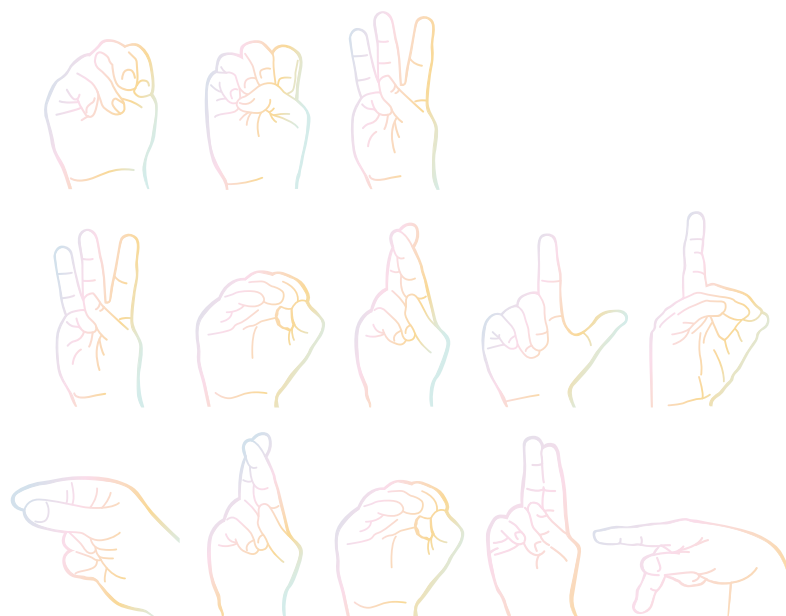




New World Development Company Limited

(Stock Code: 0017)



Annual Report 2010  
**NEW  
WORLD  
GROUP**



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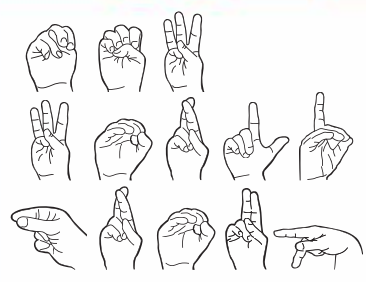
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= NEW  
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= GROUP

"New World Group" in American Sign Language Alphabet

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# Contents

<b>2</b>	Corporate Philosophy
<b>4</b>	Corporate Profile
<b>6</b>	Corporate Structure
<b>7</b>	Financial Highlights
<b>10</b>	Chairman's Statement
<b>12</b>	Managing Director's Report

## Business Review

<b>16</b>	<b>Property</b>
<b>24</b>	<b>Infrastructure</b>
<b>28</b>	<b>Service</b>
<b>32</b>	<b>Department Store</b>
<b>34</b>	Direct Investment
<b>35</b>	Other Businesses
<b>36</b>	Corporate Governance Report
<b>40</b>	Corporate Citizenship
<b>52</b>	Management Discussion and Analysis
<b>57</b>	Corporate Information
<b>58</b>	Project Summary
<b>75</b>	Directors' Profile
<b>80</b>	Financial Section Contents



# CORPORATE

## Vision

To build a better society  
through innovation and  
sustainable growth



# PHILOSOPHY

## Mission

- Pioneer urban living standard through the delivery of superb quality products
- Deliver superior customer services that win customers' trust
- Commit to long-term value creation for shareholders via distinguished leadership
- Nurture a professional and energetic staff force with commitment and pride
- Care for the communities we serve and respect the environment we live in

## Core Values

- Innovation and initiative
- Pursuit of excellence
- Integrity and trust
- People growth and development
- Social responsibility
- Stakeholders' interest





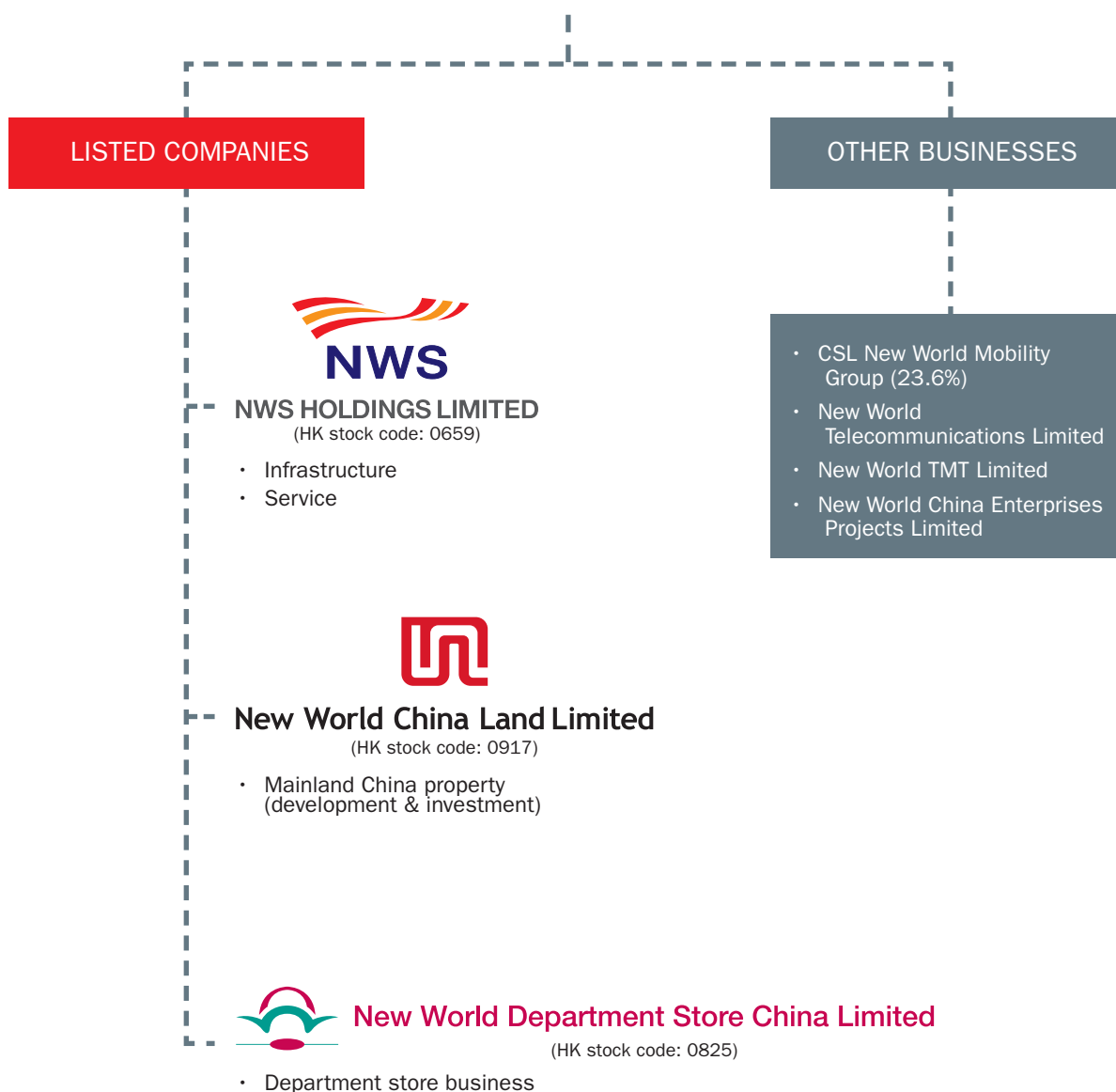
# Corporate Structure



## New World Development Company Limited

(HK stock code: 0017)

Hong Kong property (development & investment)  
Hotels (Hong Kong, Mainland China, Southeast Asia)  
New World Strategic Investment Limited (direct investment)



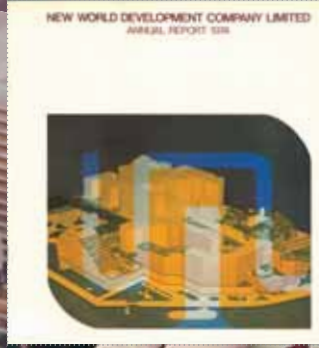
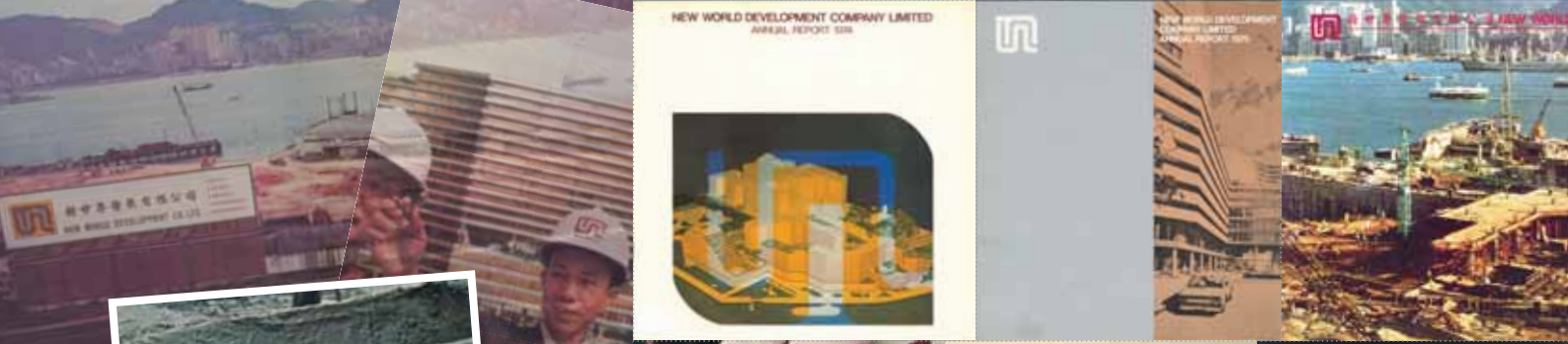


# Financial Highlights

	FY2010 HK\$m	FY2009 HK\$m
Revenues	<b>30,218.6</b>	24,415.0
Segment results <sup>(1)</sup>	<b>11,155.0</b>	5,224.1
Profit before taxation	<b>17,511.8</b>	4,191.3
Profit attributable to shareholders of the Company	<b>11,612.6</b>	2,083.5
Earnings per share (HK\$)	<b>2.99</b>	0.55
Dividend per share (HK Cents)		
Interim	<b>10.0</b>	9.0
Final	<b>28.0</b>	21.0
Full-year	<b>38.0</b>	30.0
Total assets	<b>199,609.9</b>	176,519.3
Net debt <sup>(2)</sup>	<b>27,113.5</b>	34,187.5
Gearing ratio <sup>(3)</sup>	<b>24.3%</b>	35.1%

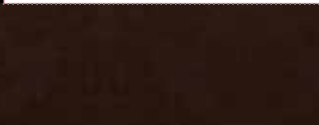
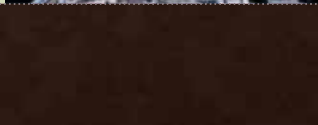
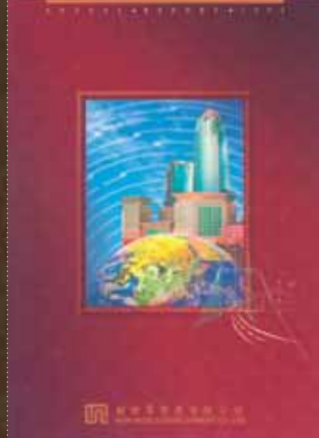
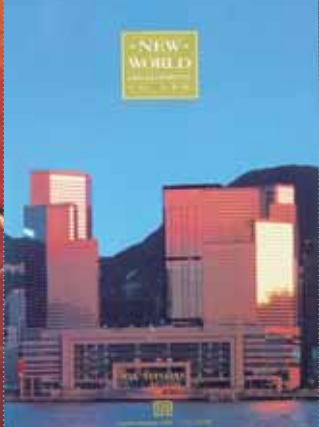
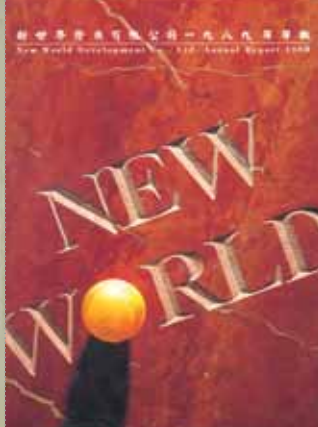
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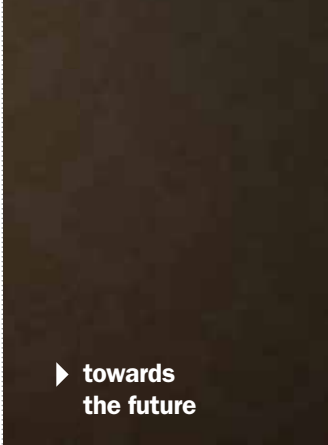
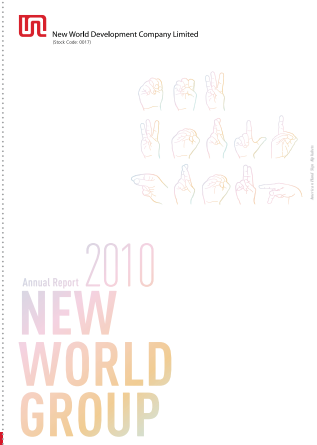
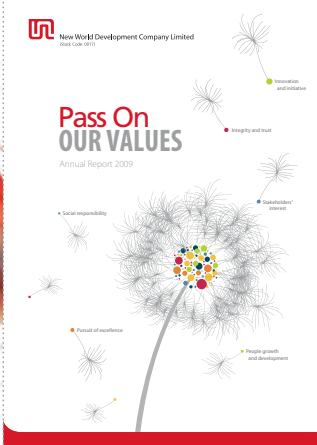
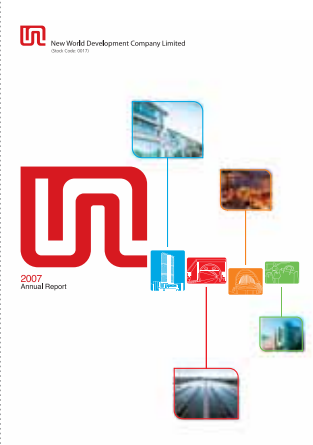
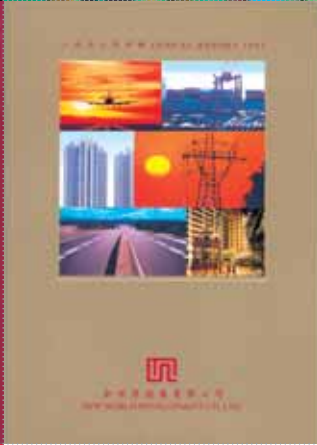
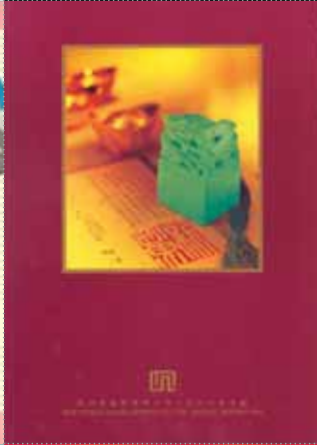
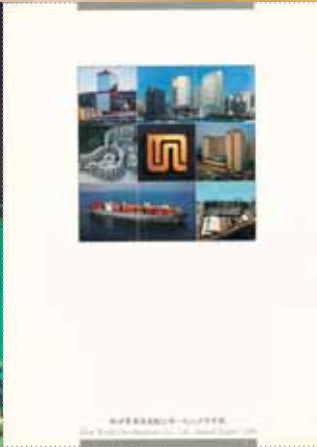
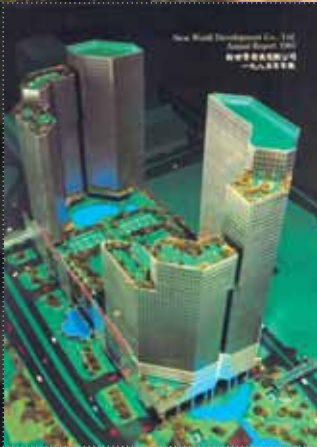
- (1) *Segment results: including share of results of jointly controlled entities and associated companies*
- (2) *Net debt: The aggregate of bank loans, other loans, fixed rate bonds and convertible bonds less cash and bank balances*
- (3) *Gearing ratio: Net debt divided by total equity*



# 40th Anniversary

It takes a decade to grow trees but a century to nurture human beings. New World Group has gone through 40 years of development in tandem with the growth of the nation as well as its people.







**Into the future, the Group has a clear vision and looks forward to forging ahead with its continuation of growth, as if bearing fruits following blossoms.**

# Chairman's Statement

## TO OUR SHAREHOLDERS,

Quoting from Chapter 2 of the Sayings of Confucius, "At 30, I stood firm; at 40, I had no more doubts." Time has its role to play in one's behaviour and how one conducts himself in society. With the passage of time, we master our lives better and become more refined and polished, step by step. At the age of 30, one can overcome difficulties and stand up amidst adversities. By the age of 40, one has thorough appreciation of and insights into the world and becomes firmly self-assured without being carried away by all those irregularities in life.

Time flies and it is already the 40th anniversary of the Group since its foundation in 1970 when the Hong Kong economy was about to take off and flourish. The past decades have witnessed all those ups and downs in the course of growth of Mainland China and Hong Kong, which surmounted fierce challenges at different points of time, stood firm and forged ahead further.

The Group is now at its "no-more-doubts" years of age, as if a man in his apex of power. Four decades of growth and evolution have enriched its experience, nurtured the sophistication and maturity of seeing and treating the world and given it peace and composure. Into the future, the Group has a clear vision and looks forward to forging ahead with its continuation of growth, as if bearing fruits following blossoms.

Since its establishment, New World Group has been determined to contribute to the economic development of China and has actively grasped the opportunity presented by the reform of Mainland China in the past 30 years before leaping forward into this new era of development hand-in-hand with our motherland. In recent years, being an important player in the international arena of politics and economic performance and the organizer of the global events of Beijing Olympics and Shanghai World Expo, China has made glorious achievements of which we are highly proud. In future, the Group will carry on with its focus of development in Mainland China and continue to maintain its wide spectrum of investments with the view to benefiting the nation and the well-being of its people.

The sovereignty of Hong Kong has been reverted for 13 years. It is our pleasure that One-Country-Two-Systems regime has been put to successful implementation and Hong Kong people are having an increasing positive recognition of their motherland as China becomes stronger and more prosperous than ever. Firmly rooted in Hong Kong and having close emotional connection with China, New World Group advocates viewing and understanding our nation from a wider perspective and will go through the nation's growth and development together with Hong Kong people.

Under the new economic landscape featuring globalization and the rapid development of China, New World Group believes that the desire to change and surmount the status quo will be the key to advancement and progression. Building upon 40 years of solid foundation, it will be of paramount importance for New World Group to maintain a pragmatic approach, keep up with the multitude of trials and strive to remain its level of attainment in order for achieving sound performance and scaling new heights.

"It takes a decade to grow trees but a century to nurture human beings". New World Group has gone through 40 years of development in tandem with the growth of the nation as well as its people. We firmly believe that the growth of an enterprise is no different from the self-improvement of human beings. It is a step-by-step procedure and an ever-lasting course of improvement, which requires staying in line with the era and taking up social responsibility. Not until then can a business considered truly successful and be ready for more decades of glorious continuation.

**Dr Cheng Yu-Tung**

*Chairman*

Hong Kong, 6 October 2010



**On the whole, the Group will keep monitoring the risks affecting our operations and adjust our plans and executions for the best interests of the Group's stakeholders.**

# Managing Director's Report

## TO OUR SHAREHOLDERS,

In FY2010, NWD recorded a consolidated turnover of HK\$30,218.6 million and profit attributable to shareholders of the Company amounted to HK\$11,612.6 million. If stripping out the net other gains and changes in fair value of investment properties, the Group's profits amounted to HK\$6,081.7 million, an increase of 72.4% compared to the previous year.

The economic rebound, low interest rate, high liquidity and tight supply have led to a robust growth in residential property transaction volume and price. For the year under review, the contribution from property development segment amounted to HK\$4,837.1 million. Overall property sales performance in Mainland China was driven by the better market sentiment, with over 120.1% increase in sales volume to a total GFA of 1,039,224 sq m with gross sales proceeds of over RMB7,978.0 million.

In Hong Kong, leasing activities of Grade A office have picked up and limited supply in the prime location has stabilized the rental rates and triggered the improvement in the second quarter of 2010. Retail market in Hong Kong had also been back on track. Strong retail performance has stimulated the leasing demand for retail premises. The Group's gross rental income in Hong Kong amounted to HK\$1,197.6 million. All the major projects in the Group's investment portfolio attained satisfactory occupancy.

The performance of the road business was weakened as a result of the disposal of Wuhan Airport Expressway in FY2009 and the closure of a roadway for maintenance during the year. Service segment achieved a substantial increase in revenue contribution, mainly attributable to an encouraging performance from our duty free operation and Taifook Securities.

In FY2010, NWDS recorded a total revenue of HK\$1,872.9 million, an increase of 8.8% compared with the prior year. Profit attributable to shareholders was HK\$577.6 million, representing an increase of 5.5% compared with the prior year.

As at 30 June 2010, the Group's cash and bank balances stood at HK\$23,608.7 million and the consolidated net debt amounted to HK\$27,113.5 million. The net debt to equity ratio was 24.3%, a decrease of 10.8% as compared with FY2009.

The world has gone through doldrums of the US financial crisis, rebounds arising from wide spread liquidity, concerns of possible double-dip triggered by European credit crunch and the US slowdown. Market has been full of surprises to strain the adaptability of every company. Hong Kong is of no immunity to the economic waves from the US, Europe and Mainland China.

While the Hong Kong Government has been implementing various measures to improve the transparency and regulate practices of the property market, the low interest rate environment and tight future supply are expected to sustain the current market up-cycle. Satisfactory results of several recent land auctions have reinforced the confidence of both demand and supply of the property market. However, sovereign debt burdens in Europe and the weakening US economic recovery may induce the uncertainty to the outlook of local economy and affect the sentiment of the property market for the remainder of 2010.

In recent months, Hong Kong office and retail rental market have become more vibrant. Active business environment requires more office space which in turn fuels the uptick of rental rates. In the second quarter of 2010, the Hong Kong private consumption expenditure was up 4.6% year-on-year. The spectacular growth in three consecutive quarters is definitely a piece of good news to the retail rental market.

Though Mainland China is still having satisfactory export figures, the market anticipates a slowdown of trading in the coming months. Consequently, some worry that too early a cooling down may trigger an unstoppable recession. Against this backdrop, however, the recent signs of domestic property market rebound drag the Central Government into a difficult situation. Some suggest that the Central Government should immediately retract those previously imposed stimulus policies to avoid bubble.

In the short term, the Mainland China property market is full of uncertainties. The Group expects that the Central Government will continuously adjust the policies according to the domestic situation and the global economic development. Overall, the Group is cautiously optimistic about Mainland China property market. We will continue our plan according to the good side of the market. At the same time, the Group also holds a prudent approach in managing its business to avoid those risks tripped quite a number of China developers in 2007 and 2008.

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

The Central Government's increased support for environmental initiatives, such as waste water, sludge treatment and alternative energy, has created investment opportunities for this segment. The Group will therefore continue to explore investment opportunities in waste-water treatment and alternative energy business. Water demand is expected to grow healthily thanks to the continuous development in Mainland China.

The Group is cautiously optimistic about the development of the domestic retail industry. After the rebranding programme was launched in June 2009, NWDS abandons the conventional store positioning by "Class Basis" and initiates "Fashion Style" & "Living Style" concept in the retail industry by categorizing the stores into themed department store and one-stop shopping department store, namely "Fashion Gallery" and "Living Gallery" respectively. The rebranding programme is scheduled for completion in 2012.

To increase synergy of the Group companies, NWCL, NWDS, New World Hospitality together with Chow Tai Fook Jewellery Company Limited, our affiliate company, have presented joint VIP membership programme in Mainland China, which allows sharing of VIP privileges among various parties while enhancing loyalty of our VIP customers.

On the whole, the Group will keep monitoring the risks affecting our operations and adjust our plans and executions for the best interests of the Group's stakeholders.

**Dr Cheng Kar-Shun, Henry**

*Managing Director*

Hong Kong, 6 October 2010





# Enrich People's Living

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



# Property



## HONG KONG PROPERTY DEVELOPMENT

The residential property market has regained momentum since mid-2009. The economic rebound, low interest rate, high liquidity and tight supply have led to a robust growth in residential property transaction volume and price. According to the figures released by The Land Registry of the HKSAR, the number of sale and purchase agreements of residential units during the 12 months since July 2009 reached 128,808 units, an increase of 54% year-on-year.

While the Government is implementing various measures to improve market transparency and regulate practices of the property market, the low interest rate environment and tight future supply are expected to sustain the current market up-cycle. Satisfactory results of several recent land auctions have reinforced the confidence of both demand and supply sides of the property market.

In FY2010, the Group's effective share of Hong Kong property sales proceeds amounted to approximately HK\$6,058.5 million. The contributions were mainly from the sales of The Masterpiece (名鑄), Harbour Place (海濱南岸) and Wylie Court (衛理苑). The residential project Emerald Green (翹翠峰) received positive market responses and around 93% of the area has been sold.



*Emerald Green*

Capitalizing the booming of housing demand, The Group launched Belcher's Hill (寶雅山) in Western District in late January 2010. The project is situated in the Central-West school net and is next to the terminal station of MTR West Island Line under construction. Majority of the residential units were sold.

The Group expects to launch four new projects with 1,135 units to the market. They are 9-12 Chun Fai Terrace in Tai Hang (大坑春暉臺9-12號), Phase 1 of Tong Yan San Tsuen in Yuen Long (元朗唐人新村第一期), 55 Conduit Road in Mid-Levels (半山干德道55號) and the Che Kung Temple Station Project in Shatin (沙田車公廟站項目).



*The Masterpiece*

Agricultural landbank by location, Hong Kong	Total land area (sq ft)	Attributable land area (sq ft)
Yuen Long	14,289,500	12,888,000
Sha Tin/Tai Po	2,122,000	2,122,000
Fanling	2,260,000	2,260,000
Sai Kung	1,984,035	1,430,660
Tuen Mun	120,000	120,000
<b>Total</b>	<b>20,775,535</b>	<b>18,820,660</b>

The Group has a total of over 20 million sq ft of agricultural land reserve pending conversion. In particular, the Group is actively negotiating with the government on the land premium for the conversion of 5 million sq ft of agricultural land.

In October and December 2009, the Group paid approximately HK\$3.6 billion land premium for the Group's share of agricultural land conversion to the government for two joint venture property development projects, namely Wu Kai Sha Project in Ma On Shan (馬鞍山烏溪沙項目) and Tai Tong Road Project in Yuen Long (元朗大棠路項目). The Group's total attributable gross floor area ("GFA") involved is around 1.2 million sq ft.

In addition to agricultural land conversion, the Group has been actively pursuing to replenish its landbank in the urban areas of Hong Kong so as to provide a steady pipeline of development sites in coming years. Various means, including public auction, private acquisition and tendering for development projects offered by Urban Renewal Authority, the MTRC and the government are being considered.

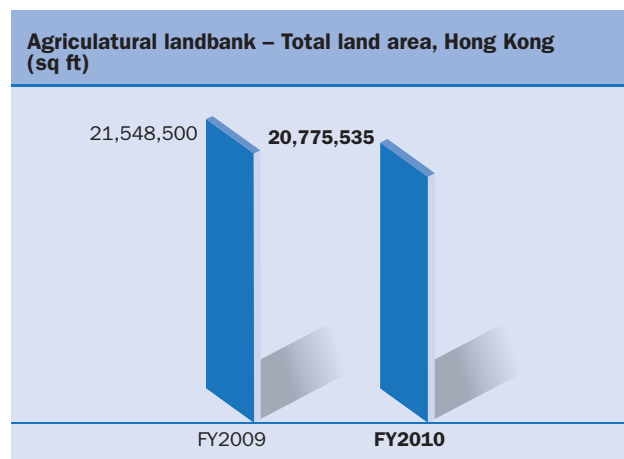
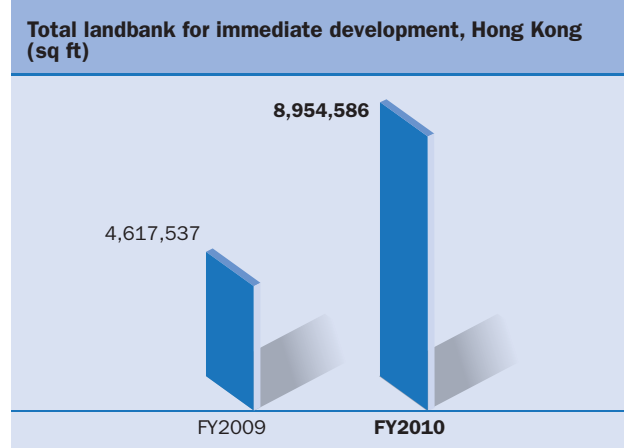
In March 2010, the Group's 50/50 joint venture won the tender for the Austin Station Project (柯士甸站項目) and the Group's share of land premium was approximately HK\$3.9 billion. The project is situated in the prestigious residential area in West Kowloon and is next to the Guangzhou-Shenzhen-Hong Kong Express Rail Link Hong Kong Section Terminal Station under construction. It covers a total site area of 295,178 sq ft with permissible GFA of approximately 1.28 million sq ft.

The Group currently has a landbank of 9 million sq ft total GFA for immediate development. Over 50% of the ready landbank is in the urban area.

Landbank by location, Hong Kong	Attributable GFA (sq ft)
Hong Kong Island	441,588
Kowloon	4,112,313
New Territories (excluding areas pending agricultural land conversion)	4,400,685
<b>Total</b>	<b>8,954,586</b>



Wylie Court



## HONG KONG PROPERTY INVESTMENT

Corporate demand and rental rates of prime office buildings were greatly reduced in the aftermath of the global financial crisis. Nevertheless, signs of stabilization had been observed in the office market since the fourth quarter of 2009 after a series of economic boosting measures were undertaken by the central banks around the world. Improving economic conditions and sentiment have resulted in increasing corporate expansion demand. Leasing activities of Grade A offices have picked up and limited supply in the prime location has stabilized the rental rates and triggered the improvement in the second quarter of 2010.

Retail market in Hong Kong had been back on track after adversely affected by the global economic downturn. The improving economic condition and improved employment rate have strengthened the local consumer confidence since the fourth quarter of 2009. Coupled with the remarkable pick-up in local consumption and the increase in tourist spending associated with the rapid growth of inbound Mainland tourists, the value of total Hong Kong retail sales in the first half of 2010 recorded HK\$156.2 billion, up 17.9% year on year. Strong retail performance has stimulated the leasing demand for retail premises.

The Group's gross rental income in Hong Kong amounted to HK\$1,197.6 million. All the major projects in the Group's investment portfolio attained satisfactory occupancy.

K11 Art Mall in Hong Kong opened in December 2009, it has become a core multi-cultural dimension in Hong Kong and brings shoppers a unique shopping experience.

New World Centre, the Group's trophy building standing on the tip of Kowloon at the waterfront for more than 30 years, was closed for redevelopment during the year under review.



*Hong Kong K11 Art Mall, Hyatt Regency Hong Kong, Tsim Sha Tsui and The Masterpiece*



*The Piazza of Hong Kong K11 Art Mall*

## HOTEL

Hong Kong hotel industry was adversely affected by the global economic downturn which started in the third quarter of 2008. The outbreak of human swine influenza in May 2009 further deteriorated the situation. Nevertheless, the dismissal of the virus threat and the recovering global economy have helped to increase travel propensity and sustain the growth momentum of visitor arrivals. A positive growth in visitor arrivals has been recorded since the fourth quarter of 2009.

Visitors from Mainland China were the key driver of the growth, contributing to over 62% of the total arrivals to Hong Kong and brought the total arrivals up 23.1% to a record high of 16.9 million in the first half of 2010. The long-haul market has also shown significant growth momentum. Total arrivals to Hong Kong has gradually recovered to the pre-crisis level.

Increased demand for rooms from corporate and leisure travellers has improved the occupancies and average room rates also saw modest upward adjustment in the first two quarters of 2010. The Group's hotels in Hong Kong have steadily improved in occupancies and average room rates.

The Group's Hyatt Regency Hong Kong, Tsim Sha Tsui has been operating smoothly since its launch in October 2009. As the redevelopment of the New World Centre will be commenced within 2010, Renaissance Kowloon Hotel, one of the major portions of the New World Centre, ceased its operation after February 2010. Meanwhile, New World Hotel Beijing closed 435 guestrooms in April 2010 for renovation.

In July 2010, New World Hotels has launched a new logo and fresh corporate identity as New World Hospitality, the first in a series of repositioning initiatives. The move reflects the group's revitalization of its namesake New World Hotels brand and ambitious expansion plans, with the goal of becoming recognized as a distinctive hospitality icon within the region and internationally.

New World Hospitality assumed management of the New World Hotel Makati City, Manila and New World Hotel Shunde in October 2009 and January 2010 respectively. Currently eight hotels of New World Group are managed by New World Hospitality.



*Renaissance Harbour View Hotel*



*Hyatt Regency Hong Kong, Sha Tin*

## MAINLAND CHINA PROPERTY DEVELOPMENT

In FY2010, NWCL recorded a profit of HK\$2,636.4 million, representing an increase of 93.9% as compared with FY2009. In particular, the relevant operating profit attributable to core business increased significantly to HK\$1,812.1 million, representing a year-on-year increase of 95.1%. Such increase was primarily due to the substantial increase in property sales and the improvement of hotel operation results.

During the year under review, NWCL's overall property sales performance was driven by the better market sentiment and a more optimistic property market outlook, with over 120.1% increase in sales volume to a total GFA of 1,039,224 sq m with gross sales proceeds of over RMB7,978.0 million. During the year under review, NWCL's overall gross profit margin dropped by 6.8 percentage points to 26.4% as compared with FY2009. Apart from the difference in the sales portfolio in the previous two financial years, the decrease in the overall gross profit margin during the year was also a result of the recognition of the effect arising from fair value adjustments in the costs in the sale of certain projects of which we have recently acquired additional interests.

In FY2010, NWCL has completed 11 property development projects in Beijing, Wuhan, Changsha, Chengdu, Guangzhou, Guiyang, Huizhou and Shunde with a total GFA of 734,949 sq m, representing a year-on-year increase of 7.2%.



Beijing New View Garden



Changsha La Ville New World

Development property projects completed in FY2010, Mainland China	Usage	Total GFA (sq m)	NWCL's Interest
Beijing New View Garden Phase III	R,C	31,670	70%
Wuhan Changqing Garden Phase VII	R,C	45,680	60%
Wuhan Menghu Garden Phase III	R,C	37,535	100%
Changsha La Ville New World Phase I	R,C	68,555	48%
Chengdu New World Riverside Phase IA	R	91,729	30%
Guangzhou New World Oriental Garden Phase II	R	55,144	100%
Guangzhou Park Paradise Phase IIE	R	113,234	100%
Guangzhou Xintang New World Garden Phase IV	R	51,456	63%
Guiyang Jinyang Sunny Town Phase I	R,P	128,423	50%
Huizhou Changhuyuan Phase IIB	R,C	62,534	63%
Shunde New World Centre Phase III	R	48,979	35%
<b>Total</b>		<b>734,939</b>	

R: Residential  
C: Commercial  
P: Carpark

During the year under review, the contributions from NWCL's rental operation have slightly increased by 0.3% from FY2009 to HK\$489.6 million. The occupancy of certain office premises under NWCL has shown continuous improvement and the occupancy for Wuhan New World Centre and Wuhan New World International Trade Tower were particularly prominent. There was a reduction of turnover rent rate upon renewal of tenancy at Beijing New World Centre and a reduction in rentable area upon selling service apartment and office space at Beijing New World Centre. The Galleria shopping mall in Dalian, Wuhan K11 Gourmet Tower and Beijing Baoding Building Shopping Arcade have just commenced operation during the year under review, and the high operating expenses in the early stage have adversely affected the contribution from rental operation.

During the year under review, NWCL's investment property portfolio increased by 141,498 sq m, which was mainly contributed by newly completed retail properties and car parks in Beijing, Wuhan, Changsha and Guangzhou.

Investment properties completed in FY2010, Mainland China	Usage	Total GFA (sq m)	NWCL's Interest
Beijing Baoding Building Shopping Arcade	C	40,286	100%
Wuhan K11 Gourmet Tower	C,P	20,875	100%
Changsha La Ville New World Phase I	P	24,844	48%
Guangzhou New World Oriental Garden Phase II	C	2,739	100%
Guangzhou Park Paradise Phase IIE	C,P	18,212	100%
Guangzhou Xintang New World Garden Phase IV	C,P	29,488	63%
Guiyang Jinyang Sunny Town Phase I	C	2,902	50%
Huizhou Changhuyuan Phase IIB	C	2,152	63%
<b>Total</b>		<b>141,498</b>	

C: Commercial

P: Carpark



Wuhan K11 Gourmet Tower



Guiyang Jinyang Sunny Town



Guangzhou Park Paradise



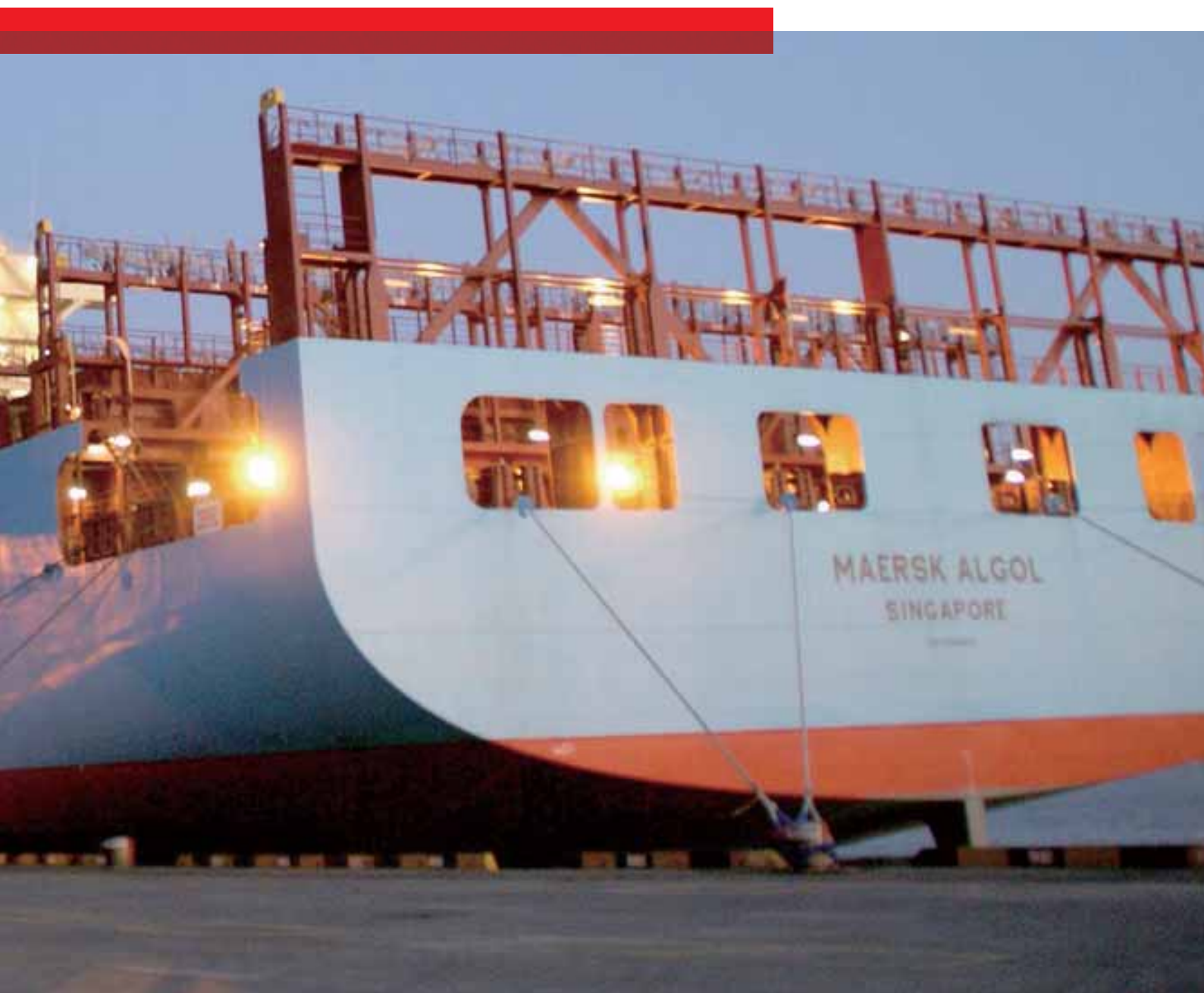
# Accelerate Country's Advancement







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



# Infrastructure



Tianjin Five Continents International Container Terminal

NWSH achieved a profit attributable to shareholders of HK\$4,011.7 million for FY2010, an increase of 58.6% year-on-year. A significant gain from the disposal of controlling interest in Taifook Securities of HK\$728.7 million was recognized during FY2010. A net gain of HK\$541.1 million was also realized during the year through the disposals of several securities investments.

## Road

The performance of the Roads division was weakened as a result of the disposal of Wuhan Airport Expressway in FY2009 and the closure of a roadway for maintenance during the year.

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

## Energy

The growth in electricity sales and softened coal price during the year led to a significant growth in contribution from the Energy division. In FY2010, the combined electricity sales of Zhujiang Power Plants grew by 12% on the strength of the economy recovery. For Chengdu Jintang Power Plant, its electricity sales volume was up 4% and achieved a better average tariff in FY2010. Electricity sales of Macau Power reported a healthy growth of 8%, as benefited from the opening of new hotels and entertainment facilities.

## Water

Contribution from water projects in Mainland China continued to grow and tariff hike of several water plants were approved in FY2010. Chongqing Water Plant rose 16% in daily average treated volume. Sales volume for industrial water and sewage treatment volume of Shanghai SCIP Water Treatment Plants increased by 23% and 15% respectively. The acquisition of Chongqing Water Group (“CWG”) in August 2008 provided a full-year contribution in FY2010. In March 2010, CWG listed on the Shanghai Stock Exchange and our interest, as a result of the listing, has been diluted from 7.5% to 6.72%.

## Ports & Logistics

The contribution from Ports & Logistics division was affected by the global economic downturn. Owing to the global freight market downturn, profit contribution from ATL Logistics Centre fell in FY2010. While the average occupancy rate maintained a high level of 97%, drop in lease income, cargo-handling and storage revenues were recorded.



Jiangsu Changshu Water Plant



Chengdu Rail Containers Terminal

China United International Rail Containers Co., Ltd. commenced three terminal operations, which are located in Chongqing, Chengdu and Zhengzhou in FY2010. The throughput volume of Kunming Terminal, which was opened in January 2008, increased by 68% to 267,000 TEUs in FY2010. A total of eight terminals in Kunming, Chongqing, Chengdu, Zhengzhou, Qingdao, Wuhan, Dalian and Shanghai (to be injected in to the JV by the Ministry of Railways) are now operational. Xian Terminal is expect to commence operation in October 2010. It is planned that all 18 rail container terminals will be completed by end of 2012.



Beijing-Zuhai Expressway (Guangzhou-Zuhai Section)



# Sustain the Nation's Growth

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





# Service



*Tamar Development, a joint-venture project with the participants of Hip Hing Construction*

Service segment achieved a substantial increase in revenue contribution, mainly attributable to an encouraging performance from our duty free operation and Taifook Securities.

## **Facilities management**

Hong Kong Convention & Exhibition Centre (“HKCEC”) achieved a solid growth with its exhibition business for FY2010 subsequent to the increase of its total rentable space to 91,500 sq m after the completion of extension works in April 2009. During FY2010, 1,185 events were held in total with total patronage in excess of 4.8 million.

Benefiting from the robust growth in Mainland China visitor arrivals via railway and the increased average spending per passenger, Free Duty at Lo Wu and Hung Hom MTR Stations registered particularly strong growths during FY2010. Free Duty at Lok Ma Chau MTR Station also recorded significant improvements in terms of both retail sales revenue and profits.

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

## **Contracting & transport**

As at 30 June 2010, the gross value of contracts on hand for the construction group was approximately HK\$17.6 billion. Meanwhile, the performance of local bus and ferry operations improved as a result of the significant decline in overall fuel costs which have been hedged at a reasonable price level for the purpose of better cost control.



New World First Ferry

### Financial services

A significant improvement in contribution from Taifook Securities was chiefly due to increase in stock market turnover and higher contribution from its core operations including brokerage service, corporate finance and margin finance during FY2010 in the stock market has shown clear signs of rebound since March 2009. Tricor recorded a steady growth in its corporate services and investor services businesses during FY2010. Tricor business operations in Hong Kong and Singapore together contributed about 78% of its total profit during FY2010.

As part of NWSH's continuing corporate strategy to consolidate its businesses, during the year, NWSH reduced its shareholding interest in Taifook Securities from approximately 61.9% to approximately 9% on 21 December 2009 following the completion of disposal of 373,434,720 Taifook Securities shares to Hai Tong (HK) Financial Holdings Limited at HK\$4.88 per share.



Hong Kong Convention and Exhibition Centre



Free Duty

On 11 June 2010, NWSH disposed some of its non-core businesses including laundry and landscaping, security and guarding, trading of building materials, senior residents' homes, insurance brokerage, property management in Hong Kong, cleaning and electrical and mechanical engineering. Total consideration for the disposal was HK\$888.5 million and the expected unaudited gain to be derived would amount to approximately HK\$0.3 billion.



**Bring Variety  
and Quality  
to Shoppers**







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



# Department Store



Shanghai Chengshan Branch Store

In FY2010, NWDS recorded total revenue of HK\$1,872.9 million, an increase of 8.8% compared with the prior year. Profit attributable to shareholders was HK\$577.6 million, representing an increase of 5.5% compared with the prior year.

The Central China Region contributed the most to the NWDS's revenue during the year under review, accounting for 32.4% of total revenue, followed by the Eastern China Region and Northeastern China Region, which accounted for 31.5% and 20.7% respectively.

In the year under review, three self-owned department stores namely Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store were opened in Shanghai and Beijing. In January 2010, NWDS successfully acquired the operating right of Shanghai Pujian Branch Store which had previously been a managed store. Furthermore, Shenyang Taiyuan Street Branch Store was disposed of during the year under review.

As at the end of June 2010, the business network of NWDS comprised a total of 25 self-owned stores and 10 managed stores, with a total floor area of approximately 1,174,530 sq m or an increase of 10.4% over the previous year. Located in five operational regions, namely Northeastern China, Northern China, Eastern China, Central China and Southwestern China, the stores covered 17 major cities in Mainland China.

After the rebranding programme was launched in June 2009, NWDS has abandoned the conventional store positioning by "Class Basis" and initiated "Living Style" & "Fashion Style" concept in the retail industry by categorizing the stores into one-stop shopping department store and themed department store, namely "Living Gallery" and "Fashion Gallery" respectively. The rebranding programme was first launched in Shenyang and then carried out in different cities in an orderly schedule. The rebranding programme is scheduled for completion in 2012.

NWDS implements an expansion strategy of "multiple stores in a single city" and "radiation city" in various core growth cities within each operational region in pursuit of regional growth. Meanwhile, NWDS will carry on with the expansion strategy of opening two to three self-owned stores per fiscal year, amounting to about 100,000 – 120,000 sq m in total per annum.

NWDS planned to open three new stores in FY2011. In addition to Beijing Qianzi Store launched in September 2010, Shenyang Jianqiao Road Branch Store and Zhengzhou Store are expected to commence operation in 2011. Extra spaces amount to approximate GFA 108,000 sq m.



"The 1st NWDS Spokesperson" final contest



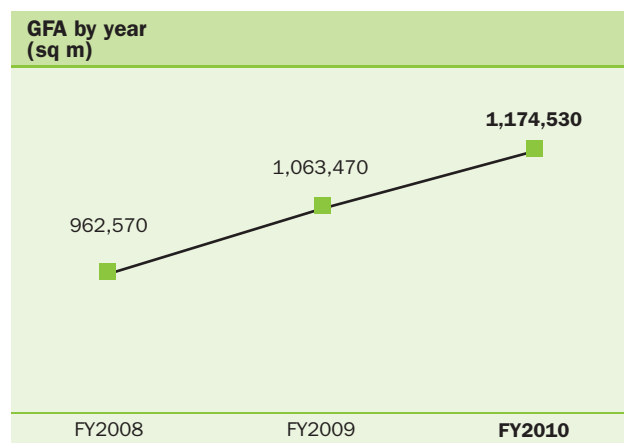
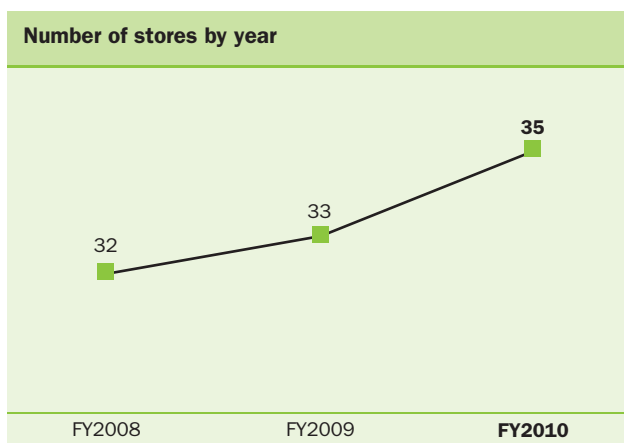
Shanghai Boshan Branch Store



Beijing Shishang Store

Region	City	No. of stores	GFA (sq m)
Northeastern China	Harbin, Shenyang, Dalian, Anshan	5	177,140
Central China	Wuhan, Changsha	7	239,350
Eastern China	Shanghai, Wuxi, Ningbo, Nanjing, Taizhou	14	373,430
Northern China	Beijing, Tianjin, Lanzhou	6	300,510
Southwestern China	Chongqing, Kunming, Chengdu	3	84,100
<b>Total</b>		<b>35</b>	<b>1,174,530</b>

\* As at June 2010



# Direct Investment



Production of wind turbine rotor blades



Wind turbine rotor blades produced by Hua Feng

In pursuit of its “new strategy, new thinking” objective, NWSI continues to identify investment projects with development potential in various areas.

Capturing the opportunities arising from the strong growth in renewable energy, in 2009, NWSI invested in Hua Feng Wind Power Holdings Limited (“Hua Feng”) which is a leading company in the wind energy industry in China. Hua Feng is principally engaged in the design, development, manufacturing and distribution of rotor blades for MW-class wind turbines. Its customers include reputable wind turbines manufacturers in the world. With rising concern over energy shortages, environmental threat posed by global warming and emissions of greenhouse gases, there has been growing pressure in the power generation industry for improved energy savings and emission reductions. This has translated into vast growth potential for Hua Feng in the renewable power generation industry.

In 2010, NWSI invested in Shifang Holding Limited (“Shifang”) which is an integrated media solution provider serving advertisers from a diversified spectrum of consumer industries through its cross-province network of newspapers and television stations that spans more than 16 fast-growing second-tier and third-tier cities across eight provinces in China. To take advantages of the robust growth in China consumer market and the ongoing reform of the PRC press and publication industry, Shifang enjoys incredible business growth by selling advertising space and offering value-added services such as design, layout, content planning and event organizing to form one-stop solution packages for its advertising customers. It is believed that Shifang’s business will provide synergy to the Group’s existing retail and property operations in Mainland China.

# Other Businesses



Call Centre of NWT



Internet Data Centre of NWT

## NEW WORLD TELECOMMUNICATIONS LIMITED (“NWT”)

During the year under review, NWT has modernized its network to create new revenue streams and drive business growth for the coming years. The network modernization has improved NWT’s time-to-market by responding faster to the dynamically changing business needs. NW iMedia has strengthened its IT infrastructure by deploying various new systems with the aim in providing advanced Display Ad and Search Marketing services for customers.

In FY2010, NWT had signed International Telecom Service Agreements with additional 66 preferred partners. These new partners provide opportunities for NWT to extend its wholesale business reach to new destinations. Meanwhile, significant amount of focus had been put into Wholesales Data Services business and the total number of circuits being ordered by carrier partners for regular and longer terms increased 16.7% year-on-year.

## CSL NEW WORLD MOBILITY GROUP (“CSLNWM”)

In FY2010, CSLNWM recorded revenue of HK\$5,286 million, down 6.9% year-on-year. Revenue performance was negatively impacted by lower local voice yields and reduced international roaming driven by lower outbound travel among CSLNWM customer base since the beginning of the global financial crisis. Handset revenue also declined due to the general weakness in demand for devices. With the Hong Kong economy recovering in the second half of 2010, roaming revenue has shown signs of improvement. Data revenue performed strongly driven by customers substituting voice for data communication whilst prepaid revenues grew as a result of an increase in the prepaid customer base.

In FY2010, EBITDA recorded a growth of 6.7% year-on-year to HK\$1,480 million. The decrease in capital expenditure of 28.2% year-on-year to HK\$600 million was largely due to lower network capex in light of the Next G™ network build being completed during last year.

## NEW WORLD CHINA ENTERPRISES PROJECTS LIMITED (“NWCEP”)

NWCEP not only acts as investment and project manager for New World Enterprise Holdings Limited, but also project manager for a China focused private equity fund, namely New World Liberty China Ventures Limited (“NWLCV”). The total accumulated investment amount of NWCEP is about US\$163 million for over 20 projects.

In FY2010, NWLCV disposed its interests in a biotechnology drugs company and a phytopharmaceutical materials manufacturer, with approximately 112% and 160% of investment return respectively. NWLCV also disposed its remaining interests in an apparel products manufacturer.

## NEW WORLD TMT LIMITED (“NWTMT”)

To benefit from regional liberalization initiatives and technological advancement, NWTMT continues to focus on profit generating services and applications in Mainland China and the Asia Pacific region. Leveraging on the existing projects, NWTMT would strive to expand the current portfolio both in breadth and depth, to achieve better business synergy and economic of scale. To execute a comprehensive realignment and development plan, NWTMT will continue to leverage on their expertise in the TMT arena to expand the portfolio scope including the expansion of IT outsourcing and system integration services.

# Corporate Governance Report

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintain a high standard of corporate governance practices and procedures. For the year under review, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules, except for the deviations as disclosed in this report.

The board of Directors (the “Board”) will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective board to optimise return for shareholders.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 June 2010.

As required under code provision A.5.4 of the CG Code, the Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the securities of the Company. The Board has established guidelines for employees in respect of their dealings in the securities of the Company but they are not on no less exacting terms than the Model Code. The deviation is mainly due to the fact that the Company currently has over 55,000 employees and operates diversified businesses, it will cause immense administrative burden for processing written notifications from the relevant employees by the Company.

## **BOARD OF DIRECTORS**

The Board oversees the management, businesses, strategic directions and financial performance of the Group. The Board currently comprises a total of 15 Directors, with seven Executive Directors, four Non-executive Directors and four Independent Non-executive Directors. The biographies of the Directors are set out on pages 75 to 79 of this annual report.

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

The Board has delegated an Executive Committee comprising all Executive Directors of the Board, with authority and responsibility for handling the management functions and day-to-day operations of the Group, while reserving certain key matters such as the declaration of interim dividend, making recommendation of final dividend or other distributions for the approval by the Board. The Executive Committee meets regularly as when necessary.

## **CHAIRMAN AND MANAGING DIRECTOR**

The Board has appointed a Chairman who provides leadership for the Board and ensures that the Board works effectively and that all important issues are discussed in a timely manner. The Managing Director takes the lead in the Group’s operations and business development. The positions of the Chairman and the Managing Director are held by separate individuals so as to maintain an effective segregation of duties.

## **NON-EXECUTIVE DIRECTORS**

Non-executive Directors (including the Independent Non-executive Directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group. The Non-executive Directors are not appointed for a specific term as is stipulated in Code provision A.4.1, but are subject to retirement by rotation in accordance with the articles of association of the Company. Article 103(A) of the articles of association of the Company provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

## **REMUNERATION OF DIRECTORS**

The Company established the Remuneration Committee on 22 September 2005 with specific written terms of reference. The Remuneration Committee is responsible for making recommendations on the Company’s policy and structure for the remuneration of all the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for approval by the Board. The Remuneration Committee met once during the year to review the remuneration policy for Directors and senior management of the Company. Current Members of the Remuneration Committee are Mr. Leung Chi-Kin, Stewart (Chairman), Mr. Yeung Ping-Leung, Howard, Dr. Cha Mou-Sing, Payson, Mr. Ho Hau-Hay, Hamilton and Mr. Lee Luen-Wai, John.

The remuneration for the Executive Directors comprises basic salary, pensions and discretionary bonus. Share options were granted to all Directors to subscribe for shares in the Company under the Company's share options scheme. In addition to the above, certain Directors had been granted options under share option schemes of various listed subsidiaries to enable the Directors to subscribe for shares in those subsidiaries. Details of the amount of emoluments of Directors paid for the financial year ended 30 June 2010 are set out in Note 16 to the financial statements.

### **NOMINATION OF DIRECTORS**

The Board is responsible for considering the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and approving and terminating the appointment of a Director. A candidate to be appointed as Independent Non-executive Director must also meet the independence requirement set out in Rule 3.13 of the Listing Rules. During the year under review, the Company had not established a nomination committee.

### **AUDIT COMMITTEE**

The Audit Committee, established in fiscal year 1999 with specific written terms of reference, currently consists of four Independent Non-executive Directors of the Board. The Audit Committee is responsible for the review and supervision of the Group's financial reporting process and internal controls.

During the year, the Audit Committee reviewed with the auditors the audited financial statements for the year ended 30 June 2009 and the unaudited interim financial statements for the six months ended 31 December 2009 with recommendations to the Board for approval, reviewed reports on internal control system of the Group, and discussed with the management and the external auditors the accounting policies and practices which may affect the Group and financial reporting matters. The Audit Committee reviewed the system of internal control and the financial statements for the year ended 30 June 2010 with recommendation to the Board for approval. Current Members of the Audit Committee are Dr. Cha Mou-Sing, Payson (Chairman), Mr. Yeung Ping-Leung, Howard, Mr. Ho Hau-Hay, Hamilton and Mr. Lee Luen-Wai, John.

## ATTENDANCE AT MEETINGS OF THE BOARD, THE AUDIT COMMITTEE AND THE REMUNERATION COMMITTEE

Name of Directors	Number of Meetings Attended/Eligible to attend for the year ended 30 June 2010		
	Board	Audit Committee	Remuneration Committee
<b>Executive Directors</b>			
Dato' Dr. Cheng Yu-Tung ( <i>Chairman</i> )	4/4		
Dr. Cheng Kar-Shun, Henry ( <i>Managing Director</i> )	4/4		
Dr. Sin Wai-Kin, David	3/4		
Mr. Liang Chong-Hou, David	4/4		
Mr. Leung Chi-Kin, Stewart	4/4		1/1
Mr. Cheng Chi-Kong, Adrian	4/4		
Mr. Cheng Chi-Heng*	1/1		
<b>Non-executive Directors</b>			
Mr. Cheng Kar-Shing, Peter	3/4		
Mr. Chow Kwai-Cheung	4/4		
Mr. Liang Cheung-Biu, Thomas	3/4		
Ms. Ki Man-Fung, Leonie JP	4/4		
<b>Independent Non-executive Directors</b>			
Mr. Yeung Ping-Leung, Howard	4/4	2/2	1/1
Dr. Cha Mou-Sing, Payson JP	3/4	1/2	0/1
Mr. Ho Hau-Hay, Hamilton	4/4	2/2	1/1
Mr. Lee Luen-Wai, John JP	4/4	2/2	1/1

\* appointed on 1 June 2010

## AUDITORS' REMUNERATION

During the year ended 30 June 2010, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Type of services	Fee paid/payable for the year ended 30 June	
	2010 HK\$m	2009 HK\$m
Audit services	54.9	52.3
Non-audit services	7.9	6.3
Total	62.8	58.6



## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

The statement by the auditors of the Company and the Group regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the Independent Auditors' Report on page 117 of this annual report.

## **INTERNAL CONTROL**

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

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

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

## **COMMUNICATION WITH SHAREHOLDERS**

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

## **EMPHASIZE INVESTOR RELATIONS**

To ensure that the investors have a comprehensive and thorough understanding of the Group, New World Group participates in different international forums and overseas roadshows on a regular basis to elaborate on the Group's business development plans to global investors. We also show our key development projects in both Mainland and Hong Kong to the media and investors via site visits and meetings, and establish timely and effective two-way communication.

# We fulfill corporate social responsibility and value it as the basis of the establishment, development and success of our businesses.

## TO OUR SHAREHOLDERS,

This year witnesses the New World Group's 40th year since establishment. Looking into the past, the Group has always been practising give-and-take spirit in the society, actively performing corporate citizenship and focusing on social investment so as to make contributions to the society.

In recent years, the global climate faces increasingly serious problems with accelerating global warming and continuous occurrence of tremendous natural disasters, highlighting that environmental protection brooks no delay worldwide. Accordingly, New World Group specifically sets up the Group Environmental Committee to lead group companies to establish long-term environmental protection targets as well as specific environmental protection strategies. The Committee also actively procures group companies to implement a series of environmental protection strategies, such as emission and pollutants reduction, low carbon diet and recycling recyclable resources, aiming at achieving the goal of establishing a "green corporation".

For this year, the Group organized, New World Green Week, in response to the United Nations World Environment Day on 5 June to promote low carbon lifestyle and advocate green living area among the public and its staff. Throughout such series of activities, people are prompted to place concern and awareness on environmental protection, and are enabled to grasp the true meaning of environment protection and put it in action in daily life. We also support various environmental protection programmes, such as environmental protection art programmes and youth summit, to deliver the right environmental protection message and gather the green power in the society, while making contributions to alleviate the impact of pollution on the environment.

Apart from building a quality living environment, New World Group is also dedicated to nurturing young talents with energy and motivation. We promote art development among local youths, while continuously support youngsters with low skill level and a lack of working experience to merge into the society, providing opportunities for personal development to young people with different backgrounds. The Group also encourages young people of Mainland China and Hong Kong to care about the society and broaden their horizons, leading them to think over the relationship between themselves and their motherland.

Internally, the Group also puts emphasis on training talents and developing an outstanding team. We provide professional training for staff, and maintain bilateral communication between staff and management via various channels from time to time. In addition, we also encourage our staff members to participate in voluntary work and make contributions to the society. We also highly value the investor relationship and actively facilitate the communication between investors and us via different means, so that corporate information could be delivered to investors clearly for their comprehensive understanding of the Group.

Being one of the Group's core values, fulfilling social responsibilities is also a vital part of fulfilling our corporate pledge. Moving forward, we will continue to fulfill corporate social responsibilities and strive to become a paradigm of corporate citizenship.

**Cheng Chi-kong, Adrian**  
*Executive Director*  
Hong Kong, 6 October 2010

# Corporate Citizenship

# Sharing Love and Care

## Building a Harmonious New World



New World Group deeply believes that a community with care, harmony and elegant environment is the base for civilization as well as social development and advancement. Accordingly, we have been leading our staff to create a better society with innovative thinking and sustainable development together.

For years, New World Group and its over 20 subsidiaries' efforts on performing corporate civil responsibilities has long been recognized, with accreditation as the "Caring Company" by the Hong Kong Council of Social Service for consecutive years in recognition for the outstanding performance of the Group and its respective members on putting corporate social responsibilities in practice.

## CREATE A GREEN NEW WORLD

As protecting the global environment is crucial to realize sustainable development, the Group puts great emphasis on the practice of green lifestyle and the participation in environmental protection activities. Through the establishment of the Group Environmental Committee and Green Office Committee, the Group procures its group companies to put social responsibilities to the environment in action.



## FORMULATE GREEN POLICIES

The Group has established the Group Environmental Committee, which is composed of senior management of group companies. The committee is responsible for formulating green objectives, policies and up-to-date green strategies, keeping the group companies abreast of the latest trend of corporate environmental measures, and leading them to fulfill the corporate responsibilities on protecting the environment.

To raise staff's awareness on maintaining a green workplace and environmental protection via various kinds of channels, the Group specifically organized the "Green New World" logo design competition. On the other hand, we also set up the "Green New World" website, allowing public access to the Group's latest environmental protection strategies and information. For details, please visit <http://www.greennewworld.com.hk>.



## BUILD A GREEN WORKPLACE

In April 2010, the Group Environmental Committee signed the "Conscientious Recycling Charter" initiated by Friends of the Earth, and implemented the guideline for proper processing of electronic waste within the Group. Members of the Group are encouraged to send all electronic waste such as computers, printers and fax machines to the proper recycle channels verified by the Environmental Protection Department to alleviate the impact associated with improper disposal of electronic waste on the environment.



In respect of promoting environmental protection in the office, the Group and its members are committed to implementing "Green Office" at work. Various measures on energy conservation, like using the T-5 tubes, are implemented within the offices, while items including recyclable bags, books and clothes are collected through different recycling activities, prompting staff members to reduce waste and make contributions to build an environmental friendly office. The Group was accredited the "Class of Excellence" Wastewi\$e Label by Hong Kong Awards for Environmental Excellence, highlighting its efforts, support and dedication to protecting the environment.



## ADVOCATE A NEW GREEN LIFE

In response to the United Nations World Environment Day on 5 June, the Group organized the first New World Green Week from 5 to 11 June 2010 with the theme of “carbon reduction”. The Group held various activities to raise environmental awareness among its staff and the public. Dr Chau Sui-Cheong, Simon, Chairman of Life Flow, was invited to give a seminar on low carbon life to our staff members and provide low carbon menu in the staff restaurants of our hotels and HKCEC in order to promote low carbon diet. In addition, the Group also organized various events such as Organic Fruit Day, Green Wear Day and Planting Workshop to procure our staff to place concern on environmental issues.



Externally, the Group did not only introduce low carbon menu in the restaurants of HKCEC and the Group’s hotels throughout New World Green Week, but also spread green activities to the Mainland. For instance, New World Department Store held a Used Book Donation Campaign in 35 stores nationwide, which successfully collected over 70,000 books from shoppers and integrated the efforts of the public in Mainland China and Hong Kong to create a green community.

On 27 March 2010, NWD gave its full support to Earth Hour 2010 organized by WWF once again by turning off the lights of over 100 properties managed by the Group in Hong Kong, Macau and Mainland China (including HKCEC and Shanghai Hong Kong New World Tower, etc.) for an hour to raise public concern on better utilization of resources.



## IMPLEMENT GREEN OPERATION

At New World Group, a variety of environmental measures have been put in place to alleviate the environmental impact associated with the operation of our various businesses. Here are some examples.

In respect of construction, Hip Hing Construction Company Limited is committed to implementing the concept of green construction by carrying out measures such as noise measurements and waste water testing to lower the impact on the neighbourhood of construction sites and ensure construction pollutants are complied with relevant emission standards. Several construction sites under the Group use precast components to reduce the consumption of timber and water and minimize dust and noise generation and disturbance to the surroundings so as to create a safer and cleaner working environment as well as mitigate air and noise pollution. In addition, Citybus and New World First Bus retread around 8,000 used tyres every year to extend the life of a bus tyre from seven months to two years, and dispose all scrapped bus tyres to designated contractors for recycling to reduce solid waste disposal.



### FULLY SUPPORT GREEN EDUCATION

The Group aims to raise the concern on social and environmental issues among young people. In 2010, the Group organized “People Power in a New World Series 2010 — Eco-stume Making Project”, which continued the innovative spirit of blending environmental protection and art, and guided youngsters to create trendy and chic artwork using old clothes. Mr Edward Yau, Secretary for the Environment, HKSAR Government, was invited to hold the kick-off ceremony for the Project. About 500 youngsters from 16 primary and secondary schools, tertiary institutes and organizations joined the project, and their works of trendy costumes and hanging art made from various old clothes were displayed. Some of these trendy costumes were worn by young models for the eco-fashion show and displayed in the K11 Art Mall, not only unleashing youth’s creativity, but also raising the public awareness on recycling old clothes.



The Group also gave full support to “GREENeration Y” Programme held by AIESEC Hong Kong. Through this Global Youth Summit, the Group aims at prompting the new generation worldwide to concern about climate change and the sustainable development of the Earth. The Group hopes that youngsters could get some inspirations from environmental protection elite in the business sector and become the next generation of leaders in environmental protection.



The Group is also committed to improving the environmental awareness of people in Mainland China. K11 Concepts Limited established “K11 ECO HOME” in Chongwen District, Beijing, the first large-scale exhibition project of K11 Eco Action in July 2010. Open to the public for free, it features three exhibition areas and two experiential spaces. K11 would like to encourage the public to explore and analyze the possibility of green city and green architecture, blending nature into daily lives.

## CARE ABOUT YOUTH DEVELOPMENT

Regarding the youth as the future leaders of the society and owners of the Earth, the Group puts great emphasis on nurturing the next generation. Besides concerning on the needs of passing knowledge and skills training, the Group also provides youngsters with opportunities for participating in art creation, aiming to nurture future pillars for the society via all-round training.



## DEDICATED TO NURTURING TALENTS

The Group is committed to nurturing the young generation. The Group fully supported the “ACCA Hong Kong Job Hunting Competition 2010” organized by The Association of Chartered Certified Accountants (ACCA) Hong Kong, testing out the capability of logical thinking, expression and team work among youngsters. After various assessments like debate and case presentation, the participants’ language skills and problem solving skills were well recognized. NWD has offered an internship placement to one of the participants, encouraging her to be well-equipped with business soft skills.



Furthermore, the Group joined the School-Company Partnership organized by the Young Entrepreneurs Development Council for the third consecutive year, and was paired up with Man Kiu College. Apart from company visits, the Group has arranged a number of career-oriented seminars to the students to encourage them to broaden their horizons and build up knowledge on business operation. The Group was awarded “Best School-Partnership” this year in recognition for its active participation and efforts on nurturing the youth. Through the partnership between schools and companies, the Group hopes to inspire students with our own experience and entrepreneurship of the business sector, equip them with various skills and help them find the career path that best suits them.



### FULLY SUPPORT YOUTH ART DEVELOPMENT

The Group has supported the performances of Asian Youth Orchestra (“AYO”) in Hong Kong for the second year, providing young musicians the opportunities for music exchange and performance, as well as making friends who are music-holic. An Asian tour is held in every summer by AYO, in which most of its members are top young musicians in Asian countries. This year, the Group arranges public performances of AYO in K11 Art Mall and Discovery Park Shopping Mall, showing its full supports to the development of orchestra and arts training among the youth as well as inspiring the next generation to appreciate contemporary music via these public performances.



In 2010, the Group fully supports the Eastern District Arts Council and Music for Our Young Foundation to organize the “Eastern District Youth Chinese Orchestra”, arranging instruments and orchestra classes for the primary and secondary students aged 16 or below living in the district. Aiming at enhancing young people’s discipline and integrity, music performances and participation in large-scale concerts are also arranged for students. The Group hopes to support and nurture outstanding young musicians for the society.



### HELP THE YOUTH TO MERGE INTO THE SOCIETY

To adhere to the concept of social enterprise promoted by the HKSAR Government, the Group commenced “Road to Green-Striving for a Young New World” (“Road to Green”), the social enterprise co-organized with Tuen Mun Youths Association since 2008. Through the establishment of a social enterprise with sustainable development, the Group aims at providing training and job opportunities for youngsters with low skill level and a lack of working experience, helping them build up self-confidence and merge into the society with the capability of self-independence. Up to now, Road to Green has provided training to over 100 trainees aged 17 to 20, and nearly 60% of them has successfully moved forward to school or job field.



## FACILITATE EXCHANGE BETWEEN MAINLAND CHINA AND HONG KONG

The Group has been actively promoting the cultural exchange between Mainland China and Hong Kong, encouraging young people to learn about their home country and care about their motherland. Besides organizing internships and exchange programmes for young people in Mainland China and Hong Kong, the Group also supports the training of talents in order to nurture professionals with international horizons who base in Hong Kong and care about their motherland.



### “NEW YOUTH NEW WORLD” SUMMER INTERNSHIP PROGRAMME

Jointly organized by NWD, Hong Kong United Youth Association and other organizations, “New Youth New World” Summer Internship Programme provides opportunities to Hong Kong undergraduates to go to Beijing, Shanghai and Dalian for internship for six weeks, aiming at encouraging them to acquire knowledge on business operation, workplace culture as well as the culture and condition of citizenry in the Mainland. The Group has shown its full support to the programme since 2008, and around 600 students were benefited so far, of which some worked in the Group’s department stores and hotels in the Mainland China. Apart from working experiences, participants are also arranged to visit government departments and popular corporations. They also participated in a series of CEO seminars and sharing sessions with undergraduates in the Mainland China, enabling them to have a close exchange with renowned figures and Mainland students.



### “NEW YOUTH NEW WORLD” EXCHANGE PROGRAMME

To further facilitate exchange between the Mainland China and Hong Kong, the Group has fully supported “New Youth New World” Exchange Programme in Hong Kong this year by providing a one-month exchange opportunity to over 70 outstanding Mainland students from 31 provinces, cities and autonomous regions. These undergraduates were arranged to exchange in 11 large corporations across various sectors in Hong Kong, of which six subsidiaries under the Group together with Chow Tai Fook Jewellery Company Limited offered a total of 16 exchange opportunities to students. Participants were also arranged to visit tertiary institutes, conservational projects, and meet with senior government officials.



### NEW WORLD HARVARD KENNEDY SCHOOL FELLOWS PROGRAMME

The Group has always been committing to the development of talents in Mainland China. The Group signed an agreement with the State Administration of Foreign Experts Affairs and John F. Kennedy School of Government, Harvard University (“Harvard”) in 1998, starting the “New World Harvard Kennedy School Fellows Programme”. Each year, about 20 outstanding senior government officials are sent to Harvard for a fellows programme of four months and an executive programme of one to four weeks. Till 2010, 157 outstanding officials have gone through professional training of international standard with great appreciation to this programme.

### JOIN HANDS TO SUPPORT COMMUNITY CHARITY

Adhering to the spirit of give-and-take in the society, New World Group has actively participated in various community charitable events to show its care for the community and help the needy in the society. Both the Group and its subsidiaries have established volunteer teams to make contributions to the community through different voluntary services. By establishing voluntary teams, the Group aims to enhance the cohesion among its staff members and stimulate their team spirit.



### CORPORATE VOLUNTEER TEAMS

New World Group actively promotes voluntary services by encouraging its management and staff members to put the spirit of mutual support in practice by helping the needy and showing care for the community through voluntary works. The Group has three volunteer teams. NWCL Corporate Volunteer team and "NWS Volunteer Alliance" formed by NWS already have over 2,000 volunteers in total. The volunteers take a hands-on approach to show their care for the needy in both Mainland and Hong Kong. This year, the Group has also set up a "Green New World" volunteer team which mainly focuses on voluntary work related to environmental protection in order to join hands to build a better environment.



### MSF DAY

New World Group enthusiastically supports the field missions of MSF. Staff members are encouraged to participate in the "MSF Day" by donating one day's income to support MSF's global rescue missions. This year, the Group and its subsidiaries have taken part in the "MSF Day 2010", and raised a total donation amount of HK\$410,000, being the corporation raising the highest amount and this is also the fourth time for the Group to receive such accolade.



### INNER CHALLENGE

New World Group formed a team to participate in the "Inner Challenge 2009" organized by Breakthrough, which aimed at developing participants' team spirit and persistency through multi-task adventure challenges, establishing a walking example of active and positive attitude for young people, while raising funds for Breakthrough's youth development work. The team of the Group successfully completed the 15-kilometre outward bound journey, demonstrating their team spirit and encouraging the public, especially young people, to remain resilient in the face of adversities.

## BUILD UP A HARMONIOUS WORKING ENVIRONMENT

New World Group is committed to providing our employees with generous benefits and good working environment. In addition to the comprehensive training provided to our staff members, the Group has established various two-way communication channels and organized a number of recreational activities. We hope that our colleagues can build up a sense of belonging towards the Group and achieve work-life balance through joining these activities.



## NURTURE AN OUTSTANDING TEAM

As of 30 June 2010, the Group has over 55,000 employees. In 2010, NWD and five group companies were awarded with “Manpower Developer 1st” under the ERB Manpower Developer Award Scheme organized by the Employees Retraining Board for their commitment and excellence in staff training.



To facilitate excellent working performance of every staff member, the Group provides professional training for its staff of different positions on a regular basis, covering interpersonal communications, financial management, team spirit development and occupational safety, etc. We also provide training programmes for middle and senior management, enabling executives from different group companies to exchange ideas on administration and management and establish interpersonal network.



In July 2010, New World Group held its first Management Forum themed “Change Management and Proactive Leadership”, which aimed at initiating the senior management to explore ways to implement management revolution and promote team morale in changing times. The guest speakers of the forum included university professor, entrepreneur and management of the Group. Group activities were organized to deepen participants’ understanding of the Group’s Vision, Mission and Core Values. The Group hopes to encourage unity and move a step forward to innovative corporate management.



### ENHANCE TWO-WAY COMMUNICATION

The Group is committed to maintaining good communication with its staff by delivering information and keeping them abreast of the latest development of the Group via different channels like monthly newsletters, intranet, emails and the staff magazine *New World • New Words*. To further enhance communication between the Group's management and staff members, the Group Human Resources Committee has initiated a programme named "Luncheon with Adrian" commencing in 2010, during which senior management can interact directly with staff members of different levels and job functions from group companies. In the luncheon, participants were invited to meet Mr Adrian Cheng, Executive Director of NWD to talk about their jobs and share their expectation and views on their companies and the Group.



### CREATE A HARMONIOUS WORKPLACE

New World Group understands that employees are the driving force for the further development of a corporation. Therefore, the Sports and Recreation Club regularly organizes events such as Spring Dinners, birthday parties, sport and recreational competitions, interest classes and company trips, and encourages employees and their families to participate in such events in order to enhance their understanding towards each other during their free time as well as their sense of belongings towards the Group.



In addition, the Group has launched a new outpatient benefits scheme for its staff, bringing the best protection to staff health. During the outbreak of Influenza, New World Group and some of its group companies arranged Influenza Immunization for their staff. To encourage a balanced diet and a healthy lifestyle, the "Fruit for Health Week" was organized in which each staff member was given a seasonal fresh fruit every day.

## EMPHASIZE INVESTOR RELATIONS

To ensure that the investors have a comprehensive and thorough understanding of the Group, New World Group participates in different international forums and overseas roadshows on a regular basis to elaborate on the Group's business development plans to global investors. We also show our key development projects in both Mainland and Hong Kong to the media and investors via site visits and meetings, and establish timely and effective two-way communication.

The Group is committed to enhancing its transparency and maintaining a good communication with investors and the public. The corporate website presents information such as the latest development of the Group, financial performance, announcements as well as corporate governance policies. Besides, different versions including English, Traditional Chinese, Simplified Chinese and Text version are provided to allow people from different stratum to acquire various information of the Group. New World Development and its subsidiaries were awarded at Web Care Campaign - Web Care Award organized by Internet Professional Association for consecutive years, recognizing the Group's success of setting up barrier-free websites, which cater to the needs of different people in the community in terms of design, language selections and picture illustrations.

To further improve external communication, the Group has set up a group page (<http://www.facebook.com/newworldgroup>) in the global social networking site, Facebook, to share the latest news of the Group and promotional offers of its subsidiaries with the public. The Group hopes to strengthen external communication in a more relaxing way by opening up an online platform, which enables the public to express their opinions towards the Group through the Facebook page and thus enhances the communication between the Group and stakeholders.

In addition, the Group also highly values the contents, disclosure, design and production of its annual reports and tries its best to keep investors acknowledged of its latest financial conditions and development directions. The Group's annual reports have been awarded various prizes in the International ARC Awards, International Mercury Awards and Astrid Awards for consecutive years, proving that the Group has always been striving for maintaining a high level of transparency and providing clear and accurate information to investors.



# Management Discussion and Analysis

In FY2010, the Group recorded a profit attributable to shareholders amounted to HK\$11,612.6 million, up 457.4% year-on-year. If stripping out the net other gains, and Changes in fair values of investment properties, the underlying profits were HK\$6,081.7 million, an increase of 72.4% compared to the prior year. Segment contributions from operations such as property development, property investment, service and infrastructure recorded a positive growth due to the economic rebound during the year under review. Total segment results amounted to HK\$11,155.0 million, an increase of 113.5% compared to the prior year.

## CONSOLIDATED INCOME STATEMENT

	FY2010 HK\$m	FY2009 HK\$m
Revenues	<b>30,218.6</b>	24,415.0
Cost of sales	<b>(18,775.0)</b>	(17,421.8)
Gross profit	<b>11,443.6</b>	6,993.2
Other income	<b>211.3</b>	265.2
Other gains, net	<b>2,547.8</b>	1,714.5
Selling and marketing expenses	<b>(635.8)</b>	(405.2)
Administrative expenses	<b>(1,609.3)</b>	(1,635.9)
Other operating expenses	<b>(3,039.7)</b>	(2,761.2)
Changes in fair value of investment properties	<b>4,765.8</b>	(1,841.2)
Operating profit	<b>13,683.7</b>	2,329.4
Financing income	<b>474.5</b>	807.3
Financing costs	<b>(812.9)</b>	(1,068.9)
	<b>13,345.3</b>	2,067.8
Share of results of		
Jointly controlled entities	<b>3,233.7</b>	2,055.6
Associated companies	<b>932.8</b>	67.9
Profit before taxation	<b>17,511.8</b>	4,191.3
Taxation	<b>(2,651.8)</b>	(439.4)
Profit for the year	<b>14,860.0</b>	3,751.9
Attributable to:		
Shareholders of the Company	<b>11,612.6</b>	2,083.5
Non-controlling interests	<b>3,247.4</b>	1,668.4

## REVENUES BREAKDOWN BY BUSINESS SEGMENTS

	FY2010 HK\$m	FY2009 HK\$m
Property development	<b>12,570.1</b>	2,112.6
Property investment	<b>1,508.8</b>	1,496.5
Service	<b>10,025.6</b>	14,719.0
Infrastructure	<b>251.9</b>	278.1
Hotel operations	<b>2,480.9</b>	2,267.7
Department stores	<b>2,484.7</b>	2,368.2
Telecommunications	<b>713.4</b>	892.8
Others	<b>183.2</b>	280.1
Consolidated	<b>30,218.6</b>	24,415.0

In FY2010, revenue increased 23.8% to HK\$30,218.6 million from HK\$24,415.0 million, mainly due to the strong property sales in Hong Kong and Mainland China. In FY2010, the Group's effective share of property sales proceeds in Hong Kong amounted to approximately HK\$6,058.5 million, up 266.4% year-on-year. At the same time, NWCL's property sales volume increased over 120.1% into a total GFA of 1,039,224 sq m with gross sales proceeds of over RMB7,978.0 million.

## ANALYSIS OF SEGMENT RESULTS (INCLUDING SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES)

	FY2010 HK\$m	FY2009 HK\$m
Property development	<b>4,837.1</b>	507.3
Property investment	<b>1,618.9</b>	1,607.6
Service	<b>1,991.8</b>	965.0
Infrastructure	<b>1,573.4</b>	1,411.8
Hotel operations	<b>158.5</b>	220.9
Department stores	<b>515.1</b>	524.5
Telecommunications	<b>157.0</b>	(57.7)
Others	<b>303.2</b>	44.7
Consolidated	<b>11,155.0</b>	5,224.1

### PROPERTY DEVELOPMENT

For the year under review, the contribution from property sales segment increased to HK\$4,837.1 million against HK\$507.3 million in the previous financial year.

In Hong Kong, the economic rebound, low interest rate, high liquidity and tight supply have led to a robust growth in residential property transaction volume and prices. The contributions from property development were mainly from the sales of The Masterpiece (名鑄), Harbour Place (海濱南岸) and Wylie Court (衛理苑).

For the properties in Mainland China, the improvement of overall property sales performance was driven by the better market sentiment and a more optimistic property market outlook. The overall sales gross profit margin dropped by 6.8 percentage points to 26.4% when compared to FY2009, as over one third of the properties completed and sold during the year under review were situated at second-tier cities such as Chengdu, Changsha and Guiyang where residential property price is lower.

### PROPERTY INVESTMENT

Rental business contributed HK\$1,618.9 million, up 0.7% from HK\$1,607.6 million in the previous financial year. If stripping out the surplus in change of fair value of investment properties held by jointly controlled entities, this segment recorded a reduction in contribution. The decrease was mainly due to the closure of New World Centre in Hong Kong for redevelopment during the 2HFY2010. All the major projects in the Group's investment portfolio attained satisfactory occupancy.

### SERVICE

In FY2010, Service segment achieved a substantial increase in revenue contribution, mainly attributable to an encouraging performance from our duty free operation, contracting, HKCEC and Taifook Securities. The segment contribution from service operations increased 106.4% to HK\$1,991.8 million.

Free Duty in Lo Wu and Hung Hom MTR Stations registered particularly strong growths during FY2010, benefited from the robust growth in Mainland China visitor arrivals via railway and the increased average spending per passenger.

Our contracting business was benefited from the general improvement in performance of the construction business in Hong Kong.

HKCEC achieved a solid growth with its exhibition business for FY2010 subsequent to the increase of its total rental space to 91,500 sq m after the completion of extension works in April 2009.

A significant improvement in contribution from Taifook Securities was chiefly due to increase in stock market turnover and higher contribution from its core operations including brokerage service, corporate finance and margin finance during FY2010 since the stock market has shown clear signs of rebound since March 2009.

### INFRASTRUCTURE

In FY2010, infrastructure posted a segment result of HK\$1,573.4 million, up 11.4%. The increase in contribution of infrastructure segment was mainly due to the softened coal price and growth in electricity sales of the Energy division. Contribution from water projects in Mainland China continued to grow and tariff hike of several water plants was approved in FY2010.

Despite the performance of Guangzhou City Northern Ring Road was severely affected by the partial closure of the expressway during its major repair and maintenance works from July to November 2009, overall performance of other expressways within the Pearl River Delta Region rebounded during the year.

Owing to the global freight market downturn, profit contribution from ATL Logistics Centre fell in FY2010. While the average occupancy rate maintained a high level of 97%, drop in lease income, cargo-handling and storage revenues was recorded.

### HOTEL OPERATIONS

In FY2010, hotel operations contributed HK\$158.5 million, down 28.2% from last year. Excluding the unfavourable business environment in the 1H FY2010 as the results of global economic downturn and the spread of H1N1, the drop was mainly due to Renaissance Kowloon Hotel ceased its operation after 28 February 2010 for New World Centre Redevelopment and the pre-matured results of three hotels launched in 2009, namely New World Hotel Dalian, Hyatt Regency Hong Kong, Sha Tin and Hyatt Regency Hong Kong, Tsim Sha Tsui.

### DEPARTMENT STORES

Segment contribution from department stores business drop 1.8% to HK\$515.1 million. In the year under review, three self-owned department stores namely Shanghai Baoshan Branch Store, Shanghai Chengshan Branch Store and Beijing Shishang Store were opened in Shanghai and Beijing. As of the end of June 2010, the business network of NWDS comprised a total of 25 self-owned stores and 10 managed stores, with a total floor area of approximately 1,174,530 sq m or an increase of 10.4% over the previous year.

In January 2010, NWDS successfully acquired the operating right of Shanghai Pujian Branch Store which had previously been a managed store. Furthermore, Shenyang Taiyuan Street Branch Store was disposed of during the year under review.

### TELECOMMUNICATIONS

Telecommunications segment recorded a profit of HK\$157.0 million from a loss of HK\$57.7 million last year. The loss of last year was mainly due to the accelerated depreciation on the CSLNWM's old networks, following the decision to invest in new network technologies and acceleration in the phasing out of the old networks.

### OTHERS

Other businesses contributed a profit of HK\$303.2 million against HK\$44.7 million last year. In addition to the increase of dividend income from investment, the significant growth was due to the gain of divestments by NWCEP and the net exchange gains recorded this year.

### OTHER GAINS, NET

Net other gains amounted to HK\$2,547.8 million this year which included gain on remeasuring previously held interests of jointly controlled entities and associated companies at fair value upon further acquisition as subsidiaries, excess of fair value of net assets acquired over the cost of acquisition of interests in subsidiaries, and the disposal gain from Taifook Securities.

### CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES

Changes in fair value of investment properties recorded a gain of HK\$4,765.8 million as compared with a deficit of HK\$1,841.2 million last year. Improving economic fundamentals and sentiment have resulted in increasing corporate expansion demand. Leasing activities of Grade A offices have picked up and limited supply in the prime location has stabilized the rental rates and triggered the improvement in the second quarter of 2010 that leads the increase in property price.

### INTEREST RATE AND MATURITY PROFILE

As at 30 June 2010, long-term bank loans, fixed rate bonds and convertible bonds amounted to HK\$50,160.4 million. Short-term bank and other loans as at 30 June 2010 were HK\$561.8 million. The Group's cash and bank balances as of 30 June 2010 were HK\$23,608.7 million. The combination of cash and bank balances, together with cash inflow from operation and remaining undrawn banking facilities should enable the Group to satisfy its debt repayment commitments and working capital requirements.



The maturity of long-term bank loans, fixed rate bonds and convertible bonds as at 30 June 2010 was as follows:

	HK\$m
Within one year	<b>5,623.3</b>
In the second year	<b>12,018.8</b>
In the third to fifth year	<b>24,480.4</b>
After the fifth year	<b>8,037.9</b>
	<b>50,160.4</b>

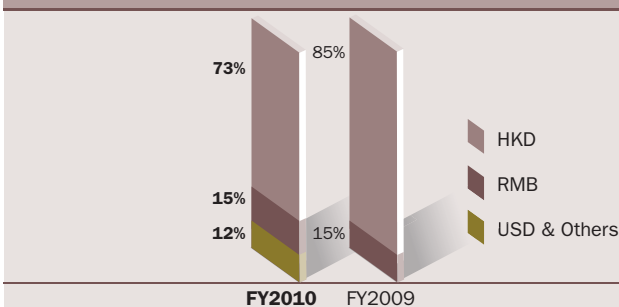
Approximately 76% of the Group's total debts are on a floating rate basis, whilst fixed rate borrowings are mainly related to the fixed rate bonds and convertible bonds. Effective interest rates are shown in Note 42(b), (d) and (e) to the financial statements.

## LIQUIDITY AND CAPITAL RESOURCES

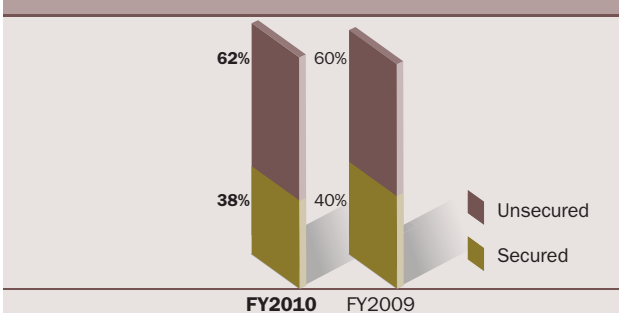
To diversify the source of funding and lengthen the debt maturity profile, the Group's wholly-owned subsidiary, Fita International Limited, issued fixed rate bonds in February and April 2010 with an aggregate principal amount of US\$750 million (equivalent to approximately HK\$5,840 million) which bear fixed interest rate at 7.00% per annum, payable semi-annually. The fixed rate bonds will mature on 10 February 2020 and guaranteed by the Company.

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

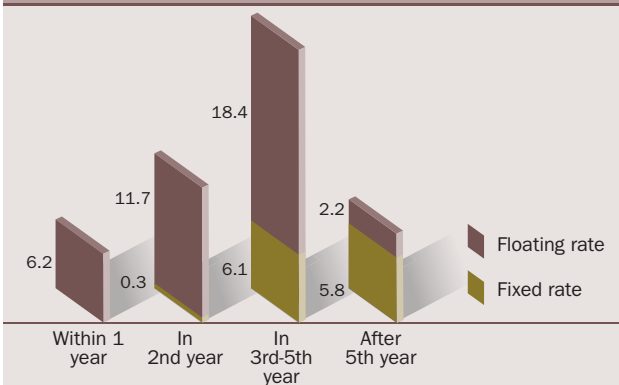
### Currency Profile of Borrowings



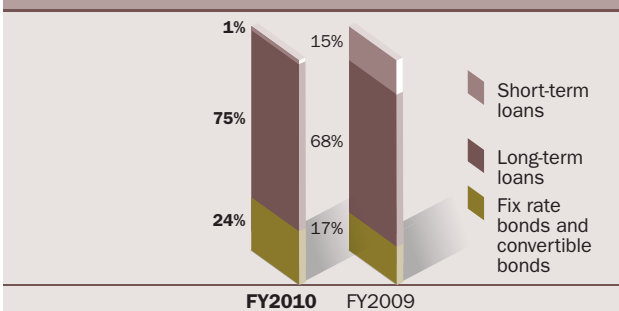
### Nature of Debts



### Interest Rate and Maturity Profile (HK\$ billion)



### Source of Borrowings



The Group's borrowings were mainly arranged on a floating rate basis. The Group used interest rate swaps and derivative instruments to hedge part of the Group's underlying interest rate exposure. As at 30 June 2010, the Group had outstanding floating-to-fixed interest rate swap contracts and derivative instruments in the aggregate amount of HK\$4,700 million and US\$750 million (equivalent to approximately HK\$5,840 million).

As at 30 June 2010, HK\$31,770.2 million (2009: HK\$33,358.4 million) of the Group's assets were pledged as securities for certain banking facilities of the Group.

As at 30 June 2010, the Group's cash and bank balances stood at HK\$23,608.7 million and the consolidated net debt amounted to HK\$27,113.5 million (2009: HK\$14,363.3 million and HK\$34,187.5 million). The net debt to equity ratio was 24.3%, a decrease of 10.8% as compared with FY 2009. The decrease was mainly due to the proceeds from the sale of residential units, proceeds from partial disposal of interests in Taifook Securities Group Limited and the amount raised in relation to a rights issue of new shares in NWCL and the increase in equity.

During the year, NWCL redeemed principal amount of RMB2,218.8 million of convertible bonds issued by its subsidiary, New World China Land Financial Limited with a balance of RMB331.2 million convertible bond outstanding at 30 June 2010.

Equity of the Group as at 30 June 2010 increased to HK\$111,689.5 million against HK\$97,483.0 million as at 30 June 2009.

<b>Gross debt</b>	<b>FY2010 HK\$m</b>	<b>FY2009 HK\$m</b>
Consolidated gross debt	<b>50,722.2</b>	48,550.8
NWSH	<b>4,890.3</b>	8,806.0
NWCL	<b>16,672.0</b>	16,016.5
NWDS	-	-
Gross debt (exclude listed subsidiaries)	<b>29,159.9</b>	23,728.3

<b>Net debt</b>	<b>FY2010 HK\$m</b>	<b>FY2009 HK\$m</b>
Consolidated net debt	<b>27,113.5</b>	34,187.5
NWSH – (cash and bank balances)/debt	<b>(267.3)</b>	3,600.9
NWCL	<b>8,696.1</b>	12,115.6
NWDS – cash and bank balances	<b>(3,596.7)</b>	(2,923.5)
Net debt (exclude listed subsidiaries)	<b>22,281.4</b>	21,394.5

## BOARD OF DIRECTORS

### Executive Directors

Dato' Dr. Cheng Yu-Tung (*Chairman*)  
Dr. Cheng Kar-Shun, Henry (*Managing Director*)  
Dr. Sin Wai-Kin, David  
Mr. Liang Chong-Hou, David  
Mr. Leung Chi-Kin, Stewart  
Mr. Cheng Chi-Kong, Adrian  
Mr. Cheng Chi-Heng

### Non-Executive Directors

Mr. Cheng Kar-Shing, Peter  
Mr. Chow Kwai-Cheung  
Mr. Liang Cheung-Biu, Thomas  
Ms. Ki Man-Fung, Leonie JP

### Independent Non-Executive Directors

Mr. Yeung Ping-Leung, Howard  
Dr. Cha Mou-Sing, Payson JP  
Mr. Cha Mou-Zing, Victor  
(*alternate director to Dr. Cha Mou-Sing, Payson*)  
Mr. Ho Hau-Hay, Hamilton  
Mr. Lee Luen-Wai, John JP

## COMPANY SECRETARY

Mr. Leung Chi-Kin, Stewart

## JOINT AUDITORS

PricewaterhouseCoopers  
H.C. Watt & Company Limited

## SOLICITORS

Woo, Kwan, Lee & Lo  
Kao, Lee & Yip  
Vincent T.K. Cheung, Yap & Co  
Yung, Yu, Yuen & Company

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
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Tel: (852) 2523 1056  
Fax: (852) 2810 4673

## PRINCIPAL BANKERS

Bank of China  
Bank of Communications  
Bank of East Asia  
China Merchants Bank  
Citibank N.A.  
DBS Bank  
Hang Seng Bank  
Industrial and Commercial Bank of China (Asia) Ltd.  
Nanyang Commercial Bank  
Sumitomo Mitsui Banking Corporation  
Standard Chartered Bank  
The Hongkong and Shanghai Banking Corporation  
The Bank of Tokyo-Mitsubishi UFJ

## STOCK CODE

Hong Kong Stock Exchange 0017  
Reuters 0017HK  
Bloomberg 17HK

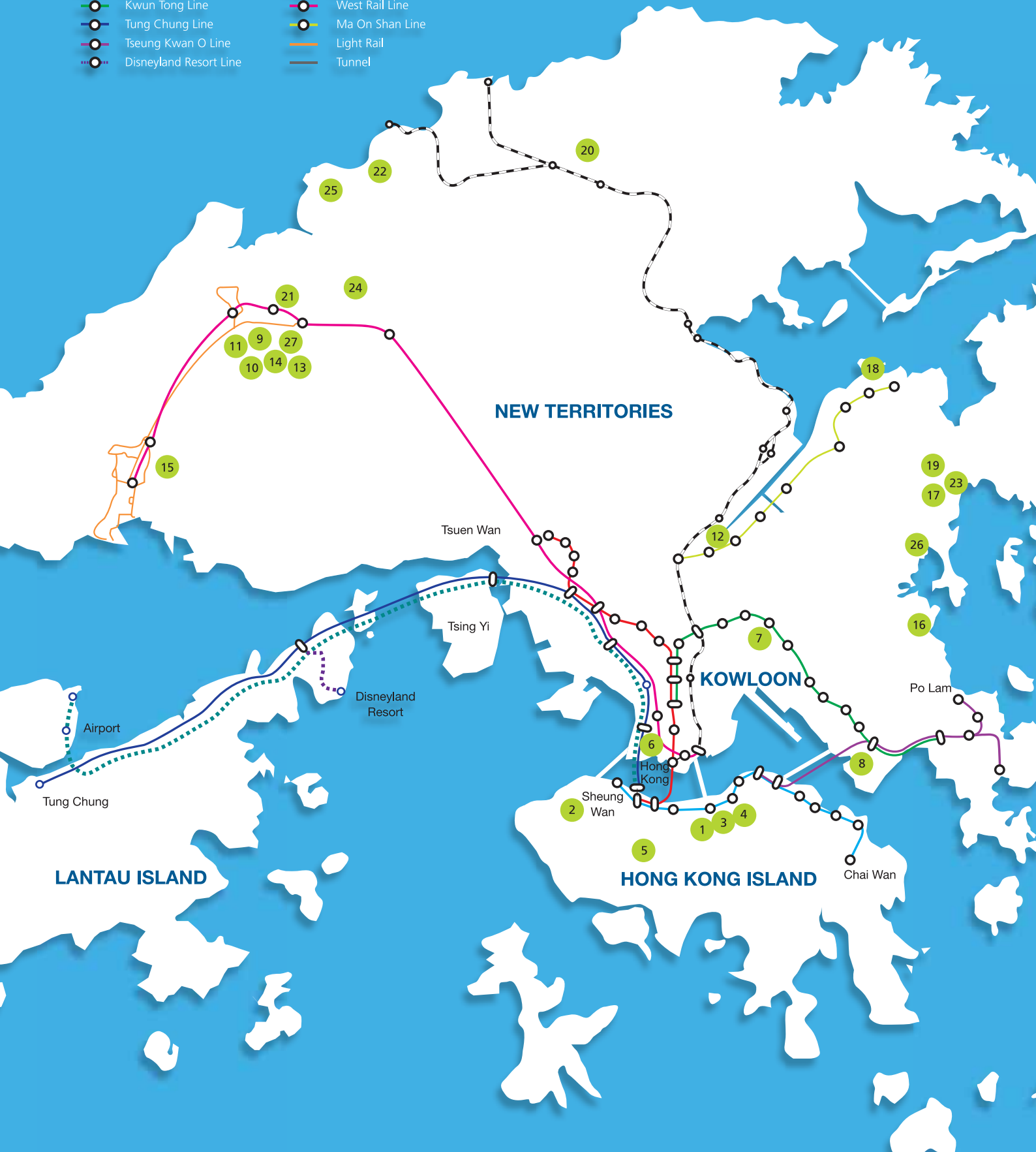
## INFORMATION FOR INVESTORS

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## WEBSITE

[www.nwd.com.hk](http://www.nwd.com.hk)

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



# Project Summary

## Major Property Development Projects in Hong Kong

### NAME OF PROPERTIES UNDER DEVELOPMENT

- |    |   |    |   |
|----|---|----|---|
| 1  | 7–10 Kwai Fong Street, Happy Valley                           | 15 | 76–92 Tuen Mun Heung Sze Wui Road, Tuen Mun     |
| 2  | Belcher's Hill, Western District                              | 16 | DD227 & DD229, Tai Po Tsai, Sai Kung            |
| 3  | 9–12 Chun Fai Terrace, Tai Hang                               | 17 | DD221, Sha Ha, Sai Kung                         |
| 4  | 1–15 New Eastern Terrace and 5–11 Dragon Road, Tin Hau        | 18 | Phase 1A to 6, DD206, Wu Kai Sha, Ma On Shan    |
| 5  | 55 Conduit Road, Mid-Levels                                   | 19 | DD221, Sha Kok Mei, Sai Kung                    |
| 6  | Austin Station Project, Western Kowloon                       | 20 | DD91, 100, Fanling                              |
| 7  | 15–19 Luk Hop Street, San Po Kong                             | 21 | DD115, Yuen Long                                |
| 8  | Yau Tong Redevelopment Project, Yau Tong                      | 22 | DD129, Yuen Long                                |
| 9  | Emerald Green, Yuen Long                                      | 23 | DD221, Sai Kung                                 |
| 10 | Phase 1, Lot No. 2131 in DD121, Tong Yan San Tsuen, Yuen Long | 24 | Phase 1, DD104, 107, Wing Kei Tsuen, Yuen Long  |
| 11 | Phase 1, Lot No. 419 in DD 127, Tai Tao Tsuen, Yuen Long      | 25 | Phase 1, DD99, 101, Lin Barn Tsuen, Yuen Long   |
| 12 | Che Kung Temple Station Project, Sha Tin                      | 26 | Phase 1, DD217, 219 & 222, Pak Kong, Sai Kung   |
| 13 | Lot No. 4043 in DD120, Lung Tin Tsuen, Yuen Long              | 27 | Lot No. 5369 in DD116, Tai Tong Road, Yuen Long |
| 14 | Phase 2, Lot No. 2139 in DD121, Tong Yan San Tsuen, Yuen Long |    |   |



*The Masterpiece*



*Wylie Court*



*Deep Bay Grove*



*33 Island Road*



*Emerald Green*



*Harbour Place*

# Project Summary

## PROJECT SUMMARY — MAJOR PROPERTY DEVELOPMENT PROJECTS IN HONG KONG

Ref	Name of Property	Site Area (sq ft)	Total GFA (sq ft)	Group Interest (%)
<b>Hong Kong Island</b>				
1	7–10 Kwai Fong Street, Happy Valley	2,641	23,765	66.6
2	Belcher's Hill, Western District	15,284	122,141	100.0
3	9–12 Chun Fai Terrace, Tai Hang	12,840	115,460	70.0
4	1–15 New Eastern Terrace and 5–11 Dragon Road, Tin Hau	49,593	392,930	50.0
5	55 Conduit Road, Mid-Levels	36,003	87,780	30.0
<b>Kowloon</b>				
6	Austin Station Project, Western Kowloon <sup>(4)</sup>	295,178	1,282,154	50.0
7	15–19 Luk Hop Street, San Po Kong	23,788	285,588	100.0
8	Yau Tong Redevelopment Project, Yau Tong	339,412	TBD	15.0
<b>New Territories</b>				
9	Emerald Green, Yuen Long	138,780	485,736	100.0
10	Phase 1, Lot No. 2131 in DD121, Tong Yan San Tsuen, Yuen Long	250,688	250,956	100.0
11	Phase 1, Lot No. 419 in DD 127, Tai Tao Tsuen, Yuen Long	228,993	195,561	100.0
12	Che Kung Temple Station Project, Sha Tin <sup>(4)</sup>	195,193	975,800	100.0
13	Lot No. 4043 in DD120, Lung Tin Tsuen, Yuen Long	215,613	1,098,449	100.0
14	Phase 2, Lot No. 2139 in DD121, Tong Yan San Tsuen, Yuen Long	80,000	80,000	100.0
15	76–92 Tuen Mun Heung Sze Wui Road, Tuen Mun	8,000	97,054	100.0
16	DD227 & DD229, Tai Po Tsai, Sai Kung	719,028	1,100,081	56.0
17	DD221, Sha Ha, Sai Kung	510,000	TBD	TBD
18	Phase 1A to 6, DD206, Wu Kai Sha, Ma On Shan	947,665	2,950,660	32.0
19	DD221, Sha Kok Mei, Sai Kung	150,000	30,000	100.0
20	DD91, 100, Fanling	200,000	184,800	100.0
21	DD115, Yuen Long	120,000	69,300	100.0
22	DD129, Yuen Long	220,000	113,400	100.0
23	DD221, Sai Kung	138,000	111,300	83.4
24	Phase 1, DD104, 107, Wing Kei Tsuen, Yuen Long	3,000,000	270,284	100.0
25	Phase 1, DD99, 101, Lin Barn Tsuen, Yuen Long	3,540,000	702,028	TBD
26	Phase 1, DD217, 219 & 222, Pak Kong, Sai Kung	640,000	129,167	100.0
27	Lot No. 5369 in DD116, Tai Tong Road, Yuen Long	362,307	1,301,466	21.0
<b>Grand total</b>		<b>12,439,006</b>	<b>12,455,860</b>	

### Remarks:

(1) "Others" includes hotel and school

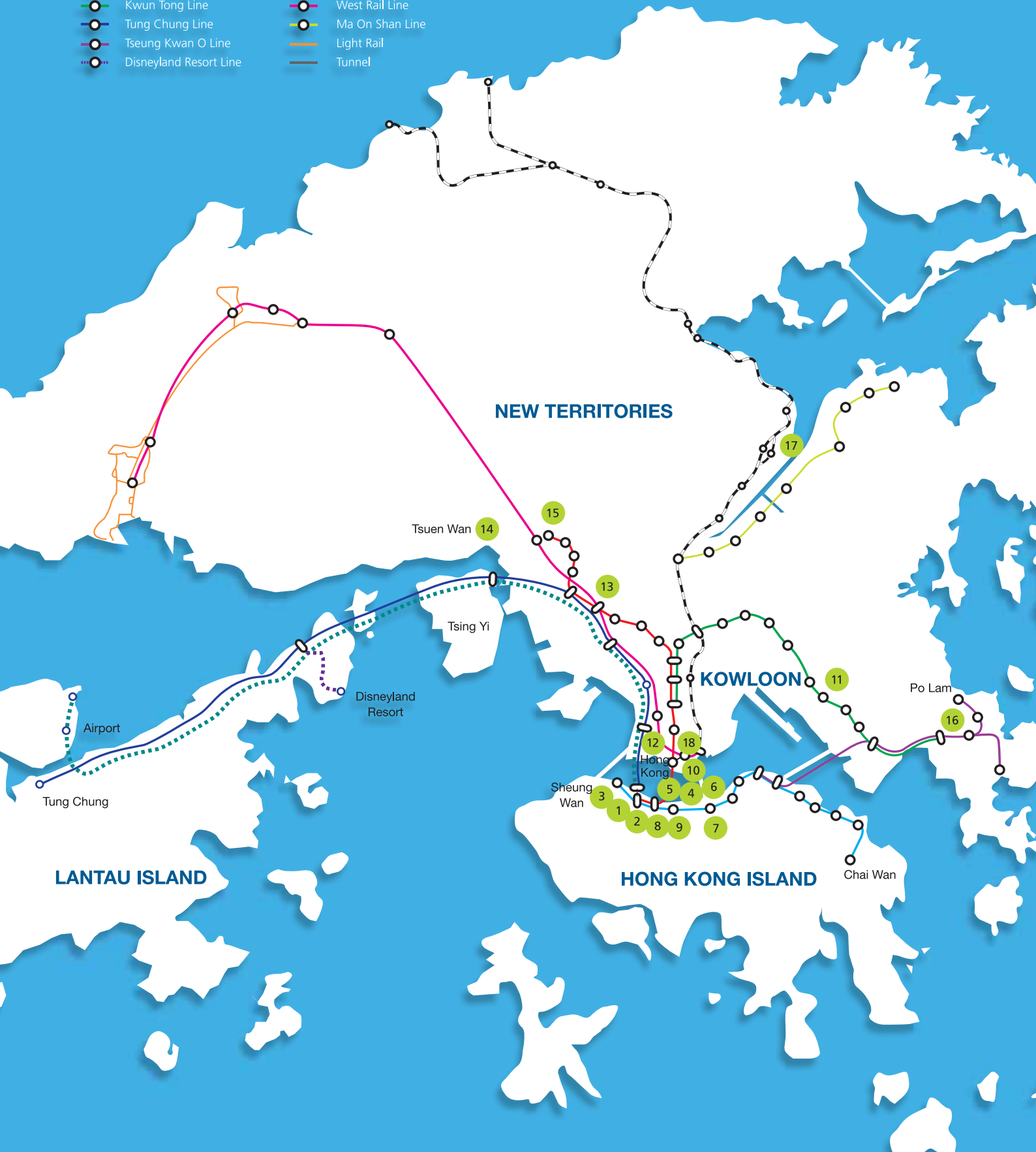
(2) P = Planning; D = Demolition; SF = Site Formation; F = Foundation; S = Superstructure; LE = Land Exchange; SP = Site Preparation

(3) TBD = To Be Determined

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

	<b>Retail (sq ft)</b>	<b>Residential (sq ft)</b>	<b>Others (sq ft)</b>	<b>Total Attributable GFA (sq ft)</b>	<b>Stage of Completion<sup>(2)</sup></b>
		15,826		15,826	D Completed
909		121,232		122,141	S
		80,822		80,822	S
		196,465		196,465	D
		26,334		26,334	SF
		641,078		641,078	P
			285,588	285,588	F
					P
		485,736		485,736	C
		250,956		250,956	S
		195,561		195,561	P
1,662		966,511	7,627	975,800	S
43,056		1,055,393		1,098,449	P
		80,000		80,000	LE
13,689		83,365		97,054	F
12,056		603,990		616,046	LE
		TBD		TBD	LE
34,445		909,767		944,212	F/SF
		30,000		30,000	P
		184,800		184,800	P
		69,300		69,300	P
		113,400		113,400	P
		92,846		92,846	P
		270,284		270,284	P
		TBD		TBD	P
		129,167		129,167	SP
		272,917		272,917	F
<b>105,817</b>	<b>6,875,750</b>	<b>293,215</b>	<b>7,274,782</b>		

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





# Project Summary

## Major Property Investment Projects in Hong Kong

### NAME OF INVESTMENT PROPERTIES

- 1 Manning House
- 2 New World Tower
- 3 Shun Tak Centre, Shopping Arcade
- 4 Hong Kong Convention & Exhibition Centre, Shopping Arcade
- 5 Grand Hyatt Hong Kong
- 6 Renaissance Harbour View Hotel
- 7 Pearl City — Portion of Ground Floor to 4th Floor/  
Portion of Ground Floor & Basement
- 8 2 MacDonnell Road
- 9 Methodist House
- 10 Sogo Department Store, TST
- 11 Telford Plaza
- 12 K11 Art Mall & Hyatt Regency Hong Kong, Tsim Sha Tsui
- 13 ATL Logistics Centre
- 14 Riviera Plaza Arcade
- 15 Discovery Park Shopping Mall
- 16 The Edge
- 17 Hyatt Regency Hong Kong, Sha Tin
- 18 New World Centre (under redevelopment)



*Hyatt Regency  
Hong Kong, Sha Tin*



*Renaissance Harbour  
View Hotel*



*2 MacDonnell Road*



*K11 Art Mall*



*Discovery Park Shopping Mall*



*Hong Kong Convention and  
Exhibition Centre*

# Project Summary

## PROJECT SUMMARY — MAJOR PROPERTY INVESTMENT PROJECTS IN HONG KONG

Ref	Project Name	GFA (sq ft)	NWD Group's Interest (%)	Total (sq ft)
<b>COMPLETED</b>				
<b>Hong Kong</b>				
1	Manning House	110,040	100.0	110,040
2	New World Tower	640,135	100.0	640,135
3	Shun Tak Centre, Shopping Arcade	214,336	45.0	96,451
4	Hong Kong Convention & Exhibition Centre, Shopping Arcade	87,999	100.0	87,999
5	Grand Hyatt Hong Kong	524,928	100.0	524,928
6	Renaissance Harbour View Hotel	544,518	100.0	544,518
7	Pearl City — Portion of Ground Floor to 4th Floor	53,691	40.0	21,476
	Pearl City — Portion of Ground Floor & Basement	24,682	100.0	24,682
8	2 MacDonnell Road	116,954	100.0 <sup>(1)</sup>	116,954
9	Methodist House	40,813	99.0 <sup>(1)</sup>	40,405
<b>Kowloon</b>				
10	Sogo Department Store, TST	141,439	100.0	141,439
11	Telford Plaza	335,960	100.0 <sup>(1)</sup>	335,960
12	K11 Art Mall	335,939	78.8 <sup>(1)</sup>	264,552
	Hyatt Regency Hong Kong, TST	277,877	78.8 <sup>(1)</sup>	218,828
<b>New Territories</b>				
13	ATL Logistics Centre	9,329,000	31.9	2,975,951
14	Riviera Plaza Arcade	242,685	100.0	242,685
15	Discovery Park Shopping Mall	466,400	50.0 <sup>(1)</sup>	233,200
16	The Edge	125,730	13.5 <sup>(1)</sup>	16,974
17	Hyatt Regency Hong Kong, Sha Tin	538,000	100.0 <sup>(1)</sup>	538,000
<b>Grand total</b>		<b>14,151,126</b>		<b>7,175,177</b>
<b>TO BE COMPLETED</b>				
18	New World Centre (under redevelopment)	3,185,647	100.0	3,185,647

Notes:

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

(2) Meeting rooms.

(3) The 2,975,951 sq.ft. represents the logistic centre in ATL Logistics Centre.

Retail (sq ft)	Office (sq ft)	Hotel (sq ft)	Residential (sq ft)	Others (sq ft)	Carpark (Number)	Lease expiry
63,383	46,657					2843
77,948	562,187				387	2863
96,451					38	2055
69,173				18,826 <sup>(2)</sup>	1,070	2060
		524,928				2060
		544,518				2060
21,476						2868
24,682						2868
			116,954			2031
	40,405					2084
141,439					260	2052
335,960					136	2047
264,552					234	2057
		218,828				2057
				2,975,951 <sup>(3)</sup>		2047
242,685					324	2047
233,200					500	2047
16,974						2047
		538,000			100	2047
<b>1,587,923</b>	<b>649,249</b>	<b>1,826,274</b>	<b>116,954</b>	<b>2,994,777</b>	<b>3,049</b>	
						2052

# Project Summary

## PROJECT SUMMARY — MAJOR PROPERTY DEVELOPMENT PROJECTS IN MAINLAND CHINA

Ref	Project Name	NWCL's Accounting Classification	NWCL's Attributable Interest	Total GFA (sq m)
<b>Properties under development or held for development</b>				
1	Beijing Xin Yi Garden Phase IV	JCE	70%	85,626
2	Beijing New View Garden Phase III	JCE	70%	20,414
	Beijing New View Garden Remaining Phases			34,808
	Beijing New View Garden Commercial Centre			69,263
3	Beijing Xin Yu Garden Commercial Centre	JCE	70%	121,676
	Beijing Xin Yu Garden Remaining Phases			978,881
4	Beijing Yanjing Building	JCE	70%	30,627
5	Tianjin Xin Hui Hua Ting	Subsidiary	100%	305,081
6	Tianjin Xin Chun Hua Yuen Phase IV	Subsidiary	100%	39,843
7	Jinan Sunshine Garden Phase III	Subsidiary	100%	214,018
	Jinan Sunshine Garden Phase IV			80,831
8	Shenyang New World Garden Phase IIA	Subsidiary	90%	642,577
	Shenyang New World Garden Remaining Phases			1,989,767
9	Shenyang New World Centre	Subsidiary	90%	1,191,580
10	Shenyang New World Commercial Centre Phase I	Subsidiary	100%	81,259
11	Anshan New World Garden Phases IA-I & Phase IIA	Subsidiary	100%	170,114
	Anshan New World Garden Phases IAIII-IV			142,643
	Anshan New World Garden Remaining Phases			963,031
12	Dalian New World Tower Remaining Portion	Subsidiary	100%	83,571
13	Shanghai Zhongshan Square Phase III	Subsidiary	100%	142,074
14	Wuhan Menghu Garden Phase III	Subsidiary	100%	25,167
	Wuhan Menghu Garden Phase III Remaining Portion			46,342
15	Wuhan Changqing Garden Phase VII	JCE	60%	148,330
	Wuhan Changqing Garden Phase VII Remaining Portion			145,259
	Wuhan Changqing Garden Remaining Phases			1,339,204
16	Wuhan Guanggu New World Centre	Subsidiary	100%	318,250
	Wuhan Guanggu New World Centre Remaining Portion			319,411
17	Changsha La Ville New World Phase I	Subsidiary	48%	8,983
	Changsha La Ville New World Phase IIB&IIIA			272,592
	Changsha La Ville New World Phases IIA&IIIB			219,371
	Changsha La Ville New World Remaining Phases			505,458
18	Chengdu New World Riverside Phase IB	Subsidiary	30%	218,366
	Chengdu New World Riverside Phase IB			150,018
	Chengdu New World Riverside Phase IC			141,399
	Chengdu New World Riverside Remaining Phases			3,100,071
19	Guiyang Jinyang Sunny Town Phase I	Subsidiary	50%	185,478
	Guiyang Jinyang Sunny Town Phase I Remaining Portion			461,007
	Guiyang Jinyang Sunny Town Remaining Phases			417,680
	Guiyang Jinyang Sunny Town Remaining Phases			2,677,818
20	Guangzhou Dong Yi Garden Remaining Phases	Subsidiary	100%	25,236
21	Guangzhou New World Oriental Garden Phase II	Subsidiary	100%	65,191
	Guangzhou New World Oriental Garden Remaining Phases			119,923
22	Guangzhou Central Park-view Phase II	Subsidiary	91%	145,619
23	Guangzhou Covent Garden Phase III	Subsidiary	100%	104,768
	Guangzhou Covent Garden Phase III Remaining Portion			156,848
	Guangzhou Covent Garden Remaining Phases			773,115
24	Guangzhou Park Paradise Phase IIE	Subsidiary	100%	37,201
	Guangzhou Park Paradise Phase IIE			47,370
	Guangzhou Park Paradise Phase II Remaining Portion			170,960
	Guangzhou Park Paradise Phase IV			23,434
	Guangzhou Park Paradise Remaining Phases			718,084
25	Guangzhou Baiyun Project	Subsidiary	100%	187,326
26	Guangzhou Xintang New World Garden Phase V	JCE	63%	28,319
	Guangzhou Xintang New World Garden Remaining Phases			208,271
27	GF New World Metropolitan Complex	Subsidiary	76%	933,544
28	Shenzhen New World Yi Shan Garden Phase III	Subsidiary	100%	120,809
29	Shenzhen Jian Gang Shan Project	Subsidiary	100%	69,972
30	Zhaoqing New World Garden Phase III	Subsidiary	100%	92,271
	Zhaoqing New World Garden Phase III Remaining Portion			81,582
	Zhaoqing New World Garden Phase IV			50,201
31	Huiyang Hu Xia Liao Project	Subsidiary	88%	162,717
32	Huiyang Palm Island Resort Phase VI	JCE	59%	210,654
33	Huizhou Changhuyuan Phase III	JCE	63%	148,307
	Huizhou Changhuyuan Phase IV			84,712
34	Zhuhai Jin Hai New World Phase IV	Subsidiary	100%	148,684
35	Haikou New World Garden Phase III	Subsidiary	100%	125,040
36	Haikou Meilisha Project	Subsidiary	100%	2,248,639
<b>Total (Properties under development or held for development)</b>				<b>25,376,685</b>

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark (sq m)	Development Status	Expected Completion Date
	768	17,311	52,625	14,922	Planning Completed	Jul-12
18,146	2,268				Under Development	Dec-12
	8,661	17,487		8,660	Under Planning	TBD
	10,842	37,181		21,240	Under Planning	Oct-14
	78,670			43,006	Under Planning	Apr-14
578,493	145,778			254,610	Under Planning	TBD
	22,889			7,738	Planning Completed	Sep-12
187,971	31,860			85,250	Planning Completed	Dec-13
36,460				3,383	Planning Completed	Dec-12
145,201	6,587	21,820		40,410	Planning Completed	Jun-13
	43,201		11,500	26,130	Under Planning	Jun-14
426,555	34,353	29,547		152,122	Under Development	Dec-10
1,579,767	20,000			390,000	Under Planning	TBD
283,437	220,138	320,790	87,215	280,000	Under Development	TBD
47,752	25,997			7,510	Under Planning	Jun-13
130,290	6,155			33,669	Under Development	Jan-11
112,024	1,328			29,291	Under Development	Jan-13
695,171	30,200			237,660	Under Planning	Jan-15
83,571					Under Development	Jun-13
	15,531	96,499		30,044	Under Development	Nov-10
25,167					Under Development	Jun-12
46,342					Planning Completed	Dec-13
143,424	4,906				Under Development	Jun-11
132,749	12,510				Planning Completed	Jun-12
870,364	122,897	54,100	74,000	217,843	Under Planning	TBD
265,000				53,250	Planning Completed	Dec-12
40,790	48,998	100,140	49,583	79,900	Under Planning	TBD
				8,983	Under Development	Dec-10
227,773	8,860			35,959	Under Development	Jun-12
175,402	4,977			38,992	Planning Completed	Jun-13
399,108	36,817			69,533	Under Planning	TBD
141,547				76,819	Under Development	Jun-11
150,018					Under Development	Jan-12
113,830					Planning Completed	TBD
2,257,507	205,355			27,569	Under Planning	TBD
127,946	13,233			637,209	Under Development	Jun-11
287,949	27,215			44,299	Under Development	Dec-12
175,228	38,218	60,000	47,358	145,843	Under Development	Dec-12
1,967,895	158,288			96,876	Planning Completed	Dec-13
				551,635	Under Planning	TBD
22,661	2,575				Planning Completed	TBD
57,337	654				Under Development	Sep-10
84,508				7,200	Under Development	Jul-13
115,315	2,674			35,415	Under Development	Mar-12
75,471	10,720			27,630	Under Development	May-11
119,166	1,314			18,577	Under Development	Jul-13
691,618	24,775			36,368	Under Development	TBD
33,819				56,722	Under Planning	Sep-10
41,321				3,382	Under Development	Nov-11
66,012	69,096			6,049	Under Development	TBD
23,434				35,852	Planning Completed	Jun-12
535,875	6,424			175,785	Planning Completed	TBD
143,156				44,170	Planning Completed	TBD
28,319					Under Development	Jun-11
159,463				48,808	Planning Completed	Sep-14
898,544	15,000		20,000		Under Planning	TBD
95,509				25,300	Under Development	Mar-14
59,202				10,770	Under Planning	Aug-13
69,174	2,269			20,828	Under Development	Aug-11
79,351	2,231				Planning Completed	TBD
42,630				7,571	Planning Completed	TBD
162,717					Under Planning	TBD
210,654					Planning Completed	TBD
108,529	1,950			37,828	Planning Completed	Jun-13
50,804	13,840			20,068	Under Planning	Jan-14
108,258	10,126			30,300	Planning Completed	TBD
125,040					Planning Completed	TBD
1,647,720	131,004	20,000	38,860	411,055	Under Planning	TBD
<b>17,728,484</b>	<b>1,682,152</b>	<b>774,875</b>	<b>381,141</b>	<b>4,810,033</b>		

# Project Summary

## PROJECT SUMMARY — MAJOR PROPERTY INVESTMENT PROJECTS AND HOTELS IN MAINLAND CHINA

Ref	Project Name	NWCL's Accounting Classification	NWCL's Attributable Interest	Total GFA (sq m)
<b>Completed investment properties</b>				
37	Beijing New World Centre Phase I	JCE	70%	102,841
38	Beijing New World Centre Phase II	JCE	70%	76,214
39	Beijing Zhengren Building	JCE	70%	16,415
40	Beijing New World Garden	JCE	70%	34,544
	Beijing Xin Yang Commercial Building			3,439
	Beijing Xin Cheng Commercial Building			8,051
1a	Beijing Xin Yi Garden	JCE	70%	32,297
2a	Beijing New View Garden	JCE	70%	21,455
3a	Beijing Xin Yu Garden	JCE	70%	24,800
41	Beijing Xin Kang Garden	JCE	70%	40,079
42	Beijing Baoding Building Shopping Arcade	Subsidiary	100%	40,286
43	Tianjin Xin An New World Plaza	Subsidiary	100%	97,784
7a	Jinan Sunshine Garden	Subsidiary	100%	4,426
8a	Shenyang New World Garden	Subsidiary	90%	44,031
44	Dalian New World Plaza	Subsidiary	88%	69,196
12a	Dalian New World Tower	Subsidiary	100%	49,395
45	Shanghai Hong Kong New World Tower	JCE	50%	130,385
13a	Shanghai Zhongshan Square	Subsidiary	100%	24,081
46	Shanghai Ramada Plaza	Subsidiary	100%	34,340
	Shanghai Belvedere Service Apartment			37,935
47	Shanghai Jiu Zhou Shopping Arcade	Subsidiary	100%	345
48	Wuhan New World International Trade Tower I	Subsidiary	100%	121,828
	Wuhan New World International Trade Tower II	Subsidiary	100%	10,004
49	Wuhan New World Centre	Subsidiary	100%	142,013
50	Wuhan K11 Gourmet Tower	Subsidiary	100%	20,875
15a	Wuhan Changqing Garden	JCE	60%	96,687
51	Wuhan Xin Hua Garden	JCE	60%	72,006
17a	Changsha La Ville New World Phase I	Subsidiary	48%	24,844
52	Nanjing New World Centre	Subsidiary	100%	52,794
19a	Guiyang Jinyang Sunny Town	Subsidiary	50%	2,902
20a	Guangzhou Dong Yi Garden	Subsidiary	100%	13,873
21a	Guangzhou New World Oriental Garden	Subsidiary	100%	31,627
22a	Guangzhou Central Park-view	Subsidiary	91%	60,395
23a	Guangzhou Covent Garden	Subsidiary	100%	12,499
24a	Guangzhou Park Paradise	Subsidiary	100%	74,134
26a	Guangzhou Xintang New World Garden	JCE	63%	43,577
28a	Shenzhen New World Yi Shan Garden	Subsidiary	100%	14,162
53	Shunde New World Centre	Assoc. Co.	35%	48,517
30a	Zhaoqing New World Garden Phase III	Subsidiary	100%	15,062
33a	Huizhou Changhuyuan	JCE	63%	34,328
	Subtotal			<b>1,784,466</b>
<b>Completed hotel properties</b>				
54	Courtyard by Marriott Beijing	JCE	55%	23,988
55	New World Hotel Shenyang	Subsidiary	100%	21,169
56	New World Hotel Dalian	Subsidiary	100%	52,835
57	New World Mayfair Hotel Shanghai	Subsidiary	100%	46,942
58	pentahotel Shanghai	Subsidiary	100%	13,353
59	New World Hotel Wuhan	JCE	60%	29,411
60	New World Hotel Shunde	Assoc. Co.	33%	36,524
	Subtotal			<b>224,222</b>
	<b>Total (Completed investment and hotel properties)</b>			<b>2,008,688</b>

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark (sq m)
1,626	74,232	7,027		19,956
	46,378	2,557		27,279
				16,415
				34,544
				3,439
				8,051
				32,297
	10,028			11,427
	3,603			21,197
	11,921			28,158
	40,286			
	78,325	8,175		11,284
	4,426			
	5,692			38,339
	49,413			19,783
	27,480			21,915
	35,474	80,549		14,362
				24,081
	20,743			13,597
37,935	345			
		104,556		17,272
		10,004		
	45,766	62,714		33,533
	10,295			10,580
	65,534	13,607		17,546
	36,069			35,937
				24,844
	41,712			11,082
	2,902			
	8,275			5,598
	22,970			8,657
29,868	17,408			13,119
	11,914			585
22,220	21,458			30,456
	24,163			19,414
	3,099			11,063
	33,577			14,940
	15,062			
	20,229			14,099
<b>91,649</b>	<b>788,779</b>	<b>289,189</b>		<b>614,849</b>
			23,988	
			21,169	
			52,835	
			46,942	
			13,353	
			29,411	
			36,524	
			<b>224,222</b>	
<b>91,649</b>	<b>788,779</b>	<b>289,189</b>	<b>224,222</b>	<b>614,849</b>

# Project Summary

## PROJECT SUMMARY — HOTEL INVESTMENT

Ref	Name of Hotel/Location	Number of rooms	NWD's Group Interest (%)
<b>HONG KONG</b>			
1	Renaissance Harbour View Hotel <sup>(1)</sup>	861	64.0
2	Grand Hyatt Hong Kong	553	64.0
3	Hyatt Regency Hong Kong, Sha Tin	559	100.0
4	Hyatt Regency Hong Kong, Tsim Sha Tsui	381	78.8
5	Novotel Citygate Hotel	440	16.4
	Subtotal	2,794	
<b>MAINLAND CHINA</b>			
6	Courtyard by Marriott Beijing	299	38.5
7	New World Mayfair Hotel Shanghai	605	70.0
8	pentahotel Shanghai	259	70.0
9	New World Hotel Shenyang	258	69.9
10	New World Hotel Shunde	370	22.8
11	Courtyard by Marriott Wuxi	276	25.6
12	New World Hotel, Xian	471	22.4
13	New World Hotel, Wuhan	327	42.0
14	New World Hotel, Dalian	429	70.0
	Subtotal	3,294	
<b>SOUTHEAST ASIA</b>			
15	New World Hotel Makati City, Manila, Philippines	598	26.9
16	New World Hotel Saigon, Vietnam	538	21.6
17	Renaissance Riverside Hotel Saigon, Vietnam	336	46.1
18	Renaissance Kuala Lumpur Hotel, Malaysia	910	37.5
	Subtotal	2,382	
	<b>Grand Total</b>	<b>8,470</b>	

Notes:

- (1) Total number of rooms available had been reduced to 810 as at end September 2010  
 (2) Renaissance Kowloon Hotel with 545 rooms, ceased operation after 28 February 2010 due to demolition of New World Centre  
 (3) New World Hotel Beijing with 435 rooms, ceased operation after 20 April 2010 due to renovation



## PROJECT SUMMARY — INFRASTRUCTURE PROJECTS

		Gross Length	NWSH's Form of Investment	NWSH's Attributable Interest	Expected/ Actual Operation Date	JV Period (years)	Expiry Date <sup>(1)</sup>
<b>ROADS</b>							
R1	Guangzhou City Northern Ring Road	22.0 km	CJV	65.3%	1/1994	33	2023
R2	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)		CJV	25.0%		37	2030
	Section I	8.6 km			5/1997		
	Section II	53.8 km			12/1999		
R3	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)	27.0 km <sup>(2)</sup>	CJV	15.0%	12/2005	30	2032
R4	Guangzhou-Zhaoqing Expressway Phase I	48.0 km	CJV	25.0%	4/2005 9/2010	33	2031
	Phase II	5.4 km					
R5	Shenzhen-Huizhou Expressway (Huizhou Section)						
	Expressway	34.7 km	CJV	33.3%	6/1993	30	2027
	Roadway	21.8 km	CJV	50.0%	12/1997	26	2023
R6	Gaoming Bridge	1.1 km	CJV	30.0%/80.0%	11/1996	25	2021
R7	Guangzhou Dongxin Expressway	46.2 km	Equity	40.8%	End of 2010 (Estimated)	28	2033
R8	Guangzhou City Nansha Port Expressway	72.4 km	CJV	22.5%	11/2007	27	2031
R9	Beiliu City Roadways	16.3 km	WFOE	100.0%	5/1998	29	2026
R10	Rongxian Roadways	16.8 km	WFOE	100.0%	5/1998	29	2026
R11	Yulin – Shinan Roadway	27.8 km	CJV	65.0%	5/1998	29	2026
R12	Yulin Shinan — Dajiangkou Roadway Phase I	8.7 km	CJV	60.0%	8/1997	29	2026
	Phase II	30.0 km			1/1999	25	2024
R13	Roadway No. 321 (Wuzhou Section) Phase I	8.7 km	CJV	52.0%	3/1997	25	2022
	Phase II	4.3 km			12/1998		
R14	Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)	23.2 km	CJV	60.0%/90.0%	7/2000	27	2025
R15	Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)	36.0 km	CJV	60.0%/90.0%	4/1999	27	2025
R16	Roadway No. 309 (Changzhi Section)	22.2 km	CJV	60.0%/90.0%	7/2000	25	2023
R17	Taiyuan — Changzhi Roadway (Changzhi Section)	18.3 km	CJV	60.0%/90.0%	8/2000	25	2023
R18	Tangjin Expressway (Tianjin North Section) Section I	43.4 km	CJV	60.0%/90.0%	12/1998	31.5	2028
	Section II	17.0 km			12/2000		2028
R19	Tate's Cairn Tunnel	4.0 km	Equity	29.5%	6/1991	30	2018
R20	Guangzhou Chuangyue Transport Electronic Technology	n/a	EJV	33.3%	11/2007	30	2037
		<b>617.7 km</b>					

# Project Summary

## PROJECT SUMMARY — INFRASTRUCTURE PROJECTS

		Installed Capacity/ Capacity	NWSH's Form of Investment	NWSH's Attributable Interest	Expected/ Actual Operation Date	JV Period (years)	Expiry Date <sup>(1)</sup>
<b>ENERGY</b>							
E1	Zhujiang Power Station – Phase I	600.0 MW	EJV	50.0%	1/1994	25	2017
E2	Zhujiang Power Station – Phase II	620.0 MW	EJV	25.0%	4/1996	25	2020
E3	Macau Power	472.0 MW	Equity	19.0%	11/1985	25	2010
E4	Chengdu Jintang Power Plant	1,200.0 MW	Equity	35.0%	6/2007	35	2040
E5	Guangzhou Fuel Company	7 million tonnes/year	EJV	35.0%	1/2008	25	2033
Power Plant Installed Capacity		<b>2,892.0 MW</b>					
<b>WATER</b>							
W1	Macau Water Plant	330,000 m <sup>3</sup> /day	Equity	42.5%	1985	45 <sup>(3)</sup>	2030 <sup>(3)</sup>
W2	Zhongshan Tanzhou Water Plant		Equity	29.0%		35	2027
	Phase I	60,000 m <sup>3</sup> /day			1/1994		
	Phase II	90,000 m <sup>3</sup> /day			5/2007		
W3	Zhongshan Dafeng Water Plant		Equity	33.1%		22	2020
	Phase I	200,000 m <sup>3</sup> /day			4/1998		
	Phase II	300,000 m <sup>3</sup> /day			11/2008		
W4	Zhongshan Quanlu Water Plant	500,000 m <sup>3</sup> /day	Equity	33.1%	4/1998	22	2020
W5	Nanchang Water Plant		Equity	25.0%		28	2023
	Phase I	50,000 m <sup>3</sup> /day			1/1996		
	Phase II	50,000 m <sup>3</sup> /day			9/2008		
W6	Baoding Water Plant	260,000 m <sup>3</sup> /day	Equity	27.5%	6/2000	20	2020
W7	Siping Water Plant	118,000 m <sup>3</sup> /day	Equity	25.0%	9/2000	30	2030
W8	Zhengzhou Water Plant	360,000 m <sup>3</sup> /day	Equity	25.0%	8/2001	30	2031
W9	Xinchang Water Plant	100,000 m <sup>3</sup> /day	Equity	25.0%	3/2002	30	2032
W10	Changtu Water Plant	50,000 m <sup>3</sup> /day	Equity	35.0%	12/2000	30	2029
W11	Panjin Water Plant	110,000 m <sup>3</sup> /day	Equity	30.0%	4/2002	30	2032
W12	Shanghai Spark Water Plant	100,000 m <sup>3</sup> /day	Equity	25.0%	1/2002	30	2031
W13	Shanghai SCIP Water Treatment Plants		Equity	25.0%		50	2052
	Waste water	50,000 m <sup>3</sup> /day			4/2005		
	Industrial water	200,000 m <sup>3</sup> /day			4/2005		
	Demineralized water	4,800 m <sup>3</sup> /day			2/2008		
W14	Qingdao Water Plant		Equity	25.0%		25	2027
	Phase I	543,000 m <sup>3</sup> /day			8/2002		
	Phase II	183,000 m <sup>3</sup> /day			9/2006		
W15	Chongqing Water Plant		Equity	32.7%		50	2052
	Phase I	380,000 m <sup>3</sup> /day			11/2002		
	Phase II	160,000 m <sup>3</sup> /day			7/2006		
W16	Sanya Water Plant	235,000 m <sup>3</sup> /day	Equity	25.0%	1/2004	30	2033
W17	Tanggu Water Plant	310,000 m <sup>3</sup> /day	Equity	25.0%	4/2005	35	2039
W18	Changshu Water Plant		Equity	24.5%		30	2036
	Phase I	675,000 m <sup>3</sup> /day			12/2006		
	Phase II	200,000 m <sup>3</sup> /day			2H 2011		
W19	Chongqing Tangjiatuo Waste Water Plant	300,000 m <sup>3</sup> /day	Equity	28.4%	(Estimated) 1/2007	30	2036

## PROJECT SUMMARY — INFRASTRUCTURE PROJECTS

		Installed Capacity/ Capacity	NWSH's Form of Investment	NWSH's Attributable Interest	Expected/ Actual Operation Date	JV Period (years)	Expiry Date <sup>(1)</sup>
W20	Chongqing Construction Company		Equity	21.9%		30	2038
	Waste water	100,000 m <sup>3</sup> /day			1H 2012 (Estimated)		
	Sludge treatment	240 tonnes/day			1H 2011 (Estimated)		
W21	Shanghai SCIP Waste Incineration Plant	60,000 tonnes/year	Equity	10.0%	8/2006	50	2053
W22	Far East Landfill Technologies Limited	35 million m <sup>3</sup>	Equity	47.0%	6/1995	50	2045
W23	Tianjin Jieyuan Water Plant	500,000 m <sup>3</sup> /day	Equity	26.0%	3/2009	14	2022
W24	Suzhou Industrial Park Sludge Treatment Plant	300 tonnes/day	Equity	24.5%	1H 2011 (Estimated)	30	2039
W25	Chongqing Yue Lai Water Plant	200,000 m <sup>3</sup> /day	Equity	28.4%	7/2011 (Estimated)	30	2038
W26	Qinhuangdao Changli Water Plant	72,000 m <sup>3</sup> /day	Equity	40.0%	9/2009	21	2029
W27	Sino French Water Environmental Technology Consulting Company	5,000 m <sup>3</sup> /day	Equity	50.0%	10/2009	30	2039
W28	Chongqing CCIP Water Treatment Plants		Equity	25.5%		50	2060
	Waste Water	40,000 m <sup>3</sup> /day			2H 2010 (Estimated)		
	Industrial Water	120,000 m <sup>3</sup> /day			2H 2010 (Estimated)		
W29	Dalian Changxing Island Environmental Services Company	40,000 m <sup>3</sup> /day	Equity	47.5%	6/2010	30	2040
Water and industrial water treatment:		<b>6,456,000 m<sup>3</sup>/day</b>					
Demineralized water:		<b>4,800 m<sup>3</sup>/day</b>					
Waste water treatment:		<b>535,000 m<sup>3</sup>/day</b>					
Sludge treatment:		<b>540 tonnes/day</b>					
Waste management:		<b>60,000 tonnes/year</b>					
Landfill:		<b>35 million m<sup>3</sup></b>					

# Project Summary

		Handling Capacity	NWSH's Form of Investment	NWSH's Attributable Interest	Expected/ Actual Operation Date	JV Period (years)	Expiry Date <sup>(1)</sup>
<b>PORTS</b>							
P1	Xiamen New World Xiangyu Terminals Co., Ltd.	1,000,000 TEUs p.a.	EJV	50.0%	4/1997	60	2052
P2	Tianjin Orient Container Terminals Co., Ltd.	1,400,000 TEUs p.a.	EJV	24.5%	1/1999	30	2027
P3	Tianjin Five Continents International Container Terminal Co., Ltd.	1,500,000 TEUs p.a.	EJV	18.0%	11/2005	30	2035
P4	Dalian Container Terminal Co., Ltd.	2,200,000 TEUs p.a.	EJV	4.8%	6/2002	50	2046
P5	Xiamen New World Xiangyu Warehouse & Processing Zone Limited	n/a	WFOE	100.0%	1/1998	50	2045
P6	Xiamen Haicang Xinhaida Container Terminals Co., Limited	1,000,000 TEUs p.a.	EJV	40.0%	2H 2011 (Estimated)	50	2058
<b>LOGISTICS</b>							
L1	ATL Logistics Centre Hong Kong Limited	5.9 million sq.ft lettable area	Equity	56.0%	Phase 1: 2/1987 Phase 2: 3/1988 Phase 3: 2/1992 Phase 4: 1/1994 Phase 5: 11/1994	N/A	2047
L2	ATL Logistics Centre Yantian Limited	600,000 m <sup>3</sup> /pa	Equity	46.2%	1/2002	N/A	2019
L3	China United International Rail Containers Co., Limited	18 pivotal rail container terminals in Mainland China	EJV	22.0%	Kunming: 1/2008 Chongqing: 12/2009 Chengdu: 3/2010 Zhengzhou: 4/2010	50	2057

(1) Project or JV expiry date

(2) Seeking approval to change from 37 km

(3) Original concession contract expired in 2010 and has been renewed to 2020 with further extension allowed to 2030

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

EJV = Equity Joint Venture (percentage of equity interest)

WFOE = Wholly Foreign Owned Enterprise

N/A = Not Applicable

# Directors' Profile



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**DATO' DR. CHENG YU-TUNG**

*DPMS, LLD(Hon), DBA(Hon), DSSc(Hon), GBM (Aged 85)*

Appointed as Director in May 1970 and has been the Chairman since 1982. Dr. Cheng is the Chairman of Chow Tai Fook Enterprises Limited, and a Director of Cheng Yu Tung Family (Holdings) Limited and Centennial Success Limited, all of them are substantial shareholders of the Company. He is also the Chairman of New World Hotels (Holdings) Limited and a Director of certain subsidiaries of the Group. Dr. Cheng is also a Non-executive Director of Shun Tak Holdings Limited and SJM Holdings Limited, the Chairman of Melbourne Enterprises Limited and the Non-executive Chairman of Lifestyle International Holdings Limited, all being listed public companies in Hong Kong. Dr. Cheng was an Independent Non-executive Director of Hang Seng Bank Limited (a listed public company in Hong Kong) until 6 May 2009. Dr. Cheng was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2008. Dr. Cheng is the father of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, Peter, and the grandfather of Mr. Cheng Chi-Kong, Adrian and Mr. Cheng Chi-Heng.



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

*BA, MBA, DBA(Hon), LLD(Hon), GBS (Aged 63)*

Appointed as Director in October 1972, Executive Director in 1973 and became Managing Director from 1989. Dr. Cheng is the Chairman and Managing Director of New World China Land Limited, the Chairman of NWS Holdings Limited, the Chairman and Non-executive Director of New World Department Store China Limited, the Chairman of International Entertainment Corporation, an Independent Non-executive Director of HKR International Limited, and a Non-executive Director of Lifestyle International Holdings Limited, all of them are listed public companies in Hong Kong. He was the Chairman of Taifook Securities Group Limited (a listed public company in Hong Kong) up to his resignation on 13 January 2010. Dr. Cheng is also the Managing Director of New World Hotels (Holdings) Limited and a Director of certain subsidiaries of the Group. He is a Director of Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited and Chow Tai Fook Enterprises Limited, all of them are substantial shareholders of the Company. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Standing Committee Member of the Eleventh Chinese People's Political Consultative Conference of The People's Republic of China. In 2001, Dr. Cheng was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the eldest son of Dr. Cheng Yu-Tung, the father of Mr. Cheng Chi-Kong, Adrian, the brother of Mr. Cheng Kar-Shing, Peter and the uncle of Mr. Cheng Chi-Heng.



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**DR. SIN WAI-KIN, DAVID**

*DSSc(Hon) (Aged 81)*

Appointed as Executive Director in June 1970. Dr. Sin is the Chairman of Myer Jewelry Manufacturer Limited, Honorary Chairman of Hip Hing Construction Company Limited and a Director of certain subsidiaries of the Group. Dr. Sin is also the Vice Chairman and Independent Non-executive Director of Miramar Hotel and Investment Company, Limited, a listed public company in Hong Kong. He was an Independent Non-executive Director of Hang Seng Bank Limited (a listed public company in Hong Kong) until 6 May 2009.



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

*(Aged 65)*

Appointed as Director in November 1979 and became Executive Director in 1986. Mr. Liang is the cousin of Mr. Liang Cheung-Biu, Thomas.



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

*(Aged 53)*

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



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

*JP, DSSc(Hon) (Aged 68)*

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



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

(Aged 58)

Appointed as Director in October 1994. Mr. Cheng is a Director of New World Hotels (Holdings) Limited, the Deputy Managing Director of New World Development (China) Limited, and a Director of NWS Service Management Limited and certain subsidiaries of the Group. He is a Director of Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited and Chow Tai Fook Enterprises Limited, all of them are substantial shareholders of the Company. He is also an Executive Director of New World China Land Limited, and an Independent Non-executive Director of King Fook Holdings Limited and Symphony Holdings Limited, all being listed public companies in Hong Kong. Mr. Cheng is a Fellow of The Hong Kong Institution of Engineers, an Accredited Mediator of Hong Kong Mediation Centre, a CEDR Accredited Mediator and HKIAC Accredited Mediator (General). Mr. Cheng is the son of Dr. Cheng Yu-Tung, the brother of Dr. Cheng Kar-Shun, Henry, the father of Mr. Cheng Chi-Heng and the uncle of Mr. Cheng Chi-Kong, Adrian.



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**MR. LEUNG CHI-KIN, STEWART**

(Aged 71)

Appointed as Director in October 1994 and re-designated as Executive Director in August 2004. Mr. Leung has been the Group General Manager since May 1988. He is also the Company Secretary and the Chairman of the Remuneration Committee of the Board of Directors of the Company. Mr. Leung is a Director of New World Hotels (Holdings) Limited, Hip Hing Construction Company Limited, and certain subsidiaries of the Group. He is also a Non-executive Director of New World China Land Limited (a listed public company in Hong Kong) upon re-designation from Executive Director on 8 January 2010. Mr. Leung is the Vice Chairman of the Executive Committee of The Real Estate Developers Association of Hong Kong, as well as a Member of General Committee of The Chamber of Hong Kong Listed Companies.



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**MR. CHOW KWAI-CHEUNG**

(Aged 68)

Appointed as Director in October 1994. Mr. Chow is a Non-executive Director of New World China Land Limited (a listed public company in Hong Kong) upon re-designation from Executive Director on 8 January 2010, and a Director of Golden Land Property Development Public Company Limited (a public listed company in Thailand). He is also a Director of Hip Hing Construction Company Limited and certain subsidiaries of the Group. He has over 40 years experience in property development and investment businesses. Mr. Chow joined the Group in 1971 and is responsible for the projects management of the Group.



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

(Alternate Director to Dr. Cha Mou-Sing, Payson) (Aged 60)

Appointed as Alternate Director in September 2000. Mr. Cha is the Deputy Chairman and Managing Director of HKR International Limited, and an Independent Non-executive Director of SOHO China Limited, both are listed public companies in Hong Kong, and a Director of United Nigeria Textiles PLC which is listed on the Lagos Stock Exchange. Mr. Cha was an Independent Non-executive Director of China Netcom Group Corporation (Hong Kong) Limited (a listed public company in Hong Kong during his term of office) until 22 May 2008. He has extensive experience in the textile manufacturing and real estate businesses. He is a Member of the Chinese People's Political Consultative Committee of Zhejiang Province. Mr. Cha ceased to be a Council Member of The Hong Kong Polytechnic University in March 2010.



**MR. HO HAU-HAY, HAMILTON**

*(Aged 59)*

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



**MR. LEE LUEN-WAI, JOHN**

*JP (Aged 61)*

Appointed as Independent Non-executive Director in August 2004. Mr. Lee is a Member of the Audit Committee and the Remuneration Committee of the Board of Directors of the Company. Mr. Lee is also the Managing Director and Chief Executive Officer of Lippo Limited and an Executive Director of Lippo China Resources Limited and Hongkong Chinese Limited as well as an Independent Non-executive Director of New World China Land Limited, all being listed public companies in Hong Kong. He is also a Non-executive Director of Export and Industry Bank, Inc., a listed company in the Republic of Philippines. He was a Non-executive Director of Medco Holdings, Inc., a listed company in the Republic of Philippines, up to his resignation on 23 July 2009. Mr. Lee is a Fellow Member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and an Associate Member of The Institute of Chartered Accountants in England and Wales. He was a partner of Price Waterhouse (now PricewaterhouseCoopers) in Hong Kong and has extensive experience in corporate finance and capital markets. Mr. Lee is an Honorary Fellow of the City University of Hong Kong. He serves as a member on a number of Hong Kong Government Boards and Committees including as a member of the Hospital Authority and the Chairman of its Finance Committee. He is also the Chairman and the Trustee of the Hospital Authority Provident Fund Scheme, as well as the Chairman of the Queen Elizabeth Hospital Governing Committee. In addition, Mr. Lee serves as a member of Non-local Higher and Professional Education Appeal Board.



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

*(Aged 63)*

Appointed as Non-executive Director in August 2004. Mr. Liang is a Non-executive Director of Miramar Hotel and Investment Company, Limited (a listed public company in Hong Kong) and the Group Chief Executive of Wideland Investors Limited. He has extensive experience in financial management, corporate finance, banking, real estate development and equity investment. Mr. Liang is the cousin of Mr. Liang Chong-Hou, David.





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**MR. CHENG CHI-KONG , ADRIAN**

*(Aged 30)*

Appointed as an Executive Director in March 2007. Mr. Cheng is an Executive Director of New World China Land Limited, New World Department Store China Limited and International Entertainment Corporation, all being listed public companies in Hong Kong. He is a Director of Centennial Success Limited and Chow Tai Fook Enterprises Limited, both are substantial shareholders of the Company. He is also a director of certain subsidiaries of the Group. Mr. Cheng has worked in a major international bank prior to joining the Group in September 2006 and has substantial experience in corporate finance. Mr. Cheng holds a Bachelor of Arts Degree (*cum laude*) from Harvard University. He is the Vice-chairman of All-China Youth Federation, a Member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, a Consultant of the Beijing Municipal Committee of The Chinese People's Political Consultative Conference, Chairman of China Young Leaders Foundation and the Honorary Chairman of Fundraising Committee, Wu Zhi Qiao (Bridge to China) Charitable Foundation. He is the grandson of Dr. Cheng Yu-Tung, the son of Dr. Cheng Kar-Shun, Henry, the nephew of Mr. Cheng Kar-Shing, Peter and the cousin of Mr. Cheng Chi-Heng.



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

*SBS, JP (Aged 63)*

Appointed as a Non-executive Director in December 2008. Ms. Ki is the Managing Director of New World China Enterprises Projects Limited, a Director of Kunming New World First Bus Services Limited and a Director of certain subsidiaries of the Group. Ms. Ki is an Independent Non-executive Director of Clear Media Limited and Sa Sa International Holdings Limited, both are listed public companies in Hong Kong. Ms. Ki has more than 30 years' experience in integrated communication and marketing services. She was the founder, partner and Chairman/Chief Executive Officer of Grey Hong Kong Advertising Limited and Grey China Advertising Limited. Ms. Ki is committed to the community and public services. She was the Chief Executive of The Better Hong Kong Foundation. She is currently a life member of the Children's Cancer Foundation, Trustee of Ocean Park Conservation Fund, Honorary Secretary of Wu Zhi Qiao Charitable Foundation, a member of the Sports Commission of Hong Kong, a member of the Hong Kong Housing Society, a court and council member of Lingnan University, a member of the Asian Advisory Board of Cheng Yu Tung Management Institute, Richard Ivey School of Business (University of Western Ontario, Canada), a member of the Advisory Board of the EMBA Programme of CUHK, a member of the Career Advisory Board of HKU, and a CPPCC member of Yunnan Province.



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**MR. CHENG CHI-HENG**

*(Aged 32)*

Appointed as an Executive Director in June 2010. Mr. Cheng is a Director of Chow Tai Fook Enterprises Limited which is a substantial shareholder of the Company. Mr. Cheng had worked in Yu Ming Investment Management Limited from 1999 to 2000 as a corporate finance executive. He obtained his Bachelor of Arts degree majoring in Economics from the University of Western Ontario, Ontario, Canada in 1999. He is the grandson of Dr. Cheng Yu-Tung, the son of Mr. Cheng Kar-Shing, Peter, the nephew of Dr. Cheng Kar-Shun, Henry and the cousin of Mr. Cheng Chi-Kong, Adrian.

# Financial Section Contents

81	Report of the Directors
117	Independent Auditors' Report
118	Consolidated Income Statement
119	Consolidated Statement of Comprehensive Income
120	Consolidated Statement of Financial Position
122	Company Statement of Financial Position
123	Consolidated Statement of Changes in Equity
125	Consolidated Statement of Cash Flows
127	Notes to the Financial Statements
235	Five-year Financial Summary

The Directors present their annual report and financial statements for the year ended 30 June 2010.

## **GROUP ACTIVITIES**

The principal activities of the Company remain investment holding and property investment. The principal activities of the principal subsidiaries, jointly controlled entities and associated companies are shown in Notes 51, 52 and 53 to the financial statements on pages 220 to 234.

## **RESULTS AND APPROPRIATION**

The result of the Group for the year ended 30 June 2010 are set out in the consolidated income statement on page 118 of this annual report.

The Directors have resolved to recommend a final dividend for the year ended 30 June 2010 of HK\$0.28 per share (2009: HK\$0.21 per share) comprising a cash dividend of HK\$0.01 per share (which is being paid in order to ensure that the shares of the Company continue to qualify as Authorised Investments for the purpose of the Trustee Ordinance of Hong Kong) and a scrip dividend by way of an issue of new shares equivalent to HK\$0.27 per share with a cash option to shareholders registered on 24 November 2010. Together with the interim dividend of HK\$0.10 per share paid in June 2010, total distribution for the year ended 30 June 2010 would thus be HK\$0.38 per share (2009: HK\$0.30 per share).

## **SHARE CAPITAL**

Details of movements in share capital during the year are set out in Note 40 to the financial statements.

## **RESERVES**

Details of movements in reserves are set out in Note 41 to the financial statements. Distributable reserves of the Company at 30 June 2010 amounted to HK\$13,667.7 million (2009: HK\$11,453.5 million).

## **FIVE-YEAR FINANCIAL SUMMARY**

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 235 and 236.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **DONATIONS**

The Group made charitable and other donations during the year amounted to HK\$39.4 million (2009: HK\$29.8 million).

## **PROPERTY, PLANT AND EQUIPMENT**

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

## MAJOR ACQUISITIONS AND DISPOSALS

- (1) Pursuant to a sale and purchase agreement dated 19 November 2009, NWSH disposed of part of its interest in Taifook Securities Group Limited (“Taifook Securities”) and the transaction was completed on 21 December 2009 (the “Disposal”). Immediately before the completion of the transaction, NWSH held approximately 61.86% interest in Taifook Securities and pursuant to the Disposal, approximately 52.86% interest in Taifook Securities was disposed of and approximately 9% interest was retained by NWSH.
- (2) During the year, NWCL acquired 40% interest in Guangzhou Jixian Zhuang New World City Garden Development Limited (“Jixian Zhuang”) for a consideration of RMB1 and 52.5% equity interest in Shanghai Trio Property Development Co., Ltd (“Trio”) for a consideration of approximately HK\$521 million. Jixian Zhuang is principally engaged in the development of Guangzhou Park Paradise, a residential development in Rongtai Cun, Baiyun District, Guangzhou, Guangdong Province, The People’s Republic of China (“PRC”). The principal activity of Trio is the development of Shanghai Zhongshan Square located in Hongqiao Development Zone, Shanghai, the PRC. After the acquisitions, Jixian Zhuang and Trio became wholly-owned subsidiaries of NWCL.
- (3) In December 2009, NWCL disposed of its entire interest in Shanghai Juyi Real Estate Development Co., Ltd (“Juyi”) to Guilherme Holdings (Hong Kong) Limited for a consideration of approximately HK\$1,174 million. Juyi is principally engaged in the development of Shanghai Hong Kong New World Garden located in Luwan District, Shanghai, the PRC.
- (4) On 11 June 2010, NWSH entered into agreements in respect of the disposal of certain non-core businesses under a management buyout arrangement, including (a) laundry and landscaping; (b) security and guarding; (c) trading of building materials; (d) senior residents’ home; (e) insurance brokerage; (f) property management in Hong Kong; (g) cleaning; and (h) electrical and mechanical engineering subject to certain conditions precedent. Total consideration for the disposal was HK\$888.5 million.

## CONNECTED TRANSACTIONS

Connected transactions of the Company during the year and up to the date of this report are set out on pages 88 to 96.

## RULE 13.20 AND 13.22 OF THE LISTING RULES

The disclosure pursuant to Rule 13.20 and 13.22 of the Listing Rules is set out on page 116.

## **DIRECTORS**

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

### **Executive Directors**

Dato' Dr. Cheng Yu-Tung (*Chairman*)

Dr. Cheng Kar-Shun, Henry (*Managing Director*)

Dr. Sin Wai-Kin, David

Mr. Liang Chong-Hou, David

Mr. Leung Chi-Kin, Stewart

Mr. Cheng Chi-Kong, Adrian

Mr. Cheng Chi-Heng

(appointed on 1 June 2010)

### **Non-executive Directors**

Mr. Cheng Kar-Shing, Peter

Mr. Chow Kwai-Cheung

Mr. Liang Cheung-Biu, Thomas

Ms. Ki Man-Fung, Leonie JP

### **Independent Non-executive Directors**

Mr. Yeung Ping-Leung, Howard

Dr. Cha Mou-Sing, Payson JP

Mr. Cha Mou-Zing, Victor

(*alternate director to Dr. Cha Mou-Sing, Payson*)

Mr. Ho Hau-Hay, Hamilton

Mr. Lee Luen-Wai, John JP

In accordance with Article 94 of the Company's Articles of Association, Mr. Cheng Chi-Heng shall retire and, being eligible, offer himself for re-election.

In accordance with Article 103(A) of the Company's Articles of Association, Dato' Dr. Cheng Yu-Tung, Mr. Ho Hau-Hay, Hamilton, Mr. Lee Luen-Wai, John, Mr. Liang Cheung-Biu, Thomas and Mr. Cheng Chi-Kong, Adrian shall retire by rotation and, being eligible, offer themselves for re-election.

None of the Directors had a service contract with the Company or any of its subsidiaries which cannot be terminated within one year without any compensation.

## **AUDIT COMMITTEE**

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

## DIRECTORS' INTERESTS IN CONTRACTS

Pursuant to an agreement dated 5 August 1993 (the "Agreement") made between Hotel Property Investments (B.V.I.) Limited ("HPI") and Renaissance Hotel Holdings (B.V.I.) Limited ("Renaissance"), both being former subsidiaries of the Group, and CTF Holdings Limited ("CTFHL"), HPI agreed to pay CTFHL an annual fee in accordance with the terms of the Agreement. This Agreement was assigned to New World Hotels (Holdings) Limited ("NWHH"), a subsidiary of the Group, on 25 July 1997. CTFHL was paid a fee of US\$10.0 million (approximately HK\$78.5 million) for the year ended 30 June 2010 (2009: US\$9.7 million (approximately HK\$75.5 million)). Dr. Cheng Kar-Shun, Henry, Director of the Company and Mr. Doo Wai-Hoi, William ("Mr. Doo"), director of certain subsidiaries of the Group, are interested in this transaction to the extent that they have beneficial interests in CTFHL.

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

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, interests of the Directors and their associates in shares, underlying shares and debentures of the Company and its associated corporations which were recorded in the register to be kept by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") are set out on pages 97 to 115.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of businesses	
Dr. Cheng Yu-Tung	Shun Tak Holdings Limited ("Shun Tak") group of companies	Property investment and development, ferry services and hotel related services	Director
	Chow Tai Fook Enterprises Limited ("CTF") group of companies	Property investment and development, hotel operations and transport	Director
	Melbourne Enterprises Limited ("Melbourne") group of companies	Property investment	Director
	Lifestyle International Holdings Limited ("Lifestyle") group of companies	Department stores operations and property investment	Director

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of businesses	
Dr. Cheng Kar-Shun, Henry	CTF group of companies	Property investment and development, hotel operations and transport	Director
	HKR International Limited group of companies	Property investment and development, and property management	Director
	Lifestyle group of companies	Department stores operations and property investment	Director
	International Entertainment Corporation group of companies	Hotel operations	Director
Dr. Sin Wai-Kin, David	Miramar Hotel and Investment Company, Limited ("Miramar") group of companies	Property investment and development and hotel operations	Director
Mr. Cheng Kar-Shing, Peter	CTF group of companies	Property investment and development, hotel operations and transport	Director
	Long Vocation Investments Limited group of companies	Property investment	Director and shareholder
Mr. Chow Kwai-Cheung	Flying Dragon Properties Limited	Property investment	Director and shareholder
	Asia Leisure Development Co. Ltd.	Property development	Director
Mr. Liang Cheung-Biu, Thomas	Bermuda Investments Limited	Property investment	Director
	Greenwich Investors Limited	Property investment	Director
	Lambda Enterprises Limited	Property management	Director
	Miramar group of companies	Property investment and development and hotel operations	Director

**DIRECTORS' INTERESTS IN COMPETING BUSINESSES** (Continued)

Name of Director	Businesses which are considered to compete or likely to compete with the businesses of the Group		Nature of interest of the Director in the entity
	Name of entity	Description of businesses	
Mr. Cheng Chi-Kong, Adrian	CTF group of companies	Property investment and development, hotel operations and transport	Director
	Grandhope Properties Limited	Property investment	Director and shareholder
	Cheung Hung Development (Holdings) Limited	Property investment and development	Director
	International Entertainment Corporation group of companies	Hotel operations	Director
Mr. Cheng Chi-Heng	CTF group of companies	Property investment and development, hotel operations and transport	Director

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

**MANAGEMENT CONTRACTS**

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

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

**SHARE OPTION SCHEMES**

Share option schemes of the Group are set out on pages 99 to 115.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2010, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows :

### Long positions in shares

Name	Number of shares held			Approximate % of shareholding
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") <sup>(1)</sup>	–	1,568,287,585	1,568,287,585	40.03
Centennial Success Limited ("Centennial") <sup>(2)</sup>	–	1,568,287,585	1,568,287,585	40.03
CTF <sup>(3)</sup>	1,421,215,155	147,072,430	1,568,287,585	40.03

Notes :

- (1) CYTFH holds 51.0% direct interest in Centennial and is accordingly deemed to have an interest in the shares deemed to be interested by Centennial.
- (2) Centennial holds 100.0% direct interest in CTF and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF.
- (3) CTF together with its subsidiaries.

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## MAJOR CUSTOMERS AND SUPPLIERS

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

## AUDITORS

The financial statements have been audited by Messrs PricewaterhouseCoopers and H.C. Watt & Company Limited, who retire and, being eligible, offer themselves for re-appointment as joint auditors of the Company.

On Behalf of the Board

**Dr. Cheng Yu-Tung**  
Chairman

Hong Kong, 6 October 2010

## CONNECTED TRANSACTIONS

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

On 25 July 1997, NWHH sold its entire interests in HPI to CTFHL, a company controlled by Dr. Cheng Kar-Shun, Henry, Director of the Company and Mr. Doo, a director of certain subsidiaries of the Company. Under the sale, the Indemnity will continue. Arrangements have therefore been entered into whereby CTF will counter-indemnify the Company fully against any liability arising under the Indemnity in respect of the said lease obligations and guarantees of leases. It is presently estimated that the maximum liability of the Company under the Indemnity will be approximately US\$54.0 million per annum. Up to the date of this report, no payment has ever been made by the Company or CTF under the Indemnity.

- (2) In July 1999, a deed of tax indemnity was entered into between the Company and New World China Land Limited (“NWCL”) whereby the Company undertakes to indemnify NWCL in respect of, inter alia, certain Mainland China income tax (“IT”) and land appreciation tax (“LAT”) in Mainland China payable in consequence of the disposal of certain properties held by NWCL as at 31 March 1999 and in respect of which the aggregate amount of LAT and IT is estimated at approximately HK\$6,808.7 million (2009: HK\$7,166.1 million). During the year, tax indemnity amounted to HK\$339.5 million (2009: HK\$6.2 million) was effected.
- (3) On 18 May 2007, NWS Transport Services Limited (“NWST”) and NWSH entered into a master services agreement (the “NWST Master Services Agreement”) whereby NWST agreed to, and agreed to procure that members of NWST and its subsidiaries (the “NWST Group”) (to the extent practicable) engage relevant members of NWSH and its subsidiaries (the “NWSH Group”) to provide operational services, which includes contracting services, facility management services, security and guarding services, cleaning and landscaping services, financial services and property management services and such other types of services as NWST and NWSH may agree upon from time to time in writing, to NWST and/or relevant members of the NWST Group and to rent or license spare spaces to members of the NWSH Group during the term of the NWST Master Services Agreement. The NWST Master Services Agreement has an initial term of three years and shall be automatically renewed for a further term of three years unless either party gives written notice to the other party not later than two months before the expiry of the initial term.

The transactions contemplated under the NWST Master Services Agreement were expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the NWSH Group. As CTF is a connected person of the Company and NWST is an associate of CTF, the entering into of the NWST Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

## CONNECTED TRANSACTIONS (Continued)

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

Category of services	Approximate total contract amount HK\$m	Annual cap HK\$m
Contracting services	–	13.0
Facility management services	0.94	7.5
Security and guarding services	0.85	7.0
Cleaning and landscaping services	0.28	35.0
Financial services	0.47	1.0
Property management services	–	1.0
Rental or licensing of spare spaces	3.87	9.0

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

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

Year 1 to 10 of the term:	6.0% of the monthly gross turnover from the operation of any trade and/or business carried on in from and/or upon the Premises
Year 11 to 15 of the term:	7.0% of the monthly gross turnover from the operation of any trade and/or business carried on in from and/or upon the Premises

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

As set out in the announcement of the Company dated 16 September 2008, the annual cap for the Lease Agreement for each of the three years ending 30 June 2011 is HK\$75.0 million. The total rental received from Sogo HK during the year ended 30 June 2010 under the Lease Agreement amounted to approximately HK\$51.3 million which is within the annual cap of HK\$75.0 million.

**CONNECTED TRANSACTIONS** (Continued)

- (5) On 24 January 2008, NWSH and CTF entered into: (i) a master operational services agreement (“CTF Master Operational Services Agreement”) whereby NWSH and CTF agreed to procure that members of the NWSH Group or the CTF group of companies (the “CTF Group”, including CTF and its subsidiaries and any other company in the equity capital of which CTF and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30.0% or more of the voting power at general meetings, but excluding the NWSH Group as well as NWST Group) (to the extent practicable) engage relevant members of the CTF Group or the NWSH Group to provide operational services, which include contracting services, general services, rental services and such other types of services as NWSH and CTF may agree upon from time to time in writing, to relevant members of the NWSH Group or the CTF Group during the term of the CTF Master Operational Services Agreement; and (ii) a master financial services agreement (“CTF Master Financial Services Agreement”) whereby CTF agreed to procure that members of the CTF Group engage relevant members of the NWSH Group to provide financial services to relevant members of the CTF Group during the term of the CTF Master Financial Services Agreement.

Moreover, on 24 January 2008, NWSH and Mr. Lo Lin-Shing, Simon (“Mr. Lo”) entered into a master services agreement (“Mr. Lo Master Services Agreement”) whereby the NWSH Group agreed to provide financial services to Mr. Lo and his associates.

As CTF is a connected person of the Company, the entering into of the CTF Master Operational Services Agreement, the CTF Master Financial Services Agreement and all the transactions contemplated thereunder, excluding the transactions between the NWSH Group and the Group, constitute continuing connected transactions for the Company under the Listing Rules. Given that Mr. Lo was the then deputy chairman and an executive director of Taifook Securities, a subsidiary of NWSH during the year ended 30 June 2010, he was a connected person of the Company. Accordingly, the entering into of Mr. Lo Master Services Agreement and all the transactions contemplated thereunder also constitute continuing connected transactions for the Company under the Listing Rules.

All of the CTF Master Operational Services Agreement, the CTF Master Financial Services Agreement and the Mr. Lo Master Services Agreement have an initial term of three years commencing from 24 January 2008 to 23 January 2011, and may be renewed for a further term of three years subject to re-compliance with relevant requirements under the Listing Rules.

During the year ended 30 June 2010, the contract amounts for each category of the operational services under the CTF Master Operational Services Agreement (excluding the transactions between the NWSH Group and the Group) are summarised as follows:

<b>Operational services</b>	<b>Approximate total contract amount HK\$m</b>	<b>Annual cap HK\$m</b>
Contracting services by members of the NWSH Group to members of the CTF Group	<b>185.8</b>	<b>470.0</b>
General services by members of the NWSH Group to members of the CTF Group	<b>7.1</b>	<b>21.7</b>

## CONNECTED TRANSACTIONS (Continued)

In addition, during the year ended 30 June 2010, the contract amounts for the financial services under the CTF Master Financial Services Agreement (excluding the transactions between the NWSH Group and the Group) and the Mr. Lo Master Services Agreement are summarised as follows:

<b>Financial services</b>	<b>Approximate total contract amount HK\$m</b>	<b>Annual cap HK\$m</b>
Fees from the provision of the financial services by the NWSH Group, including the underwriting and sub-underwriting services	<b>0.8</b>	<b>26.4</b>
Value of the securities which may be acquired by the NWSH Group pursuant to the underwriting and sub-underwriting commitments under the underwriting and sub-underwriting services	<b>-</b>	<b>800.0</b>

As Taifook Securities ceased to be a subsidiary of the Group upon completion of the disposal of 52.86% interest held by NWSH in Taifook Securities on 21 December 2009, Mr. Lo was no longer a connected person of the Company since then. Thus, the transactions contemplated under the Mr. Lo Master Services Agreement did not constitute continuing connected transactions for the Company under the Listing Rules with effect from 21 December 2009.

Also, upon commencement of the CTF Master Services Agreement (as defined hereinafter) on 1 July 2010, both the CTF Master Operational Services Agreement and the CTF Master Financial Services Agreement were terminated on that day.

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

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

The aggregate amount of the transactions contemplated under the Master Concessionaire Counter Agreement for the year ended 30 June 2010 amounted to approximately RMB16.1 million, which is within the annual cap of RMB51.2 million.

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

**CONNECTED TRANSACTIONS** (Continued)

- (7) On 16 July 2009, Trio, 新創機電工程有限公司 (NWS Engineering Ltd.) (“NWS Engineering”, an indirect wholly-owned subsidiary of NWSH) and NWS Engineering (Shanghai branch office) entered into an agreement (the “Shanghai Agreement”) whereby NWS Engineering agreed to provide to Trio project management services in respect of the electrical and mechanical engineering works of the property development project (the “Shanghai Zhongshan Square (Phase III) Project”) situated at Hongqiao Development Zone, Shanghai, the PRC, for a service fee of RMB19.0 million. If the aggregate of the final total construction costs incurred in respect of the electrical and mechanical engineering works of the Shanghai Zhongshan Square (Phase III) Project is less than RMB197.0 million (which is subject to final determination), NWS Engineering shall be entitled to a bonus in the amount to be agreed between the contracting parties.

On the same date, Dragon Plaza (H.K.) Limited (“DPHKL”), Great City Developments Limited (“GCDL”) and Hip Hing Builders Company Limited (“Hip Hing Builders”, an indirect wholly-owned subsidiary of NWSH) entered into an agreement (the “Li Yuen Street East Agreement”) whereby Hip Hing Builders agreed to provide to DPHKL and GCDL project management services for the development of the property development project (“Li Yuen Street East Project”) situated at No. 39 Queen’s Road Central and Nos. 19-28 Li Yuen Street East, Hong Kong. Hip Hing Builders shall be entitled to a management fee which shall be calculated as follows:

- (a) 2.0% of the part of the cost in relation to the execution and completion of mechanical and electrical installations of the Li Yuen Street East Project; and
- (b) 6.0% of the cost of the Li Yuen Street East Project other than that in paragraph (a) above.

Under the estimation based on the budget of the project, the maximum management fee in respect of the Li Yuen Street East Project was expected to be approximately HK\$18.7 million.

As at the date of the Shanghai Agreement and the Li Yuen Street East Agreement, Mr. Doo beneficially owned 52.5% interest in Trio and 50.0% interest in each of DPHKL and GCDL and thus, Trio, DPHKL and GCDL were associates of Mr. Doo and in turn connected persons of the Company. The transactions contemplated under the Shanghai Agreement and the Li Yuen Street East Agreement constituted connected transactions for the Company under the Listing Rules.

Furthermore, certain members of the Group had entered into the following transactions (the “Previous Transactions”) with Juyi prior to the execution of the Shanghai Agreement and the Li Yuen Street East Agreement:

- (a) the provision of project management services by 協興建築(中國)有限公司 (Hip Hing Construction (China) Company Limited) (an indirect wholly-owned subsidiary of NWSH) to Juyi pursuant to the relevant project management agreement dated 16 January 2009 in relation to the construction works of a property development project situated at Shanghai, the PRC at a service fee of 2.7% of the total estimated construction costs which amounted to approximately RMB81.0 million; and
- (b) the provision of project management services by NWS Engineering to Juyi pursuant to the relevant project management agreement dated 28 February 2009 in relation to the electrical and mechanical engineering works of a property development project situated at Shanghai, the PRC at a service fee of approximately RMB40.4 million.

## CONNECTED TRANSACTIONS (Continued)

At the time when the relevant agreements for the Previous Transactions were entered into, apart from the participating interest held by Mr. Doo (in which he was entitled to 30.0% of the returns received by NWCL in respect of Juyi), he did not have any equity interest or voting right in Juyi. He also did not have any power to control the composition of a majority of the board of directors of Juyi. Juyi was therefore not a connected person of the Company and the Previous Transactions did not constitute connected transactions for the Company on the date of execution of the relevant agreements. However, at the date of execution of the Shanghai Agreement and the Li Yuen Street East Agreement, Juyi was owned as to 50.0% by Mr. Doo and being an associate of Mr. Doo and therefore a connected person of the Company. Thus, the Previous Transactions then also constituted connected transactions for the Company and were further aggregated together with the transactions contemplated under the Shanghai Agreement and the Li Yuen Street East Agreement upon the disclosure made by the Company pursuant to the Listing Rules.

- (8) On 30 September 2009, an agreement (the “WZNWT Agreement”) was entered into between 溫州港集團有限公司 (Wenzhou Port Group Co., Ltd.) (the “PRC Party”) and NWS Ports Management (Wenzhou) Limited (“NWSPMWZ”, an indirect 63.6% subsidiary of NWSH), pursuant to which NWSPMWZ agreed to sell, and the PRC Party agreed to purchase and procure its nominee(s) to purchase, 55.0% equity interest in 溫州狀元壘新創建國際碼頭有限公司 (Wenzhou Zhuangyuan Ao New World International Terminals Company Limited) (“WZNWT”) for the consideration of RMB282.0 million (equivalent to approximately HK\$320.5 million) (the “Consideration”) which was paid by instalments pursuant to the terms of the WZNWT Agreement. Upon completion of the WZNWT Agreement, which was expected to take place within 6 months upon signing of the WZNWT Agreement, the said 55.0% equity interest in WZNWT would be transferred by NWSPMWZ to the PRC Party and its nominee(s).

As at the date of signing of the WZNWT Agreement, WZNWT was 55.0% owned by NWSPMWZ, a then non-wholly owned subsidiary of NWSH. The PRC Party owned 45.0% equity interest in WZNWT and thus, the PRC Party was a connected person of the Company under the Listing Rules. The disposal contemplated under the WZNWT Agreement constituted a connected transaction for the Company under the Listing Rules.

Moreover, NWSPMWZ entered into a share transfer contract with the PRC Party and its nominee, Ngan Tong Company Limited (the “Nominee”) on 12 March 2010 confirming the transfer of 30.0% and 25.0% equity interest of WZNWT from NWSPMWZ to the PRC Party and the Nominee respectively under the WZNWT Agreement. On 12 March 2010, NWSPMWZ, the PRC Party and the Nominee also entered into a supplemental contract for the purpose of setting out the arrangement for the payment of the Consideration and the completion date. Completion of the aforesaid disposal took place on 24 March 2010 and the Consideration was received in full by NWSPMWZ.

- (9) On 7 May 2010, NWSH and CTF entered into a master services agreement (the “CTF Master Services Agreement”) whereby NWSH and CTF agreed to procure that members of the NWSH Group or the CTF group of companies (the “CTF Group”, including CTF and its subsidiaries and any other company in the equity capital of which CTF and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30.0% or more of the voting power at general meetings, which excluding the NWSH Group but including the Group and the NWST Group) (to the extent practicable) engage relevant members of the CTF Group or the NWSH Group to provide operational services, which includes contracting services, general services, rental services and such other types of services as NWSH and CTF may agree upon from time to time in writing, to relevant members of the NWSH Group or the CTF Group during the term of the CTF Master Services Agreement.

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

The CTF Master Services Agreement has an initial term of three years commencing from 1 July 2010 to 30 June 2013 (both days inclusive) and may be renewed for a further term of three years subject to re-compliance with relevant requirements under the Listing Rules.

**CONNECTED TRANSACTIONS** (Continued)

- (10) On 27 November 2009, 廣州新穗旅游中心有限公司 (Guangzhou Xin Sui Tourism Centre Ltd) (“Xin Sui”) and China Joy International Limited (“China Joy”), both indirect wholly-owned subsidiaries of NWCL, entered into an agreement (the “Transfer Agreement”) with 廣州市芳村區房地產開發總公司 and 廣州市芳村房地產開發經營有限公司 (collectively, the “Transferors”) whereby the Transferors agreed to transfer their collective entitlement of 25.0% of the profits of 廣州芳村 — 新世界房地產發展有限公司 (Guangzhou Fong Chuen-New World Property Development Co., Ltd.) (“Guangzhou Fong Chuen”), a co-operative joint venture enterprise, to Xin Sui for a consideration of approximately RMB465.4 million. Upon completion of the registration procedure in respect of the transfer on 18 March 2010, Xin Sui and China Joy owned 25.0% and 75.0% interest in Guangzhou Fong Chuen, respectively and Guangzhou Fong Chuen became an indirect wholly-owned subsidiary of NWCL.

The principal business activity of Guangzhou Fong Chuen is the development of a residential property project known as Guangzhou Covent Garden located in Liwan Centre, Guangzhou, Guangdong Province, the PRC with a total site area of approximately 370,000 sq.m..

The Transferors are connected persons of the Company by virtue of their holding of 25.0% interest in Guangzhou Fong Chuen. Accordingly, the entering into of the Transfer Agreement constituted a connected transaction for the Company under the Listing Rules.

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

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



## CONNECTED TRANSACTIONS (Continued)

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

As at the date of signing of each of the Group A SP Agreement and the Group B SP Agreement, Mr. Doo and Mr. Wong (both of them were directors of NWSH and connected persons of the Company under the Listing Rules) held 90.0% and 10.0% indirect interest of FSE respectively. Accordingly, FSE was an associate of Mr. Doo and hence a connected person of the Company under the Listing Rules. The aforesaid disposal constituted a discloseable transaction and a connected transaction for the Company under the Listing Rules.

Completion of the Group A SP Agreement took place on 27 July 2010 and as at that date, bank guarantees provided by members of the Group to the companies disposed of under the Group A SP Agreement (the "Group A Members") amounted to approximately HK\$57.0 million.

- (12) Following completion of the Group A SP Agreement and in the ordinary course of their businesses, members of the Group regularly enter into continuing connected transactions with members of the Services Group (being any company in the equity capital of which Mr. Doo is directly or indirectly interested so as to exercise or control the exercise of 30.0% or more of the voting power at general meetings which comprising the Group A Members). In order to streamline such continuing connected transactions, a master services agreement (the "Master Services Agreement") was entered into between Mr. Doo and the Company on 27 July 2010 whereby each of the Company and Mr. Doo agreed to, and agreed to procure that members of the Group or the Services Group (to the extent practicable) engage relevant members of the Services Group or the Group to provide certain operational and rental services to relevant members of the Group or the Services Group. The Master Services Agreement has an initial term of three years commencing from its date of signing. Subject to re-compliance with the reporting and announcement requirements under the Listing Rules, the Master Services Agreement may be renewed for a further term of three years.

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

**CONNECTED TRANSACTIONS** (Continued)

The continuing connected transactions mentioned in paragraphs (3) to (6) above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

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

In accordance with Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain agreed-upon procedures on the continuing connected transactions stated in paragraphs (3) to (6) above in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported to the Board of Directors of the Company that:

- (a) the transactions have been approved by the Executive Committee of the Company;
- (b) the transactions selected have been entered into in accordance with the relevant agreements governing such transactions; and
- (c) the transactions have not exceeded the caps disclosed in the relevant announcements.

Save as disclosed above, a summary of significant related party transactions that did not constitute connected transactions made during the year was disclosed in Note 50 to the financial statements.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, the interests of the Directors and their associates in shares, underlying shares and debentures of the Company or any of its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO were as follows:

### (A) Long position in shares

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
<b>New World Development Company Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	–	300,000	–	300,000	0.01
Dr. Sin Wai-Kin, David	4,727,287	47,098	–	4,774,385	0.12
Mr. Leung Chi-Kin, Stewart	134,538	–	–	134,538	0.00
Mr. Chow Kwai-Cheung	56,087	–	–	56,087	0.00
Mr. Ho Hau-Hay, Hamilton	–	–	439,177 <sup>(1)</sup>	439,177	0.01
Mr. Liang Cheung-Biu, Thomas	5,215	–	–	5,215	0.00
Ms. Ki Man-Fung, Leonie	60,000	–	–	60,000	0.00
<b>Dragon Fortune Limited</b>					
(Ordinary shares of US\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	–	15,869 <sup>(2)</sup>	15,869	27.41
<b>HH Holdings Corporation</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Sin Wai-Kin, David	42,000	–	–	42,000	7.00
<b>Mega Choice Holdings Limited (in liquidation)</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	–	–	420,585,070 <sup>(3)</sup>	420,585,070	34.61
<b>New World China Land Limited</b>					
(Ordinary shares of HK\$0.10 each)					
Dr. Cheng Kar-Shun, Henry	18,750,000	2,925,000	78,406,800 <sup>(4)</sup>	100,081,800	1.74
Mr. Leung Chi-Kin, Stewart	790,000	–	–	790,000	0.01
Mr. Chow Kwai-Cheung	126	–	–	126	0.00
Mr. Lee Luen-Wai, John	83,600	–	–	83,600	0.00
Ms. Ki Man-Fung, Leonie	30,000	–	–	30,000	0.00
<b>New World Department Store China Limited</b>					
(Ordinary shares of HK\$0.10 each)					
Mr. Cheng Chi-Kong, Adrian	–	–	1,107,000 <sup>(5)</sup>	1,107,000	0.07
Ms. Ki Man-Fung, Leonie	20,000	–	–	20,000	0.00

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

	Number of shares			Total	Approximate % of shareholding
	Personal interests	Spouse interests	Corporate interests		
<b>NWS Holdings Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar-Shun, Henry	9,179,199	–	8,000,000 <sup>(4)</sup>	17,179,199	0.79
Dr. Sin Wai-Kin, David	3,281	31	16,995,745 <sup>(6)</sup>	16,999,057	0.78
Mr. Liang Chong-Hou, David	164	–	–	164	0.00
Mr. Cheng Kar-Shing, Peter	217,729	–	3,214,177 <sup>(7)</sup>	3,431,906	0.16
Mr. Leung Chi-Kin, Stewart	2,202,351	–	–	2,202,351	0.10
Mr. Chow Kwai-Cheung	8,889	–	–	8,889	0.00
Ms. Ki Man-Fung, Leonie	10,000	–	–	10,000	0.00
<b>Sun City Holdings Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	80,000	3,570,000 <sup>(8)</sup>	3,650,000	45.63
<b>Sun Legend Investments Limited</b>					
(Ordinary shares of HK\$1.00 each)					
Mr. Cheng Kar-Shing, Peter	–	–	500 <sup>(9)</sup>	500	50.00
<b>YE Holdings Corporation</b>					
(Ordinary shares of HK\$1.00 each)					
Mr. Leung Chi-Kin, Stewart	37,500	–	–	37,500	1.50

## Notes:

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

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

### (B) Long position in underlying shares – share options

During the year ended 30 June 2010, certain Directors of the Company have interest in share options to subscribe for shares in the Company and certain of its subsidiaries. Details of such interests and summaries of share option schemes of the Company and its subsidiaries are shown below.

### SHARE OPTION SCHEME OF THE COMPANY

On 24 November 2006, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in the Company.

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

<b>The Scheme</b>	
Purpose of the scheme	To reward directors and employees of the Group for past service or performance, to provide incentive, motivation or reward to eligible participants for increasing performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for or make contribution to the Group, to foster a sense of corporate identity and to allow the eligible participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.
Participants of the scheme	Eligible participant may be a person or an entity belonging to any of the following classes: <ul style="list-style-type: none"><li>(i) any eligible employee;</li><li>(ii) any non-executive director (including independent non-executive director) of the Company or any invested entity of the Group (the "Invested Entity");</li><li>(iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Invested Entity or any other company or organisation;</li><li>(iv) any supplier of goods or services to any member of the Group or any Invested Entity;</li><li>(v) any customer of any member of the Group or any Invested Entity;</li><li>(vi) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;</li><li>(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and</li><li>(viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.</li></ul>

**SHARE OPTION SCHEME OF THE COMPANY** (Continued)

The Scheme	
Total number of shares available for issue under the scheme and percentage of issued share capital as at the date of this annual report	<p>The Company had granted 136,450,000 shares of the Company under the Scheme up to the date of this report.</p> <p>The total number of shares available for issue under the Scheme is 231,511,980 representing approximately 5.9% of the Company's issued share capital as at the date of this report.</p>
Maximum entitlement of each participant under the scheme	<p>Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the share capital of the Company in issue.</p>
The period within which the shares must be taken up under an option	<p>A period to be specified by the Directors and not to exceed 10 years from the date of grant of options.</p>
The minimum period for which an option must be held before it can be exercised	<p>Any period as determined by the Directors.</p>
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	<p>HK\$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer.</p>
The basis of determining the exercise price	<p>The exercise price is determined by the Directors which must be at least the higher of (i) the closing price of the shares on the HKEx as stated in the HKEx's daily quotations sheets on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the HKEx's daily quotation sheets for the five business days immediately preceding the date of grant.</p>
The remaining life of the scheme	<p>The Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 24 November 2006.</p>

## SHARE OPTION SCHEME OF THE COMPANY (Continued)

### Share options granted to Directors

Name	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30 June 2010	Exercise price per share HK\$
			Balance as at 1 July 2009	Granted during the year	Exercised during the year	Lapsed during the year		
Dr. Cheng Yu-Tung	19 March 2007	(1)	36,710,652	-	-	-	36,710,652	17.654
Dr. Cheng Kar-Shun, Henry	19 March 2007	(1)	36,710,652	-	-	-	36,710,652	17.654
Dr. Sin Wai-Kin, David	19 March 2007	(1)	301,731	-	-	-	301,731	17.654
Mr. Liang Chong-Hou, David	19 March 2007	(1)	301,731	-	-	-	301,731	17.654
Mr. Yeung Ping-Leung, Howard	19 March 2007	(1)	301,731	-	-	-	301,731	17.654
Dr. Cha Mou-Sing, Payson	19 March 2007	(1)	301,731	-	-	-	301,731	17.654
Mr. Cheng Kar-Shing, Peter	19 March 2007	(1)	201,153	-	-	-	201,153	17.654
		(2)	1,206,925	-	-	-	1,206,925	17.654
Mr. Leung Chi-Kin, Stewart	19 March 2007	(1)	35,704,880	-	-	-	35,704,880	17.654
Mr. Chow Kwai-Cheung	19 March 2007	(2)	1,206,925	-	-	-	1,206,925	17.654
Mr. Ho Hau-Hay, Hamilton	19 March 2007	(1)	201,153	-	-	-	201,153	17.654
Mr. Lee Luen-Wai, John	19 March 2007	(1)	301,731	-	-	-	301,731	17.654
Mr. Liang Cheung-Biu, Thomas	19 March 2007	(1)	201,153	-	-	-	201,153	17.654
Mr. Cheng Chi-Kong, Adrian	19 March 2007	(2)	502,885	-	-	-	502,885	17.654
Ms. Ki Man-Fung, Leonie	19 March 2007	(2)	1,005,770	-	-	-	1,005,770	17.654
			115,160,803	-	-	-	115,160,803	

#### Notes:

- (1) From 19 March 2007 to 18 March 2012.
- (2) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.
- (3) The cash consideration paid by each Director for the grant of share options is HK\$10.0.

### Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options					Balance as at 30 June 2010	Exercise price per share HK\$
		Balance as at 1 July 2009	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed during the year		
19 March 2007	(1)	17,283,143	-	-	-	(603,462)	16,679,681	17.654

#### Notes:

- (1) Divided into 5 tranches exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.
- (2) The cash consideration paid by each participant for the grant of share options is HK\$10.0.

## SHARE OPTION SCHEMES OF NWCL

On 18 December 2000, NWCL adopted a share option scheme (“2000 Share Option Scheme”) pursuant to which employees, including directors of NWCL and its subsidiaries (“NWCL Group”), were given opportunity to obtain equity holdings in NWCL. The 2000 Share Option Scheme was subsequently terminated at the annual general meeting of NWCL held on 26 November 2002 whereby a new share option scheme (“2002 Share Option Scheme”) was adopted in compliance with the new requirements of the Listing Rules. Any share options which were granted under the 2000 Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance with the terms of the 2000 Share Option Scheme. No share options has been granted, exercised, cancelled, lapsed or outstanding under the 2000 Share Option Scheme during the year ended 30 June 2010.

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

	2000 Share Option Scheme	2002 Share Option Scheme
Purpose of the schemes	As incentive to employees, including executive directors of NWCL Group.	To provide an opportunity for the full-time or part-time employees, including directors, of NWCL Group to participate in the equity of NWCL as well as to motivate them to optimise their performance.
Participants of the schemes	Full-time employees, including any directors, of NWCL Group.	Full-time or part-time employees, including directors, of NWCL Group.
Total number of shares available for issue under the schemes and percentage of issued share capital of NWCL as at the date of this report	<p>NWCL had granted share options representing the rights to subscribe for 65,745,200 shares of NWCL under the 2000 Share Option Scheme, together with share options representing 38,158,200 shares by way of adjustment on the number of share options as a result of NWCL’s issue of rights shares becoming unconditional on 8 April 2005.</p> <p>No further options will be granted under the 2000 Share Option Scheme.</p>	<p>NWCL had granted share options representing the rights to subscribe for 74,402,200 shares of NWCL under the 2002 Share Option Scheme up to the date of this report, together with share options representing 6,465,900 shares and 5,357,008 shares by way of adjustment on the number of share options as a result of NWCL’s issue of rights shares becoming unconditional on 8 April 2005 and 16 November 2009 respectively. NWCL may further grant share options to subscribe for 33,663,410 shares of NWCL, representing approximately 0.58 % of NWCL’s total issued share capital as at the date of this report.</p>
Maximum entitlement of each participant under the schemes	25.0% of the aggregate number of shares for the time being issued and issuable under the scheme.	The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period must not exceed 1.0% of the shares in issue unless the same is approved by NWCL’s shareholders in general meeting.



## SHARE OPTION SCHEMES OF NWCL (Continued)

	2000 Share Option Scheme	2002 Share Option Scheme
The period within which the shares must be taken up under an option	At any time during a period to be notified by NWCL's directors, which period not to exceed five years commencing on the expiry of one month after the date on which the option is accepted and expiring on the last day of the five-year period.	At any time during a period to be notified by NWCL's directors, which period not to exceed five years commencing on the expiry of one month after the date on which the option is accepted and expiring on a date not later than the last day of the five-year period.
The minimum period for which an option must be held before it can be exercised	one month	one month
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.	HK\$10.0 is to be paid as consideration for the grant of option within 28 days from the date of offer.
The basis of determining the exercise price	<p>The exercise price shall be determined by NWCL's directors, being the higher of:</p> <p>(a) not less than 80.0% of the average closing price of shares as stated in the HKEx's daily quotations sheets for the five trading days immediately preceding the date of offer; or</p> <p>(b) the nominal value of a share.</p>	<p>The exercise price shall be determined by NWCL's directors, being at least the higher of:</p> <p>(a) the closing price of shares as stated in the HKEx's daily quotations sheet on the date of offer, which must be a business day; and</p> <p>(b) the average closing price of shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of offer.</p>
The remaining life of the schemes	The 2000 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 18 December 2000.	The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date i.e. 26 November 2002.

**SHARE OPTION SCHEMES OF NWCL** (Continued)**Share options granted to Directors**

## 2002 Share Option Scheme

Name	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30 June 2010	Exercise price per share (before adjustment) <sup>(4)</sup> HK\$	Exercise price per share (after adjustment) <sup>(4)</sup> HK\$
			Balance as at 1 July 2009	Granted during the year	Adjusted during the year <sup>(4)</sup>	Exercised during the year			
Dr. Cheng Kar-Shun, Henry	7 January 2008	(1)	2,000,000	–	238,806	–	2,238,806	6.972	6.228
	29 December 2008	(3)	1,600,000	–	191,045	–	1,791,045	1.500	1.340
Mr. Cheng Kar-Shing, Peter	7 January 2008	(1)	800,000	–	95,522	–	895,522	6.972	6.228
	29 December 2008	(3)	650,000	–	77,612	–	727,612	1.500	1.340
Mr. Leung Chi-Kin, Stewart	7 January 2008	(1)	200,000	–	23,882	–	223,882	6.972	6.228
	29 December 2008	(3)	150,000	–	17,910	(40,000) <sup>(5)</sup>	127,910	1.500	1.340
Mr. Chow Kwai-Cheung	7 January 2008	(1)	200,000	–	23,882	–	223,882	6.972	6.228
	29 December 2008	(3)	150,000	–	17,910	–	167,910	1.500	1.340
Mr. Lee Luen-Wai, John	7 January 2008	(1)	300,000	–	35,821	–	335,821	6.972	6.228
	29 December 2008	(3)	300,000	–	35,821	(83,600) <sup>(6)</sup>	252,221	1.500	1.340
Mr. Cheng Chi-Kong, Adrian	25 July 2006	(2)	331,600	–	39,594	–	371,194	2.865	2.559
	7 January 2008	(1)	1,500,000	–	179,104	–	1,679,104	6.972	6.228
	29 December 2008	(3)	1,200,000	–	143,284	–	1,343,284	1.500	1.340
			9,381,600	–	1,120,193	(123,600)	10,378,193		

## Notes:

- (1) Divided into 3 tranches exercisable from 8 February 2008, 8 February 2009 and 8 February 2010, respectively to 7 February 2011.
- (2) Divided into 5 tranches exercisable from 26 August 2006, 26 August 2007, 26 August 2008, 26 August 2009 and 26 August 2010 respectively to 25 August 2011.
- (3) Divided into 4 tranches exercisable from 30 January 2009, 30 January 2010, 30 January 2011 and 30 January 2012, respectively to 29 January 2013.
- (4) NWCL announced rights issue on 9 October 2009 which became unconditional on 16 November 2009. Accordingly, adjustments were made to the number of outstanding share options and the exercise price in accordance with the NWCL 2002 Share Option Scheme on 17 November 2009.
- (5) The exercise date was 19 November 2009. On the trading date immediately before the exercise date, the closing price per share was HK\$3.05.
- (6) The exercise date was 11 December 2009. On the trading date immediately before the exercise date, the closing price per share was HK\$3.05.
- (7) The cash consideration paid by each of the above directors for each grant of share options is HK\$10.0.

## SHARE OPTION SCHEMES OF NWCL (Continued)

### Share options granted to other eligible participants

#### 2002 Share Option Scheme

Date of grant	Number of share options <sup>(1)</sup>						Balance as at 30 June 2010	Exercise price per share (before adjustment) <sup>(6)</sup> HK\$	Exercise price per share (after adjustment) <sup>(6)</sup> HK\$
	Balance as at 1 July 2009	Granted during the year <sup>(5)</sup>	Exercised during the year (before adjustment) <sup>(7)</sup>	Adjusted during the year <sup>(6)</sup>	Exercised during the year (after adjustment) <sup>(7)</sup>	Lapsed during the year			
4 November 2004 to 1 December 2004	50,000	-	(50,000)	-	-	-	-	2.484	-
22 December 2004 to 18 January 2005	49,800	-	(49,800)	-	-	-	-	2.689	-
13 July 2005 to 9 August 2005	150,000	-	(90,400)	7,116	(66,716)	-	-	2.300	2.055
7 November 2005 to 2 December 2005	10,400	-	-	1,241	-	-	11,641	2.620	2.341
28 March 2006 to 24 April 2006	1,979,600	-	-	236,370	-	(137,463)	2,078,507	3.915	3.497
28 June 2006 to 26 July 2006	58,000	-	-	6,925	-	-	64,925	2.865	2.559
17 October 2006 to 13 November 2006	99,600	-	-	11,892	-	-	111,492	3.340	2.984
28 December 2006 to 24 January 2007	846,800	-	-	101,110	-	(188,060)	759,850	4.712	4.209
19 March 2007 to 13 April 2007	735,200	-	-	87,785	-	-	822,985	4.500	4.020
14 June 2007 to 11 July 2007	1,491,600	-	-	178,101	-	-	1,669,701	6.710	5.994
17 October 2007 to 13 November 2007	1,460,800	-	-	174,423	-	-	1,635,223	8.070	7.209
28 December 2007 to 24 January 2008	870,000	-	-	103,880	-	-	973,880	6.972	6.228
28 December 2007 to 24 January 2008	7,760,000 <sup>(2)</sup>	-	-	926,565	-	-	8,686,565	6.972	6.228
22 April 2008 to 19 May 2008	868,800	-	-	69,110	-	(290,000)	647,910	5.260	4.699
31 July 2008 to 27 August 2008	907,600	-	-	108,370	-	(755,373)	260,597	3.662	3.271
12 November 2008 to 9 December 2008	1,048,000	-	-	125,134	(191,600)	-	981,534	1.682	1.503

**SHARE OPTION SCHEMES OF NWCL** (Continued)**Share options granted to other eligible participants** (Continued)

## 2002 Share Option Scheme (Continued)

Date of grant	Number of share options <sup>(1)</sup>						Balance as at 30 June 2010	Exercise price per share (before adjustment) <sup>(6)</sup> HK\$	Exercise price per share (after adjustment) <sup>(6)</sup> HK\$
	Balance as at 1 July 2009	Granted during the year <sup>(5)</sup>	Exercised during the year (before adjustment) <sup>(7)</sup>	Adjusted during the year <sup>(6)</sup>	Exercised during the year (after adjustment) <sup>(7)</sup>	Lapsed during the year			
2 December 2008 to 29 December 2008	1,324,200 <sup>(3)</sup>	–	(356,800)	115,510	(122,143)	(170)	960,597	1.500	1.340
2 December 2008 to 29 December 2008	10,896,000 <sup>(4)</sup>	–	(118,000)	1,276,776	(846,486)	(358,166)	10,850,124	1.500	1.340
2 December 2008 to 29 December 2008	2,151,200	–	(32,400)	252,991	(62,400)	–	2,309,391	1.500	1.340
3 February 2009 to 2 March 2009	816,800	–	–	97,528	(82,800)	–	831,528	1.980	1.769
26 June 2009 to 23 July 2009	834,000	2,395,800	–	355,988	–	(337,952)	3,247,836	4.550	4.065
19 November 2009 to 16 December 2009	–	3,470,000	–	–	–	–	3,470,000	N/A	3.068
12 January 2010 to 2 February 2010	–	5,212,400	–	–	–	–	5,212,400	N/A	2.990
18 May 2010 to 14 June 2010	–	1,479,600	–	–	–	–	1,479,600	N/A	2.350
31 May 2010 to 25 June 2010	–	1,000,000	–	–	–	–	1,000,000	N/A	2.440
	34,408,400	13,557,800	(697,400)	4,236,815	(1,372,145)	(2,067,184)	48,066,286		

## SHARE OPTION SCHEMES OF NWCL (Continued)

### Share options granted to other eligible participants (Continued)

#### 2002 Share Option Scheme (Continued)

Notes:

- (1) *The share options are exercisable within five years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary years, except otherwise specified in notes 2, 3 and 4.*
- (2) *The share options are exercisable within three years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is about 33.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary year.*
- (3) *The share options are exercisable within two years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 50.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary year.*
- (4) *The share options are exercisable within four years commencing from one month after the dates of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 25.0% of the total number of the share options granted together with any unexercised share options carried forward from the previous anniversary year.*
- (5) *The closing prices per share immediately before 26 June 2009, 19 November 2009, 12 January 2010, 18 May 2010 and 31 May 2010, the dates of offer to grant, were HK\$4.39, HK\$3.05, HK\$2.94, HK\$2.25 and HK\$2.44 respectively.*
- (6) *NWCL announced rights issue on 9 October 2009 which became unconditional on 16 November 2009. Accordingly, adjustments were made to the number of outstanding share options and the exercise price in accordance with the NWCL 2002 Share Option Scheme on 17 November 2009.*
- (7) *The weighted average closing price of the shares immediately before the date on which share options were exercised (both before and after the date of adjustment) was HK\$3.01.*
- (8) *The cash consideration paid by each eligible participant for each grant of share option is HK\$10.0.*

The fair values of the share options granted during the year with exercise prices per share of HK\$4.550 (adjusted to HK\$4.065), HK\$3.068, HK\$2.990, HK\$2.350 and HK\$2.440 are estimated at HK\$1.85, HK\$1.20, HK\$1.21, HK\$0.95 and HK\$0.98, respectively using the Binomial pricing model. Values are estimated based on the risk-free rate ranging from 1.54% to 2.10% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility ranging from 55.0% to 56.0%, assuming dividend yield ranging from 1.45% to 1.58% and an expected option life of five years.

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

## SHARE OPTION SCHEME OF NWSH

On 6 December 2001, NWSH adopted a share option scheme (the “NWSH Share Option Scheme”) and certain rules of such scheme were amended on 12 March 2003 and 24 November 2006. Under the NWSH Share Option Scheme, the directors of NWSH may at their discretion grant options to any eligible participant (as explained hereinafter) to subscribe for shares in NWSH.

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

<b>NWSH Share Option Scheme</b>	
Purpose of the scheme	To reward directors and employees of NWSH and its subsidiaries (“NWSH Group”) for past service or performance, to provide incentive and motivation or reward to eligible participants for increasing performance or making contribution to NWSH Group, to attract and retain persons of right caliber with the necessary experience to work for NWSH Group and to foster a sense of corporate identity.
Participants of the scheme	<p>Eligible participant may be a person or an entity belonging to any of the following classes:</p> <ul style="list-style-type: none"> <li>(i) any eligible employee;</li> <li>(ii) any non-executive director (including independent non-executive director) of NWSH Group or any invested entity of NWSH Group (the “Invested Entity”);</li> <li>(iii) any supplier of goods or services to any member of NWSH Group or any Invested Entity;</li> <li>(iv) any customer of any member of NWSH Group or any Invested Entity;</li> <li>(v) any person or entity that provides research, development or other technological support to NWSH Group or any Invested Entity;</li> <li>(vi) any shareholder of any member of NWSH Group or any Invested Entity or any holder of any securities issued by any member of NWSH Group or any Invested Entity;</li> <li>(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of NWSH Group or any Invested Entity; and</li> <li>(viii) any joint venture partner or business alliance that co-operates with any member of NWSH Group or any Invested Entity in any area of business operation or development.</li> </ul>
Total number of shares available for issue under the scheme and percentage of issued share capital of NWSH as at the date of this annual report	<p>NWSH had granted options to certain eligible participants to subscribe for a total of 72,518,283 shares of NWSH, which included certain adjustments made pursuant to the scheme, up to the date of this report.</p> <p>The total number of shares available for issue under the scheme is 110,755,288 representing approximately 5.08% of NWSH’s issued share capital as at the date of this report.</p>

## SHARE OPTION SCHEME OF NWSH (Continued)

<b>NWSH Share Option Scheme</b>	
Maximum entitlement of each participant under the scheme	Unless approved by shareholders of NWSH, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the share capital of NWSH in issue.
The period within which the shares must be taken up under an option	At any time during a period as specified by NWSH's directors, however in any event the share options must be exercised within 10 years from the date of grant of the share options.
The minimum period for which an option must be held before it can be exercised	Any period as determined by NWSH's directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The basis of determining the exercise price	The exercise price is determined by NWSH's directors which must be at least the higher of the closing price of the shares as stated in the HKEx's daily quotations sheet on the date of grant or the average closing price of the shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of grant.
The remaining life of the scheme	The NWSH Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 6 December 2001.

**SHARE OPTION SCHEME OF NWSH** (Continued)

**Share options granted to Directors**

Name	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30 June 2010	Exercise price per share HK\$
			Balance as at 1 July 2009	Granted during the year	Exercised during the year	Adjusted during the year <sup>(2)</sup>		
Dr. Cheng Kar-Shun, Henry	21 August 2007	(1)	3,001,277	-	-	25,551	3,026,828	16.055
			3,001,277	-	-	25,551	3,026,828	

## Notes:

- (1) 40.0% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60.0% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.
- (2) NWSH declared final dividend for the year ended 30 June 2009 and interim dividend for the six months ended 31 December 2009 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options was adjusted from HK\$16.193 to HK\$16.157 on 22 January 2010, and further to HK\$16.055 on 7 June 2010.
- (3) The cash consideration paid by the above Director for the grant of share options is HK\$10.0.

**Share options granted to other eligible participants**

Date of grant	Exercisable period (Note)	Number of share options					Balance as at 30 June 2010	Exercise price per share HK\$
		Balance as at 1 July 2009	Granted during the year	Exercised during the year	Adjusted during the year <sup>(2)</sup>	Lapsed during the year		
21 August 2007	(1)	26,107,082	-	-	205,351	(2,601,374)	23,711,059	16.055
28 January 2008	(1)	700,295	-	-	5,958	-	706,253	20.417
		26,807,377	-	-	211,309	(2,601,374)	24,417,312	

## Notes:

- (1) 40.0% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60.0% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.
- (2) NWSH declared final dividend for the year ended 30 June 2009 and interim dividend for the six months ended 31 December 2009 in scrip form (with cash option) during the year which gave rise to adjustments to the number of outstanding share options and the exercise price. The exercise price per share of the share options granted on 21 August 2007 was adjusted from HK\$16.193 to HK\$16.157 on 22 January 2010, and further to HK\$16.055 on 7 June 2010 and the exercise price per share of the share options granted on 28 January 2008 was adjusted from HK\$20.591 to HK\$20.546 on 22 January 2010, and further to HK\$20.417 on 7 June 2010.
- (3) The cash consideration paid by each eligible participant for each grant of share options is HK\$10.0.



## SHARE OPTION SCHEME OF NWDS

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

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

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

**SHARE OPTION SCHEME OF NWDS** (Continued)**Share options granted to Directors**

Name	Date of grant	Exercisable period (Note)	Number of share options			Balance as at 30 June 2010	Exercise price per share HK\$
			Balance as at 1 July 2009	Granted during the year	Exercised during the year		
Dr. Cheng Kar-Shun, Henry	27 November 2007	(1)	1,000,000	–	–	1,000,000	8.66
Mr. Cheng Chi-Kong, Adrian	27 November 2007	(1)	500,000	–	–	500,000	8.66
			1,500,000	–	–	1,500,000	

Notes:

- (1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20.0% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) The cash consideration paid by each of the above Directors for the grant of share options is HK\$1.0.

**Share options granted to other eligible participants**

Date of grant	Exercisable period (Note)	Number of share options					Balance as at 30 June 2010	Exercise price per share HK\$
		Balance as at 1 July 2009	Granted during the year	Exercised during the year	Adjusted during the year	Lapsed during the year		
27 November 2007	(1)	17,270,000	–	–	–	(1,771,000)	15,499,000	8.66
25 March 2008	(2)	3,965,000	–	–	–	(441,000)	3,524,000	8.44
		21,235,000	–	–	–	(2,212,000)	19,023,000	

Notes:

- (1) Divided into 5 tranches exercisable from 27 November 2008, 27 November 2009, 27 November 2010, 27 November 2011 and 27 November 2012 respectively to 26 November 2013, provided that the maximum number of share options that can be exercised during each anniversary year is 20.0% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) Divided into 5 tranches exercisable from 25 March 2009, 25 March 2010, 25 March 2011, 25 March 2012 and 25 March 2013 respectively to 24 March 2014, provided that the maximum number of share options that can be exercised during each anniversary year is 20.0% of the total number of share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (3) The cash consideration paid by each eligible participant for each grant of share option is HK\$1.0.

## SHARE OPTION SCHEME OF TAIFOOK SECURITIES

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

<b>Taifook Scheme</b>	
Purpose of the scheme	To attract, retain and motivate talented employees to strive towards long term performance targets set by Taifook Securities and its subsidiaries and at the same time to allow the participants to enjoy the results of Taifook Securities attained through their effort and contribution.
Participants of the scheme	Any full time employees, executive and non-executive directors of Taifook Securities or any of its subsidiaries or associates.
Total number of shares available for issue under the scheme and percentage of issued share capital of Taifook Securities as at 20 December 2009	<p>The maximum number of shares which may be issued upon exercise of all options to be granted under the Taifook Scheme and any other share option schemes of Taifook Securities shall not in aggregate exceed 10.0% of the total number of shares in issue as at the date of adoption of the Taifook Scheme (the “Scheme Mandate Limit”) but Taifook Securities may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of Taifook Securities under the Taifook Scheme and any other share option schemes of Taifook Securities shall not exceed 10.0% of the issued share capital of Taifook Securities as at the date of approval by the shareholders of Taifook Securities at general meetings where such limit is refreshed. Options previously granted under the Taifook Scheme and any other share option schemes of Taifook Securities (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10.0% limit as refreshed.</p> <p>Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Taifook Scheme and any other share option schemes of Taifook Securities shall not exceed 30.0% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares of Taifook Securities in issue from time to time.</p> <p>As at 20 December 2009, the total number of shares available for issue under the Taifook Scheme was 33,884,734 shares representing approximately 4.80% of the issued share capital of Taifook Securities as at that date.</p>

**SHARE OPTION SCHEME OF TAIFOOK SECURITIES** (Continued)

<b>Taifook Scheme</b>	
<p>Maximum entitlement of each participant under the scheme</p>	<p>The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the Taifook Scheme and any other share option schemes of Taifook Securities (including both exercised and outstanding options) in any 12-month period shall not exceed 1.0% of the total number of shares of Taifook Securities in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of Taifook Securities at a general meeting.</p> <p>Share options granted to a director, chief executive or substantial shareholders of Taifook Securities, or to any of their associates, are subject to approval in advance by the independent non-executive directors of Taifook Securities. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Taifook Securities, or to any of their associates, in excess of 0.1% of the total number of shares in issue of Taifook Securities at the date on which such grant is proposed by the directors of Taifook Securities or with an aggregate value (based on the closing price of shares at the date on which such grant is proposed by the directors of Taifook Securities) in excess of HK\$5.0 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of Taifook Securities.</p>
<p>The period within which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised</p>	<p>The exercise period of the share options granted is determinable by the directors of Taifook Securities, and such period shall commence not earlier than six months from the date of the grant of the options and expire not later than 10 years after the date of grant of the options.</p>
<p>The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid</p>	<p>HK\$1.0 is to be paid as consideration for the grant of option within 30 days from the date of the offer.</p>
<p>The basis of determining the exercise price</p>	<p>The exercise price of the share options is determinable by the directors of Taifook Securities, and shall be at least the highest of (i) the closing price of shares as stated in the HKEx's daily quotations sheet on the offer date; (ii) the average closing price of shares as stated in the HKEx's daily quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of a share.</p>
<p>The remaining life of the scheme</p>	<p>The Taifook Scheme shall be valid and effective for a period of 10 years commencing from the date on which it is conditionally adopted by resolution of Taifook Securities at general meetings and will expire on 22 August 2012.</p>

**Share options granted to Directors**

During the period from 1 July 2009 to 20 December 2009 (the "Period"), no share options were granted to Directors under the Taifook Scheme.

## SHARE OPTION SCHEME OF TAIFOOK SECURITIES (Continued)

### Share options granted to other eligible participants

Date of grant	Exercisable period (Note)	Number of share options					Balance as at 20 December 2009	Exercise price per share HK\$
		Balance as at 1 July 2009	Granted during the Period	Exercised during the Period	Adjusted during the Period	Lapsed during the Period		
1 December 2007	(1)	26,692,988	–	–	–	(2,643,383)	24,049,605	5.875
		26,692,988	–	–	–	(2,643,383)	24,049,605	

Notes:

- (1) Exercisable from 1 June 2008 to 31 May 2016.
- (2) The cash consideration paid by each eligible participant for each grant of share options is HK\$1.0.

### (C) Long position in underlying shares – debentures

Fita International Limited (“Fita”)

Name	Amount of debentures in USD issued by Fita				Approximate % to the total amount of debentures in issue as at 30 June 2010
	Personal interests	Family interests	Corporate interests	Total	
Mr. Lee Luen-Wai, John	1,000,000	1,000,000	–	2,000,000	0.27

Save as disclosed above, as at 30 June 2010, none of the Directors, chief executive or any of their associates had or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

**DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES**

At 30 June 2010, the Group had given financial assistance and guarantees to its jointly controlled entities and associated companies (collectively “affiliated companies”) as set out below:

	<b>2010</b> <b>HK\$m</b>	2009 HK\$m
Amounts due by affiliated companies	<b>12,456.8</b>	14,343.7
Guarantees given for affiliated companies in respect of banking and other credit facilities	<b>7,150.1</b>	3,592.4
Commitments to capital injections and loan contributions	<b>1,516.3</b>	3,216.1
	<b>21,123.2</b>	21,152.2

- (1) The financial assistance, in aggregate exceeded 8.0% of the Group’s total assets as at 30 June 2010.
- (2) The advances were unsecured and are interest free except for an aggregate amount of HK\$4,207.4 million (2009: HK\$5,926.0 million) which carried interest ranging from 0.875% above HIBOR to 10.0% per annum (2009: 0.6% above HIBOR to 10.0% per annum). The advances had no fixed repayment terms.
- (3) Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group’s attributable interests in those affiliated companies as at 30 June 2010 are presented as follows:

	<b>Combined statement of financial position HK\$m</b>	<b>Group’s attributable interests HK\$m</b>
Non-current assets	<b>71,927.1</b>	<b>30,929.8</b>
Current assets	<b>32,639.3</b>	<b>16,715.0</b>
Current liabilities	<b>(21,784.9)</b>	<b>(9,293.0)</b>
Total assets less current liabilities	<b>82,781.5</b>	<b>38,351.8</b>
Non-current liabilities	<b>(38,356.8)</b>	<b>(19,934.7)</b>
Net assets	<b>44,424.7</b>	<b>18,417.1</b>

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

# Independent Auditors' Report

**PRICEWATERHOUSECOOPERS** 

羅兵咸永道會計師事務所

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
NEW WORLD DEVELOPMENT COMPANY LIMITED**  
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of New World Development Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 118 to 234, which comprise the consolidated and Company statements of financial position as at 30 June 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

**OPINION**

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

**PricewaterhouseCoopers**  
Certified Public Accountants

**H. C. Watt & Company Limited**  
Certified Public Accountants  
**Watt Hung Chow**  
Practising Certificate No. P181

Hong Kong, 6 October 2010

# Consolidated Income Statement

For the year ended 30 June 2010

	Note	2010 HK\$m	2009 HK\$m
Revenues	6	<b>30,218.6</b>	24,415.0
Cost of sales		<b>(18,775.0)</b>	(17,421.8)
Gross profit		<b>11,443.6</b>	6,993.2
Other income	7	<b>211.3</b>	265.2
Other gains, net	8	<b>2,547.8</b>	1,714.5
Selling and marketing expenses		<b>(635.8)</b>	(405.2)
Administrative expenses		<b>(1,609.3)</b>	(1,635.9)
Other operating expenses		<b>(3,039.7)</b>	(2,761.2)
Changes in fair value of investment properties		<b>4,765.8</b>	(1,841.2)
Operating profit	9	<b>13,683.7</b>	2,329.4
Financing income		<b>474.5</b>	807.3
Financing costs	10	<b>(812.9)</b>	(1,068.9)
		<b>13,345.3</b>	2,067.8
Share of results of			
Jointly controlled entities		<b>3,233.7</b>	2,055.6
Associated companies		<b>932.8</b>	67.9
Profit before taxation		<b>17,511.8</b>	4,191.3
Taxation	11	<b>(2,651.8)</b>	(439.4)
Profit for the year		<b>14,860.0</b>	3,751.9
Attributable to:			
Shareholders of the Company	12, 41	<b>11,612.6</b>	2,083.5
Non-controlling interests		<b>3,247.4</b>	1,668.4
		<b>14,860.0</b>	3,751.9
Dividends	13	<b>1,487.1</b>	1,158.9
Earnings per share	14		
Basic		<b>HK\$2.99</b>	HK\$0.55
Diluted		<b>HK\$2.88</b>	HK\$0.53



# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	<b>2010</b> <b>HK\$m</b>	2009 HK\$m
Profit for the year	<b>14,860.0</b>	3,751.9
Other comprehensive income		
Fair value changes of available-for-sale financial assets	<b>148.9</b>	555.0
– deferred tax arising from fair value changes thereof	<b>(20.1)</b>	(116.9)
Revaluation of property upon reclassification from property, plant and equipment to investment properties	<b>1,000.9</b>	–
Release of investment revaluation deficit to the income statement upon impairment	<b>55.7</b>	396.3
Release of reserve upon disposal of assets held for sale	<b>(7.2)</b>	(9.1)
Release of reserve upon disposal of available-for-sale financial assets	<b>(436.9)</b>	(297.8)
– reversal of deferred tax thereof	<b>87.0</b>	65.8
Release of exchange reserve upon disposal of subsidiaries	<b>(6.7)</b>	(267.3)
Share of other comprehensive income of a jointly controlled entity	<b>6.0</b>	(8.4)
Cash flow hedges	<b>(5.8)</b>	–
Translation differences	<b>(4.7)</b>	(21.6)
Other comprehensive income for the year	<b>817.1</b>	296.0
Total comprehensive income for the year	<b>15,677.1</b>	4,047.9
Attributable to:		
Shareholders of the Company	<b>12,468.2</b>	2,334.4
Non-controlling interests	<b>3,208.9</b>	1,713.5
	<b>15,677.1</b>	4,047.9

# Consolidated Statement of Financial Position

As at 30 June 2010

	Note	2010 HK\$m	2009 HK\$m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	17	41,083.0	31,007.7
Property, plant and equipment	18	7,133.3	7,328.9
Leasehold land and land use rights	19	4,528.7	5,075.8
Intangible concession rights	20	774.0	834.1
Intangible assets	21	1,490.1	1,684.0
Interests in jointly controlled entities	23	30,691.8	31,918.5
Interests in associated companies	24	9,708.3	7,828.3
Available-for-sale financial assets	25	6,167.2	5,509.3
Held-to-maturity investments	26	281.9	34.6
Financial assets at fair value through profit or loss	35	270.8	378.1
Derivative financial instruments	27	172.1	152.1
Properties for development	28	15,668.2	11,152.7
Deferred tax assets	29	622.5	476.5
Other non-current assets	30	1,294.3	1,532.2
		<b>119,886.2</b>	104,912.8
<b>Current assets</b>			
Properties under development	31	25,409.0	16,264.1
Properties held for sale	32	11,058.9	14,565.5
Available-for-sale financial assets	25	–	105.9
Inventories	33	409.2	402.9
Debtors and prepayments	34	16,815.2	20,914.7
Financial assets at fair value through profit or loss	35	55.3	63.3
Cash held on behalf of customers	36	–	3,661.9
Restricted bank balances	37	91.0	257.2
Cash and bank balances	37	23,508.6	14,080.0
		<b>77,347.2</b>	70,315.5
Non-current assets classified as assets held for sale	39	2,376.5	1,291.0
		<b>79,723.7</b>	71,606.5
<b>Total assets</b>		<b>199,609.9</b>	176,519.3

## Consolidated Statement of Financial Position (continued)

As at 30 June 2010

	Note	2010 HK\$m	2009 HK\$m
<b>EQUITY</b>			
Share capital	40	3,918.0	3,867.3
Reserves	41	81,336.0	69,732.9
Proposed final dividend	41	1,097.0	812.1
Shareholders' funds		86,351.0	74,412.3
Non-controlling interests		25,338.5	23,070.7
<b>Total equity</b>		<b>111,689.5</b>	97,483.0
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	42	44,714.2	33,764.1
Deferred tax liabilities	29	7,319.6	5,096.2
Derivative financial instruments	27	308.0	–
Other non-current liabilities	43	402.6	375.0
		52,744.4	39,235.3
<b>Current liabilities</b>			
Creditors and accrued charges	44	23,960.9	21,420.6
Current portion of long-term borrowings	42	5,623.3	7,796.2
Short-term borrowings	42	1,981.8	8,994.7
Current tax payable		2,315.6	1,589.5
Liabilities directly associated with assets held for sale	39	33,881.6 1,294.4	39,801.0 –
		35,176.0	39,801.0
<b>Total liabilities</b>		<b>87,920.4</b>	79,036.3
<b>Total equity and liabilities</b>		<b>199,609.9</b>	176,519.3
<b>Net current assets</b>		<b>44,547.7</b>	31,805.5
<b>Total assets less current liabilities</b>		<b>164,433.9</b>	136,718.3

Dr. Sin Wai-Kin, David  
Director

Dr. Cheng Kar-Shun, Henry  
Director

# Company Statement of Financial Position

As at 30 June 2010

	Note	2010 HK\$m	2009 HK\$m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	17	57.0	46.0
Property, plant and equipment	18	–	–
Leasehold land and land use rights	19	0.5	0.5
Interests in subsidiaries	22	36,738.0	26,437.5
Interests in jointly controlled entities	23	173.4	173.5
Interests in associated companies	24	508.1	526.5
Available-for-sale financial assets	25	24.8	19.8
		<b>37,501.8</b>	27,203.8
<b>Current assets</b>			
Properties held for sale	32	695.5	1,394.1
Debtors and prepayments	34	73.9	95.8
Amounts receivable from subsidiaries	22	35,466.9	38,888.0
Cash and bank balances	37	172.1	30.2
		<b>36,408.4</b>	40,408.1
<b>Total assets</b>		<b>73,910.2</b>	67,611.9
<b>EQUITY</b>			
Share capital	40	3,918.0	3,867.3
Reserves	41	43,017.8	40,403.0
Proposed final dividend	41	1,097.0	812.1
<b>Total equity</b>		<b>48,032.8</b>	45,082.4
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	29	8.2	6.2
<b>Current liabilities</b>			
Creditors and accrued charges	44	709.2	443.4
Amounts payable to subsidiaries	22	25,160.0	22,079.9
		<b>25,869.2</b>	22,523.3
<b>Total liabilities</b>		<b>25,877.4</b>	22,529.5
<b>Total equity and liabilities</b>		<b>73,910.2</b>	67,611.9
<b>Net current assets</b>		<b>10,539.2</b>	17,884.8
<b>Total assets less current liabilities</b>		<b>48,041.0</b>	45,088.6

Dr. Sin Wai-Kin, David  
Director

Dr. Cheng Kar-Shun, Henry  
Director

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Share capital HK\$m	Share premium HK\$m	Retained profits HK\$m	Other reserves HK\$m	Shareholders' funds HK\$m	Non-controlling interests HK\$m	Total HK\$m
At 1 July 2009	3,867.3	28,938.8	32,863.4	8,742.8	74,412.3	23,070.7	97,483.0
<b>Comprehensive income</b>							
Profit for the year	-	-	11,612.6	-	11,612.6	3,247.4	14,860.0
<b>Other comprehensive income</b>							
Change in fair value of available-for-sale financial assets, net of taxation	-	-	-	55.0	55.0	73.8	128.8
Disposal of non-current assets classified as assets held for sale	-	-	-	(4.1)	(4.1)	(3.1)	(7.2)
Disposal of available-for-sale financial assets, net of taxation	-	-	-	(250.6)	(250.6)	(99.3)	(349.9)
Impairment of available-for-sale financial assets	-	-	-	55.7	55.7	-	55.7
Release of exchange reserve upon disposal of subsidiaries	-	-	-	(6.7)	(6.7)	-	(6.7)
Revaluation of property upon reclassification from property, plant and equipment to investment properties	-	-	-	1,000.9	1,000.9	-	1,000.9
Share of other comprehensive income of a jointly controlled entity	-	-	-	3.5	3.5	2.5	6.0
Cash flow hedges	-	-	-	(3.4)	(3.4)	(2.4)	(5.8)
Translation differences	-	-	-	5.3	5.3	(10.0)	(4.7)
Other comprehensive income for the year	-	-	-	855.6	855.6	(38.5)	817.1
<b>Total comprehensive income for the year</b>	-	-	11,612.6	855.6	12,468.2	3,208.9	15,677.1
<b>Transactions with owners</b>							
Contributions by and distributions to owners							
Dividends	-	-	(1,202.2)	-	(1,202.2)	(1,777.1)	(2,979.3)
Contributions from non-controlling shareholders	-	-	-	-	-	1,428.1	1,428.1
Issue of new shares as scrip dividends	50.7	669.8	-	-	720.5	-	720.5
Employees' share-based payments	-	-	-	48.3	48.3	15.8	64.1
Share option lapsed	-	-	4.5	(6.7)	(2.2)	-	(2.2)
Redemption of convertible bonds	-	-	249.8	(249.8)	-	-	-
Transfer of reserves	-	-	(22.8)	22.8	-	-	-
	50.7	669.8	(970.7)	(185.4)	(435.6)	(333.2)	(768.8)
Changes in ownership interests in subsidiaries							
Acquisition of additional interests in subsidiaries	-	-	(18.8)	-	(18.8)	145.6	126.8
Deemed disposal of interests in subsidiaries	-	-	(74.5)	-	(74.5)	77.8	3.3
Disposal of subsidiaries	-	-	18.2	(18.8)	(0.6)	(825.9)	(826.5)
Derecognition of non-controlling interests	-	-	-	-	-	(5.4)	(5.4)
	-	-	(75.1)	(18.8)	(93.9)	(607.9)	(701.8)
<b>Total transactions with owners</b>	50.7	669.8	(1,045.8)	(204.2)	(529.5)	(941.1)	(1,470.6)
At 30 June 2010	3,918.0	29,608.6	43,430.2	9,394.2	86,351.0	25,338.5	111,689.5

## Consolidated Statement of Changes in Equity (Continued)

For the year ended 30 June 2009

	Share capital HK\$m	Share premium HK\$m	Retained profits HK\$m	Other reserves HK\$m	Shareholders' funds HK\$m	Non- controlling interests HK\$m	Total HK\$m
At 1 July 2008	3,736.5	27,924.8	32,334.1	8,399.4	72,394.8	22,509.9	94,904.7
<b>Comprehensive income</b>							
Profit for the year	–	–	2,083.5	–	2,083.5	1,668.4	3,751.9
<b>Other comprehensive income</b>							
Change in fair value of available-for-sale financial assets, net of taxation	–	–	–	386.7	386.7	51.4	438.1
Disposal of non-current assets classified as assets held for sale	–	–	–	(5.2)	(5.2)	(3.9)	(9.1)
Disposal of available-for-sale financial assets, net of taxation	–	–	–	(230.7)	(230.7)	(1.3)	(232.0)
Impairment of available-for-sale financial assets	–	–	–	299.6	299.6	96.7	396.3
Release of exchange reserve upon disposal of subsidiaries	–	–	–	(188.7)	(188.7)	(78.6)	(267.3)
Share of other comprehensive income of a jointly controlled entity	–	–	–	(4.8)	(4.8)	(3.6)	(8.4)
Translation differences	–	–	–	(6.0)	(6.0)	(15.6)	(21.6)
Other comprehensive income for the year	–	–	–	250.9	250.9	45.1	296.0
<b>Total comprehensive income for the year</b>	–	–	2,083.5	250.9	2,334.4	1,713.5	4,047.9
<b>Transactions with owners</b>							
Contributions by and distributions to owners							
Dividends	–	–	(1,286.4)	–	(1,286.4)	(954.9)	(2,241.3)
Contributions from non-controlling shareholders	–	–	–	–	–	27.7	27.7
Issue of new shares as scrip dividends	130.8	1,014.0	–	–	1,144.8	–	1,144.8
Employees' share-based payments	–	–	–	85.3	85.3	31.4	116.7
Share option lapsed	–	–	6.0	(9.6)	(3.6)	–	(3.6)
Repurchase of convertible bonds	–	–	22.9	(26.6)	(3.7)	(1.6)	(5.3)
Transfer of reserves	–	–	(40.5)	40.5	–	–	–
	130.8	1,014.0	(1,298.0)	89.6	(63.6)	(897.4)	(961.0)
Changes in ownership interests in subsidiaries							
Acquisition of additional interests in subsidiaries	–	–	(234.5)	2.9	(231.6)	42.8	(188.8)
Deemed acquisition of interests in subsidiaries	–	–	(13.9)	–	(13.9)	(154.0)	(167.9)
Deemed disposal of interests in subsidiaries	–	–	(7.8)	–	(7.8)	7.8	–
Disposal of subsidiaries	–	–	–	–	–	(151.9)	(151.9)
	–	–	(256.2)	2.9	(253.3)	(255.3)	(508.6)
<b>Total transactions with owners</b>	130.8	1,014.0	(1,554.2)	92.5	(316.9)	(1,152.7)	(1,469.6)
At 30 June 2009	3,867.3	28,938.8	32,863.4	8,742.8	74,412.3	23,070.7	97,483.0

# Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 HK\$m	2009 HK\$m
<b>Cash flows from operating activities</b>			
Net cash generated from/(used in) operations	48(a)	<b>7,215.4</b>	(5,923.7)
Hong Kong profits tax paid		<b>(382.2)</b>	(413.1)
Mainland China and overseas taxation paid		<b>(914.6)</b>	(411.8)
<b>Net cash generated from/(used in) operating activities</b>		<b>5,918.6</b>	(6,748.6)
<b>Cash flows from investing activities</b>			
Interest received		<b>747.9</b>	806.1
Dividends received from			
Jointly controlled entities		<b>2,124.8</b>	1,571.3
Associated companies		<b>214.0</b>	189.4
Available-for-sale financial assets		<b>211.3</b>	111.6
Additions of investment properties, property, plant and equipment, leasehold land and land use rights and intangible assets		<b>(2,351.5)</b>	(1,733.0)
(Increase)/decrease in interests in jointly controlled entities		<b>(490.9)</b>	778.9
(Increase)/decrease in interests in associated companies		<b>(444.4)</b>	245.0
Increase in long-term receivables		<b>(344.8)</b>	(261.6)
(Increase)/decrease in short-term bank deposits maturing after more than three months		<b>(534.5)</b>	53.4
Acquisition of subsidiaries (net of cash and cash equivalents)	48(b), (c)	<b>327.6</b>	(384.3)
Acquisition of additional interests in subsidiaries		<b>(0.7)</b>	(545.2)
Purchase of available-for-sale financial assets, held-to-maturity investments and financial assets at fair value through profit or loss		<b>(2,074.2)</b>	(495.5)
Proceeds from disposal of			
Available-for-sale financial assets and financial assets at fair value through profit or loss		<b>940.0</b>	1,590.2
Non-current assets classified as assets held for sale		<b>1,468.3</b>	446.4
Investment properties, property, plant and equipment, leasehold land and land use rights		<b>365.4</b>	27.6
Jointly controlled entities		<b>235.1</b>	10.2
Associated companies		<b>5.3</b>	79.3
Subsidiaries (net of cash and cash equivalents)	48(d), (e)	<b>2,061.8</b>	837.6
<b>Net cash from investing activities</b>		<b>2,460.5</b>	3,327.4

## Consolidated Statement of Cash Flows (Continued)

For the year ended 30 June 2010

	Note	2010 HK\$m	2009 HK\$m
<b>Cash flows from financing activities</b>			
Issue of fixed rate bonds, net of transaction costs		5,841.6	–
New bank and other loans		13,351.9	14,909.5
Repayment of bank and other loans		(14,074.6)	(7,863.1)
Redemption/repurchase of convertible bonds		(2,592.8)	(193.2)
Decrease in loans from non-controlling shareholders		(42.1)	(6.5)
Decrease in restricted bank balances		183.2	394.5
Contributions from non-controlling shareholders		1,428.1	27.7
Interest paid		(939.5)	(1,176.7)
Dividends paid to shareholders of the Company		(481.7)	(814.2)
Dividends paid to non-controlling shareholders		(1,564.6)	(907.6)
<b>Net cash from financing activities</b>		<b>1,109.5</b>	<b>4,370.4</b>
Net increase in cash and cash equivalents		9,488.6	949.2
Cash and cash equivalents at beginning of the year		13,309.8	12,334.3
Translation differences		7.4	26.3
<b>Cash and cash equivalents at end of the year</b>		<b>22,805.8</b>	<b>13,309.8</b>
<b>Analysis of cash and cash equivalents</b>			
Cash at banks and on hand	37	14,756.3	9,725.9
Short-term bank deposits maturing within three months		7,480.3	3,616.6
Bank overdrafts		–	(32.7)
Cash and bank balances of subsidiaries reclassified as assets held for sale	39(b)	569.2	–
		<b>22,805.8</b>	<b>13,309.8</b>



## 1 GENERAL INFORMATION

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

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

These financial statements have been approved by the Board of Directors on 6 October 2010.

## 2 BASIS OF PREPARATION

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

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

### (a) Change in accounting policy

During the year, the Group changed its accounting policy for leasehold land and land use rights included in properties for/under development and properties held for sale. Leasehold land and land use rights included in properties for/under development and properties held for sale meet the definition of both inventories under HKAS 2 “Inventories” and leasehold land under HKAS 17 “Leases”. Previously, the land costs included in properties for/under development and properties held for sale were accounted for as prepaid operating leases and payments were amortised on a straight-line basis over the period of the lease in accordance with HKAS 17. Amortisation of cost of leasehold land and land use rights during the course of development was capitalised as part of the construction cost of the property. Amortisation charges incurred prior to development and following completion of the property were recognised in the income statement. Subsequent to the change in accounting policy, the cost of land included in properties for/under development and properties held for sale are accounted for as inventories in accordance with HKAS 2 and are carried at the lower of cost and net realisable value.

Management believes that the accounting of costs of leasehold land and land use rights included in properties for/under development and properties held for sale as inventories will result in a more meaningful presentation of the financial position of the Group, and of its performance for each year. The revised treatment reflects management’s intent regarding the use of the land and results in a presentation consistent with industry practice.

The change in accounting policy has no material impact to the financial statements of the Group in the prior years. Accordingly no retrospective adjustment has been made to the financial statements of the Group for prior years.

**2 BASIS OF PREPARATION** (Continued)**(b) Adoption of new or revised accounting standards**

For the year ended 30 June 2009, the Group early adopted HKFRS 3 (Revised) “Business Combinations” and Hong Kong Accounting Standard 27 (Revised) “Consolidated and Separate Financial Statements”. In the current year, the Group has adopted the following amendments to standards and interpretations:

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

In addition, the Group has early adopted HKAS 32 Amendment “Financial Instruments: Presentation – Classification of Rights Issues” for the year ended 30 June 2010.

The effect of the adoption of these new or revised standards, amendments and interpretations are detailed below:

**HKAS 1 (Revised) — Presentation of Financial Statements:** The standard required all non-owner changes in equity (i.e.comprehensive income) to be presented in a single statement of comprehensive income in two statements (a separate income statement and a statement of comprehensive income). The Group has chosen to adopt the two statements approach and a new consolidated statement of comprehensive income is included after the consolidated income statement in the consolidated financial statements for the year ended 30 June 2010.

**HKFRS 8 — Operating Segments:** HKFRS 8 replaces HKAS 14 — Segment Reporting. The new standard uses a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group’s current segment information is consistent with that used for internal purposes and the adoption of HKFRS 8 does not have any significant changes on the Group’s reportable segments.

**HKAS 40 Amendment — Investment property:** The Group adopted this amendment with prospective application from 1 July 2009. Properties being constructed or developed for future use as investment properties are brought within the scope of HKAS 40 and are reclassified from properties under development and property, plant and equipment to investment properties at their carrying amounts and are measured at fair value.

## 2 BASIS OF PREPARATION (Continued)

### (b) Adoption of new or revised accounting standards (Continued)

HKFRS 7 Amendments — Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments: These amendments enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendments require disclosure of fair value measurements by level of a fair value measurement hierarchy. The Group has included the relevant information in the financial statements.

HKAS 32 Amendment — Financial Instruments: Presentation — Classification of Rights Issues: The offer of rights issue of New World China Land Limited (“NWCL”), a non-wholly owned subsidiary of the Group, which is denominated in currency other than the functional currency of NWCL is no longer accounted for as a derivative liability but is classified as equity of NWCL. As a result, the change in fair value of the derivatives of HK\$287.8 million is no longer required to be recognised in the income statement.

The effects on the consolidated income statement for the year ended 30 June 2010 are as follows:

	HKAS 40 Amendment HK\$m	HKAS 32 Amendment HK\$m	Total HK\$m
Increase/(decrease) in profit for the year			
Change in fair value of derivative liabilities	–	(287.8)	(287.8)
Change in fair value of investment properties	(19.6)	–	(19.6)
Change in share of results of jointly controlled entities	23.2	–	23.2
Profit before taxation	3.6	(287.8)	(284.2)
Taxation charge	4.9	–	4.9
Profit for the year	8.5	(287.8)	(279.3)
Attributable to:			
Shareholders of the Company	0.7	(201.6)	(200.9)
Non-controlling interests	7.8	(86.2)	(78.4)
	8.5	(287.8)	(279.3)
Earnings per share (HK\$)			
Basic	0.0002	(0.0519)	(0.0517)
Diluted	0.0002	(0.0459)	(0.0457)

**2 BASIS OF PREPARATION** (Continued)**(b) Adoption of new or revised accounting standards** (Continued)

The effects on the consolidated statement of financial position as at 30 June 2010 are as follows:

	<b>HKAS 40 Amendment HK\$m</b>	<b>HKAS 32 Amendment HK\$m</b>	<b>Total HK\$m</b>
Increase/(decrease) in			
Investment properties	<b>2,253.8</b>	–	<b>2,253.8</b>
Leasehold land and land use rights	<b>(622.2)</b>	–	<b>(622.2)</b>
Property, plant and equipment	<b>(313.5)</b>	–	<b>(313.5)</b>
Interests in jointly controlled entities	<b>23.2</b>	–	<b>23.2</b>
Properties under development	<b>(1,337.7)</b>	–	<b>(1,337.7)</b>
<b>Total assets</b>	<b>3.6</b>	–	<b>3.6</b>
Reserves	<b>0.7</b>	–	<b>0.7</b>
Non-controlling interests	<b>7.8</b>	–	<b>7.8</b>
<b>Total equity</b>	<b>8.5</b>	–	<b>8.5</b>
Deferred tax liabilities	<b>(4.9)</b>	–	<b>(4.9)</b>
<b>Total equity and liabilities</b>	<b>3.6</b>	–	<b>3.6</b>

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

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

Effective for the year ending 30 June 2011

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

Effective for the year ending 30 June 2012 or after

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

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which are relevant to the Group's operation and will give rise to changes in presentation, disclosures and measurements of certain items in the financial statements.

### 3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of these financial statements, which have been consistently applied to all the years presented, unless otherwise stated, are set out as below:

#### (a) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 30 June.

##### (i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost.

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

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

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

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

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

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

The Group recognises its interests in jointly controlled entities using equity method of accounting. Interests in jointly controlled entities are stated in the consolidated financial statements at cost plus the share of post-acquisition results and reserves and goodwill on acquisition less provision for impairment losses. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired jointly controlled entities at the date of acquisition. The interests in jointly controlled entities also include long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entities. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities set out as follows:

**Equity joint ventures/wholly foreign owned enterprises**

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

**Co-operative joint ventures**

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

**Companies limited by shares**

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

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

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

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

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (a) Consolidation (Continued)

##### (ii) Joint ventures (Continued)

###### (2) *Jointly controlled operations*

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

##### (iii) Associated companies

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

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

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

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

##### (iv) Transactions with non-controlling interests

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

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (b) Intangible assets

##### (i) Goodwill

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

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

##### (ii) Trademark and licences

Acquired trademark and licenses are recognised initially at cost. Acquired trademark has a finite useful life and is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademark over their estimated useful lives of 20 years.

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

##### (iii) Operating right

Operating right primarily resulted from the acquisition of right to operate facilities rental business. Operating right is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over the period of the operating right.

##### (iv) Intangible concession rights

The Group has entered into contractual service arrangements (“Service Concessions”) with local government authorities for its participation in the development, financing, operation and maintenance of various infrastructures for public services, such as toll roads and bridges, power plants and water treatment plants (the “Infrastructures”). The Group carries out the construction or upgrade work of Infrastructures for the granting authorities in exchange for the right to operate the Infrastructures concerned and the right to collect the fees for a specified period of time. The fees collected during the operating periods are attributable to the Group. The relevant Infrastructures are required to be returned to the local government authorities upon the expiry of the operating rights without significant compensation to the Group.

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

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



### **3 PRINCIPAL ACCOUNTING POLICIES** (Continued)

#### **(b) Intangible assets** (Continued)

##### **(iv) Intangible concession rights** (Continued)

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

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

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

#### **(d) Leasehold land and land use rights**

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

#### **(e) Investment properties**

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

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation conducted at the end of each reporting period. Changes in fair value are recognised in the income statement.

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

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

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

**3 PRINCIPAL ACCOUNTING POLICIES** (Continued)**(f) Property, plant and equipment**

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

**(i) Assets under construction**

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

**(ii) Depreciation**

No depreciation is provided on assets under construction.

Depreciation of other property, plant and equipment is calculated to allocate their costs to their estimated residual values over their estimated useful lives or, if shorter, the relevant finance lease periods, using the straight-line method. Estimated useful lives are summarised as follows:

Buildings	20 to 40 years
Ports facilities and terminal equipment	7 to 44 years
Telecommunication equipment and systems	3 to 15 years
Other assets	2 to 25 years

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

**(iii) Gain or loss on disposal**

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

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

Non-financial assets that have an indefinite useful life, for example goodwill, or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. An impairment loss is recognised in the income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (h) Investments

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

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

Financial assets at fair value through profit or loss are financial assets held for trading and those designated as at fair value through profit or loss at inception under certain circumstances. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management.

(ii) **Loans and receivables**

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

(iii) **Held-to-maturity investments**

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

(iv) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

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

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

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

**3 PRINCIPAL ACCOUNTING POLICIES** (Continued)**(h) Investments** (Continued)

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

**(i) Derivative financial instruments**

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

**(j) Impairment of financial assets****(i) Assets carried at amortised cost**

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

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

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

### **3 PRINCIPAL ACCOUNTING POLICIES** (Continued)

#### **(j) Impairment of financial assets** (Continued)

##### **(i) Assets carried at amortised cost** (Continued)

The Group first assesses whether objective evidence of impairment exists.

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

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

##### **(ii) Assets classified as available for sale**

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

#### **(k) Properties for/under development**

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

#### **(l) Properties held for sale**

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

#### **(m) Inventories**

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

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (n) Contracts in progress

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

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

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

#### (o) Trade and other debtors

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

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

#### (p) Cash and cash equivalents

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

#### (q) Share capital

Ordinary shares are classified as equity.

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

#### (r) Trade payables

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

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

### **3 PRINCIPAL ACCOUNTING POLICIES** (Continued)

#### **(s) Provisions**

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

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

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

#### **(t) Contingent liabilities and contingent assets**

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

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

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

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

#### **(u) Current and deferred income tax**

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

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

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

**3 PRINCIPAL ACCOUNTING POLICIES** (Continued)**(u) Current and deferred income tax** (Continued)

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

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

**(v) Borrowings**

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

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

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

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

At initial recognition, the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

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

When the bond is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. When the bond is redeemed, the relevant equity component is transferred to retained profits.



### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (w) Convertible bonds (Continued)

##### (ii) Convertible bonds without equity component

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

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

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

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

#### (x) Revenue recognition

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

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

##### (i) Rental

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

##### (ii) Property sales

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

##### (iii) Construction and engineering

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

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

**3 PRINCIPAL ACCOUNTING POLICIES** (Continued)**(x) Revenue recognition** (Continued)**(iv) Service fees**

Property management service fee, property letting agency fee, transportation service fee, security service fee and financial service fee are recognised when services are rendered.

**(v) Infrastructure operations**

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

**(vi) Telecommunication services**

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

**(vii) Department store operation**

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

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

**(viii) Hotel operations**

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

**(ix) Interest**

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

**(x) Dividend**

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

**(y) Leases****(i) Finance leases**

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

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

### **3 PRINCIPAL ACCOUNTING POLICIES** (Continued)

#### **(y) Leases** (Continued)

##### **(ii) Operating leases**

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

#### **(z) Borrowing costs**

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

#### **(aa) Employee benefits**

##### **(i) Employee leave entitlements**

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

##### **(ii) Bonus plans**

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

##### **(iii) Defined contribution plans**

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

##### **(iv) Defined benefit plans**

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

**3 PRINCIPAL ACCOUNTING POLICIES** (Continued)**(aa) Employee benefits** (Continued)**(v) Share-based compensation**

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

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

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

**(bb) Foreign currencies****(i) Functional and presentation currency**

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

**(ii) Transactions and balances**

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

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

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

### **3 PRINCIPAL ACCOUNTING POLICIES** (Continued)

#### **(bb) Foreign currencies** (Continued)

##### **(iii) Group companies**

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

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

During the preparation of consolidated financial statements, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or 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 exchange rate ruling at the end of reporting period.

#### **(cc) Insurance contracts**

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

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

#### **(dd) Segment reporting**

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

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, investment properties, intangible concession rights, intangible assets, available-for-sale financial assets, held-to-maturity investments, financial assets at fair value through profit or loss, properties for development, other non-current assets, properties under development, properties held for sale, inventories and receivables and exclude derivative financial instruments, deferred tax assets, restricted bank balances and cash and bank balances. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings.

#### **(ee) Dividend distribution**

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

## 4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

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

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

### (a) Market risk

#### (i) Foreign exchange risk

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

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

At 30 June 2010, the Group's entities with functional currency of Hong Kong dollar had United States dollar net monetary liabilities of HK\$5,140.0 million (2009: net monetary assets of HK\$684.5 million). Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there are no significant foreign exchange risk with respect to the United States dollar.

At 30 June 2010, the Group's entities with functional currency of Hong Kong dollar had Renminbi net monetary assets of HK\$1,275.1 million (2009: HK\$364.1 million). If Hong Kong dollar had strengthened/weakened by 5% against Renminbi with all other variables unchanged, the Group's profit before taxation would have been HK\$63.8 million (2009: HK\$18.2 million) lower/higher.

At 30 June 2010, the Group's entities with functional currency of Renminbi had net monetary assets denominated in United States dollar of HK\$308.0 million (2009: HK\$881.2 million). If Renminbi had strengthened/weakened by 5% against United States dollar with all other variables unchanged, the Group's profit before taxation would have been HK\$15.4 million (2009: HK\$44.1 million) lower/higher.

At 30 June 2010, the Group's entities with functional currency of Renminbi had net monetary liabilities denominated in Hong Kong dollar of HK\$3,909.3 million (2009: HK\$5,768.0 million). If Renminbi had strengthened/weakened by 5% against Hong Kong dollar with all other variables unchanged, the Group's profit before taxation would have been HK\$195.5 million (2009: HK\$288.4 million) higher/lower.

This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next reporting period. There are no other significant monetary balances held by group companies at 30 June 2010 and 2009 that are denominated in a non-functional currency. Currency risks as defined by HKFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency, differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

## 4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (Continued)

### (a) Market risk (Continued)

#### (ii) Interest rate risk

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

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

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit before taxation would have been HK\$228.2 million higher or HK\$396.2 million lower respectively (2009: HK\$36.0 million lower/higher). The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of next reporting period. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments. As a consequence, they are included in the calculation of profit before taxation sensitivities.

#### (iii) Price risk

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

At 30 June 2010, if the price of listed and unlisted equity investments in available-for-sale financial assets had been 25% higher with all other variables held constant, the Group's investment revaluation reserve would have been HK\$1,539.3 million (2009: HK\$1,401.3 million) higher. If the price of listed and unlisted equity investments in available-for-sale financial assets had been 25% lower with all other variables held constant, the Group's profit before taxation and investment revaluation reserve would have been HK\$23.7 million and HK\$1,515.6 million (2009: HK\$96.5 million and HK\$1,304.8 million) lower respectively. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

At 30 June 2010, if the price of listed and unlisted equity investments in financial assets at fair value through profit and loss had been 25% higher/lower with all other variables held constant, the Group's profit before taxation would have been HK\$81.5 million (2009: HK\$109.2 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

## 4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (Continued)

### (b) Credit risk

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

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

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

The Group provides guarantees to banks in connection with certain property purchasers' borrowing of mortgage loans to finance their purchase of the properties until the issuance of the official property title transfer certificates by the relevant authority in the Mainland China. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the purchaser's deposit and sell the property to recover any amounts paid by the Group to the bank. Therefore the Group's credit risk is significantly reduced. Nevertheless, the net realisable values of the relevant properties are subject to the fluctuation of the property market in general, the Group assesses at the end of each reporting period the liabilities based on the current estimates of future cash flows. As at 30 June 2010, no provision on the above guarantees to banks has been made in the financial statements (2009: Nil).

### (c) Liquidity risk

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



#### 4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (Continued)

##### (c) Liquidity risk (Continued)

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

Group

	Carrying amount HK\$m	Total contractual undiscounted cash flow HK\$m	Within 1 year or on demand HK\$m	Over 1 year but within 5 years HK\$m	After 5 years HK\$m
At 30 June 2010					
Creditors and accrued charges	15,356.3	15,356.3	14,585.2	761.0	10.1
Amounts payable to jointly controlled entities	1,169.5	1,169.5	1,169.5	–	–
Amounts payable to associated companies	158.4	158.4	146.7	11.7	–
Short-term borrowings	1,981.8	1,993.3	1,993.3	–	–
Long-term borrowings	50,337.5	56,442.4	15,719.5	30,763.3	9,959.6
At 30 June 2009					
Creditors and accrued charges	18,189.0	18,189.0	17,099.2	1,071.4	18.4
Amounts payable to jointly controlled entities	1,990.5	1,990.5	1,983.5	7.0	–
Amounts payable to associated companies	518.8	518.8	517.9	0.9	–
Short-term borrowings	8,994.7	9,111.9	9,111.9	–	–
Long-term borrowings	41,560.3	45,575.2	8,930.2	36,380.6	264.4

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

Company

	<b>Carrying amount HK\$m</b>	<b>Total contractual undiscounted cash flow HK\$m</b>	<b>Within 1 year or on demand HK\$m</b>	<b>Over 1 year but within 5 years HK\$m</b>	<b>After 5 years HK\$m</b>
At 30 June 2010					
Creditors and accrued charges	709.2	709.2	709.2	–	–
Amounts payable to subsidiaries	25,160.0	25,160.0	25,160.0	–	–
Amounts payable to associated companies	72.4	72.4	72.4	–	–
At 30 June 2009					
Creditors and accrued charges	443.4	443.4	443.4	–	–
Amounts payable to subsidiaries	22,079.9	22,079.9	22,079.9	–	–
Amounts payable to associated companies	60.2	60.2	60.2	–	–

**(d) Capital management**

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

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

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

## 4 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (Continued)

### (d) Capital management (Continued)

The gearing ratios at 30 June 2010 and 2009 were as follows:

	2010 HK\$m	2009 HK\$m
Consolidated total borrowings (excluding loans from non-controlling shareholders)	50,722.2	48,550.8
Less: cash and bank balances	23,608.7	14,363.3
Consolidated net debt	27,113.5	34,187.5
Total equity	111,689.5	97,483.0
Gearing ratio	24.3%	35.1%

The decrease in gearing ratio at 30 June 2010 was primarily due to increase in cash and bank balances generated from operating activities and investing activities.

### (e) Fair value estimation

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

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

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

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

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

- (ii) The fair value of long-term financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2010:

	Level 1 HK\$m	Level 2 HK\$m	Level 3 HK\$m	Total HK\$m
Available-for-sale financial assets	4,135.6	97.2	1,934.4	6,167.2
Financial assets at fair value through profit or loss	95.3	19.8	211.0	326.1
Derivative financial instruments				
Derivative financial asset	–	172.1	–	172.1
	4,230.9	289.1	2,145.4	6,665.4
Derivative financial instruments				
Derivative financial liability	–	(308.0)	–	(308.0)

The following table presents the changes in level 3 instruments for the year ended 30 June 2010:

	Available- for-sale financial assets HK\$m	Financial assets at fair value through profit or loss HK\$m	Total HK\$m
Opening balance	2,674.4	169.0	2,843.4
Additions	66.4	38.7	105.1
Gains and losses recognised in the consolidated statement of comprehensive income/ income statement	50.6	3.3	53.9
Disposals	(857.0)	–	(857.0)
Closing balance	1,934.4	211.0	2,145.4

**5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

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

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

## **5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** (Continued)

### **(b) Valuation of investment properties**

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

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

At 30 June 2010, if the market value of investment properties had been 8% (2009: 8%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK\$3,286.7 million (2009: HK\$2,480.6 million) higher/lower.

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

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

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

### **(d) Impairment of assets**

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

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

The Group determines whether an investment in jointly controlled entities, associated companies or available-for-sale financial assets is impaired by evaluating the duration or extent to which the fair value of an investment is less than its cost. This evaluation is subject to changes in factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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

**(e) Financial guarantees and tax indemnity**

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

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

In respect of the tax indemnity provided to its non-wholly owned subsidiary, the Group makes estimates on the project costs for the development of the relevant properties and the potential exposure to the relevant Mainland China tax liabilities based on an estimation of the future market condition and economic environment. Provision will only be made in the financial period when the outcome of the potential liabilities can be reliably determined, or otherwise, the potential exposure attributable to the Group and the Company is disclosed as contingent liabilities set out in note 47.

**(f) Income taxes**

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

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

**(g) Estimate of revenue and costs of construction works**

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

## 6 REVENUES AND SEGMENT INFORMATION

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

	2010 HK\$m	2009 HK\$m
Revenues		
Property sales	<b>12,570.1</b>	2,112.6
Rental	<b>1,508.8</b>	1,496.5
Contracting	<b>3,293.5</b>	8,656.0
Provision of services	<b>6,732.1</b>	6,063.0
Infrastructure operations	<b>251.9</b>	278.1
Hotel operations	<b>2,480.9</b>	2,267.7
Department store operations	<b>2,484.7</b>	2,368.2
Telecommunication services	<b>713.4</b>	892.8
Others	<b>183.2</b>	280.1
Total	<b>30,218.6</b>	24,415.0

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

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

Sales between segments are carried out in accordance with terms agreed by the parties involved.

**6 REVENUES AND SEGMENT INFORMATION** (Continued)

	Property development HK\$m	Property investment HK\$m	Service HK\$m	Infra- structure HK\$m	Hotel operations HK\$m	Department stores HK\$m	Telecom- munications HK\$m	Others HK\$m	Consolidated HK\$m
<b>2010</b>									
Total revenues	12,570.1	1,694.5	12,083.3	251.9	2,480.9	2,484.7	773.9	183.2	32,522.5
Inter-segment	-	(185.7)	(2,057.7)	-	-	-	(60.5)	-	(2,303.9)
Revenues – external	12,570.1	1,508.8	10,025.6	251.9	2,480.9	2,484.7	713.4	183.2	30,218.6
Segment results	3,948.3	975.7	1,247.6	(8.7)	197.1	515.3	(0.3)	113.5	6,988.5
Other gains, net	2,395.5	(113.1)	904.0	-	(192.3)	166.1	(0.7)	(611.7)	2,547.8
Changes in fair value of investment properties	-	4,765.8	-	-	-	-	-	-	4,765.8
Unallocated corporate expenses									(618.4)
Operating profit									13,683.7
Financing income									474.5
Financing costs									(812.9)
									13,345.3
Share of results of									
Jointly controlled entities	880.0	385.7	287.1	1,554.6	(46.4)	-	-	172.7	3,233.7
Associated companies	8.8	257.5	457.1	27.5	7.8	(0.2)	157.3	17.0	932.8
Profit before taxation									17,511.8
Taxation									(2,651.8)
Profit for the year									14,860.0
Segment assets	64,699.8	40,222.6	9,620.8	880.9	5,785.9	5,396.1	1,244.2	6,965.3	134,815.6
Interests in jointly controlled entities	4,920.6	8,136.0	2,180.7	13,651.5	1,398.4	-	-	404.6	30,691.8
Interests in associated companies	1,026.3	2,229.5	3,820.6	309.3	120.4	-	2,146.8	55.4	9,708.3
Unallocated assets									24,394.2
Total assets									199,609.9
Segment liabilities	14,521.2	945.9	5,398.1	151.4	1,236.8	2,290.7	166.4	947.4	25,657.9
Unallocated liabilities									62,262.5
Total liabilities									87,920.4
Additions to non-current assets (note a)	2,173.3	2,057.5	350.0	-	192.7	1,575.4	140.2	10.5	6,499.6
Depreciation and amortisation	38.0	29.8	153.6	60.2	391.8	248.1	51.3	20.9	993.7
Impairment charge and provision	52.1	112.4	30.5	-	181.3	-	0.7	448.7	825.7



## 6 REVENUES AND SEGMENT INFORMATION (Continued)

	Property development HK\$m	Property investment HK\$m	Service HK\$m	Infra- structure HK\$m	Hotel operations HK\$m	Department stores HK\$m	Telecom- munications HK\$m	Others HK\$m	Consolidated HK\$m
2009									
Total revenues	2,112.6	1,712.1	17,113.4	278.1	2,267.7	2,368.2	952.0	280.1	27,084.2
Inter-segment	-	(215.6)	(2,394.4)	-	-	-	(59.2)	-	(2,669.2)
Revenues – external	2,112.6	1,496.5	14,719.0	278.1	2,267.7	2,368.2	892.8	280.1	24,415.0
Segment results	233.0	1,001.6	823.1	128.3	308.8	526.6	8.7	70.5	3,100.6
Other gains, net	894.4	231.3	(208.7)	506.9	(335.3)	9.4	(7.3)	623.8	1,714.5
Changes in fair value of investment properties	-	(1,841.2)	-	-	-	-	-	-	(1,841.2)
Unallocated corporate expenses									(644.5)
Operating profit									2,329.4
Financing income									807.3
Financing costs									(1,068.9)
									2,067.8
Share of results of									
Jointly controlled entities	282.1	406.2	214.9	1,274.3	(87.7)	-	-	(34.2)	2,055.6
Associated companies	(7.8)	199.8	(73.0)	9.2	(0.2)	(2.1)	(66.4)	8.4	67.9
Profit before taxation									4,191.3
Taxation									(439.4)
Profit for the year									3,751.9
Segment assets	51,057.3	32,765.5	17,446.9	1,920.4	6,136.4	4,729.4	1,347.4	6,403.4	121,806.7
Interests in jointly controlled entities	9,401.0	5,888.2	1,996.3	13,088.8	958.2	-	-	586.0	31,918.5
Interests in associated companies	1,148.8	1,652.3	2,459.4	351.4	112.4	0.9	2,047.2	55.9	7,828.3
Unallocated assets									14,965.8
Total assets									176,519.3
Segment liabilities	7,210.6	696.9	10,310.0	202.5	644.7	1,762.4	186.0	782.5	21,795.6
Unallocated liabilities									57,240.7
Total liabilities									79,036.3
Additions to non-current assets (note a)	101.2	1,075.4	656.2	-	609.7	593.4	121.8	24.8	3,182.5
Depreciation and amortisation	112.6	40.4	137.9	69.3	280.5	189.9	49.0	31.7	911.3
Impairment charge and provision	57.4	65.8	155.6	-	394.2	-	7.3	338.0	1,018.3

Note a: Additions to non-current assets represent additions to non-current assets other than financial instruments (including interests in jointly controlled entities and interests in associated companies), deferred tax assets and retirement benefit assets.

**6 REVENUES AND SEGMENT INFORMATION** (Continued)

	<b>Revenues HK\$m</b>	<b>Non-current assets (note b) HK\$m</b>
<b>2010</b>		
Hong Kong	<b>18,578.1</b>	<b>40,583.1</b>
Mainland China	<b>10,463.9</b>	<b>29,397.3</b>
Macau and others	<b>1,176.6</b>	<b>696.9</b>
	<b>30,218.6</b>	<b>70,677.3</b>
<b>2009</b>		
Hong Kong	14,086.4	34,056.1
Mainland China	6,380.9	22,867.0
Macau and others	3,947.7	160.1
	24,415.0	57,083.2

The Group's revenues and non-current assets attributable to Southeast Asia and North America accounted for an insignificant portion of the Group's total revenues and non-current assets respectively, and have been included under Macau and others.

Note b: Non-current assets represent non-current assets other than financial instruments (including interests in jointly controlled entities and interests in associated companies), deferred tax assets and retirement benefit assets.

**7 OTHER INCOME**

	<b>2010 HK\$m</b>	2009 HK\$m
Dividend income from investments in		
Listed shares	<b>175.7</b>	76.2
Unlisted shares	<b>35.6</b>	35.4
Other investment income	–	153.6
	<b>211.3</b>	265.2

## 8 OTHER GAINS, NET

	2010 HK\$m	2009 HK\$m
Write back of provision for		
Loans and other receivables	31.4	18.8
Properties held for sale	-	288.0
Properties under development	70.7	-
Gain on remeasuring previously held interests of jointly controlled entities and associated companies at fair value upon further acquisition as subsidiaries	1,333.8	88.9
Excess of fair value of net assets acquired over the cost of acquisition of interests of subsidiaries	732.1	50.9
(Loss)/gain on fair value of financial assets at fair value through profit or loss	(510.7)	417.3
Gain from extinguishment of financial liabilities	-	140.5
Gain on repurchase of convertible bonds	-	67.4
Loss on redemption of convertible bonds	(162.2)	-
Net profit/(loss) on disposal of		
Investment properties, property, plant and equipment, leasehold land and land use rights, and intangible concession rights	156.2	(54.2)
Non-current assets classified as assets held for sale	242.5	274.5
Available-for-sale financial assets	352.6	410.6
Financial assets at fair value through profit or loss	24.4	(71.0)
Subsidiaries	996.9	604.7
Jointly controlled entities	-	71.2
Associated companies	-	106.1
Gain on remeasuring non-controlling interests retained at fair value after disposal of partial interest in a subsidiary	105.8	319.1
Impairment loss on		
Available-for-sale financial assets	(55.7)	(396.3)
Intangible assets	(59.4)	(86.9)
Loans receivable and other assets	(394.1)	(90.0)
Property, plant and equipment, leasehold land and land use rights	(316.5)	(445.1)
	<b>2,547.8</b>	<b>1,714.5</b>

## 9 OPERATING PROFIT

Operating profit of the Group is arrived at after crediting/(charging) the following:

	2010 HK\$m	2009 HK\$m
Gross rental income from investment properties	<b>1,501.7</b>	1,313.4
Outgoings	<b>(424.7)</b>	(405.6)
	<b>1,077.0</b>	907.8
Cost of inventories sold	<b>(10,265.3)</b>	(3,618.2)
Depreciation of property, plant and equipment	<b>(818.2)</b>	(641.5)
Amortisation		
Intangible assets	<b>(35.1)</b>	(15.5)
Leasehold land and land use rights (note)	<b>(80.3)</b>	(185.0)
Intangible concession rights	<b>(60.1)</b>	(69.3)
Operating lease rental expense		
Land and buildings	<b>(887.5)</b>	(718.4)
Other equipment	<b>(5.8)</b>	(11.8)
Staff costs (note 15(a))	<b>(4,169.6)</b>	(4,063.7)
Foreign exchange gain, net	<b>15.7</b>	52.9
Auditors' remuneration	<b>(54.9)</b>	(52.3)

Note: Amortisation of leasehold land and land use rights is stated after amount capitalised in property, plant and equipment of HK\$37.8 million (2009: HK\$43.1 million).

## 10 FINANCING COSTS

	2010 HK\$m	2009 HK\$m
Interest on bank loans and overdrafts		
Wholly repayable within five years	<b>863.9</b>	1,106.1
Not wholly repayable within five years	<b>13.6</b>	19.5
Interest on convertible bonds		
Wholly repayable within five years	<b>454.2</b>	433.3
Interest on fixed rate bonds		
Not wholly repayable within five years	<b>135.8</b>	–
Interest on loans from non-controlling shareholders		
Wholly repayable within five years	<b>0.1</b>	5.8
Not wholly repayable within five years	<b>84.0</b>	45.3
Total borrowing costs incurred	<b>1,551.6</b>	1,610.0
Capitalised as:		
Cost of properties under development	<b>(678.9)</b>	(541.1)
Cost of property, plant and equipment under construction and investment properties under development	<b>(59.8)</b>	–
	<b>812.9</b>	1,068.9

Note: To the extent funds are borrowed generally and used for the purpose of financing certain properties under development, property, plant and equipment under construction and investment properties under development, the capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation is 1.8% (2009: 2.0%) for the year.

## 11 TAXATION

	2010 HK\$m	2009 HK\$m
Current taxation		
Hong Kong profits tax	933.3	449.7
Mainland China and overseas taxation	572.5	373.6
Mainland China land appreciation tax	315.1	70.8
Deferred taxation		
Valuation of investment properties	815.7	(327.4)
Other temporary differences	15.2	(127.3)
	<b>2,651.8</b>	439.4

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the year at the rates of taxation prevailing in the countries in which the Group, jointly controlled entities and associated companies operate. These rates range from 9% to 25% (2009: 9% to 25%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2009: 30% to 60%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land use rights and property development expenditures.

Share of results of jointly controlled entities and associated companies is stated after deducting the share of taxation of jointly controlled entities and associated companies of HK\$812.0 million and HK\$117.6 million (2009: HK\$346.7 million and HK\$69.0 million) respectively.

**11 TAXATION** (Continued)

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

	<b>2010</b> HK\$m	2009 HK\$m
Profit before taxation and share of results of jointly controlled entities and associated companies	<b>13,345.3</b>	2,067.8
Calculated at a taxation rate of 16.5% (2009: 16.5%)	<b>2,202.0</b>	341.2
Effect of different taxation rates in other countries	<b>151.9</b>	102.2
Income not subject to taxation	<b>(723.2)</b>	(511.0)
Expenses not deductible for taxation purposes	<b>372.3</b>	361.2
Tax losses not recognised	<b>277.5</b>	196.3
Temporary differences not recognised	<b>0.5</b>	2.4
Tax exemption granted	<b>(13.9)</b>	(5.0)
Utilisation of previously unrecognised tax losses	<b>(73.5)</b>	(63.3)
Deferred taxation on undistributed profits	<b>147.7</b>	1.5
Recognition of previously unrecognised tax losses	<b>–</b>	(74.6)
Recognition of previously unrecognised temporary differences	<b>69.5</b>	–
Land appreciation tax deductible for calculation of income tax purposes	<b>(78.8)</b>	(17.7)
Others	<b>4.7</b>	35.4
	<b>2,336.7</b>	368.6
Mainland China land appreciation tax	<b>315.1</b>	70.8
Taxation charge	<b>2,651.8</b>	439.4

**12 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

Profit for the year attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$3,412.8 million (2009: HK\$1,478.6 million).

## 13 DIVIDENDS

	2010 HK\$m	2009 HK\$m
Interim dividend of HK\$0.10 (2009: HK\$0.09) per share	390.1	346.8
Final dividend proposed of HK\$0.28 (2009: HK\$0.21) per share	1,097.0	812.1
	<b>1,487.1</b>	1,158.9
Of which the following were settled by the issue of scrip:		
Interim dividend	222.1	201.5
Final dividend	#	498.4

# Full amount had been set aside from retained profits for the 2010 proposed final dividend on the basis that all shareholders would elect to receive cash being the alternative to their entitlements to the scrip dividends.

At a meeting held on 6 October 2010, the Directors recommended a final dividend of HK\$0.28 per share. This proposed dividend was not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2011.

## 14 EARNINGS PER SHARE

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

	2010 HK\$m	2009 HK\$m
Profit attributable to shareholders of the Company	11,612.6	2,083.5
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds	292.5	–
Adjustment on the effect of dilution in the results of subsidiaries	(92.2)	(52.1)
Profit for calculating diluted earnings per share	<b>11,812.9</b>	2,031.4

	Number of shares (million)	
	2010	2009
Weighted average number of shares for calculating basic earnings per share	3,883.4	3,799.5
Effect of dilutive potential ordinary shares upon the conversion of convertible bonds	224.0	–
Weighted average number of shares for calculating diluted earnings per share	<b>4,107.4</b>	3,799.5

The earnings per share for the year ended 30 June 2009 has been adjusted to reflect the effect of rights issue of NWCL during the year.

Diluted earnings per share for the year did not assume the exercise of share options outstanding during the year since their exercise would have an anti-dilutive effect.

Diluted earnings per share for the year ended 30 June 2009 did not assume the conversion of the convertible bonds and the exercise of share options outstanding during the year since their conversion and exercise would have an anti-dilutive effect.

**15 STAFF COSTS****(a) Staff costs**

	<b>2010</b> <b>HK\$m</b>	2009 HK\$m
Wages, salaries and other benefits	<b>3,944.5</b>	3,788.2
Pension costs – defined benefit plans (note (b)(i))	<b>(7.1)</b>	(6.2)
Pension costs – defined contribution plans (note (b)(ii))	<b>176.3</b>	176.7
Share options (note (c))	<b>55.9</b>	105.0
	<b>4,169.6</b>	4,063.7

Staff costs include directors' remuneration.

**(b) Retirement benefit costs**

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

**(i) Defined benefit plans**

The Group's defined benefit plans are valued by independent qualified actuaries annually using the projected unit credit method. Defined benefit plans were valued by Watson Wyatt Hong Kong Limited.

The amounts recognised in the statement of financial position were as follows:

	<b>2010</b> <b>HK\$m</b>	2009 HK\$m
Present value of defined benefit obligations	<b>(71.0)</b>	(98.4)
Fair value of plan assets	<b>80.0</b>	124.8
Unrecognised actuarial losses	<b>3.1</b>	2.1
Retirement benefit assets (note 30)	<b>12.1</b>	28.5

The movements in the present value of the defined benefit obligations are as follows:

	<b>2010</b> <b>HK\$m</b>	2009 HK\$m
At beginning of the year	<b>98.4</b>	91.3
Interest cost	<b>3.8</b>	4.5
Current service cost	<b>5.0</b>	5.6
Contribution by employees	<b>2.0</b>	2.0
Benefit paid	<b>(8.7)</b>	(3.8)
Net transfer (out)/in	<b>(0.1)</b>	0.2
Reclassified as assets held for sale	<b>(28.1)</b>	–
Actuarial gains	<b>(1.3)</b>	(1.4)
At end of the year	<b>71.0</b>	98.4



## 15 STAFF COSTS (Continued)

### (b) Retirement benefit costs (Continued)

#### (i) Defined benefit plans (Continued)

The movements in the fair value of plan assets are as follows:

	2010 HK\$m	2009 HK\$m
At beginning of the year	124.8	146.7
Expected return on plan assets	12.8	12.0
Realised return on plan assets	2.9	–
Contribution by employees	2.0	2.0
Contribution by the Group	0.2	0.5
Benefit paid	(8.7)	(3.8)
Net transfer (out)/in	(0.1)	0.2
Reclassified as assets held for sale	(34.5)	–
Cessation of a plan	(15.2)	–
Actuarial losses	(4.2)	(32.8)
At end of the year	80.0	124.8

Net expenses recognised in the income statement, under administrative expenses, were as follows:

	2010 HK\$m	2009 HK\$m
Current service cost	5.0	5.6
Interest cost	3.8	4.5
Expected return on plan assets	(12.8)	(12.0)
Realised return on plan assets	(2.9)	–
Net actuarial gains recognised	(0.2)	(4.3)
Total included in staff costs (note (a))	(7.1)	(6.2)

The actual return on plan assets was HK\$8.1 million (2009: HK\$2.1 million).

**15 STAFF COSTS** (Continued)**(b) Retirement benefit costs** (Continued)

## (i) Defined benefit plans (Continued)

	2010	2009
The principal actuarial assumptions used were as follows:		
Discount rate	<b>2.5%-3.5%</b>	2.8%-3.5%
Expected rate of return on plan assets	<b>7.0%</b>	7.0%
Expected rate of future salary increases	<b>0.0%-4.0%</b>	0.0%-4.0%
Fair value of the plan assets are analysed as follows:		
Equity instruments	<b>67.9%</b>	66.0%
Debt instruments	<b>27.2%</b>	30.5%
Other assets	<b>4.9%</b>	3.5%

The fair value of the plan assets does not include amounts relating to any of the Company's own financial instruments and property occupied by, or other assets used by the Group.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the end of reporting period. Expected returns on equity investments reflect long-term real rates of return experienced in the market.

The Group does not expect to make contributions to its defined benefit plans for the year ending 30 June 2011.

	2010 HK\$m	2009 HK\$m	2008 HK\$m	2007 HK\$m	2006 HK\$m
Present value of defined benefit obligations	<b>(71.0)</b>	(98.4)	(91.3)	(70.2)	(72.6)
Fair value of plan assets	<b>80.0</b>	124.8	146.7	135.5	114.2
Surplus	<b>9.0</b>	26.4	55.4	65.3	41.6
Experience adjustments on defined benefit obligations	<b>(0.3)</b>	3.1	1.3	1.5	(0.4)
Experience adjustments on plan assets	<b>1.0</b>	(32.2)	2.9	18.4	6.7

The Company did not operate any defined benefit plans for its employees.

## 15 STAFF COSTS (Continued)

### (b) Retirement benefit costs (Continued)

#### (ii) Defined contribution plans

The Group operates a number of defined contribution retirement schemes in Hong Kong, namely the Occupational Retirement Schemes (“ORSO Schemes”) and the Mandatory Provident Fund Schemes (“MPF Schemes”). Contributions to the ORSO Schemes are based on a percentage of employees’ salaries ranging from 5.0% to 21.0%, depending upon the length of service of the employees. From 1 December 2000, newly joined employees are compulsorily required to join the MPF Schemes. The Group’s contributions to the MPF Schemes are ranging from 5.0% to 15.0% of employees’ salaries depending on the length of service of the employees.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries and joint ventures in the PRC. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group.

The amount charged to the income statement in respect of these schemes was HK\$176.3 million (2009: HK\$176.7 million) after netting off forfeited contributions of HK\$1.4 million (2009: HK\$1.6 million). No forfeited contributions available to reduce future contributions (2009: HK\$0.1 million).

### (c) Share options

The Company and its subsidiaries during the year, NWCL, NWS Holdings Limited (“NWSH”), Taifook Securities Group Limited (“Taifook Securities”) and New World Department Store (China) Limited (“NWDS”) operate share option schemes whereby options may be granted to eligible employees and directors, to subscribe for shares of the Company, NWCL, NWSH, Taifook Securities and NWDS respectively. Taifook Securities ceased to be a subsidiary of the Company from 21 December 2009, following the partial disposal of interests in Taifook Securities (note 48(d)).

Details of share options are as follows:

Grantor	Date of grant	Exercise price HK\$	At 1 July 2009	Granted	Adjusted	Exercised	Lapsed/ cancelled	Number of share options exercisable		Note
								At 30 June 2010	as at 30 June 2010	
The Company	19 March 2007	17.654	132,443,946	-	-	-	(603,462)	131,840,484	127,374,741	(i)
	Weighted average exercise price of each category (HK\$)		17.756	-	-	-	17.654	17.654	17.654	
NWCL	4 November 2004 to 31 May 2010	1.340 to 7.209	43,790,000	13,557,800	5,357,008	(2,193,145)	(2,067,184)	58,444,479	32,705,357	(ii)
	Weighted average exercise price of each category (HK\$)		4.034	3.175	4.091	1.526	3.510	3.578	4.339	
NWSH	21 August 2007 to 28 January 2008	16.055 to 20.417	29,808,654	-	236,860	-	(2,601,374)	27,444,140	16,511,557	(iii)
	Weighted average exercise price of each category (HK\$)		16.296	-	16.267	-	16.157	16.270	16.270	
NWDS	27 November 2007 to 25 March 2008	8.440 to 8.660	22,735,000	-	-	-	(2,212,000)	20,523,000	8,209,200	(iv)
	Weighted average exercise price of each category (HK\$)		8.622	-	-	-	8.616	8.622	8.622	

**15 STAFF COSTS** (Continued)**(c) Share options** (Continued)

Notes:

- (i) Except for 112,300,000 share options which are exercisable from 19 March 2007 to 18 March 2012, all the outstanding options are divided into 5 tranches and exercisable from 19 March 2007, 19 March 2008, 19 March 2009, 19 March 2010 and 19 March 2011 respectively to 18 March 2012.
- (ii) On dates of grant, the share options are divided into 2 to 5 tranches and exercisable within a period of 2 to 5 years respectively commencing on the expiry of 1 month after the dates on which the options were accepted.

Adjustments were made to the exercise price and the number of outstanding share options in accordance with the share option scheme on 17 November 2009 as a result of the rights issue as announced by NWCL on 9 October 2009 which become unconditional on 16 November 2009.

The fair value of options granted during the year determined using the binomial pricing model was HK\$18.9 million (2009: HK\$20.7 million). The significant inputs to the model was share price ranging from HK\$2.35 to HK\$4.55 (2009: HK\$1.5 to HK\$4.55) at the grant dates, exercise prices ranging from HK\$2.35 to HK\$4.55 (2009: HK\$1.5 to HK\$4.55), volatility of the share ranging from 55% to 56% (2009: 46% to 61%), expected life of options of 5 years (2009: 2 to 5 years), expected dividend yield ranging from 1.45% to 1.58% (2009: 0.85% to 1.45%), risk-free interest rate ranging from 1.54% to 2.10% (2009: 0.96% to 3.32%) and suboptimal exercise factor ranging from 1.87 to 1.88 times (2009: 1.5 to 1.87 times) of the exercise prices (which accounts for the early exercise behaviour of the option holders). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of NWCL over the past 5 years.

- (iii) The share options are exercisable on or before 21 August 2012.
- (iv) All the outstanding share options are divided into 5 tranches and exercisable during a period of 5 years commencing 1 year after the date of grant when the offer of options were accepted.
- (v) The binomial pricing model and the Black-Scholes option pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

## 16 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

Name of Director	Fees HK\$m	Salaries and allowances HK\$m	Bonus HK\$m	Retirement schemes contributions HK\$m	Value of share options HK\$m	Total HK\$m
Year ended 30 June 2010						
Dato' Dr. Cheng Yu-Tung	0.3	-	-	-	-	0.3
Dr. Cheng Kar-Shun, Henry	0.8	23.5	1.9	1.3	3.2	30.7
Dr. Sin Wai-Kin, David	0.2	-	-	-	-	0.2
Mr. Liang Chong-Hou, David	0.2	-	-	-	-	0.2
Mr. Yeung Ping-Leung, Howard	0.3	-	-	-	-	0.3
Dr. Cha Mou-Sing, Payson	0.3	-	-	-	-	0.3
Mr. Cheng Kar-Shing, Peter	0.4	3.4	0.5	0.3	1.9	6.5
Mr. Leung Chi-Kin, Stewart	0.4	5.4	0.9	0.5	0.1	7.3
Mr. Chow Kwai-Cheung	0.3	4.0	0.7	0.4	1.6	7.0
Mr. Ho Hau-Hay, Hamilton	0.3	-	-	-	-	0.3
Mr. Lee Luen-Wai, John	0.5	-	-	-	0.2	0.7
Mr. Liang Cheung-Biu, Thomas	0.2	-	-	-	-	0.2
Mr. Cheng Chi-Kong, Adrian	0.5	6.4	0.3	0.2	1.5	8.9
Ms. Ki Man-Fung, Leonie	0.2	3.6	1.0	0.4	1.2	6.4
Mr. Cheng Chi-Heng	0.1	-	-	-	-	0.1
<b>Total</b>	<b>5.0</b>	<b>46.3</b>	<b>5.3</b>	<b>3.1</b>	<b>9.7</b>	<b>69.4</b>
Year ended 30 June 2009						
Dato' xDr. Cheng Yu-Tung	0.3	-	-	-	-	0.3
Dr. Cheng Kar-Shun, Henry	0.8	23.1	1.9	1.3	7.3	34.4
Dr. Sin Wai-Kin, David	0.2	-	-	-	-	0.2
Mr. Liang Chong-Hou, David	0.2	-	-	-	-	0.2
Mr. Yeung Ping-Leung, Howard	0.3	-	-	-	-	0.3
Dr. Cha Mou-Sing, Payson	0.3	-	-	-	-	0.3
Mr. Cheng Kar-Shing, Peter	0.4	3.3	0.5	0.3	2.3	6.8
Mr. Leung Chi-Kin, Stewart	0.4	5.3	0.9	0.5	0.2	7.3
Mr. Chow Kwai-Cheung	0.3	4.0	0.7	0.4	1.6	7.0
Mr. Ho Hau-Hay, Hamilton	0.3	-	-	-	-	0.3
Mr. Lee Luen-Wai, John	0.5	-	-	-	0.3	0.8
Mr. Liang Cheung-Biu, Thomas	0.2	-	-	-	-	0.2
Mr. Cheng Chi-Kong, Adrian	0.5	4.0	0.5	0.2	2.8	8.0
Ms. Ki Man-Fung, Leonie	0.1	1.8	0.6	0.4	0.7	3.6
<b>Total</b>	<b>4.8</b>	<b>41.5</b>	<b>5.1</b>	<b>3.1</b>	<b>15.2</b>	<b>69.7</b>

Fees paid to independent non-executive directors amounted to HK\$1.4 million (2009: HK\$1.4 million). Other than share options granted to independent non-executive directors, there were no other emoluments paid to independent non-executive directors.

The value of the share options granted to the directors of the Company and the senior management under the share option schemes of the Company and its subsidiaries represents the fair value of these options charged to the income statement for the year in accordance with HKFRS 2.

**16 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS** (Continued)**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include 2 directors (2009: 1 director) whose emoluments are reflected above. The emoluments payable to the remaining 3 (2009: 4) individuals during the year are as follows:

	<b>2010</b> <b>HK\$m</b>	2009 HK\$m
Salaries and other emoluments	<b>30.6</b>	34.0
Contributions to retirement benefit schemes	<b>1.2</b>	1.0
Share options	<b>3.0</b>	6.5
	<b>34.8</b>	41.5

The emoluments of the individuals fell within the following bands:

Emolument band (HK\$)	<b>2010</b> <b>Number of individuals</b>	2009
7,500,001 – 8,000,000	<b>1</b>	–
8,000,001 – 8,500,000	<b>1</b>	–
9,000,001 – 9,500,000	–	2
9,500,001 – 10,000,000	–	1
13,000,001 – 13,500,000	–	1
18,500,001 – 19,000,000	<b>1</b>	–
	<b>3</b>	4

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

## 17 INVESTMENT PROPERTIES

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Completed investment properties	<b>26,785.4</b>	31,007.7	<b>57.0</b>	46.0
Investment properties under development	<b>14,297.6</b>	–	<b>–</b>	–
	<b>41,083.0</b>	31,007.7	<b>57.0</b>	46.0

The movement of investment properties during the year is as follows:

At beginning of the year	<b>31,007.7</b>	31,577.9	<b>46.0</b>	50.0
Acquisition of subsidiaries	<b>900.9</b>	1,040.0	<b>–</b>	–
Disposal of subsidiaries	<b>(380.0)</b>	(11.9)	<b>–</b>	–
Additions	<b>1,151.1</b>	37.3	<b>–</b>	–
Transfer from/(to) property, plant and equipment, leasehold land and land use rights	<b>2,337.2</b>	(106.1)	<b>–</b>	–
Transfer from properties under development	<b>1,815.6</b>	313.5	<b>–</b>	–
Disposals	<b>(515.3)</b>	(1.8)	<b>–</b>	–
Changes in fair value	<b>4,765.8</b>	(1,841.2)	<b>11.0</b>	(4.0)
At end of the year	<b>41,083.0</b>	31,007.7	<b>57.0</b>	46.0

The investment properties were revalued at 30 June 2010 by independent, professionally qualified valuers, Savills Valuation and Professional Services Limited, Vigers Hong Kong Limited, American Appraisal China Limited and Knight Frank Petty Limited. Valuations were based on market value assessment or the depreciated replacement cost approach as stated in note 5(b).

The aggregate fair value of investment properties pledged as securities for the Group's banking facilities amounted to HK\$14,956.8 million (2009: HK\$12,651.7 million) (note 42).

The Group's interests in investment properties at their carrying values are analysed as follows:

	2010 HK\$m	2009 HK\$m
In Hong Kong:		
Leases of over 50 years	<b>12,834.6</b>	10,228.8
Leases of between 10 to 50 years	<b>17,368.4</b>	12,460.0
Leases of less than 10 years	<b>63.0</b>	83.0
Outside Hong Kong:		
Leases of over 50 years	<b>754.8</b>	149.8
Leases of between 10 to 50 years	<b>10,033.8</b>	8,057.5
Leases of less than 10 years	<b>28.4</b>	28.6
	<b>41,083.0</b>	31,007.7

The Company's interests in investment properties are held on leases of over 50 years in Hong Kong.

**18 PROPERTY, PLANT AND EQUIPMENT**

	Group					Company
	Buildings HK\$m	Telecom- munication equipment and systems HK\$m	Others HK\$m	Under construction HK\$m	Total HK\$m	HK\$m
Cost						
At 1 July 2009	5,794.8	2,732.1	6,629.8	311.3	15,468.0	3.3
Translation differences	3.4	-	1.8	-	5.2	-
Acquisition of subsidiaries	-	-	27.0	-	27.0	-
Disposal of subsidiaries	(3.1)	-	(375.6)	-	(378.7)	-
Additions	628.4	140.2	625.4	306.4	1,700.4	-
Transfer to investment properties	(281.5)	-	-	(311.2)	(592.7)	-
Transfer from properties under development	12.1	-	-	-	12.1	-
Transfer upon completion	-	-	57.0	(57.0)	-	-
Disposals	(45.9)	(4.1)	(647.5)	-	(697.5)	-
Written off	-	-	-	(85.7)	(85.7)	-
Reclassified as assets held for sale	(103.5)	-	(321.3)	-	(424.8)	-
At 30 June 2010	6,004.7	2,868.2	5,996.6	163.8	15,033.3	3.3
Accumulated depreciation and impairment						
At 1 July 2009	1,443.3	2,443.4	4,166.7	85.7	8,139.1	3.3
Translation differences	1.5	-	1.4	-	2.9	-
Disposal of subsidiaries	(1.0)	-	(251.8)	-	(252.8)	-
Transfer to investment properties	(107.3)	-	-	-	(107.3)	-
Depreciation	228.9	45.4	543.9	-	818.2	-
Impairment	169.4	-	92.8	-	262.2	-
Disposals	(18.1)	(2.5)	(583.0)	-	(603.6)	-
Written off	-	-	-	(85.7)	(85.7)	-
Reclassified as assets held for sale	(21.1)	-	(251.9)	-	(273.0)	-
At 30 June 2010	1,695.6	2,486.3	3,718.1	-	7,900.0	3.3
Net book value						
At 30 June 2010	4,309.1	381.9	2,278.5	163.8	7,133.3	-



## 18 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group						Company
	Buildings HK\$m	Toll roads, bridges and port facilities HK\$m	Telecom- munication equipment and systems HK\$m	Others HK\$m	Under construction HK\$m	Total HK\$m	HK\$m
<b>Cost</b>							
At 1 July 2008	4,379.9	6.0	2,610.4	5,778.9	935.5	13,710.7	3.3
Translation differences	(10.2)	-	-	(15.0)	-	(25.2)	-
Acquisition of subsidiaries	82.9	-	-	1.8	-	84.7	-
Disposal of subsidiaries	(9.6)	-	-	(52.3)	-	(61.9)	-
Additions	3.6	-	121.8	804.6	423.8	1,353.8	-
Transfer from investment properties	61.8	-	-	-	-	61.8	-
Transfer from properties under development	892.8	-	-	-	-	892.8	-
Transfer upon completion	466.9	-	-	458.1	(1,048.0)	(123.0)	-
Disposals	(73.3)	(6.0)	(0.1)	(346.3)	-	(425.7)	-
At 30 June 2009	5,794.8	-	2,732.1	6,629.8	311.3	15,468.0	3.3
<b>Accumulated depreciation and impairment</b>							
At 1 July 2008	1,165.6	2.6	2,400.3	4,074.6	79.9	7,723.0	3.3
Translation differences	(7.3)	-	-	(4.8)	-	(12.1)	-
Disposal of subsidiaries	(8.8)	-	-	(29.6)	-	(38.4)	-
Depreciation	149.2	-	43.1	449.2	-	641.5	-
Impairment	160.9	-	-	4.9	5.8	171.6	-
Disposals	(16.3)	(2.6)	-	(327.6)	-	(346.5)	-
At 30 June 2009	1,443.3	-	2,443.4	4,166.7	85.7	8,139.1	3.3
<b>Net book value</b>							
At 30 June 2009	4,351.5	-	288.7	2,463.1	225.6	7,328.9	-

The aggregate net book value of property, plant and equipment pledged as securities for banking facilities granted to the Group amounted to HK\$2,898.8 million (2009: HK\$1,837.6 million) (note 42).

**19 LEASEHOLD LAND AND LAND USE RIGHTS**

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
In Hong Kong:				
Leases of over 50 years	<b>628.4</b>	905.0	<b>0.5</b>	0.5
Leases of between 10 to 50 years	<b>1,372.9</b>	2,094.5	–	–
Outside Hong Kong:				
Leases of over 50 years	<b>7.0</b>	14.3	–	–
Leases of between 10 to 50 years	<b>2,512.7</b>	2,054.0	–	–
Leases of less than 10 years	<b>7.7</b>	8.0	–	–
	<b>4,528.7</b>	5,075.8	<b>0.5</b>	0.5

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
At beginning of the year	<b>5,075.8</b>	4,950.7	<b>0.5</b>	0.5
Translation differences	<b>0.2</b>	–	–	–
Additions	<b>593.4</b>	5.5	–	–
Acquisition of subsidiaries	–	253.8	–	–
Disposals of subsidiaries	–	(0.7)	–	–
Transfer from properties under development	–	150.2	–	–
Transfer upon completion	–	123.0	–	–
Transfer (to)/from investment properties	<b>(850.9)</b>	44.3	–	–
Reclassified as assets held for sale	<b>(52.4)</b>	–	–	–
Disposals	<b>(65.0)</b>	(53.5)	–	–
Impairment	<b>(54.3)</b>	(273.5)	–	–
Amortisation	<b>(118.1)</b>	(124.0)	–	–
At end of the year	<b>4,528.7</b>	5,075.8	<b>0.5</b>	0.5

Interests in leasehold land and land use rights represent prepaid operating lease payments.

Certain bank borrowings of the Group are secured on leasehold land and land use rights with an aggregate carrying amount of HK\$945.2 million (2009: HK\$1,221.7 million) (note 42).

## 20 INTANGIBLE CONCESSION RIGHTS

	Group	
	2010 HK\$m	2009 HK\$m
Cost		
At beginning of the year	<b>1,693.7</b>	2,073.3
Disposal of subsidiaries	-	(186.6)
Disposals	-	(193.0)
At end of the year	<b>1,693.7</b>	1,693.7
Accumulated amortisation and impairment		
At beginning of the year	<b>859.6</b>	919.8
Disposal of subsidiaries	-	(70.7)
Amortisation	<b>60.1</b>	69.3
Disposals	-	(58.8)
At end of the year	<b>919.7</b>	859.6
Net book value		
At end of the year	<b>774.0</b>	834.1

**21 INTANGIBLE ASSETS**

	Group				
	Goodwill HK\$m	Trademark and licences HK\$m	Development costs HK\$m	Operating right HK\$m	Total HK\$m
Cost					
At 1 July 2009	1,150.0	160.6	12.2	567.4	1,890.2
Acquisition of a subsidiary	56.3	-	-	-	56.3
Written off	-	-	(12.2)	-	(12.2)
Disposal of subsidiaries	(15.7)	(160.6)	-	-	(176.3)
At 30 June 2010	1,190.6	-	-	567.4	1,758.0
Accumulated amortisation and impairment					
At 1 July 2009	169.5	16.7	12.2	7.8	206.2
Amortisation	-	3.9	-	31.2	35.1
Impairment	59.4	-	-	-	59.4
Reversal upon written off	-	-	(12.2)	-	(12.2)
Disposal of subsidiaries	-	(20.6)	-	-	(20.6)
At 30 June 2010	228.9	-	-	39.0	267.9
Net book value					
At 30 June 2010	961.7	-	-	528.4	1,490.1
Cost					
At 1 July 2008	1,109.4	159.3	12.2	232.3	1,513.2
Additions	-	1.3	-	335.1	336.4
Acquisition of subsidiaries	40.6	-	-	-	40.6
At 30 June 2009	1,150.0	160.6	12.2	567.4	1,890.2
Accumulated amortisation and impairment					
At 1 July 2008	83.9	7.7	12.2	-	103.8
Amortisation	-	7.7	-	7.8	15.5
Impairment	85.6	1.3	-	-	86.9
At 30 June 2009	169.5	16.7	12.2	7.8	206.2
Net book value					
At 30 June 2009	980.5	143.9	-	559.6	1,684.0

## 21 INTANGIBLE ASSETS (Continued)

### Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units identified according to country of operation and business segment. For the purpose of impairment test, the recoverable amount of the business unit is determined based on value-in-use calculations. The key assumptions adopted on growth rates and discount rates used in the value-in-use calculations are based on management's best estimates and past experience. Growth rates with range from 0% to 5.0% are determined by considering both internal and external factors relating to the relevant segments. Discount rates used with range from 4.3% to 18.0% also reflect specific risks relating to the relevant segments. Assuming no growth rate is applied and the discount rates increase by 100 basis points, there is still enough headroom and no further impairment charge is required for the goodwill at 30 June 2010.

An operating segment level summary of the goodwill allocation is presented below:

	2010			2009		
	Hong Kong HK\$m	Mainland China HK\$m	Total HK\$m	Hong Kong HK\$m	Mainland China HK\$m	Total HK\$m
Property development	–	14.2	14.2	–	73.6	73.6
Property investment	–	5.9	5.9	–	5.9	5.9
Service and infrastructure	849.3	–	849.3	865.1	–	865.1
Hotel operations	–	9.2	9.2	–	9.2	9.2
Department stores	–	83.1	83.1	–	26.7	26.7
	<b>849.3</b>	<b>112.4</b>	<b>961.7</b>	865.1	115.4	980.5

## 22 SUBSIDIARIES

	Company	
	2010 HK\$m	2009 HK\$m
Unlisted shares, at cost less provision	1,607.9	1,602.1
Listed shares in Hong Kong, at cost	28,954.9	24,835.4
Amounts receivable less provision	41,642.1	38,888.0
	<b>72,204.9</b>	65,325.5
Less: amounts receivable less provision included in current assets	<b>(35,466.9)</b>	(38,888.0)
	<b>36,738.0</b>	26,437.5
Amounts payable	<b>(25,160.0)</b>	(22,079.9)
Market value of listed shares	<b>29,889.4</b>	35,396.4

The amounts receivable and payable are unsecured, interest free, have no fixed repayment terms, and their carrying amounts are not materially different from their fair values.

Details of principal subsidiaries are given in note 51.

**23 INTERESTS IN JOINTLY CONTROLLED ENTITIES**

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Equity joint ventures				
Group's share of net assets	<b>3,671.9</b>	3,464.7	–	–
Goodwill on acquisition	<b>2.2</b>	2.2	–	–
Amounts receivable less provision (note (a))	<b>382.4</b>	276.4	–	–
Amounts payable (note (b))	<b>(34.2)</b>	(22.1)	–	–
	<b>4,022.3</b>	3,721.2	–	–
Co-operative joint ventures				
Cost of investment less provision	<b>6,333.2</b>	7,374.8	–	–
Share of undistributed post-acquisition results	<b>990.0</b>	1,233.3	–	–
Amounts receivable less provision (note (a))	<b>4,242.6</b>	7,528.7	–	–
Amounts payable (note (b))	<b>(684.6)</b>	(1,431.4)	–	–
	<b>10,881.2</b>	14,705.4	–	–
Companies limited by shares				
Group's share of net assets	<b>8,293.7</b>	6,778.8	–	–
Goodwill on acquisition	<b>325.3</b>	347.7	–	–
Amounts receivable less provision (note (a))	<b>5,728.6</b>	4,064.8	<b>173.4</b>	173.5
Amounts payable (note (b))	<b>(418.3)</b>	(502.4)	–	–
	<b>13,929.3</b>	10,688.9	<b>173.4</b>	173.5
Wholly foreign owned enterprises				
Group's share of net assets	<b>1,630.0</b>	1,499.2	–	–
Amounts receivable less provision (note (a))	<b>192.3</b>	184.0	–	–
Amounts payable (note (b))	<b>(32.4)</b>	(34.6)	–	–
	<b>1,789.9</b>	1,648.6	–	–
Deposits paid for joint ventures (note (c))	<b>69.1</b>	1,154.4	–	–
	<b>30,691.8</b>	31,918.5	<b>173.4</b>	173.5

## 23 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Notes:

- (a) Amounts receivable are analysed as follows:

	Group	
	2010 HK\$m	2009 HK\$m
Interest bearing		
Fixed rates (note (i))	551.1	2,636.3
Variable rates (note (ii))	3,551.6	3,185.0
Non-interest bearing (note (iii))	6,443.2	6,232.6
	<b>10,545.9</b>	12,053.9

- (i) Fixed rates represent interest rates ranging from 8.5% to 10.0% (2009: 6.0% to 10.0%) per annum.
- (ii) Carry interest rates ranging from 0.875% over Hong Kong Interbank Offered Rates ("HIBOR") to PRC bank rates (2009: 1.0% over London Interbank Offered Rates ("LIBOR") to Hong Kong prime rate) per annum.
- (iii) The amounts include HK\$173.4 million (2009: HK\$173.5 million) due to the Company.

The repayment terms of the interest bearing receivables are specified in the relevant joint venture agreements and their carrying amounts are not materially different from their fair values. These amounts are unsecured.

- (b) The amounts payable are unsecured, interest free and repayable on demand and their carrying amounts are not materially different from their fair values.
- (c) These represent advances in respect of proposed joint ventures for which the jointly controlled entities have not yet been established as at the end of the reporting period and only preliminary agreements have been signed. Upon the completion of the relevant joint venture contracts and the establishment of the respective jointly controlled entities, the relevant amounts will be reclassified to investments in jointly controlled entities.
- (d) The Group's share of revenues, results, assets and liabilities of jointly controlled entities are as follows:

	2010 HK\$m	2009 HK\$m
Revenues	13,869.3	6,722.1
Profit after taxation	3,233.7	2,055.6
Non-current assets	32,175.7	32,934.6
Current assets	17,573.4	18,636.9
Non-current liabilities	(18,385.0)	(17,784.3)
Current liabilities	(10,445.3)	(13,436.4)
Net assets	<b>20,918.8</b>	20,350.8

- (e) Details of principal jointly controlled entities are given in note 52.

**24 INTERESTS IN ASSOCIATED COMPANIES**

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Group's share of net assets				
Listed shares in Hong Kong	<b>1,298.0</b>	900.8	–	–
Unlisted shares	<b>5,602.4</b>	4,101.1	<b>3.7</b>	5.8
	<b>6,900.4</b>	5,001.9	<b>3.7</b>	5.8
Goodwill	<b>1,055.4</b>	1,055.4	–	–
Amounts receivable less provision (note (a))	<b>1,910.9</b>	2,289.8	<b>576.8</b>	580.9
Amounts payable (note (b))	<b>(158.4)</b>	(518.8)	<b>(72.4)</b>	(60.2)
	<b>1,752.5</b>	1,771.0	<b>504.4</b>	520.7
	<b>9,708.3</b>	7,828.3	<b>508.1</b>	526.5
Market value of listed shares	<b>718.5</b>	286.6	–	–

Notes:

(a) Amounts receivable are analysed as follows:

	Group	
	2010 HK\$m	2009 HK\$m
Interest bearing – fixed rates (note (i))	<b>104.7</b>	104.7
Non-interest bearing (note (ii))	<b>1,806.2</b>	2,185.1
	<b>1,910.9</b>	2,289.8

(i) Carry interest rates of 8.0% (2009: 8.0%) per annum.

(ii) The amounts include HK\$576.8 million (2009: HK\$580.9 million) due to the Company.

The interest bearing receivables are unsecured and not repayable within 12 months. Their carrying amounts are not materially different from their fair values.

(b) The amounts payable are unsecured, interest free and have no fixed terms of repayment. The carrying amounts of amounts payable are not materially different from their fair values.



## 24 INTERESTS IN ASSOCIATED COMPANIES (Continued)

(c) The Group's share of revenues, results, assets and liabilities of associated companies are as follows:

	<b>2010</b> HK\$m	2009 HK\$m
Revenues	<b>2,512.1</b>	2,099.5
Profit after taxation	<b>932.8</b>	67.9
Non-current assets	<b>8,810.9</b>	7,722.4
Current assets	<b>3,117.7</b>	1,879.1
Non-current liabilities	<b>(2,670.9)</b>	(2,119.9)
Current liabilities	<b>(2,357.3)</b>	(2,479.7)
Net assets	<b>6,900.4</b>	5,001.9

(d) Details of principal associated companies are given in note 53.

## 25 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	<b>2010</b> HK\$m	2009 HK\$m	<b>2010</b> HK\$m	2009 HK\$m
Non-current				
Equity securities				
Unlisted shares and investments, at fair value	<b>2,021.6</b>	2,765.9	<b>24.8</b>	19.8
Listed shares, at market value				
Hong Kong	<b>3,670.6</b>	2,301.3	-	-
Overseas	<b>465.0</b>	432.1	-	-
Debt securities				
Unlisted debentures and convertible bonds, at fair value	<b>10.0</b>	10.0	-	-
	<b>6,167.2</b>	5,509.3	<b>24.8</b>	19.8
Current				
Equity securities				
Listed overseas, at market value	-	105.9	-	-
	<b>6,167.2</b>	5,615.2	<b>24.8</b>	19.8

**25 AVAILABLE-FOR-SALE FINANCIAL ASSETS** (Continued)

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

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Hong Kong dollar	<b>5,298.2</b>	3,904.9	<b>10.9</b>	10.9
Renminbi	<b>348.4</b>	587.6	<b>13.9</b>	8.9
United States dollar	<b>299.6</b>	257.4	–	–
Thai baht	<b>127.4</b>	141.3	–	–
Japanese yen	<b>69.2</b>	695.6	–	–
Others	<b>24.4</b>	28.4	–	–
	<b>6,167.2</b>	5,615.2	<b>24.8</b>	19.8

**26 HELD-TO-MATURITY INVESTMENTS**

	Group	
	2010 HK\$m	2009 HK\$m
Debt securities		
Securities listed overseas	<b>246.0</b>	–
Unlisted debentures	<b>35.9</b>	34.6
	<b>281.9</b>	34.6

**27 DERIVATIVE FINANCIAL INSTRUMENTS**

	Group	
	2010 HK\$m	2009 HK\$m
Non-current assets		
Interest rate swaps	<b>26.1</b>	152.1
Others	<b>146.0</b>	–
	<b>172.1</b>	152.1
Non-current liabilities		
Interest rate swaps	<b>(308.0)</b>	–

Interest rate swaps are classified as non-current items as the remaining maturities are more than 12 months.

The total notional principal amount of the outstanding interest rate swap contracts as at 30 June 2010 was HK\$10,540.0 million (2009: HK\$2,000.0 million).

## 28 PROPERTIES FOR DEVELOPMENT

	Group	
	2010 HK\$m	2009 HK\$m
Land cost	<b>10,739.9</b>	8,631.7
Development cost	<b>5,085.8</b>	3,287.0
	<b>15,825.7</b>	11,918.7
Provision	<b>(157.5)</b>	(766.0)
	<b>15,668.2</b>	11,152.7

The carrying value of properties is analysed as follows:

	Group	
	2010 HK\$m	2009 HK\$m
In Hong Kong:		
Leases of over 50 years	<b>507.5</b>	181.5
Leases of between 10 to 50 years	<b>4,154.1</b>	3,567.1
Outside Hong Kong:		
Freehold	<b>98.7</b>	93.1
Leases of over 50 years	<b>8,881.3</b>	5,583.6
Leases of between 10 to 50 years	<b>2,026.6</b>	1,727.4
	<b>15,668.2</b>	11,152.7

The Group's aggregate carrying value of properties for development pledged as securities for banking facilities granted to the Group amounted to HK\$732.4 million (2009: HK\$511.0 million) (note 42).

## 29 DEFERRED TAXATION

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

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Deferred tax assets	<b>622.5</b>	476.5	–	–
Deferred tax liabilities	<b>(7,319.6)</b>	(5,096.2)	<b>(8.2)</b>	(6.2)
	<b>(6,697.1)</b>	(4,619.7)	<b>(8.2)</b>	(6.2)
At beginning of the year	<b>(4,619.7)</b>	(4,820.6)	<b>(6.2)</b>	(6.8)
Translation differences	<b>0.7</b>	(0.3)	–	–
Acquisition of subsidiaries	<b>(1,319.2)</b>	(210.2)	–	–
Disposal of subsidiaries	<b>3.6</b>	7.8	–	–
Reclassified as assets held for sale	<b>1.5</b>	–	–	–
(Charged)/credited to income statement (note 11)	<b>(830.9)</b>	454.7	<b>(2.0)</b>	0.6
Credited/(charged) to reserves	<b>66.9</b>	(51.1)	–	–
At end of the year	<b>(6,697.1)</b>	(4,619.7)	<b>(8.2)</b>	(6.2)

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

### Group

#### Deferred tax assets

	Provisions		Accelerated accounting depreciation		Tax losses		Unrealised intra-group profit		Other items		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At beginning of the year	<b>13.4</b>	13.7	<b>23.8</b>	27.1	<b>162.7</b>	109.5	<b>321.9</b>	276.3	<b>56.7</b>	47.8	<b>578.5</b>	474.4
Translation differences	–	–	–	(0.1)	–	–	–	–	–	–	–	(0.1)
Acquisition of subsidiaries	–	–	–	–	<b>12.4</b>	–	–	–	<b>1.3</b>	–	<b>13.7</b>	–
Disposal of subsidiaries	–	–	<b>(4.5)</b>	–	<b>(7.6)</b>	–	–	–	–	–	<b>(12.1)</b>	–
Reclassified as assets held for sale	–	–	<b>(0.6)</b>	–	<b>(0.2)</b>	–	–	–	–	–	<b>(0.8)</b>	–
Credited/(charged) to income statement	<b>8.7</b>	(0.3)	<b>(7.1)</b>	(3.2)	<b>192.8</b>	53.2	<b>(45.1)</b>	45.6	<b>9.9</b>	8.9	<b>159.2</b>	104.2
At end of the year	<b>22.1</b>	13.4	<b>11.6</b>	23.8	<b>360.1</b>	162.7	<b>276.8</b>	321.9	<b>67.9</b>	56.7	<b>738.5</b>	578.5

## 29 DEFERRED TAXATION (Continued)

### Group (Continued)

#### Deferred tax liabilities

	Accelerated tax depreciation		Valuation of properties		Income from sales of properties		Fair value adjustments of properties on acquisitions		Amortisation of intangible concession rights		Undistributed profits of subsidiaries, jointly controlled entities & associated companies		Other items		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At beginning of the year	(1,699.2)	(1,634.7)	(2,434.3)	(2,763.0)	(7.7)	(21.9)	(760.2)	(621.5)	(81.2)	(93.9)	(70.3)	(68.8)	(145.3)	(91.2)	(5,198.2)	(5,295.0)
Translation differences	0.7	-	-	(0.1)	-	-	-	(0.1)	-	-	-	-	-	-	0.7	(0.2)
Acquisition of subsidiaries	(1.0)	-	-	-	-	-	(1,331.6)	(210.2)	-	-	-	-	(0.3)	-	(1,332.9)	(210.2)
Disposal of subsidiaries	15.7	0.2	-	1.4	-	-	-	-	-	6.2	-	-	-	-	15.7	7.8
Reclassified as assets held for sale	2.3	-	-	-	-	-	-	-	-	-	-	-	-	-	2.3	-
(Charged)/credited to income statement	(174.5)	(64.7)	(815.7)	327.4	-	14.2	101.5	71.6	2.1	6.5	(101.4)	(1.5)	(2.1)	(3.0)	(990.1)	350.5
Credited/(charged) to investment revaluation reserve	-	-	-	-	-	-	-	-	-	-	-	-	66.9	(51.1)	66.9	(51.1)
At end of the year	(1,856.0)	(1,699.2)	(3,250.0)	(2,434.3)	(7.7)	(7.7)	(1,990.3)	(760.2)	(79.1)	(81.2)	(171.7)	(70.3)	(80.8)	(145.3)	(7,435.6)	(5,198.2)

Deferred tax liabilities of the Company amounting to HK\$8.2 million (2009: HK\$6.2 million) are arising from valuation of properties held.

Deferred tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$10,398.0 million (2009: HK\$9,545.3 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$886.2 million (2009: HK\$889.3 million) which will expire at various dates up to and including 2015 (2009: 2014).

As at 30 June 2010, the aggregate amount of temporary differences associated with investments in subsidiaries and jointly controlled entities for which deferred tax liabilities have not been recognised totalled approximately HK\$0.5 billion (2009: HK\$1 billion), as the directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the foreseeable future.

**30 OTHER NON-CURRENT ASSETS**

	Group	
	2010 HK\$m	2009 HK\$m
Deposits for proposed investments		
– Fibre optic backbone network (note (a))	–	–
– Others	<b>291.5</b>	–
Retirement benefit assets (note 15(b)(i))	<b>12.1</b>	28.5
Long-term receivables (note (b))	<b>244.2</b>	605.1
Long-term prepayments and deposits	<b>737.4</b>	864.0
Restricted bank deposits (note 37)	<b>9.1</b>	26.1
Others	–	8.5
	<b>1,294.3</b>	1,532.2

## Notes:

## (a) Deposits for proposed investments – fibre optic backbone network

Deposits for proposed investments include deposits and loan totalling approximately HK\$2,160.0 million made by New World TMT Limited (“NWTMT”), a wholly owned subsidiary, to a company established in the PRC (“PRC Entity”) in 2002 in connection with the proposed investment of up to 70.0% interest in a fibre optic backbone network in the PRC.

In June 2004, NWTMT requested to withdraw from the proposed investment and demanded for repayment, however, there is no repayment of the amounts owed to NWTMT.

The directors have taken into consideration the uncertainties in recovering the amounts owed to NWTMT and have concluded that a full provision of HK\$2,160.0 million made in previous year against the deposits and loan made to the PRC Entity remains most appropriate for the purpose of the financial statements for the year ended 30 June 2010.

## (b) Long-term receivables

	Group	
	2010 HK\$m	2009 HK\$m
Accounts receivable, net of provision	<b>39.5</b>	607.1
Other loans	<b>246.8</b>	149.1
	<b>286.3</b>	756.2
Amounts receivable within one year included in debtors and prepayments	<b>(42.1)</b>	(151.1)
	<b>244.2</b>	605.1

### 31 PROPERTIES UNDER DEVELOPMENT

	Group	
	2010 HK\$m	2009 HK\$m
Land cost	<b>14,115.9</b>	10,446.6
Development cost	<b>12,026.2</b>	6,119.0
	<b>26,142.1</b>	16,565.6
Provision	<b>(733.1)</b>	(301.5)
	<b>25,409.0</b>	16,264.1

The carrying value of properties is analysed as follows:

	Group	
	2010 HK\$m	2009 HK\$m
In Hong Kong:		
Leases of over 50 years	<b>1,330.9</b>	1,177.5
Leases of between 10 to 50 years	<b>11,614.9</b>	7,518.7
Outside Hong Kong:		
Leases of over 50 years	<b>7,763.0</b>	5,920.4
Leases of between 10 to 50 years	<b>4,700.2</b>	1,647.5
	<b>25,409.0</b>	16,264.1

The Group's aggregate carrying value of properties under development pledged as securities for banking facilities granted to the Group borrowings amounted to HK\$9,561.0 million (2009: HK\$6,779.0 million) (note 42).

	2010 HK\$m	2009 HK\$m
Properties under development:		
Expected to be completed and available for sale after more than 12 months	<b>16,369.3</b>	14,315.5
Expected to be completed and available for sale within 12 months	<b>9,039.7</b>	1,948.6
	<b>25,409.0</b>	16,264.1

**32 PROPERTIES HELD FOR SALE**

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Land cost	<b>3,806.0</b>	6,280.7	<b>141.6</b>	353.2
Development cost	<b>7,756.2</b>	8,774.2	<b>553.9</b>	1,040.9
	<b>11,562.2</b>	15,054.9	<b>695.5</b>	1,394.1
Provision	<b>(503.3)</b>	(489.4)	–	–
	<b>11,058.9</b>	14,565.5	<b>695.5</b>	1,394.1

The carrying value of properties is analysed as follows:

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
In Hong Kong:				
Leases of over 50 years	<b>73.4</b>	230.5	–	–
Leases of between 10 to 50 years	<b>9,093.9</b>	11,969.8	<b>695.5</b>	1,394.1
Outside Hong Kong:				
Freehold	<b>45.9</b>	45.9	–	–
Leases of over 50 years	<b>1,587.3</b>	2,298.6	–	–
Leases of between 10 to 50 years	<b>258.4</b>	20.7	–	–
	<b>11,058.9</b>	14,565.5	<b>695.5</b>	1,394.1

The Group's and the Company's aggregate carrying value of properties held for sale pledged as securities for borrowings amounted to HK\$2,676.1 million (2009: HK\$10,357.4 million) and HK\$Nil (2009: HK\$1,394.1 million) respectively (note 42).

**33 INVENTORIES**

	Group	
	2010 HK\$m	2009 HK\$m
Raw materials	<b>18.6</b>	35.6
Work-in-progress	<b>5.4</b>	22.9
Finished goods	<b>385.2</b>	344.4
	<b>409.2</b>	402.9



## 34 DEBTORS AND PREPAYMENTS

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Trade debtors (note (a))	<b>1,595.8</b>	7,499.5	–	–
Advances to customers (note (d))	–	1,726.7	–	–
Amounts due from customers for contract work (note 38)	<b>59.7</b>	70.4	–	–
Retention receivable for contract work	<b>728.7</b>	1,335.7	–	–
Payment for purchase of land and land preparatory costs	<b>8,839.3</b>	5,490.6	–	–
Deposits, prepayments and other debtors	<b>5,591.7</b>	4,791.8	<b>73.9</b>	95.8
	<b>16,815.2</b>	20,914.7	<b>73.9</b>	95.8

Notes:

- (a) The Group has different credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Sales proceeds receivable from sale of properties and retention receivable in respect of construction and engineering services are settled in accordance with the terms of respective contracts.

Aging analysis of trade debtors is as follows:

	Group	
	2010 HK\$m	2009 HK\$m
Current to 30 days	<b>992.9</b>	6,630.5
31 to 60 days	<b>142.8</b>	316.4
Over 60 days	<b>460.1</b>	552.6
	<b>1,595.8</b>	7,499.5

There is no concentration of credit risk with respect to trade debtors as the customer bases are widely dispersed in different sectors and industries.

- (b) At 30 June 2010, 53.9% (2009: 89.0%) of trade debtors is neither past due nor impaired, and trade debtors of HK\$736.2 million (2009: HK\$784.2 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade debtors is as follows:

	Group	
	2010 HK\$m	2009 HK\$m
Current to 30 days	<b>252.4</b>	323.6
31 to 60 days	<b>117.3</b>	101.1
Over 60 days	<b>366.5</b>	359.5
	<b>736.2</b>	784.2

**34 DEBTORS AND PREPAYMENTS** (Continued)

Notes: (Continued)

(b) (Continued)

At 30 June 2010, trade debtors of HK\$100.1 million (2009: HK\$163.5 million) were impaired. The amount of the provision was HK\$80.1 million (2009: HK\$159.3 million). The aging of these debtors is as follows:

	Group	
	2010 HK\$m	2009 HK\$m
Current to 30 days	8.0	0.1
31 to 60 days	3.1	1.3
Over 60 days	89.0	162.1
	<b>100.1</b>	163.5

(c) Movements on the provision for impairment of trade debtors are as follows:

	Group	
	2010 HK\$m	2009 HK\$m
At beginning of the year	159.3	243.6
Increase in provision recognised in income statement	4.6	45.6
Amounts recovered	(6.8)	(3.5)
Amounts written off during the year	(77.0)	(126.4)
At end of the year	<b>80.1</b>	159.3

(d) Before the disposal of the Group's securities business (note 48(d)), the Group had made loans to margin clients. The majority of the loans to margin client were secured by the underlying pledged securities and were interest bearing.

(e) The carrying amounts of the debtors and prepayments, which approximate their fair values, are denominated in the following currencies:

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Hong Kong dollar	4,569.6	9,985.0	73.9	95.8
Renminbi	11,271.1	9,352.0	-	-
Macau pataca	607.1	1,159.2	-	-
United States dollar	358.4	246.1	-	-
Others	9.0	172.4	-	-
	<b>16,815.2</b>	20,914.7	<b>73.9</b>	95.8

(f) Except for the advances to customers which are secured by the underlying pledged securities (note (d)) and hence subjected to minimum credit risk, the Group does not hold any collateral as security for the remaining debtors and prepayments balances. The maximum exposure of the remaining debtors and prepayment balances to credit risk at the reporting date is the carrying value mentioned above.

### 35 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010 HK\$m	2009 HK\$m
Non-current		
Unlisted equity securities, at fair value	211.0	378.1
Listed shares in Hong Kong, at market value	59.8	–
	<b>270.8</b>	378.1
Current		
Unlisted securities, at fair value		
Equity securities	21.3	34.0
Debt securities	–	4.4
Listed shares in Hong Kong, at market value	34.0	24.9
	<b>55.3</b>	63.3
Total	<b>326.1</b>	441.4
Held for trading	35.5	58.9
Designated as financial assets at fair value through profit or loss	290.6	382.5
Total	<b>326.1</b>	441.4

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

	Group	
	2010 HK\$m	2009 HK\$m
Hong Kong dollar	93.8	27.4
Renminbi	211.0	359.9
United States dollar	21.3	54.1
	<b>326.1</b>	441.4

### 36 CASH HELD ON BEHALF OF CUSTOMERS

The cash held on behalf of customer was restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. Accordingly, the Group maintained segregated trust accounts with authorised institutions to hold clients' monies arising from its securities businesses. As set out in note 48(d), the Group disposed of its controlling interest in securities business in December 2009.

**37 CASH AND BANK BALANCES**

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Cash and bank balances	<b>14,756.3</b>	9,725.9	<b>172.1</b>	30.2
Bank deposits				
Restricted	<b>100.1</b>	283.3	–	–
Unrestricted	<b>8,752.3</b>	4,354.1	–	–
Cash and bank balances	<b>23,608.7</b>	14,363.3	<b>172.1</b>	30.2
Restricted bank deposits included in other non-current assets (note 30)	<b>(9.1)</b>	(26.1)	–	–
	<b>23,599.6</b>	14,337.2	<b>172.1</b>	30.2

The effective interest rates on bank deposits range from 0.0001% to 4.41% (2009: 0.0001% to 4.14%) per annum and these deposits have maturities ranging from 1 to 365 days (2009: 2 to 730 days).

The carrying amounts of the cash and bank balances, which approximate their fair values, are denominated in the following currencies:

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Hong Kong dollar	<b>11,155.1</b>	4,575.6	<b>172.1</b>	30.2
Renminbi	<b>11,331.1</b>	7,689.6	–	–
United States dollar	<b>834.7</b>	1,714.3	–	–
Others	<b>287.8</b>	383.8	–	–
	<b>23,608.7</b>	14,363.3	<b>172.1</b>	30.2

Restricted bank deposits are funds which are pledged to secure certain short-term borrowings and long-term borrowings (note 42).

The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

### 38 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	Group	
	2010 HK\$m	2009 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses	<b>21,902.8</b>	32,107.9
Progress payments received and receivable	<b>(22,105.6)</b>	(32,517.5)
	<b>(202.8)</b>	(409.6)
Representing:		
Gross amounts due from customers for contract work (note 34)	<b>59.7</b>	70.4
Gross amounts due to customers for contract work (note 44)	<b>(262.5)</b>	(480.0)
	<b>(202.8)</b>	(409.6)

### 39 NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

	Group	
	2010 HK\$m	2009 HK\$m
<b>Non-current assets classified as assets held for sale</b>		
Listed securities at market value		
Equity securities listed in Hong Kong	<b>13.3</b>	10.8
Equity securities listed in Mainland China	<b>115.9</b>	255.0
Unlisted equity securities	<b>546.5</b>	–
Interests in a jointly controlled entity (note (a))	–	1,025.2
Assets of the Disposal Group reclassified as held for sale (note (b))	<b>1,700.8</b>	–
	<b>2,376.5</b>	1,291.0
<b>Liabilities directly associated with assets held for sale</b>		
Liabilities of the Disposal Group reclassified as held for sale (note (b))	<b>(1,294.4)</b>	–

**39 NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE** (Continued)

Notes:

- (a) In April 2009, the Group entered into an agreement to dispose of a 50% equity interest in Shanghai Juyi Real Estate Development Co., Ltd. (“Juyi”) which is engaged in property development in the PRC. The disposal was completed in November 2009 for a consideration of HK\$1,174 million and the Group ceased to have any interest in Juyi.
- (b) On 11 June 2010, NWSH entered into agreements in respect of the disposal of certain of its non-core businesses under a management buyout arrangement, including (a) laundry and landscaping; (b) security and guarding; (c) trading of building materials; (d) senior residents’ home; (e) insurance and brokerage; (f) property management in Hong Kong; (g) cleaning; and (h) electrical and mechanical engineering (the “Disposed Group”) subject to certain conditions precedent. Total consideration for the disposal was HK\$888.5 million and the expected gain for NWSH would amount to approximately HK\$300.0 million upon completion of the transactions. Assets and liabilities of the Disposal Group are reclassified as held for sale accordingly.

	<b>2010 HK\$m</b>
<b>Assets</b>	
Property, plant and equipment	<b>151.8</b>
Leasehold land and land use rights	<b>52.4</b>
Interests in associated companies	<b>6.1</b>
Interests in jointly controlled entities	<b>3.8</b>
Other non-current assets	<b>9.4</b>
Inventories	<b>31.0</b>
Debtors and prepayments	<b>877.1</b>
Cash and bank balances	<b>569.2</b>
<b>Assets of the Disposed Group reclassified as held for sale</b>	<b>1,700.8</b>
<b>Liabilities</b>	
Deferred tax liabilities	<b>(1.5)</b>
Other non-current liabilities	<b>(25.0)</b>
Trade and other payables	<b>(1,235.5)</b>
Current tax payable	<b>(32.3)</b>
Borrowings	<b>(0.1)</b>
<b>Liabilities of the Disposed Group reclassified as held for sale</b>	<b>(1,294.4)</b>

## 40 SHARE CAPITAL

	2010		2009	
	Number of shares (million)	HK\$m	Number of shares (million)	HK\$m
Authorised:				
Shares of HK\$1.00 each	<b>10,000.0</b>	<b>10,000.0</b>	10,000.0	10,000.0
Issued and fully paid:				
Shares of HK\$1.00 each				
At beginning of the year	<b>3,867.3</b>	<b>3,867.3</b>	3,736.5	3,736.5
Issue of new shares as scrip dividends	<b>50.7</b>	<b>50.7</b>	130.8	130.8
At end of the year	<b>3,918.0</b>	<b>3,918.0</b>	3,867.3	3,867.3

During the year, 33,335,047 and 17,335,342 new shares were issued by the Company at HK\$14.95300 and HK\$12.81952 per share respectively for the settlement of 2009 final scrip dividends and 2010 interim scrip dividends.

## 41 RESERVES

	Group									
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Exchange reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2009	37.7	28,938.8	128.4	2,016.5	1,025.9	910.7	1,089.9	3,533.7	32,863.4	70,545.0
Change in fair value of available-for-sale financial assets, net of taxation	-	-	-	55.0	-	-	-	-	-	55.0
Disposal of non-current assets classified as held for sale	-	-	-	1.6	-	-	-	(5.7)	-	(4.1)
Disposal of available-for-sale financial assets, net of taxation	-	-	-	(250.6)	-	-	-	-	-	(250.6)
Impairment loss of available-for-sale financial assets	-	-	-	55.7	-	-	-	-	-	55.7
Redemption of convertible bonds	-	-	-	-	-	-	(249.8)	-	249.8	-
Issue of new shares as scrip dividends	-	669.8	-	-	-	-	-	-	-	669.8
Employees' share-based payments	-	-	-	-	-	48.3	-	-	-	48.3
Share options lapsed	-	-	-	-	-	(6.7)	-	-	4.5	(2.2)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	(18.8)	(18.8)
Disposal of subsidiaries	-	-	-	1.3	(20.1)	-	-	(6.7)	18.2	(7.3)
Deemed disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	(74.5)	(74.5)
Profit attributable to shareholders	-	-	-	-	-	-	-	-	11,612.6	11,612.6
Share of changes in other reserves of a jointly controlled entity	-	-	-	-	3.5	-	-	-	-	3.5
Cash flow hedges	-	-	-	-	(3.4)	-	-	-	-	(3.4)
Transfer of reserves	-	-	-	-	23.3	-	-	(0.5)	(22.8)	-
Revaluation of property upon reclassification from property, plant and equipment to investment properties	-	-	1,000.9	-	-	-	-	-	-	1,000.9
Translation differences	-	-	-	-	-	-	-	5.3	-	5.3
2009 final dividend paid	-	-	-	-	-	-	-	-	(812.1)	(812.1)
2010 interim dividend paid	-	-	-	-	-	-	-	-	(390.1)	(390.1)
At 30 June 2010	37.7	29,608.6	1,129.3	1,879.5	1,029.2	952.3	840.1	3,526.1	43,430.2	82,433.0
Representing:										
At 30 June 2010	37.7	29,608.6	1,129.3	1,879.5	1,029.2	952.3	840.1	3,526.1	42,333.2	81,336.0
2010 proposed final dividend	-	-	-	-	-	-	-	-	1,097.0	1,097.0
	37.7	29,608.6	1,129.3	1,879.5	1,029.2	952.3	840.1	3,526.1	43,430.2	82,433.0



## 41 RESERVES (Continued)

	Group									
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Exchange reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2008	37.7	27,924.8	128.4	1,558.9	990.2	835.0	1,116.5	3,732.7	32,334.1	68,658.3
Change in fair value of available-for-sale financial assets, net of taxation	-	-	-	386.7	-	-	-	-	-	386.7
Disposal of non-current assets classified as held for sale	-	-	-	2.0	-	-	-	(7.2)	-	(5.2)
Disposal of available-for-sale financial assets, net of taxation	-	-	-	(230.7)	-	-	-	-	-	(230.7)
Impairment loss of available-for-sale financial assets	-	-	-	299.6	-	-	-	-	-	299.6
Repurchase of convertible bonds	-	-	-	-	-	-	(26.6)	-	22.9	(3.7)
Issue of new shares as scrip dividends	-	1,014.0	-	-	-	-	-	-	-	1,014.0
Employees' share-based payments	-	-	-	-	-	85.3	-	-	-	85.3
Share options lapsed	-	-	-	-	-	(9.6)	-	-	6.0	(3.6)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	2.9	(234.5)	(231.6)
Deemed acquisition of interests in subsidiaries	-	-	-	-	-	-	-	-	(13.9)	(13.9)
Disposal of subsidiaries	-	-	-	-	-	-	-	(188.7)	-	(188.7)
Deemed disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	(7.8)	(7.8)
Profit attributable to shareholders	-	-	-	-	-	-	-	-	2,083.5	2,083.5
Share of changes in other reserves of a jointly controlled entity	-	-	-	-	(4.8)	-	-	-	-	(4.8)
Transfer of reserves	-	-	-	-	40.5	-	-	-	(40.5)	-
Translation differences	-	-	-	-	-	-	-	(6.0)	-	(6.0)
2008 final dividend paid	-	-	-	-	-	-	-	-	(939.6)	(939.6)
2009 interim dividend paid	-	-	-	-	-	-	-	-	(346.8)	(346.8)
At 30 June 2009	37.7	28,938.8	128.4	2,016.5	1,025.9	910.7	1,089.9	3,533.7	32,863.4	70,545.0
Representing:										
At 30 June 2009	37.7	28,938.8	128.4	2,016.5	1,025.9	910.7	1,089.9	3,533.7	32,051.3	69,732.9
2009 proposed final dividend	-	-	-	-	-	-	-	-	812.1	812.1
	37.7	28,938.8	128.4	2,016.5	1,025.9	910.7	1,089.9	3,533.7	32,863.4	70,545.0

**41 RESERVES** (Continued)

Note:

Effect on transfer to the non-controlling interests of the Group for the year ended 30 June 2010:

	<b>2010</b> <b>HK\$m</b>	2009 HK\$m
Total comprehensive income for the year attributable to the shareholders of the Company	<b>12,468.2</b>	2,334.4
Transfer to the non-controlling interests		
Acquisition of additional interests in subsidiaries	<b>(18.8)</b>	(231.6)
Deemed acquisition of interests in subsidiaries	–	(13.9)
Deemed disposal of interests in subsidiaries	<b>(74.5)</b>	(7.8)
Net transfer to the non-controlling interests	<b>(93.3)</b>	(253.3)
Total comprehensive income for the year attributable to the shareholders of the Company and net transfer to the non-controlling interests	<b>12,374.9</b>	2,081.1

	<b>Company</b>					
	<b>Capital redemption reserve</b> HK\$m	<b>Share premium</b> HK\$m	<b>Investment revaluation reserve</b> HK\$m	<b>Employees' share-based compensation reserve</b> HK\$m	<b>Retained profits</b> HK\$m	<b>Total</b> HK\$m
At 1 July 2009	<b>37.7</b>	<b>28,938.8</b>	<b>9.4</b>	<b>775.7</b>	<b>11,453.5</b>	<b>41,215.1</b>
Issue of shares as scrip dividends	–	<b>669.8</b>	–	–	–	<b>669.8</b>
Employees' share-based payments	–	–	–	<b>14.3</b>	–	<b>14.3</b>
Share options lapsed	–	–	–	<b>(3.6)</b>	<b>3.6</b>	–
Change in fair value of available-for-sale financial assets	–	–	<b>5.0</b>	–	–	<b>5.0</b>
Profit for the year	–	–	–	–	<b>3,412.8</b>	<b>3,412.8</b>
2009 final dividend paid	–	–	–	–	<b>(812.1)</b>	<b>(812.1)</b>
2010 interim dividend paid	–	–	–	–	<b>(390.1)</b>	<b>(390.1)</b>
At 30 June 2010	<b>37.7</b>	<b>29,608.6</b>	<b>14.4</b>	<b>786.4</b>	<b>13,667.7</b>	<b>44,114.8</b>
Representing:						
At 30 June 2010	<b>37.7</b>	<b>29,608.6</b>	<b>14.4</b>	<b>786.4</b>	<b>12,570.7</b>	<b>43,017.8</b>
2010 proposed final dividend	–	–	–	–	<b>1,097.0</b>	<b>1,097.0</b>
	<b>37.7</b>	<b>29,608.6</b>	<b>14.4</b>	<b>786.4</b>	<b>13,667.7</b>	<b>44,114.8</b>

## 41 RESERVES (Continued)

	Company					
	Capital redemption reserve HK\$m	Share premium HK\$m	Investment revaluation reserve HK\$m	Employees' share-based compensation reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2008	37.7	27,924.8	12.1	754.7	11,258.3	39,987.6
Issue of shares as scrip dividends	–	1,014.0	–	–	–	1,014.0
Employees' share-based payments	–	–	–	27.0	–	27.0
Share options lapsed	–	–	–	(6.0)	3.0	(3.0)
Change in fair value of available-for-sale financial assets	–	–	(2.7)	–	–	(2.7)
Profit for the year	–	–	–	–	1,478.6	1,478.6
2008 final dividend paid	–	–	–	–	(939.6)	(939.6)
2009 interim dividend paid	–	–	–	–	(346.8)	(346.8)
At 30 June 2009	37.7	28,938.8	9.4	775.7	11,453.5	41,215.1
Representing:						
At 30 June 2009	37.7	28,938.8	9.4	775.7	10,641.4	40,403.0
2009 proposed final dividend	–	–	–	–	812.1	812.1
	37.7	28,938.8	9.4	775.7	11,453.5	41,215.1

**42 BORROWINGS**

	Group	
	2010 HK\$m	2009 HK\$m
Long-term borrowings		
Secured bank loans	<b>18,858.8</b>	14,951.5
Unsecured bank loans	<b>18,990.6</b>	17,987.0
Convertible bonds (note (b))	<b>6,469.4</b>	8,431.6
Fixed rate bonds (note (c))	<b>5,841.6</b>	–
Loans from non-controlling shareholders (note (d))	<b>177.1</b>	190.2
	<b>50,337.5</b>	41,560.3
Current portion of long-term borrowings	<b>(5,623.3)</b>	(7,796.2)
	<b>44,714.2</b>	33,764.1
Short-term borrowings		
Secured bank loans	<b>202.1</b>	4,476.9
Unsecured bank loans	<b>213.6</b>	2,598.8
Other unsecured loans	<b>146.1</b>	105.0
Loans from non-controlling shareholders (note (d))	<b>1,420.0</b>	1,814.0
	<b>1,981.8</b>	8,994.7
Current portion of long-term borrowings	<b>5,623.3</b>	7,796.2
	<b>7,605.1</b>	16,790.9
Total borrowings	<b>52,319.3</b>	50,555.0

Notes:

(a) Maturity of bank loans is as follows:

	Group	
	2010 HK\$m	2009 HK\$m
Within one year	<b>6,039.0</b>	12,198.0
In the second year	<b>11,657.6</b>	6,385.5
In the third to fifth year	<b>18,372.2</b>	21,219.7
After the fifth year	<b>2,196.3</b>	211.0
	<b>38,265.1</b>	40,014.2

## 42 BORROWINGS (Continued)

Notes: (Continued)

### (b) Convertible bonds

	Group	
	2010 HK\$m	2009 HK\$m
Convertible bonds		
HK\$6,000.0 million due 2014 (note (i))	6,108.2	5,757.9
RMB2,800.0 million due 2012 (note (ii))	361.2	2,673.7
	<b>6,469.4</b>	<b>8,431.6</b>

- (i) On 4 June 2007, a subsidiary of the Company issued guaranteed convertible bonds in the aggregate amount of HK\$6,000.0 million, which are convertible into fully paid shares with par value of HK\$1.00 each of the Company.

The bonds, guaranteed by the Company, are convertible into shares of the Company at a conversion price of HK\$26.784 per share at any time on and after 16 July 2007 up to 25 May 2014, subject to adjustments according to the terms governing the convertible bonds. The bonds are redeemable by the issuer at any time on or after 4 June 2012 at the option of the issuer, subject to the terms governing the convertible bonds. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed on the maturity date on 4 June 2014 at 128.3716% of the principal amount.

The fair value of the liability component at the date of the issue of the bonds, included in the 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 the convertible bond capital reserve. The present value of the liability component of the convertible bonds at 30 June 2010, which was estimated using cash flows discounted at a rate of 5.7% (2009: 8.5%), amounted to HK\$6,178.0 million (2009: HK\$5,118.0 million).

Interest expense on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 6.1% (2009: 6.1%) per annum to the liability component.

- (ii) In June 2007, a subsidiary of NWCL issued US dollar settled guaranteed convertible bonds 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.

The bonds, guaranteed by NWCL, are convertible into shares of NWCL at an initial conversion price of HK\$8.044 per share at any time on and after 26 June 2007 up to 26 May 2012, with the Renminbi principal amount of the bonds translated into Hong Kong dollar at a fixed rate of HK\$1 to RMB0.9848, subject to adjustments according to the terms governing the convertible bonds. The bonds are redeemable by the issuer at any time on or after 11 June 2010 at the option of the issuer, subject to the terms governing the convertible bonds. Moreover, the bondholders have the option to redeem all or some of the bonds held by them on 11 June 2010 at 102.27% of the principal amount. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed on the maturity date on 11 June 2012 at 103.81% of the principal amount.

As a result of the payment of 2009 interim and final dividend, the conversion price of the convertible bonds was adjusted to HK\$6.84 with effect from 9 December 2009.

During the year, principal amount of convertible bonds of RMB2,218.8 million was redeemed (2009: RMB250.0 million was repurchased).

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 the convertible bond capital reserve. The present value of the liability component of the convertible bonds at 30 June 2010, which was estimated using cash flows discounted at a rate of 9.3% (2009: 11.8%) and at the exchange rate ruling at the end of the reporting period, amounted to HK\$328.5 million (equivalent to RMB289.1 million) (2009: HK\$2,172.9 million (equivalent to RMB1,912.1 million)).

Interest expense on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 4.1% (2009: 4.1%) per annum to the liability component.

**42 BORROWINGS** (Continued)

Notes: (Continued)

## (c) Fixed rate bonds

On 10 February 2010 and 9 April 2010, a subsidiary of the Company issued 7% bonds in the aggregate amounts of US\$500.0 million and US\$250.0 million (equivalent to approximately HK\$3,893.2 million and HK\$1,946.0 million) respectively.

US\$500.0 million of the bonds were issued at a price of 100% of the principal amount. US\$250.0 million of the bonds were issued at a price of 102.268% of the principal amount, resulting in a premium on issue of approximately US\$5.7 million (equivalent to approximately HK\$44.1 million).

These bonds bear interest at a coupon rate of 7% per annum, payable semi-annually in arrear on 10 February and 10 August of each year. These bonds are guaranteed unconditionally and irrevocably by the Company and listed on The Stock Exchange of Hong Kong Limited.

The bonds are redeemable by the issuer at any time at the option of the issuer, subject to terms governing the bonds. Unless previously redeemed, or purchased and cancelled, the bonds will be redeemed on the maturity date on 10 February 2020 at the principal amount.

As at 30 June 2010, the fair value of the bonds amounted to US\$750.8 million (equivalent to approximately HK\$5,846.0 million) which is based on the quoted market price.

## (d) Loans from non-controlling shareholders

The loans of HK\$81.1 million (2009: HK\$94.2 million) are unsecured and bear interest at fixed rates at 5.0% to 6.0% (2009: 5.0% to 6.0%) per annum. The remaining loans are unsecured and interest free. A total amount of HK\$177.1 million (2009: HK\$190.2 million) is not repayable within the next 12 months and the remaining balances have no specific repayment term.

## (e) Effective interest rates

	2010				2009			
	Hong Kong dollar	Renminbi	United States dollars	Japanese yen	Hong Kong dollar	Renminbi	United States dollars	Japanese yen
Bank borrowings	1.3%	5.4%	5.3%	0.5%	1.5%	6.1%	8.2%	-
Loans from non-controlling shareholders	5.0%	-	-	-	5.0%	-	-	-
Other unsecured loans	3.0%	-	-	-	4.0%	-	-	-

The effective interest rates of the convertible bonds and fixed rate bonds are disclosed in notes (b) and (c) above respectively.

## (f) Carrying amounts and fair values of the borrowings

The present value of the liability component of the convertible bonds and the fair value of the fixed rate bonds at the end of each reporting period is disclosed in notes (b) and (c) above respectively. The carrying amounts of other borrowings approximate their fair values.

## 42 BORROWINGS (Continued)

Notes: (Continued)

(g) Currencies

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

	Group	
	2010 HK\$m	2009 HK\$m
Hong Kong dollar	38,443.8	42,703.5
Renminbi	7,408.1	7,119.9
United States dollar	6,410.2	731.6
Japanese yen	57.2	–
	<b>52,319.3</b>	50,555.0

(h) The contractual repricing dates or maturity (whichever is earlier) of the interest-bearing borrowings are as follows:

	Group				
	Bank loans HK\$m	Other loans HK\$m	Loans from non-controlling shareholders HK\$m	Fixed rate bonds HK\$m	Total HK\$m
2010					
Within one year	38,265.1	146.1	–	–	38,411.2
After the fifth year	–	–	81.1	5,841.6	5,922.7
	<b>38,265.1</b>	<b>146.1</b>	<b>81.1</b>	<b>5,841.6</b>	<b>44,333.9</b>
2009					
Within one year	40,014.2	105.0	–	–	40,119.2
After the fifth year	–	–	94.2	–	94.2
	40,014.2	105.0	94.2	–	40,213.4

## 43 OTHER NON-CURRENT LIABILITIES

	Group	
	2010 HK\$m	2009 HK\$m
Deferred income	18.7	16.5
Provision for long service payments	35.2	40.2
Long-term accounts payable	348.7	318.3
	<b>402.6</b>	375.0

**44 CREDITORS AND ACCRUED CHARGES**

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Trade creditors (note (a))	<b>7,137.3</b>	12,574.0	–	–
Amounts due to customers for contract work (note 38)	<b>262.5</b>	480.0	–	–
Deposits received on sale of properties	<b>6,900.9</b>	2,118.4	–	–
Other creditors and accrued charges	<b>9,660.2</b>	6,248.2	<b>709.2</b>	443.4
	<b>23,960.9</b>	21,420.6	<b>709.2</b>	443.4

Notes:

- (a) Aging analysis of trade creditors is as follows:

	2010 HK\$m	2009 HK\$m
Current to 30 days	<b>5,325.6</b>	6,286.0
31 to 60 days	<b>549.9</b>	495.4
Over 60 days	<b>1,261.8</b>	1,098.5
	<b>7,137.3</b>	7,879.9
Payable arising from securities business	–	4,694.1
	<b>7,137.3</b>	12,574.0

Payables arising from securities business as at 30 June 2009 mainly represented accounts payable to clients, brokers, dealers and clearing houses. The majority of accounts payable balances were repayable on demand except for certain payables to clients represented those required margin deposits received from clients for their trading activities under normal course of business. The payable was derecognised upon the disposal of the Group's securities business (note 48(d)).

- (b) The carrying amounts of creditors and accrued charges, which approximate their fair values, are denominated in the following currencies:

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Hong Kong dollar	<b>12,332.3</b>	13,530.5	<b>709.2</b>	443.4
Renminbi	<b>10,625.8</b>	6,087.0	–	–
Macao pataca	<b>764.0</b>	1,575.4	–	–
United States dollar	<b>97.9</b>	101.5	–	–
Others	<b>140.9</b>	126.2	–	–
	<b>23,960.9</b>	21,420.6	<b>709.2</b>	443.4



## 45 FINANCIAL INSTRUMENTS BY CATEGORY

In accordance with HKFRS 7, the financial assets and financial liabilities of the Group and the Company as shown in the statement of financial positions are classified as follows:

- (a) Financial assets at fair value through profit or loss and derivative financial instruments are categorised as financial assets at fair value through profit or loss and carried at fair value;
- (b) Available-for-sale financial assets are categorised as available-for-sale financial assets and carried at fair value;
- (c) Held-to-maturity investments are categorised as held-to-maturity investments and carried at amortised cost using the effective interest method;
- (d) Long-term receivables, long-term deposits, restricted bank deposits, trade and other debtors, and cash and bank balances are categorised as loans and receivables and carried at amortised cost using the effective interest method; and
- (e) Borrowings, trade and other creditors are categorised as financial liabilities and carried at amortised cost using the effective interest method. Derivative financial liabilities are categorised as financial liabilities at fair value through profit or loss and carried at fair value.

## 46 COMMITMENTS

### (a) Capital commitments

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Contracted but not provided for				
Property, plant and equipment	<b>316.9</b>	610.5	–	–
Investment properties under development	<b>1,173.1</b>	–	–	–
A subsidiary	–	–	<b>55.0</b>	55.0
Jointly controlled entities and associated companies	<b>1,115.1</b>	1,291.1	–	–
Listed investment	<b>39.2</b>	–	–	–
Capital contribution for development projects	<b>83.2</b>	2.3	–	–
	<b>2,727.5</b>	1,903.9	<b>55.0</b>	55.0
Authorised but not contracted for				
Property, plant and equipment	<b>1,097.6</b>	706.3	–	–
Investment properties under development	<b>213.4</b>	–	–	–
Capital contribution for A proposed investment (note)	<b>975.8</b>	–	–	–
Proposed development projects	<b>108.0</b>	108.0	–	–
	<b>2,394.8</b>	814.3	–	–

Note: At 30 June 2010, a deposit of HK\$291.5 million (note 30), was paid by the Group in relation to the acquisition of a proposed investment.

**46 COMMITMENTS** (Continued)**(a) Capital commitments** (Continued)

The Group's share of capital commitments of the jointly controlled entities not included above are as follows:

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Contracted but not provided for	<b>603.8</b>	837.6	–	–
Authorised but not contracted for	<b>391.9</b>	672.4	–	–
	<b>995.7</b>	1,510.0	–	–

**(b) Commitments under operating leases**

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

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
Land and buildings				
In the first year	<b>500.1</b>	340.5	–	–
In the second to the fifth year inclusive	<b>1,286.6</b>	1,142.4	–	–
After the fifth year	<b>3,722.9</b>	2,983.9	–	–
	<b>5,509.6</b>	4,466.8	–	–

The Group leases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms ranging from 1 to 20 years. Certain of these leases have escalation clauses and renewal rights.

**(c) Operating lease receivable**

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

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
In the first year	<b>813.0</b>	852.2	<b>7.1</b>	6.9
In the second to the fifth year inclusive	<b>1,193.5</b>	1,049.7	<b>0.6</b>	7.7
After the fifth year	<b>483.0</b>	521.0	–	–
	<b>2,489.5</b>	2,422.9	<b>7.7</b>	14.6

The Group's operating leases are for terms ranging from 1 to 10 years.

## 47 CONTINGENT LIABILITIES AND FINANCIAL GUARANTEE

	Group		Company	
	2010 HK\$m	2009 HK\$m	2010 HK\$m	2009 HK\$m
(a) The Group's and the Company's financial guarantee contracts are as follows:				
Mortgage facilities for certain purchasers of properties	<b>1,654.7</b>	753.5	–	–
Guarantees for credit facilities granted to				
Subsidiaries	–	–	<b>30,671.1</b>	24,767.6
Jointly controlled entities	<b>7,025.1</b>	3,500.4	<b>4,569.5</b>	69.5
Associated companies	<b>125.0</b>	125.0	<b>125.0</b>	125.0
Investee companies included under available-for-sale financial assets	<b>111.7</b>	111.7	–	–
Guarantee for convertible bonds issued by a subsidiary	–	–	<b>6,000.0</b>	6,000.0
Guarantee for fixed rate bonds issued by a subsidiary	–	–	<b>5,812.5</b>	–
Indemnity to non-wholly owned subsidiaries for Mainland China tax liabilities	<b>2,047.4</b>	2,145.5	<b>6,808.7</b>	7,166.1
	<b>10,963.9</b>	6,636.1	<b>53,986.8</b>	38,128.2
(b) The Group's share of contingent liabilities of the jointly controlled entities not included above are as follows:				
Share of contingent liabilities of jointly controlled entities	<b>2.6</b>	2.6	–	–

The Group is in dispute with a joint venture partner in respect of certain property development projects in Mainland China and the parties have taken legal actions against each other in Hong Kong. No statement of claims setting out details of the claims against the Group has been filed. The Group expects that there will not be a material adverse impact on the financial position of the Group.

**48 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS****(a) Reconciliation of operating profit to net cash generated from/(used in) operations**

	<b>2010</b>	2009
	<b>HK\$m</b>	HK\$m
Operating profit	<b>13,683.7</b>	2,329.4
Depreciation	<b>818.2</b>	641.5
Amortisation	<b>175.5</b>	269.8
Changes in fair value of investment properties	<b>(4,765.8)</b>	1,841.2
Write back of provision for		
Loans and other receivables	<b>(31.4)</b>	(18.8)
Properties held for sale	–	(288.0)
Properties under development	<b>(70.7)</b>	–
Gain on remeasuring previously held interests of jointly controlled entities and associated companies at fair value upon further acquisition as subsidiaries	<b>(1,333.8)</b>	(88.9)
Excess of the fair value of net assets acquired over the cost of acquisition of interests of subsidiaries	<b>(732.1)</b>	(50.9)
Loss/(gain) on fair value of financial assets at fair value through profit or loss	<b>510.7</b>	(417.3)
Gain from extinguishment of financial liabilities	–	(140.5)
Gain on repurchase of convertible bonds	–	(67.4)
Loss on redemption of convertible bonds	<b>162.2</b>	–
Net (profit)/loss on disposal of		
Investment properties, property, plant and equipment, leasehold land and land use rights, and intangible concession rights	<b>(156.2)</b>	54.2
Non-current assets classified as assets held for sale	<b>(242.5)</b>	(274.5)
Available-for-sale financial assets	<b>(352.6)</b>	(410.6)
Financial assets at fair value through profit or loss	<b>(24.4)</b>	71.0
Subsidiaries	<b>(996.9)</b>	(604.7)
Jointly controlled entities	–	(71.2)
Associated companies	–	(106.1)
Gain on remeasuring non-controlling interests retained at fair value after disposal of partial interest in a subsidiary	<b>(105.8)</b>	(319.1)
Impairment loss on		
Property, plant and equipment, leasehold land and land use rights	<b>316.5</b>	445.1
Intangible assets	<b>59.4</b>	86.9
Available-for-sale financial assets	<b>55.7</b>	396.3
Loans receivable and other assets	<b>394.1</b>	90.0
Dividend income from available-for-sale financial assets	<b>(211.3)</b>	(111.6)
Share option expenses	<b>55.9</b>	105.0
Operating profit before working capital changes	<b>7,208.4</b>	3,360.8
(Increase)/decrease in inventories	<b>(36.1)</b>	39.8
Increase in properties for/under development and held for sale	<b>(5,060.4)</b>	(9,098.4)
Decrease/(increase) in debtors and prepayments	<b>1,401.4</b>	(2,412.3)
Increase in cash held on behalf of customers	<b>(997.2)</b>	(556.1)
Increase in creditors and accrued charges	<b>6,157.5</b>	1,148.9
(Decrease)/increase in short-term bank loans for advances to customers of securities business	<b>(1,458.2)</b>	1,593.6
Net cash generated from/(used in) operations	<b>7,215.4</b>	(5,923.7)

## 48 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Acquisition of subsidiaries

	2010 HK\$m	2009 HK\$m
Net assets acquired		
Investment properties	900.9	1,040.0
Property, plant and equipment	27.0	84.7
Leasehold land and land use rights	-	253.8
Interests in jointly controlled entities and associated companies	(118.4)	(166.7)
Deferred tax assets	13.7	-
Properties under development	5,504.1	766.1
Properties held for sale	504.2	53.6
Inventories	1.2	-
Debtors and prepayments	1,865.3	58.5
Cash and bank balances	1,379.4	129.4
Creditors and accrued charges	(1,645.9)	(618.2)
Current tax payable	(99.2)	(41.9)
Deferred tax liabilities	(1,332.9)	(210.2)
Long-term borrowings	(1,159.1)	(219.9)
	<b>5,840.3</b>	1,129.2
Interests originally held by the Group as jointly controlled entities and associated companies	<b>(2,778.9)</b>	(516.3)
	<b>3,061.4</b>	612.9
Goodwill on acquisition	56.3	40.6
Excess of the fair value of net assets acquired over the cost of acquisition of interests of subsidiaries	(732.1)	(50.9)
Gain on remeasuring previously held interests of jointly controlled entities and associated companies at fair value upon further acquisition as subsidiaries	(1,333.8)	(88.9)
Consideration	<b>1,051.8</b>	513.7

### (c) Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries

	2010 HK\$m	2009 HK\$m
Cash consideration	(1,051.8)	(513.7)
Cash and bank balances acquired	1,379.4	129.4
	<b>327.6</b>	(384.3)

**48 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS** (Continued)**(d) Disposal of subsidiaries**

	<b>2010</b>	2009
	<b>HK\$m</b>	HK\$m
Net assets disposed		
Investment properties	<b>380.0</b>	11.9
Property, plant and equipment	<b>125.9</b>	23.5
Leasehold land and land use right	–	0.7
Intangible concession rights	–	115.9
Intangible assets	<b>155.7</b>	–
Interests in jointly controlled entities and associated companies	<b>10.8</b>	(651.7)
Available-for-sale financial assets	<b>96.3</b>	225.0
Deferred tax assets	<b>10.6</b>	–
Properties under development	–	2,858.8
Properties held for sale	–	80.9
Inventories	–	11.5
Debtors and prepayments	<b>2,886.9</b>	306.0
Cash held on behalf of customers	<b>4,659.1</b>	–
Financial assets at fair value through profit or loss	<b>58.5</b>	–
Other non-current assets	<b>21.1</b>	–
Cash and bank balances	<b>419.1</b>	217.0
Creditors and accrued charges	<b>(5,511.6)</b>	(291.5)
Current tax payable	<b>(50.3)</b>	(6.1)
Loans from non-controlling shareholders	<b>(3.4)</b>	(66.0)
Borrowings	<b>(726.0)</b>	(1,261.1)
Deferred tax liabilities	<b>(14.2)</b>	(7.8)
Non-controlling interests	<b>(825.9)</b>	(230.5)
	<b>1,692.6</b>	1,336.5
Interest retained by the Group as a jointly controlled entity and an associated company	<b>(307.1)</b>	(963.1)
	<b>1,385.5</b>	373.4
Release of reserves upon disposal		
Investment revaluation reserve	<b>1.3</b>	–
General reserve	<b>(1.9)</b>	–
Exchange reserve	<b>(6.7)</b>	(188.7)
Net gain on disposal of subsidiaries	<b>996.9</b>	604.7
Gain on remeasuring non-controlling interests retained at fair value after disposal of partial interests in a subsidiary	<b>105.8</b>	319.1
Consideration	<b>2,480.9</b>	1,108.5
Satisfied by:		
Cash consideration	<b>2,480.9</b>	1,054.6
Debtors and prepayments	–	53.9
	<b>2,480.9</b>	1,108.5

## 48 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (d) Disposal of subsidiaries (Continued)

Included in the above is the impact of disposal of Taifook Securities, the Group's securities business. Pursuant to the sale and purchase agreement dated 19 November 2009, the Group disposed of part of its interests in Taifook Securities and the transaction was completed on 21 December 2009 (the "Disposal"). Immediately before the completion of the transaction, NWSH held approximately 61.86% interests in Taifook Securities and pursuant to the Disposal, approximately 52.86% interests in Taifook Securities was disposed of and the remaining approximately 9% interests was retained.

### (e) Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries

	2010 HK\$m	2009 HK\$m
Cash consideration	2,480.9	1,054.6
Cash and bank balances disposed	(419.1)	(217.0)
	<b>2,061.8</b>	837.6

## 49 BUSINESS COMBINATIONS

- (a) In September 2009, the Group, through NWCL, acquired 30% interests in Tianjin New World Properties Development Co., Ltd. ("Tianjin New World Properties") without consideration as a result of the withdrawal of the joint venture partner of Tianjin New World Properties from the co-operative joint venture. As a result, Tianjin New World Properties became a wholly-owned subsidiary of the Group. Details of consideration paid and the fair value of the equity interests held at the acquisition date are as follows:

	HK\$m
Consideration transferred	-
Fair value of equity interests held in Tianjin New World Properties before the business combination	1,381.4
	<b>1,381.4</b>

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$m
Property, plant and equipment	0.4
Interests in a jointly controlled entity	(24.3)
Debtors and prepayments	1,660.4
Cash and bank balances	48.4
Creditors and accrued charges	(191.9)
Total identifiable net assets	1,493.0
Excess of fair value of net assets acquired over the cost of acquisition of interests in a subsidiary	(111.6)
	<b>1,381.4</b>

Since the date of acquisition, Tianjin New World Properties did not contribute any revenue and incurred a loss of approximately HK\$5.5 million. If the acquisition had occurred on 1 July 2009, there would not have been material effect on the Group's revenues and profit for the year.

**49 BUSINESS COMBINATIONS** (Continued)

- (b) In November 2009, the Group, through NWCL, acquired 40% interests in Guangzhou Jixian Zhuang New World City Garden Development Limited (“Jixian Zhuang”) for a consideration of RMB 1. As a result, Jixian Zhuang became a wholly-owned subsidiary of the Group. Details of consideration paid and the fair value of the equity interests held at the acquisition date are as follows:

	HK\$m
Consideration transferred	–
Fair value of equity interests held in Jixian Zhuang before the business combination	<b>686.0</b>
	<b>686.0</b>

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$m
Investment properties	<b>490.3</b>
Property, plant and equipment	<b>2.0</b>
Interests in a jointly controlled entity	<b>10.7</b>
Properties under development	<b>1,087.7</b>
Properties held for sale	<b>71.6</b>
Debtors and prepayments	<b>51.9</b>
Cash and bank balances	<b>831.8</b>
Creditors and accrued charges	<b>(893.1)</b>
Long-term borrowings	<b>(272.7)</b>
Deferred tax liabilities	<b>(282.0)</b>
Current tax payable	<b>(78.8)</b>
Total identifiable net assets	<b>1,019.4</b>
Excess of fair value of net assets acquired over the cost of acquisition of interests in a subsidiary	<b>(333.4)</b>
	<b>686.0</b>

Since the date of acquisition, Jixian Zhuang contributed revenues of approximately HK\$812.1 million and generated a profit of approximately HK\$45.8 million. If the acquisition had occurred on 1 July 2009, the Group’s revenues and profit for the year would have increased by approximately HK\$447.0 million and approximately HK\$103.2 million respectively.

The Group has benefited from the appreciation in the fair value of the acquired net assets over the years. For the purpose of the business combination, the Group recognised a gain of HK\$261.2 million as a result of measuring at fair value of its 60% equity interests in Jixian Zhuang, a former jointly controlled entity of the Group, before the business combination and excess of fair value of net assets acquired over cost of acquisition of interests in the subsidiary was resulted.



## 49 BUSINESS COMBINATIONS (Continued)

- (c) In December 2009, the Group, through NWCL, acquired 52.5% interests in Shanghai Trio Property Development Co., Ltd. ("Trio") for a consideration of HK\$520.6 million. As a result, Trio became a wholly-owned subsidiary of the Group. Details of consideration paid and the fair value of the equity interest held at the acquisition date are as follows:

	HK\$m
Consideration transferred	520.6
Fair value of equity interests held in Trio before the business combination	501.7
	<b>1,022.3</b>

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$m
Investment properties	169.6
Property, plant and equipment	0.4
Interests in a jointly controlled entity	(97.5)
Properties under development	1,596.0
Properties held for sale	220.1
Debtors and prepayments	1.1
Cash and bank balances	56.6
Creditors and accrued charges	(14.6)
Current tax payable	(0.3)
Long-term borrowings	(454.5)
Deferred tax liabilities	(420.7)
Total identifiable net assets	1,056.2
Excess of fair value of net assets acquired over the cost of acquisition of interests in a subsidiary	(33.9)
	<b>1,022.3</b>

Since the date of acquisition, Trio contributed revenues of approximately HK\$0.4 million and incurred a loss of approximately HK\$6.0 million. If the acquisition had occurred on 1 July 2009, there would not have been material effect on the Group's revenues and profit for the year.

The Group has benefited from the appreciation in the fair value of the acquired net assets over the years. For the purpose of the business combination, the Group recognised a gain of HK\$252.1 million as a result of measuring at fair value of its 47.5% equity interests in Trio before the business combination and excess of fair value of net assets acquired over cost of acquisition of interests in the subsidiary was resulted.

**49 BUSINESS COMBINATIONS** (Continued)

- (d) In March 2010, the Group, through NWCL, acquired 40% interests in Tianjin Company Limited (“Tianjin New World Housing”) without consideration as a result of the withdrawal of the joint venture partner of Tianjin New World Housing from the co-operative joint venture. As a result, Tianjin New World Housing became a wholly-owned subsidiary of the Group. Details of consideration paid and the fair value of the equity interests held at the acquisition date are as follows:

	HK\$m
Consideration transferred	–
Fair value of equity interests held in Tianjin New World Housing before the business combination	<b>236.1</b>
	<b>236.1</b>

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$m
Investment properties	<b>18.5</b>
Property, plant and equipment	<b>2.2</b>
Interests in jointly controlled entities	<b>16.6</b>
Properties under development	<b>92.0</b>
Properties for sales	<b>175.0</b>
Debtors and prepayments	<b>79.2</b>
Cash and bank balances	<b>3.5</b>
Creditors and accrued charges	<b>(27.1)</b>
Deferred tax liabilities	<b>(16.1)</b>
Total identifiable net assets	<b>343.8</b>
Excess of fair value of net assets acquired over the cost of acquisition of interests in a subsidiary	<b>(107.7)</b>
	<b>236.1</b>

Since the date of acquisition, Tianjin New World Housing contributed revenue of approximately HK\$37.5 million and incurred a loss of approximately HK\$12.4 million. If the acquisition had occurred on 1 July 2009, there would not have been material effect on the Group’s revenues and profit for the year.

The Group has benefited from the appreciation in the fair value of the acquired net assets over the years. For the purpose of the business combination, the Group recognised a gain of HK\$64.8 million as a result of measuring at fair value of its 60% equity interests in Tianjin New World Housing, a former jointly controlled entity of the Group, before business combination and excess of fair value of net assets acquired over cost of acquisition of interests in the subsidiary was resulted.

## 49 BUSINESS COMBINATIONS (Continued)

- (e) In March 2010, the Group, through NWCL, acquired 40% interests in Guangzhou Fong Chuen – New World Property Development Co., Ltd (“Fong Chuen”) for a consideration of RMB465.4 million (equivalent to approximately HK\$528.9 million). As a result, Fong Chuen became a wholly-owned subsidiary of the Group. Details of consideration paid and the fair value of the equity interests held at the acquisition date are as follows:

	HK\$m
Consideration transferred	528.9
Fair value of equity interests held in Fong Chuen before the business combination	1,307.5
	<b>1,836.4</b>

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	HK\$m
Investment properties	222.5
Property, plant and equipment	0.9
Interests in a jointly controlled entity	(23.9)
Debtors and prepayments	52.6
Properties held for sale	37.5
Properties under development	2,728.4
Cash and bank balances	380.8
Creditors and accrued charges	(352.1)
Long-term borrowings	(431.9)
Deferred tax liabilities	(612.8)
Current tax payable	(20.1)
Total identifiable net assets	1,981.9
Excess of fair value of net assets acquired over the cost of acquisition of interests in a subsidiary	(145.5)
	<b>1,836.4</b>

Since the date of acquisition, Fong Chuen contributed revenues of approximately HK\$23.8 million and incurred a loss of approximately HK\$7.2 million. If the acquisition had occurred on 1 July 2009, the Group's revenues and profit for the year would have increased by HK\$18.5 million and HK\$20.0 million respectively.

The Group has benefited from the appreciation in the fair value of the acquired net assets over the years. For the purpose of the business combination, the Group recognised a gain of HK\$755.6 million as a result of measuring at fair value of its 60% equity interests in Fong Chuen, a former jointly controlled entity of the Group, before the business combination and excess of fair value of net assets acquired over cost of acquisition of interests in the subsidiary was resulted.

**49 BUSINESS COMBINATIONS** (Continued)

- (f) In January 2010, the Group, through NWDS, acquired 100% of the equity interests in Shanghai New World Huiya Department Store Co., Ltd. ("Huiya Department Store") for a consideration of RMB2.0 million (equivalent to approximately HK\$2.3 million).

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	<b>HK\$m</b>
Property, plant and equipment	<b>21.1</b>
Deferred tax assets	<b>13.7</b>
Inventories	<b>1.2</b>
Debtors and prepayments	<b>20.1</b>
Cash and bank balances	<b>58.3</b>
Creditors and accrued charges	<b>(167.1)</b>
Deferred tax liabilities	<b>(1.3)</b>
<b>Total identifiable net liabilities</b>	<b>(54.0)</b>
<b>Goodwill</b>	<b>56.3</b>
	<b>2.3</b>

Since the date of acquisition, Huiya Department Store contributed revenues of approximately HK\$44.0 million and generated profit of approximately HK\$15.2 million. If the acquisition had occurred on 1 July 2009, the Group's revenue and profit for the year would have increased by approximately HK\$80.7 million and decreased by approximately HK\$3.4 million respectively.

Goodwill can be attributable to the anticipated profitability of the acquired business.

## 50 RELATED PARTY TRANSACTIONS

In addition to those disclosed in other sections of the financial statements, the following significant related party transactions have been entered into by the Group during the year:

	<b>2010</b>	2009
	<b>HK\$m</b>	HK\$m
Jointly controlled entities		
Provision of contracting work services (note (a))	<b>44.4</b>	190.8
Interest income (note (b))	<b>138.4</b>	479.7
Trademark fee income (note (c))	<b>15.9</b>	29.1
Associated companies		
Interest income (note (b))	<b>1.3</b>	0.4
Related companies		
Provision of contracting work services (note (a))	<b>24.5</b>	36.0
Rental income (note (d))	<b>76.9</b>	70.8
Management fee expenses (note (e))	<b>91.3</b>	92.8
Other receivable (note (f))	<b>104.0</b>	–
Accounts payable (note (f))	<b>86.7</b>	93.3

Notes:

- (a) Revenue from provision of contracting work is principally charged in accordance with respective contracts.
- (b) Interest income is charged at interest rates as specified in notes 23(a) and 24(b) on the outstanding amounts.
- (c) Trademark fee income is charged at annual fee as specified in the contract.
- (d) Rental income is charged in accordance with respective tenancy agreements.
- (e) Management fee expenses are charged at rates in accordance with relevant contracts.
- (f) The other receivable and accounts payable are unsecured, interest free and are repayable on demand.
- (g) The balances with jointly controlled entities and associated companies are disclosed in notes 23 and 24 respectively.
- (h) No significant transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 16.
- (i) During the year, NWCL acquired 52.5% interests in Trio for a consideration of HK\$520.6 million from Guilherme Holdings (Hong Kong) Limited (“Guilherme”) and disposed of 50% interest in Juyi for a consideration of HK\$1,173.9 million to Guilherme. Guilherme is wholly beneficially owned by Mr. Doo Wai Hoi, William, a director of NWCL.
- (j) On 11 June 2010, NWSH entered into agreements with a company indirectly owned by Mr. Doo Wai Hoi, William and Mr. Wong Kwok Kin, Andrew, to dispose of certain of its non-core businesses for a consideration of HK\$888.5 million (note 39(b)). Mr. Doo Wai Hoi, William and Mr. Wong Kwok Kin, Andrew were a non-executive director and an executive director of NWSH respectively as at the date of agreement, they hold 90% and 10% indirect interests of the purchaser company respectively.

**51 PRINCIPAL SUBSIDIARIES****As at 30 June 2010**

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong</i>					
Addlight Investments Limited	9,998	1	–	56	Property investment
	2 <sup>1</sup>	1	–	56	
Advance Planner Limited	100	1	40	52	Property investment
Adwin Top Limited	2	1	–	100	Property investment
All Speed Investment Limited	2	1	100	100	Property investment
Anway Limited	1	1	–	59	Duty free operation and general trading
AOS Management Limited	2	1	–	100	Management services
Atlantic Land Properties Limited	2	1	100	100	Investment holding
Barbican Construction Company, Limited	230,000	100	–	59	Civil engineering
	20,000 <sup>1</sup>	100	–	59	
Billion Earn International Limited	1	1	100	100	Property investment
Billion Huge (International) Limited	950,001	1	–	70	Investment holding
Billion Park Investment Limited	1,000,000	1	–	57	Investment holding
Billionoble Investment Limited	4,998	1	–	59	Investment holding
	2 <sup>1</sup>	1	–	59	
Birkenshaw Limited	10,000	1	–	100	Property investment
Bright Moon Company, Limited	200	10	75	75	Property investment
Broadway-Nassau Investments Limited	2	10,000	–	59	Property management
	3,000 <sup>1</sup>	10,000	–	59	
Calpella Limited	2	10	–	100	Property investment
Care & Services Company Limited <sup>##</sup>	15,000,000	1	–	59	Elderly care services
Cheer Best Enterprises Limited	2	1	100	100	Property investment
Cheong Sing Company Limited	10,000	1	100	100	Property investment
Cheong Yin Company Limited	30,000	100	100	100	Property investment
Chi Lam Investment Company Limited	7,000	100	100	100	Investment holding
CiF Solutions Limited	10	100	–	59	Provision of information technology solutions
	160,000 <sup>1</sup>	100	–	59	
City Team Development Limited	1,000,000	1	–	84	Property investment
Companion Glory Limited <sup>##</sup>	100	100	–	59	Retail trade of ceramic tiles
Deluxe Sign Limited	1	1	100	100	Property development
Environmental Pioneers & Solutions Limited <sup>##</sup>	1,000	100	–	59	Environmental products and engineering
Extensive Trading Company Limited <sup>##</sup>	8,500,000	1	–	59	Trading of building and engineering materials
	1,500,000 <sup>1</sup>	1	–	59	
Far East Engineering Services Limited <sup>##</sup>	766,714	10	–	59	Mechanical and electrical engineering
	233,288 <sup>1</sup>	10	–	59	

## 51 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2010

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong (Continued)</i>					
Fook Hong Enterprises Company, Limited	10,000	100	100	100	Property investment
Fortune Kingdom Development Limited	2	1	100	100	Property development
Fully H.K. Investments Limited	10,000	1	–	70	Property development
General Security (H.K.) Limited <sup>##</sup>	8,402	100	–	59	Security services
	11,600 <sup>1</sup>	100	–	59	
General Security Limited (formerly known as Uniformity Security Company Limited) <sup>##</sup>	2	100	–	59	Security services
	2,500 <sup>1</sup>	100	–	–	
Gold Queen Limited	5,000	1	100	100	Property investment
Golden Dragon Land Limited	2	10	–	100	Property investment
Gracejoy Investments Limited	1	1	100	100	Property development
Grand Hyatt Hong Kong Company Limited	1,000	1	–	64	Hotel operation
	9,000 <sup>2</sup>	1	–	100	
Hamberlin Company, Limited	1,000	100	–	100	Property development
Happy Champion Limited	2	1	100	100	Investment holding
Head Step Limited	2	1	100	100	Property investment
Hip Hing Builders Company Limited	40,000	1,000	–	59	Construction
	10,000 <sup>1</sup>	1,000	–	59	
Hip Hing Construction Company Limited	400,000	100	–	59	Construction and civil engineering
	600,000 <sup>1</sup>	100	–	59	
Hip Hing Engineering Company Limited	670,000	100	–	59	Building construction
	1 <sup>2</sup>	1	–	–	
Hip Hing-Leader JV Limited	10,000	1	–	39	Construction
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	–	59	Management of Hong Kong Convention and Exhibition Centre (“HKCEC”)
	1 <sup>1</sup>	1	–	59	
Hong Kong Island Development Limited	33,400,000	5	6	100	Property investment
Hong Kong Island Landscape Company Limited <sup>##</sup>	1,980,000	10	–	59	Landscaping and project contracting
	20,000 <sup>1</sup>	10	–	59	
Hong Kong Jing-Guang Development Limited	100,000	10	–	52	Investment holding
Hong Kong Ticketing Limited	11,481,580	1	–	59	Ticketing services
Honour Shares Limited	100	1	–	100	Investment holding
International Property Management Limited <sup>##</sup>	450,000	10	–	58	Property management
	95,500 <sup>1</sup>	10	–	49	
Joint Profit Limited	2	1	100	100	Property investment
Kamking Limited	2	1	100	100	Property investment

**51 PRINCIPAL SUBSIDIARIES** (Continued)

As at 30 June 2010

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong (Continued)</i>					
K11 Concepts Limited	1	1	100	100	Provision of property management consultancy services
Kin Kiu Enterprises, Limited	10,000	1,000	100	100	Investment holding
King Lee Investment Company Limited	300	1,000	100	100	Investment holding
Kiu Lok Property Services (China) Limited	2	1	–	59	Property agency management and consultancy
	2 <sup>1</sup>	1	–	59	
Kiu Lok Service Management Company Limited <sup>##</sup>	2	100	–	59	Property management
	1,002 <sup>1</sup>	100	–	59	
Kleaners Limited <sup>##</sup>	5,000,000	1	–	59	Laundry services
KLPS Group Limited	20,000,000	1	–	59	Investment holding
La Tune Limited	2	100	–	100	Property investment
Lingal Limited	1,800	1	–	70	Investment holding
	200 <sup>1</sup>	1	–	–	
Loyalton Limited	2	10	–	100	Property investment
Macdonnell Hostel Company Limited	2	1	100	100	Hostel operation
Majestic Engineering Company Limited <sup>##</sup>	30,000	1,000	–	59	Mechanical and electrical engineering
Million World Development Limited	100	1	100	100	Property investment
Moral Giant Limited	1	1	100	100	Property investment
New China Laundry Limited <sup>##</sup>	40,000,002	1	–	59	Laundry services
	704,000 <sup>1</sup>	1	–	59	
New Town Project Management Limited	2	1	100	100	Project management
New World China Enterprises Projects Limited	2	1	–	100	Project management
New World Department Stores Limited	2	1	–	72	Provision of management services to department stores
New World Development (China) Limited	2	1	–	70	Investment holding
	2 <sup>1</sup>	1	100	100	
New World Finance Company Limited	200,000	100	100	100	Financial services
New World-Guangdong Highway Investments Co. Limited	100	100	–	59	Investment holding
	100 <sup>1</sup>	100	–	67	
New World Harbourview Hotel Company Limited	1,000	1	–	64	Hotel operation
	9,000 <sup>2</sup>	1	–	100	
New World Hotel Company Limited	40,000,000	1	–	64	Hotel operation
New World Hotel Management Limited	1	1	–	70	Hotel management
New World Hotels (Holdings) Limited	576,000,000	0.25	–	64	Investment holding



## 51 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2010

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong (Continued)</i>					
New World Insurance Management Limited <sup>##</sup>	100,000	1	–	59	Insurance broking
New World Nominee Limited	2	100	100	100	Nominee services
New World Real Estate Agency Limited	2	1	100	100	Estate agency
New World Tacko (Xian) Limited	10,000	1	–	45	Hotel investment
New World Telecommunications Limited	9,999,998	1	–	100	Telecommunication services
	2 <sup>1</sup>	1	–	100	
New World Telephone Holdings Limited	200	1	100	100	Investment holding
New World Tower Company Limited	2	10	–	100	Property investment
NW Project Management Limited (formerly known as AMPL Projects Limited)	2	1	–	100	Project management
NWS (Finance) Limited	2	1	–	59	Financial services
NWS Holdings (Finance) Limited	1	1	–	59	Financing
NWS Hong Kong Investment Limited	1	1	–	59	Investment holding
Paterson Plaza Properties Limited	10,000	1	–	100	Property investment
Pearls Limited	100	1	–	92	Property development
Peterson Investment Company Limited	10,000	1	100	100	Property investment
Polytown Company Limited	2	10	–	59	Property investment,
	100,000 <sup>1</sup>	10	–	59	operation, marketing, promotion and management of HKCEC
Polyworth Limited	10	1	–	92	Property development
Pridemax Limited	2	1	–	100	Property investment
Realray Investments Limited	2	1	100	100	Property investment
Regent Star Investment Limited	1,000	1	–	100	Property development
Richglows Limited	2	1	–	100	Property investment
Sky Connection Limited	100	1	–	59	Duty-free, liquor and tobacco sales
Speed Star Development Limited	2	1	100	100	Property investment
Super Memory Limited	2	1	–	100	Property investment
Super Value Development Limited	10,000	1	80	80	Property investment
Tao Yun Company Limited	2	10	–	100	Property investment
Top Flash Investments Limited	10,000	1	80	80	Property investment
True Hope Investment Limited	4,998	1	–	59	Investment holding
	2 <sup>1</sup>	1	–	59	
Try Force Limited	4,998	1	–	59	Investment holding
	2 <sup>1</sup>	1	–	59	
Tsuen Wan Properties Limited	200	100	–	100	Property investment

**51 PRINCIPAL SUBSIDIARIES** (Continued)

As at 30 June 2010

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong (Continued)</i>					
Urban Parking Limited	10,000,000	HK\$1	–	59	Carpark management
Urban Property Management Limited <sup>**</sup>	49,995,498	HK\$1	–	59	Property management
	4,502 <sup>1</sup>	HK\$1	–	39	
Vibro (H.K.) Limited	20,000,004	HK\$3	–	59	Piling, ground investigation and civil engineering
Waihong Environmental Services Limited <sup>**</sup>	400,000	HK\$100	–	59	Cleaning and pest control services
Waking Builders, Limited	20,000	HK\$1,000	–	59	Construction
Waygent Investment Limited	2	HK\$1	100	100	Property investment
Wincy Enterprises Limited	2	HK\$1	100	100	Property investment
Winpo Development Limited	2	HK\$1	100	100	Property investment
World Empire Property Limited	2	HK\$1	100	100	Property investment
Young's Engineering Company Limited <sup>**</sup>	4,000,000	HK\$10	–	59	Mechanical and electrical engineering
<i>Incorporated in the Cayman Islands and operate in Hong Kong</i>					
New World China Land Limited	5,757,248,468	HK\$0.1	66	70	Investment holding
New World Department Store China Limited	1,686,145,000	HK\$0.1	72	72	Investment holding
New World TMT Limited	952,180,007	HK\$1	–	100	Investment holding
NWS Service Management Limited	1,323,943,165	HK\$0.1	–	59	Investment holding
<i>Incorporated and operate in the Philippines</i>					
New World International Development Philippines, Inc	6,988,016	Peso100	–	27	Hotel operation
NWH Management Philippines, Incorporated	94,920	Peso100	–	70	Hotel management

<sup>#</sup> Represented ordinary share capital, unless otherwise stated<sup>1</sup> Non-voting deferred shares<sup>2</sup> Non-voting preference shares<sup>\*\*</sup> Companies classified as assets/liabilities held for sale

## 51 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2010

	Registered capital	Attributable interest <sup>a</sup> (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC</i>				
Anshan New World Department Store Co., Ltd.	RMB25,000,000	–	72	Department store operation
Beijing Dongfang Huamei Real Estate Development Co., Ltd.	RMB200,000,000	–	64	Land development
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	–	70	Property sales
Beijing Shishang New World Department Store Co., Ltd.	RMB50,000,000	–	72	Department store operation
Beijing Xintong Media & Advertising Co., Ltd.	RMB100,000,000	–	83	Provision of advertising and media related services
Chengdu Xinyi Real Estate Development Co., Ltd.	US\$99,500,000	–	51	Property development
Dalian New World Plaza International Co., Ltd.	RMB58,000,000	–	62	Property investment and development
Dalian New World Tower Co., Ltd.	US\$143,250,000	–	70	Property investment, development and hotel operation
Dalian Sun Leader Heat Transfer Technology Co., Ltd.	US\$15,700,000	–	85	Development, production and sales of heat transfer device and class A pressure vessel component
Foshan Country Club Co., Ltd.	US\$52,923,600	–	53	Operation of golf club and property development
Foshan Gaoming Xinming Bridge Co., Ltd.	RMB60,000,000	–	18	Operation of toll bridge
Guangxi Beiliu Xinbei Highways Co., Ltd.	RMB59,520,000	–	59	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	RMB57,680,000	–	59	Operation of toll road
Guangxi Yulin Xinye Highways Co., Ltd.	RMB63,800,000	–	35	Operation of toll road
Guangxi Yulin Xinyu Highways Co., Ltd.	RMB96,000,000	–	38	Operation of toll road
Guangzhou Fong Chuen New World Property Development Co., Ltd.	RMB330,000,000	–	70	Property development
Guangzhou Jixian Zhuang New World City Garden Development Limited	US\$24,000,000	–	70	Property development
Guangzhou Metropolitan Properties Co., Ltd.	HK\$140,000,000	100	100	Property investment
Guangzhou New World Properties Development Co., Ltd.	HK\$220,000,000	100	100	Property investment
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	RMB200,000,000	–	70	Property development
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	RMB244,000,000	–	70	Property development
Guangzhou Xin Sui Tourism Centre Ltd.	HK\$100,000,000	–	70	Property development
Guangzhou Xin Yi Development Limited	HK\$286,000,000	–	63	Property investment and development
Guiyang New World Real Estate Co., Ltd.	US\$106,550,000	–	85	Property development
Haikou New World Housing Development Limited	US\$8,000,000	–	70	Property development
Harbin New World Department Store Co., Ltd.	RMB126,000,000	–	72	Department store operation
Hip Hing Construction (China) Company Limited	HK\$50,000,000	–	59	Construction
Huamei Wealth (Beijing) Technology Co., Ltd.	RMB275,786,000	–	70	Property investment

**51 PRINCIPAL SUBSIDIARIES** (Continued)

As at 30 June 2010

	Registered capital	Attributable interest <sup>a</sup> (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC (Continued)</i>				
Hubei New World Department Store Co., Ltd.	RMB50,000,000	–	72	Department store operation
Hunan Success New Century Investment Company Limited	RMB375,989,430	–	81	Property development
Jiangsu New World Department Store Co., Ltd.	RMB16,000,000	–	72	Department store operation
Jinan New World Sunshine Development Ltd.	US\$46,980,000	–	70	Property development
Nanjing New World Real Estate Co., Ltd.	US\$1,000,000	–	70	Property investment
New World Anderson (Tianjin) Development Co., Ltd.	US\$5,500,000	–	70	Property investment and development
New World (Anshan) Property Development Co., Ltd.	RMB1,100,241,000	–	70	Property development
New World (China) Investment Limited	US\$130,000,000	–	100	Investment holding
New World China Land (Haikou) Limited	US\$100,000,000	–	70	Property development
New World China Land Investments Company Limited	US\$40,000,000	–	70	Investment holding
New World Department Store (China) Co., Ltd.	RMB50,000,000	–	72	Department store operation
New World Department Stores Investment (China) Co., Ltd.	US\$80,000,000	–	72	Investment holding
New World Development (Wuhan) Co., Ltd.	US\$39,302,500	–	70	Property investment and development
New World Goodtrade (Wuhan) Limited	US\$120,000,000	–	70	Property investment and development
New World (Shenyang) Property Development Limited	RMB397,720,000	–	63	Property development
New World Strategic (Beijing) Investment Consultancy Limited	US\$2,400,000	–	100	Investment consultancy
Ningbo Firm Success Consulting Development Co., Ltd.	US\$5,000,000	–	72	Investment holding and provision of consultancy services
Ningbo New World Department Store Co., Ltd.	RMB40,000,000	–	72	Department store operation
Ningbo New World Trendy Department Store Co., Ltd.	RMB20,000,000	–	72	Department store operation
NWS Engineering Ltd.	RMB150,000,000	–	59	Mechanical and electrical engineering
Shanghai New World Caizi Department Store Co., Ltd.	RMB50,000,000	–	72	Department store operation
Shanghai New World Caixuan Department Store Co., Ltd.	RMB30,000,000	–	72	Department store operation
Shanghai New World Department Store Co., Ltd.	RMB18,000,000	–	72	Department store operation
Shanghai New World Huiya Department Store Co., Ltd.	RMB40,000,000	–	72	Department store operation
Shanghai New World Huiying Department Store Co., Ltd.	HK\$50,000,000	–	72	Department store operation
Shanghai New World Trendy Plaza Co., Ltd.	RMB50,000,000	–	72	Department store operation
Shanghai New World Xinying Department Store Co., Ltd.	HK\$100,000,000	–	72	Department store operation
Shanghai Ramada Plaza Ltd.	US\$42,000,000	–	70	Property investment and hotel operation
Shanghai Trio Property Development Co., Ltd.	US\$81,000,000	–	70	Property investment and development

## 51 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2010

	Registered capital	Attributable interest <sup>o</sup> (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC (Continued)</i>				
Shanxi Xinda Highways Ltd.	RMB49,000,000	–	53	Operation of toll road
Shanxi Xinhuang Highways Ltd.	RMB56,000,000	–	53	Operation of toll road
Shenyang New World Department Store Ltd.	RMB30,000,000	–	72	Department store operation
Shenyang New World Hotel Co., Ltd.	RMB201,520,000	–	70	Hotel operation
Shenyang Trendy Property Company Limited	RMB27,880,000	–	72	Property investment
Shenzhen New World Xianglong Network Technology Company Limited	RMB550,000,000	–	100	Exploration of wireless telecommunication network
Shenzhen New World Xianglong Technology Development Company Limited	RMB100,000,000	–	100	Exploration of wireless telecommunication network
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$204,400,000	–	70	Property development
Tianjin New World Department Store Co., Ltd.	US\$5,000,000	–	72	Department store operation
Tianjin New World Housing Development Co., Ltd.	RMB80,000,000	–	70	Property development
Tianjin New World Properties Development Co., Ltd.	US\$50,000,000	–	70	Property development
Tianjin New World Trendy Plaza Co., Ltd.	RMB30,000,000	–	72	Department store operation
Tianjin Xin Guang Development Co., Ltd.	US\$4,500,000	–	70	Property investment
Wuhan New World Department Store Co., Ltd.	US\$15,630,000	–	72	Property investment and department store operation
Wuhan New Eagle Enterprises Co., Ltd.	US\$2,830,000	–	70	Property investment
Wuhan New World Caixuan Department Store Co., Ltd.	RMB75,000,000	–	72	Department store operation
Wuhan New World Hotel Properties Co., Ltd.	US\$10,447,500	–	70	Property investment
Wuhan New World Trendy Department Store Co., Ltd.	RMB80,000,000	–	72	Department store operation
Wuhan New World Trendy Plaza Co., Ltd.	RMB50,000,000	–	72	Department store operation
Wuxi New World Department Store Ltd.	US\$5,000,000	–	72	Department store operation
Wuzhou Xinwu Highways Limited	RMB72,000,000	–	31	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	–	59	Management consultation
Yunnan New World Department Store Co., Ltd.	RMB10,000,000	–	72	Department store operation
Zhaoqing New World Property Development Limited	US\$13,750,000	–	70	Property development
<i>Incorporated and operate in Macau</i>				
Barbican (Macau) Limited	MOP25,000	–	59	Construction
Hip Hing Engineering (Macau) Company Limited	MOP100,000	–	59	Construction
Majestic Engineering (Macao) Company Limited <sup>**</sup>	MOP25,000	–	59	Mechanical and electrical engineering
Ngo Kee (Macau) Limited	MOP25,000	–	59	Construction
Vibro (Macau) Limited	MOP1,000,000	–	59	Foundation works
Young's Engineering (Macao) Company Limited <sup>**</sup>	MOP100,000	–	59	Mechanical and electrical engineering

<sup>o</sup> Profit or cash sharing percentage was adopted for certain PRC entities

<sup>\*\*</sup> Companies classified as assets/liabilities held for sale

**51 PRINCIPAL SUBSIDIARIES** (Continued)

As at 30 June 2010

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<i>Incorporated in Bermuda and operate in Hong Kong</i>					
NWS Holdings Limited	2,178,927,883	HK\$1	39	59	Investment holding
<i>Incorporated in the British Virgin Islands</i>					
Beauty Ocean Limited	1	US\$1	–	59	Investment holding
Brilliant Alpha Investment Limited	1	US\$1	–	70	Investment holding
Ever Brisk Limited	1	US\$1	–	70	Investment holding
Faith Yard Property Limited	2	US\$1	–	70	Property investment
Fine Reputation Incorporated	10,000	US\$1	–	100	Investment holding
Fita International Limited	1	US\$1	100	100	Bond issuer
Fortune Star Worldwide Limited	100	US\$1	–	70	Investment holding
Fotland Limited	1	US\$1	–	100	Investment holding
Goodtrade Enterprises Limited	1	US\$1	–	70	Investment holding
Hing Loong Limited	10,000	US\$1	–	100	Investment holding
Hinto Developments Limited	1	US\$1	–	70	Investment holding
Lotsgain Limited	100	US\$1	–	100	Investment holding
Magic Chance Limited	1	US\$1	–	70	Investment holding
New World China Land Finance Limited	1	US\$1	–	70	Financing
New World Enterprise Holdings Limited	1	US\$1	100	100	Investment holding
New World Hotels Corporation Limited	1	US\$1	–	64	Investment holding
New World Hotel Management (BVI) Limited	1,000	US\$1	–	70	Investment holding
New World Strategic Investment Limited	1	US\$1	100	100	Investment holding
NWS Engineering Group Limited <sup>##</sup>	50,000,000	HK\$1	–	59	Investment holding
NWS Financial Management Services Limited	1	US\$1	–	59	Investment holding
NWS Infrastructure Bridges Limited	1	US\$1	–	59	Investment holding
NWS Infrastructure Management Limited	2	US\$1	–	59	Investment holding
NWS Infrastructure Power Limited	1	US\$1	–	59	Investment holding
NWS Infrastructure Roads Limited	1	US\$1	–	59	Investment holding
NWS Infrastructure Water Limited	1	US\$1	–	59	Investment holding
NWS Ports Management Limited	2	US\$1	–	59	Investment holding
Park New Astor Hotel Limited	101	US\$1	–	100	Property investment
Radiant Glow Limited	1	US\$1	–	70	Investment holding
Right Choice International Limited	200	US\$1	–	45	Property investment
Sherson Limited	1	US\$1	100	100	Bond issuer
South Scarlet Limited	1	US\$1	100	100	Hotel operation

## 51 PRINCIPAL SUBSIDIARIES (Continued)

As at 30 June 2010

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<i>Incorporated in the British Virgin Islands (Continued)</i>					
Sparkling Rainbow Limited	1	US\$1	–	70	Investment holding
Steadfast International Limited	2	US\$1	100	100	Investment holding
Sweet Prospects Enterprises Limited	1	US\$1	–	70	Investment holding
True Blue Developments Limited	1	US\$1	–	70	Investment holding
Twin Glory Investments Limited	1	US\$1	–	70	Investment holding
Upper Start Holdings Limited	1	US\$1	–	100	Investment holding
Winner World Group Limited	10	US\$1	80	80	Investment holding
<i>Incorporated in the British Virgin Islands and operate in Hong Kong</i>					
Shine Fame Holdings Limited	1	US\$1	–	59	Development of logistic centre

<sup>#</sup> Represented ordinary share capital, unless otherwise stated

<sup>##</sup> Companies classified as assets/liabilities held for sale

**52 PRINCIPAL JOINTLY CONTROLLED ENTITIES**

As at 30 June 2010

	Registered capital	Attributable interest <sup>a</sup> (%)		Principal activities
		To the Company	To the Group	
<b>Equity joint ventures</b>				
<i>Incorporated and operate in the PRC</i>				
China United International Rail Containers Co., Limited	RMB2,800,000,000	–	13	Operation of rail container terminal and related business
Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd.	US\$16,950,000	–	27	Golf club and resort operation
Guangzhou Oriental Power Co., Ltd.	RMB990,000,000	–	15	Generation and supply of electricity
Guangzhou Zhujiang Electric Power Fuelling Co., Ltd.	RMB359,676,800	–	21	Wholesale assembly and storage of fuel
Guang Zhou Pearl River Power Company Limited	RMB420,000,000	–	29	Generation and supply of electricity
Guodian Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	–	21	Generation and supply of electricity
Kunming Fulintang Pharmaceutical Co., Ltd.	RMB80,000,000	–	52	Pharmaceutical chain stores
The Waterman Co., Limited, Shanghai	US\$19,900,000	–	37	Manufacturing and distribution of distilled water
Xiamen Haicang Xinhaida Container Terminals Co., Limited	RMB756,000,000	–	24	Operation of container terminal
Xiamen New World Xiangyu Terminals Co., Ltd.	RMB384,040,000	–	29	Operation of container terminal



## 52 PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

As at 30 June 2010

	Registered capital	Attributable interest <sup>Ω</sup> (%)		Principal activities
		To the Company	To the Group	
<b>Co-operative joint ventures</b>				
<i>Incorporated and operate in the PRC</i>				
Beijing-Zhuhai Expressway Guangzhou – Zhuhai Section Company Limited	RMB580,000,000	–	15	Operation of toll road
Beijing Chong Wen-New World Properties Development Co., Ltd.	US\$225,400,000	–	49	Property investment and development
Beijing Chong Yu Real Estate Development Co., Limited	US\$171,840,000	–	49	Property investment and development
Beijing Xin Lian Hotel Co., Ltd.	US\$12,000,000	–	39	Hotel operation
China New World Electronics Limited	US\$57,200,000	–	49	Property investment and development
Guangzhou Northring Freeway Company Limited	US\$19,255,000	–	38	Operation of toll road
Huishen (Yantian) Expressway Huizhou Company Limited	RMB139,980,000	–	20	Operation of toll road
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	–	29	Investment holding and operation of toll road
Huizhou New World Housing Development Limited	RMB80,000,000	–	44	Property development
New Bei Fang Hotel Ltd.	US\$12,000,000	–	56	Property investment
Tangjin Expressway (Tianjin North Section)				
Tianjin Xindi Expressway Co., Ltd.	RMB93,688,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xinlong Expressway Co., Ltd.	RMB99,400,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xinlu Expressway Co., Ltd.	RMB99,092,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xinming Expressway Co., Ltd.	RMB85,468,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xinqing Expressway Co., Ltd.	RMB99,368,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xinquan Expressway Co., Ltd.	RMB92,016,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xinsen Expressway Co., Ltd.	RMB87,300,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xinshi Expressway Co., Ltd.	RMB99,388,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xinsi Expressway Co., Ltd.	RMB96,624,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xintong Expressway Co., Ltd.	RMB99,448,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xintuo Expressway Co., Ltd.	RMB99,316,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xinxiang Expressway Co., Ltd.	RMB90,472,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xinyan Expressway Co., Ltd.	RMB89,028,000	–	53 <sup>®</sup>	Operation of toll road
Tianjin Xinzhan Expressway Co., Ltd.	RMB89,392,000	–	53 <sup>®</sup>	Operation of toll road
Wuhan New World Housing Development Limited	RMB96,000,000	–	42	Property development
Wuhan Wuxin Hotel Co., Ltd.	US\$49,750,000	–	42	Hotel operation
Wuxi New City Development Co., Limited	US\$10,400,000	–	26	Hotel operation

<sup>Ω</sup> Percentage of equity interest, in the case of equity joint ventures or profit sharing percentage, in the case of co-operative joint ventures

<sup>®</sup> Represented cash sharing ratio

**52 PRINCIPAL JOINTLY CONTROLLED ENTITIES** (Continued)

As at 30 June 2010

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share	To the Company	To the Group	
<b>Companies limited by shares</b>					
<i>Incorporated and operate in Hong Kong</i>					
ATL Logistics Centre Hong Kong Limited	100,000 <sup>A</sup>	HK\$1	–	33	Operation of cargo handling and storage facilities
	20,000 <sup>B</sup> **	HK\$1	–	47	
	54,918 <sup>*</sup>	HK\$1	100	100	
ATL Logistics Centre Yantian Limited	10,000	HK\$1	–	27	Investment holding
Austin Project Management Limited	2	HK\$1	–	50	Project management
China Aerospace New World Technology Limited	30,000,000	HK\$1	–	50	Investment holding
Direct Profit Development Limited	200,000	HK\$0.05	–	15	Property investment
Far East Landfill Technologies Limited	1,000,000	HK\$1	–	28	Landfill
Fast New Limited	1,000,000	HK\$1	–	50	Property development
First Star Development Limited	100	HK\$1	–	29	Property development
Gloryland Limited	900	HK\$1	–	33	Property investment
Grace Sign Limited	1,000	HK\$1	–	30	Property investment
Istaron Limited	4	HK\$1	–	32	Investment holding
Jade Gain Enterprises Limited	100	HK\$1	–	45	Property investment
Super Lion Enterprises Limited	2	HK\$1	50	50	Property investment
Supertime Holdings Limited	100	HK\$1	–	29	Property development
Wise Come Development Limited	30	HK\$1	–	40	Property investment
<i>Incorporated in the British Virgin Islands and operate in the PRC</i>					
Holicon Holdings Limited	2	US\$1	–	50	Property Investment
Jaidan Profits Limited	2	US\$1	–	50	Property Investment
Jorvik International Limited	2	US\$1	–	50	Property Investment
Orwin Enterprises Limited	2	US\$1	–	50	Property Investment

## 52 PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

As at 30 June 2010

	Registered capital/ Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number/ Amount	Par value per share	To the Company	To the Group	
<i>Incorporated in the British Virgin Islands</i>					
New World Liberty China Ventures Limited	1,134 100**	US\$1 US\$1	– –	71 –	Investment holding
Newfoundworld Investment Holdings Limited	5	US\$1	–	20	Investment holding
NWS Transport Services Limited	500,000,016	HK\$1	–	29	Investment holding
Success Concept Investments Limited	1,000	US\$1	–	47	Investment holding
<i>Incorporated and operate in Malaysia</i>					
Great Union Properties Sdn. Bhd.	100,000,000 10,000,000 <sup>^</sup>	M\$1 M\$0.1	– –	38 38	Property investment
<i>Incorporated in Hong Kong and operate in the PRC</i>					
Sino-French Holdings (Hong Kong) Limited	2,890,680'A' 5,559,000'B' 2,668,320'C'	HK\$100 HK\$100 HK\$100	– – –	– 59 –	Investment holding, operation of water and electricity plants
<b>Wholly foreign owned enterprises</b>					
<i>Incorporated and operate in the PRC</i>					
Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd.	US\$20,820,000	–	–	41	Property development
Guangzhou Hemsell Real Estate Development Co., Ltd.	RMB79,597,000	–	–	44	Property development
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	–	–	35	Property investment
<b>Unincorporated joint venture (Hong Kong)</b>					
Gammon-Hip Hing Joint Venture	N/A	N/A	–	29	Construction

<sup>#</sup> Represented ordinary shares, unless otherwise stated

\* Non-voting deferred shares

\*\* Non-voting preference shares

<sup>^</sup> Redeemable cumulative preference shares

**53 PRINCIPAL ASSOCIATED COMPANIES****As at 30 June 2010**

	Registered capital/ Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number/ Amount	Par value per share	To the Company	To the Group	
<i>Incorporated and operate in Hong Kong</i>					
Birkenhead Properties and Investments Limited	1,200,000	HK\$1	–	64	Property investment
Ever Light Limited	1,000	HK\$1	40	40	Property investment
Fook Hang Trading Company Limited	100	HK\$100	50	50	Property investment
Global Perfect Development Limited	1,000,000	HK\$1	–	35	Investment holding
Global Winner Limited	2	HK\$1	–	50	Property investment
Joy Fortune Investments Limited	10,000	HK\$1	–	29	Investment holding
Pure Jade Limited	1,000	HK\$1	–	20	Property investment
Quon Hing Concrete Company Limited	200,000	HK\$100	–	29	Production and sales of concrete
Ranex Investments Limited	100	HK\$1	–	10	Property investment
Shun Tak Centre Limited	1,000'A'	HK\$100	–	29	Property investment
	450'B'	HK\$10	–	64	
	550'C'	HK\$10	–	–	
Silver Rich Holdings Limited	2	HK\$1	–	50	Property investment
<i>Incorporated in the British Virgin Islands</i>					
East Asia Secretaries (BVI) Limited	300,000,000	HK\$1	–	14	Business, corporate and investor services
VMS Private Investment Partners II Limited	2,500*	US\$0.01	–	–	Securities investment
	1,791**	US\$0.01	–	59	
<i>Incorporated and operate in the PRC</i>					
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	–	–	11	Operation of container terminal
Zhaoqing Yuezhao Expressway Co., Ltd.	RMB818,300,000	–	–	15	Operation of toll road
<i>Incorporated in Bermuda and operate in Hong Kong</i>					
CSL New World Mobility Limited	655,886,331	US\$0.3163	–	24	Provision of mobile telecommunications services
Wai Kee Holdings Limited	793,124,034	HK\$0.1	–	16	Construction

<sup>#</sup> Represented ordinary shares, unless otherwise stated<sup>\*</sup> Voting, non participating, non-redeemable management shares<sup>\*\*</sup> Non voting, redeemable participating shares

# Five-year Financial Summary

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	2010 HK\$m	2009 HK\$m	2008 HK\$m	2007 HK\$m	2006 HK\$m
Revenues	<b>30,218.6</b>	24,415.0	29,360.8	23,284.5	23,910.2
Operating profit	<b>13,683.7</b>	2,329.4	9,882.2	4,035.6	1,786.5
Net financing costs	<b>(338.4)</b>	(261.6)	(265.1)	(355.5)	(573.8)
Share of results of jointly controlled entities and associated companies	<b>4,166.5</b>	2,123.5	4,575.8	2,989.9	2,293.0
Profit before taxation	<b>17,511.8</b>	4,191.3	14,192.9	6,670.0	3,505.7
Taxation	<b>(2,651.8)</b>	(439.4)	(1,444.0)	(902.5)	(892.6)
Profit after taxation	<b>14,860.0</b>	3,751.9	12,748.9	5,767.5	2,613.1
Non-controlling interests	<b>(3,247.4)</b>	(1,668.4)	(3,063.2)	(1,454.6)	(1,553.3)
Profit attributable to shareholders of the Company	<b>11,612.6</b>	2,083.5	9,685.7	4,312.9	1,059.8
Dividend per share (HK\$)					
Interim	<b>0.10</b>	0.09	0.18	0.15	0.13
Final	<b>0.28</b>	0.21	0.25	0.25	0.20
Full year	<b>0.38</b>	0.30	0.43	0.40	0.33
Earnings per share (HK\$)					
Basic	<b>2.99</b>	0.55	2.59	1.17	0.30
Diluted	<b>2.88</b>	0.53	2.49	1.17	0.30

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE**

	<b>2010</b> HK\$m	2009 HK\$m	2008 HK\$m	2007 HK\$m	2006 HK\$m
<b>Assets</b>					
Investment properties, property, plant and equipment, leasehold land and land use rights and intangible concession rights	<b>53,519.0</b>	44,246.5	43,669.8	34,284.9	31,333.6
Intangible assets	<b>1,490.1</b>	1,684.0	1,409.4	863.0	258.1
Interests in jointly controlled entities, associated companies and other non-current assets	<b>64,877.1</b>	58,982.3	59,516.6	51,129.3	44,899.8
Current assets	<b>79,723.7</b>	71,606.5	61,161.7	57,821.9	37,669.1
<b>Total assets</b>	<b>199,609.9</b>	176,519.3	165,757.5	144,099.1	114,160.6
<b>Equity</b>					
Share capital	<b>3,918.0</b>	3,867.3	3,736.5	3,692.1	3,639.1
Reserves	<b>81,336.0</b>	69,732.9	67,718.7	55,867.2	48,903.6
Proposed final dividend	<b>1,097.0</b>	812.1	939.6	928.3	732.8
Shareholders' funds	<b>86,351.0</b>	74,412.3	72,394.8	60,487.6	53,275.5
Non-controlling interests	<b>25,338.5</b>	23,070.7	22,509.9	17,996.2	16,089.0
<b>Total equity</b>	<b>111,689.5</b>	97,483.0	94,904.7	78,483.8	69,364.5
Current liabilities	<b>35,176.0</b>	39,801.0	33,886.5	32,747.1	25,330.5
Non-current liabilities	<b>52,744.4</b>	39,235.3	36,966.3	32,868.2	19,465.6
<b>Total equity and liabilities</b>	<b>199,609.9</b>	176,519.3	165,757.5	144,099.1	114,160.6

Comparative figures for the year ended 30 June 2007 and 30 June 2006 have not been restated to reflect the adoption of new/revised HKFRSs in 2009 as the directors are of the opinion that it is impracticable to do so.

# Glossary of Terms

## GENERAL TERMS

FY	Fiscal year, 1 July to 30 June
Group	New World Development Company Limited and its subsidiaries
HIBOR	Hong Kong Interbank Offered Rate
HK	Hong Kong
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
HK\$ billion	billion of Hong Kong Dollars
HK\$ million or HK\$m	million of Hong Kong Dollars
HKEx	The Stock Exchange of Hong Kong Limited
Listing Rules	Rules Governing the Listing of Securities on the HKEx
Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan for the purposes of this annual report
MTR	Mass Transit Railway
N/A or n/a	not applicable
New World or NWD	New World Development Company Limited
NWCEP or New World China Enterprises	New World China Enterprises Projects Limited
NWCL or New World China Land	New World China Land Limited
NWDS or New World Department Stores	New World Department Store China Limited
NWTMT or New World TMT	New World TMT Limited
NWSI	New World Strategic Investment Limited
NWSH or NWS Holdings	NWS Holdings Limited
NWT or New World Telecommunications	New World Telecommunications Limited
PRC	The People's Republic of China
Taifook	Taifook Securities Group Limited
RMB	Renminbi, the lawful currency of PRC
TBD	To be determined
US	The United States of America
US\$ or USD	United States dollar(s), the lawful currency of US

## FINANCIAL TERMS

Gearing Ratio	Net Debt divided by total equity
Net Debt	The aggregate of bank loans, other loans, fixed rate bonds and convertible bonds less cash and bank balances
Total Debt	Net Debt plus cash and bank balances

## TECHNICAL TERMS

Assoc. Co.	Associated company
CJV	Co-operative joint venture
EJV	Equity joint venture
JCE	Jointly controlled entities
WFOE	Wholly foreign owned enterprises

## MEASUREMENTS

Km	kilometre(s)
m <sup>3</sup>	cubic metre
MW	megawatt(s), equal to 1,000kW
sq ft	square feet
sq m	square metre
TEU or TEUs	Twenty-Foot Container Equivalent Unit

## CHINESE VERSION

The Chinese version of this Annual Report is available on request from New World Development Company Limited. Where the English and the Chinese texts conflict, the English text prevails.



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New World Development Company Limited takes every practicable measure to conserve resources and minimize waste.

This annual report is printed on FSC certified paper using vegetable oil-based inks. Pulp used are elemental chlorine-free.

The FSC logo identifies product group from well-managed forests and other controlled sources in accordance with the rules of the Forest Stewardship Council.

