible bonds	–	–	–	–	–	–	(1.9)	–	0.6	(1.3)
Issue of new shares as scrip dividends	–	948.1	–	–	–	–	–	–	–	948.1
Employees' share-based payments	–	–	–	–	–	25.1	–	–	–	25.1
Share options lapsed	–	–	–	–	–	(9.3)	–	–	9.3	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	(149.5)	(149.5)
Release of exchange reserve upon disposal of subsidiaries	–	–	–	–	–	–	–	(6.5)	–	(6.5)
Deemed disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	(3.7)	(3.7)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	9,153.9	9,153.9
Share of other comprehensive income of jointly controlled entities and associated companies	–	–	–	1,766.1	(8.2)	–	–	680.7	–	2,438.6
Cash flow hedges	–	–	–	–	0.9	–	–	–	–	0.9
Transfer of reserves	–	–	–	–	28.2	–	–	–	(28.2)	–
Revaluation of property upon reclassification, from property, plant and equipment to investment properties, net of taxation	–	–	2,301.3	–	–	–	–	–	–	2,301.3
Translation differences	–	–	–	–	–	–	2.0	1,223.0	–	1,225.0
2010 final dividend paid	–	–	–	–	–	–	–	–	(1,097.0)	(1,097.0)
2011 interim dividend paid	–	–	–	–	–	–	–	–	(396.9)	(396.9)
At 30 June 2011	37.7	30,556.7	3,430.6	3,541.7	1,050.0	968.1	840.2	5,405.1	53,960.2	99,790.3
Representing:										
At 30 June 2011	37.7	30,556.7	3,430.6	3,541.7	1,050.0	968.1	840.2	5,405.1	52,843.0	98,673.1
2011 proposed final dividend	–	–	–	–	–	–	–	–	1,117.2	1,117.2
	37.7	30,556.7	3,430.6	3,541.7	1,050.0	968.1	840.2	5,405.1	53,960.2	99,790.3

NOTES TO THE FINANCIAL STATEMENTS

40 RESERVES (continued)

Note:

Effect on transfer to the non-controlling interests of the Group for the year ended 30 June 2012:

	2012 HK\$m	2011 HK\$m
Total comprehensive income for the year attributable to the shareholders of the Company	9,070.8	14,991.0
Transfer to the non-controlling interests		
Acquisition of additional interests in subsidiaries	(110.9)	(149.5)
Deemed disposal of interests in subsidiaries	38.6	(3.7)
Net transfer to the non-controlling interests	(72.3)	(153.2)
Total comprehensive income for the year attributable to the shareholders of the Company and net transfer to the non-controlling interests	8,998.5	14,837.8

	Company					Total HK\$m
	Capital redemption reserve HK\$m	Share premium HK\$m	Investment revaluation reserve HK\$m	Employees' share-based compensation reserve HK\$m	Retained profits HK\$m	
At 1 July 2011	37.7	30,556.7	7.8	782.9	13,244.4	44,629.5
Issue of shares as scrip dividends	–	1,000.1	–	–	–	1,000.1
Issue of rights shares	–	9,157.2	–	–	–	9,157.2
Employees' share-based payments	–	–	–	113.4	–	113.4
Share options lapsed	–	–	–	(782.9)	782.9	–
Fair value changes of available-for-sale financial assets	–	–	5.0	–	–	5.0
Profit for the year	–	–	–	–	1,886.8	1,886.8
2011 final dividend paid	–	–	–	–	(1,117.2)	(1,117.2)
2012 interim dividend paid	–	–	–	–	(610.2)	(610.2)
At 30 June 2012	37.7	40,714.0	12.8	113.4	14,186.7	55,064.6
Representing:						
At 30 June 2012	37.7	40,714.0	12.8	113.4	12,463.9	53,341.8
2012 proposed final dividend	–	–	–	–	1,722.8	1,722.8
	37.7	40,714.0	12.8	113.4	14,186.7	55,064.6

NOTES TO THE FINANCIAL STATEMENTS

40 RESERVES (continued)

Note: (continued)

	Company					Total HK\$m
	Capital redemption reserve HK\$m	Share premium HK\$m	Investment revaluation reserve HK\$m	Employees' share-based compensation reserve HK\$m	Retained profits HK\$m	
At 1 July 2010	37.7	29,608.6	14.4	786.4	13,676.8	44,123.9
Issue of shares as scrip dividends	–	948.1	–	–	–	948.1
Employees' share-based payments	–	–	–	4.8	–	4.8
Share options lapsed	–	–	–	(8.3)	8.3	–
Changes in fair value of available-for-sale financial assets	–	–	(6.6)	–	–	(6.6)
Profit for the year	–	–	–	–	1,053.2	1,053.2
2010 final dividend paid	–	–	–	–	(1,097.0)	(1,097.0)
2011 interim dividend paid	–	–	–	–	(396.9)	(396.9)
At 30 June 2011	37.7	30,556.7	7.8	782.9	13,244.4	44,629.5
Representing:						
At 30 June 2011	37.7	30,556.7	7.8	782.9	12,127.2	43,512.3
2011 proposed final dividend	–	–	–	–	1,117.2	1,117.2
	37.7	30,556.7	7.8	782.9	13,244.4	44,629.5

41 BORROWINGS

	Group	
	2012 HK\$m	2011 HK\$m
Long-term borrowings		
Secured bank loans	28,673.8	16,656.5
Unsecured bank loans	28,117.8	22,378.9
Fixed rate bonds	16,429.2	5,838.9
Convertible bonds (note (b))	6,873.9	6,856.9
Loans from non-controlling shareholders (note (c))	142.9	141.8
	80,237.6	51,873.0
Current portion of long-term borrowings	(12,391.8)	(13,023.1)
	67,845.8	38,849.9
Short-term borrowings		
Secured bank loans	4,046.0	4,507.1
Unsecured bank loans	1,664.0	2,692.3
Other unsecured loans	5.0	154.6
Loans from non-controlling shareholders (note (c))	2,758.8	1,381.7
	8,473.8	8,735.7
Current portion of long-term borrowings	12,391.8	13,023.1
	20,865.6	21,758.8
Total borrowings	88,711.4	60,608.7

NOTES TO THE FINANCIAL STATEMENTS

41 BORROWINGS (continued)

Notes:

(a) Bank loans and fixed rate bonds are repayable as follows:

	Group			
	Bank loans		Fixed rate bonds	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Within one year	18,101.8	19,845.3	–	–
In the second year	9,443.6	12,296.8	–	–
In the third to fifth year	30,691.3	11,415.2	10,267.5	–
After the fifth year	4,264.9	2,677.5	6,161.7	5,838.9
	62,501.6	46,234.8	16,429.2	5,838.9

(b) Convertible bonds

	Group			
	Carrying amount		Fair value	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Convertible bonds due June 2014 (note (i))	6,873.9	6,479.7	7,086.0	6,710.0
Convertible bonds due June 2012 (note (ii))	–	377.2	–	370.3
	6,873.9	6,856.9	7,086.0	7,080.3

(i) The bonds, issued by a subsidiary of the Company are guaranteed by the Company and convertible into shares of the Company at an initial conversion price of HK\$26.784 per share at any time on and after 16 July 2007 up to 25 May 2014, subject to adjustments according to the terms governing the convertible bonds. The bonds are redeemable by the issuer at any time on or after 4 June 2012 at the option of the issuer, subject to the terms governing the convertible bonds. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed on the maturity date on 4 June 2014 at 128.3716% of the principal amount. As at 30 June 2012, the outstanding principal amount was HK\$6,000.0 million (2011: HK\$6,000.0 million).

The fair value of the liability component of the convertible bonds at 30 June 2012, was estimated using cash flows discounted at a rate of 4.41% (2011: 4.46%).

Interest expense on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 6.1% (2011: 6.1%) per annum to the liability component.

(ii) During the year, NWCL redeemed the Renminbi convertible bonds with principal amount of RMB313.2 million (2011: repurchased principal amount of RMB18.0 million).

The bonds, issued by a subsidiary of NWCL are guaranteed by NWCL and convertible into shares of NWCL at an initial conversion price of HK\$8.044 per share at any time on and after 26 June 2007 up to 26 May 2012, with the Renminbi principal amount of the bonds translated into Hong Kong dollar at a fixed rate of HK\$1 to RMB0.9848, subject to adjustments according to the terms governing the convertible bonds. The bonds are redeemable by the issuer at any time on or after 11 June 2010 at the option of the issuer, subject to the terms governing the convertible bonds. Moreover, the bondholders have the option to redeem all or some of the bonds held by them on 11 June 2010 at 102.27% of the principal amount. As at 30 June 2011, the outstanding principal amount was RMB313.2 million.

The fair value of the liability component of the convertible bonds at 30 June 2011 was estimated using cash flows discounted at a rate of 6.1%.

Interest expense on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 4.1% (2011: 4.1%) per annum to the liability component.

(c) Loans from non-controlling shareholders

The loans of HK\$47.8 million (2011: HK\$37.2 million) are unsecured and interest bearing at fixed rates of 5.0% (2011: 5.0%) per annum. The remaining loans are unsecured and interest free. A total amount of HK\$142.9 million (2011: HK\$141.8 million) is not repayable within the next 12 months and the remaining balances have no specific repayment term.

NOTES TO THE FINANCIAL STATEMENTS

41 BORROWINGS (continued)

Notes: (continued)

(d) Effective interest rates

	2012				2011			
	Hong Kong dollar	Renminbi	United States dollar	Japanese yen and others	Hong Kong dollar	Renminbi	United States dollar	Japanese yen and others
Bank borrowings	1.8%	5.6%	5.2%	1.7%	1.2%	5.7%	5.2%	0.5%
Fixed rate bonds	5.7%	7.1%	6.8%	–	–	–	7.0%	–
Loans from non-controlling shareholders	5.0%	–	–	–	5.0%	–	–	–
Other unsecured loans	3.0%	–	–	–	3.0%	–	–	–

The effective interest rates of the convertible bonds are disclosed in notes (b) above.

(e) Carrying amounts and fair values of the borrowings

The fair value of the liability component of the convertible bonds at the end of each reporting period is disclosed in note (b) above. The fair value of the fixed rate bonds at the end of the reporting period is HK\$17,170.8 million (2011: HK\$5,938.1 million). The carrying amounts of other borrowings approximate their fair values.

(f) Currencies

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

	Group	
	2012 HK\$m	2011 HK\$m
Hong Kong dollar	55,048.2	43,855.8
Renminbi	21,251.2	9,322.6
United States dollar	12,325.5	7,364.1
Japanese yen and others	86.5	66.2
	88,711.4	60,608.7

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

	Group				
	Bank loans HK\$m	Other loans HK\$m	Loans from non-controlling shareholders HK\$m	Fixed rate bonds HK\$m	Total HK\$m
2012					
Within one to five year	62,501.6	5.0	–	10,267.5	72,774.1
After the fifth year	–	–	47.8	6,161.7	6,209.5
	62,501.6	5.0	47.8	16,429.2	78,983.6
2011					
Within one to five year	46,234.8	154.6	–	–	46,389.4
After the fifth year	–	–	37.2	5,838.9	5,876.1
	46,234.8	154.6	37.2	5,838.9	52,265.5

NOTES TO THE FINANCIAL STATEMENTS

42 OTHER NON-CURRENT LIABILITIES

	Group	
	2012 HK\$m	2011 HK\$m
Deferred income	14.8	14.8
Provision for long service payments	41.7	32.4
Long-term accounts payable	640.1	603.5
	696.6	650.7

43 CREDITORS AND ACCRUED CHARGES

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Trade creditors (note (a))	7,769.9	8,541.7	—	—
Amounts due to customers for contract work (note 37)	171.9	152.0	—	—
Deposits received on sale of properties	5,078.6	4,853.4	—	—
Amounts due to jointly controlled entities (note (b))	1,659.2	1,710.5	—	—
Amounts due to associated companies (note (b))	432.8	679.8	69.9	—
Other creditors and accrued charges	10,160.6	7,818.6	449.5	2,295.8
	25,273.0	23,756.0	519.4	2,295.8

Notes:

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

	Group	
	2012 HK\$m	2011 HK\$m
Current to 30 days	5,767.9	6,808.6
31 to 60 days	832.2	644.0
Over 60 days	1,169.8	1,089.1
	7,769.9	8,541.7

(b) The amounts payable are interest free, unsecured and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

43 CREDITORS AND ACCRUED CHARGES (continued)

Notes: (continued)

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

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Renminbi	14,644.5	11,970.5	–	–
Hong Kong dollar	9,790.3	11,114.8	519.4	2,295.8
United States dollar	538.4	172.3	–	–
Macau Pataca	237.5	469.5	–	–
Others	62.3	28.9	–	–
	25,273.0	23,756.0	519.4	2,295.8

44 FINANCIAL INSTRUMENTS BY CATEGORY

In accordance with HKFRS 7, the financial assets and financial liabilities of the Group and the Company as shown in the statement of financial positions are classified as follows:

- (a) Financial assets at fair value through profit or loss and derivative financial instruments are categorised as financial assets at fair value through profit or loss and carried at fair value;
- (b) Available-for-sale financial assets are categorised as available-for-sale financial assets and carried at fair value;
- (c) Held-to-maturity investments are categorised as held-to-maturity investments and carried at amortised cost using the effective interest method;
- (d) Long-term receivables, long-term deposits, restricted bank deposits, trade and other debtors, and cash and bank balances are categorised as loans and receivables and carried at amortised cost using the effective interest method; and
- (e) Borrowings, trade and other creditors are categorised as financial liabilities and carried at amortised cost using the effective interest method. Derivative financial liabilities are categorised as financial liabilities at fair value through profit or loss and carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS

45 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Contracted but not provided for				
Property, plant and equipment	1,153.8	704.3	—	—
Investment properties under development	4,484.7	626.6	—	—
Subsidiary	—	1,911.8	—	55.0
Jointly controlled entities	915.0	1,345.7	—	—
Other investments	56.6	77.8	—	—
Capital contribution for development projects	—	14.0	—	—
	6,610.1	4,680.2	—	55.0
Authorised but not contracted for				
Property, plant and equipment	412.9	163.4	—	—
Intangible concession right	15.3	—	—	—
Capital contribution for a proposed investment	7.2	60.0	—	—
	435.4	223.4	—	—

The Group's share of capital commitments of the jointly controlled entities not included above are as follows:

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Contracted but not provided for	911.3	786.5	—	—
Authorised but not contracted for	817.5	525.8	—	—
	1,728.8	1,312.3	—	—

The Group's share of capital commitments of the asset held for sale not included above are as follows:

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Contracted but not provided for	—	194.8	—	—
Authorised but not contracted for	—	962.5	—	—
	—	1,157.3	—	—

NOTES TO THE FINANCIAL STATEMENTS

45 COMMITMENTS (continued)**(b) Commitments under operating leases**

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

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
Land and buildings				
In the first year	676.8	500.1	3.6	6.6
In the second to the fifth year inclusive	3,215.3	2,046.3	–	3.6
After the fifth year	7,565.4	5,666.7	–	–
	11,457.5	8,213.1	3.6	10.2

The Group leases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms ranging from 1 to 22 years. Certain of these leases have escalation clauses and renewal rights.

(c) Operating lease receivable

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

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
In the first year	1,503.6	1,175.2	8.7	8.6
In the second to the fifth year inclusive	2,788.9	2,176.4	9.5	18.3
After the fifth year	848.0	685.4	–	–
	5,140.5	4,037.0	18.2	26.9

The Group's operating leases are for terms ranging from 1 to 10 years.

NOTES TO THE FINANCIAL STATEMENTS

46 CONTINGENT LIABILITIES AND FINANCIAL GUARANTEE

	Group		Company	
	2012 HK\$m	2011 HK\$m	2012 HK\$m	2011 HK\$m
(a) The Group's and the Company's financial guarantee contracts are as follows:				
Mortgage facilities for certain purchasers of properties	1,557.7	1,714.9	—	—
Guarantees for credit facilities granted to				
Subsidiaries	—	—	39,213.4	32,418.2
Jointly controlled entities	7,190.3	7,627.6	4,738.1	4,779.5
Associated companies	96.4	125.0	96.4	125.0
Investee companies included under available-for-sale financial assets	111.7	148.5	—	—
Guarantee for convertible bonds issued by a subsidiary	—	—	6,000.0	6,000.0
Guarantee for fixed rate bonds issued by a subsidiary	—	—	6,152.5	5,812.5
Indemnity to non-wholly owned subsidiaries for Mainland China tax liabilities	1,856.0	1,984.0	6,166.9	6,586.5
	10,812.1	11,600.0	62,367.3	55,721.7
(b) The Group's share of contingent liabilities of the jointly controlled entities not included above are as follows:				
Share of contingent liabilities of jointly controlled entities	14.7	2.6	—	—

The Group is in dispute with a joint venture partner in respect of certain property development projects in Mainland China and the parties have taken legal actions against each other in Hong Kong. No statement of claims setting out details of the claims against the Group has been filed. The Group expects that there will not be a material adverse impact on the financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

47 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2012 HK\$m	2011 HK\$m
Operating profit	16,115.0	12,285.7
Depreciation	884.4	835.6
Amortisation	719.8	182.7
Changes in fair value of investment properties	(4,902.7)	(3,534.6)
Write back of provision for investments, loans and other receivables	(24.7)	(275.2)
Gain on remeasuring previously held net assets of a jointly controlled operation at fair value upon acquiring control	–	(437.2)
Gain on remeasuring previously held interest of a jointly controlled entity at fair value upon further acquisition to become a subsidiary	(204.8)	–
Gain on deemed disposal of interest in a subsidiary	(1,842.7)	–
Excess of fair value of net assets acquired over the cost of acquisition of interests of subsidiaries	–	(86.1)
Net loss on fair value of financial assets at fair value through profit or loss	789.9	482.2
Gain on repurchase of convertible bonds	–	(1.3)
Net (profit)/loss on disposal of		
Investment properties, property, plant and equipment and land use rights	(36.1)	(455.3)
Assets held for sale	(99.8)	(499.6)
Available-for-sale financial assets	(246.4)	(666.7)
Financial assets at fair value through profit or loss	(51.7)	78.6
Subsidiaries	(148.2)	(22.0)
Jointly controlled entities	(347.8)	30.9
Associated companies	(86.9)	(10.2)
Impairment loss on		
Available-for-sale financial assets	568.8	149.1
Loans and other receivables	2.3	43.7
Property held for sale, properties for development and property, plant and equipment	85.6	438.0
Dividend income from available-for-sale financial assets and financial assets at fair value through profit or loss	(76.0)	(82.8)
Share option expenses	131.6	30.8
Net exchange gain	(282.0)	(901.5)
Operating profit before working capital changes	10,947.6	7,584.8
Increase in inventories	(145.5)	(122.9)
Increase in properties for/under development and held for sale	(22,342.4)	(3,782.8)
(Increase)/decrease in debtors and prepayments	(1,030.4)	675.0
Decrease in creditors and accrued charges	(148.2)	(2,039.1)
Net cash (used in)/generated from operations	(12,718.9)	2,315.0

NOTES TO THE FINANCIAL STATEMENTS

47 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**(b) Acquisition of subsidiaries**

	2012 HK\$m	2011 HK\$m
Net assets acquired		
Investment properties	1,792.6	3,135.0
Property, plant and equipment	83.2	127.9
Interests in a jointly controlled entity and associated companies	639.4	—
Deferred tax assets	97.6	78.1
Intangible concession rights	16,197.7	—
Intangible assets, other than goodwill	1,626.7	—
Available-for-sale financial assets	23.3	—
Other non-current assets	—	1.1
Inventories	24.5	8.7
Debtors and prepayments	258.4	107.4
Cash and bank balances	866.9	137.5
Restricted cash balances	571.3	—
Creditors and accrued charges	(1,271.7)	(672.0)
Other non-current liabilities	—	(26.3)
Current tax payable	(148.0)	(7.1)
Deferred tax liabilities	(2,580.8)	(170.4)
Borrowings	(6,301.2)	—
Non-controlling interests	(3,833.9)	—
Net assets	8,046.0	2,719.9
Interests originally held by the Group as jointly controlled entities	(3,027.6)	—
Net assets originally held by the Group in a jointly controlled operation	—	(1,045.4)
	5,018.4	1,674.5
Goodwill on acquisition	816.5	285.6
Excess of the fair value of net assets acquired over the cost of acquisition of interests of subsidiaries	—	(86.1)
Gain on remeasuring previously held net assets of a jointly controlled operation at fair value upon acquiring control	—	(437.2)
Gain on remeasuring previously held interest of a jointly controlled entity at fair value upon further acquisition to become a subsidiary	(204.8)	—
Consideration	5,630.1	1,436.8

NOTES TO THE FINANCIAL STATEMENTS

47 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**(c) Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries**

	2012 HK\$m	2011 HK\$m
Cash consideration	(5,630.1)	(1,436.8)
Cash and cash equivalents acquired	686.2	137.5
	(4,943.9)	(1,299.3)

(d) Disposal of subsidiaries

	2012 HK\$m	2011 HK\$m
Net assets disposed		
Investment properties	1,123.3	–
Property, plant and equipment	–	7.5
Debtors and prepayments	69.8	237.8
Cash and bank balances	6.6	342.2
Creditors and accrued charges	(13.8)	(313.8)
Current tax payable	–	(2.6)
Deferred tax liabilities	(1.1)	–
Non-controlling interests	18.3	–
Net assets	1,203.1	271.1
Interest retained by the Group as a jointly controlled entity	(77.9)	–
	1,125.2	271.1
Release of exchange reserves upon disposal	(33.1)	(10.6)
Net gain on disposal of subsidiaries	148.2	22.0
Consideration	1,240.3	282.5

NOTES TO THE FINANCIAL STATEMENTS

47 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**(e) Analysis of net inflow/(outflow) of cash and cash equivalents in respect of disposal of subsidiaries**

	2012 HK\$m	2011 HK\$m
Cash consideration	1,240.3	282.5
Cash and cash equivalents disposed	(6.6)	(342.2)
	1,233.7	(59.7)

48 BUSINESS COMBINATION**(a) Acquisition of Hangzhou Ring Road**

As at 30 June 2012, the Group, through Moscan Developments Limited ("Moscan"), an indirect wholly owned subsidiary of NWSH, had acquired 100% equity interest in both Widefaith Group Limited ("Widefaith") and Chinese Future Corporation ("CFC"), which together representing a 95% effective interest in a project company (the "Project Company") operating Hangzhou Ring Road in Zhejiang Province in the PRC at a total consideration of US\$1,073.0 million (equivalent to approximately HK\$8,358.0 million), in which HK\$1,588.9 million was paid as deposit as at 30 June 2011, HK\$6,769.1 million was paid during the year. The transaction was completed by four phases as follows:

- (i) Phase 1: In June 2011, Moscan entered into a sale and purchase agreement to acquire an approximately 22.68% equity interest in CFC, representing an approximately 21.55% effective interest in the Project Company at a consideration of US\$226.9 million (equivalent to approximately HK\$1,765.4 million). As at 30 June 2011, NWSH paid a deposit of approximately HK\$1,588.9 million. This acquisition was completed on 5 July 2011 and CFC became a then jointly controlled entity of NWSH.
- (ii) Phase 2: In July 2011, Moscan acquired a 25% equity interest in Widefaith, representing an approximately 12.11% effective interest in the Project Company, at a consideration of US\$145.2 million (equivalent to approximately HK\$1,131.3 million).
- (iii) Phase 3: In September 2011, Moscan further acquired an approximately 26.32% equity interest in CFC, representing an approximately 25% effective interest in the Project Company at a consideration of approximately US\$283.8 million (equivalent to approximately HK\$2,213.9 million) and a contingent payment of approximately US\$1.6 million (equivalent to approximately HK\$12.9 million). Upon completion of this acquisition, Moscan then held an approximately 61.75% effective interest in CFC, which represented approximately 58.66% effective interest in the Project Company, and CFC became a subsidiary of NWSH and hence a subsidiary of the Group. Details of net assets acquired are stated in note 48(a)(v) below.
- (iv) Phase 4: In November 2011, Moscan entered into a sale and purchase agreement to further acquire a 75% equity interest in Widefaith, representing an approximately 36.34% effective interest in the Project Company, at a consideration of approximately US\$415.5 million (equivalent to approximately HK\$3,234.5 million). All the conditions precedent to this sale and purchase agreement had been fulfilled on 28 December 2011 and completion took place on 6 January 2012. Since then, NWSH owns 100% of the equity interest in both Widefaith and CFC, which together representing a 95% effective interest in the Project Company.

NOTES TO THE FINANCIAL STATEMENTS

48 BUSINESS COMBINATION *(continued)***(a) Acquisition of Hangzhou Ring Road** *(continued)*

(v) Details of net assets acquired are as follows:

	HK\$m
Purchase consideration – cash paid	2,226.8
Fair value of interest held by NWSH as a jointly controlled entity before the business combination	2,934.4
	5,161.2

The recognised amounts of identified assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$m
Property, plant and equipment	17.0
Intangible concession rights	16,197.7
Interests in associated companies	10.9
Debtors and prepayments	83.1
Restricted bank balances	571.3
Cash and bank balances	676.5
Creditors and accrued charges	(593.1)
Current tax payable	(148.0)
Borrowings	(5,589.1)
Deferred tax liabilities	(2,286.4)
Total identifiable net assets	8,939.9
Non-controlling interests	(3,778.7)
Net assets acquired	5,161.2
Represented by:	
Cash paid	2,226.8
Purchase consideration settled in cash	(2,226.8)
Cash and cash equivalents in subsidiaries acquired	495.8
Cash outflow on acquisition	(1,731.0)

NWSH recognised the non-controlling interests of CFC at fair value which approximated the non-controlling interests' share of fair value of identifiable assets acquired and liabilities assumed.

The acquired business contributed revenues of HK\$1,637.6 million and net profit of HK\$551.2 million to NWSH from 17 September 2011 (date of acquisition) to 30 June 2012. If the acquisition had occurred on 1 July 2011, consolidated revenues and consolidated profit of NWSH for the year would have been increased by HK\$344.3 million and HK\$78.0 million respectively.

NOTES TO THE FINANCIAL STATEMENTS

48 BUSINESS COMBINATION (continued)**(b) Acquisition of Rosewood Hotels and Resorts, L.L.C.**

In July 2011, the Group, through NWCL, acquired 100% interest in Rosewood Hotels and Resorts, L.L.C. ("Rosewood") and the intellectual property rights of "Carlyle", a hotel brand, for a consideration of HK\$2,049.3 million. The acquisition was completed on 29 July 2011 and Rosewood became a wholly owned subsidiary of NWCL.

Details of the net assets acquired and goodwill are as follows:

	HK\$m
Purchase consideration – cash paid	2,049.3
Fair value of net assets acquired	(1,726.1)
Goodwill	323.2

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$m
Intangible assets	
Trademarks	614.9
Hotel management contracts	428.1
Process, technology and know-how	38.9
Customer relationships	544.8
Property, plant and equipment	10.7
Debtors and prepayments	76.1
Available-for-sale financial assets	23.3
Cash and bank balances	99.1
Creditors and accrued charges	(109.8)
Net assets acquired	1,726.1
Represented by:	
Cash paid	2,049.3
Purchase consideration settled in cash	(2,049.3)
Cash and cash equivalent in a subsidiary acquired	99.1
Cash outflow on acquisition	(1,950.2)

Since the date of acquisition, Rosewood contributed revenues of approximately HK\$384.9 million and incurred loss of approximately HK\$22.3 million to NWCL. If the acquisition had occurred on 1 July 2011, consolidated revenues of NWCL would have been increased by HK\$21.0 million; consolidated profit of NWCL for the year would have been decreased by HK\$5.5 million.

The goodwill of HK\$323.2 million arising from the acquisition is attributable to the future profitability of the acquired business. The goodwill is expected to be deductible over 15 years for income tax purposes in the United States.

NOTES TO THE FINANCIAL STATEMENTS

48 BUSINESS COMBINATION (continued)**(c) Acquisition of Lanzhou New World Department Store Co., Ltd.**

In November 2011, the Group, through NWDS, acquired the entire equity interest from independent third parties, including all interest and rights, of Lanzhou New World Department Store Co., Ltd., a limited liability company incorporated in the People's Republic of China ("PRC"), for an aggregate consideration of RMB3.5 million (equivalent to approximately HK\$4.3 million).

Details of net liabilities assumed and goodwill are as follows:

	HK\$m
Purchase consideration – cash paid	4.3
Fair value of net liabilities assumed	118.0
Goodwill	122.3

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$m
Property, plant and equipment	28.4
Inventories	5.8
Debtors and prepayments	15.7
Deferred tax assets	21.3
Cash and bank balances	42.9
Creditors and accrued charges	(232.1)
Net liabilities assumed	(118.0)
Represented by:	
Cash paid	4.3
Purchase consideration settled in cash	(4.3)
Cash and cash equivalent in a subsidiary acquired	42.9
Cash inflow on acquisition	38.6

The acquired business contributed revenues of HK\$80.4 million and net profit of HK\$11.7 million to NWDS for the period from 1 November 2011 to 30 June 2012. If the acquisition had occurred on 1 July 2011, consolidated revenues and consolidated profit of NWDS for the year would have been increased by HK\$37.7 million and HK\$2.7 million respectively.

Goodwill can be attributable to the anticipated profitability of the acquired business.

NOTES TO THE FINANCIAL STATEMENTS

48 BUSINESS COMBINATION *(continued)***(d) Acquisition of Moral High Limited**

In November 2011, the Group, through NWDS, acquired the entire equity interest from independent third parties, including all interest and rights, of Moral High Limited ("MHL"), a limited liability company incorporated in Samoa and its wholly owned subsidiary, Peak Moral Commercial Development (Shanghai) Co., Ltd ("PHL"), a limited liability company incorporated in the PRC, for a gross consideration of RMB1,460.0 million (equivalent to approximately HK\$1,792.6 million) less outstanding bank borrowing amount of RMB580.0 million (equivalent to approximately HK\$712.1 million) and an adjustment amount to the net liabilities of MHL and PHL as at the date of acquisition. The net consideration is equivalent to approximately HK\$1,055.9 million.

Details of net assets acquired and goodwill are as follows:

	HK\$m
Purchase consideration – cash paid	1,055.9
Fair value of net assets acquired	(792.7)
Goodwill	263.2

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$m
Investment property	1,792.6
Debtors and prepayments	6.0
Cash and bank balances	13.7
Creditors and accrued charges	(55.9)
Borrowings	(712.1)
Deferred tax liabilities	(251.6)
Net assets acquired	792.7
Represented by:	
Cash paid	1,055.9
Purchase consideration settled in cash	(1,055.9)
Cash and cash equivalent in subsidiaries acquired	13.7
Cash outflow on acquisition	(1,042.2)

The principal activities of MHL is the investment holding and PHL is the property holding and the operation of a retail business in Shanghai. The acquired business contributed revenues of HK\$53.7 million and net profit of HK\$17.2 million to NWDS for the period from 18 November 2011 to 30 June 2012. If the acquisition had occurred on 1 July 2011, consolidated revenues of NWDS would have been increased by HK\$26.6 million; consolidated profit of NWDS for the year would have been decreased by HK\$1.7 million.

Goodwill can be attributable to the anticipated profitability of the acquired business.

NOTES TO THE FINANCIAL STATEMENTS

48 BUSINESS COMBINATION (continued)**(e) Acquisition of Beijing New World Liying Department Store Co., Ltd.**

In January 2012, the Group, through NWDS, acquired the entire equity interest from independent third parties, including all interest and rights, of Beijing New World Liying Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB5.0 million (equivalent to approximately HK\$6.2 million).

Details of net liabilities assumed and goodwill are as follows:

	HK\$m
Purchase consideration – cash paid	6.2
Fair value of net liabilities assumed	101.7
Goodwill	107.9

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$m
Property, plant and equipment	27.1
Inventories	18.7
Debtors and prepayments	62.7
Deferred tax assets	33.4
Cash and bank balances	34.7
Creditors and accrued charges	(278.3)
Net liabilities assumed	(101.7)
Represented by:	
Cash paid	6.2
Purchase consideration settled in cash	(6.2)
Cash and cash equivalent in a subsidiary acquired	34.7
Cash inflow on acquisition	28.5

The acquired business contributed revenues of HK\$112.9 million and net profit of HK\$18.1 million to NWDS for the period from 1 January 2012 to 30 June 2012. If the acquisition had occurred on 1 July 2011, consolidated revenues of NWDS would have been increased by HK\$118.8 million; consolidated profit of NWDS for the year would have been decreased by HK\$9.8 million.

Goodwill can be attributable to the anticipated profitability of the acquired business.

NOTES TO THE FINANCIAL STATEMENTS

48 BUSINESS COMBINATION *(continued)***(f) Acquisition of Istaron Limited**

In March 2012, the Group, through New World Hotels (Holdings) Limited ("NWHH"), acquired from a third party the remaining 50% interest in Istaron Limited ("Istaron"), for a consideration of HK\$287.6 million. The previously held interest in Istaron by the Group was accounted for as a jointly controlled entity. After the acquisition, Istaron was wholly owned by the Group.

Details of net assets acquired are as follows:

	HK\$m
Purchase consideration – cash paid	287.6
Fair value of interest held by NWHH as a jointly controlled entity before the business combination	298.0
	585.6

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$m
Interest in a jointly controlled entity	628.5
Debtors and prepayments	14.8
Creditors and accruals	(2.5)
Non-controlling interests	(55.2)
Net assets acquired	585.6
Represented by:	
Cash paid	287.6
Purchase consideration settled in cash	(287.6)
Cash and cash equivalent in a subsidiary acquired	–
Cash outflow on acquisition	(287.6)

NOTES TO THE FINANCIAL STATEMENTS

49 RELATED PARTY TRANSACTIONS

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

	2012 HK\$m	2011 HK\$m
Jointly controlled entities		
Provision of contracting work services (note (a))	755.7	113.0
Interest income (note (b))	114.9	116.5
Trademark fee income (note (c))	79.7	44.3
Hotel management services fee income (note (d))	8.4	—
Rental expenses (note (e))	282.3	173.1
Write-back of other payable	—	42.3
Associated companies		
Interest income (note (b))	—	0.1
Hotel management services fee income (note (d))	1.5	—
Related companies (note (h))		
Provision of contracting work services (note (a))	4.2	6.7
Rental income (note (e))	124.4	97.5
Other service fee income	111.3	70.5
Hotel management services fee income (note (d))	36.9	—
Rental expenses (note (e))	2.4	30.6
Management fee expenses (note (f))	83.1	111.3
Other receivable (note (g))	—	104.0
Accounts payable (note (g))	118.2	153.4

Notes:

- (a) Revenue from provision of contracting work is principally charged in accordance with respective contracts.
- (b) Interest income is charged at interest rates as specified in notes 23(a) and 24(a) on the outstanding amounts.
- (c) Trademark fee income is charged at annual fee as specified in the contract.
- (d) The hotel management services fee income is charged in accordance with the terms of the management service agreement.
- (e) Rental income and expenses are charged in accordance with respective tenancy agreements.
- (f) Management fee expenses are charged at rates in accordance with relevant contracts.
- (g) The other receivable and accounts payable are unsecured, interest free and are repayable on demand.
- (h) Related companies are subsidiaries and jointly controlled entities of Chow Tai Fook Enterprises Limited and Chow Tai Fook Jewellery Company Limited.
- (i) The balances with jointly controlled entities and associated companies are disclosed in notes 23, 24 and 43.
- (j) No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 16.

NOTES TO THE FINANCIAL STATEMENTS

50 PRINCIPAL SUBSIDIARIES

As at 30 June 2012

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong</i>					
Addlight Investments Limited	9,998	1	–	56	Property investment
	2 ¹	1	–	56	
Adwin Top Limited	2	1	–	100	Property investment
All Speed Investment Limited	2	1	100	100	Property investment
Anway Limited	1	1	–	61	Duty free operation and general trading
AOS Management Limited	2	1	–	100	Management services
Atlantic Land Properties Limited	2	1	100	100	Investment holding
Billion Earn International Limited	1	1	100	100	Property investment
Billion Huge (International) Limited	950,001	1	–	70	Investment holding
Billion Park Investment Limited	1,000,000	1	–	57	Investment holding
Billionoble Investment Limited	4,998	1	–	61	Investment holding
	2 ¹	1	–	61	
Birkenshaw Limited	10,000	1	–	100	Property investment
Bounty Gain Limited	1	1	–	61	Investment holding
Bright Moon Company, Limited	200	10	75	75	Property investment
Calpella Limited	2	10	–	100	Property investment
Cheer Best Enterprises Limited	2	1	100	100	Property investment
Cheering Step Investments Limited	1	1	–	61	Investment holding
Cheong Sing Company Limited	10,000	1	100	100	Property investment
Cheong Yin Company Limited	30,000	100	100	100	Property investment
Chi Lam Investment Company Limited	7,000	100	100	100	Investment holding
Chinese Future Limited	1,000,000	1	–	61	Investment holding
CiF Solutions Limited	10	100	–	61	Provision of information technology solutions
	160,000 ¹	100	–	61	
Deluxe Sign Limited	1	1	100	100	Property development
Discovery Park Commercial Services Limited	2	1	–	100	Property management
DP Properties Limited	4,000	0.25	–	100	Property investment
Fook Hang Trading Company Limited	100	100	85	85	Property investment
Fook Hong Enterprises Company, Limited	10,000	100	100	100	Property investment
Fortune Kingdom Development Limited	2	1	100	100	Property development
Fully H.K. Investments Limited	10,000	1	–	70	Property development
Gold Queen Limited	5,000	1	100	100	Property investment
Grace Crystal Limited	1	1	–	61	Investment holding
Gracejoy Investments Limited	1	1	100	100	Property development
Grand Express International Limited	1	1	–	61	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

50 PRINCIPAL SUBSIDIARIES (continued)

As at 30 June 2012

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
Incorporated and operate in Hong Kong (continued)					
Grand Hyatt Hong Kong Company Limited	1,000	1	–	64	Hotel operation
	9,000 ²	1	–	100	
Hamberlin Company, Limited	1,000	100	–	100	Property development
Happy Champion Limited	2	1	100	100	Investment holding
Head Step Limited	2	1	100	100	Property investment
Hip Hing Builders Company Limited	40,000	1,000	–	61	Construction
	10,000 ¹	1,000	–	61	
Hip Hing Construction Company Limited	400,000	100	–	61	Construction and civil engineering
	600,000 ¹	100	–	61	
Hip Hing Engineering Company Limited	670,000	100	–	61	Building construction
Hip Seng Construction Company Limited	1	1	–	61	Construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	–	61	Management of Hong Kong Convention and Exhibition Centre (“HKCEC”)
	1 ¹	1	–	61	
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	–	61	Investment holding
Hong Kong Island Development Limited	33,400,000	5	6	100	Property investment
Hong Kong Jing-Guang Development Limited	100,000	10	–	52	Investment holding
Honour Shares Limited	100	1	–	100	Investment holding
Howah Development Limited	2	1	100	100	Property development
Istaron Limited	4	1	–	64	Investment holding
Joint Profit Limited	2	1	100	100	Property investment
Joint View International Limited	1	1	–	100	Property development
Kamking Limited	2	1	100	100	Property investment
K11 (China) Limited	1	1	–	100	Investment holding
K11 Concepts Limited	1	1	–	100	Provision of property management consultancy services
K11 Design Store Limited	1	1	–	100	Retail of consumer products
K11 Real Estate Agency Limited	1	1	–	100	Estate agency
Kin Kiu Enterprises, Limited	10,000	1,000	100	100	Investment holding
King Lee Investment Company Limited	300	1,000	100	100	Investment holding
Kiu Lok Property Services (China) Limited	2	1	–	61	Property agency management and consultancy
	2 ¹	1	–	61	

NOTES TO THE FINANCIAL STATEMENTS

50 PRINCIPAL SUBSIDIARIES (continued)

As at 30 June 2012

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong (continued)</i>					
La Tune Limited	2	100	–	100	Property investment
Lingal Limited	1,800	1	–	70	Investment holding
	200 ¹	1	–	–	
Legarleon Finance Limited	4,400,000	10	–	100	Financing
Loyalton Limited	2	10	–	100	Property investment
Macdonnell Hostel Company Limited	2	1	100	100	Hostel operation
Million World Development Limited	100	1	100	100	Property investment
Moral Giant Limited	1	1	100	100	Property investment
New Advent Limited	1	1	–	100	Property investment
New World China Enterprises Projects Limited	2	1	–	100	Project management
New World Department Store (Investment) Limited	3	1	–	72	Investment holding
New World Department Stores Limited	2	1	–	72	Provision of management services to department stores
New World Development (China) Limited	2	1	–	70	Investment holding
	2 ¹	1	100	100	
New World Finance Company Limited	200,000	100	100	100	Financial services
New World-Guangdong Highway Investments Co. Limited	100	100	–	61	Investment holding
	100 ¹	100	–	65	
New World Harbourview Hotel Company Limited	1,000	1	–	64	Hotel operation
	9,000 ²	1	–	100	
New World Hotel Management Limited	1	1	–	70	Hotel management
New World Hotels (Holdings) Limited	576,000,000	0.25	–	64	Investment holding
New World Loyalty Programme Limited	1	1	100	100	Loyalty programme
New World Nominee Limited	2	100	100	100	Nominee services
New World Port Investments Limited	2	1	–	61	Investment holding
New World Property Management Company Limited	1	1	100	100	Property management
New World Real Estate Agency Limited	2	1	100	100	Estate agency
New World Telecommunications Limited	9,999,998	1	–	100	Telecommunication services
	2 ¹	1	–	100	
New World Telephone Holdings Limited	200	1	100	100	Investment holding
New World Tower Company Limited	2	10	–	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS

50 PRINCIPAL SUBSIDIARIES (continued)

As at 30 June 2012

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong (continued)</i>					
New World (Xiamen) Port Investments Limited	2	1	–	61	Investment holding
NW Project Management (HK) Limited	1	1	–	100	Project management
NW Project Management Limited	2	1	–	100	Project management
NWS (Finance) Limited	2	1	–	61	Financial services
NWS Holdings (China) Limited	1,501	1	–	61	Investment holding
NWS Holdings (Finance) Limited	1	1	–	61	Financing
NWS Hong Kong Investment Limited	1	1	–	61	Investment holding
NWS Ports Management (Tianjin) Limited	1	1	–	61	Investment holding
Ocean Front Investment Limited	1	1	–	100	Property investment
Pacific Great Investment Limited	50,000,000	1	–	70	Investment holding
Paterson Plaza Properties Limited	10,000	1	–	100	Property investment
Pearls Limited	100	1	–	92	Property development
Peterson Investment Company Limited	10,000	1	100	100	Property investment
Polytown Company Limited	2	10	–	61	Property investment, operation, marketing, promotion and management of HKCEC
	100,000 ¹	10	–	61	
Polyworth Limited	10	1	–	92	Property development
Pontiff Company Limited	10,000,000	1	–	100	Property investment
Power Estate Investments Limited	1	1	–	100	Property investment
Pridemax Limited	2	1	–	100	Property investment
Profit Now Limited	1	1	–	61	Investment holding
Queen's Land Investment Limited	1,000	1	–	100	Property development
Realray Investments Limited	2	1	100	100	Property investment
Regent Star Investment Limited	1,000	1	–	100	Property development
Richglows Limited	2	1	–	100	Property investment
Silver Rich Holdings Limited	2	1	–	85	Property investment
Sky Connection Limited	100	1	–	61	Duty-free, liquor and tobacco sales
Speed Star Development Limited	2	1	100	100	Property investment
Spring Yield Investments Limited	1	1	–	100	Property investment
Super Memory Limited	2	1	–	100	Property investment
Super Value Development Limited	10,000	1	90	100	Property investment
Tao Yun Company Limited	2	10	–	100	Property investment
Top Flash Investments Limited	10,000	1	90	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS

50 PRINCIPAL SUBSIDIARIES (continued)

As at 30 June 2012

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong (continued)</i>					
Trend Wood Investments Limited	1	HK\$1	–	61	Investment holding
True Hope Investment Limited	4,998	HK\$1	–	61	Investment holding
	2 ¹	HK\$1	–	61	
Try Force Limited	4,998	HK\$1	–	61	Investment holding
	2 ¹	HK\$1	–	61	
Tsuen Wan Properties Limited	200	HK\$100	–	100	Property investment
Twinic International Limited	1	HK\$1	–	61	Investment holding
Urban Parking Limited	10,000,000	HK\$1	–	61	Carpark management
Vibro Construction Company Limited	1,630,000	HK\$100	–	61	Civil engineering
	20,000 ¹	HK\$100	–	61	
Vibro (H.K.) Limited	20,000,004	HK\$3	–	61	Piling, ground investigation and civil engineering
Waking Builders, Limited	20,000	HK\$1,000	–	61	Construction
Waygent Investment Limited	2	HK\$1	100	100	Property investment
Wincy Enterprises Limited	2	HK\$1	100	100	Property investment
Winpo Development Limited	2	HK\$1	100	100	Property investment
Wisemec Enterprises Limited	2	HK\$1	–	61	Investment holding
World Empire Property Limited	2	HK\$1	100	100	Property investment
<i>Incorporated in the Cayman Islands</i>					
Chinese Future Corporation	1,000,000	US\$0.01	–	61	Investment holding
<i>Incorporated in the Cayman Islands and operate in Hong Kong</i>					
New World China Land Limited	8,649,792,519	HK\$0.1	66	70	Investment holding
New World Department Store China Limited	1,686,145,000	HK\$0.1	72	72	Investment holding
New World TMT Limited	952,180,007	HK\$1	–	100	Investment holding
NWS Service Management Limited	1,323,943,165	HK\$0.1	–	61	Investment holding
<i>Incorporated and operate in the Philippines</i>					
New World International Development Philippines, Inc	6,988,016	Peso100	–	27	Hotel operation
NWH Management Philippines, Incorporated	94,920	Peso100	–	70	Hotel management
<i>Incorporated and operate in Malaysia</i>					
Taipan Eagle Sdn. Bhd.	1,000,000	M\$1	–	71	Property development

[#] Represented ordinary share capital, unless otherwise stated¹ Non-voting deferred shares² Non-voting preference shares

NOTES TO THE FINANCIAL STATEMENTS

50 PRINCIPAL SUBSIDIARIES (continued)

As at 30 June 2012

	Registered/ fully paid capital	Attributable interest ^a (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC</i>				
Anshan New World Department Store Co., Ltd.	RMB25,000,000	–	72	Department store operation
Beijing Dongfang Huamei Real Estate Development Co., Ltd.	RMB200,000,000	–	64	Land development
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	–	70	Property sales
Beijing New World Liying Department Store Co., Ltd.	RMB8,787,930	–	72	Department store operation
Beijing New World Qianzi Department Store Co., Ltd.	HK\$60,000,000	–	72	Department store operation
Beijing New World Trendy Department Store Co., Ltd.	RMB25,000,000	–	72	Department store operation
Beijing NW Project Management Consultancy Services Limited	RMB1,000,000	–	100	Project management and consultancy
Beijing Shishang New World Department Store Co., Ltd.	RMB50,000,000	–	72	Department store operation
Beijing Xintong Media & Advertising Co., Ltd.	RMB100,000,000	–	83	Provision of advertising and media related services
Beijing Yixi New World Department Store Co., Ltd.	RMB65,000,000	–	72	Department store operation
Changsha New World Trendy Plaza Co., Ltd.	RMB60,000,000	–	72	Department store operation
Chaoming (Chongqing) Investment Company Limited	US\$80,000,000	–	61	Investment holding
Chengdu New World Department Store Co., Ltd.	RMB20,000,000	–	72	Department store operation
Chengdu Xinyi Real Estate Development Co., Ltd.	US\$99,500,000	–	51	Property development
Chongqing New World Department Store Co., Ltd.	RMB100,000,000	–	72	Department store operation
Dalian New World Plaza International Co., Ltd.	RMB58,000,000	–	62	Property investment and development
Dalian New World Tower Co., Ltd.	US\$146,250,000	–	70	Property investment, development and hotel operation
Dalian Sun Leader Heat Transfer Technology Co., Ltd.	US\$20,500,000	–	85	Development, production and sales of heat transfer device and class A pressure vessel component
Foshan Country Club Co., Ltd.	US\$52,923,600	–	60	Golf club operation
Foshan Country Real Estate Development Co., Ltd.	RMB638,030,000	–	60	Property development
Foshan Da Hao Hu Real Estate Development Co., Ltd.	RMB1,278,558,000	–	60	Property development

NOTES TO THE FINANCIAL STATEMENTS

50 PRINCIPAL SUBSIDIARIES *(continued)*

As at 30 June 2012

	Registered/ fully paid capital	Attributable interest ^a (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC (continued)</i>				
Foshan Gaoming Xinming Bridge Co., Ltd.	RMB60,000,000	–	18	Operation of toll bridge
Guangxi Beiliu Xinbei Highways Co., Ltd.	RMB59,520,000	–	61	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	RMB57,680,000	–	61	Operation of toll road
Guangxi Yulin Xinye Highways Co., Ltd.	RMB63,800,000	–	36	Operation of toll road
Guangxi Yulin Xinyu Highways Co., Ltd.	RMB96,000,000	–	39	Operation of toll road
Guangzhou Fong Chuen-New World Property Development Ltd.	RMB330,000,000	–	70	Property development
Guangzhou Jixian Zhuang New World City Garden Development Limited	US\$24,000,000	–	70	Property development
Guangzhou Metropolitan Properties Co., Ltd.	HK\$140,000,000	100	100	Property investment
Guangzhou New World Properties Development Co., Ltd.	HK\$220,000,000	100	100	Property investment
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	RMB200,000,000	–	70	Property development
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	RMB244,000,000	–	70	Property development
Guangzhou Xin Sui Tourism Centre Ltd.	HK\$100,000,000	–	70	Property development
Guangzhou Xin Yi Development Limited	HK\$286,000,000	–	63	Property investment and development
Guiyang New World Real Estate Co., Ltd.	US\$206,350,000	–	85	Property development
Haikou New World Housing Development Ltd.	US\$8,000,000	–	70	Property development
Hangzhou Guoyi Expressway and Bridge Management Co., Ltd.	US\$320,590,000	–	58	Operation of toll road
Harbin New World Department Store Co., Ltd.	RMB126,000,000	–	72	Department store operation
Huamei Wealth (Beijing) Technology Co., Ltd.	RMB640,000,000	–	70	Property investment
Hubei New World Department Store Co., Ltd.	RMB50,000,000	–	72	Department store operation
Hunan Fortune Lake Property Development Co., Ltd.	RMB55,800,000	–	70	Property development
Hunan Success New Century Investment Company Limited	RMB646,000,000	–	81	Property development
Jiangsu New World Department Store Co., Ltd.	RMB16,000,000	–	72	Department store operation
Jinan New World Sunshine Development Ltd.	US\$69,980,000	–	70	Property development
K11 Cocepts (Beijing) Limited	RMB8,000,000	–	100	Business consultancy
K11 Concepts (Shanghai) Limited	RMB5,000,000	–	100	Business consultancy
Langfang New World Properties Development Co., Ltd.	US\$40,300,000	–	70	Property development

NOTES TO THE FINANCIAL STATEMENTS

50 PRINCIPAL SUBSIDIARIES (continued)

As at 30 June 2012

	Registered/ fully paid capital	Attributable interest ^a (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC (continued)</i>				
Langfang Xin Zhong Properties Development Co., Ltd.	US\$38,200,000	–	70	Property development
Lanzhou New World Department Store Co., Ltd.	RMB22,282,260	–	72	Department store operation
Nanjing New World Real Estate Co., Ltd.	US\$45,339,518	–	70	Property investment
New World Anderson (Tianjin) Development Co., Ltd.	US\$5,500,000	–	70	Property investment
New World (Anshan) Property Development Co., Ltd.	RMB1,240,000,000	–	70	Property development
New World (China) Investment Limited	US\$130,000,000	–	100	Investment holding
New World China Land (Haikou) Limited	US\$375,000,000	–	70	Property investment and development
New World China Land Investments Company Limited	US\$80,000,000	–	70	Investment holding
New World Department Store (China) Co., Ltd.	RMB50,000,000	–	72	Department store operation
New World Department Stores Investment (China) Co., Ltd.	US\$80,000,000	–	72	Investment holding
New World Development (Wuhan) Co., Ltd.	US\$75,000,000	–	70	Property investment and development
New World Goodtrade (Wuhan) Limited	US\$140,000,000	–	70	Property investment and development
New World Hotel Management (Shanghai) Ltd.	RMB500,000	–	70	Hotel management consultancy services
New World (Shenyang) Property Development Limited	RMB2,748,433,634	–	63	Property investment and development
New World Strategic (Beijing) Investment Consultancy Limited	US\$2,400,000	–	100	Investment consultancy
Ningbo Firm Success Consulting Development Co., Ltd.	US\$5,000,000	–	72	Investment holding and provision of consultancy services
Ningbo New World Department Store Co., Ltd.	RMB40,000,000	–	72	Department store operation
Ningbo New World Trendy Department Store Co., Ltd.	RMB20,000,000	–	72	Department store operation
Peak Moral High Commercial Development (Shanghai) Co., Ltd.	US\$40,000,000	–	72	Property investment and shopping mall operation
Shanghai New World Caizi Department Store Co., Ltd.	RMB50,000,000	–	72	Department store operation
Shanghai New World Caixuan Department Store Co., Ltd.	RMB30,000,000	–	72	Department store operation
Shanghai New World Department Store Co., Ltd.	RMB18,000,000	–	72	Department store operation

NOTES TO THE FINANCIAL STATEMENTS

50 PRINCIPAL SUBSIDIARIES (continued)

As at 30 June 2012

	Registered/ fully paid capital	Attributable interest ^a (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC (continued)</i>				
Shanghai New World Huiya Department Store Co., Ltd.	RMB40,000,000	–	72	Department store operation
Shanghai New World Huiying Department Store Co., Ltd.	HK\$50,000,000	–	72	Department store operation
Shanghai New World Trendy Plaza Co., Ltd.	RMB50,000,000	–	72	Department store operation
Shanghai New World Xinying Department Store Co., Ltd.	HK\$100,000,000	–	72	Department store operation
Shanghai Ramada Plaza Ltd.	US\$42,000,000	–	70	Property investment and hotel operation
Shanghai Trio Property Development Co., Ltd.	US\$81,000,000	–	70	Property development and investment
Shanxi Xinda Highways Ltd.	RMB49,000,000	–	54	Operation of toll road
Shanxi Xinhuang Highways Ltd.	RMB56,000,000	–	54	Operation of toll road
Shenyang New World Department Store Ltd.	RMB30,000,000	–	72	Department store operation
Shenyang New World Hotel Co., Ltd.	RMB201,520,000	–	70	Hotel operation and Property development
Shenyang Trendy Property Company Limited	RMB27,880,000	–	72	Property investment
Shenzhen New World Xianglong Network Technology Company Limited	RMB550,000,000	–	100	Exploration of wireless telecommunication network
Shenzhen Top One Real Estate Development Co., Ltd.	HK\$150,000,000	–	70	Property development
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$294,000,000	–	70	Property development
Tang Shan New World Property Development Co., Ltd.	US\$21,120,000	–	70	Property development
Tianjin New World Department Store Co., Ltd.	US\$5,000,000	–	72	Department store operation
Tianjin New World Housing Development Co., Ltd.	RMB80,000,000	–	70	Property development
Tianjin New World Properties Development Co., Ltd.	US\$91,000,000	–	70	Property development
Tianjin New World Trendy Plaza Co., Ltd.	RMB30,000,000	–	72	Department store operation
Tianjin Xin Guang Development Co., Ltd.	US\$4,500,000	–	70	Property investment
Wuhan New World Department Store Co., Ltd.	US\$15,630,000	–	72	Property investment and department store operation
Wuhan New Eagle Enterprises Co., Limited	US\$2,830,000	–	70	Property investment
Wuhan New World Caixuan Department Store Co., Ltd.	RMB75,000,000	–	72	Department store operation

NOTES TO THE FINANCIAL STATEMENTS

50 PRINCIPAL SUBSIDIARIES (continued)

As at 30 June 2012

	Registered/ fully paid capital	Attributable interest ^a (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC (continued)</i>				
Wuhan New World Trendy Department Store Co., Ltd.	RMB80,000,000	–	72	Department store operation
Wuhan New World Trendy Plaza Co., Ltd.	RMB50,000,000	–	72	Department store operation
Wuhan Xinhan Development Co., Ltd.	US\$16,000,000	–	70	Property development
Wuzhou Xinwu Highways Limited	RMB72,000,000	–	31	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	–	61	Management consultation
Yunnan New World Department Store Co., Ltd.	RMB10,000,000	–	72	Department store operation
Zhaoqing New World Property Development Limited	US\$13,750,000	–	70	Property development
Zhengzhou New World Department Store Co., Ltd.	RMB50,000,000	–	72	Department store operation
<i>Incorporated and operate in Macau</i>				
Barbican (Macau) Limited	MOP25,000	–	61	Construction
Hip Hing Engineering (Macau) Company Limited	MOP100,000	–	61	Construction
Ngo Kee (Macau) Limited	MOP25,000	–	61	Construction
Vibro (Macau) Limited	MOP1,000,000	–	61	Foundation works
<i>Incorporated and operates in the US</i>				
Rosewood Hotels and Resorts, L.L.C.	US\$263,023,748	–	70	Hotel management

^a Profit or cash sharing percentage was adopted for certain PRC entities

NOTES TO THE FINANCIAL STATEMENTS

50 PRINCIPAL SUBSIDIARIES *(continued)*

As at 30 June 2012

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<i>Incorporated in Bermuda and operates in Hong Kong</i>					
NWS Holdings Limited	3,581,550,854	HK\$1	41	61	Investment holding
<i>Incorporated in the British Virgin Islands</i>					
Beauty Ocean Limited	1	US\$1	–	61	Investment holding
Brilliant Alpha Investment Limited	1	US\$1	–	70	Investment holding
Citiplus Investment Limited	1	US\$1	100	100	Investment holding
Ever Brisk Limited	1	US\$1	–	70	Investment holding
Fine Reputation Incorporated	10,000	US\$1	–	100	Investment holding
Fortune Star Worldwide Limited	100	US\$1	–	70	Investment holding
Fotoland Limited	1	US\$1	–	100	Investment holding
Goodtrade Enterprises Limited	1	US\$1	–	70	Investment holding
HH Holdings Corporation	600,000	HK\$1	60	60	Investment holding
Hing Loong Limited	20,010,000	US\$1	–	100	Investment holding
Hinto Developments Limited	1	US\$1	–	70	Investment holding
Ideal Global International Limited	1	US\$1	–	61	Investment holding
K11 Group Limited	1	HK\$1	100	100	Investment holding
Lotsgain Limited	100	US\$1	–	100	Investment holding
Magic Chance Limited	1	US\$1	–	70	Investment holding
Moscan Developments Limited	1	US\$1	–	61	Investment holding
New World Capital Finance Limited	1	US\$1	100	100	Bond issuer
New World China Land Finance Limited	1	US\$1	–	70	Financing
New World Enterprise Holdings Limited	1	US\$1	100	100	Investment holding
New World Hotels Corporation Limited	1	US\$1	–	64	Investment holding
New World Hotel Management (BVI) Limited	1,000	US\$1	–	70	Investment holding
NWD (MTN) Limited	1	US\$1	100	100	Bond issuer
NWS CON Limited	1	HK\$1	–	61	Investment holding
NWS Construction Limited	1	US\$1	–	61	Investment holding
NWS Infrastructure Bridges Limited	1	US\$1	–	61	Investment holding
NWS Infrastructure Power Limited	1	US\$1	–	61	Investment holding
NWS Infrastructure Roads Limited	1	US\$1	–	61	Investment holding
NWS Infrastructure Water Limited	1	US\$1	–	61	Investment holding
Penta Enterprises Limited	1	US\$1	100	100	Investment holding
Radiant Glow Limited	1	US\$1	–	70	Investment holding
Right Choice International Limited	200	US\$1	–	45	Property investment
Right Heart Associates Limited	4	US\$1	–	61	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

50 PRINCIPAL SUBSIDIARIES (continued)

As at 30 June 2012

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<i>Incorporated in the British Virgin Islands (continued)</i>					
Righteous Corporation	1	US\$1	–	61	Investment holding
Rise Reach Group Limited	1	US\$1	–	61	Investment holding
Rosy Unicorn Limited	1	US\$1	–	61	Financing
Silvery Castle Limited	1	US\$1	–	61	Financing
Sparkling Rainbow Limited	1	US\$1	–	70	Investment holding
Steadfast International Limited	2	US\$1	100	100	Investment holding
Stockfield Limited	1	US\$1	–	61	Investment holding
Sweet Prospects Enterprises Limited	1	US\$1	–	70	Investment holding
True Blue Developments Limited	1	US\$1	–	70	Investment holding
Twin Glory Investments Limited	1	US\$1	–	70	Investment holding
Upper Start Holdings Limited	1	US\$1	–	100	Investment holding
Winner World Group Limited	10	US\$1	100	100	Investment holding
<i>Incorporated in the British Virgin Islands and operate in Hong Kong</i>					
Best Star Investments Limited	1	US\$1	–	61	Investment holding
China Sincere Limited	1	US\$1	–	72	Financing
Creative Profit Group Limited	1	US\$1	–	61	Investment holding
Economic Velocity Limited	1	US\$1	–	61	Investment holding
Fita International Limited	1	–	100	100	Bond issuer
Forever Great Development Limited	1	US\$1	–	61	Investment holding
Great Start Group Corporation	1	US\$1	–	61	Investment holding
Hetro Limited	101	US\$1	–	61	Investment holding
Lucky Strong Limited	1	US\$1	–	61	Investment holding
New World Strategic Investment Limited	1	US\$1	100	100	Investment holding
NWS Financial Management Services Limited	1	US\$1	–	61	Investment holding
NWS Infrastructure Management Limited	2	US\$1	–	61	Investment holding
NWS Ports Management Limited	2	US\$1	–	61	Investment holding
Park New Astor Hotel Limited	101	US\$1	–	100	Property investment
Sherson Limited	1	–	100	100	Bond issuer
Shine Fame Holdings Limited	1	US\$1	–	61	Operation of logistics centre
South Scarlet Limited	1	US\$1	100	100	Hotel operation
Sunny Start Group Limited	1	US\$1	–	61	Investment holding
Tin Fook Development Limited	1	US\$1	–	61	Investment holding
Vimanda Profits Limited	2	US\$1	100	100	Property investment

[#] Represented ordinary share capital, unless otherwise stated

NOTES TO THE FINANCIAL STATEMENTS

51 PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at 30 June 2012

	Registered/ fully paid capital	Attributable interest ⁿ (%)		Principal activities
		To the Company	To the Group	
Equity joint ventures				
<i>Incorporated and operate in the PRC</i>				
China United International Rail Containers Co., Limited	RMB4,125,501,219	–	18	Operation of rail container terminal and related business
Chongqing Suyu Business Development Company Limited	RMB650,000,000	–	30	Investment holding
Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd.	US\$16,950,000	–	34	Golf club and resort operation
Guangzhou City Chuangyue Transport Electronic Technology Company Limited	HK\$1,500,000	–	20	Development of transport electric technology
Guangzhou Development Nansha Power Co., Ltd.	RMB350,000,000	–	13	Generation and supply of electricity
Guangzhou Oriental Power Co., Ltd.	RMB990,000,000	–	15	Generation and supply of electricity
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB613,361,800	–	21	Wholesale assembling and storage of fuel
Guangzhou Pearl River Power Company Limited	RMB420,000,000	–	30	Generation and supply of electricity
Guodian Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	–	21	Generation and supply of electricity
Kunming Fulintang Pharmaceutical Co., Ltd.	RMB80,000,000	–	52	Pharmaceutical chain stores
Xiamen Haicang Xinhaida Container Terminals Co., Limited	RMB756,000,000	–	28	Operation of container terminal
Xiamen New World Xiangyu Terminals Co., Ltd.	RMB384,040,000	–	30	Operation of container terminal

NOTES TO THE FINANCIAL STATEMENTS

51 PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

As at 30 June 2012

	Registered/ fully paid capital	Attributable interest ^a (%)		Principal activities
		To the Company	To the Group	
Co-operative joint ventures				
<i>Incorporated and operate in the PRC</i>				
Beijing-Zhuhai Expressway Guangzhou – Zhuhai Section Company Limited	RMB580,000,000	–	15	Operation of toll road
Beijing Chong Wen-New World Properties Development Co., Ltd.	US\$225,400,000	–	49	Property investment and development
Beijing Chong Yu Real Estate Development Co., Limited	US\$171,840,000	–	49	Property investment and development
Beijing Xin Lian Hotel Co., Ltd.	US\$12,000,000	–	39	Hotel operation
China New World Electronics Ltd.	US\$57,200,000	–	49	Property investment and development
Guangzhou Northring Freeway Company Limited	US\$19,255,000	–	39	Operation of toll road
Huishen (Yantian) Expressway Huizhou Company Limited	RMB139,980,000	–	20	Operation of toll road
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	–	30	Investment holding and operation of toll road
Huizhou New World Housing Development Limited	RMB80,000,000	–	44	Property development
New Bei Fang Hotel Ltd.	US\$12,000,000	–	56	Property investment
Tianjin Xinzhan Expressway Co., Ltd.	RMB1,757,007,559	–	55^a	Operation of toll road
Wuhan New World Housing Development Limited	RMB96,000,000	–	42	Property development
Wuhan Wuxin Hotel Co., Ltd.	US\$49,750,000	–	42	Hotel operation
Wuxi New City Development Co., Limited	US\$10,400,000	–	26	Hotel operation
Wholly foreign owned enterprises				
<i>Incorporated and operate in the PRC</i>				
Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd.	US\$20,820,000	–	41	Property development
Guangzhou Hemsell Real Estate Development Co., Ltd.	RMB79,597,000	–	44	Property development
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	–	35	Property investment
Wuhan New World Hotel Properties Co., Ltd.	RMB83,507,110	–	42	Property investment

^a Percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures^a Represented cash sharing ratio

NOTES TO THE FINANCIAL STATEMENTS

51 PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

As at 30 June 2012

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
Companies limited by shares					
Incorporated and operate in Hong Kong					
ATL Logistics Centre Hong Kong Limited	100,000'A'	HK\$1	–	34 [‡]	Operation of cargo handling and storage facilities
	20,000'B'***	HK\$1	–	48	
	54,918*	HK\$1	100	100	
ATL Logistics Centre Yantian Limited	10,000	HK\$1	–	28	Investment holding
Austin Project Management Limited	1,000,000	HK\$1	–	50	Project management
China Aerospace New World Technology Limited	30,000,000	HK\$1	–	50	Investment holding
Direct Profit Development Limited	200,000	HK\$0.05	–	15	Property investment
Far East Landfill Technologies Limited	1,000,000	HK\$1	–	29	Landfill
Fast New Limited	1,000,000	HK\$1	–	50	Property development
First Star Development Limited	100	HK\$1	–	30	Property development
Gloryland Limited	900	HK\$1	–	33	Property investment
Golden Kent International Limited	1	HK\$1	–	40	Property development
Grace Sign Limited	1,000	HK\$1	–	30	Property investment
Jade Gain Enterprises Limited	100	HK\$1	–	45	Property investment
NWS Infrastructure SITA Waste Services Limited	2	HK\$1	–	30	Investment holding
Super Lion Enterprises Limited	2	HK\$1	50	50	Property investment
Supertime Holdings Limited	100	HK\$1	–	30	Property development
Tate's Cairn Tunnel Company Limited	1,100,000	HK\$0.01	–	18	Operation of toll tunnel
	600,000,000*	HK\$1	–	–	
Wincon International Limited	300,000,000	HK\$1	–	30	Investment holding
Wise Come Development Limited	30	HK\$1	–	40	Property investment
Incorporated in the British Virgin Islands and operate in the PRC					
Holicon Holdings Limited	2	US\$1	–	50	Property Investment
Jaidan Profits Limited	2	US\$1	–	50	Property Investment
Jorvik International Limited	2	US\$1	–	50	Property Investment
Nacaro Developments Limited	2	US\$1	–	100	Property Investment
Orwin Enterprises Limited	2	US\$1	–	50	Property Investment
Incorporated in the British Virgin Islands and operates in Hong Kong					
NWS Transport Services Limited	500,000,016	HK\$1	–	30	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

51 PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

As at 30 June 2012

	Share capital issued [#]		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<i>Incorporated in the British Virgin Islands</i>					
DP World New World Limited	2,000	US\$1	–	30	Investment holding
New World Liberty China Ventures Limited	1,134	US\$1	–	71	Investment holding
	100**	US\$1	–	–	
Newfoundworld Investment Holdings Limited	5	US\$1	–	20	Investment holding
Success Concept Investments Limited	1,000	US\$1	–	49 ^{&}	Investment holding
<i>Incorporated and operates in the Netherlands</i>					
Hyva I B.V.	19,000	EUR1	–	30	Manufacturing and supply of components used in hydraulic loading and unloading systems
<i>Incorporated in Hong Kong and operates in Macau and Mainland China</i>					
Sino-French Holdings (Hong Kong) Limited	3,748,680 ^A	HK\$100	–	–	Investment holding, operation of water and electricity plants
	7,209,000 ^B	HK\$100	–	61	
	3,460,320 ^C	HK\$100	–	–	
Unincorporated joint venture (Hong Kong)					
Gammon-Hip Hing Joint Venture	–	–	–	30	Construction

[#] Represented ordinary shares, unless otherwise stated^{*} Non-voting deferred shares^{**} Non-voting preference shares[&] The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these jointly controlled entities

NOTES TO THE FINANCIAL STATEMENTS

52 PRINCIPAL ASSOCIATED COMPANIES

As at 30 June 2012

	Share capital issued [†]		Attributable interest [‡] (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong</i>					
Birkenhead Properties and Investments Limited	1,200,000	HK\$1	–	64	Property investment
Ever Light Limited	1,000	HK\$1	40	40	Property investment
Global Perfect Development Limited	1,000,000	HK\$1	–	35	Investment holding
Global Winner Limited	2	HK\$1	–	50	Property investment
Joy Fortune Investments Limited	10,000	HK\$1	–	30	Investment holding
Pure Jade Limited	1,000	HK\$1	–	20	Property investment
Quon Hing Concrete Company Limited	200,000	HK\$100	–	30	Production and sales of ready-mixed concrete
Ranex Investments Limited	100	HK\$1	–	10	Property investment
Shun Tak Centre Limited	1,000' A'	HK\$100	–	29	Property investment
	450' B'	HK\$10	–	64	
	550' C'	HK\$10	–	–	
<i>Incorporated in the British Virgin Islands</i>					
East Asia Secretaries (BVI) Limited	300,000,000	HK\$1	–	15	Business, corporate and investor services
VMS Private Investment Partners II Limited	2,500*	US\$0.01	–	–	Securities investment
	1,493**	US\$0.01	–	61 [®]	
VMS Private Investment Partners IV Limited	1,500*	US\$0.01	–	–	Securities investment
	35**	US\$0.01	–	36 [®]	
<i>Incorporated in the British Virgin Islands and operates in Hong Kong</i>					
VMS Private Investment Partners III Limited	1,500*	US\$0.01	–	–	Securities investment
	1,107**	US\$0.01	–	61 [®]	
<i>Incorporated in Bermuda and operate in Hong Kong</i>					
CSL New World Mobility Limited	655,886,331	US\$0.3163	–	24	Provision of mobile telecommunications services
Haitong International Securities Group Limited	915,342,706	HK\$0.1	–	4 [^]	Investment holding
Wai Kee Holdings Limited	793,124,034	HK\$0.1	–	16	Construction
<i>Incorporated in Cayman Islands and operates in the PRC</i>					
Newton Resources Ltd	4,000,000,000	HK\$0.1	–	29	Mining, ore processing and sale of iron concentrate

NOTES TO THE FINANCIAL STATEMENTS

52 PRINCIPAL ASSOCIATED COMPANIES (continued)

As at 30 June 2012

	Registered/ fully paid capital	Attributable interest ⁿ (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC</i>				
Chongqing Silian Optoelectronics Science & Technology Co., Ltd.	RMB500,000,000	—	12	Manufacturing and sale of sapphire substrate and water, LED packaging and application
Hangzhou Ring Road Expressway Petroleum Development Co., Ltd.	RMB10,000,000	—	23	Operation of gasoline station
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	—	11[^]	Operation of container terminal
Zhaoqing Yuezha Expressway Co., Ltd.	RMB818,300,000	—	15	Operation of toll road

[#] Represented ordinary shares, unless otherwise stated^① Percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures.^{*} Voting, non-participating, non-redeemable management shares^{**} Non-voting, redeemable participating shares[^] The directors of the Company considered the Group has significant influence over Tianjin Five Continents International Container Terminal Co., Ltd ("TFCL") and Haitong International Securities Group Limited through its representatives on board of directors of TFCL and Haitong International Securities Group Limited respectively^② The directors of the Company considered the Group has significant influence over these companies through its representative on the investment committee which governs the daily financial, operational and investment decisions

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 30 June 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June

	2012 HK\$m	2011 HK\$m	2010 HK\$m	2009 HK\$m	2008 HK\$m
Revenues	35,620.1	32,882.0	30,218.6	24,415.0	29,360.8
Operating profit	16,115.0	12,285.7	13,683.7	2,329.4	9,882.2
Net financing costs	(513.5)	(465.9)	(338.4)	(261.6)	(265.1)
Share of results of jointly controlled entities and associated companies	3,120.1	3,758.0	4,226.7	2,123.5	4,575.8
Profit before taxation	18,721.6	15,577.8	17,572.0	4,191.3	14,192.9
Taxation	(4,400.5)	(2,833.8)	(1,904.3)	(439.4)	(1,444.0)
Profit for the year	14,321.1	12,744.0	15,667.7	3,751.9	12,748.9
Non-controlling interests	(4,182.1)	(3,590.1)	(3,269.1)	(1,668.4)	(3,063.2)
Profit attributable to shareholders of the Company	10,139.0	9,153.9	12,398.6	2,083.5	9,685.7
Dividends per share (HK\$)					
Interim	0.10	0.10	0.10	0.09	0.18
Final	0.28	0.28	0.28	0.21	0.25
Full year	0.38	0.38	0.38	0.30	0.43
Earnings per share (HK\$)		(Adjusted)			
Basic	1.88	2.10	3.19	0.55	2.59
Diluted	1.85	2.04	3.07	0.53	2.49

Earnings per share for the years ended 30 June 2008, 2009 and 2010 have not been adjusted to reflect the effect of the rights issue of the Company and New World China Land Limited, a subsidiary of the Group during the year ended 30 June 2012.

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 30 June 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

	2012 HK\$m	2011 HK\$m	2010 HK\$m (Restated)	2009 HK\$m (Restated)	2008 HK\$m
Assets					
Investment properties, property, plant and equipment and land use rights and intangible concession rights	92,014.1	66,808.7	53,519.0	44,246.5	43,669.8
Intangible assets	4,120.9	1,754.7	1,490.1	1,684.0	1,409.4
Investments in jointly controlled entities, associated companies and other non-current assets	84,543.1	77,322.0	65,247.3	59,264.0	59,516.6
Current assets	105,693.6	83,230.0	79,723.7	71,606.5	61,161.7
Total assets	286,371.7	229,115.4	199,980.1	176,801.0	165,757.5
Equity					
Share capital	6,151.1	3,990.1	3,918.0	3,867.3	3,736.5
Reserves	115,669.0	98,673.1	84,377.5	71,988.4	67,718.7
Proposed final dividend	1,722.8	1,117.2	1,097.0	812.1	939.6
Shareholders' funds	123,542.9	103,780.4	89,392.5	76,667.8	72,394.8
Non-controlling interests	34,497.8	30,588.2	25,493.8	23,204.3	22,509.9
Total equity	158,040.7	134,368.6	114,886.3	99,872.1	94,904.7
Current liabilities	50,691.2	49,864.6	40,806.9	43,222.4	33,886.5
Non-current liabilities	77,639.8	44,882.2	44,286.9	33,706.5	36,966.3
Total equity and liabilities	286,371.7	229,115.4	199,980.1	176,801.0	165,757.5

Comparative figures for the year ended 30 June 2008 have not been restated to reflect the adoption of new/revised HKFRSs in 2009 and 2011 as the Directors are of the opinion that it is impracticable to do so.

GLOSSARY OF TERMS

GENERAL TERMS

FY	Fiscal year, 1 July to 30 June
Group	New World Development Company Limited and its subsidiaries
HIBOR	Hong Kong Interbank Offered Rate
HK	Hong Kong
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
HK\$ billion	billion of Hong Kong Dollars
HK\$ million or HK\$m	million of Hong Kong Dollars
HKEx or Stock Exchange	The Stock Exchange of Hong Kong Limited
Listing Rules	Rules Governing the Listing of Securities on the HKEx
Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan for the purposes of this annual report
MTR	Mass Transit Railway
N/A or n/a	not applicable
New World or NWD	New World Development Company Limited
NWCEP or New World China Enterprises	New World China Enterprises Projects Limited
NWCL or New World China Land	New World China Land Limited
NWDS or New World Department Stores	New World Department Store China Limited
NWTMT or New World TMT	New World TMT Limited
NWSI	New World Strategic Investment Limited
NWSH or NWS Holdings	NWS Holdings Limited
NWT or New World Telecommunications	New World Telecommunications Limited
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
TBD	To be determined
US	The United States of America
US\$ or USD	United States dollar(s), the lawful currency of US
The Disposal Group	NWSH Group's non-core businesses under a management buyout agreement announced on 11 June 2010

FINANCIAL TERMS

Gearing Ratio	Net Debt divided by total equity
Net Debt	The aggregate of bank loans, other loans, fixed rate bonds and convertible bonds less cash and bank balances
Total Debt	Net Debt plus cash and bank balances

TECHNICAL TERMS

Assoc. Co.	Associated company
CJV	Co-operative joint venture
EJV	Equity joint venture
JCE	Jointly controlled entities
WFOE	Wholly foreign owned enterprises

MEASUREMENTS

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

Chinese Version

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



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New World Development Company Limited takes every practicable measure to conserve resources and minimise waste.

