



# Managing Director's Report

## To Our Shareholders,

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

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

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

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

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

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

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

*Managing Director*

Hong Kong, 11 October 2007