Notes to the Financial Statements

1 GENERAL INFORMATION

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

The principal activity of the Company is investment holding.

The principal activities of its subsidiary companies include:

(a) the investment in and/or operation of facilities, contracting and transport; and

(b) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as container terminals.

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

The financial statements have been approved for issue by the Board on 9 October 2006.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), including Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(SIC) – Int") (collectively the "HKFRSs") as described further below. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs 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 financial statements, are disclosed in Note 4.

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs

For the year ended 30 June 2005, the Group early adopted HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets". With effect from 1 July 2005, the Group has adopted the remaining HKFRSs that are currently in issue and effective for the accounting periods commencing on or after 1 January 2005 as below, which are relevant to its operation, and also early adopted the amendment to HKAS 21 "The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation" which is effective for the accounting periods commencing on or after 1 January 2006. The 2005 comparatives have been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HK(SIC) – Int 15	Operating Leases – Incentives
HK(SIC) – Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payment

The adoption of the above HKFRSs has the following impact on the Group's accounting policies:

(i) HKAS 17 Leases

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights were accounted for at cost less accumulated depreciation and accumulated impairment. This change in accounting policy has been applied retrospectively.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs (Continued)

(ii) HKAS 32 Financial Instruments: Disclosure and Presentation
HKAS 39 Financial Instruments: Recognition and Measurement

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. This change in accounting policy has been applied on a prospective basis.

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

(iii) HKAS 40 Investment Property

The adoption of HKAS 40 has resulted in a change in the accounting policy of which the changes in fair value of investment properties are recorded in the income statement. In prior years, increases in fair value of investment properties were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The Group has applied the relevant transitional provisions under HKAS 40 and elected to apply HKAS 40 from 1 July 2005 onwards. As a result, investment properties revaluation reserve of HK$39.3 million as at 1 July 2005 has been transferred to the opening retained profits. Comparative information has not been restated.

(iv) HK(SIC) – Int 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets

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

(v) HKFRS 2 Share-based Payment

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

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs (Continued)

(vi) Other standards

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33 and HK(SIC) – Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly controlled entities and associated companies and other disclosures.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance of the revised standard.

– HKAS 24 has affected the disclosure of related-party transactions.

(vii) Summary of the effect of the adoption of new/revised HKFRSs

(a) Restatement of prior year and opening balances

(i) Effect on the consolidated income statement for the year ended 30 June 2005

In HK$'m	2005 (as previously reported)	Effect of adopting new policies – increase/(decrease) of profit					2005 (as restated)
		HKAS 1	HKAS 17	HKAS 32	HKFRS 2	Sub-total	
Turnover	10,286.1	–	–	–	–	–	10,286.1
Cost of sales	(9,568.2)	–	–	–	–	–	(9,568.2)
Gross profit	717.9	–	–	–	–	–	717.9
Other income	2,117.4	–	–	–	–	–	2,117.4
General and administrative expenses	(810.1)	–	0.7	–	(11.8)	(11.1)	(821.2)
Other charges	(59.9)	–	–	–	–	–	(59.9)
Operating profit	1,965.3	–	0.7	–	(11.8)	(11.1)	1,954.2
Finance costs	(205.5)	–	–	(21.6)	–	(21.6)	(227.1)
Share of results of							
Jointly controlled entities	1,019.1	(153.1)	(3.1)	(0.7)	–	(156.9)	862.2
Associated companies	423.3	(62.6)	–	–	–	(62.6)	360.7
Profit before income tax	3,202.2	(215.7)	(2.4)	(22.3)	(11.8)	(252.2)	2,950.0
Income tax expenses	(287.7)	215.7	–	4.6	–	220.3	(67.4)
Profit for the year	2,914.5	–	(2.4)	(17.7)	(11.8)	(31.9)	2,882.6
Attributable to							
Shareholders of the Company	2,918.0	–	(2.4)	(17.7)	(11.8)	(31.9)	2,886.1
Minority interests	(3.5)	–	–	–	–	–	(3.5)
Earnings per share attributable to shareholders of the Company							
Basic	HK$1.62	–	–	(HK$0.01)	(HK$0.01)	(HK$0.02)	HK$1.60
Diluted	HK$1.61	–	–	(HK$0.08)	(HK$0.01)	(HK$0.09)	HK$1.52

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs (Continued)

(vii) Summary of the effect of the adoption of new/revised HKFRSs (Continued)

(a) Restatement of prior year and opening balances (Continued)

(ii) Effect on the consolidated balance sheet as at 30 June 2005

In HK$'m	30.6.2005 (as previously reported)	Effect of adopting new policies – increase/(decrease) HKAS 1	HKAS 17	HKAS 32	HK(SIC) – Int 21	Sub-total	30.6.2005 (as restated)
ASSETS & LIABILITIES							
Non-current assets							
Goodwill	329.9	–	–	–	–	–	329.9
Property, plant and equipment	2,319.0	–	(137.7)	–	–	(137.7)	2,181.3
Investment properties	1,040.3	–	–	–	–	–	1,040.3
Leasehold land and land use rights	–	–	134.2	–	–	134.2	134.2
Jointly controlled entities	9,009.1	–	(5.8)	(0.6)	–	(6.4)	9,002.7
Associated companies	3,010.0	–	–	–	–	–	3,010.0
Other non-current assets	635.4	–	–	–	–	–	635.4
	16,343.7	–	(9.3)	(0.6)	–	(9.9)	16,333.8
Current assets							
Inventories	145.5	–	–	–	–	–	145.5
Trade and other receivables	5,022.4	–	–	(18.1)	–	(18.1)	5,004.3
Financial assets at fair value through profit or loss	32.0	–	–	–	–	–	32.0
Short term deposits	–	–	–	–	–	–	–
Cash and cash equivalents	3,649.9	–	–	–	–	–	3,649.9
	8,849.8	–	–	(18.1)	–	(18.1)	8,831.7
Current liabilities							
Trade and other payables	4,607.5	40.3	–	–	–	40.3	4,647.8
Taxation	107.4	–	–	–	–	–	107.4
Borrowings	2,279.9	–	–	–	–	–	2,279.9
	6,994.8	40.3	–	–	–	40.3	7,035.1
Net current assets	1,855.0	(40.3)	–	(18.1)	–	(58.4)	1,796.6
Total assets less current liabilities	18,198.7	(40.3)	(9.3)	(18.7)	–	(68.3)	18,130.4
Non-current liabilities							
Borrowings	3,843.2	–	–	(139.5)	–	(139.5)	3,703.7
Other non-current liabilities	602.9	408.1	–	20.3	8.3	436.7	1,039.6
Minority interests and loans	810.6	(810.6)	–	–	–	(810.6)	–
	5,256.7	(402.5)	–	(119.2)	8.3	(513.4)	4,743.3
Net assets	12,942.0	362.2	(9.3)	100.5	(8.3)	445.1	13,387.1
EQUITY							
Share capital	1,825.1	–	–	–	–	–	1,825.1
Reserves	11,116.9	–	(9.3)	100.5	(8.3)	82.9	11,199.8
Capital and reserves attributable to shareholders of the Company	12,942.0	–	(9.3)	100.5	(8.3)	82.9	13,024.9
Minority interests	–	362.2	–	–	–	362.2	362.2
Total equity	12,942.0	362.2	(9.3)	100.5	(8.3)	445.1	13,387.1

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs (Continued)

(vii) Summary of the effect of the adoption of new/revised HKFRSs (Continued)

(b) Estimated effect on the current year

(i) Estimated effect on the consolidated income statement for the year ended 30 June 2006

	Estimated effect of adopting new policies – increase/(decrease) of profit						
In HK$'m	HKAS 1	HKAS 17	HKAS 32	HKAS 40	HKFRS 2	HK(SIC) – Int 21	Total
Turnover	–	–	–	–	–	–	–
Cost of sales	–	–	–	–	–	–	–
Gross profit	–	–	–	–	–	–	–
Other income	–	–	43.7	3.0	–	–	46.7
General and administrative expenses	–	0.3	–	–	(1.7)	–	(1.4)
Other charges	–	–	–	–	–	–	–
Operating profit	–	0.3	43.7	3.0	(1.7)	–	45.3
Finance costs	–	–	(19.1)	–	–	–	(19.1)
Share of results of							
Jointly controlled entities	(139.0)	(0.1)	(0.1)	–	–	–	(139.2)
Associated companies	(64.1)	–	–	–	–	–	(64.1)
Profit before income tax	(203.1)	0.2	24.5	3.0	(1.7)	–	(177.1)
Income tax expenses	203.1	–	(6.9)	–	–	(0.5)	195.7
Profit for the year	–	0.2	17.6	3.0	(1.7)	(0.5)	18.6
Attributable to							
Shareholders of the Company	–	0.2	17.6	3.0	(1.7)	(0.5)	18.6
Minority interests	–	–	–	–	–	–	–
Earnings per share attributable to shareholders of the Company							
Basic	–	–	HK$0.01	–	–	–	HK$0.01
Diluted	–	–	HK$0.01	–	–	–	HK$0.01

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs (Continued)

(vii) Summary of the effect of the adoption of new/revised HKFRSs (Continued)

(b) Estimated effect on the current year (Continued)

(ii) Estimated effect on the consolidated balance sheet as at 30 June 2006

	Estimated effect of adopting new policies – increase/(decrease)				
In HK$'m	HKAS 1	HKAS 17	HKAS 32	HK(SIC) – Int 21	Total
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	–	–	–	–	–
Property, plant and equipment	–	(110.2)	–	–	(110.2)
Investment properties	–	–	–	–	–
Leasehold land and land use rights	–	107.0	–	–	107.0
Jointly controlled entities	–	(5.9)	(0.8)	–	(6.7)
Associated companies	–	–	–	–	–
Other non-current assets	–	–	–	–	–
	–	(9.1)	(0.8)	–	(9.9)
Current assets					
Inventories	–	–	–	–	–
Trade and other receivables	–	–	(13.3)	–	(13.3)
Financial assets at fair value through profit or loss	–	–	–	–	–
Short term deposits	–	–	–	–	–
Cash and cash equivalents	–	–	–	–	–
	–	–	(13.3)	–	(13.3)
Current liabilities					
Trade and other payables	31.6	–	–	–	31.6
Taxation	–	–	–	–	–
Borrowings	–	–	–	–	–
	31.6	–	–	–	31.6
Net current assets	(31.6)	–	(13.3)	–	(44.9)
Total assets less current liabilities	(31.6)	(9.1)	(14.1)	–	(54.8)
Non-current liabilities					
Borrowings	–	–	(47.3)	–	(47.3)
Other non-current liabilities	374.8	–	8.3	8.8	391.9
Minority interests and loans	(793.5)	–	–	–	(793.5)
	(418.7)	–	(39.0)	8.8	(448.9)
Net assets	387.1	(9.1)	24.9	(8.8)	394.1
EQUITY					
Share capital	–	–	–	–	–
Reserves	–	(9.1)	24.9	(8.8)	7.0
Capital and reserves attributable to shareholders of the Company	–	(9.1)	24.9	(8.8)	7.0
Minority interests	387.1	–	–	–	387.1
Total equity	387.1	(9.1)	24.9	(8.8)	394.1

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) The adoption of new/revised HKFRSs (Continued)

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

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

Effective for the year ending 30 June 2007

HKAS 19 Amendment	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 and HKFRS 4 Amendments	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRS 1 and 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS – Int 4	Determining whether an Arrangement Contains a Lease
HKFRS – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic equipment
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives

Effective for the year ending 30 June 2008

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to 30 June and include the Group's share of the results for the year and undistributed post-acquisition reserves of associated companies and jointly controlled entities. The results of subsidiary companies acquired or disposed of during the year are dealt with in the consolidated income statement from the effective dates of acquisition or to the effective dates of disposal respectively.

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

All material intra-group transactions, including unrealized profits arising from intra-group construction contracts, sales of properties and interest income or expenses on loans and advances, have been eliminated on consolidation.

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

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.

(d) Subsidiary companies

A company is a subsidiary company if the Group, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) 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 Company's interests in jointly controlled entities are classified as long term investments and are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

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

(i) Equity joint ventures

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

(ii) Co-operative joint ventures

Co-operative joint ventures are joint ventures in respect of which the venturers' profit sharing ratios and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts. Where the Group is not entitled to share the net assets of a co-operative joint venture at the end of the joint venture period, the cost of investment in such co-operative joint venture is amortized over the joint venture period.

(iii) 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.

(f) Associated companies

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

The Group's investments in associated companies are stated at the Group's share of net assets and goodwill on acquisition. The Group's share of results of associated companies for the year is recognized in the consolidated income statement. The Company's investments in associated companies are carried at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend income.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Goodwill

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

Goodwill on acquisitions of subsidiary companies is included in intangible assets. Goodwill on acquisitions of associated companies and jointly controlled entities is included in investments in associated companies and jointly controlled entities respectively. 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 on acquisitions of subsidiary companies, associated companies and jointly controlled entities is tested for impairment annually and carried at cost less impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Any impairment loss recognized during the year is charged to the consolidated income statement.

(h) Revenue recognition

Revenue is recognized when it is probable that future economic benefits will accrue to the Group and these benefits can be measured reliably on the following bases:

(i) Construction and engineering

Revenue from individual contract on construction, electrical and mechanical engineering services is recognized under the percentage of completion method, when the profit of the contract can be prudently determined and is measured by reference to the proportion that contract costs incurred for work performed to date compares to the estimated total contract costs to completion. Anticipated losses are fully provided on contracts when identified.

(ii) Toll revenue

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

(iii) Service fee income

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

(iv) Rental income

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

(v) Insurance brokerage premium

Insurance brokerage premium is recognized over the period covered by each insurance policy on a straight-line basis.

(vi) Sales of goods

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

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Revenue recognition (Continued)

(vii) Interest income

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

(viii) Dividend income

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

(i) Assets under leases

(i) Finance leases

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

Assets held under finance leases are depreciated on the basis described in Note 2(k).

(ii) Operating leases

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

(j) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value and is valued individually at least annually by independent valuers. The valuations are performed on an open market basis.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognized in the income statement.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) 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 the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

No depreciation is provided in respect of construction in progress.

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

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

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

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

(l) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, but are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods and services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities more than twelve months after the balance sheet date which are classified as non-current assets. These are accounted for in accordance with the policy set out in Note 2(n).

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (Continued)

(iii) 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 balance sheet date.

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), 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 refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities 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 recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

(n) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount of the assets and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(o) Inventories and contracting work in progress

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

Contracting work in progress is stated at cost plus attributable profits recognized on the basis set out in Note 2(h)(i) above, less provision for anticipated losses and progress payments received and receivable.

Cost comprises materials, direct labour and overheads attributable to bringing the inventories and work in progress to its present condition.

(p) Cash and cash equivalents

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

(q) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

(r) Contingent liabilities and contingent assets

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

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

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(s) Deferred income tax

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. Taxation rates and laws enacted or substantively enacted by the balance sheet date are used to determine deferred income tax and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

(t) Borrowing costs

Interest and finance charges on borrowings relating to construction in progress and properties under development, after elimination of intra-group interest charges, are included in the project cost and development cost during the relevant period of construction and development respectively.

Borrowing costs incurred by the Group on borrowings which have been used to finance the construction of property, plant and equipment by the associated companies and jointly controlled entities, are capitalized as the carrying value of these associated companies and jointly controlled entities.

Other borrowing costs are expensed as incurred.

(u) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates; and

(c) all resulting exchange differences are recognized as a separate component of equity.

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(u) Foreign currency translation (Continued)

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

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

(v) Employee benefits

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

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

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed 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.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by reference to market yields at the balance sheet date based on Exchange Fund Notes; which have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the present value of the defined benefit obligation are recognized in the income statement over the employees' expected average remaining working lives.

Past-service costs are recognized immediately as income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (Continued)

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based compensation

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

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.

(w) Borrowings

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

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

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 balance sheet date.

Notes to the Financial Statements

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(x) Segment reporting

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

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of goodwill, property, plant and equipment, investment properties, financial assets, other assets, inventories and receivables and exclude items such as bank balances and cash, and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to investment properties, property, plant and equipment, leasehold land and land use rights, including those resulting from acquisitions of subsidiary companies.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Segment assets and capital expenditure are where the investments/operating assets are located.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, foreign exchange risk, price risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. It is the Group's policy not to enter into derivative transaction for speculative purposes.

The Group sets financial risk management policies in accordance with policies and procedures approved by its Board. The Group's treasury function serves as a centralized unit for providing cost efficient funding to the Group's subsidiary companies and managing major risks, such as interest rate, foreign exchange and credit risk exposure.

(a) Interest rate risk

The Group's interest rate risk arises from bank borrowings. The Group's borrowings are principally on a floating rate basis, which will expose the Group to cash flow interest rate risk. The Group manages its interest rate exposure with a focus on reducing the cost of borrowing and the level of debt.

(b) Foreign exchange risk

The Group operates mainly in Hong Kong and the Mainland China. The Group's foreign exchange exposures primarily arise from investments in the Mainland China. Such investments are locally financed in Renminbi, where necessary. Currency exposure is reduced by matching assets with borrowings in the same currency.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Price risk

The Group is exposed to equity securities price risk because certain investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss.

(d) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to assess credit history of customers and carry out follow-up actions on overdue amounts to minimize the credit risk exposure. Cash deposits and other investments expose the Group to credit risk of the counterparties. When depositing surplus funds, the Group controls its credit risk by diversification in major banks or financial institutions.

(e) Liquidity risk

The Group prudently manages liquidity risk by maintaining sufficient cash and available bank facilities to meet cash flows and funding requirements. Sources of funds and tenors of borrowings are considered to diversify the risk over banks and to avoid refinancing of a substantial amount in short periods.

(f) Estimate of fair value of financial assets and liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

In assessing the fair value of other securities and other financial assets, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair values of long-term borrowings are estimated using the expected future payments discounted at market interest rates.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, trade and other receivables, cash and cash equivalents, trade and other payables and current borrowings are assumed to approximate their fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with HKFRSs 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.

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Estimate of fair value of investment property

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

(b) Estimate of impairment of assets

The Group tests at least annually whether goodwill or assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

(c) Estimate of revenue and costs of construction works

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

5 TURNOVER AND SEGMENT INFORMATION

The Group's turnover is analyzed as follows:

	2006 **HK$'m**	2005 HK$'m
Container handling, logistics and warehousing	**16.3**	13.4
Roads and bridges	**239.2**	221.1
Facilities rental	**858.0**	776.5
Facilities management	**2,629.4**	2,588.2
Contracting	**8,619.9**	6,386.7
Sales of goods and rendering of other services	**181.1**	300.2
	12,543.9	10,286.1

In accordance with the Group's internal financial reporting and operating activities, the primary reporting format is by business segments and the secondary reporting format is by geographical segments.

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – business segments

In HK$'m	Container handling, logistics and warehousing	Roads and bridges	Energy, water treatment and waste management	Facilities rental	Facilities management	Contracting	Transport	Others	Eliminations	Consolidated
Year 2006										
External sales	16.3	239.2	–	858.0	2,629.4	8,619.9	–	181.1	–	12,543.9
Inter-segment sales	–	–	–	0.1	158.7	494.8	–	18.1	(671.7)	–
Total turnover	16.3	239.2	–	858.1	2,788.1	9,114.7	–	199.2	(671.7)	12,543.9
Segment results	6.5	107.7	12.5	241.8	142.2	88.0	–	15.4	–	614.1
Profit on disposal of a subsidiary company	–	65.7	–	–	–	–	–	–	–	65.7
Profit on disposal of a jointly controlled entity	–	68.7	–	–	–	–	–	–	–	68.7
Fair value gains on investment properties	–	–	–	3.0	–	–	–	–	–	3.0
Profit on disposal of land use rights and properties	22.7	–	–	–	–	–	–	–	–	22.7
Assets impairment loss	–	–	–	–	–	–	–	(30.0)	–	(30.0)
Gain on redemption of convertible bonds										48.0
Unallocated corporate expenses										(142.5)
Operating profit										649.7
Finance costs										(253.8)
Share of results of										
Jointly controlled entities	54.8	420.7	123.2	188.1	(0.1)	37.6	85.6	(0.5)	–	909.4
Associated companies	11.7	(11.9)	368.5	–	0.3	51.0	–	57.0	–	476.6
Profit before income tax										1,781.9
Income tax expenses										(104.7)
Profit for the year										1,677.2
Segment assets	139.9	1,872.5	–	1,237.8	671.7	4,860.0	–	517.5	–	9,299.4
Jointly controlled entities	409.6	3,699.9	1,451.3	1,818.1	9.2	760.8	1,252.2	–	–	9,401.1
Associated companies	292.5	413.2	1,527.9	–	0.8	774.5	–	626.7	–	3,635.6
Unallocated assets										3,251.5
Total assets										25,587.6
Segment liabilities	3.4	627.8	0.4	287.9	465.2	4,016.4	–	181.1	–	5,582.2
Unallocated liabilities										5,152.0
Total liabilities										10,734.2
Capital expenditure	0.1	1.1	–	42.8	23.2	42.0	–	11.3	–	120.5
Depreciation	1.5	88.8	–	19.3	39.5	39.3	–	10.0	–	198.4
Amortization of leasehold land and land use rights	–	–	–	–	0.2	2.3	–	0.5	–	3.0

Notes to the Financial Statements

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – business segments (Continued)

In HK$'m	Container handling, logistics and warehousing	Roads and bridges	Energy, water treatment and waste management	Facilities rental	Facilities management	Contracting	Transport	Others	Eliminations	Consolidated
Year 2005 (restated)										
External sales	13.4	221.1	–	776.5	2,588.2	6,386.7	–	300.2	–	10,286.1
Inter-segment sales	–	–	–	0.3	153.9	428.9	–	19.6	(602.7)	–
Total turnover	13.4	221.1	–	776.8	2,742.1	6,815.6	–	319.8	(602.7)	10,286.1
Segment results	2.8	43.0	11.9	224.1	157.0	(345.1)	–	(8.3)	–	85.4
Profit on disposal of subsidiary companies	684.7	64.6	–	–	–	–	–	–	–	749.3
Profit/(loss) on disposal of jointly controlled entities	1,092.3	–	(2.1)	–	–	–	–	–	–	1,090.2
Profit on disposal of an investment	–	190.7	–	–	–	–	–	–	–	190.7
Assets impairment loss	(7.4)	(15.4)	–	–	–	–	–	(35.0)	–	(57.8)
Unallocated corporate expenses										(103.6)
Operating profit										1,954.2
Finance costs										(227.1)
Share of results of										
Jointly controlled entities	36.1	319.5	278.1	147.6	–	(0.7)	63.0	18.6	–	862.2
Associated companies	38.8	(0.3)	177.6	38.9	0.3	60.8	–	44.6	–	360.7
Profit before income tax										2,950.0
Income tax expenses										(67.4)
Profit for the year										2,882.6
Segment assets	126.0	1,854.1	–	1,199.9	531.9	4,588.6	–	345.5	–	8,646.0
Jointly controlled entities	410.2	3,753.4	1,339.0	1,804.5	8.7	620.3	1,066.6	–	–	9,002.7
Associated companies	94.9	375.7	1,219.0	–	0.9	750.0	–	569.5	–	3,010.0
Unallocated assets										4,506.8
Total assets										25,165.5
Segment liabilities	3.2	688.8	0.4	272.9	373.3	3,458.3	–	74.4	–	4,871.3
Unallocated liabilities										6,907.1
Total liabilities										11,778.4
Capital expenditure	1.0	1.3	–	19.4	22.6	18.7	–	10.6	–	73.6
Depreciation	3.8	71.6	–	16.9	36.8	60.2	–	8.0	–	197.3
Amortization of leasehold land and land use rights	0.5	–	–	–	0.3	1.4	–	0.4	–	2.6

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Secondary reporting format – geographical segments

In HK$'m	Turnover	Segment results	Capital expenditure	Segment assets
Year 2006				
Hong Kong	**8,955.0**	**374.2**	**98.8**	**5,978.7**
Mainland China	**1,427.3**	**137.2**	**17.4**	**2,694.8**
Macau	**2,159.4**	**97.3**	**4.3**	**613.2**
Others	**2.2**	**5.4**	**–**	**12.7**
	12,543.9	**614.1**	**120.5**	**9,299.4**
Year 2005 (restated)				
Hong Kong	8,822.5	42.2	65.0	6,068.0
Mainland China	1,294.3	30.0	8.3	2,471.5
Macau	167.5	12.0	0.3	106.5
Others	1.8	1.2	–	–
	10,286.1	85.4	73.6	8,646.0

Notes to the Financial Statements

6 OPERATING PROFIT

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

	Note	2006 HK$'m	2005 HK$'m (restated)
Crediting			
Gross rental income from investment properties		**42.2**	40.9
Less: Outgoings		**(12.5)**	(10.1)
		29.7	30.8
Exchange gains		**17.6**	0.4
Other income			
Profit on disposal of subsidiary companies		**65.7**	749.3
Profit on disposal of a jointly controlled entity		**68.7**	1,092.3
Profit on disposal of an investment		**–**	190.7
Profit on disposal of land use rights and properties		**22.7**	–
Interest income		**76.6**	33.5
Management fee		**44.8**	31.4
Machinery hire income		**14.2**	20.2
Fair value gains on investment properties		**3.0**	–
Gain on redemption of convertible bonds		**48.0**	–
Dividend and other income		**11.4**	–
		355.1	2,117.4
Charging			
Auditors' remuneration		**18.1**	14.5
Cost of inventories sold		**827.3**	905.6
Write-down of inventories		**7.2**	2.2
Depreciation		**198.4**	197.3
Amortization of leasehold land and land use rights		**3.0**	2.6
Operating lease rental expense			
Properties		**57.8**	54.1
Other equipment		**2.8**	1.0
Staff costs	7	**1,916.5**	1,884.1
Other charges			
Loss on disposal of a jointly controlled entity		**–**	2.1
Assets impairment loss		**30.0**	57.8
		30.0	59.9

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Note	2006 HK$'m	2005 HK$'m (restated)
Wages and salaries		**2,131.9**	2,141.6
Share-based payment		**1.7**	11.8
Long service payment obligations		**2.2**	4.9
Defined contribution plans	33(a)	**84.3**	90.5
Defined benefits plans	33(b)	**0.1**	0.6
		2,220.2	2,249.4
Less: capitalized under contracts in progress		**(303.7)**	(365.3)
		1,916.5	1,884.1

8 FINANCE COSTS

	2006 HK$'m	2005 HK$'m (restated)
Interest on loans and borrowings wholly repayable within five years	**207.6**	123.0
Interest on loans from minority shareholders wholly repayable within five years	**13.4**	19.0
Interest on convertible bonds wholly repayable within five years	**23.9**	26.3
Other borrowing costs	**8.9**	58.8
	253.8	227.1

9 INCOME TAX EXPENSES

Hong Kong profits tax is provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 3% to 33% (2005: 3% to 33%).

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

	Note	2006 HK$'m	2005 HK$'m (restated)
Current income tax			
Hong Kong profits tax		**58.4**	53.4
Mainland China and overseas taxation		**30.3**	12.0
Deferred income tax	32	**16.0**	2.0
		104.7	67.4

Notes to the Financial Statements

9 INCOME TAX EXPENSES (CONTINUED)

Share of jointly controlled entities' and associated companies' taxation of HK$139.0 million (2005: HK$153.1 million) and HK$64.0 million (2005: HK$62.6 million) are included in the consolidated income statement as share of results of jointly controlled entities and associated companies respectively.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2006 HK$'m	2005 HK$'m (restated)
Profit before income tax	**1,781.9**	2,950.0
Share of results of jointly controlled entities	**(909.4)**	(862.2)
Share of results of associated companies	**(476.6)**	(360.7)
	395.9	1,727.1
Tax calculated at domestic tax rates applicable to profits in the respective countries	**70.6**	313.6
Tax exemption granted	**(14.0)**	(17.4)
Income not subject to taxation	**(57.2)**	(379.1)
Expenses not deductible for taxation purposes	**41.2**	75.6
Unused tax losses not recognized	**74.7**	100.4
Utilization of previously unrecognized tax losses	**(15.8)**	(8.1)
Others	**5.2**	(17.6)
Income tax expenses	**104.7**	67.4

The weighted average applicable tax rate was 17.8% (2005: 18.2%). The decrease is caused by a change in the profitability of the Group's subsidiary companies in the respective countries.

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$1,187.7 million (2005 restated: HK$1,251.7 million).

11 DIVIDENDS

	2006 HK$'m	2005 HK$'m
Interim dividend paid of HK$0.24 (2005: HK$0.18) per share	**455.0**	325.3
Final dividend proposed of HK$0.20 (2005: paid of HK$0.62) per share	**390.8**	1,138.9
	845.8	1,464.2

On 9 October 2006, the Board recommended a final dividend of HK$0.20 per share. This dividend will be accounted for as an appropriation of the retained profits for the year ending 30 June 2007.

12 EARNINGS PER SHARE

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

	2006 **HK$'m**	2005 HK$'m (restated)
Profit attributable to shareholders of the Company	**1,656.6**	2,886.1
Effect of dilutive potential ordinary shares		
Interest on convertible bonds, net of tax	**19.7**	21.7
Profit for calculation of diluted earnings per share	**1,676.3**	2,907.8

	Number of shares	
	2006	2005 (restated)
Weighted average number of shares for calculating basic earnings per share	**1,869,586,707**	1,803,667,218
Effect of dilutive potential ordinary shares		
Share options	**1,800,667**	9,465,762
Convertible bonds	**89,225,798**	99,046,222
Weighted average number of shares for calculating diluted earnings per share	**1,960,613,172**	1,912,179,202

13 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

	2006 **HK$'m**	2005 HK$'m
Fees	**2.4**	2.3
Basic salaries, allowances and other benefits	**25.2**	15.6
Share option benefits	**38.4**	29.8
Employer's contribution to retirement benefits schemes	**1.5**	1.3
	67.5	49.0

Notes to the Financial Statements

13 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

The remunerations of individual directors are set out below:

Name of director	Fees HK$'m	Basic salaries, allowances and other benefits HK$'m	Share option benefits HK$'m	Employer's contribution to retirement benefits schemes HK$'m	**2006 Total emoluments HK$'m**	2005 Total emoluments HK$'m
Dr Cheng Kar Shun, Henry	0.25	1.11	8.87	–	**10.23**	7.58
Mr Doo Wai Hoi, William	0.15	2.64	5.98	0.16	**8.93**	6.77
Mr Chan Kam Ling	0.15	4.65	5.84	0.36	**11.00**	7.99
Mr Tsang Yam Pui	0.15	4.52	–	0.18	**4.85**	3.32
Mr Wong Kwok Kin, Andrew	0.15	3.38	4.10	0.20	**7.83**	5.39
Mr Lam Wai Hon, Patrick	0.15	3.34	4.51	0.25	**8.25**	5.59
Mr Cheung Chin Cheung	0.15	3.30	1.59	0.26	**5.30**	4.27
Mr William Junior Guilherme Doo [(a)]	0.08	2.28	0.44	0.09	**2.89**	–
Mr Wilfried Ernst Kaffenberger #	0.15	–	–	–	**0.15**	0.15
Mr To Hin Tsun, Gerald #	0.15	–	1.76	–	**1.91**	1.51
Mr Dominic Lai #	0.15	–	1.72	–	**1.87**	1.16
Mr Kwong Che Keung, Gordon *	0.25	–	1.72	–	**1.97**	1.73
Mr Cheng Wai Chee, Christopher *	0.25	–	1.82	–	**2.07**	3.32
The Honourable Shek Lai Him, Abraham *	0.25	–	–	–	**0.25**	0.19
Total	2.43	25.22	38.35	1.50	**67.50**	48.97

\# Non-executive director
* Independent non-executive director

Notes:

(a) Appointed as director on 19 December 2005.

(b) The five individuals whose emoluments were the highest in the Group for the years ended 30 June 2006 and 30 June 2005 were also directors and their emoluments were included in the above.

(c) Remuneration packages including basic salaries, allowances and other benefits, contribution to retirement benefits scheme and share options benefits are determined according to individual performance, job responsibility and seniority, and are reviewed with reference to market conditions.

(d) There is no payment on inducement fees and compensation for loss of office as director.

14 GOODWILL

	Group HK$'m
Cost	
At 1 July 2005 and at 30 June 2006	345.3
Accumulated impairment	
At 1 July 2005 and at 30 June 2006	15.4
Net book value	
At 30 June 2006 and at 30 June 2005	329.9

Impairment tests for goodwill

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

A segment-level summary of the goodwill allocation is presented below:

	2006 HK$'m	2005 HK$'m
Contracting	**136.8**	136.8
Facilities management	**89.6**	89.6
Roads and bridges	**19.4**	19.4
Others	**84.1**	84.1
	329.9	329.9

Discount rates used for value-in-use calculations range from 6.54% to 7.45%.

Notes to the Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT

In HK$'m	Group					Company
	Properties	Roads and bridges	Port facilities and terminal equipment	Other plant and equipment	Total	Other plant and equipment
Cost						
At 30 June 2005, as previously reported	732.1	1,892.6	11.1	1,368.8	4,004.6	10.6
Prior year adjustments (Note 2(b))	(173.7)	–	–	–	(173.7)	–
At 30 June 2005, as restated	558.4	1,892.6	11.1	1,368.8	3,830.9	10.6
Currency translation differences	2.6	55.7	0.3	2.2	60.8	–
Additions	3.7	–	–	109.6	113.3	6.4
Disposals	(378.9)	–	(0.3)	(119.3)	(498.5)	(0.4)
Disposal of a subsidiary company	–	(125.0)	–	–	(125.0)	–
At 30 June 2006	**185.8**	**1,823.3**	**11.1**	**1,361.3**	**3,381.5**	**16.6**
Accumulated depreciation and impairment						
At 30 June 2005, as previously reported	373.9	321.0	5.0	985.7	1,685.6	3.3
Prior year adjustments (Note 2(b))	(36.0)	–	–	–	(36.0)	–
At 30 June 2005, as restated	337.9	321.0	5.0	985.7	1,649.6	3.3
Currency translation differences	1.5	9.4	0.1	0.9	11.9	–
Depreciation	3.4	86.6	1.0	107.4	198.4	4.1
Disposals	(315.3)	–	(0.2)	(99.4)	(414.9)	(0.4)
Disposal of a subsidiary company	–	(7.7)	–	–	(7.7)	–
At 30 June 2006	**27.5**	**409.3**	**5.9**	**994.6**	**1,437.3**	**7.0**
Net book value						
At 30 June 2006	**158.3**	**1,414.0**	**5.2**	**366.7**	**1,944.2**	**9.6**
At 30 June 2005, as restated	220.5	1,571.6	6.1	383.1	2,181.3	7.3

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group					Company
In HK$'m	Properties	Roads and bridges	Port facilities and terminal equipment	Other plant and equipment	Total	Other plant and equipment
Cost						
At 30 June 2004, as previously reported	763.7	2,039.0	11.1	1,390.9	4,204.7	5.3
Prior year adjustments	(173.7)	–	–	–	(173.7)	–
At 30 June 2004, as restated	590.0	2,039.0	11.1	1,390.9	4,031.0	5.3
Additions	5.0	–	–	68.4	73.4	5.3
Disposals	(45.7)	–	–	(81.0)	(126.7)	–
Disposal of subsidiary companies	–	(146.4)	–	(0.4)	(146.8)	–
Transfer	9.1	–	–	(9.1)	–	–
At 30 June 2005	558.4	1,892.6	11.1	1,368.8	3,830.9	10.6
Accumulated depreciation and impairment						
At 30 June 2004, as previously reported	369.6	286.0	4.0	933.4	1,593.0	0.4
Prior year adjustments	(32.7)	–	–	–	(32.7)	–
At 30 June 2004, as restated	336.9	286.0	4.0	933.4	1,560.3	0.4
Depreciation	7.4	69.0	1.0	119.9	197.3	2.9
Impairment	4.4	–	–	–	4.4	–
Disposals	(10.8)	–	–	(67.2)	(78.0)	–
Disposal of subsidiary companies	–	(34.0)	–	(0.4)	(34.4)	–
At 30 June 2005	337.9	321.0	5.0	985.7	1,649.6	3.3
Net book value						
At 30 June 2005, as restated	220.5	1,571.6	6.1	383.1	2,181.3	7.3
At 30 June 2004, as restated	253.1	1,753.0	7.1	457.5	2,470.7	4.9

Notes to the Financial Statements

16 INVESTMENT PROPERTIES

	Group	
	2006 HK$'m	2005 HK$'m
At the beginning of year	**1,040.3**	1,010.1
Additions	**0.3**	0.2
Fair value changes	**3.0**	30.0
At the end of year	**1,043.6**	1,040.3

The investment properties were revalued on 30 June 2006 on an open market value basis by Vigers Hong Kong Limited, independent professional property valuers.

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

	2006 HK$'m	2005 HK$'m
In Hong Kong, held on leases of over 50 years	**1,041.1**	1,038.1
In Mainland China, held on leases of over 50 years	**2.5**	2.2
	1,043.6	1,040.3

17 LEASEHOLD LAND AND LAND USE RIGHTS

		Group	
	Note	**2006 HK$'m**	2005 HK$'m (restated)
Cost			
At the beginning of year, as previously reported		**–**	–
Prior year adjustments	2(b)	**173.7**	173.7
At the beginning of year, as restated		**173.7**	173.7
Currency translation differences		**0.6**	–
Additions		**6.9**	–
Disposals		**(36.7)**	–
At the end of year		**144.5**	173.7
Accumulated amortization and impairment			
At the beginning of year, as previously reported		**–**	–
Prior year adjustments	2(b)	**39.5**	36.9
At the beginning of year, as restated		**39.5**	36.9
Currency translation differences		**0.1**	–
Amortization		**3.0**	2.6
Disposals		**(5.1)**	–
At the end of year		**37.5**	39.5
Net book value			
At the end of year		**107.0**	134.2

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

	2006 HK$'m	2005 HK$'m (restated)
In Hong Kong, held on		
Leases of over 50 years	**18.7**	29.1
Leases of between 10 to 50 years	**53.2**	56.3
In Mainland China and overseas, held on		
Leases of over 50 years	**15.7**	9.8
Leases of between 10 to 50 years	**19.1**	38.7
Leases of below 10 years	**0.3**	0.3
	107.0	134.2

Notes to the Financial Statements

18 SUBSIDIARY COMPANIES

	Company	
	2006 HK$'m	2005 HK$'m
Unlisted shares, at cost	**7,893.3**	3,393.2

Particulars of principal subsidiary companies are disclosed under Note 42.

19 JOINTLY CONTROLLED ENTITIES

		Group	
	Note	**2006 HK$'m**	2005 HK$'m (restated)
Co-operative joint ventures			
Cost of investment less provision		**1,371.9**	1,194.9
Goodwill		**98.3**	98.3
Share of undistributed post-acquisition results		**767.0**	704.3
Amounts receivable	19(a)	**1,064.8**	1,319.4
		3,302.0	3,316.9
Equity joint ventures			
Group's share of net assets		**453.1**	442.3
Amounts receivable	19(a)	**20.7**	34.8
		473.8	477.1
Companies limited by shares			
Group's share of net assets		**4,252.7**	4,069.4
Goodwill		**363.0**	363.0
Amounts receivable	19(a)	**1,009.6**	776.3
		5,625.3	5,208.7
		9,401.1	9,002.7

19 JOINTLY CONTROLLED ENTITIES (CONTINUED)

(a) Amounts receivable are analyzed as follows:

		Group	
	Note	**2006 HK$'m**	2005 HK$'m
Interest bearing			
Fixed rates	19(a)(i)	**159.7**	374.9
Variable rates	19(a)(ii)	**116.4**	7.8
Non-interest bearing		**1,819.0**	1,747.8
		2,095.1	2,130.5

(i) Charged interest at fixed rates ranging from 2% to 10% per annum (2005: 2% to 10% per annum).

(ii) Represents variable rate at 0.6% over one-month Hong Kong Interbank Offered Rate in respect of the loan to a jointly controlled entity and at Hong Kong prime rate in respect of the amounts due from jointly controlled entities.

The repayment terms of the amounts receivable are specified in the relevant joint venture agreements.

The carrying amounts of the amounts receivable are not materially different from their fair values.

(b) Dividend income from jointly controlled entities was HK$747.5 million (2005: HK$450.9 million).

(c) Particulars of principal jointly controlled entities are disclosed under Note 44.

(d) Contingent liabilities relating to the Group's interest in the jointly controlled entities are disclosed under Note 35.

(e) The Group's share of assets and liabilities, turnover and results of jointly controlled companies are summarized below:

	Group	
	2006 HK$'m	2005 HK$'m
Non-current assets	**11,909.1**	11,882.5
Current assets	**3,326.1**	3,163.6
Current liabilities	**(4,781.3)**	(4,568.7)
Non-current liabilities	**(3,609.2)**	(4,066.5)
Net assets	**6,844.7**	6,410.9
Turnover	**4,049.1**	3,674.7
Profit for the year	**909.4**	862.2

Notes to the Financial Statements

20 ASSOCIATED COMPANIES

		Group	
	Note	**2006 HK$'m**	2005 HK$'m
Group's share of net assets			
Companies listed in Hong Kong		**904.1**	865.3
Unlisted companies		**2,408.9**	1,877.5
		3,313.0	2,742.8
Goodwill		**103.5**	103.5
Amounts receivable	20(a)	**219.1**	176.6
Amounts payable		**–**	(12.9)
		219.1	163.7
		3,635.6	3,010.0

(a) The amounts receivable are unsecured, interest free and have no fixed terms of repayment except for an amount of HK$100.4 million (2005: HK$56.0 million) which bears interest at 8% per annum.

The carrying amounts of the amounts receivable are not materially different from their fair values.

(b) Dividend income from associated companies was HK$153.1 million (2005: HK$377.7 million).

(c) The market value of the Group's listed investment in associated companies amounts to HK$698.7 million (2005: HK$472.3 million).

(d) Particulars of principal associated companies of the Group are disclosed under Note 43.

(e) Contingent liabilities relating to the Group's interest in the associated companies are disclosed under Note 35.

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

	Group	
	2006 HK$'m	2005 HK$'m
Non-current assets	**3,663.7**	3,182.2
Current assets	**1,737.9**	1,313.2
Current liabilities	**(1,334.2)**	(1,056.4)
Non-current liabilities	**(754.4)**	(696.2)
Net assets	**3,313.0**	2,742.8
Turnover	**1,975.7**	1,888.6
Profit for the year	**476.6**	360.7

21 OTHER NON-CURRENT ASSETS

		Group	
	Note	**2006 HK$'m**	2005 HK$'m
Long term receivable	21(a)	**272.3**	350.0
Available-for-sale financial assets	21(b)	**474.2**	268.6
Retirement benefit assets	33	**10.0**	8.6
Deferred income tax assets	32	**5.5**	8.2
		762.0	635.4

(a) Long term receivable

		Group	
	Note	**2006 HK$'m**	2005 HK$'m
Long term receivable		**350.0**	421.3
Current portion included in trade and other receivables	23	**(77.7)**	(71.3)
		272.3	350.0

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

The carrying amount of long term receivable approximates its fair value. It is denominated in United States Dollars.

(b) Available-for-sale financial assets

	Group	
	2006 HK$'m	2005 HK$'m
Listed securities		
Equity securities listed in Hong Kong	**147.9**	106.1
Unlisted securities		
Equity securities	**287.3**	142.5
Debt securities	**39.0**	20.0
	474.2	268.6
Market value of listed securities	**147.9**	106.1

Notes to the Financial Statements

22 INVENTORIES

	Group	
	2006 HK$'m	2005 HK$'m
Raw materials	**17.5**	19.3
Work-in-progress	**9.0**	14.1
Finished goods	**96.3**	112.1
	122.8	145.5

23 TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	**2006 HK$'m**	2005 HK$'m	**2006 HK$'m**	2005 HK$'m
Trade receivables	23(a)	**1,193.5**	1,105.3	**–**	–
Retention money receivables		**904.2**	683.3	**–**	–
Current portion of long term receivable	21(a)	**77.7**	71.3	**–**	–
Amounts due from customers for contract works	27	**356.2**	362.5	**–**	–
Other receivables, deposits and prepayments		**2,869.2**	2,491.5	**7.5**	26.6
Amounts due from jointly controlled entities	23(b)	**265.1**	270.8	**–**	–
Amounts due from associated companies	23(b)	**26.7**	19.6	**–**	–
Amounts due from subsidiary companies	23(c)	**–**	–	**7,596.5**	11,186.0
		5,692.6	5,004.3	**7,604.0**	11,212.6

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The ageing analysis of the trade receivables is as follows:

	Group	
	2006 HK$'m	2005 HK$'m
Under 3 months	**962.4**	865.3
Between 4 – 6 months	**108.2**	56.1
Over 6 months	**122.9**	183.9
	1,193.5	1,105.3

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

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

The Group has made provision for doubtful debts of HK$31.1 million (2005: HK$152.9 million) for its trade and other receivables during the year ended 30 June 2006. The provision has been included in general and administrative expenses in the income statement.

(b) The amounts receivable are interest free, unsecured and have no fixed repayment terms except for an amount of HK$10.5 million (2005: HK$3.6 million) which carries interest at prime rate.

(c) The amounts due from subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

Included in the Group's trade and other receivables are HK$992.7 million (2005: HK$638.0 million) denominated in Renminbi and HK$468.7 million (2005: HK$45.6 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong dollar.

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

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006 HK$'m	2005 HK$'m
Listed securities		
Equity securities listed in Hong Kong	**1.1**	1.2
Debt securities listed overseas	**–**	30.8
	1.1	32.0
Market value of listed securities	**1.1**	32.0

Notes to the Financial Statements

25 BANK BALANCES AND CASH

	Group		Company	
	2006 HK$'m	2005 HK$'m	**2006 HK$'m**	2005 HK$'m
Time deposits	**1,057.0**	2,747.3	**140.1**	834.8
Other cash at bank and in hand	**1,490.7**	902.6	**90.9**	75.5
Bank balances and cash	**2,547.7**	3,649.9	**231.0**	910.3
Less: short term deposits	**(126.4)**	–	–	–
Cash and cash equivalents	**2,421.3**	3,649.9	**231.0**	910.3

Included in the bank balances and cash are amounts totaling HK$126.4 million pledged as securities for banking facilities.

The effective interest rate on time deposits was 3.91% (2005: 3.20%); these deposits have an average maturity of 48 days.

26 TRADE AND OTHER PAYABLES

		Group		Company	
	Note	**2006 HK$'m**	2005 HK$'m	**2006 HK$'m**	2005 HK$'m
Trade payables	26(a)	**685.1**	578.5	–	–
Retention money payables		**566.8**	393.1	–	–
Advance received from customers for contract works		**123.4**	50.3	–	–
Amounts due to customers for contract works	27	**485.4**	368.3	–	–
Amount due to a fellow subsidiary company	31	**210.8**	192.9	**210.8**	192.9
Amounts due to minority interests	26(b)	**31.6**	40.3	–	–
Other payables and accruals		**3,212.2**	3,009.8	**43.4**	45.1
Amounts due to jointly controlled entities	26(b)	**15.0**	14.6	–	–
Amounts due to associated companies	26(b)	**3.3**	–	–	–
Amount due to a subsidiary company	26(b)	–	–	**1,334.4**	–
		5,333.6	4,647.8	**1,588.6**	238.0

26 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The ageing analysis of the trade payables is as follows:

	Group	
	2006 **HK$'m**	2005 HK$'m
Under 3 months	**567.4**	479.6
Between 4 – 6 months	**51.3**	35.2
Over 6 months	**66.4**	63.7
	685.1	578.5

(b) The amounts payable are interest free, unsecured and have no fixed repayment terms.

Included in the Group's trade and other payables are HK$1,011.9 million (2005: HK$788.1 million) denominated in Renminbi and HK$178.3 million (2005: HK$7.9 million) denominated in Macau Pataca. The remaining balances are mainly denominated in Hong Kong dollar.

Included in the Company's trade and other payables is HK$210.8 million (2005: HK$192.9 million) denominated in Renminbi; the remaining balances are mainly denominated in Hong Kong dollar.

27 CONTRACTS IN PROGRESS

		Group	
	Note	**2006** **HK$'m**	2005 HK$'m
Contract costs incurred plus attributable profits less foreseeable losses		**16,002.4**	13,430.4
Progress payments received and receivable		**(16,131.6)**	(13,436.2)
		(129.2)	(5.8)
Representing			
Gross amount due from customers for contract works	23	**356.2**	362.5
Gross amount due to customers for contract works	26	**(485.4)**	(368.3)
		(129.2)	(5.8)

Notes to the Financial Statements

28 SHARE CAPITAL

	Ordinary Shares Number of shares	HK$'m
Authorized		
At 30 June 2005 and 30 June 2006	2,400,000,000	2,400.0
Issued and fully paid		
At 1 July 2004	1,792,454,316	1,792.5
Exercise of share options	14,875,728	14.8
Issued as scrip dividend	17,800,525	17.8
At 30 June 2005	1,825,130,569	1,825.1
Exercise of share options	12,559,250	12.6
Issued as scrip dividend	79,302,675	79.3
Conversion of convertible bonds	26,760,231	26.8
At 30 June 2006	1,943,752,725	1,943.8

Share Option Scheme

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

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

		Number of options	
	Note	**2006**	2005
At the beginning of year		**14,679,656**	28,835,338
Exercised		**(12,559,250)**	(13,545,728)
Lapsed		**(42,871)**	(752,677)
Adjusted	28(b)	**471,402**	142,723
At the end of year		**2,548,937**	14,679,656

28 SHARE CAPITAL (CONTINUED)

Share Option Scheme (Continued)

Notes:

(a) On 21 July 2003, 41,497,000 share options were granted to directors and certain eligible participants at the exercise price of HK$3.725, which represents the average of the closing price of the Company's shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of grant. Such share options will expire on 21 July 2008.

(b) Pursuant to the existing share option scheme of the Company, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of the Company. The Company approved the distributions of final dividend for the year ended 30 June 2005 and interim dividend for the year ended 30 June 2006 both in scrip form (with cash option) on 29 November 2005 and 13 March 2006 respectively, which gave rise to adjustments to the number of unexercised share options and the exercise price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK$3.719 to HK$3.711 with effect from 6 January 2006.

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

	Expiry Date	Number of options		Vested percentage	
		2006	2005	**2006**	2005
Exercise price		**HK$3.711**	HK$3.719		
Directors	21 July 2008	**607,248**	5,015,580	**100%**	11%
Other eligible participants	21 July 2008	**1,941,689**	9,664,076	**100%**	1%
		2,548,937	14,679,656		

Notes to the Financial Statements

29 RESERVES

	Group						
In HK$'m	Share premium	Special reserves	Investment properties revaluation reserve	Investments revaluation reserve	Exchange reserve	Revenue reserve	Total
At 30 June 2005, as previously reported	7,401.9	279.4	47.6	11.8	1.7	3,374.5	11,116.9
Prior year adjustments for the adoption of							
– HKFRS 2	–	22.9	–	–	–	(22.9)	–
– HKAS 17	–	–	–	–	–	(9.3)	(9.3)
– HKAS 32	–	121.1	–	–	–	(20.6)	100.5
– HK(SIC) – Int 21	–	–	(8.3)	–	–	–	(8.3)
At 30 June 2005, as restated	7,401.9	423.4	39.3	11.8	1.7	3,321.7	11,199.8
Opening adjustments							
for the adoption of HKAS 40	–	–	(39.3)	–	–	39.3	–
At 1 July 2005, as adjusted	7,401.9	423.4	–	11.8	1.7	3,361.0	11,199.8
Profit attributable to shareholders							
of the Company	–	–	–	–	–	1,656.6	1,656.6
Dividends	–	–	–	–	–	(1,593.9)	(1,593.9)
Fair value changes on available-for-sale							
financial assets	–	–	–	31.4	–	–	31.4
Currency translation differences							
– Group	–	–	–	–	23.1	–	23.1
– Jointly controlled entities	–	–	–	–	64.9	–	64.9
– Associated companies	–	–	–	–	33.8	–	33.8
Scrip dividends							
– share premium on issue of new shares	838.2	–	–	–	–	–	838.2
Convertible bonds							
– share premium on issue of new shares	322.0	–	–	–	–	–	322.0
– equity component	–	(108.1)	–	–	–	–	(108.1)
– deferred tax on equity component	–	18.9	–	–	–	–	18.9
Share option scheme							
– value of services provided	–	1.7	–	–	–	–	1.7
– share premium on issue of new shares	34.1	–	–	–	–	–	34.1
Transfer	–	0.9	–	–	–	(0.9)	–
At 30 June 2006	8,596.2	336.8	–	43.2	123.5	3,422.8	12,522.5
Representing							
Balance at 30 June 2006	8,596.2	336.8	–	43.2	123.5	3,032.0	12,131.7
Proposed final dividend	–	–	–	–	–	390.8	390.8
	8,596.2	336.8	–	43.2	123.5	3,422.8	12,522.5

29 RESERVES (CONTINUED)

	Group						
In HK$'m	Share premium	Special reserves	Investment properties revaluation reserve	Investments revaluation reserve	Exchange reserve	Revenue reserve	Total
At 30 June 2004, as previously reported	7,188.2	278.7	17.6	12.7	3.3	1,234.1	8,734.6
Prior year adjustments for the adoption of							
– HKFRS 2	–	11.1	–	–	–	(11.1)	–
– HKAS 17	–	–	–	–	–	(6.9)	(6.9)
– HKAS 32	–	121.1	–	–	–	(2.9)	118.2
– HK(SIC) – Int 21	–	–	(3.0)	–	–	–	(3.0)
At 30 June 2004, as restated	7,188.2	410.9	14.6	12.7	3.3	1,213.2	8,842.9
Profit attributable to shareholders of the Company	–	–	–	–	–	2,886.1	2,886.1
Dividends	–	–	–	–	–	(776.9)	(776.9)
Fair value changes on available-for-sale financial assets	–	–	–	(0.9)	–	–	(0.9)
Fair value changes on investment properties	–	–	30.0	–	–	–	30.0
Deferred tax on fair value changes on investment properties	–	–	(5.3)	–	–	–	(5.3)
Currency translation differences							
– Group	–	–	–	–	(1.6)	–	(1.6)
Scrip dividends							
– share premium on issue of new shares	168.9	–	–	–	–	–	168.9
Share option scheme							
– value of services provided	–	11.8	–	–	–	–	11.8
– share premium on issue of new shares	44.8	–	–	–	–	–	44.8
Transfer	–	0.7	–	–	–	(0.7)	–
At 30 June 2005	7,401.9	423.4	39.3	11.8	1.7	3,321.7	11,199.8
Representing							
Balance at 30 June 2005	7,401.9	423.4	39.3	11.8	1.7	2,182.8	10,060.9
Final dividend paid	–	–	–	–	–	1,138.9	1,138.9
	7,401.9	423.4	39.3	11.8	1.7	3,321.7	11,199.8

Notes to the Financial Statements

29 RESERVES (CONTINUED)

Special reserves include statutory reserves which are created in accordance with the terms of the joint venture agreements of subsidiary companies and jointly controlled entities established in Mainland China and are required to be retained in these subsidiary companies and jointly controlled entities for specific purposes. Special reserves also include share option reserve and equity component of convertible bonds.

	Company				
In HK$'m	Share premium	Contributed surplus	Special reserves	Revenue reserve	Total
At 30 June 2004, as previously reported	7,188.2	237.3	1.1	655.5	8,082.1
Prior year adjustments for the adoption of HKFRS 2	–	–	11.1	(11.1)	–
At 30 June 2004, as restated	7,188.2	237.3	12.2	644.4	8,082.1
Issue of new shares as scrip dividends	168.9	–	–	–	168.9
Profit for the year	–	–	–	1,251.7	1,251.7
Share option scheme					
– value of services provided	–	–	11.8	–	11.8
– share premium on issue of new shares	44.8	–	–	–	44.8
Dividends	–	–	–	(776.9)	(776.9)
At 30 June 2005	7,401.9	237.3	24.0	1,119.2	8,782.4
At 30 June 2005, as previously reported	7,401.9	237.3	1.1	1,142.1	8,782.4
Prior year adjustments for the adoption of HKFRS 2	–	–	22.9	(22.9)	–
At 30 June 2005, as restated	7,401.9	237.3	24.0	1,119.2	8,782.4
Issue of new shares as scrip dividends	838.2	–	–	–	838.2
Profit for the year	–	–	–	1,187.7	1,187.7
Dividends	–	–	–	(1,593.9)	(1,593.9)
Share option scheme					
– value of services provided	–	–	1.7	–	1.7
– share premium on issue of new shares	34.1	–	–	–	34.1
Convertible bonds					
– Share premium on issue of new shares	322.0	–	–	–	322.0
At 30 June 2006	8,596.2	237.3	25.7	713.0	9,572.2
Representing					
Balance at 30 June 2006	8,596.2	237.3	25.7	322.2	9,181.4
Proposed final dividend	–	–	–	390.8	390.8
	8,596.2	237.3	25.7	713.0	9,572.2

29 RESERVES (CONTINUED)

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

Special reserves include capital redemption reserve and share option reserve.

30 BORROWINGS

		Group		Company	
	Note	**2006 HK$'m**	2005 HK$'m	**2006 HK$'m**	2005 HK$'m
Non-current					
Bank loans	30(a), (b)	**2,791.6**	2,493.2	**1,448.6**	2,490.8
Convertible bonds	30(c)	**520.0**	1,210.5	**–**	–
		3,311.6	3,703.7	**1,448.6**	2,490.8
Current					
Current portion of bank loans	30(a), (b)	**882.9**	1,319.0	**834.5**	1,025.0
Short term bank loans and overdrafts – secured	30(b)	**–**	0.5	**–**	–
Short term bank loans and overdrafts – unsecured	30(b)	**333.8**	960.4	**240.0**	850.0
		1,216.7	2,279.9	**1,074.5**	1,875.0
		4,528.3	5,983.6	**2,523.1**	4,365.8

(a) Bank loans

	Group		Company	
	2006 HK$'m	2005 HK$'m	**2006 HK$'m**	2005 HK$'m
Secured				
Wholly repayable within five years	**–**	42.1	**–**	–
Unsecured				
Wholly repayable within five years	**3,674.5**	3,770.1	**2,283.1**	3,515.8
	3,674.5	3,812.2	**2,283.1**	3,515.8
Amounts repayable within one year included in current liabilities	**(882.9)**	(1,319.0)	**(834.5)**	(1,025.0)
	2,791.6	2,493.2	**1,448.6**	2,490.8

Notes to the Financial Statements

30 BORROWINGS (CONTINUED)

(a) Bank loans (Continued)

	Group		
	Secured bank loans HK$'m	Unsecured bank loans HK$'m	Total HK$'m
The maturity of bank loans as at 30 June 2006 is as follows:			
Within one year	–	882.9	882.9
In the second year	–	1,997.5	1,997.5
In the third to fifth year	–	794.1	794.1
	–	3,674.5	3,674.5
The maturity of bank loans as at 30 June 2005 is as follows:			
Within one year	42.1	1,276.9	1,319.0
In the second year	–	1,040.8	1,040.8
In the third to fifth year	–	1,452.4	1,452.4
	42.1	3,770.1	3,812.2

As at 30 June 2006, the Group's bank loans of HK$3,674.5 million (2005: HK$3,812.2 million) are exposed to interest rate risk of contractual repricing dates falling within one year.

(b) Bank loans and overdraft

The effective interest rates at the balance sheet date were as follows:

	2006		2005	
	HK$	**RMB**	HK$	RMB
Bank overdraft	**7.70%**	–	5.81%	–
Bank loans	**4.84%**	–	3.57%	6.73%

The carrying amounts of bank borrowings approximate their fair values.

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

	2006 HK$'m	2005 HK$'m
Hong Kong dollar	**4,528.3**	5,937.3
Renminbi	–	46.3
	4,528.3	5,983.6

30 BORROWINGS (CONTINUED)

(c) Convertible bonds

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

The bonds, guaranteed by the Company, are convertible into the shares of the Company at a conversion price of HK$13.63 per share at any time on and after 27 May 2004 up to 11 April 2009. The bonds are redeemable by the issuer at any time after 26 October 2005 and prior to 25 April 2009. Moreover, the bondholders have the right to redeem all or some of the bonds held by them on 26 April 2006 at 99% of their principal amount. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed on the maturity date on 26 April 2009 at 97.53% of the principal amount.

As a result of the allotment of 58,198,858 new shares of HK$1.00 each in the capital of the Company on 6 January 2006 as final dividend of HK$0.62 per share in scrip form (with a cash option) for the year ended 30 June 2005 to the shareholders of the Company, the conversion price of the convertible bonds is adjusted from HK$13.63 per share to HK$13.18 per share with effect from 6 January 2006 pursuant to the terms governing the convertible bonds.

The fair value of the liability component at the date of the issuance of the bonds, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in special reserves (Note 29).

During the year, the issuer redeemed part of the convertible bonds, totalling HK$430.0 million. The resulted gain of HK$48.0 million was credited to the income statement. In addition, certain bondholders have elected to convert their bonds into shares of the Company at a conversion price of HK$13.18 per share and the amount involved is HK$352.7 million. A total of 26,760,231 shares of HK$1 each of the Company were issued under such conversions.

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

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

Notes to the Financial Statements

31 OTHER NON-CURRENT LIABILITIES

		Group		Company	
	Note	**2006 HK$'m**	2005 HK$'m	**2006 HK$'m**	2005 HK$'m
Long service payment obligations		**55.3**	64.9	**–**	–
Deferred income tax liabilities	32	**102.3**	104.2	**–**	–
Deferred interest income		**133.0**	150.3	**–**	–
Loans from minority shareholders	31(a)	**374.9**	408.1	**–**	–
		665.5	727.5	**–**	–
Amount due to a fellow subsidiary company	31(b)	**321.0**	505.0	**321.0**	505.0
Current portion included in current liabilities	26	**(210.8)**	(192.9)	**(210.8)**	(192.9)
		110.2	312.1	**110.2**	312.1
		775.7	1,039.6	**110.2**	312.1

(a) The loans are interest free, unsecured and not repayable within one year except for an aggregate amount of HK$81.2 million (2005: HK$160.5 million) which carries interests at 10% per annum.

(b) The amount is due to New World TMT Limited ("NWTMT") and represents the Company's undertaking of a bank loan of NWTMT as part of the consideration for acquisition of the infrastructure assets under the reorganisation of the Group which was completed in January 2003. Interest charged on the amount due to NWTMT is by reference to the actual interest charged on the bank loans. The underlying bank loan is secured, interest bearing at 5.751% (2005: 5.508%) and repayable within five years.

32 DEFERRED INCOME TAX

		Group	
	Note	**2006 HK$'m**	2005 HK$'m
At the beginning of year, as previously reported		**67.4**	56.2
Prior year adjustments	2(b)	**28.6**	27.9
At the beginning of year, as restated		**96.0**	84.1
Currency translation differences		**1.4**	–
Charged to income statement	9	**16.0**	2.0
(Credited)/charged to equity		**(18.9)**	5.3
Disposal of subsidiary companies		**2.3**	4.6
At the end of year		**96.8**	96.0

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

32 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK$1,112.0 million (2005: HK$461.6 million) to carry forward against future taxable income. The tax losses have no expiry date.

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

Deferred income tax assets

	Group									
	Accelerated accounting depreciation		Provisions		Tax losses		Others		Total	
In HK$'m	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
At the beginning of year	**3.7**	10.5	**0.4**	0.4	**4.2**	6.6	**1.8**	1.7	**10.1**	19.2
Disposal of subsidiary companies	**(2.3)**	(4.6)	**–**	–	**–**	–	**–**	–	**(2.3)**	(4.6)
(Charged)/credited to income statement	**(0.8)**	(2.2)	**(0.3)**	–	**(1.8)**	(2.4)	**2.1**	0.1	**(0.8)**	(4.5)
At the end of year	**0.6**	3.7	**0.1**	0.4	**2.4**	4.2	**3.9**	1.8	**7.0**	10.1

Deferred income tax liabilities

	Group									
	Accelerated tax depreciation		Fair value gains		Convertible bonds		Others		Total	
In HK$'m	**2006**	2005	**2006**	2005 (restated)	**2006**	2005 (restated)	**2006**	2005	**2006**	2005 (restated)
At the beginning of year, as previously reported	**77.3**	75.2	**–**	–	**–**	–	**0.2**	0.2	**77.5**	75.4
Prior year adjustments	**–**	–	**8.3**	3.0	**20.3**	24.9	**–**	–	**28.6**	27.9
At the beginning of year, as restated	**77.3**	75.2	**8.3**	3.0	**20.3**	24.9	**0.2**	0.2	**106.1**	103.3
Currency translation differences	**1.4**	–	**–**	–	**–**	–	**–**	–	**1.4**	–
Charged/(credited) to income statement	**7.8**	2.1	**0.5**	–	**6.9**	(4.6)	**–**	–	**15.2**	(2.5)
Charged/(credited) to equity	**–**	–	**–**	5.3	**(18.9)**	–	**–**	–	**(18.9)**	5.3
At the end of year	**86.5**	77.3	**8.8**	8.3	**8.3**	20.3	**0.2**	0.2	**103.8**	106.1

Notes to the Financial Statements

32 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets and liabilities are offset when the 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 balance sheet.

		Group	
	Note	**2006 HK$'m**	2005 HK$'m
Deferred income tax assets	21	**(5.5)**	(8.2)
Deferred income tax liabilities	31	**102.3**	104.2
		96.8	96.0

33 RETIREMENT BENEFITS

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

(a) Defined contribution plans

MPF was established in Hong Kong under the MPF Ordinance in December 2000. Since the Group has obtained exemption for its existing retirement schemes, all staff were offered the choice of switching to the MPF scheme or staying in existing schemes. Where staff elected to join the MPF scheme, both the Group and staff are required to contribute 5% of the employees' relevant income (capped at HK$12,000 per annum).

Contributions to defined contribution plans and MPF scheme amounted to HK$84.3 million (2005: HK$90.5 million) during the year. Forfeited contributions totalling HK$12.3 million (2005: HK$12.1 million) were utilized during the year leaving HK$1.0 million (2005: HK$1.0 million) available at 30 June 2006 to reduce future contributions.

(b) Defined benefits plans

Defined benefits plans are valued by independent qualified actuaries annually using the projected unit credit method. The defined benefit plans were valued by Watson Wyatt Hong Kong Limited as at 30 June 2006.

(i) The amounts recognized in the balance sheet are as follows:

		Group	
	Note	**2006 HK$'m**	2005 HK$'m
Present value of funded obligations		**(47.1)**	(43.4)
Fair value of plan assets		**65.5**	57.2
		18.4	13.8
Present value of unfunded obligations		**(0.1)**	–
Unrecognized actuarial gains		**(8.3)**	(5.2)
Retirement benefits assets	21	**10.0**	8.6

33 RETIREMENT BENEFITS (CONTINUED)

(b) Defined benefits plans (Continued)

(ii) Net expenses recognized in the income statement are as follows:

	Note	Group	
		2006 HK$'m	2005 HK$'m
Current service cost		**2.1**	1.9
Interest cost		**1.5**	1.6
Expected return on plan assets		**(3.5)**	(2.8)
Net actuarial losses recognized		**–**	(0.1)
Total, included in staff costs	7	**0.1**	0.6

(iii) Movements in the retirement benefits assets are as follows:

	Note	Group	
		2006 HK$'m	2005 HK$'m
At the beginning of year		**8.6**	7.1
Net expenses recognized in the income statement	7	**(0.1)**	(0.6)
Contributions paid		**1.5**	2.1
At the end of year		**10.0**	8.6

The principal actuarial assumptions used are as follows:

	2006	2005
Discount rate	**5%**	4%
Expected rate of return on plan assets	**7%**	5% to 7%
Expected rate of future salary increases	**4%**	3%

The actual return on plan assets was HK$7.6 million (2005: HK$8.6 million).

Notes to the Financial Statements

34 COMMITMENTS

(a) The outstanding commitments for capital expenditure are as follows:

	Group	
	2006 HK$'m	2005 HK$'m
Contracted but not provided for		
– Property, plant and equipment	**1.3**	22.0
– Investment properties	**285.0**	–
	286.3	22.0

(b) The Group's share of commitments for capital expenditure committed by the jointly controlled entities not included above are as follows:

	Group	
	2006 HK$'m	2005 HK$'m
Contracted but not provided for		
– Property, plant and equipment	**385.7**	121.0
– Capital contributions in jointly controlled entities	**115.0**	–
Authorized but not contracted for		
– Property, plant and equipment	**101.0**	45.2
	601.7	166.2

In addition, the Group's share of commitments for property under development expenditure committed by the jointly controlled entities as at 30 June 2006 amounted to HK$701.1 million (2005: Nil).

(c) The Group has contracted to provide sufficient funds in the form of capital and loan contributions to certain jointly controlled entities and associated companies to finance relevant projects. The Board estimated that the Group's share of projected funds requirements of these projects would be approximately HK$928.1 million (2005: HK$15.8 million) which represents the attributable portion of the capital and loan contributions to be made to the jointly controlled entities and associated companies.

(d) The Group has authorized to acquire interests in various infrastructure projects in Mainland China. The estimated total relevant commitments as at 30 June 2006 were approximately HK$2,824.0 million (2005: HK$829.2 million). Included in the above, an amount of HK$2,538.5 million for a project of development and operation of rail container terminals and related businesses in Mainland China was contracted for on 28 September 2006, as detailed in Note 38.

34 COMMITMENTS (CONTINUED)

(e) Commitments under operating leases

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

	Group	
	2006 HK$'m	2005 HK$'m
Buildings		
In the first year	**45.3**	31.7
In the second to fifth years inclusive	**38.8**	32.4
After the fifth year	**3.8**	4.7
	87.9	68.8
Other equipment		
In the first year	**1.8**	1.8
	89.7	70.6

(f) Future minimum rental payment receivable

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

	Group	
	2006 HK$'m	2005 HK$'m
In the first year	**10.1**	7.3
In the second to fifth year inclusive	**11.8**	1.7
	21.9	9.0

The Group's operating leases are for terms ranging from one to five years.

35 CONTINGENT LIABILITIES

(a) The Group's and the Company's contingent liabilities are as follows:

	Group		Company	
	2006 HK$'m	2005 HK$'m	**2006 HK$'m**	2005 HK$'m
Guarantees for credit facilities granted to				
Subsidiary companies	**–**	–	**2,221.9**	171.9
Jointly controlled entities	**1,074.0**	1,047.6	**1,000.0**	1,000.0
Associated companies	**11.9**	19.2	**11.9**	11.9
A related company	**55.0**	55.0	**–**	–
Guarantee for convertible bonds issued by a subsidiary company	**–**	–	**567.3**	1,350.0
	1,140.9	1,121.8	**3,801.1**	2,533.8

Notes to the Financial Statements

35 CONTINGENT LIABILITIES (CONTINUED)

(b) The Group's share of contingent liabilities of the jointly controlled entities not included above are as follows:

	Group	
	2006 HK$'m	2005 HK$'m
Share of contingent liabilities of jointly controlled entities	**65.0**	95.1

36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2006 HK$'m	2005 HK$'m (restated)
Operating profit	**649.7**	1,954.2
Depreciation and amortization	**201.4**	199.9
Share-based payment	**1.7**	11.8
Assets impairment loss	**30.0**	57.8
Profit on disposal of land use rights and properties	**(22.7)**	–
Net profit on disposal of subsidiary companies, jointly controlled entities and an investment	**(134.4)**	(2,030.2)
Interest income	**(76.6)**	(33.5)
Fair value changes on financial assets at fair value through profit or loss	**(0.1)**	0.3
Exchange gains	**(2.3)**	(1.6)
Fair value gains on investment properties	**(3.0)**	–
Gain on redemption of convertible bonds	**(48.0)**	–
Gain on disposal of available-for-sale financial assets and financial assets at fair value through profit or loss	**(5.6)**	–
Dividend income from available-for-sale financial assets and financial assets at fair value through profit or loss	**(2.5)**	–
Operating profit before working capital changes	**587.6**	158.7
Decrease in long service payment obligations	**(9.6)**	(22.8)
Increase in retirement benefit assets	**(1.4)**	(1.5)
Decrease/(increase) in inventories	**22.7**	(21.7)
(Increase)/decrease in trade and other receivables	**(521.1)**	361.6
Increase in trade and other payables	**684.0**	197.9
Decrease/(increase) in balances with jointly controlled entities and associated companies	**1.8**	(168.0)
Decrease in amounts due to minority shareholders	**(9.9)**	(16.5)
Net cash generated from operations	**754.1**	487.7

36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Disposal of subsidiary companies

	2006 HK$'m	2005 HK$'m
Net assets disposed of		
Property, plant and equipment	**117.3**	112.4
Associated companies	**–**	844.3
Deferred income tax assets	**2.3**	4.6
Trade and other receivables	**16.1**	1.5
Bank balances and cash	**0.3**	2.5
Trade and other payables	**(29.0)**	(25.0)
Borrowings	**(42.1)**	(32.3)
Loans from minority shareholders	**(18.2)**	(1.7)
Minority interests	**(4.8)**	12.1
	41.9	918.4
Net gain on disposals	**65.7**	749.3
	107.6	1,667.7
Represented by		
Cash received	**97.5**	1,097.3
Trade and other receivables	**10.1**	138.8
Jointly controlled entities	**–**	431.6
	107.6	1,667.7

(c) Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiary companies

	2006 HK$'m	2005 HK$'m
Cash consideration	**97.5**	1,097.3
Bank balances and cash disposed of	**(0.3)**	(2.5)
	97.2	1,094.8

(d) Non-cash transactions

The principal non-cash transaction was the issue of shares from the conversion of convertible bonds as discussed in Note 30.

Notes to the Financial Statements

37 RELATED PARTY TRANSACTIONS

(a) The following is a summary of significant related party transactions during the year carried out in the normal course of the Group's business:

	Note	**2006 HK$'m**	2005 HK$'m
Transactions with affiliated companies	37(a)(i)		
Provision of contracting work service	37(a)(ii)	**227.7**	294.6
Provision of other services	37(a)(iii)	**32.3**	29.1
Interest income	37(a)(iv)	**15.2**	14.4
Management fee	37(a)(v)	**12.7**	12.2
Rental and other related expenses	37(a)(vi)	**(4.5)**	–
Transactions with other related parties	37(a)(i)		
Provision of contracting work services	37(a)(ii)	**1,962.9**	1,230.6
Provision of other services	37(a)(iii)	**126.1**	152.1
Rental and other related expenses	37(a)(vi)	**(23.7)**	(19.3)

(i) Affiliated companies include associated companies and jointly controlled entities of the Group. Related parties are group companies, associated companies and jointly controlled entities of NWD which are not companies within the Group. NWD is the ultimate holding company of the Company.

(ii) Revenue from the provision of contracting work services was charged on normal contract terms no less favourable than those charged to and contracted with third party customers of the Group.

(iii) The Group provided various kinds of services including facilities management, financial, environmental and other services to certain related parties. Revenue was made in the normal course of business at prices and at terms no less favourable than those charged to third party customers of the Group in accordance with the relevant contracts.

(iv) Interest income was charged at interest rates as specified in Notes 19 and 20 on the outstanding balances due by the affiliated companies.

(v) Management fee was charged at rates in accordance with relevant contracts.

(vi) Rental and other related expenses were charged at rates in accordance with respective tenancy agreements.

(b) Key management compensation

No significant transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in Note 13 and the loan to a director as disclosed in Note 37(d).

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) The amounts of outstanding balances with jointly controlled entities, associated companies, minority shareholders and a fellow subsidiary company are disclosed in Notes 19, 20, 23, 26 and 31. The amounts receivable are unsecured, of which HK$387.0 million (2005: HK$442.3 million) are interest bearing. The amounts payable are unsecured, of which HK$402.2 million (2005: HK$665.5 million) are interest bearing.

(d) Loan to a director

	2006 **HK$'m**	2005 HK$'m
Loan to a director of the Company	**4.6**	–

The loan is secured, bears interest at 3% per annum and has repayment terms as specified in the loan agreement. The facility approved by the Board amounted to HK$4.7 million. The maximum outstanding balance during the year was HK$4.7 million. No provision has been made in the current year.

38 EVENT AFTER THE BALANCE SHEET DATE

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

39 COMPARATIVE FIGURES

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

40 ULTIMATE HOLDING COMPANY

The directors regard NWD, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as being the ultimate holding company. The Company is immediately held by a number of subsidiary companies of NWD.

41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 9 October 2006.

Notes to the Financial Statements

42 PRINCIPAL SUBSIDIARY COMPANIES

As at 30 June 2006

	Issued share capital # Number	Par value per share HK$	Approximate percentage of shares held Company	Group	Principal activities
Incorporated and operated in Hong Kong					
Barbican Construction Company, Limited	230,000	100	–	100.0	Construction
	20,000*	100	–	100.0	
Billionoble Investment Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	–	
Broadway-Nassau Investments Limited	2	10,000	–	100.0	Property management
	3,000*	10,000	–	–	
Care & Services Company Limited	15,000,000	1	–	100.0	Elderly care services
CiF Solutions Limited	10	100	–	100.0	Provision of computer software development, computer system consultancy and maintenance services
	160,000*	100	–	100.0	
Environmental Pioneers & Solutions Limited	1,000	100	–	100.0	Investment holding
Extensive Trading Company Limited	8,500,000	1	–	100.0	Trading and retail of building materials and environmental consultancy
	1,500,000*	1	–	100.0	
Far East Engineering Services Limited	766,714	10	–	100.0	Mechanical and electrical engineering
	233,288*	10	–	100.0	
General Security (H.K.) Limited	8,402	100	–	100.0	Security services
	11,600*	100	–	20.5	
Hip Hing Builders Company Limited	40,000	1,000	–	100.0	Construction
	10,000*	1,000	–	100.0	
Hip Hing Construction Company Limited	400,000	100	–	100.0	Construction and civil engineering
	600,000*	100	–	100.0	
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	–	100.0	Management of Hong Kong Convention and Exhibition Centre ("HKCEC")
	1*	1	–	100.0	
Hong Kong Island Landscape Company Limited	980,000	10	–	100.0	Landscaping and project contracting
	20,000*	10	–	–	
Hong Kong Ticketing Limited	11,481,580	1	–	100.0	Ticketing services
International Property Management Limited	450,000	10	–	99.0	Property management
	95,500*	10	–	83.5	
Kentfull Contracting Limited	10	1	–	100.0	Interior decoration contracting
	5,000,000*	1	–	100.0	
Kentfull Engineering Company Limited	6,000'A'	1	–	100.0	Building construction
	4,000'B'	1	–	–	
Kiu Lok Property Services (China) Limited	2	1	–	100.0	Property agency management and consultancy
	2*	1	–	100.0	
Kiu Lok Service Management Company Limited	2	100	–	100.0	Property management
	1,002*	100	–	100.0	
Kleaners Limited	5,000,000	1	–	100.0	Laundry services
Majestic Engineering Company Limited	30,000	1,000	–	100.0	Mechanical and electrical engineering
Millennium Engineering Limited	18,750,000	1	–	90.4	Supply and installation of aluminium windows and curtain wall
New China Laundry Limited	40,000,002	1	–	100.0	Laundry services
	704,000*	1	–	100.0	

42 PRINCIPAL SUBSIDIARY COMPANIES (CONTINUED)

As at 30 June 2006

	Issued share capital #		Approximate percentage of shares held		
	Number	Par value per share HK$	Company	Group	Principal activities
Incorporated and operated in Hong Kong (Continued)					
New Waly Interior Products Limited	1,000,000	1	–	100.0	Trading of interior products
New World-Guangdong Highway Investments Co. Limited	100	100	–	100.0	Investment holding
	100*	100	–	50.0	
New World Insurance Management Limited	100,000	1	–	100.0	Insurance broking
New World Port Investments Limited	2	1	–	100.0	Investment holding
Ngo Kee Construction Company Limited	270,000	100	–	100.0	Building and construction
	1**	1	–	–	
NWS (Finance) Limited	2	1	–	100.0	Financial services
NWS Holdings (China) Limited	1	1	–	100.0	Investment holding
NWS Holdings (Finance) Limited	1	1	100.0	100.0	Financing
Pollution & Protection Services Limited	18,057,780	1	–	100.0	Cleaning services
	500,020*	1	–	85.0	
Polytown Company Limited	2	10	–	100.0	Property investment, operation, marketing, promotion and management of HKCEC
	100,000*	10	–	100.0	
Sky Connection Limited	100	1	–	100.0	Duty free, liquor and tobacco sales
Team Deco International Limited	2	1	–	100.0	Interior design
True Hope Investment Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	–	
Try Force Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	–	
Uniformity Security Company Limited	2	100	–	100.0	Security services
	2,500*	100	–	–	
Urban Parking Limited	10,000,000	1	–	100.0	Carpark management
Urban Property Management Limited	49,995,498	1	–	100.0	Property management
	4,502*	1	–	66.7	
Vibro (H.K.) Limited	20,000,004	3	–	99.8	Piling, caisson and civil engineering
Wai Hong Cleaning & Pest Control Company Limited	400,000	100	–	100.0	Cleaning and pest control services
Waking Builders, Limited	20,000	1,000	–	100.0	Construction
Young's Engineering Company Limited	4,000,000	10	–	100.0	Mechanical and electrical engineering
Incorporated in Cayman Islands and operated in Hong Kong					
NWS Service Management Limited	1,323,943,165	0.10	100.0	100.0	Investment holding

\# Represented ordinary shares, unless otherwise stated
* Non-voting deferred shares
** Redeemable preference shares

Notes to the Financial Statements

42 PRINCIPAL SUBSIDIARY COMPANIES (CONTINUED)

As at 30 June 2006

	Amount of registered capital	Approximate percentage of attributable interest Company	Group	Principal activities
Incorporated and operated in Mainland China				
Foshan Gaoming Xinming Bridge Company Limited (formerly Gaoming Xinming Bridge Company Limited)	RMB60,000,000	–	30.0 (a)	Operation of toll bridge
Guangxi Beiliu Xinbei Highways Limited	RMB99,200,000	–	60.0 (a)	Operation of toll road
Guangxi Cangwu Xincang Highways Limited	RMB64,000,000	–	70.0 (a)	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	RMB82,400,000	–	70.0 (a)	Operation of toll road
Guangxi Yulin Xinye Highways Limited	RMB63,800,000	–	60.0 (a)	Operation of toll road
Guangxi Yulin Xinyu Highways Limited	RMB96,000,000	–	60.0 (a)	Operation of toll road
Hip Hing Construction (China) Company Limited	HK$50,000,000	–	100.0	Construction
NWS Engineering Ltd	RMB50,000,000	–	100.0	Mechanical and electrical engineering
Shanxi Xinda Highways Limited	RMB49,000,000	–	90.0 (b)	Operation of toll road
Shanxi Xinhuang Highways Limited	RMB56,000,000	–	90.0 (b)	Operation of toll road
Taiyuan Xintai Highways Limited	RMB72,120,000	–	90.0 (b)	Operation of toll road
Taiyuan Xinyuan Highways Limited	RMB85,880,000	–	90.0 (b)	Operation of toll road
Wuzhou Xinwu Highways Limited	RMB72,000,000	–	45.0 (a)	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US$5,000,000	–	100.0	Development of warehousing, processing and logistics facilities
Xiamen Xinyuan Container Terminal Co., Ltd.	RMB17,000,000	–	70.0	Cargo consolidation container storage, repairs and maintenance
Incorporated and operated in Macau				
Hip Hing Engineering (Macau) Company Limited	MOP100,000	–	100.0	Construction
Ngo Kee (Macau) Limited	MOP25,000	–	100.0	Construction
Vibro (Macau) Limited	MOP1,000,000	–	100.0	Construction

Notes:

(a) Profit sharing percentage in co-operative joint ventures

(b) Cash sharing ratio for the first 12 years of the joint venture period, and thereafter 60%

42 PRINCIPAL SUBSIDIARY COMPANIES (CONTINUED)

As at 30 June 2006

	Issued share capital #		Approximate percentage of shares held		
	Number	Par value per share	Company	Group	Principal activities
Incorporated in British Virgin Islands					
Beauty Ocean Limited	1	US$1	–	100.0	Investment holding
Hetro Limited	101	US$1	–	100.0	Investment holding
NWSH Capital Finance Limited	1	US$1	100.0	100.0	Issuance of convertible bonds
NWS CON Limited	1	HK$1	–	100.0	Investment holding
NWS Engineering Group Limited	50,000,000	HK$1	–	100.0	Investment holding
NWS Infrastructure Bridges Limited	1	US$1	–	100.0	Investment holding
NWS Infrastructure Management Limited	2	US$1	100.0	100.0	Investment holding
NWS Infrastructure Power Limited	1	US$1	–	100.0	Investment holding
NWS Infrastructure Roads Limited	1	US$1	–	100.0	Investment holding
NWS Infrastructure Water Limited	1	US$1	–	100.0	Investment holding
NWS Ports Management Limited	2	US$1	100.0	100.0	Investment holding
Righteous Corporation	1	US$1	–	100.0	Investment holding
Stockfield Limited	1	US$1	–	100.0	Investment holding

Represented ordinary shares, unless otherwise stated

Notes to the Financial Statements

43 PRINCIPAL ASSOCIATED COMPANIES

As at 30 June 2006

	Issued share capital #		Approximate percentage of shares held		
	Number	Par value per share	Company	Group	Principal activities
Incorporated and operated in Hong Kong					
Quon Hing Concrete Company Limited	200,000	HK$100	–	50.0	Production and sales of concrete
Yargoon Company Limited	150,000	HK$100	–	42.0	Stone quarrying
Incorporated in British Virgin Islands					
East Asia Secretaries (BVI) Limited	300,000,000	HK$1	–	24.4	Investment holding
Tricor Holdings Limited	7,001	US$1	–	24.4	Investment holding
Incorporated in Bermuda and operated in Hong Kong					
Build King Holdings	781,408,494	HK$0.10	–	22.2	Investment holding
Limited	1,500,000,000*	HK$0.01	–	–	
Taifook Securities Group Limited (formerly Tai Fook Securities Group Limited)	578,669,699	HK$0.10	–	22.2	Investment holding
Wai Kee Holdings Limited	793,124,034	HK$0.10	–	26.97	Investment holding

43 PRINCIPAL ASSOCIATED COMPANIES (CONTINUED)

As at 30 June 2006

	Amount of registered capital	Approximate percentage of attributable interest Company	Group	Principal activities
Incorporated and operated in Mainland China				
Equity joint ventures				
Guangzhou Oriental Power Company Limited	RMB990,000,000	–	25.0 (a)	Generation and supply of electricity
Guang Zhou Pearl River Power Company Limited	RMB420,000,000	–	50.0 (b)	Generation and supply of electricity
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,125,000,000	–	18.0 (a)	Operation of container terminal
Co-operative joint ventures				
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	–	25.0 (a)	Operation of toll road
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Northern Section Company Limited	RMB650,953,325	–	15.0 (a)	Operation of toll road

\# Represented ordinary shares, unless otherwise stated
* Preference shares

(a) Percentage of interest in ownership and profit sharing

(b) Percentage of equity interest in equity joint venture for the 11th year and onwards of the joint venture period. For the first 10 years of the joint venture period, the Group is entitled to a fixed return.

Notes to the Financial Statements

44 PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at 30 June 2006

	Amount of Registered capital	Approximate percentage of attributable interest Company	Group	Principal activities
Incorporated and operated in Mainland China				
Equity joint ventures				
ATL Logistics Centre Yantian (Shenzhen) Limited	HK$3,500,000	–	46.2	Operation of cargo handling and storage facilities
Tianjin Orient Container Terminals Co., Limited (formerly CSX Orient (Tianjin) Container Terminals Co., Limited)	US$29,200,000	–	24.5 (a) 22.2 (b) 24.5 (c)	Operation of container terminal
Xiamen New World Xiangyu Terminals Co. Ltd.	RMB384,040,000	–	50.0 (a)	Container handling and storage and road freight operations
Co-operative joint ventures				
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	RMB580,000,000	–	25.0 (d)	Operation of toll road
Guangzhou Northring Freeway Company Limited	US$19,255,000	–	65.3 (e)	Operation of toll road
Huishen (Yantian) Expressway Huizhou Company Limited	RMB139,980,000	–	33.3 (d)	Operation of toll road
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	–	50.0 (d)	Investment holding and operation of toll road
Tianjin Xindi Expressway Company Limited	RMB93,688,000	–	90.0 (f)	Operation of toll road
Tianjin Xinlong Expressway Company Limited	RMB99,400,000	–	90.0 (f)	Operation of toll road
Tianjin Xinlu Expressway Company Limited	RMB99,092,000	–	90.0 (f)	Operation of toll road
Tianjin Xinming Expressway Company Limited	RMB85,468,000	–	90.0 (f)	Operation of toll road
Tianjin Xinqing Expressway Company Limited	RMB99,368,000	–	90.0 (f)	Operation of toll road
Tianjin Xinquan Expressway Company Limited	RMB92,016,000	–	90.0 (f)	Operation of toll road
Tianjin Xinsen Expressway Company Limited	RMB87,300,000	–	90.0 (f)	Operation of toll road
Tianjin Xinshi Expressway Company Limited	RMB99,388,000	–	90.0 (f)	Operation of toll road
Tianjin Xinsi Expressway Company Limited	RMB96,624,000	–	90.0 (f)	Operation of toll road
Tianjin Xintong Expressway Company Limited	RMB99,448,000	–	90.0 (f)	Operation of toll road
Tianjin Xintuo Expressway Company Limited	RMB99,316,000	–	90.0 (f)	Operation of toll road
Tianjin Xinxiang Expressway Company Limited	RMB90,472,000	–	90.0 (f)	Operation of toll road
Tianjin Xinyan Expressway Company Limited	RMB89,028,000	–	90.0 (f)	Operation of toll road
Tianjin Xinzhan Expressway Company Limited	RMB89,392,000	–	90.0 (f)	Operation of toll road
Wuhan Airport Road Development Limited	RMB60,000,000	–	40.0 (d)	Operation of toll road

Notes:

(a) Percentage of equity interest in equity joint ventures

(b) Voting power percentage in equity joint ventures

(c) Profit sharing percentage in equity joint ventures

(d) Percentage of interest in ownership and profit sharing

(e) Profit sharing percentage in co-operative joint ventures

(f) Cash sharing ratio for the first 15 years of the joint venture period, and thereafter 60%

44 PRINCIPAL JOINTLY CONTROLLED ENTITIES (CONTINUED)

As at 30 June 2006

	Issued share capital # Number	Par value per share	Approximate percentage of share held Company	Group	Principal activities
Incorporated and operated in Hong Kong					
ATL Logistics Centre Hong Kong Limited	100,000'A' 20,000'B'** 54,918*	HK$1 HK$1 HK$1	– – –	56.0 79.6 –	Operation of cargo handling and storage facilities
ATL Logistics Centre Yantian Limited	10,000	HK$1	–	46.2	Investment holding
Far East Landfill Technologies Limited	1,000,000	HK$1	–	47.0	Landfill
First Star Development Limited	100	HK$1	–	50.0	Property development
New Green Environmental Sciences Limited	10,000	HK$1	–	50.0	Environmental products and services
Poly Rising Development Limited	1	HK$1	–	50.0	Property development
Supertime Holdings Limited	100	HK$1	–	50.0	Property development
Tate's Cairn Tunnel Company Limited	1,100,000 600,000,000*	HK$0.01 HK$1	– –	29.5 –	Operation of toll tunnel
United Asia Terminals (Yantian) Limited	52,000'A' 52,000'B' 26,000'C'	HK$1 HK$1 HK$1	– – –	– 100.0 –	Operation of cargo handling and storage facilities
Incorporated in British Virgin Islands					
DP World New World Limited (formerly DPI Terminals New World Limited)	2,000	US$1	–	50.0	Investment holding
NWS Transport Services Limited	500,000,016	HK$1	–	50.0	Investment holding
Incorporated in Cayman Islands					
DP World New World (Tianjin) Limited (formerly DPI Terminals New World (Tianjin) Limited)	1,000	US$1	–	50.0	Investment holding
Incorporated in Hong Kong and operated in Macau and Mainland China					
Sino-French Holdings (Hong Kong) Limited	1,086,280 'A' 2,089,000 'B' 1,002,720 'C'	HK$100 HK$100 HK$100	– – –	– 100.0 –	Investment holding and operation of water and electricity plants

\# Represented ordinary shares, unless otherwise stated
* Non-voting deferred shares
** Non-voting preference shares