

Management Discussion and Analysis

FINANCIAL REVIEW

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

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

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

Consolidated Income Statement

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

Turnover – Breakdown by Business Segment

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

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

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

Property sales

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

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

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Rental

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

Infrastructure

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

Service

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

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

Hotel

Hotel operations contributed HK\$674.9 million, surged 59% from last year. Benefited from the rising visitor number, the Group's hotels in Hong Kong, namely Grand Hyatt Hong Kong, Renaissance Harbour View Hotel and Renaissance Kowloon Hotel, recorded an average occupancy of 83% and a 15% growth in average room rate achieved during the period under review.

Department stores

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

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

Telecommunications

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

Others

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

Financing costs

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

Other gains/(charge)

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

Liquidity and Capital Resources

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

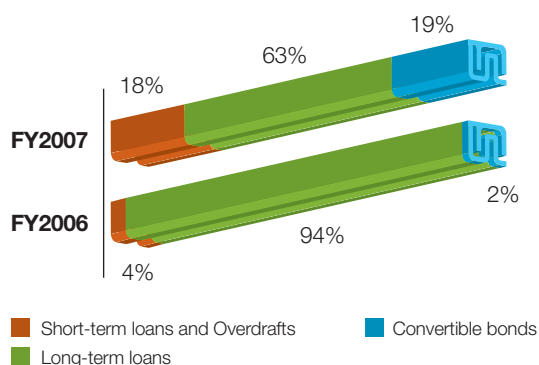
In June 2007, a wholly owned subsidiary of NWCL issued USD settled Zero Coupon Guaranteed Convertible Bonds due 2012 in the aggregate amount of RMB2,800.0 million which are convertible into fully paid shares with par value of HK\$0.1 each of NWCL at a conversion price of HK\$8.044 per share, subject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

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

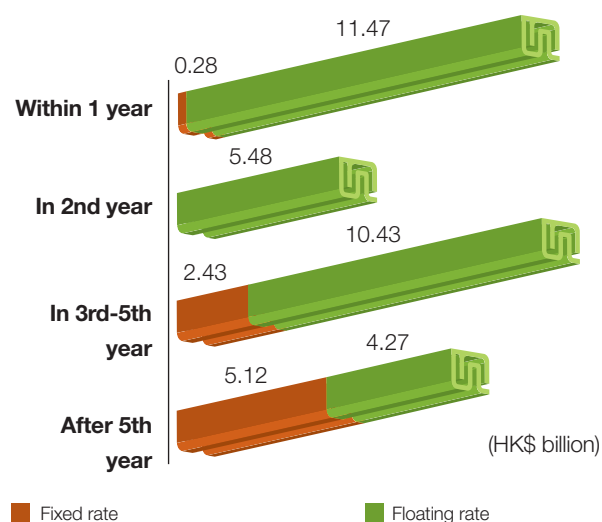
In respect of the Group's operation in Mainland China, the Group maintains an appropriate level of external borrowings in Renminbi for natural hedging of Renminbi contributed to those projects. Apart from this, the Group does not have any material foreign exchange exposure.

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

Source of Borrowings

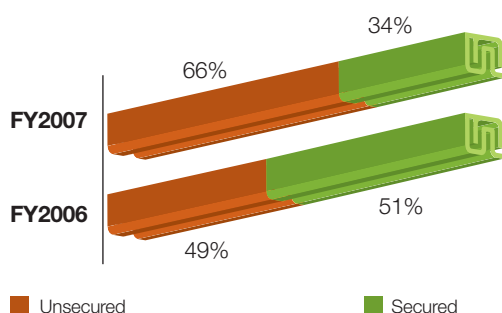


Interest Rate and Maturity Profile



Management Discussion and Analysis

Nature of Debts



The Group maintained a balanced debt profile with adequate risk diversification through specifying the preferred mix of fixed and floating rate debt.

Nature of Debt

As at 30 June 2007, less than half of the total outstanding loans were secured by the Group's assets.

Interest Rate and Maturity Profile

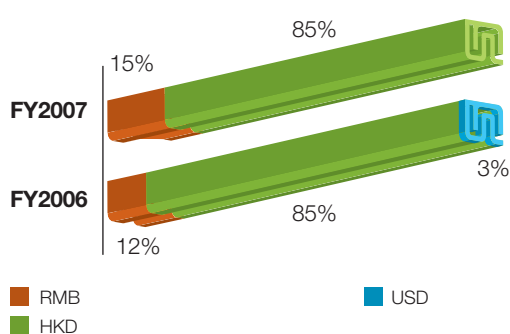
Amount of long term borrowings due within FY2008 amounts to HK\$4,580.1 million. Our cash and bank balances as of 30 June 2007 were HK\$15,400.1 million.

The combination of cash and bank balances, together with cash inflow from operation and our remaining undrawn banking facilities, should enable the Group to satisfy its debt repayment commitments and working capital requirements.

Approximately 80.2% of the Group's total debts are on a floating rate basis, whilst fixed rate borrowings mainly related to the RMB loan facilities and convertible bonds.

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

Currency Profile of Borrowings



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

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