



New World Development Company Limited

(Stock Code: 0017)



**DEPARTMENT  
STORE**

**SERVICE**

**INFRASTRUCTURE**

**PROPERTY**



## **Corporate Philosophy**

### **Vision**

To build a better society through innovation and sustainable growth

### **Missions**

- 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



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# Property

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



# Infrastructure

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





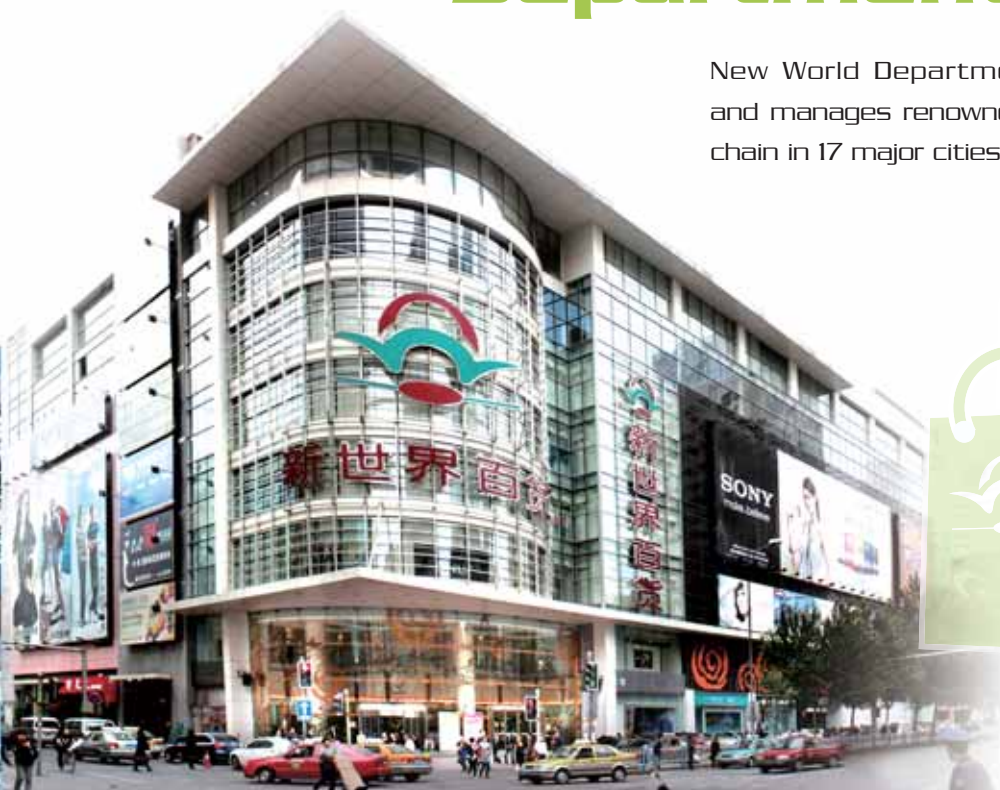
## Service

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



## Department Store

New World Department Store operates and manages renowned department store chain in 17 major cities in Mainland China.





# 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)

## LISTED COMPANIES



### NWS HOLDINGS LIMITED

(HK stock code: 0659)

- Infrastructure
- Service



### New World China Land Limited

(HK stock code: 0917)

- Mainland China property (development & investment)



### New World Department Store China Limited

(HK stock code: 0825)

- Department store business

## OTHER BUSINESSES

- CSL New World Mobility Group (23.6%)
- New World Telecommunications Limited
- New World TMT Limited
- New World China Enterprises Projects Limited





## Financial Highlights

	<b>FY2011</b> <b>HK\$m</b>	FY2010 HK\$m (Restated)
Revenues	<b>32,882.0</b>	30,218.6
Segment results <sup>(1)</sup>	<b>10,987.6</b>	11,215.2
Profit before taxation	<b>15,577.8</b>	17,572.0
Profit attributable to shareholders of the Company	<b>9,153.9</b>	12,398.6
Earnings per share (HK\$)	<b>2.32</b>	3.19
Dividend per share (HK Cents)		
Interim	<b>10.0</b>	10.0
Final	<b>28.0</b>	28.0
Full-year	<b>38.0</b>	38.0
Total assets	<b>229,115.4</b>	199,980.1
Net debt <sup>(2)</sup>	<b>34,992.4</b>	27,113.5
Gearing ratio <sup>(3)</sup>	<b>26.0%</b>	23.6%

Remarks:

(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



## Chairman's Statement



**Entering the 12th Five-Year Plan, different sectors in China are moving on a development track as well as facing various new opportunities and challenges.**





## TO OUR SHAREHOLDERS,

Quoting from the *Former Ode on the Red Cliff*, “Do you know of the water and the moon? The river flows endlessly, yet it never disappears. The moon waxes and wanes, yet it never grows bigger or smaller. Therefore, if you look in the eyes of change, everything in this world changes in an instant. But if you look in the eyes of stability, everything in the world, including humanity, is eternal.” Dozens of words have demonstrated precisely the truth of the changing universe. The changes of the water and the moon happen on their appearances, but never on their physical natures. Therefore, whether changes happen depends on people’s mind and view. Since nothing remains permanent in the world, change is just the eternal fact.

Entering the 12th Five-Year Plan, different sectors in China are moving on a development track as well as facing various new opportunities and challenges. Amidst the changing and sophisticated global landscape and economic environment, countries are proactive in looking for ways to overcome the current crisis. Like biological evolution, “survival of the fittest” during the course of reformation is to adapt to changes in the surrounding environment and make changes accordingly. Going through the time of a fishing port, entrepot trade development, light industry development in the 50’s and 60’s, and then the major development of financial and service industries, nowadays, Hong Kong has already transformed from a tiny fishing village to an international financial centre, and is even becoming an offshore Renminbi centre. Such remarkable economic achievements were the results of the joint efforts of Hong Kong people, who leveraged upon their adaptive capabilities to tap into development opportunities and forge ahead. New World Group has been acting in the same way to achieve its clear and practical goal of maximising shareholders’ returns by adopting appropriate strategies, optimising products and services based on market trends.

Whilst having a long standing history, the Group often reviews its operating strategies. Our improvement and innovative ideas have never been hindered by our proven record, which instead has paved the way for determined, practical development and new directions. As Confucius said, “Reviewing what you have learned and learning anew, you are fit to be a teacher.” New ideas can be gained through reviewing past experience. Inspirations and thoughts may even come from failures in the past. This is because modern and advanced technologies as well as new knowledge are able to make up the shortcomings of and add value to old methods.

Going forward, the Group will continue to press ahead steadily with an open mindset, a practical attitude, a broad vision and a unique insight, adhering to its ultimate objective of serving the nation and the wider community in the changing landscape.

**Dr. Cheng Yu-Tung**

*Chairman*

Hong Kong, 29 September 2011



## Managing Director's Report



**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.**



## TO OUR SHAREHOLDERS,

After a short-term stabilisation in 2010, external risks include slow economic recovery in US, sovereign debt crisis in Europe, social unrest in North Africa and Middle East are increasing economic uncertainties. Among all countries, China's economy is expected to deliver the best growth.

While the system risk of global economy is increasing, Hong Kong has still achieved a reasonable economic growth with GDP increased by 5.1% in real terms over a year earlier in the second quarter of 2011 and its unemployment rate was at a record low of 3.2% from June to August 2011. Favourable conditions still persist in Hong Kong property market. Mortgage rate is expected to stay low for a while. Though there is more land supply released by the Hong Kong Government, the shortage of physical market has not been jeopardised as the demand remains stable.

The Group has re-launched The Masterpiece in August 2011 with satisfactory response. So far, over 40 units were sold. In the coming 12 months, the Group will launch six residential projects to provide attributable 1,949 units according to market condition.

To take care of the underprivileged, Premier Wen Jia-Bao has just depicted publicly again the determination to provide affordable housing and has introduced the idea of public rental housing. This act is good for long-term development of housing market as the underprivileged will gradually migrate to middle income class with the government "subsidy". Like a lot of developed countries, the abundance of middle-income class is crucial for the healthy development of the property market.

Recently, apart from implementation of tightening measures on certain cities, the Central Government also allows a reasonable advancement of residential property prices based on local economic improvement such as GDP growth. It is expected by the market that the Central Government will further fine-tune those austerity measures in order to consolidate and enhance the positive results of austerity and effectively manage inflation to ensure stable development of the market in due regard to the situation of the local and the global economic development.

Overall, the Group is cautiously optimistic about the Mainland China property market. We will continue our development plan to tap into the huge opportunities brought by the urbanisation in Mainland China according to the good side of the market. At the same time, we also hold a prudent approach in developing our Mainland China operations by appropriately adjusting our plan according to market and policy variations.

Service and Infrastructure businesses generate sustainable cashflow. In the 12th Five-Year Plan, the reinforcement of expressway network remains an important target for Mainland China. Road operators will not only benefit from greater investment opportunities, but also a more developed and comprehensive road network. NWSH announced the acquisition of 58.66% effective interest in Hangzhou Ring Road in September 2011, which substantially strengthens the investment contribution in the infrastructure segment.

Environmental issues remain as a top priority on the Mainland Government's agenda. The Central Government's increased support for environmental initiatives, such as wastewater and sludge treatment, has created investment opportunities for this segment. Water demand is expected to grow healthily in line with the continuous development in Mainland China. NWSH will continue to explore opportunities for investing in waste water and sludge treatment projects.

Driven by the increasing volume of logistics and transportation business in China, as well as the need for more environmental friendly transportation mode, the demand for rail freight transportation is expected to accelerate at a fast pace in the coming years. The China United International Rail Containers Co., Ltd. terminals are well-positioned to capture future growth in rail freight volume.

In view of the increasing demand for logistics and distribution facilities in Hong Kong, the Group capitalised on the opportunity in developing a new logistics warehouse in Kwai Chung with a total leasable area of approximately 920,000 sq ft and the facility is scheduled to be operational in late 2011. This warehouse project is expected to generate a steady operating profit as the Group has already entered into an agreement with one of the world's leading global logistics companies to lease the entire warehouse.

The Free Duty business is expected to thrive with the increase in the number of high-spending visitors from Mainland China. As part of the business development plan in conjunction with upcoming contract renewals, the Group will consider different duty free concessions in Hong Kong and abroad.

Department stores will be benefited by steady growth in China domestic consumption. NWDS will carry on with the expansion strategy, targeting to add 25 new self-owned stores in next five years, amounting to about 10% to 20% gross floor spaces increase per annum. NWDS plans to add five stores and complete the expansion of one existing store in FY2012 and FY2013. Extra spaces amount to approximate GFA of over 248,000 sq m.

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, 29 September 2011







# Enrich People's Living

## Property

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



# Property



## Hong Kong Property Development

Low interest rate, high liquidity and tight market supply have led to a robust growth in residential property transaction volume and price since the beginning of 2010. Nevertheless, as the risks of asset price fluctuation and inflation is heightening against the backdrop of strong global liquidity plus the stimulus effect from QEII of US in early November 2010, a series of tightening measures, including special stamp duty and lowered loan-to-value ratio, were introduced by the Hong Kong SAR Government and the Hong Kong Monetary Authority on 19 November 2010, to ease property speculation and alleviate the default risk in property mortgage.

Consolidation of the residential property market was experienced after the measures was introduced. According to the figures released by The Land Registry, the number of transactions of first-hand and second-hand residential units in the first half of 2011 amounted to 55,207 units. Notwithstanding the slowdown in performance of residential property sales, the overall performance of land market was in line with market expectation. During the first half of 2011, the government launched and successfully sold a total of nine parcels of land with total site area of approximately 790,000 sq ft for residential development, with the total consideration amounted to HK\$22.8 billion. Over 1,700 residential units from the development projects of those sites will be available to the market in three years time.

During the year under review, the Group's attributable Hong Kong property sales proceeds amounted to approximately HK\$3.5 billion. The contributions were mainly from the sales of Emerald Green in Yuen Long and Belcher's Hill in Western District. The Group expects to launch six new projects with 4,942 residential units to the market. The majority are located in the densely populated area. In addition, the remaining 103 residential units of The Masterpiece, the Group's luxury trophy project in Tsim Sha Tsui, were re-launched in August 2011 and received overwhelming response.

New projects in pipeline	No. of units
The Signature, Chun Fai Terrace, Tai Hang	66
Che Kung Temple Station Project, Sha Tin	981
Phase 1 of Lok Wo Sha Project, Ma On Shan	928
Chatham Gate, Chatham Road, Hung Hom	334
Tai Tong Road Project, Yuen Long	2,582
Phase 1B of Tong Yan San Tsuen Project, Yuen Long	51
<b>Total</b>	<b>4,942</b>



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

For private acquisition, the Group has paid approximately HK\$1,865 million to acquire a 40% stake in Kai Yuen Lane residential project in October 2010. The project is situated in the prime location in North Point, commanding spectacular views of Victoria Harbour and the verdant landscape of Braemar Hill. It covers a total site area of 72,000 sq ft with total gross floor area ("GFA") of approximately 573,000 sq ft.

For agricultural land conversion, the Group has paid approximately HK\$237.9 million to the government in November 2010 as the Group's share of land premium for Hung Shui Kiu Project in Yuen Long. It covers a total site area of 64,000 sq ft with total GFA of approximately 80,000 sq ft.

Moreover, the Group has entered into an agricultural land conversion agreement with the government for the residential land of Tai Po Tsai Project in Sai Kung in July 2011. The project is situated in the luxurious location at Clear Water Bay Road, commanding the spectacular view of Ngau Mei Hoi in Sai Kung. The total land premium was HK\$6,640.3 million. It covers a total site area of 719,000 sq ft with total GFA of approximately 1,080,000 sq ft.

The Group currently has a landbank of over 9.6 million sq ft total attributable GFA for immediate development. Over 50% of the ready landbank is in the urban area. Meanwhile, the Group has a total of over 19.8 million sq ft of agricultural land reserve pending conversion.



Landbank by location	Attributable GFA (sq ft)
Hong Kong Island	581,840
Kowloon	4,494,857
New Territories (excluding areas pending agricultural land conversion)	4,606,299
<b>Total</b>	<b>9,682,996</b>

Agricultural landbank by location	Total land area (sq ft)	Attributable land area (sq ft)
Yuen Long	14,094,500	12,695,000
Sha Tin / Tai Po	2,122,000	2,122,000
Fanling	2,260,000	2,260,000
Sai Kung	1,265,000	1,028,000
Tuen Mun	120,000	120,000
<b>Total</b>	<b>19,861,500</b>	<b>18,225,000</b>

## Property

### Hong Kong Property Investment

The improving market sentiment has boosted the leasing performance of grade A offices in prime commercial districts since the second quarter of 2010. Increasing corporate expansion and new establishment have resulted in a substantial growth in office demand and positive office space take up, which have driven down the overall vacancy. With tight supply situation in the future, grade A offices in prime commercial districts continued to witness strong demand and rental rate growth during the first half of 2011.

Rental growth and the demand for retail premises in tourist-related shopping hot spots were driven by the strong consumption power of Mainland China visitors. The remarkable growth in tourist arrivals and strengthened local consumption confidence have boosted the Hong Kong retail market. According to the figures released by The Census and Statistics Department, the value of total retail sales in the first half of 2011 increased by 24% year-on-year to HK\$194.5 billion.

During the year under review, the Group's gross rental income in Hong Kong amounted to HK\$1,135.5 million, a decrease of 5% compared to last year. The decrease was mainly due to the closure of New World Centre in Tsim Sha Tsui for redevelopment in 2010. If stripping out the rental contribution from New World Centre, the Group's gross rental income in Hong Kong recorded 16% year-on-year growth. All other major projects in the Group's investment portfolio attained satisfactory occupancy. In particular, the office towers of New World Tower and Manning House, located in the core commercial hub of Central, were almost fully leased out at satisfactory rental rates.

New World Centre, the Group's landmark building standing on the tip of Tsim Sha Tsui at the waterfront, was closed for redevelopment after 32 years of operation in 2010. Demolition work has been started and the project will be redeveloped in phases.

To strengthen the Hong Kong investment property portfolio, the Group acquired the remaining 50% interest in the 470,000 sq ft GFA Discovery Park Shopping Mall and its 1,000 car parking spaces during the year under review.





## Hotel Operations

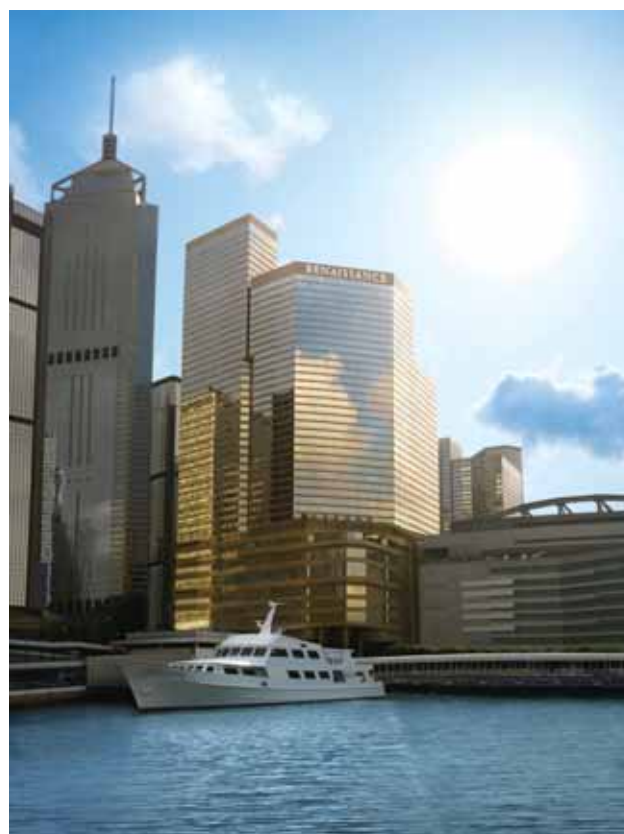
Following a strong rebound in 2010, visitor arrivals witnessed a remarkable growth. According to the figures released by The Hong Kong Tourism Board, total visitor arrivals to Hong Kong have increased by 15% year-on-year to the all time high 19.3 million in the first half of 2011. Increases in business and vacation travellers to Hong Kong have continuously stimulated the demand in local hospitality services.

The Group's hotel average occupancies grew continuously and average room rates improved significantly since the end of the second quarter of 2010. During the year under review, average occupancy and average room rate of Grand Hyatt Hong Kong grew significantly. In addition, the two new hotels launched in 2009, namely Hyatt Regency Hong Kong, Tsim Sha Tsui and Hyatt Regency Hong Kong, Sha Tin, achieved satisfactory performances with over 81% in average occupancy and the average room rate increased over 21% year-on-year. These two projects have made increasing contributions to the hotel operations segment.

As part of its commitment to provide excellent products and services to the guests, Renaissance Harbour View Hotel in Hong Kong is under renovation in phases.

In January 2011, New World Hospitality assumed management of the pentahotel Beijing (previously known as Courtyard by Marriott Beijing). Furthermore, the disposal of New World Hotel, Xian was completed during the year under review.

The Group has a total of 18 hotels located in Hong Kong, Mainland China and Southeast Asia, providing 8,375 guest suites. Amongst which, 10 hotels are managed by New World Hospitality.



## Mainland China Property

In FY2011, NWCL recorded a profit of HK\$3,025.8 million, representing a year-on-year increase of 15%. The improvement in operating results from sale of property and hotel operation, as well as the appreciation of Renminbi during the year under review, were the key factors contributing to the significant growth.

During the year under review, NWCL recorded satisfactory performance in property sales. Recorded sales volume reached 1,307,329 sq m, a 26% year-on-year increase with gross sale proceeds up 63% to approximately RMB13.0 billion. The contributions to property sales were mainly from Shenyang New World Garden, Shanghai Zhongshan Square, Wuhan Changqing Garden, Guangzhou New World Oriental Garden and Guangzhou Covent Garden. Moreover, the continuous improvement in overall gross profit margin had also been achieved in FY2011, increased by 6.9 percentage points year-on-year to 33.3% as compared with 26.4% in FY2010.

NWCL rental operation recorded a drop of 10% in contribution to HK\$442.1 million during the year under review, which was mainly due to the renewal of tenancy at Beijing New World Centre shopping mall and decrease in rentable area of service apartment and office space at Beijing New World Centre upon sales. Meanwhile, the large-scale renovation of the shopping arcade of Shanghai Hong Kong New World Tower during the year under review and the yet to mature operating results of newly opened Wuhan K11 Gourmet Tower and Beijing Baoding Centre shopping mall also adversely affected the performance in rental operations in Mainland China.

In FY2011, NWCL has completed 10 property development projects in Shenyang, Anshan, Shanghai, Wuhan, Chengdu, Guangzhou and Guiyang with a total GFA of 1,364,214 sq m, representing a year-on-year increase of 86%.

As at 30 June 2011, NWCL has a total GFA of over 26.5 million sq m of properties under development or held for development spread across more than 20 major cities or transportation hubs in Mainland China.

During the year under review, the continual improvement in operating results of hotel operations in Mainland China was primarily due to the continual growth in operating performance and total operating profit of hotels.



Projects completed in FY2011	Usage	Total GFA (sq m)	NWCL's interest (%)	Properties to be completed in FY2012	Usage	Total GFA (sq m)	NWCL's interest (%)
Shenyang New World Garden Phase II A	R, C, O	473,829	90	Wuhan Guanggu New World Centre Phase I	R, C, P	312,850	100
Anshan New World Garden Phase I A	R, C	110,132	100	Wuhan Changqing Garden Phase VII	R, C, P	54,032	60
Shanghai Zhongshan Square	C, O, P	142,184	100	Wuhan Menghu Garden Phase III	R	25,900	100
Wuhan Changqing Garden Phase VII	R, C	147,644	60	Changsha La Ville New World Phase II B	R, P	121,563	48
Chengdu New World Riverside Phase I	R	140,684	30	Chengdu New World Riverside Phase I	R	142,895	30
Guangzhou New World Oriental Garden Phase II	R	57,337	100	Zhaoqing New World Garden Phase III	R, C, P	92,271	100
Guangzhou Covent Garden Phase III	R	75,471	100	Guiyang Jinyang Sunny Town Phase I	R, C, P	428,658	50
Guangzhou Park Paradise Phase II E	R	33,819	100	Guangzhou Central Park-view Phase II	R, C, P	125,664	91
Guangzhou Xintang New World Garden Phase V	R	28,516	63	Guangzhou Park Paradise Phase II E	R, C, P	50,483	100
Guiyang Jinyang Sunny Town Phase I	R, C, P	154,598	50	Guangzhou Park Paradise Phase IV	R, P	26,820	100
				Huiyang Palm Island Resort Phase VI	R	17,531	59
<b>Total</b>		<b>1,364,214</b>		<b>Total</b>		<b>1,398,667</b>	

Usage:

R: Residential  
C: Commercial  
O: Office  
P: Carpark





# Accelerate Country's Advancement

## Infrastructure

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



# Infrastructure



NWSH achieved a profit attributable to shareholders of HK\$4,626.8 million for FY2011, representing an increase of 15% as compared to FY2010. A gain on fair value of HK\$479.9 million from revaluation of investment properties was recognised during FY2011 as a result of the robust property market. Moreover, the disposal of several service businesses recognised a net gain of HK\$343.9 million in FY2011.

## Road

Performance of expressways within the Pearl River Delta Region continued to perform satisfactorily during the year under review. After the partial closure for its major repair and maintenance works carried out in FY2010, operation of Guangzhou City Northern Ring Road has returned to normal and reported a traffic growth of 28% in FY2011. Average daily traffic flow of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) and Shenzhen-Huizhou Expressway grew by 9% and 31% respectively. Guangzhou-Zhaoqing Expressway also reported a strong traffic growth of 29% during FY2011 and the opening of phase two in September 2010 had greatly enhanced the project's competitiveness in the region.

## Energy

Electricity sales of Zhujiang Power Plants dropped slightly by 2% in FY2011, mainly due to lower electricity demand during the Asian Games period. Chengdu Jintang Power Plant, on the other hand, registered an increment of 8% in electricity sales. In Macau, electricity sales of Macau Power reported a stable growth of 3% during FY2011. In November 2010, the concession rights of Macau Power were renewed successfully for 15 years with permitted return reduced from 12% to 9.5% per annum.

The Group's coal distributor company, Guangzhou Fuel Company, rose significantly on the strength of the booming coal market during FY2011. Its operation has mitigated the impact of fuel costs on power plant businesses.



## Water

Contribution from water projects in Mainland China continued to serve as the growth engine for the infrastructure segment. Sales volume of Zhongshan Dafeng and Quanlu Water Plants, Changshu Water Plant and Chongqing Water Plant increased by 8%, 6% and 14% respectively. Water sales revenue was also benefited from the tariff hikes of several water plants since 2010. Water sales volume in Macau Water Plant maintained at a similar level when compared to FY2010.

Benefiting from the development of Chongqing and tax exemption on waste water treatment revenue, the contribution from Chongqing Water Group grew satisfactorily during FY2011.



## Ports and Logistics

The throughput of Xiamen New World Xiangyu Terminals Co., Ltd. rose by 3% to 774,000 TEUs. In Hong Kong, ATL Logistics Centre continued to make stable contribution to the Group. Average occupancy rate maintained high at 96% in FY2011.

In addition to the four existing terminals in Kunming, Chongqing, Chengdu and Zhengzhou, China United International Rail Containers Co., Ltd. ("CUIRC") commenced operations of another four new terminals in Dalian, Qingdao, Wuhan and Xian during FY2011. These eight terminals of the phase one development formed a network covering both coastal ports and inland regions in Central China. As a result, the total throughput handled by CUIRC increased substantially from 366,000 TEUs in FY2010 to 1,255,000 TEUs in FY2011. Tianjin and Harbin terminals, which form part of the phase two development, are under construction preparation.







# Sustain the Nation's Growth

## Service

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



Free Duty

Hong Kong Convention and Exhibition Centre



# Service



## Facilities Management

Following the disposal of certain non-core service businesses, the Facilities Management businesses now comprises mainly the Hong Kong Convention and Exhibition Centre (“HKCEC”) and Free Duty. The loss of profit contributions from the disposed facility services businesses was fully compensated by the outstanding performance of duty free business.

Benefiting from strong patronage of affluent travellers especially Mainland Chinese visitors, Free Duty’s tobacco and liquor retail business at various cross-boundary transportation terminals in Hong Kong continued to achieve outstanding results during FY2011.

NWSH continued to benefit from the growth of exhibition industry in FY2011. During the year, 1,235 events were held at HKCEC with total patronage of approximately 6.0 million. Most recurrent international trade exhibitions experienced growth in both gross exhibition space and overall attendance from previous year.

## Contracting & Transportation

The contribution from construction business recorded a 37% decrease year-on-year, due to the provision of job costs for projects in Hong Kong and overseas. As at 30 June 2011, the gross value of contracts on hand for the construction business was approximately HK\$20.1 billion.

Transport business contribution recorded a 24% year-on-year drop. This was attributed to an increase in fuel cost during the year.



## Strategic Investment

Tricor recorded a steady growth in its corporate services and investor services businesses during FY2011. It captured about 41% of the total share of new listings in Hong Kong during the year. Meanwhile, after the disposal of the NWSH's controlling interest in Haitong International Securities (previously known as Taifook Securities) in December 2009, its profit contribution resulted in a significant drop in FY2011.

As at 30 June 2011, NWSH had an effective interest of approximately 60% in Newton Resources Limited ("Newton Resources"), which owns and operates a major privately-owned iron ore mine in Hebei Province in the PRC.

The spin-off of Newton Resources had completed and dealings of its shares on the Main Board of the Stock Exchange commenced on 4 July 2011. As a result, NWSH's effective interest in Newton Resources decreased to approximately 48% and Newton Resources ceased to be a subsidiary of NWSH immediately upon listing. The investment in Newton Resources was classified as assets held for sale and liabilities directly associated with assets held for sale under NWSH as at 30 June 2011.

During the year, NWSH also acquired an approximately 38% effective interest of Hyva Holding BV, a company whose headquarter is located in the Netherlands and engaged in the manufacturing and supply of hydraulic components for commercial vehicle.





# Bring Variety and Quality to Shoppers

## Department Store

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



# Department Store



In FY2011, NWDS recorded a total revenue of HK\$2,749.5 million, an increase of 47% compared to last year. Profit attributable to shareholders was HK\$855.6 million, representing a year-on-year increase of 48%.

Commission income from concessionaire sales was the major type of income, accounting for 70.0% of total revenue. Proceeds from direct sales and rental income accounted for 19.9% and 8.0%, respectively. Management fees accounted for the remaining 2.1%.

The Northern China Region contributed the most to the NWDS's revenue during the year under review, accounting for 32.9% of total revenue, followed by the Central China Region and Eastern China Region, which accounted for 25.2% and 25.0% of total revenue respectively.

During the year under review, NWDS has opened three new stores in Beijing, Zhengzhou and Shenyang with total GFA of approximately 109,500 sq m. To tie in with future business development, NWDS acquired five managed stores and turned into self-owned stores to consolidate its business growth in the year reported, including Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store. In addition, Wuxi Store has ceased to be NWDS's self-owned store since May 2011.

NWDS has acquired the building ownership right and land use right of Shenyang New World Commercial Centre. The acquisition was completed in FY2011. This site is immediately next to the existing Shenyang Nanjing Street Branch Store of NWDS, and thus allows the possibility and flexibility for future store expansion.

Meanwhile, NWDS has entered into an agreement acquiring the property and operating right of "Channel 1 調頻壹" in Shanghai in September 2011, further consolidating NWDS's presence in Shanghai market.

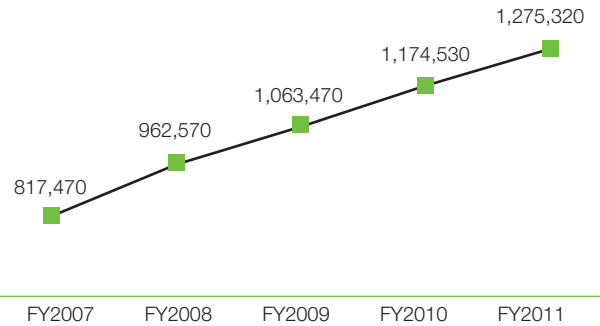
As at 30 June 2011, the business network of NWDS comprised a total of 32 self-owned stores and five managed stores, with a total floor area of approximately 1,275,320 sq m. The stores covered 17 major cities in Mainland China.



No. of stores by year



GFA by year (sq m)



Store type	Living Gallery		Fashion Gallery		Total	
	No. of stores	GFA (sq m)	No. of stores	GFA (sq m)	No. of stores	GFA (sq m)
Self-owned store	14	650,050	18	438,370	32	1,088,420
Managed store	2	96,000	3	90,900	5	186,900
<b>Total</b>	<b>16</b>	<b>746,050</b>	<b>21</b>	<b>529,270</b>	<b>37</b>	<b>1,275,320</b>

As at June 2011

# Direct Investment



In pursuit of its “New Strategy, New Thinking” objective, NWSI continues to identify investment projects with development potential in various areas. During the year under review, NWSI invested in a few projects in different industries and countries.

NWSI invested in Legend Pictures LLC (“Legendary”), a leading independent Hollywood motion pictures production company in US. Since its inception in 2004, Legendary has quickly enjoyed worldwide success from its blockbusters and has taken top places in the top 10 movie lists by worldwide box office every year since 2005. Legendary has grossed over US\$5 billion in box office to-date.

Seeing the continual growth in the domestic consumption in China, NWSI has invested in Star King (China) Food Group Limited (“SKF”) which engages in the production and marketing of composite potato chips and instant vermicelli under its own brand “Shu Yu Wo”(「薯與我」). SKF ranked among the top 10 by sales in the potato chips and instant vermicelli industry in China. Even though SKF’s sales has grown at compound annual growth rate of over 45% in the past three years, Chinese consumption in savoury snacks is still far below developed countries such as Japan. As such the growth in this segment will continue to outpace the growth of general consumption.

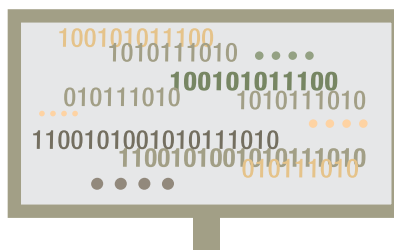
NWSI completed its investment in Fuhua Agriculture Technology Company Limited (“Fuhua”) in early 2011. Currently, Fuhua is China’s second-largest and the world’s third-largest producer of glyphosate in terms of annual production capacity. Glyphosate is a safe, effective and widely used crop protection product that protects a broad range of crops and gardens from grasses, weeds and plants. Fuhua sells its products globally through local and multinational agrochemical distributors. Fuhua established its seed business recently in a bid to capture the huge potentials of hybrid seed market in China. By leveraging its existing distribution network, Fuhua plans to cross-sell its seed products with its crop protection products to better serve the multifaceted needs of farmers and other customers. The ongoing global food-inflation issue will provide tremendous growth opportunities for Fuhua’s operation.

NWSI invested in China Vocational Education Company Limited (“China Vocational”) in 2011. China Vocational is one of the largest tertiary education service providers in China and it operates three private universities located in Beijing, Fujian province and Heilongjiang province. Given China’s economic growth, corporations have to continually invest in human capital by hiring, developing and retaining talents so as to cope with the business expansion. To meet the huge demand, the universities offer two to four years diploma and bachelor degree programmes in a variety of disciplines for post-secondary students, while every year, there are around 13,000 graduates. Cooperating with different business partners, the universities also provide short term vocational training courses and programmes that facilitate post-secondary students to obtain employment.





# Other Businesses



## New World Telecommunications

During the year under review, NWT has modernised its network to create new revenue streams and drive business growth for the coming years. The implementation of the new platforms including IP Gateway, Metro Ethernet, Broadband, DWDM Transmission and customer migration from legacy equipments are taking place. NW iMedia has extended the service to mobile advertising area. SMS broadcast platform facilitating customers to send bulk promotion SMS has been launched. It has also leveraged the modernised IT infrastructure with new systems to provide new applications such as Facebook Fan Page and HKDirectory.

In FY2011, NWT had signed International Telecom Service Agreements with additional 85 preferred partners, making a total number of global partners to over 430. These new partners provide opportunities for NWT to extend its wholesale business reach to new destinations. Meanwhile, in response to the growth of market demand, NWT has expanded its Internet Data Centre with an additional floor area of over 15,000 sq ft and has revamped part of the existing areas to provide additional racks during the year under review.

## CSL New World Mobility (“CSLNWM”)

During the year under review, revenue performance of CSLNWM grew by 19% compared to the prior year. This was driven by both strong service revenue and device revenue growth. The growth of 13% or 352,000 in customer numbers, and the introduction of new device bundles and service only rate plans were key contributing factors to the growth in services revenue. These new rate plans also enabled higher upfront device revenue recognition which, along with a significant increase in smartphone sales, helped to increase device revenue compared to the prior year.

Operating expenses, excluding depreciation and amortisation, grew by 30% in FY2011. This resulted from higher handset related costs associated with increased smartphones sales, along with a one-off exceptional gain which had reduced expenses in the prior comparative period.

## New World China Enterprises

NWCEP acts as project manager for a China focused private equity fund, namely New World Liberty China Ventures Limited. The total accumulated investment amount of NWCEP is about US\$163 million for over 20 projects.

## New World TMT

To capitalise on the China policies in supporting the development of TMT sectors and accelerating the growth of seven strategic emerging industries, NWTMT will continue to grasp the opportunities in the TMT areas and focus on profit generating services and applications in the Greater China TMT arena. NWTMT will continue to leverage on its 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 2011.

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 about 45,000 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 six Executive Directors, five Non-executive Directors and four Independent Non-executive Directors. The biographies of the Directors are set out on pages 74 to 78 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 2011 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 the audited financial statements for the year ended 30 June 2010 and the unaudited interim financial statements for the six months ended 31 December 2010 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 2011 with recommendation to the Board for approval. The audit plans from external auditor were also reviewed by the Audit Committee and recommendation was made on the re-appointment of the external auditors. 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.

# Corporate Governance Report

## 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 2011		
	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. Cheng Chi-Kong, Adrian	2/4		
Mr. Cheng Chi-Heng	3/4		
<b>Non-executive Directors</b>			
Mr. Cheng Kar-Shing, Peter	3/4		
Mr. Leung Chi-Kin, Stewart*	4/4		1/1
Mr. Chow Kwai-Cheung	2/4		
Mr. Liang Cheung-Biu, Thomas	4/4		
Ms. Ki Man-Fung, Leonie JP	3/4		
<b>Independent Non-executive Directors</b>			
Mr. Yeung Ping-Leung, Howard	2/4	1/2	0/1
Dr. Cha Mou-Sing, Payson JP	3/4	2/2	1/1
Mr. Ho Hau-Hay, Hamilton	3/4	2/2	1/1
Mr. Lee Luen-Wai, John JP	4/4	2/2	1/1

\* re-designated as Non-executive Director on 1 January 2011

## Auditors' Remuneration

During the year ended 30 June 2011, 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	
	2011 HK\$m	2010 HK\$m
Audit services	55.9	54.9
Non-audit services	5.1	7.9
Total	61.0	62.8

## 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.

## 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 communications.

**Corporate  
Citizenship**



Corporate social responsibility has always been a focal point of all sectors of society. Adhering to the mission of “care for the communities we serve and respect the environment we live in”, since its establishment, New World Group has been working closely with the government, society, academic and charitable organisations to help those in need in Hong Kong and the Greater China Region, advocating the spirit of care for others.

## TO OUR SHAREHOLDERS,

As a pioneer in embracing the concept of corporate citizenship, the Group continued its commitment to environmental protection this year by actively encouraging group companies to organise environmental protection programmes under the leadership of the Group Environmental Committee, putting in practice its support to sustainable environmental development. “Make it Green! Product Design Competition” jointly organised by the Group and Greeners Action, a green organisation, received overwhelming responses from young green advocates who designed a number of green products to protect the environment as well as to change people’s wasteful habits, bringing positive impacts to the society. For the second time, the Group organised “New World Green Week” from 5 to 11 June 2011 with the theme of “Scuppies Spirit”, which gathered group power to remind the public to put environmental protection as an important issue while enjoying their living. Through various public campaigns, the Group aims to deliver the right environmental protection message to the public and build an excellent living environment for our next generation in joint efforts.

The new generation with creative minds is no doubt a catalyst to the prosperity and growth of the society. As such, by bringing the talents of young people into full play, platforms built by enterprises are set to expedite the advancement of the society. The official opening of the Teaching Hotel of the Chinese University of Hong Kong (“CUHK”), with a total investment of HK\$1.3 billion by the Group, in early 2011 has offered students of the School of Hotel and Tourism Management of CUHK with an excellent environment to put their hotel management skills into practice. The “New Youth, New World” Summer Internship Programme fully supported by the Group for several consecutive years is a first-mover in motivating local undergraduates to go to Mainland China for internships. It offers various valuable internship opportunities and facilitates interactive and harmonious exchange between Hong Kong and Mainland China students. The “New Youth, New World” Mainland Students Internship Programme organised in recent years also provides working experience to undergraduates, nurturing outstanding future leaders.

The Group puts equal emphasis on training talents in Mainland China. To support the State’s efforts on attracting foreign experts to work in China, this year, the Group and the State Administration of Foreign Experts Affairs of the PRC entered into an agreement to establish a “Foundation for Thousand Foreign Experts Programme” with capital contribution from both parties for launching the “Thousand Foreign Experts Programme”. Again fully supported by the Group and China Young Leaders Foundation, in December 2010, outstanding Chinese undergraduates, postgraduates and PhD Mathematics students were recognised in the “New World Mathematics Awards” presentation ceremony, encouraging academic breakthrough of young people. Both programmes were well received by talents in Mainland China and facilitated the diversified development of China.

Long-term and far-sighted policies on corporate social responsibility, to which the Group believes, will promote the development of a better society. To realise the vision of “To build a better society through innovation and sustainable growth”, we will continue to fulfill corporate social responsibilities to create a new world for both you and us.

**Mr. Cheng Chi-Kong, Adrian**

*Executive Director*

Hong Kong, 29 September 2011



# Hand in Hand for A Beautiful New World

# Corporate Citizenship



Since its establishment in 1970, New World Group has always been committing to corporate citizenship and actively making contributions to the society. The Group spared no effort to organise and participate in various charitable events in a bid to encourage the youth to care about the society, facilitate exchange between Mainland China and Hong Kong and build a harmonious society hand in hand with the public.

For years, New World Group's efforts on performing corporate social responsibilities have widely been recognised, with NWD and its 20 subsidiaries being accredited as the "Caring Company" by the Hong Kong Council of Social Service for consecutive years in recognition for the dedication of the Group to putting corporate social responsibilities in practice and building a harmonious society.

## Together We Create A Green Community

New World Group is committed to promoting green culture in the community and working for an ideal living environment. The Group deeply believes that concerted efforts from all sectors of the society are the keys to gather power and create a green new world for all of us. As such, the Group Environmental Committee comprising the management of the Group has been leading group companies in organising environmental protection activities, sowing the seeds of environmental protection all over Hong Kong. For details on green initiatives of the Group, please visit <http://www.greennewworld.com.hk>.

## Make it Green! Product Design Competition

Waste generation in Hong Kong is extremely high. Landfills in Hong Kong will soon become saturated, affecting the daily life of citizens. To nurture green lifestyle among the public, New World Group and Greeners Action co-organised "Make it Green! Product Design Competition" in February 2011. Citizens are encouraged to bring their creative talents into full play and design green and useful products using recyclable materials and reused materials to change people's wasteful habits.

The competition comprises three categories, namely the Junior High School Category, the Senior High School Category and the Open Category. About 200 submissions were received with astonishing ideas of the green advocates. Winning products were displayed at K11 Art Mall and Discovery Park Shopping Centre respectively in June 2011, showing to the public that everyone can contribute to the Earth by reducing over-consumption on resources. The champion teams were invited to join a Taiwan Green Tour to bring the environmental protection skills there back to Hong Kong, raising people's environmental awareness and putting green insights into actions.





### New World Green Week 2011

In response to the “World Environment Day” of United Nations, the Group organises “New World Green Week” every year from 5 to 11 June since 2010 to raise environmental awareness among the public. With the theme of “Scuppies Spirit”, this year’s “New World Green Week” encouraged the public and our staff to become “Scuppies” who care about sustainable development and adopt a green lifestyle through environmental protection activities organised by group companies, including provision of low carbon menu in the Group’s hotels in Hong Kong and HKCEC, environmental seminars and more.

To clearly demonstrate the spirit of Scuppies, the Group designed the Scuppies website (<http://www.newworldscuppies.com.hk>), which contains “Scuppies Green Tips” to teach the public how to change their living habits in order to be environmental friendly. In addition, the Group also distributed free copies of Scuppies pamphlets at various spots during the “New World Green Week” to promote the Scuppies spirit.

### Green New World Volunteer Team

Green New World Volunteer Team was officially formed in 2010 to encourage staff members to participate in activities in support of sustainable environmental development. During the year, the team organised a number of volunteer services, which were well supported by staff members. As of 30 June 2011, Green New World Volunteer Team has a total of 64 volunteers and served a total of 325 hours.

In February 2011, Green New World Volunteer Team volunteered for “Green Power Hike for a Green Future” organised by Green Power, assisting the organiser to carry out its yearly fund-raising event smoothly. In May 2011, the team visited “Hong Chi Farmstead” of Hong Chi Association and assisted trainees with intellectual disabilities in simple farming, enjoying the fun of harmonious collaboration with the trainees. In July 2011, the volunteer team and Hong Kong Federation of Youth Groups co-organised the activity “Green New World – Organic Farming and Field Cooking” to practise farming. Participating families received organic vegetable gift sets as souvenirs, enabling them to bring the organic lifestyle home and encourage their family members and friends to enjoy the joy of green living.

## Corporate Citizenship



### Realise All Green Pledges

The Group realises its pledges on environmental protection by such measures as waste reduction and recycling. Group companies have put environmental protection in practice by adopting green initiatives in their course of business and corporate activities, in a bid to realise sustainable development of the society.

Committed to building a green community, New World Group provides free electric vehicle charging service in parking area of its properties including New World Tower, HKCEC, K11 Art Mall, New World Centre, Discovery Park Shopping Centre and Riviera Plaza since 2011. To date, the Group has installed 12 electric vehicle charging devices in Hong Kong to facilitate the popularisation of electric vehicles.

To echo the “Minimising Waste, Maximising the Future Campaign – Green Reminders Programme” of the Environmental Protection Department, New World Group has pledged to increase the number of recycling bins in its commercial buildings and premises, such as K11 Art Mall, Discovery Park Shopping Centre and Youth Square. The Group has also put up posters and messages at relevant locations to remind members of the public to discard waste properly into recycling bins nearby and spread the waste reduction message.

### Build A Green Workplace

The Group recognises that green pledges can only be realised if it starts from the corporate internally. Staff members are mobilised to care for the environment and put the corporate’s mission of “respect the environment we live in” into practice wholeheartedly. Various activities were organised by the Group to cultivate staff’s love for green culture and raise their knowledge and interest in environmental protection, turning the workplace into a greener one.

### Advocate Organic and Low Carbon Lifestyle

To promote organic lifestyle amongst staff members, the Group organised “Organic Snacks Week” and “Organic Fruits Day” during which all staff members received organic Cashew Brittle and locally grown organic fruits. Low carbon menu was served in the staff canteens of the Group’s hotels and HKCEC during the New World Green Week in order to enhance the environmental awareness of staff members starting from their diet.



Supporting the “Order less, Waste less” food waste reduction scheme initiated by Friends of the Earth, the Group has reduced two main courses in the Annual Dinner 2011 and encouraged staff to bring leftovers home with their own food containers, largely reducing food waste. The Group also abandoned shark fin soup in the menu to spread the message of ecological protection to staff members. Furthermore, the Group also offset carbon emissions incurred in the event through supporting various green projects, making the event a carbon neutral one with the help of Carbon Care Asia.

### Pass on the Latest Green Information

The Group Environmental Committee organises local green visits regularly to exchange green knowledge with other organisations. Representatives of Group companies have visited the City University of Hong Kong and St. Bonaventure Catholic Primary School to learn about the various environmental and energy-saving measures they have taken, including sewage reuse facility, environmental bricks application, “Zero Food-Waste Canteen”, food composting, etc. Apart from widening our horizon on environmental protection, information gathered from the visits can be applied in the formulation of the Group’s green policies.

The Group held various green seminars and workshops to encourage staff members to protect the environment starting from their daily habits. In June 2011, the Group invited Greeners Action to conduct a “Eco-Detergent DIY” workshop to staff members. Advantages of eco-cleaning were introduced and staff members were instructed to prepare eco-detergents by themselves. The overwhelming response of staff reflected that they are gradually taking up green concepts advocated actively by the Group and bringing green habits from their workplace to their daily lives.

## Corporate Citizenship



### Facilitate Positive Youth Development

Regarding the youth as the cornerstones to the prosperity of Hong Kong and the future pillars of the society, New World Group is dedicated to nurturing outstanding young leaders and supporting various youth development projects on an ongoing basis, aiming to enhance social cohesion and foster the next generation. Meanwhile, the Group also provides a number of venues, such as Youth Square in Chai Wan and the Teaching Hotel, for youths to discover and develop their potentials. Young people are therefore encouraged to achieve their dreams, show their talents and make contributions to the society.

#### New World Harbour Race 2011

First held in 1906, the Cross Harbour Race attracted participation of a number of Hong Kong people each year. However, the Race has been suspended for 33 years since 1979. New World Group partnered with Hong Kong Amateur Swimming Association to organise “New World Harbour Race 2011” (“the Race”), a Hong Kong heritage sporting event, fully supporting local swimming lovers to showcase their skills and creating a collective memory of the community. The Race to be held on 16 October 2011 has received overwhelming response and attracted a total of 1,000 participants, splitting across the individual and team categories. In organising the event, the Group hopes to nurture more local young swimmers, support local sports development and promote Victoria Harbour internationally through the iconic event.

“New World Harbour Race 2011” re-launched this year is solely sponsored by New World Group. Apart from the sponsoring awards of each category, the Group offered a “K11 Cross Harbour Race Young Swimmers Cup” particularly for swimmers aged between 12 and 16, encouraging young swimmers to show their talents.

#### Grand Opening of Teaching Hotel and Naming of Cheng Yu Tung Building of CUHK

The Teaching Hotel of CUHK, with a total contribution of HK\$1.3 billion by New World Group, was officially opened on 4 January 2011. The Teaching Hotel comprises both hotel facilities, the Hyatt Regency Hong Kong, Sha Tin, and teaching building named Cheng Yu Tung Building. It provides state-of-the-art internship, teaching and research facilities for the School of Hotel and Tourism Management, the Faculty of Business Administration as well as research institutes at CUHK, marking a new chapter in Hong Kong’s hotel and tourism management education.



### “New Youth New World” Summer Internship Programme and Mainland Students Internship Programme

The Group and Hong Kong United Youth Association (“HKUYA”) has co-organised the “New Youth, New World” Summer Internship Programme for four consecutive years since 2008. Up to now, a total of around 800 local undergraduates were offered with the opportunities for a six-week internship in major cities in Mainland China, encouraging them to upgrade themselves as well as facilitating interactive and harmonious exchange between young people in Mainland China and Hong Kong. In 2011, the Group offered internship positions in Mainland China to around 40 students, through which students were able to explore outside their academic studies and gain hands-on working experience.

Continuing the spirit of nurturing young people of “New Youth, New World” Summer Internship Programme, the Group has shown its full support to the “New Youth, New World” Mainland Students Internship Programme since 2010, and up to now, over 140 outstanding Mainland undergraduates received four-week trainings in Hong Kong. The programme allows Mainland undergraduates to experience the culture and lifestyle in Hong Kong, and nurtures young talents for the local commercial sector.

### Youth Educational Activities

New World Group believes that music training can encourage young people to work hard and strive for improvement. The Group has supported the summer performances of Asian Youth Orchestra (“AYO”) in Hong Kong for three consecutive years since 2009, providing young musicians the opportunities for music exchange and performance, as well as pushing forward the development of AYO.

Meanwhile, the Group also supports the Eastern District Arts Council and Music for Our Young Foundation to organise the “Eastern District Youth Chinese Orchestra”, arranging instrument classes for the primary and secondary students aged 16 or below in the district. In 2011, the Group established “New World Award for MOY Students”, presenting medals to students with outstanding performance. Students who receive all nine medals before the age of 21 will be awarded scholarships of HK\$10,000 from New World Group as incentives.

Throughout the years, New World Group has been fully supporting young people to seek personal development outside the curriculum. In January 2011, the Group showed its full support to “Rogaine24” navigation activity organised by The Hong Kong Award for Young People (“AYP”). A corporate team was also sent to participate in the race, raising fund for AYP. Besides, the Group has supported “Inner Challenge” organised by Breakthrough for three consecutive years since 2009. This year, the Group fully supported local disadvantaged youths to participate in the event, bringing their potentials to full play, gathering positive power of their peers and adding vibrancy to the community.



### Promote Harmonious Exchange between Mainland China and Hong Kong

The Group actively supports the development of the Greater China Region by focusing on the training of professional talents in Mainland China to contribute to the country. The Group emphasises on the development of young students as well as the facilitation of exchange for senior officials and talents in Mainland China, for passing on knowledge effectively to the young generation and provision of opportunities for elites in Mainland China to exchange with each other, facilitating the country's development with the spirit of innovation.

#### Thousand Foreign Experts Programme

New World Group always cares about the development of talents in Mainland China and is committed to the development of talents in and introduction of experts to Mainland China. The Group and the State Administration of Foreign Experts Affairs of the PRC ("SAFEA") entered into an agreement to jointly establish a "Foundation for Thousand Foreign Experts Programme" with capital contribution of RMB10 million from each party to launch the "Thousand Foreign Experts Programme". The programme aims to attract 1,000 non-Chinese foreign experts to work and provide guidance in Mainland China based on the needs of national economic construction and social development and in line with the national development strategies and goals in ten years' time.

#### New World Mathematics Awards

To encourage academic breakthrough of young people, New World Group and China Young Leaders Foundation have fully supported the "New World Mathematics Awards" since 2007. Aiming at encouraging Chinese university students in Hong Kong, Mainland China and worldwide in their pursuit of mathematical truth, "New World Mathematics Awards" presents awards to outstanding Chinese undergraduates, postgraduates and PhD Mathematics students. The second "New World Mathematics Awards" Presentation Ceremony was held successfully in Beijing in December 2010. Over 30 outstanding young Chinese students across the world were awarded. The awardees will continue to pursue academic excellence and support the economic development of China.

#### New World Harvard Kennedy School Fellows Programme

The Group signed an agreement with the SAFEA and John F. Kennedy School of Government, Harvard University ("Harvard") early in 1998, starting the "New World Harvard Kennedy School Fellows Programme". Each year, around 15 outstanding senior government officials are sent to Harvard for fellows programmes and executive programmes. Up to now, about 175 outstanding officials have benefited from this professional training programme. In 2010, the Group and the SAFEA further signed an agreement to sponsor outstanding senior officials for further studies in the United States, enhancing the development of talent training in China.



### Support Community Charity and Philanthropy

It has always been the objective of New World Group to help the needy in the society and assist those in disastrous situations. Apart from generous donations to Medecins Sans Frontiers (“MSF”), staff members of the Group actively participate in community service work in their leisure time to spread love and care all over the world.

#### MSF Day

In July 2011, New World Group and its subsidiaries have taken part in the “MSF Day 2011”, and raised a total donation amount of HK\$480,000, being the corporation raising the highest amount for three consecutive years and this is also the fifth time for the Group to receive such accolade since 2006.

#### Love and Care for the Community

Many staff members of New World Group are enthusiastic volunteers who actively participate in voluntary works of the Group’s three volunteer teams, namely, “Green New World Volunteer Team”, “NWS Volunteer Alliance” and NWCL’s “New World Volunteer Team”. In addition, our group companies organize volunteer services regularly to share the joy of giving with its staff.

The Group and “Road to Green-Striving for a Young New World” Social Enterprise has co-organized “Warmth Delivery” activity for three consecutive years since 2008. In December 2010, volunteers visited an elderly home and brought winter clothes, vacuum mugs and gift cards to the elderly as gifts. Volunteers also did stretching exercises and played mini games with the elderly, sending warmth to them.

Volunteers of Youth Square organized an activity in December and delivered over 100 gifts collected from public during Christmas to “Ching Lan Home” of Fu Hong Association and People’s Food Bank of St. James’ Settlement, showing love to the wider society.

## Corporate Citizenship



### Create An Ideal Working Environment

As of 30 June 2011, the Group has a total of about 45,000 employees. The Group is committed to nurturing an outstanding team in a bid to enhance working performance and results, as well as to provide opportunities for personal development of staff. The Group established “New World University” in January 2011, aiming to provide sustainable and systematic staff training in a long run. Apart from a number of recreational events organised by the Sports and Recreation Club, the Group has also established various two-way communication platforms and offered attractive welfare packages to enhance the sense of belongings of and cohesion among its staff members.

### Build an Outstanding Team

In July 2011, the Group held its Annual Group Management Forum with the theme “A Journey in Pursuit of Quality Excellence” to inspire the senior executives on quality management. Professional consultant and successful entrepreneurs were invited to share their experience with the Group’s senior management at the Forum, inspiring their thinking and enhancing cohesion among participants. During the month, the Group organised a series of trainings on “Pursuit of Quality in Work Process and Business Performance”, further reinforcing senior management’s understanding of quality excellence.





### Nurture Talented Staff

To nurture top-notch talents, the Group organised the second “New World Star Executive Development Programme” in 2011. Partnered with Richard Ivey School of Business of The University of Western Ontario, the programme provides a 16-month professional training programme to managerial staff of the Group. Apart from acquisition of top operational and management knowledge, participants can also exchange their ideas with other managerial staff of the Group.

The fourth “Accelerating Management Talent Programme” was completed successfully in January 2011. The six-month programme provided training to outstanding talents with potentials and emphasised on exchange and interactions with other outstanding enterprises.

The Group also provides training programmes for its staff at various levels on a regular basis, covering such topics as management, legal and financial knowledge, corporate governance, team building, communication and presentation skills, customer service, computer knowledge and innovative thinking. The Group Training and Development Department also invites professionals such as lawyers, business consultants, computer experts and psychologists to hold professional workshops for staff members regularly, enabling them to acquire all-round knowledge. A number of exchanges, visits and lunch seminars were also organised to nurture and identify outstanding talents.

## Corporate Citizenship



### Strengthen Communication and Care for Staff Needs

The Group always regards its staff as an important asset. The management strives to care for our staff by constantly reviewing their welfare benefits to further enhance their working conditions. In 2011, the Group launched a staff benefits alignment package in Hong Kong and successively implemented the package in our group companies. Apart from implementing five-day week, annual leave, paternity leave, examination leave, birthday leave, special leave (such as marriage leave and bereavement leave) and employees discount are offered to staff members.

Emphasising on work-life balance of our staff, the Group set up a Sports and Recreation Club last year. Various events such as interest classes, sport and recreational activities and competitions are organised for staff members to relax in their leisure time. In addition, the Group organises Annual Dinner each year for staff to gather and share the achievements of the Group together. The Group is going to organise a “Group Fun Day” in November 2011 to build up team spirit and improve cooperation among its staff. Colleagues of our group companies and their family members will be invited to join the challenging games and enjoy the performances on that day.

To further enhance communication flow among group companies and interactive exchange among staff members, the Group Intranet has been revamped in December 2010, in which a staff internal discussion forum “Net Work” was created. Colleagues working in different locations for different group companies can communicate and share their thoughts with one another through these channels. The Group engages its staff members via various channels, such as monthly newsletter, intranet, emails and the staff magazine “*New World • New Words*”.

The Group Human Resources Committee initiated a programme named “Luncheon with Adrian”. Mr Adrian Cheng, Executive Director of the Group and Chairman of the Group Human Resources Committee, presided at the luncheon and directly exchanged ideas with staff members of different job functions from different group companies, establishing a transparent corporate culture with mutual trust.



## Emphasise Investor Relations

The Group is committed to enhancing its transparency and keeping investors and the public abreast of its latest updates. The 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, enabling them to be fully aware of the Group's important information and position in the industries in which it operates. The corporate website presents relevant information of the Group, establishing a timely and effective communication channel for the media, investors and the public.

New World Group is committed to enhancing information transparency and ensuring that stakeholders are acknowledged of the Group's latest updates in due course. Following the setup of a group page (<http://www.facebook.com/newworldgroup>) in Facebook, NWD officially launched a new corporate website (<http://www.nwd.com.hk>) which includes new location maps of the Group's property development and investment projects in Hong Kong, further enhancing our information disclosure to the media and investors. The corporate website in English, Traditional Chinese, Simplified Chinese and Text versions provides information of the Group to people from different stratum with different capabilities.

NWD and its subsidiaries were awarded at Web Care Campaign – Web Care Award organised by Internet Professional Association for consecutive years. In 2010, NWD's corporate website received the highest honour "Diamond Award" in recognition of its commitment to set up barrier-free websites, which cater to the needs of different people in the community.

New World Group regards annual reports as its communication channels with investors and external parties and is committed to enhancing corporate transparency and providing accurate information to investors and stakeholders. The Group highly values the contents and production of its annual reports. Annual reports of its four listed companies for FY2010 have been awarded in various international renowned annual report competitions, recognising the Group's outstanding performance in corporate communications and annual report production. The prizes include the International ARC Awards, organised by MerComm, Inc. and considered the equivalent of the Oscars among all annual report awards, the International Astrid Awards, International Mercury Awards and the LACP 2010 Vision Awards Annual Report Competition organised by the League of American Communications Professionals LLC ("LACP").

# Management Discussion and Analysis

In FY2011, NWD recorded a profit attributable to shareholders of the Company amounted to HK\$9,153.9 million, decreased 26.2%. If taking out the net other gains and changes in fair value of investment properties, the Group's underlying profits amounted to HK\$4,667.1 million, decreased 23.3%. Total segment results (including share of results of jointly controlled entities and associated companies), amounted to HK\$10,987.6 million decreased 2.0%.

## Consolidated income statement

	FY2011 HK\$m	FY2010 HK\$m (Restated)
Revenues	32,882.0	30,218.6
Cost of sales	(20,672.6)	(18,775.0)
Gross profit	12,209.4	11,443.6
Other income	82.8	211.3
Other gains, net	2,132.6	2,547.8
Selling & marketing expenses	(650.6)	(635.8)
Administrative & other operating expenses	(5,023.1)	(4,649.0)
Changes in fair value of investment properties	3,534.6	4,765.8
Operating profit	12,285.7	13,683.7
Financing income	423.5	474.5
Financing costs	(889.4)	(812.9)
	11,819.8	13,345.3
Share of results of		
Jointly controlled entities	2,654.0	3,232.6
Associated companies	1,104.0	994.1
Profit before taxation	15,577.8	17,572.0
Taxation	(2,833.8)	(1,904.3)
Profit for the year	12,744.0	15,667.7
Attributable to:		
Shareholders of the Company	9,153.9	12,398.6
Non-controlling interests	3,590.1	3,269.1

## Revenues – by business segments

	FY2011 HK\$m	FY2010 HK\$m
Property development	16,117.0	12,570.1
Property investment	1,589.3	1,508.8
Service	8,380.6	10,025.6
Infrastructure	277.7	251.9
Hotel operations	2,767.5	2,480.9
Department stores	2,815.9	2,484.7
Telecommunications	712.6	713.4
Others	221.4	183.2
<b>Consolidated</b>	<b>32,882.0</b>	<b>30,218.6</b>

In FY2011, the Group's revenues increased 8.8% to HK\$32,882.0 million from HK\$30,218.6 million, mainly due to the strong property sales in Mainland China. In FY2011, the property sales volume in Mainland China increased 25.8% into a total GFA of 1,307,329 sq m. Moreover, the contribution from hotel operations and department stores recorded an significant growth, increased 11.6% and 13.3% respectively.

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

	FY2011 HK\$m	FY2010 HK\$m (Restated)
Property development	4,743.1	4,837.1
Property investment	1,761.5	1,679.1
Service	1,620.2	1,991.8
Infrastructure	1,872.6	1,573.4
Hotel operations	433.1	158.5
Department stores	582.4	515.1
Telecommunications	99.6	157.0
Others	(124.9)	303.2
<b>Consolidated</b>	<b>10,987.6</b>	<b>11,215.2</b>

### Property development

For the year under review, the contribution from property development segment decreased 2.0% to HK\$4,743.1 million against HK\$4,837.1 million. Last year, The Masterpiece contributed a majority portion of Hong Kong property sales whereas this year property sales was mainly from two projects with small to medium size units resulting in a decrease of segment results. Although the performance of Mainland property sales was satisfactory, the Land Appreciation Tax payment diminished part of its contribution.

During the year under review, no new residential project was launched by the Group in Hong Kong. The segment contribution from Hong Kong property development was mainly from the sale of residential units of Emerald Green in Yuen Long and Belcher's Hill in Western district. These two projects were launched in March 2009 and January 2010 respectively.

During the year under review, the sentiment of Mainland China property market was adversely affected by the controlling measures rolled out by the Central Government for curbing property speculation and thus stabilising property prices and market development. Nevertheless, the contribution from Mainland property sales has not been much affected as over one-third of the property sales revenue were secured before the first round of tightening measures which were implemented in April 2010 and the transactions were completed during the year. Followed by the gradual recovery in Mainland property market since September 2010, the property sales performance was stimulated.

In addition, benefited by the continual growth in the overall property prices in Mainland China, the gross profit margin in Mainland property sales had significantly improved to 33.3%, an increase of 6.9 percentage points from 26.4% achieved in FY2010.

### Property investment

During the year under review, property investment contributed HK\$1,761.5 million, an increase of 4.9% as compared to HK\$1,679.1 million for the prior fiscal year. The increase was mainly due to the continual improvement in Hong Kong rental market sentiment that stimulates the growth in both occupancy and rental rate of offices and retail premises. If taking out the contribution from Hong Kong New World Centre which was closed for redevelopment in 2010, the contribution from this segment recorded an 14.7% year-on-year increase. All the major projects in the Group's investment portfolio attained satisfactory occupancy.

### Service

In FY2011, service segment contributed HK\$1,620.2 million, a decrease of 18.7% as compared to HK\$1,991.8 million for the prior fiscal year. The drop was mainly due to the disposal of certain service businesses and majority of controlling interest in Haitong International Securities (previously known as Taifook Securities).

Benefiting from robust growth in patronage of Mainland Chinese visitors and the increase of their average spending, Free Duty's tobacco and liquor retail business at various cross-border transportation terminals in Hong Kong continued to achieve outstanding results during FY2011. The operating performance of HKCEC continued to benefit from the growth of exhibition industry, its contribution recorded a stable growth in FY2011.

The contribution from construction business recorded a decrease, due to the provision for job costs for projects in Hong Kong and overseas. An increase in fuel cost during the year also affected the contribution from transport business. On the other hand, Tricor recorded a steady growth in its corporate services and investor services businesses during FY2011.

# Management Discussion and Analysis

## Infrastructure

In FY2011, infrastructure segment contributed HK\$1,872.6 million, an increase of 19.0% as compared to HK\$1,573.4 million for the prior fiscal year. The increase was mainly due to the economic growth of Mainland China that stimulated the average traffic flow of the major road projects. In particular, performance of expressways within the Pearl River Delta Region continued to perform satisfactorily. An additional income of approximately HK\$387.5 million mainly on additional profit distribution from Tangjin Expressway (Tianjin North Section) recognised in FY2011 also enhanced the contribution from road business.

Benefited from the tariff hikes of several water plants since 2010 and the increase in Mainland water sales volume, contribution from water business recorded a continuous growth.

The overall contribution from energy business recorded a drop, mainly due to the persisted growth in coal prices and the lower electricity demand during the Asian Games period.

In FY2011, ATL Logistics Centre continued to make stable contribution with average occupancy rate maintained at 96% due to the improvement in global freight forwarding market.

## Hotel operations

In FY2011, hotel operations segment contributed HK\$433.1 million, an increase of 173.2% as compared to HK\$158.5 million for the prior fiscal year. Increases in business and vacation travellers to Hong Kong have continuously stimulated the demand in local hospitality services. Both average occupancies and average room rates of the Group's Hong Kong hotels recorded a significant growth. The two new hotels launched in 2009, namely Hyatt Regency Hong Kong, Tsim Sha Tsui and Hyatt Regency Hong Kong, Sha Tin, have made increasing contributions to the hotel operations segment.

During the year under review, the continual improvement in operating results of hotel operations in Mainland China was primarily due to the continual growth in operating performance and total operating profit of hotels.

## Department stores

In FY2011, department stores segment contributed HK\$582.4 million, an increase of 13.1% as compared to HK\$515.1 million for the prior fiscal year. Benefited from the satisfactory economic performance in Mainland China, the same store sales growth of our self-owned department store in Mainland, went up 12.9 percentage points year-on-year to 18.2%.

During the year under review, NWDS has opened three new stores in Beijing, Zhengzhou and Shenyang with total GFA of approximately 109,500 sq m. In addition, NWDS acquired five managed stores and turned them into self-owned stores to consolidate its business growth in the year reported, including Beijing Store, Chengdu Store, Changsha Trendy Plaza, Beijing Trendy Store and Chongqing Store.

In FY2011, NWDS has acquired the building ownership right and land use right of the property of Shenyang New World Commercial Centre. Besides, Wuxi Store has ceased to be the NWDS's self-owned store since May 2011.

As at 30 June 2011, the business network of NWDS comprised a total of 32 self-owned stores and five managed stores, with a total floor area of approximately 1,275,320 sq m, an increase of 8.6% as compared with the prior fiscal year.

## Telecommunications

Telecommunications business segment recorded a profit of HK\$99.6 million, a decrease of 36.6% as compared to HK\$157.0 million for the prior fiscal year. The decrease was mainly due to a decline in fixed-line business performance, along with a one-off exceptional gain of mobile business in the prior fiscal year which did not exist in this fiscal year.

## Others

Other businesses recorded a loss of HK\$124.9 million as compared to a profit of HK\$303.2 million in the prior fiscal year, mainly due to the decrease of dividend income from investment and the drop in contribution from New World Liberty China Ventures Limited.

## Other gains, net

Net other gains amounted to HK\$2,132.6 million which included gain on disposal of available-for-sale financial assets, net exchange gain and gain on remeasuring previously held net assets of a jointly controlled operation at fair value upon acquisition of control thereof, after the acquisition of 50% interest in Discovery Park Shopping Mall, Tsuen Wan.

However, net other gains decreased by 16.3% year-on-year as compared to HK\$2,547.8 million for the prior year arising mainly from gain on remeasuring previously held interests of jointly controlled entities and associated companies at fair value upon further acquisition by NWCL as subsidiaries, excess of fair value of net assets acquired over the cost of acquisition of interests in subsidiaries, and the disposal gain from Haitong International Securities.

## Changes in fair value of investment properties

Changes in fair value of investment properties amounted to HK\$3,534.6 million, a decrease of 25.8% as compared with HK\$4,765.8 million for the prior fiscal year. During the year under review, improving economic fundamentals and sentiment have resulted in picking up of leasing activities of grade A offices in Hong Kong. Limited supply in the prime location has also triggered a significant increase in overall rental rate that leads the increase in property values. However, due to the demolition and redevelopment of New World Centre, no contribution from that property was recorded.

## Liquidity and capital resources

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

The Group's borrowings were mainly arranged on a floating rate basis. The Group used interest rate swaps to hedge part of the Group's underlying interest rate exposure. As at 30 June 2011, the Group had outstanding interest rate swap contracts in the amounts of HK\$5,800.0 million and US\$600.0 million (equivalent to approximately HK\$4,680.0 million) respectively.

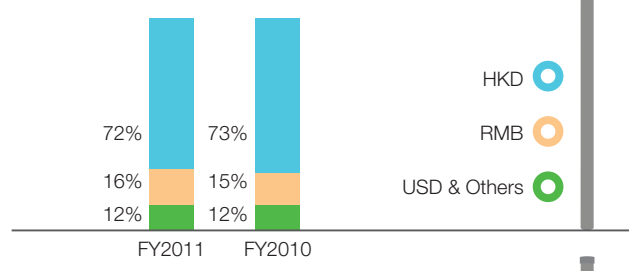
As at 30 June 2011, HK\$35,292.9 million (2010: HK\$31,770.2 million) of the Group's assets were pledged as securities for certain banking facilities of the Group.

As at 30 June 2011, the Group's cash and bank balances stood at HK\$24,092.8 million (2010: HK\$23,608.7 million) and the consolidated net debt amounted to HK\$34,992.4 million (2010: HK\$27,113.5 million). The net debt to equity ratio was 26.0%, an increase of 2.4% as compared with FY2010. The increase was mainly due to the acquisition of property projects, infrastructure projects and the reduction of residential units sold in Hong Kong during the year.

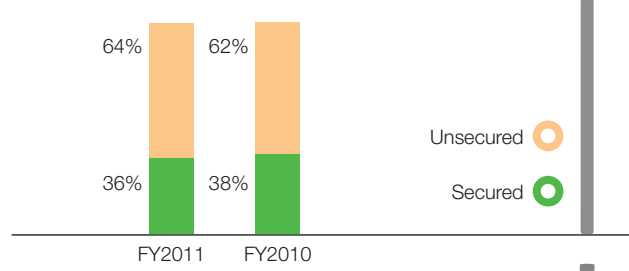
During the year, the Group repurchased convertible bonds issued by a subsidiary company of NWCL with principal amount of RMB18.0 million (2010: redeemed RMB2,218.8 million).

Equity of the Group as at 30 June 2011 increased to HK\$134,368.6 million against HK\$114,886.3 million (restated) as at 30 June 2010.

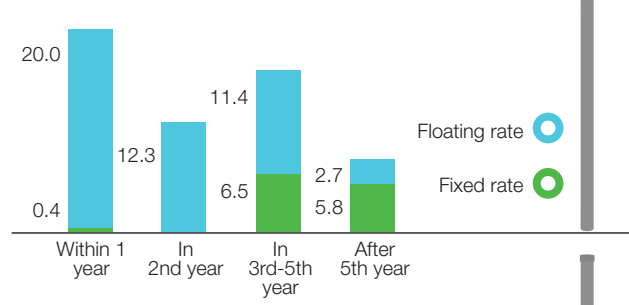
### ← Currency Profile of Borrowings



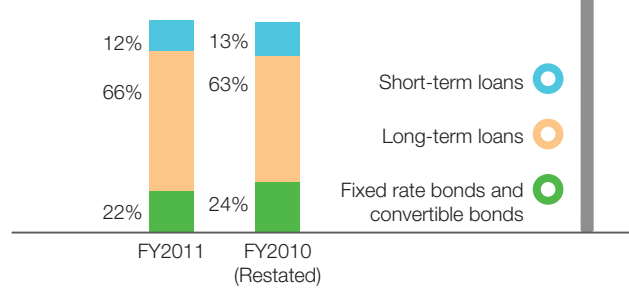
### ← Nature of Debts



### ← Interest Rate and Maturity Profile (HK\$ Billion)



### ← Source of Borrowings



## Management Discussion and Analysis

### Interest rate and maturity profile

As at 30 June 2011, the Group's long-term bank loans, fixed rate bonds and convertible bonds amounted to HK\$51,731.2 million. Short-term bank and other loans as at 30 June 2011 were HK\$7,354.0 million. The Group's cash and bank balances as of 30 June 2011 were HK\$24,092.8 million. The combination of cash and bank balances, together with cash flow 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 2011 was as follows:

	HK\$m
Within one year (Note)	13,023.1
In the second year	12,296.8
In the third to the fifth year	17,894.9
After the fifth year	8,516.4
	51,731.2

Note: In the current year, the Group adopted HK-Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause". The interpretation requires that term loans under loan agreements containing a clause which gives the lender the unconditional right to demand for repayment at any times should be classified as current liabilities, irrespective of the probability that the lenders will invoke the clause. Long-term bank loans amounting to HK\$6,893.9 million (2010: HK\$6,059.7 million) were reclassified as current liabilities as a result of the adoption of this new interpretation. However, management of the Group expects that the actual repayment of these loans would be after one year as specified in the respective loan agreements under normal repayment terms.

Approximately 78.5% 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 41(b),(d), and (e) to the financial statements.

Gross debt (HK\$m)	FY2011	FY2010
Consolidated gross debt	59,085.2	50,722.2
NWSH	6,662.0	4,890.3
NWCL	19,110.5	16,672.0
NWDS	–	–
Gross debt (exclude listed subsidiaries)	33,312.7	29,159.9

Net debt (HK\$m)	FY2011	FY2010
Consolidated net debt	34,992.4	27,113.5
NWSH	2,161.5	(267.3)
NWCL	8,459.6	8,696.1
NWDS – cash and bank balance	(4,153.0)	(3,596.7)
Net debt (exclude listed subsidiaries)	28,524.3	22,281.4



## 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. Cheng Chi-Kong, Adrian  
Mr. Cheng Chi-Heng

### Non-Executive Directors

Mr. Cheng Kar-Shing, Peter  
Mr. Leung Chi-Kin, Stewart  
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. Wong Man-Hoi

## Joint Auditors

PricewaterhouseCoopers  
H.C. Watt & Company Limited

## Solicitors

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

## Share Registrar and Transfer Office

Tricor Tengis Limited  
26/F., Tesbury Centre,  
28 Queen's Road East,  
Hong Kong

## Registered Office

30/F., New World Tower,  
18 Queen's Road Central, Hong Kong  
Tel: (852) 2523 1056  
Fax: (852) 2810 4673

## Principal Bankers

Bank of China  
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

For more information about the Group,  
please contact the Corporate Affairs Department at:  
New World Development Company Limited  
30/F., New World Tower,  
18 Queen's Road Central,  
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Tel: (852) 2131 6790  
Fax: (852) 2810 4673  
e-mail: [newworld@nwd.com.hk](mailto:newworld@nwd.com.hk)

## Website

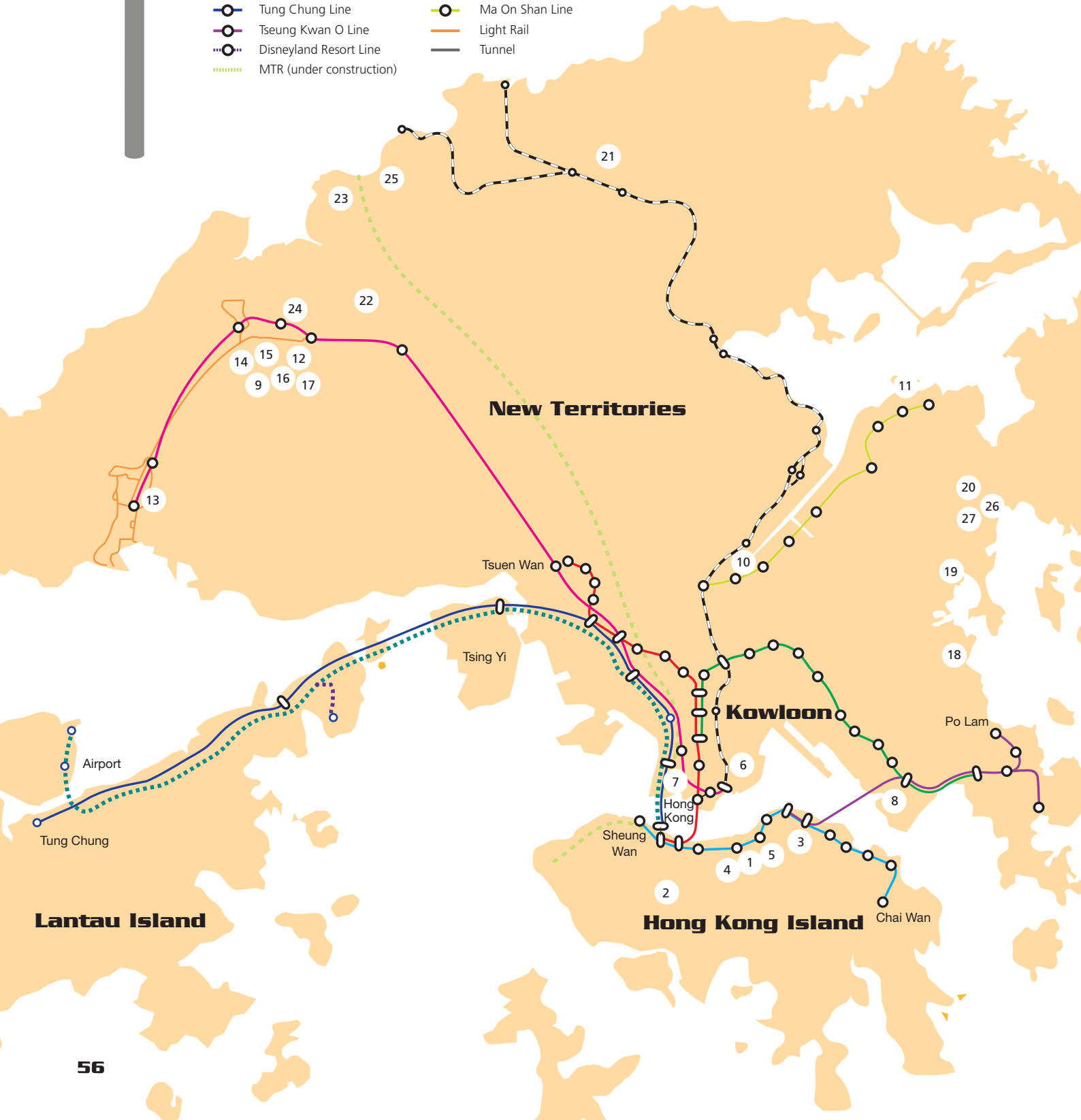
[www.nwd.com.hk](http://www.nwd.com.hk)

# Project Summary



## Major Property Development Projects in Hong Kong

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



## Name of Properties under Development

- 1 The Signature, Chun Fai Terrace, Tai Hang
- 2 55 Conduit Road, Mid-Levels
- 3 Upper & Lower Kai Yuen Lane and 5 Kai Yuen Street, North Point
- 4 1-10 Kwai Fong Street, Happy Valley
- 5 1-15 New Eastern Terrace and 5-11 Dragon Road, Tin Hau
- 6 Chatham Gate, Chatham Road, Hung Hom
- 7 Site C, Austin Station Project, Western Kowloon  
Site D, Austin Station Project, Western Kowloon
- 8 Yau Tong Redevelopment Project, Yau Tong
- 9 Phase 1 – site A, Lot No. 2131 in DD121, Tong Yan San Tsuen, Yuen Long  
Phase 1 – site B, Lot No. 2131 in DD121, Tong Yan San Tsuen, Yuen Long
- 10 Che Kung Temple Station Project, Sha Tin
- 11 Phase 1, DD 206, Lok Wo Sha, Ma On Shan  
Phase 2, DD 206, Lok Wo Sha, Ma On Shan  
Phase 3, DD 206, Lok Wo Sha, Ma On Shan  
Phase 4, DD 206, Lok Wo Sha, Ma On Shan  
Phase 5, DD 206, Lok Wo Sha, Ma On Shan
- 12 YLTL 526 in DD116, Tai Tong Road, Yuen Long
- 13 76-92 Tuen Mun Heung Sze Wui Road, Tuen Mun
- 14 Hung Shui Kiu Project, Yuen Long
- 15 Phase 1, Lot No. 419 in DD 127, Tai Tao Tsuen, Yuen Long
- 16 Phase 2, Lot No. 2139 in DD121, Tong Yan San Tsuen, Yuen Long
- 17 Lot No. 4043 in DD120, Lung Tin Tsuen, Yuen Long
- 18 DD227 & DD229, Tai Po Tsai, Clear Water Bay, Sai Kung
- 19 DD217, 219 & 222, Pak Kong, Sai Kung
- 20 DD221, Sha Kok Mei, Sai Kung
- 21 DD91, 100, Fanling
- 22 Phase 1, DD104, 107, Wing Kei Tsuen, Yuen Long
- 23 Phase 1, DD99, 101, Lin Barn Tsuen, Yuen Long
- 24 DD115, Yuen Long
- 25 DD129, Yuen Long
- 26 DD221, Sai Kung
- 27 DD221, Sha Ha, Sai Kung



*The Masterpiece*



*Wylie Court*



*Emerald Green*



*Harbour Place*



*33 Island Road*

## Project Summary

### Project Summary – Major Property Development Projects in Hong Kong

Name of Property	Site Area (sq ft)	Total GFA (sq ft)	Group Interest (%)
<b>Hong Kong Island</b>			
1 The Signature, Chun Fai Terrace, Tai Hang	13,047	115,461	70.0
2 55 Conduit Road, Mid-Levels	36,003	87,780	30.0
3 Upper & Lower Kai Yuen Lane and 5 Kai Yuen Street, North Point	72,000	573,301	40.0
4 1-10 Kwai Fong Street, Happy Valley	6,515	65,150	72.3
5 1-15 New Eastern Terrace and 5-11 Dragon Road, Tin Hau	49,569	396,546	50.0
<b>Kowloon</b>			
6 Chatham Gate, Chatham Road, Hung Hom	40,753	366,784	10.0
7 Site C, Austin Station Project, Western Kowloon <sup>(3)</sup>	135,443	543,324	50.0
Site D, Austin Station Project, Western Kowloon <sup>(3)</sup>	159,738	738,841	50.0
8 Yau Tong Redevelopment Project, Yau Tong	784,044	4,430,705	7.8
<b>New Territories</b>			
9 Phase 1 – site A, Lot No. 2131 in DD121, Tong Yan San Tsuen, Yuen Long	78,502	79,783	100.0
Phase 1 – site B, Lot No. 2131 in DD121, Tong Yan San Tsuen, Yuen Long	184,247	171,061	100.0
10 Che Kung Temple Station Project, Sha Tin <sup>(3)</sup>	195,194	966,521	100.0
11 Phase 1, DD 206, Lok Wo Sha, Ma On Shan	947,673	774,491	32.0
Phase 2, DD 206, Lok Wo Sha, Ma On Shan		648,068	32.0
Phase 3, DD 206, Lok Wo Sha, Ma On Shan		301,736	32.0
Phase 4, DD 206, Lok Wo Sha, Ma On Shan		521,322	32.0
Phase 5, DD 206, Lok Wo Sha, Ma On Shan		685,818	32.0
12 YLTL 526 in DD116, Tai Tong Road, Yuen Long	371,778	1,301,222	21.0
13 76-92 Tuen Mun Heung Sze Wui Road, Tuen Mun	8,000	81,661	100.0
14 Hung Shui Kiu Project, Yuen Long	64,423	79,664	100.0
15 Phase 1, Lot No. 419 in DD 127, Tai Tao Tsuen, Yuen Long	228,993	228,993	100.0
16 Phase 2, Lot No. 2139 in DD121, Tong Yan San Tsuen, Yuen Long	85,251	85,251	100.0
17 Lot No. 4043 in DD120, Lung Tin Tsuen, Yuen Long	215,614	1,098,449	100.0
18 DD227 & DD229, Tai Po Tsai, Clear Water Bay, Sai Kung	719,035	1,078,553	56.0
19 DD217, 219 & 222, Pak Kong, Sai Kung	820,217	322,920	100.0
20 DD221, Sha Kok Mei, Sai Kung	150,000	30,000	100.0
21 DD91, 100, Fanling	200,000	184,800	100.0
22 Phase 1, DD104, 107, Wing Kei Tsuen, Yuen Long	3,000,000	270,284	100.0
23 Phase 1, DD99, 101, Lin Barn Tsuen, Yuen Long	3,540,000	702,028	TBD
24 DD115, Yuen Long	120,000	69,300	100.0
25 DD129, Yuen Long	220,000	113,400	100.0
26 DD221, Sai Kung	138,000	111,300	83.4
27 DD221, Sha Ha, Sai Kung	510,000	TBD	TBD
<b>Grand Total</b>	<b>13,094,039</b>	<b>17,224,517</b>	

Remarks:

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

(2) TBD=To Be Determined

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

## Project Summary

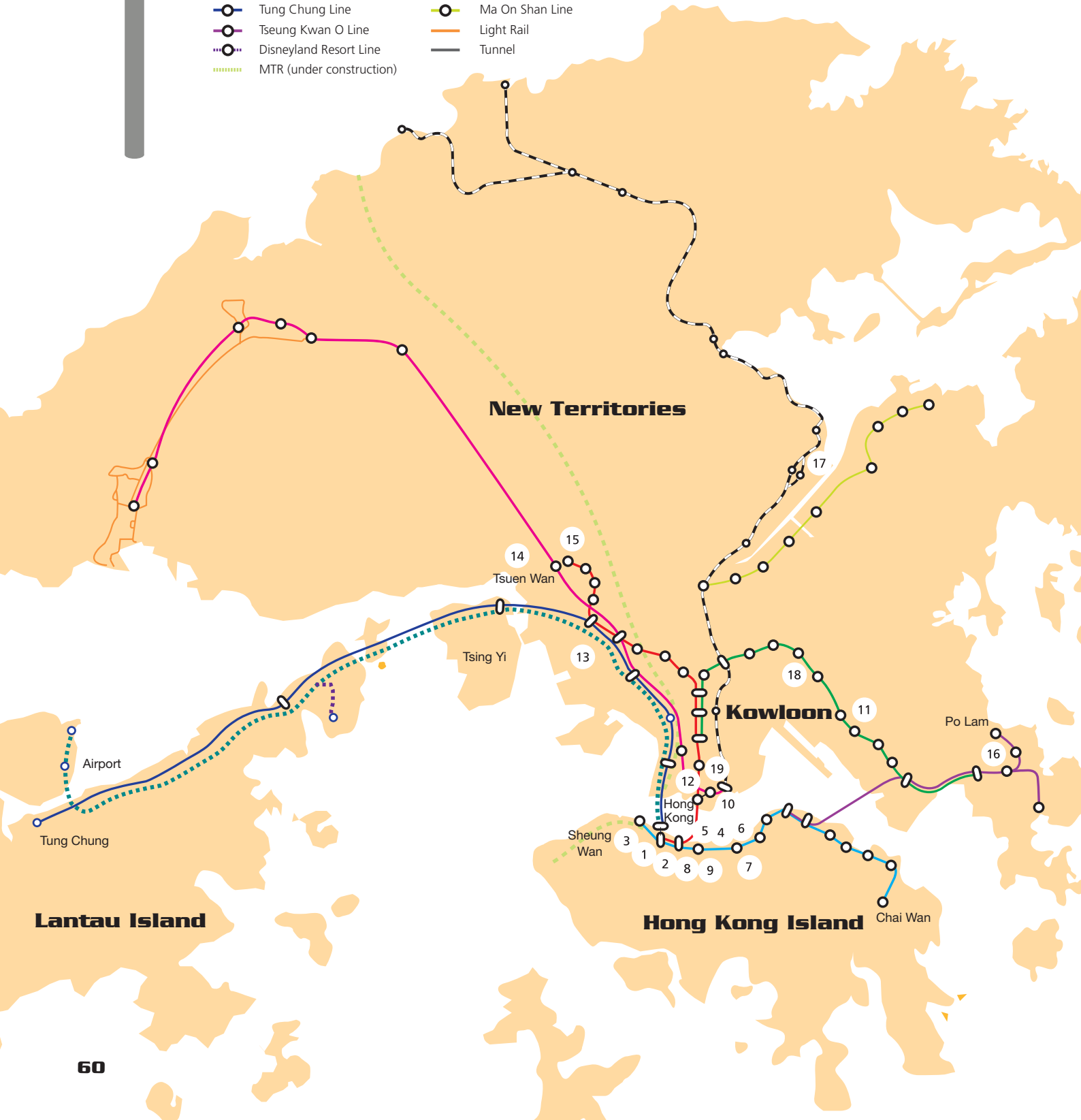
Retail (sq ft)	Residential (sq ft)	Others (sq ft)	Total Attributable GFA (sq ft)	Stage of Completion <sup>(1)</sup>
	80,823		80,823	S
	26,334		26,334	F
	229,320		229,320	SF
	47,090		47,090	D
	198,273		198,273	F
6,113	30,566		36,679	S
	271,662		271,662	F
	369,421		369,421	F
	345,847		345,847	D
	79,783		79,783	P
	171,061		171,061	S
	966,521		966,521	S
31,293	216,544		247,837	S
204,492		2,890	207,382	F
	96,556		96,556	F
	166,823		166,823	SF
	219,462		219,462	SF
	272,866		272,866	S
11,563	70,098		81,661	S
79,664			79,664	P
	228,993		228,993	F
	85,251		85,251	P
43,056	1,055,393		1,098,449	P
12,056	591,934		603,990	LE/P
	322,920		322,920	SP
	30,000		30,000	P
	184,800		184,800	P
	270,284		270,284	P
	TBD		TBD	P
	69,300		69,300	P
	113,400		113,400	P
	92,846		92,846	P
	TBD		TBD	LE
<b>388,237</b>	<b>6,904,171</b>	<b>2,890</b>	<b>7,295,298</b>	

# Project Summary



## Major Property Investment Projects in Hong Kong

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



## Name of Investment Properties

- 1 Manning House
- 2 New World Tower
- 3 Shun Tak Centre, Shopping Arcade
- 4 Hong Kong Convention and Exhibition Centre, Shopping Arcade
- 5 Grand Hyatt Hong Kong
- 6 Renaissance Harbour View Hotel
- 7 Pearl City – Portion of Ground Floor to 4th Floor  
Pearl City – Portion of Ground Floor & Basement
- 8 2 MacDonnell Road
- 9 Methodist House
- 10 Sogo Department Store, Tsim Sha Tsui
- 11 Telford Plaza
- 12 K11 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 15-19 Luk Hop Street, San Po Kong
- 19 New World Centre



*K11 Art Mall*



*Hong Kong Convention and  
Exhibition Centre*



*Discovery Park Shopping Mall*



*Grand Hyatt Hong Kong*



*Hyatt Regency Hong Kong, Sha Tin*

## Project Summary

### Project Summary – Major Property Investment Projects in Hong Kong

Name of Property	Total GFA (sq ft)	Group Interest (%)	Total Attributable GFA (sq ft)
<b>COMPLETED</b>			
<b>Hong Kong Island</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 and Exhibition Centre, Shopping Arcade	87,999	100.0	87,999
5 Grand Hyatt Hong Kong	524,928	100.0	524,928
6 Renaissance Harbour View Hotel	544,518	100.0	544,518
7 Pearl City – Portion of Ground Floor to 4th Floor	53,691	40.0	21,476
Pearl City – Portion of Ground Floor & Basement	24,682	100.0	24,682
8 2 MacDonnell Road	116,954	100.0 <sup>(1)</sup>	116,954
9 Methodist House	40,813	99.0 <sup>(1)</sup>	40,405
<b>Kowloon</b>			
10 Sogo Department Store, Tsim Sha Tsui	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, Tsim Sha Tsui	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	100.0	466,400
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>7,408,377</b>
<b>TO BE COMPLETED/ UNDER REDEVELOPMENT</b>			
18 15-19 Luk Hop Street, San Po Kong	285,588	100.0	285,588
19 New World Centre	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
- (4) TBD = to be determined



## Project Summary

	Retail (sq ft)	Office (sq ft)	Hotel (sq ft)	Residential (sq ft)	Others (sq ft)	Carpark (number)	Lease Expiry
	63,383	46,657					2843
	77,948	562,187				387	2863
	96,451					38	2055
	69,173				18,826 <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
	466,400					1,000	2047
	16,974						2047
			538,000			100	2047
	<b>1,821,123</b>	<b>649,249</b>	<b>1,826,274</b>	<b>116,954</b>	<b>2,994,777</b>	<b>3,549</b>	
	TBD	TBD	285,588	TBD	TBD	TBD	2057
	TBD	TBD	TBD	TBD	TBD	TBD	2052

## Project Summary

### Project Summary – Major Property Development Projects in Mainland China

Name of Property	NWCL's Accounting Classification	NWCL's Attributable Interest (%)	Total GFA (sq m)
<b>Properties under development/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 Remaining Phases	JCE	70	978,881
Beijing Xin Yu Commercial Centre			121,676
4 Beijing Yanjing Building	JCE	70	30,626
5 Beijing Yuzhuang Project	Subsidiary	75	104,240
6 Langfang Zhougezhuang Project	Subsidiary	100	345,400
7 Langfang Jianta Project	Subsidiary	100	277,500
8 Tongshan New World Garden	Subsidiary	100	240,002
9 Tianjin Xin Hui Hua Ting	Subsidiary	100	301,641
10 Jinan Sunshine Garden Phase III	Subsidiary	100	214,018
Jinan Sunshine Garden Remaining Phases			80,831
11 Shenyang New World Garden Phase IIB	Subsidiary	90	38,452
Shenyang New World Garden Phase IIB			595,403
Shenyang New World Garden Remaining Phases			1,334,021
12 Shenyang New World Centre Phase I	Subsidiary	90	648,784
Shenyang New World Centre Remaining Phases			581,032
13 Shenyang New World Commercial Centre Phase I	Subsidiary	100	79,497
14 Anshan New World Garden Phase IA III-IV	Subsidiary	100	148,143
Anshan New World Garden Phase IIA			24,969
Anshan New World Garden Remaining Phases			963,031
15 Dalian New World Tower Remaining Portion	Subsidiary	100	83,571
16 Wuhan Menghu Garden Phase IIIC	Subsidiary	100	25,900
Wuhan Menghu Garden Phase IIID			38,895
Wuhan Menghu Garden Phase IIIE			8,483
17 Wuhan Changqing Nanyuan Phase III	JCE	60	70,438
Wuhan Changqing Garden Phase VII			54,032
Wuhan Changqing Garden Phase VIIIA			260,903
Wuhan Changqing Garden Phase VIIIB			177,107
Wuhan Changqing Garden Remaining Phases			1,024,391
18 Wuhan New World Centre Western Portion	Subsidiary	100	63,955
19 Wuhan Guanggu New World Centre	Subsidiary	100	312,850
Wuhan Guanggu New World Centre Remaining Portion			340,000
20 Changsha La Ville New World Phase IIA	Subsidiary	48	109,169
Changsha La Ville New World Phase IIB			121,563
Changsha La Ville New World Phase IIIA			178,560
Changsha La Ville New World Phase IIIB			120,711
Changsha La Ville New World Phase IV			467,418
21 Yiyang Fortune Lake Project	Subsidiary	100	1,240,264
22 Chengdu New World Riverside Phase IB	Subsidiary	30	142,895
Chengdu New World Riverside Phase II			225,123
Chengdu New World Riverside Remaining Phases			3,258,005
23 Guiyang Jinyang Sunny Town Phase I	Subsidiary	50	428,658
Guiyang Jinyang Sunny Town Phase II			147,249
Guiyang Jinyang Sunny Town Phase II Remaining Portion			10,203
Guiyang Jinyang Sunny Town Remaining Phases			2,931,712

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	Under development	Oct-12
18,146	2,268				Under development	Mar-13
	8,661	17,487		8,660	Under planning	TBD
	10,842	37,181		21,240	Under planning	Oct-14
578,493	145,778			254,610	Under planning	TBD
	78,670			43,006	Under planning	Jun-15
	22,888			7,738	Under development	Sep-12
100,921	3,319				Under planning	Dec-13
111,120	14,930	130,540	45,330	43,480	Under planning	Jun-14
256,000				21,500	Under planning	Nov-14
86,885	39,295	48,805		65,017	Under planning	Dec-14
189,401	10,069			102,171	Under development	Dec-13
145,201	6,587	16,669		45,561	Under development	May-14
	43,201		11,500	26,130	Under planning	Aug-15
38,452					Under planning	Oct-12
451,654	14,587			129,162	Under planning	Dec-13
1,076,438	5,413			252,170	Under planning	TBD
	285,704		66,669	296,411	Under development	Mar-13
283,673		267,648	29,711		Planning completed	TBD
46,624	25,363			7,510	Under development	Jun-13
112,024	1,328			34,791	Under development	May-13
24,969					Under development	Sep-12
695,171	30,200			237,660	Under planning	May-17
83,571					Under development	Sep-12
25,900					Under development	Jun-12
38,895					Under development	Jun-13
8,483					Planning completed	Dec-13
62,235	2,503			5,700	Under development	Oct-13
33,126	2,597			18,309	Under development	Jun-12
239,681	9,490			11,732	Under development	Jun-13
137,056	4,286			35,765	Planning completed	Jun-14
592,318	125,437	54,100	74,000	178,536	Under planning	TBD
	12,000	40,792		11,163	Under planning	TBD
265,000	12,300			35,550	Under development	Jun-12
45,000	45,000	100,000	50,000	100,000	Under planning	TBD
79,958	8,341			20,870	Under development	Jun-13
104,089				17,474	Under development	Jun-12
131,820				46,740	Under development	Jun-13
98,234	4,977			17,500	Under development	Dec-14
388,182	37,336			41,900	Under planning	TBD
946,780	61,794			231,690	Under planning	TBD
142,895					Under development	Jan-12
149,373				75,750	Planning completed	Jun-13
2,112,303	184,277		50,210	911,215	Under planning	TBD
287,949				140,709	Under development	Jun-12
57,349	983	18,333	39,521	31,063	Under development	Jun-13
			10,203		Planning completed	Dec-13
2,086,515	242,462			602,735	Under planning	TBD

## Project Summary

Name of Property	NWCL's Accounting Classification	NWCL's Attributable Interest (%)	Total GFA (sq m)	
<b>Properties under development/held for development (continued)</b>				
24	Guangzhou Dong Yi Garden Phase V	Subsidiary	100	25,236
25	Guangzhou New World Oriental Garden Phase III	Subsidiary	100	92,743
26	Guangzhou Central Park-view Phase II	Subsidiary	91	125,664
27	Guangzhou Covent Garden Phase IIIA	Subsidiary	100	129,369
	Guangzhou Covent Garden Phase IIIB			87,218
	Guangzhou Covent Garden Phase III Remaining Portion			425,267
	Guangzhou Covent Garden Phase IV			268,251
28	Guangzhou Park Paradise Phase IIE	Subsidiary	100	50,483
	Guangzhou Park Paradise Phase III			166,522
	Guangzhou Park Paradise Phase IVA			26,820
	Guangzhou Park Paradise Phase IVB			85,768
	Guangzhou Park Paradise Phase IV Remaining Portion			189,192
	Guangzhou Park Paradise Remaining Phases			425,536
29	Guangzhou Baiyun Project Phase I	Subsidiary	100	122,395
	Guangzhou Baiyun Project Remaining Phases			64,932
30	Guangzhou Xintang New World Garden Phase VB	JCE	63	103,819
	Guangzhou Xintang New World Garden Remaining Portion			86,219
31	Guangzhou Foshan New World Metropolitan Complex	Subsidiary	76	979,991
32	Shenzhen New World Yi Shan Garden Phase III	Subsidiary	100	125,385
33	Shenzhen Jian Gang Shan Project	Subsidiary	100	69,972
34	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			13,982
	Zhaoqing New World Garden Phase IV Remaining Portion			36,225
35	Huiyang Hu Xia Liao Project	Subsidiary	88	162,717
36	Huiyang Palm Island Resort Phase VI	JCE	59	17,531
	Huiyang Palm Island Resort Remaining Portion			264,730
37	Huizhou Changhuyuan Phase III	JCE	63	148,307
	Huizhou Changhuyuan Phase IV			84,712
38	Zhuhai Jin Hai New World Phase IV	Subsidiary	100	145,849
39	Haikou New World Garden Phase III	Subsidiary	100	165,421
40	Haikou Meilisha Project Phase I	Subsidiary	100	111,815
	Haikou Meilisha Project Remaining Phases			2,393,813
<b>Total (Properties under development/held for development)</b>				<b>26,530,050</b>

## Project Summary

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark (sq m)	Development Status	Expected Completion Date
22,661	2,575				Under planning	Jul-15
82,905				9,838	Under development	May-13
115,315	2,674			7,675	Under development	Mar-12
119,138				10,231	Under development	May-13
87,218					Under development	Nov-13
383,704	24,862			16,701	Planning completed	TBD
220,737	19,199			28,315	Under planning	TBD
40,611	1,970			7,902	Under development	Nov-11
66,012	67,152			33,358	Planning completed	TBD
24,900				1,920	Under development	Jun-12
85,768					Under development	Aug-12
168,154				21,038	Under development	Sep-13
263,675	49,005			112,856	Planning completed	TBD
78,225				44,170	Under development	Apr-14
64,932					Planning completed	TBD
73,122				30,697	Under development	Dec-12
86,219					Under planning	Jun-14
926,464			53,527		Under planning	TBD
95,686				29,699	Under development	Aug-13
59,202				10,770	Under development	Nov-12
69,174	2,269			20,828	Under development	Dec-11
79,351	2,231				Under planning	TBD
13,982					Under development	Jun-13
28,625				7,600	Under development	TBD
162,717					Under planning	TBD
17,531					Planning completed	Mar-12
264,730					Under planning	TBD
108,529	1,950			37,828	Under development	Feb-13
50,804	13,840			20,068	Under planning	Jan-14
106,456	10,162			29,231	Under development	Aug-13
124,351				41,070	Under development	Dec-13
70,847	7,813			33,155	Under planning	Jul-13
1,569,800	125,053	20,000	38,860	640,100	Under planning	TBD
<b>18,063,429</b>	<b>1,834,409</b>	<b>768,866</b>	<b>522,156</b>	<b>5,341,190</b>		

## Project Summary

### Project Summary – Major Property Investment Projects and Hotels in Mainland China

Name of Property	NWCL's Accounting Classification	NWCL's Attributable Interest (%)	Total GFA (sq m)	
<b>Completed investment properties</b>				
41	Beijing New World Centre Phase I	JCE	70	94,188
42	Beijing New World Centre Phase II	JCE	70	73,392
43	Beijing Zhengren Building	JCE	70	16,415
44	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	43,707
2a	Beijing New View Garden	JCE	70	24,004
3a	Beijing Xin Yu Garden	JCE	70	24,800
45	Beijing Xin Kang Garden	JCE	70	39,915
46	Beijing Baoding Building Shopping Arcade	Subsidiary	100	62,286
47	Tianjin Xin An New World Plaza	Subsidiary	100	97,784
48	Tianjin New World Garden	Subsidiary	100	7,395
10a	Jinan Sunshine Garden	Subsidiary	100	6,512
11a	Shenyang New World Garden	Subsidiary	90	204,821
14a	Anshan New World Garden	Subsidiary	100	34,442
49	Dalian New World Plaza	Subsidiary	88	69,196
15a	Dalian New World Tower	Subsidiary	100	48,982
50	Shanghai Hong Kong New World Tower	JCE	50	130,385
51	Shanghai Zhongshan Square	Subsidiary	100	24,081
52	Shanghai Ramada Plaza	Subsidiary	100	34,340
	Shanghai Belvedere Service Apartment			37,935
53	Shanghai Jiu Zhou Shopping Arcade	Subsidiary	100	130
54	Wuhan New World International Trade Tower I	Subsidiary	100	121,828
	Wuhan New World International Trade Tower II	Subsidiary	100	10,004
18a	Wuhan New World Centre	Subsidiary	100	142,013
55	Wuhan K11 Gourmet Town	Subsidiary	100	20,709
17a	Wuhan Changqing Garden	JCE	60	96,019
56	Wuhan Xin Hua Garden	JCE	60	72,006
20a	Changsha La Ville New World Phase I	Subsidiary	48	29,640
22a	Chengdu New World Riverside Phase I	Subsidiary	30	76,561
57	Nanjing New World Centre	Subsidiary	100	52,794
23a	Guiyang Jinyang Sunny Town	Subsidiary	50	22,448
24a	Guangzhou Dong Yi Garden	Subsidiary	100	13,873
25a	Guangzhou New World Oriental Garden	Subsidiary	100	31,836
26a	Guangzhou Central Park-view	Subsidiary	91	60,395
27a	Guangzhou Covent Garden	Subsidiary	100	37,327
28a	Guangzhou Park Paradise	Subsidiary	100	78,518
30a	Guangzhou Xintang New World Garden	JCE	63	41,364
32a	Shenzhen New World Yi Shan Garden	Subsidiary	100	14,162
58	Shunde New World Centre	Assoc. Co.	35	48,517
34a	Zhaoqing New World Garden Phase III	Subsidiary	100	15,062
37a	Huizhou Changhuyuan	JCE	63	31,128
<b>Subtotal</b>			<b>2,136,948</b>	
<b>Completed hotel properties</b>				
59	pentahotel Beijing	JCE	55	23,988
60	New World Shenyang Hotel	Subsidiary	100	21,169
61	New World Dalian Hotel	Subsidiary	100	53,248
62	New World Shanghai Hotel	Subsidiary	100	46,942
63	pentahotel Shanghai	Subsidiary	100	13,353
64	New World Wuhan Hotel	JCE	60	29,411
65	New World Shunde Hotel	Assoc. Co.	33	36,524
<b>Subtotal</b>			<b>224,635</b>	
<b>Total (Completed investment and hotel properties)</b>			<b>2,361,583</b>	

Residential (sq m)	Commercial (sq m)	Office (sq m)	Hotel (sq m)	Carpark (sq m)
	74,232			19,956
	46,378			27,014
				16,415
				34,544
				3,439
				8,051
				43,707
	12,606			11,398
	3,603			21,197
	11,730			28,185
	40,286			22,000
	78,325	8,175		11,284
				7,395
	6,512			
	5,692			199,129
				34,442
	49,413			19,783
	27,067			21,915
	35,474	80,549		14,362
				24,081
37,935	20,743			13,597
	130			
		104,556		17,272
		10,004		
	45,766	62,714		33,533
	10,295			10,414
	64,370	13,607		18,042
	36,069			35,937
	5,846			23,794
				76,561
	41,712			11,082
	18,958			3,490
	8,275			5,598
	23,854			7,982
29,868	17,408			13,119
	14,906			22,421
22,220	6,957			49,341
	22,887			18,477
	3,099			11,063
	33,577			14,940
	15,062			
	17,856			13,272
<b>90,023</b>	<b>799,088</b>	<b>279,605</b>		<b>968,232</b>
			23,988	
			21,169	
			53,248	
			46,942	
			13,353	
			29,411	
			36,524	
			<b>224,635</b>	
<b>90,023</b>	<b>799,088</b>	<b>279,605</b>	<b>224,635</b>	<b>968,232</b>

# Project Summary

## Project Summary – Hotel Investment

Name of Hotel	Number of Rooms	Group Effective Interest (%)
<b>Existing</b>		
<b>Hong Kong</b>		
1 Renaissance Harbour View Hotel	810	64.0
2 Grand Hyatt Hong Kong	549	64.0
3 Hyatt Regency Hong Kong, Sha Tin	560	100.0
4 Hyatt Regency Hong Kong, Tsim Sha Tsui	381	78.8
5 Novotel Citygate Hong Kong	440	16.4
Subtotal	2,740	
<b>Mainland China</b>		
6 pentahotel Beijing	299	38.5
7 New World Beijing Hotel <sup>(1)</sup>	435	52.5
8 New World Shanghai Hotel	605	70.0
9 pentahotel Shanghai	259	70.0
10 New World Shenyang Hotel	258	69.9
11 New World Shunde Hotel	370	22.8
12 Courtyard by Marriott Wuxi	276	25.6
13 New World Wuhan Hotel	327	42.0
14 New World Dalian Hotel	429	70.0
Subtotal	3,258	
<b>Southeast Asia</b>		
15 New World Makati City, Manila Hotel, The Philippines	598	26.9
16 New World Saigon Hotel, Vietnam	533	21.6
17 Renaissance Riverside Hotel Saigon, Vietnam	336	46.1
18 Renaissance Kuala Lumpur Hotel, Malaysia	910	37.5
Subtotal	2,377	
<b>Total</b>	<b>8,375</b>	

Notes:

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



## Project Summary – Infrastructure Projects

Name of Project	Gross Length	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/Actual Operation Date	Expiry Date <sup>(1)</sup>	
<b>ROADS</b>						
R1	Guangzhou City Northern Ring Road	22.0 km	CJV	65.3	1/1994	2023
R2	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)		CJV	25.0		2030
	Section I	8.6 km			5/1997	
	Section II	53.8 km			12/1999	
R3	Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section)	27.0 km	CJV	15.0	12/2005	2032
R4	Guangzhou-Zhaoqing Expressway		CJV	25.0		2031
	Phase I	48.0 km			4/2005	
	Phase II	5.4 km			9/2010	
R5	Shenzhen-Huizhou Expressway (Huizhou Section)					
	Expressway	34.7 km	CJV	33.3	6/1993	2027
	Roadway	21.8 km	CJV	50.0	12/1997	2023
R6	Gaoming Bridge	1.1 km	CJV	30.0/80.0	11/1996	2021
R7	Guangzhou Dongxin Expressway	46.2 km	Equity	40.8	12/2010	2035 <sup>(2)</sup>
R8	Guangzhou City Nansha Port Expressway	72.4 km	Equity	22.5	11/2007	2031
R9	Beiliu City Roadways	16.3 km	WFOE	100.0	5/1998	2026
R10	Rongxian Roadways	16.8 km	WFOE	100.0	5/1998	2026
R11	Yulin – Shinan Roadway	27.8 km	CJV	65.0	5/1998	2026
R12	Yulin Shinan – Dajiangkou Roadway		CJV	60.0		
	Phase I	8.7 km			8/1997	2026
	Phase II	30.0 km			1/1999	2024
R13	Roadway No. 321 (Wuzhou Section)		CJV	52.0		2022
	Phase I	8.7 km			3/1997	
	Phase II	4.3 km			12/1998	
R14	Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)	23.2 km	CJV	60.0/90.0	7/2000	2025
R15	Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)	36.0 km	CJV	60.0/90.0	4/1999	2025
R16	Roadway No. 309 (Changzhi Section)	22.2 km	CJV	60.0/90.0	7/2000	2023
R17	Taiyuan – Changzhi Roadway (Changzhi Section)	18.3 km	CJV	60.0/90.0	8/2000	2023
R18	Tangjin Expressway (Tianjin North Section)		CJV	60.0/90.0		
	Section I	43.45 km			12/1998	2028
	Section II	17.22 km			12/2000	2028
R19	Tate's Cairn Tunnel	4.0 km	Equity	29.5	6/1991	2018
R20	Guangzhou Chuangyue Transport Electronic Technology	N/A	EJV	33.3	11/2007	2037
		617.97 km				
<b>ENERGY</b>						
E1	Zhujiang Power Station – Phase I	600.0 MW	EJV	50.0	1/1994	2017
E2	Zhujiang Power Station – Phase II	620.0 MW	EJV	25.0	4/1996	2020
E3	Macau Power	472.0 MW	Equity	19.0	11/1985	2025
E4	Chengdu Jintang Power Plant	1,200.0 MW	Equity	35.0	6/2007	2040
E5	Guangzhou Fuel Company	7 million tonnes/year	EJV	35.0	1/2008	2033
	Power Plant Installed Capacity	2,892.0 MW				

# Project Summary

## Project Summary – Infrastructure Projects

Name of Project	Installed Capacity/ Handling Capacity	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/ Actual Operation Date	Expiry Date <sup>(1)</sup>
<b>WATER</b>					
<b>W1</b> Macau Water Plant	330,000 m <sup>3</sup> /day	Equity	42.5	1985	2030 <sup>(3)</sup>
<b>W2</b> Zhongshan Tanzhou Water Plant		Equity	29.0		2027
Phase I	60,000 m <sup>3</sup> /day			1/1994	
Phase II	90,000 m <sup>3</sup> /day			5/2007	
<b>W3</b> Zhongshan Dafeng Water Plant		Equity	33.1		2020
Phase I	200,000 m <sup>3</sup> /day			4/1998	
Phase II	300,000 m <sup>3</sup> /day			11/2008	
<b>W4</b> Zhongshan Quanlu Water Plant	500,000 m <sup>3</sup> /day	Equity	33.1	4/1998	2020
<b>W5</b> Nanchang Water Plant		Equity	25.0		2023
Phase I	50,000 m <sup>3</sup> /day			1/1996	
Phase II	50,000 m <sup>3</sup> /day			9/2008	
<b>W6</b> Baoding Water Plant	260,000 m <sup>3</sup> /day	Equity	27.5	6/2000	2020
<b>W7</b> Siping Water Plant	118,000 m <sup>3</sup> /day	Equity	25.0	9/2000	2030
<b>W8</b> Zhengzhou Water Plant	360,000 m <sup>3</sup> /day	Equity	25.0	8/2001	2031
<b>W9</b> Xinchang Water Plant	100,000 m <sup>3</sup> /day	Equity	25.0	3/2002	2032
<b>W10</b> Changtu Water Plant	50,000 m <sup>3</sup> /day	Equity	35.0	12/2000	2029
<b>W11</b> Panjin Water Plant	110,000 m <sup>3</sup> /day	Equity	30.0	4/2002	2032
<b>W12</b> Shanghai Spark Water Plant	100,000 m <sup>3</sup> /day	Equity	25.0	1/2002	2031
<b>W13</b> Shanghai SCIP Water Treatment Plants		Equity	25.0		2052
Waste water	50,000 m <sup>3</sup> /day			4/2005	
Industrial water	200,000 m <sup>3</sup> /day			4/2005	
Deminerlized water	4,800 m <sup>3</sup> /day			2/2008	
<b>W14</b> Qingdao Water Plant		Equity	25.0		2027
Phase I	543,000 m <sup>3</sup> /day			8/2002	
Phase II	183,000 m <sup>3</sup> /day			9/2006	
<b>W15</b> Chongqing Water Plant		Equity	32.7		2052
Phase I	380,000 m <sup>3</sup> /day			11/2002	
Phase II	160,000 m <sup>3</sup> /day			7/2006	
<b>W16</b> Sanya Water Plant	235,000 m <sup>3</sup> /day	Equity	25.0	1/2004	2033
<b>W17</b> Tanggu Water Plant	310,000 m <sup>3</sup> /day	Equity	25.0	4/2005	2039
<b>W18</b> Changshu Water Plant		Equity	24.5		2036
Phase I	675,000 m <sup>3</sup> /day			12/2006	
Phase II	200,000 m <sup>3</sup> /day			1H2012 (Estimated)	
<b>W19</b> Chongqing Tangjiatuo Waste Water Plant	300,000 m <sup>3</sup> /day	Equity	28.4	1/2007	2036
<b>W20</b> Chongqing Construction Company Waste water	100,000 m <sup>3</sup> /day	Equity	20.5	1H 2012 (Estimated)	2038
Sludge treatment	240 tonnes/day			2011 (Estimated)	
<b>W21</b> Shanghai SCIP Waste Incineration Plant	60,000 tonnes/year	Equity	10.0	8/2006	2053
<b>W22</b> Far East Landfill Technologies Limited	35 million m <sup>3</sup>	Equity	47.0	6/1995	2045
<b>W23</b> Tianjin Jieyuan Water Plant	500,000 m <sup>3</sup> /day	Equity	26.0	3/2009	2022
<b>W24</b> Suzhou Industrial Park Sludge Treatment Plant	300 tonnes/day	Equity	24.5	5/2011	2039
<b>W25</b> Chongqing Yue Lai Water Plant	200,000 m <sup>3</sup> /day	Equity	28.4	7/2011	2038
<b>W26</b> Qinhuangdao Changli Water Plant	72,000 m <sup>3</sup> /day	Equity	40.0	9/2009	2029
<b>W27</b> Sino French Water Environmental Technology Consulting Company	5,000 m <sup>3</sup> /day	Equity	50.0	10/2009	2039
<b>W28</b> Chongqing CCIP Water Treatment Plants		Equity	25.5		2055
Waste Water	40,000 m <sup>3</sup> /day			2H 2011 (Estimated)	
Industrial Water	120,000 m <sup>3</sup> /day			2H 2011 (Estimated)	
<b>W29</b> Dalian Changxing Island Environmental Services Company	40,000 m <sup>3</sup> /day	Equity	47.5	6/2010	2040
Water and industrial water treatment:	<b>6,456,000 m<sup>3</sup>/day</b>				
Deminerlized 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 – Infrastructure Projects

Name of Project	Handling Capacity	NWSH's Form of Investment	NWSH's Attributable Interest (%)	Expected/Actual Operation Date	Expiry Date <sup>(1)</sup>
<b>PORTS</b>					
<b>P1</b> Xiamen New World Xiangyu Terminals Co., Ltd.	1,000,000 TEUs p.a.	EJV	50.0	4/1997	2052
<b>P2</b> Tianjin Orient Container Terminals Co., Ltd.	1,400,000 TEUs p.a.	EJV	24.5	1/1999	2027
<b>P3</b> Tianjin Five Continents International Container Terminal Co., Ltd.	1,500,000 TEUs p.a.	EJV	18.0	11/2005	2035
<b>P4</b> Dalian Container Terminal Co., Ltd.	2,200,000 TEUs p.a.	EJV	4.8	6/2002	2046
<b>P5</b> Xiamen New World Xiangyu Warehouse & Processing Zone Limited	N/A	WFOE	100.0	1/1998	2045
<b>P6</b> Xiamen Haicang Xinhaida Container Terminals Co., Limited	1,000,000 TEUs p.a.	EJV	46.0	2H 2011 (Estimated)	2058
<b>LOGISTICS</b>					
<b>L1</b> 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	2047
<b>L2</b> ATL Logistics Centre Yantian Limited	600,000 m <sup>2</sup> /p.a.	Equity	46.2	1/2002	2019
<b>L3</b> NWS Kwai Chung Logistics Centre	920,000 sq.ft. lettable area	Equity	100.0	2H2011 (Estimated)	2058
<b>L4</b> China United International Rail Containers Co., Limited	18 pivotal rail container terminals in Mainland China	EJV	30.0	Kunming: 1/2008 Chongqing: 12/2009 Chengdu: 3/2010 Zhengzhou: 4/2010 Dalian: 7/2010 Qingdao: 8/2010 Wuhan: 8/2010 Xian: 12/2010	2057

Note:

(1) Project or JV expiry date

(2) Subject to approval

(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



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

*DPMS, LLD(Hon), DBA(Hon), DSSc(Hon),  
GBM (Aged 86)*

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.



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

*BA, MBA, DBA(Hon), LLD(Hon), GBS (Aged 64)*

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 Haitong International Securities Group Limited (formerly Taifook Securities Group Limited) (a listed public company in Hong Kong) up to his resignation on 13 January 2010. Dr. Cheng is also the 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.



**DR. SIN WAI-KIN, DAVID**  
*DSSc(Hon) (Aged 82)*

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.



**MR. LIANG CHONG-HOU, DAVID**  
*(Aged 66)*

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



**MR. YEUNG PING-LEUNG, HOWARD**  
*(Aged 54)*

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.



**DR. CHA MOU-SING, PAYSON**  
*JP DSSc(Hon) (Aged 69)*

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, the Chairman of Mingly Corporation, 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.

## Directors' Profile



**MR. CHENG KAR-SHING, PETER**  
(Aged 59)

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, a Fellow of The Hong Kong Institute of Arbitrators, an Accredited Mediator of Hong Kong Mediation Centre, a CEDR Accredited Mediator, HKIAC Accredited Mediator (General) and a Panel Mediator of Land (Compulsory Sale For Redevelopment) Ordinance Pilot Mediation Scheme of The Joint Mediation Helpline Office. 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.



**MR. LEUNG CHI-KIN, STEWART**  
(Aged 72)

Appointed as Director in October 1994, re-designated as Executive Director in August 2004 and re-designated as Non-executive Director and appointed as the Principal Adviser of the Company in January 2011. Mr. Leung has been the Group General Manager and the Company Secretary of the Company prior to his retirement. Currently, he remains as the Chairman of the Remuneration Committee of the Board of Directors of the Company. Mr. Leung is a Director of 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 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.



**MR. CHOW KWAI-CHEUNG**  
(Aged 69)

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. Mr. Chow joined the Group in 1971, headed the project management department and retired on 1 March 2011. Mr. Chow has over 40 years experience in property development businesses.



**MR. CHA MOU-ZING, VICTOR**  
(Alternate Director to  
Dr. Cha Mou-Sing, Payson)  
(Aged 61)

Appointed as Alternate Director in September 2000. Mr. Cha is the Deputy Chairman and Managing Director of HKR International Limited, and an Independent Non-executive Director of SOHO China Limited, both are listed public companies in Hong Kong, and a Director of United Nigerian Textiles PLC which is listed on The Nigerian Stock Exchange. 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. HO HAU-HAY, HAMILTON**  
(Aged 60)

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**  
BBS, JP (Aged 62)

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 the Chief Executive Officer of Lippo China Resources Limited and Hongkong Chinese Limited as well as an Independent Non-executive Director of New World China Land Limited, all being listed public companies in Hong Kong. He is also a Non-executive Director of Export and Industry Bank, Inc. (a listed company in the Republic of Philippines) and Asia Now Resources Corporation (a listed company in Canada). 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. In 2011, Mr Lee was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region.



**MR. LIANG CHEUNG-BIU, THOMAS**  
(Aged 64)

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.

## Directors' Profile



**MR. CHENG CHI-KONG , ADRIAN**  
(Aged 31)

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.



**MS. KI MAN-FUNG, LEONIE**  
SBS, JP (Aged 64)

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.



**MR. CHENG CHI-HENG**  
(Aged 33)

Appointed as an Executive Director in June 2010. Mr. Cheng is a Director of Centennial Success Limited and Chow Tai Fook Enterprises Limited, both are substantial shareholders 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, 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.





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# Report of the Directors

The Directors present their annual report and financial statements for the year ended 30 June 2011.

## 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 219 to 234.

## Results and appropriation

The results of the Group for the year ended 30 June 2011 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 2011 of HK\$0.28 per share (2010: HK\$0.28 per share) comprising a cash dividend of HK\$0.01 per share (which is being paid in order to ensure that the shares of the Company continue to qualify as Authorised Investments for the purpose of the Trustee Ordinance of Hong Kong) and a scrip dividend by way of an issue of new shares equivalent to HK\$0.27 per share with a cash option to shareholders registered on 25 November 2011. Together with the interim dividend of HK\$0.10 per share paid in May 2011, total distribution for the year ended 30 June 2011 would thus be HK\$0.38 per share (2010: HK\$0.38 per share).

## Share capital

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

## Reserves

Details of movements in reserves are set out in Note 40 to the financial statements. Distributable reserves of the Company at 30 June 2011 amounted to HK\$13,175.9 million (2010 Restated: HK\$13,621.3 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 amounting to HK\$42.3 million (2010: HK\$39.4 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) On 11 June 2010, NWS Holdings Limited (“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. The disposal was completed on 30 June 2011.
- (2) On 7 October 2010, the Group entered into an agreement with Meritown Properties Limited, a connected person of the Company as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) (“Listing Rules”), to acquire 40.0% interest in Hing Ying Services Limited (“Hing Ying”) at a consideration of approximately HK\$1,865.0 million. Hing Ying is the owner of Nos.1-21 Lower Kai Yuen Lane, Blocks A, B and C Upper Kai Yuen Lane and No.5 Kai Yuen Street.
- (3) On 10 December 2010, the Group entered into an agreement with HK Resort International Limited, a connected person of the Company under the Listing Rules to acquire its 50.0% interest in the Commercial Podium of Discovery Park, Tsuen Wan, at a consideration of approximately HK\$1,410.9 million. After the acquisition, together with the Group’s previously held 50.0% interest in the property, the Group owned 100.0% interest in the property.
- (4) On 28 December 2010, New World Department Store China Limited (“NWDS”) entered into a sale and purchase agreement with an independent third party, whereby the Group agreed to dispose of 100.0% of the equity interest in Luxland Limited, a wholly-owned subsidiary of NWDS, for an aggregate consideration of RMB385.0 million (equivalent to approximately HK\$396.6 million).
- (5) On 28 February 2011, NWSH completed further acquisition of interest in Newton Resources Ltd (“Newton Resources”) and NWSH’s effective interest in Newton Resources increased from approximately 43.34% to approximately 60%. Newton Resources was subsequently listed on 4 July 2011 on the Main Board of the Stock Exchange, resulting in a dilution of NWSH’s interest in Newton Resources from approximately 60% to approximately 48%.
- (6) In April 2011, NWSH through a jointly controlled entity acquired 35.0% effective interest in Hyva Holdings B.V. (“Hyva Holdings”), a company incorporated in the Netherlands, at a consideration of approximately HK\$1,400.0 million. Hyva Holdings is engaged in the development, production, marketing and distribution of components used in hydraulic loading and unloading systems on trucks and trailers.
- (7) In June 2011, NWSH paid a deposit of US\$204.2 million (equivalent to approximately HK\$1,588.9 million) for the acquisition of an effective interest of approximately 21.55% in Chinese Future Corporation (“CFC”) which owns 95.0% interest in Hangzhou Ring Road. As at 30 June 2011, the acquisition has not been completed and therefore the amount paid was included as a deposit paid for interests in jointly controlled entities on the statement of financial position.

In July 2011, the acquisition of approximately 21.55% effective interest in CFC was completed with the remaining consideration of US\$22.7 million (equivalent to approximately HK\$180.6 million) was being paid. In addition, a further acquisition of approximately 12.11% effective interest in CFC at a consideration of US\$145.2 million (equivalent to approximately HK\$1,132.6 million) was also concluded in July 2011. NWSH’s effective interest in Hangzhou Ring Road increased from approximately 21.55% to approximately 33.66%.

On 16 September 2011, a further acquisition of 25.0% effective interest in CFC was completed for the consideration of US\$280.0 million (equivalent to approximately HK\$2,184.0 million) plus interest. Together with the previous acquisitions, NWSH holds approximately 58.66% effective interest in CFC.

## **Connected transactions**

Connected transactions of the Company during the year and up to the date of this report are set out on pages 87 to 94.

## **Rules 13.20 and 13.22 of the Listing Rules**

The disclosure pursuant to Rules 13.20 and 13.22 of the Listing Rules is set out on page 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. Cheng Chi-Kong, Adrian  
Mr. Cheng Chi-Heng

### **Non-executive Directors**

Mr. Cheng Kar-Shing, Peter  
Mr. Leung Chi-Kin, Stewart (re-designated on 1 January 2011)  
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 103(A) of the Company's Articles of Association, Dr. Cheng Kar-Shun, Henry, Dr. Sin Wai-Kin, David, Mr. Liang Chong-Hou, David, Mr. Yeung Ping-Leung, Howard and Dr. Cha Mou-Sing, Payson 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

- (1) Pursuant to an agreement dated 5 August 1993 (the "Agreement") made between Hotel Property Investments (B.V.I.) Limited ("HPI") and Renaissance Hotel Holdings (B.V.I.) Limited ("Renaissance"), both being former subsidiaries of the Group, and CTF Holdings Limited ("CTFHL"), HPI agreed to pay CTFHL an annual fee in accordance with the terms of the Agreement. This Agreement was assigned to New World Hotels (Holdings) Limited ("NWHH"), a subsidiary of the Group, on 25 July 1997. CTFHL was paid a fee of US\$9.9 million (approximately HK\$77.4 million) for the year ended 30 June 2011 (2010: US\$10.0 million (approximately HK\$78.5 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.
- (2) On 10 December 2010, the Group entered into an agreement with HK Resort International Limited ("HKR") to acquire its 50.0% interest in the Commercial Podium of Discovery Park, Tsuen Wan, at a consideration of approximately HK\$1,410.9 million. Dr. Cha Mou-Sing, Payson, an Independent Non-executive Director of the Company, is interested in this transaction to the extent that he had approximately 49.72% indirect interest in HKR.

Save for contracts amongst group companies and the aforementioned transactions, 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 2011, 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 95 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 97 to 115.

## Substantial shareholders' interests in securities

As at 30 June 2011, 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		Total	Approximate % of shareholding
	Beneficial interests	Corporate interests		
Cheng Yu Tung Family (Holdings) Limited ("CYTFH") <sup>(1)</sup>	–	1,597,397,025	1,597,397,025	40.03
Centennial Success Limited ("Centennial") <sup>(2)</sup>	–	1,597,397,025	1,597,397,025	40.03
CTF <sup>(3)</sup>	1,447,594,743	149,802,282	1,597,397,025	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 2011.

## 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 Kar-Shun, Henry**

Managing Director

Hong Kong, 29 September 2011



## 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\$6,586.5 million (2010: HK\$6,808.7 million). During the year, tax indemnity amounted to approximately HK\$654.3 million (2010: HK\$339.5 million) was effected.

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

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

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

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 2011 under the Lease Agreement amounted to approximately HK\$58.3 million which is within the annual cap of HK\$75.0 million.

On 11 May 2011, the annual cap for each of the three financial years ending 30 June 2012, 2013 and 2014 is set at HK\$68.0 million, HK\$75.0 million and HK\$83.0 million respectively.

## Connected Transactions (continued)

- (4) 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 NWDS and its subsidiaries (the “NWDS Group”) from time to time (“Stores”) to CTF Jewellery and its subsidiaries (“CTF Jewellery Group”) from time to time for exhibiting and selling jewellery during the duration of the Master Concessionaire Counter Agreement.

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

The aggregate amount of the transactions contemplated under the Master Concessionaire Counter Agreement for the year ended 30 June 2011 amounted to approximately RMB59.9 million, which is within the annual cap of RMB74.7 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.

- (5) On 7 May 2010, NWSH and CTF entered into a master services agreement (the “NWSH CTF Master Services Agreement”) whereby NWSH and CTF agreed to procure that members of NWSH and its subsidiaries (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) (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 NWSH CTF Master Services Agreement.

As CTF is a connected person of the Company, the entering into of the NWSH 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 NWSH 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.

During the year ended 30 June 2011, the contract amount for each category of the operational services under the NWSH CTF Master Services Agreement (excluding the transactions between the NWSH Group and the Group) are summarised as follows:

Categories of services	Approximate total contract amount HK\$m	Annual cap HK\$m
Contracting services by members of the NWSH Group to members of the CTF Group	94.0	578.3
General and rental services by members of the NWSH Group to members of the CTF Group	3.9	23.4
General and rental services by members of the CTF Group to members of the NWSH Group	3.9	4.3

Upon completion of the Group B SP Agreement (as defined hereinafter), a new master services agreement was entered into by NWSH and CTF on 30 June 2011 to supersede the NWSH CTF Master Services Agreement. The NWSH CTF Master Services Agreement was terminated with effect from 1 July 2011.

## Connected Transactions (continued)

- (6) 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. 10.0% 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. 10.0% of such consideration, being HK\$44.26 million, was paid by FSE on the date of signing of the Group B SP Agreement. Another 70.0% of the said consideration, being HK\$309.82 million was paid within five business days after obtaining 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 was paid on the date of completion of the Group B SP Agreement.

For ensuring the stability of both NWSH Group and the companies 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 provided 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 was 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 were 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 and the Group B SP Agreement took place on 27 July 2010 and 30 June 2011 respectively. As at the date of completion of the Group B SP Agreement (the “Group B Completion”), bank guarantee provided by a member of the NWSH Group to a company disposed of under the Group B SP Agreement amounted to approximately MOP38.0 million (equivalent to approximately HK\$37.0 million).

## Connected Transactions (continued)

- (7) Following completion of the Group A SP Agreement on 27 July 2010 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 companies disposed of under the Group A SP Agreement). In order to streamline such continuing connected transactions, a master services agreement (the “Mr. Doo Master Services Agreement”) was entered into between the Company and Mr. Doo 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 Mr. Doo 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 Mr. Doo 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 Mr. Doo Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

During the year ended 30 June 2011, the contract amount for each category of the operational and rental services under the Mr. Doo Master Services Agreement are summarised as follows:

Categories of services	Approximate total contract sum HK\$m	Annual cap HK\$m
Operational and rental services by members of the Group to members of the Services Group	49.8	102.0
Operational and rental services by members of the Services Group to members of the Group	113.5	176.0

In order to streamline the continuing connected transactions between the Group and the Enlarged Services Group (as defined hereinafter) after the Group B Completion, the New Mr. Doo Master Services Agreement (as defined hereinafter), which was taken effect on 1 July 2011, was entered into between the Company and Mr Doo on 19 May 2011 to supersede the Mr. Doo Master Services Agreement. The Mr. Doo Master Services Agreement was therefore terminated with effect from 1 July 2011.

- (8) On 7 October 2010, an agreement (the “Hing Ying Agreement”) was entered into between the Company, Chi Lam Investment Company Limited (“Chi Lam”, a wholly-owned subsidiary of the Company) and Meritown Properties Limited (“Meritown”) pursuant to which (i) Meritown agreed to sell and assign, and Chi Lam agreed to purchase and accept the assignment of, 40 shares of Hing Ying Services Limited (“Hing Ying”) representing 40.0% of Hing Ying’s entire issued share capital and the entire amount of the unsecured and non-interest bearing shareholder’s loan owing from Hing Ying to Meritown as at the date of the Hing Ying Agreement at an aggregate consideration of HK\$1,865.0 million to be paid in cash upon completion of the Hing Ying Agreement; and (ii) the Company unconditionally and irrevocably guaranteed to Meritown the due and punctual performance and observance by Chi Lam of all its obligations under the Hing Ying Agreement.

The business of Hing Ying and its subsidiaries is the investment and holding of the properties relating to the Kai Yuen Lane development project. Upon completion of the Hing Ying Agreement on 12 October 2010, Hing Ying is owned as to 40.0% indirectly by the Company.

Meritown is jointly-owned by Mr. Cheng Kam-Chiu, Stewart and Mr. Cheng Chi-Him. Mr. Cheng Kam-Chiu, Stewart is the nephew of Dr. Cheng Yu-Tung, cousin of Dr. Cheng Kar-Shun, Henry and Mr. Cheng Kar-Shing, and uncle of Mr. Cheng Chi-Kong, Adrian, Mr. Cheng Chi-Him and Mr. Cheng Chi-Heng. Mr. Cheng Chi-Him 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 Mr. Cheng Kam-Chiu, Stewart, cousin of Mr. Cheng Chi-Kong, Adrian and brother of Mr. Cheng Chi-Heng. As such, Meritown is a connected person of the Company and the entering into of the Hing Ying Agreement constitutes a connected transaction for the Company under the Listing Rules.

**Connected Transactions (continued)**

- (9) On 23 November 2010, a master services agreement (the “CTF Master Services Agreement”) was entered into between the Company and CTF, under which each of the Company and CTF agreed to procure members of the Group or the CTF Group (for the purpose of the CTF Master Services Agreement, being CTF, its subsidiaries and/or any other companies 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 Group) (to the extent practicable) to engage relevant members of the CTF Group or the Group (as the case may be) to provide the relevant operational services to members of the Group or the CTF group (as the case may be) during the term of the CTF Master Services Agreement.

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

The CTF Master Services Agreement has an initial term of three years commencing from 1 July 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.

The aggregate contract amount in respect of each category of the operational services under the CTF Master Services Agreement for the year ended 30 June 2011 are summarised as follows:

<b>Categories of services</b>	<b>Approximate total contract amount HK\$m</b>	<b>Annual cap HK\$m</b>
Contracting services by members of the Group to members of the CTF Group	<b>94.0</b>	<b>574.4</b>
General and rental services by members of the Group to members of the CTF Group	<b>3.9</b>	<b>14.5</b>
Project management and consultancy services provided by members of the Group to members of the CTF Group	<b>63.8</b>	<b>106.4</b>
Hotel management and consultancy services provided by members of the Group to members of the CTF Group	<b>14.6</b>	<b>19.8</b>
General and rental services provided by members of the CTF Group to members of the Group	<b>3.9</b>	<b>4.3</b>

Due to the entering into of the New CTF Master Services Agreement (as defined hereinafter), the CTF Master Services Agreement was terminated with effect from 1 July 2011.

## Connected Transactions (continued)

- (10) On 10 December 2010, Bright Scope Holdings Limited (the “Purchaser”, a wholly-owned subsidiary of the Company) entered into an agreement (the “DP Agreement”) with HK Resort International Limited (the “Vendor”) and HKR International Limited (the “Vendor’s Guarantor”) pursuant to which the Vendor conditionally agreed to sell and assign, and the Purchaser conditionally agreed to purchase and accept the assignment of 4,000 shares of HK\$0.25 each in the capital of HKR Properties Limited (now known as DP Properties Limited (“DPL”)) representing its entire issued share capital and the entire amount of the unsecured and non-interest bearing shareholder’s loan (if any) owing from DPL and its subsidiaries and associated companies after Restructuring (as defined hereinafter) (the “Target Group”) to the Vendor and/or its associates as at the date of completion of the DP Agreement (“Completion”) at the Consideration (as defined hereinafter) which was satisfied by way of cash.

The consideration of the DP Agreement (“Consideration”) is equal to the aggregate of (i) 100.0% of the amount of the issued share capital and reserves of each of DPL and its subsidiary; and (ii) 50.0% of the amount of the issued share capital and reserves of each of Discovery Park Commercial Services Limited (“DPCSL”) and Discovery Park Financial Services Limited (“DPFSL”), in each case, as calculated by reference to the audited balance sheet of each of DPL, its subsidiary, DPCSL and DPFSL as at the date of Completion.

Upon completion of a restructuring of DPL and its assets (the “Restructuring”) before Completion, the principal business of the Target Group is the investment and holding of the Commercial Podium of Discovery Park, 398 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong. The Completion took place on 22 March 2011 with the Consideration determined at HK\$1,410,876,727.25 and thereafter DPL became an indirect wholly-owned subsidiary of the Company.

Dr. Cha Mou-Sing, Payson had notified his interests in approximately 49.72% of the issued share capital of the Vendor’s Guarantor. Accordingly, the Vendor and the Vendor’s Guarantor are connected persons of the Company and the entering into of the DP Agreement constitutes a connected transaction for the Company under the Listing Rules.

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

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 New Mr. Doo Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

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

## Connected Transactions (continued)

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

The Existing Continuing Transactions involved the provision of the mechanical and electrical engineering services, property management services, cleaning services and rental services from members of the Group to members of Group B or vice versa. A total of over 100 agreements, of which the remaining term is not exceeding three years (except a tenancy agreement as disclosed in the Note below), are included in these Existing Continuing Transactions with the aggregate transaction values for the remaining term of the relevant agreements as at 30 June 2011 as follows:

	HK\$m
Provision of services by members of the Group to members of Group B	18.5
Provision of services by members of Group B to members of the Group	896.9

*Note: Except a tenancy agreement in respect of office lease with whole floor lettable area and fixed rental payment, which had a remaining term of approximately of 5 years as at 30 June 2011. The management of the Company considers that it is normal business practice for this type of contract to be of such long-term duration. The said tenancy agreement ceased to be an Existing Continuing Transaction upon completion of the Disposal Agreement mentioned in paragraph (14) below.*

- (13) Upon the Group B Completion, the scope of services to be provided under the CTF Master Services Agreement has been narrowed and the corresponding annual caps in relation to the continuing connected transactions contemplated thereunder would be considerably reduced.

On 30 June 2011, the Company and CTF entered into the a new master services agreement (the “New CTF Master Services Agreement”) whereby each of the Company and CTF agreed to, and agreed to procure members of the Group or the CTF Group (being CTF, its subsidiaries and any other company in the equity capital of which CTF and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30.0% or more of the voting power at general meetings or to control the composition of a majority of the board of directors, and the subsidiaries of such other companies, but excluding members of the Group) (to the extent practicable) to engage relevant members of the CTF Group or the Group (as the case may be) to provide the relevant operational services, which include contracting services, general and rental services, project management and consultancy services, and hotel management and consultancy services, to members of the Group or the CTF Group (as the case may be) during the term of the New CTF Master Services Agreement.

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

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

### Connected Transactions (continued)

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

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

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

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

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

The continuing connected transactions mentioned in paragraphs (3) to (5), (7), (9) and (12) above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

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

The Company’s auditor was engaged to report on the Group’s continuing connected transactions stated in paragraphs (3) to (5), (7), (9) and (12) above in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the HKEx.

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



## Directors' interests in Shares, Underlying Shares and Debentures

As at 30 June 2011, 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	57,561	–	–	57,561	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
Mr. Cheng Chi-Kong, Adrian	371,194	–	–	371,194	0.01
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	13,768,798	–	12,000,000 <sup>(4)</sup>	25,768,798	0.76
Dr. Sin Wai-Kin, David	4,921	46	25,493,617 <sup>(6)</sup>	25,498,584	0.75
Mr. Liang Chong-Hou, David	246	–	–	246	0.00
Mr. Cheng Kar-Shing, Peter	343,750	–	5,074,520 <sup>(7)</sup>	5,418,270	0.16
Mr. Leung Chi-Kin, Stewart	3,000,000	–	–	3,000,000	0.10
Mr. Chow Kwai-Cheung	14,033	–	–	14,033	0.00
Ms. Ki Man-Fung, Leonie	15,000	–	–	15,000	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 2011, 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:

#### The Scheme

Purpose of the scheme	To reward directors and employees of the Group for past service or performance, to provide incentive, motivation or reward to eligible participants for increasing performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for or make contribution to the Group, to foster a sense of corporate identity and to allow the eligible participants to enjoy the results of the Company attained through their relationship, efforts and/or contribution.
Participants of the scheme	<p>Eligible participant may be a person or an entity belonging to any of the following classes:</p> <ul style="list-style-type: none"> <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>
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 233,584,780 representing approximately 5.9% of the Company's issued share capital as at the date of this report.</p>

Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

Share Option Scheme of the Company (continued)

The Scheme

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

## Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

## Share Option Scheme of the Company (continued)

## Share options granted to Directors

Name	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30 June 2011	Exercise price per share <sup>(3)</sup> HK\$
			Balance as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year <sup>(3)</sup>		
Dr. Cheng Yu-Tung	19 March 2007	(1)	36,710,652	–	–	3,740	36,714,392	17.652
Dr. Cheng Kar-Shun, Henry	19 March 2007	(1)	36,710,652	–	–	3,740	36,714,392	17.652
Dr. Sin Wai-Kin, David	19 March 2007	(1)	301,731	–	–	29	301,760	17.652
Mr. Liang Chong-Hou, David	19 March 2007	(1)	301,731	–	–	29	301,760	17.652
Mr. Yeung Ping-Leung, Howard	19 March 2007	(1)	301,731	–	–	29	301,760	17.652
Dr. Cha Mou-Sing, Payson	19 March 2007	(1)	301,731	–	–	29	301,760	17.652
Mr. Cheng Kar-Shing, Peter	19 March 2007	(1)	201,153	–	–	19	201,172	17.652
		(2)	1,206,925	–	–	122	1,207,047	17.652
Mr. Leung Chi-Kin, Stewart	19 March 2007	(1)	35,704,880	–	–	3,637	35,708,517	17.652
Mr. Chow Kwai-Cheung	19 March 2007	(2)	1,206,925	–	–	122	1,207,047	17.652
Mr. Ho Hau-Hay, Hamilton	19 March 2007	(1)	201,153	–	–	19	201,172	17.652
Mr. Lee Luen-Wai, John	19 March 2007	(1)	301,731	–	–	29	301,760	17.652
Mr. Liang Cheung-Biu, Thomas	19 March 2007	(1)	201,153	–	–	19	201,172	17.652
Mr. Cheng Chi-Kong, Adrian	19 March 2007	(2)	502,885	–	–	50	502,935	17.652
Ms. Ki Man-Fung, Leonie	19 March 2007	(2)	1,005,770	–	–	101	1,005,871	17.652
			115,160,803	–	–	11,714	115,172,517	

## 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 Company declared final dividend for the year ended 30 June 2010 and interim dividend for the six months ended 31 December 2010 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\$17.654 to HK\$17.653 on 28 December 2010, and further to HK\$17.652 on 23 May 2011.

(4) 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 2011	Exercise price per share <sup>(2)</sup> HK\$
		Balance as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year <sup>(2)</sup>	Lapsed during the year		
19 March 2007	(1)	16,679,681	–	–	1,623	(1,432,321)	15,248,983	17.652

## 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 Company declared final dividend for the year ended 30 June 2010 and interim dividend for the six months ended 31 December 2010 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\$17.654 to HK\$17.653 on 28 December 2010, and further to HK\$17.652 on 23 May 2011.

(3) The cash consideration paid by each participant for the grant of share options is HK\$10.0.

Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

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 option has been granted, exercised, cancelled, lapsed or outstanding under the 2000 Share Option Scheme during the year ended 30 June 2011. The 2000 Share Option Scheme expired on 18 December 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 annual report	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.  No further options will be granted under the 2000 Share Option Scheme.	NWCL had granted share options representing the rights to subscribe for 96,226,400 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 32,817,443 shares of NWCL, representing approximately 0.57% of NWCL's total issued share capital as at the date of this report.
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.

## Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

## 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	The exercise price shall be determined by NWCL's directors, being the higher of: <ul style="list-style-type: none"> <li>(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</li> <li>(b) the nominal value of a share.</li> </ul>	The exercise price shall be determined by NWCL's directors, being at least the higher of: <ul style="list-style-type: none"> <li>(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</li> <li>(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.</li> </ul>
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.

Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

Share Option Schemes of NWCL (continued)

Share options granted to Directors  
2002 Share Option Scheme

Name of Director	Date of grant	Exercisable period (Note)	Number of share options				Exercise price per share HK\$	
			Balance as at 1 July 2010	Granted during the year <sup>(7)</sup>	Exercised during the year	Lapsed during the year		Balance as at 30 June 2011
Dr. Cheng Kar-Shun, Henry	7 January 2008	(1)	2,238,806	–	–	(2,238,806)	–	6.228
	29 December 2008	(3)	1,791,045	–	–	–	1,791,045	1.340
	18 January 2011	(4)	–	2,000,000	–	–	2,000,000	3.154
Mr. Cheng Kar-Shing, Peter	7 January 2008	(1)	895,522	–	–	(895,522)	–	6.228
	29 December 2008	(3)	727,612	–	–	–	727,612	1.340
	18 January 2011	(4)	–	800,000	–	–	800,000	3.154
Mr. Leung Chi-Kin, Stewart	7 January 2008	(1)	223,882	–	–	(223,882)	–	6.228
	29 December 2008	(3)	127,910	–	–	–	127,910	1.340
	18 January 2011	(4)	–	200,000	–	–	200,000	3.154
Mr. Chow Kwai-Cheung	7 January 2008	(1)	223,882	–	–	(223,882)	–	6.228
	29 December 2008	(3)	167,910	–	–	–	167,910	1.340
	18 January 2011	(4)	–	200,000	–	–	200,000	3.154
Mr. Lee Luen-Wai, John	7 January 2008	(1)	335,821	–	–	(335,821)	–	6.228
	29 December 2008	(3)	252,221	–	–	–	252,221	1.340
	18 January 2011	(4)	–	300,000	–	–	300,000	3.154
Mr. Cheng Chi-Kong, Adrian	25 July 2006	(2)	371,194	–	(371,194) <sup>(6)</sup>	–	–	2.559
	7 January 2008	(1)	1,679,104	–	–	(1,679,104)	–	6.228
	29 December 2008	(3)	1,343,284	–	(1,006,000) <sup>(6)</sup>	–	337,284	1.340
	18 January 2011	(4)	–	1,500,000	–	–	1,500,000	3.154
			10,378,193	5,000,000	(1,377,194)	(5,597,017)	8,403,982	

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) Divided into 5 tranches exercisable from 19 February 2011, 19 February 2012, 19 February 2013, 19 February 2014 and 19 February 2015, respectively to 18 February 2016.
- (5) The exercise date was 10 June 2011. On the trading date immediately before the exercise date, the closing price per share was HK\$2.79.
- (6) The exercise date was 7 February 2011. On the trading date immediately before the exercise date, the closing price per share was HK\$3.21.
- (7) The closing price per share immediately before 18 January 2011, the date of grant, was HK\$3.13.
- (8) The cash consideration paid by each of the above directors for each grant of share options is HK\$10.0.



## Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

### 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 2011	Exercise price per share HK\$
	Balance as at 1 July 2010	Granted during the year <sup>(5)</sup>	Exercised during the year <sup>(6)</sup>	Lapsed during the year		
7 November 2005 to 2 December 2005	11,641	–	(11,641)	–	–	2.341
28 March 2006 to 24 April 2006	2,078,507	–	–	(2,078,507)	–	3.497
28 June 2006 to 26 July 2006	64,925	–	–	–	64,925	2.559
17 October 2006 to 13 November 2006	111,492	–	–	–	111,492	2.984
28 December 2006 to 24 January 2007	759,850	–	–	–	759,850	4.209
19 March 2007 to 13 April 2007	822,985	–	–	–	822,985	4.020
14 June 2007 to 11 July 2007	1,669,701	–	–	–	1,669,701	5.994
17 October 2007 to 13 November 2007	1,635,223	–	–	–	1,635,223	7.209
28 December 2007 to 24 January 2008	973,880	–	–	(147,761)	826,119	6.228
28 December 2007 to 24 January 2008	8,686,565 <sup>(2)</sup>	–	–	(8,686,565)	–	6.228
22 April 2008 to 19 May 2008	647,910	–	–	–	647,910	4.699
31 July 2008 to 27 August 2008	260,597	–	–	–	260,597	3.271
12 November 2008 to 9 December 2008	981,534	–	(120,000)	(168,328)	693,206	1.503
2 December 2008 to 29 December 2008	960,597 <sup>(3)</sup>	–	(960,597)	–	–	1.340
2 December 2008 to 29 December 2008	10,850,124 <sup>(4)</sup>	–	(1,804,534)	(342,841)	8,702,749	1.340
2 December 2008 to 29 December 2008	2,309,391	–	(368,477)	(46,210)	1,894,704	1.340
3 February 2009 to 2 March 2009	831,528	–	(146,000)	–	685,528	1.769
26 June 2009 to 23 July 2009	3,247,836	–	–	(234,628)	3,013,208	4.065
19 November 2009 to 16 December 2009	3,470,000	–	(100,000)	(400,000)	2,970,000	3.068
12 January 2010 to 2 February 2010	5,212,400	–	–	(650,800)	4,561,600	2.990
18 May 2010 to 14 June 2010	1,479,600	–	(144,000)	(191,600)	1,144,000	2.350

Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

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 2011	Exercise price per share HK\$
	Balance as at 1 July 2010	Granted during the year <sup>(6)</sup>	Exercised during the year <sup>(6)</sup>	Lapsed during the year		
31 May 2010 to 25 June 2010	1,000,000	–	(112,000)	–	888,000	2.440
10 November 2010 to 7 December 2010	–	4,654,400	–	(304,000)	4,350,400	3.130
18 January 2011 to 14 February 2011	–	9,249,000	–	(229,600)	9,019,400	3.154
3 May 2011 to 30 May 2011	–	1,348,400	–	–	1,348,400	2.860
	48,066,286	15,251,800	(3,767,249)	(13,480,840)	46,069,997	

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 10 November 2010, 18 January 2011 and 3 May 2011, the dates of offer to grant, were HK\$3.18, HK\$3.13 and HK\$2.79, respectively.
- (6) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$3.01.
- (7) The cash consideration paid by each eligible participant for each grant of share options is HK\$10.0.

The fair value of the share options granted during the year with exercise price per share of HK\$3.130, HK\$3.154 and HK\$2.860 are estimated at HK\$1.24, HK\$1.24 and HK\$1.05 using the Binomial pricing model. Values are estimated based on the risk-free rate ranging from 1.10% to 1.72% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility ranging from 53.0% to 55.0%, assuming dividend yield ranging from 1.63% to 1.88% 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.

## Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

#### 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:

#### NWSH Share Option Scheme

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>

Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

Share Option Scheme of NWSH (continued)

**NWSH Share Option Scheme**

<p>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>	<p>NWSH had granted options to certain eligible participants to subscribe for a total of 84,232,011 shares of NWSH under the NWSH Share Option Scheme, which included certain adjustments made pursuant to the NWSH Share Option Scheme, up to the date of this report.</p> <p>The total number of shares available for issue under the NWSH Share Option Scheme is 101,126,105 representing approximately 2.99% of NWSH's issued share capital as at the date of this report.</p>
<p>Maximum entitlement of each participant under the scheme</p>	<p>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.</p>
<p>The period within which the shares must be taken up under an option</p>	<p>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.</p>
<p>The minimum period for which an option must be held before it can be exercised</p>	<p>Any period as determined by NWSH's directors.</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\$10.0 is to be paid as consideration for the grant of option within 14 days from the date of offer.</p>
<p>The basis of determining the exercise price</p>	<p>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.</p>
<p>The remaining life of the scheme</p>	<p>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.</p>

## Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

## 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 2011	Exercise price per share <sup>(2)</sup> HK\$
			Balance as at 1 July 2010	Granted during the year	Exercised during the year	Adjusted during the year <sup>(2)</sup>		
			Dr. Cheng Kar-Shun, Henry	21 August 2007	(1)	3,026,828		

## 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 bonus issue of shares, and final dividend for the year ended 30 June 2010 and interim dividend for the six months ended 31 December 2010 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\$16.055 to HK\$10.692 on 29 December 2010, and further to HK\$10.672 on 20 May 2011.
- (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 2011	Exercise price per share <sup>(2)</sup> HK\$
		Balance as at 1 July 2010	Granted during the year	Exercised during the year <sup>(2)</sup>	Adjusted during the year <sup>(3)</sup>	Lapsed during the year		
		21 August 2007	(1)	23,711,059	–	(4,524,537)		
28 January 2008	(1)	706,253	–	–	356,298	–	1,062,551	13.570
		24,417,312	–	(4,524,537)	9,959,825	(1,847,685)	28,004,915	

## Notes:

- (1) 40.0% of the share options are exercisable from 21 August 2008 to 20 August 2012 while the remaining 60.0% of the share options are divided into 3 tranches exercisable from 21 August 2009, 21 August 2010 and 21 August 2011 respectively to 20 August 2012.
- (2) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$17.031.
- (3) NWSH declared bonus issue of shares, and final dividend for the year ended 30 June 2010 and interim dividend for the six months ended 31 December 2010 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\$16.055 to HK\$10.692 on 29 December 2010, and further to HK\$10.672 on 20 May 2011 and the exercise price per share of the share options granted on 28 January 2008 was adjusted from HK\$20.417 to HK\$13.596 on 29 December 2010, and further to HK\$13.570 on 20 May 2011.
- (4) The cash consideration paid by each eligible participant for each grant of share options is HK\$10.0.

Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

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:

**NWDS Scheme**

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.

## Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

## 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 2011	Exercise price per share HK\$
			Balance as at 1 July 2010	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 2011	Exercise price per share HK\$
		Balance as at 1 July 2010	Granted during the year	Exercised during the year	Lapsed during the year		
27 November 2007	(1)	15,499,000	–	–	(530,000)	14,969,000	8.66
25 March 2008	(2)	3,524,000	–	–	–	3,524,000	8.44
		19,023,000	–	–	(530,000)	18,493,000	

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.

Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

Share Option Schemes of Newton Resources Ltd (“Newton Resources”)

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

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

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



## Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

## Share Option Schemes of Newton Resources Ltd (“Newton Resources”) (continued)

Newton Scheme	Newton Pre-IPO Scheme
<p>“Affiliate” means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, Newton Resources and includes any company which is (a) the holding company of Newton Resources; or (b) a subsidiary of the holding company of Newton Resources; or (c) a subsidiary of Newton Resources; or (d) a fellow subsidiary of Newton Resources; or (e) the controlling shareholder of Newton Resources; or (f) a company controlled by the controlling shareholder of Newton Resources; or (g) a company controlled by Newton Resources; or (h) an Associated Company of the holding company of Newton Resources; or (i) an Associated Company of Newton Resources; or (j) an Associated Company of controlling shareholder of Newton Resources;</p>	
<p>“Associated Company” means a company in the equity share capital of which a company, directly or indirectly, has 20.0% or greater beneficial interest but excluding the subsidiaries of that company;</p>	
<p>“immediate family members” means spouse or person co-habiting as the spouse of an Eligible Person, and any child or step-child, parent or step-parent, brother, sister, step-brother, step-sister, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of an Eligible Person;</p>	
<p>“Newton Group” means Newton Resources and its subsidiaries;</p>	
<p>“officer” means company secretary or director (whether executive or non-executive); and</p>	
<p>“Option Holder” means any Qualifying Grantee who accepts an offer of the grant of an option in accordance with the terms of the Newton Scheme or (where the context so requires) the legal personal representatives of such Qualifying Grantee.</p>	

Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

Share Option Schemes of Newton Resources Ltd (“Newton Resources”) (continued)

	Newton Scheme	Newton Pre-IPO Scheme
Total number of shares available for issue under the schemes and percentage of the issued share capital of Newton Resources as at 3 July 2011	<p>No share option has been granted since adoption.</p> <p>The maximum number of shares which may be issued upon exercise of all options to be granted under the Newton Scheme and any other share option schemes of Newton Resources shall not in aggregate exceed 10.0% of the total number of shares in issue as at the date of adoption of the Newton Scheme (the “Scheme Mandate Limit”) but Newton Resources may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of Newton Resources under the Newton Scheme and any other share option schemes of Newton Resources shall not exceed 10.0% of the issued share capital of Newton Resources as at the date of approval by the shareholders of Newton Resources at general meetings where such limit is refreshed. Options previously granted under the Newton Scheme and any other share option schemes of Newton Resources (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10.0% limit as refreshed. Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Newton Scheme and any other share option schemes of Newton Resources shall not exceed 30.0% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue of Newton Resources from time to time.</p> <p>As the Newton Scheme only became unconditional on the date of listing of Newton Resources' shares on the HKEx, i.e. 4 July 2011, no share was available for issue under the Newton Scheme as at 3 July 2011.</p>	<p>Newton Resources had granted options to certain eligible participants to subscribe for a total of 133,300,000 shares of Newton Resources under the Newton Pre-IPO Scheme up to 3 July 2011.</p> <p>As all the options granted under the Newton Pre-IPO Scheme were based on the issued share capital of Newton Resources upon listing of Newton Resources' shares on the HKEx, i.e. 4 July 2011, no share was available for issue under the Newton Pre-IPO Scheme as at 3 July 2011.</p>

## Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

## Share Option Schemes of Newton Resources Ltd (“Newton Resources”) (continued)

	Newton Scheme	Newton Pre-IPO Scheme
Maximum entitlement of each participant under the schemes	<p>The maximum number of shares issued and to be issued upon exercise of the options granted to each Qualifying Grantee under the Newton Scheme and any other share option schemes of Newton Resources (including both exercised and outstanding options) in any 12-month period shall not exceed 1.0% of the total number of shares of Newton Resources in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of Newton Resources at a general meeting.</p> <p>Share options granted to a director, chief executive or substantial shareholders of Newton Resources, or to any of their associates, are subject to approval in advance by the independent non-executive directors of Newton Resources. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Newton Resources, or to any of their associates, in excess of 0.1% of the total number of shares in issue of Newton Resources at the date on which such grant is proposed by the directors of Newton Resources or with an aggregate value (based on the closing price of shares of Newton Resources at the date on which such grant is proposed by the directors of Newton Resources) in excess of HK\$5.0 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of Newton Resources.</p>	<p>Unless approved by shareholders of Newton Resources, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant under the Newton Pre-IPO Scheme and any other share option schemes of Newton Resources (including both exercised and outstanding options) in any 12-month period must not exceed 1.0% of the share capital of Newton Resources in issue.</p>

Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

Share Option Schemes of Newton Resources Ltd (“Newton Resources”) (continued)

	Newton Scheme	Newton Pre-IPO Scheme
The period within which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised	The exercise period of the share options granted is determinable by the directors of Newton Resources, and is specified in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein) and shall expire not later than 10 years after the date of grant of the options.	The exercise period of the share options shall commence not earlier than the date of the first anniversary of 4 July 2011 (if such anniversary date is not a business day, on the business day immediately prior to such anniversary date) and expire not later than the first business day after the fourth anniversary of 4 July 2011.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HK\$1.0 by the Qualifying Grantee.	The offer of a grant of share options may be accepted within 7 days from the date of the offer upon payment of a consideration of HK\$1.0 by the grantee.
The basis of determining the exercise price	The exercise price of the share options is determinable by the directors of Newton Resources, and shall be at least the highest of (i) the closing price of Newton Resources' shares as stated in the HKEx's daily quotations sheet on the date of grant; (ii) the average closing price of Newton Resources' shares as stated in the HKEx's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Newton Resources' share.	The exercise price of the share options shall be the final offer price (HK\$1.75) as defined in the prospectus of Newton Resources.
The remaining life of the schemes	The Newton Scheme shall be valid and effective for a period of 10 years commencing from the date of listing of Newton Resources' shares on the HKEx, i.e. 4 July 2011.	The Newton Pre-IPO Scheme expired on 23 February 2011. However, the share options granted under the Newton Pre-IPO Scheme are still exercisable.

During the year ended 30 June 2011, no option has been granted under the Newton Scheme.

## Directors' interests in Shares, Underlying Shares and Debentures (continued)

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

#### Share Option Schemes of Newton Resources Ltd (“Newton Resources”) (continued)

Details of the movement of share options granted by Newton Resources under the Newton Pre-IPO Scheme during the year ended 30 June 2011 are as follows:

Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30 June 2011	Exercise price per share HK\$
		Balance as at 1 July 2010	Granted during the year	Exercised during the year	Lapsed during the year		
		28 January 2011	(1)	–	133,300,000 <sup>(2)</sup>		

Notes:

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

### (C) Long position in underlying shares – debentures Fita International Limited (“Fita”)

Name	Amount of debentures in USD issued by Fita			Total	Approximate % to the total amount of debentures in issue as at 30 June 2011
	Personal interests	Family interests	Corporate interests		
Mr. Lee Luen-Wai, John	1,000,000	1,000,000	–	2,000,000	0.27

Save as disclosed above, as at 30 June 2011, 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 2011, the Group had given financial assistance and guarantees to its jointly controlled entities and associated companies (collectively “affiliated companies”) as set out below:

	<b>2011</b> <b>HK\$m</b>	2010 HK\$m
Amounts due by affiliated companies	12,722.2	12,456.8
Guarantees given for affiliated companies in respect of banking and other credit facilities	7,752.6	7,150.1
Commitments to capital injections and loan contributions	1,461.3	1,516.3
	<b>21,936.1</b>	21,123.2

- (1) The financial assistance, in aggregate exceeded 8% of the Group’s total assets as at 30 June 2011.
- (2) The advances were unsecured and are interest free except for an aggregate amount of HK\$3,526.6 million (2010: HK\$4,207.4 million) which carried interest ranging from 0.875% above HIBOR to 10% per annum (2010: 0.875% 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 2011 are presented as follows:

	<b>Combined statement of financial position HK\$m</b>	<b>Group’s attributable Interests HK\$m</b>
Non-current assets	72,451.1	33,713.3
Current assets	31,692.0	17,902.2
Current liabilities	<b>(26,232.5)</b>	<b>(12,940.2)</b>
Total assets less current liabilities	<b>77,910.6</b>	<b>38,675.3</b>
Non-current liabilities	<b>(34,697.8)</b>	<b>(16,590.9)</b>
Net assets	<b>43,212.8</b>	<b>22,084.4</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 2011.

# Independent Auditors' Report



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

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

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of New World Development Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 118 to 234, which comprise the consolidated and company statements of financial position as at 30 June 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
Certified Public Accountants

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

Hong Kong, 29 September 2011

# Consolidated Income Statement

For the year ended 30 June 2011

	Note	2011 HK\$m	2010 HK\$m (Restated)
Revenues	6	32,882.0	30,218.6
Cost of sales		(20,672.6)	(18,775.0)
<b>Gross profit</b>		<b>12,209.4</b>	11,443.6
Other income	7	82.8	211.3
Other gains, net	8	2,132.6	2,547.8
Selling and marketing expenses		(650.6)	(635.8)
Administrative and other operating expenses		(5,023.1)	(4,649.0)
Changes in fair value of investment properties		3,534.6	4,765.8
<b>Operating profit</b>	9	<b>12,285.7</b>	13,683.7
Financing income		423.5	474.5
Financing costs	10	(889.4)	(812.9)
		<b>11,819.8</b>	13,345.3
Share of results of			
Jointly controlled entities		2,654.0	3,232.6
Associated companies		1,104.0	994.1
<b>Profit before taxation</b>		<b>15,577.8</b>	17,572.0
Taxation	11	(2,833.8)	(1,904.3)
<b>Profit for the year</b>		<b>12,744.0</b>	15,667.7
<b>Attributable to:</b>			
Shareholders of the Company	12, 40	9,153.9	12,398.6
Non-controlling interests		3,590.1	3,269.1
		<b>12,744.0</b>	15,667.7
<b>Dividends</b>	13	<b>1,514.1</b>	1,487.1
<b>Earnings per share</b>	14		
Basic		HK\$2.32	HK\$3.19
Diluted		HK\$2.26	HK\$3.07



# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	2011 HK\$m	2010 HK\$m (Restated)
Profit for the year	12,744.0	15,667.7
Other comprehensive income		
Fair value changes of available-for-sale financial assets	338.7	26.2
– deferred tax arising from fair value changes thereof	(59.2)	(20.1)
Revaluation of property upon reclassification from property, plant and equipment to investment properties	2,302.0	1,000.9
– deferred tax arising from revaluation thereof	(0.7)	–
Release of investment revaluation deficit to the income statement upon impairment of available-for-sale financial assets	149.1	55.7
Release of reserve upon disposal of the Disposal Group and other assets held for sale	(29.7)	(7.2)
Release of reserve upon disposal of available-for-sale financial assets – reversal of deferred tax thereof	(582.2)	(217.7)
– reversal of deferred tax thereof	73.2	87.0
Release of exchange reserve upon disposal of subsidiaries	(10.6)	(6.7)
Share of other comprehensive income of jointly controlled entities and associated companies	2,803.7	(100.6)
Cash flow hedges	1.4	(5.8)
Translation differences	1,792.9	5.4
Other comprehensive income for the year	6,778.6	817.1
Total comprehensive income for the year	19,522.6	16,484.8
Attributable to:		
Shareholders of the Company	14,991.0	13,254.2
Non-controlling interests	4,531.6	3,230.6
	19,522.6	16,484.8

# Consolidated Statement of Financial Position

	<i>Note</i>	<b>As at 30 June 2011 HK\$m</b>	As at 30 June 2010 HK\$m (Restated)	As at 1 July 2009 HK\$m (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties	17	53,265.0	41,083.0	31,007.7
Property, plant and equipment	18	10,373.1	9,015.9	10,206.5
Land use rights	19	2,407.1	2,646.1	2,198.2
Intangible concession rights	20	763.5	774.0	834.1
Intangible assets	21	1,754.7	1,490.1	1,684.0
Interests in jointly controlled entities	23	40,352.2	30,723.1	31,950.9
Interests in associated companies	24	10,533.6	10,018.9	8,077.6
Available-for-sale financial assets	25	6,229.5	6,167.2	5,509.3
Held-to-maturity investments	26	281.5	281.9	34.6
Financial assets at fair value through profit or loss	35	1,006.3	270.8	378.1
Derivative financial instruments	27	119.8	172.1	152.1
Properties for development	28	17,293.0	15,668.2	11,152.7
Deferred tax assets	29	697.8	650.8	476.5
Other non-current assets	30	808.3	1,294.3	1,532.2
		<b>145,885.4</b>	120,256.4	105,194.5
<b>Current assets</b>				
Properties under development	31	27,714.3	25,409.0	16,264.1
Properties held for sale	32	10,654.1	11,058.9	14,565.5
Available-for-sale financial assets		–	–	105.9
Inventories	33	540.8	409.2	402.9
Debtors and prepayments	34	16,955.2	16,815.2	20,914.7
Financial assets at fair value through profit or loss	35	1.4	55.3	63.3
Cash held on behalf of customers		–	–	3,661.9
Restricted bank balances	36	121.2	91.0	257.2
Cash and bank balances	36	23,971.6	23,508.6	14,080.0
		<b>79,958.6</b>	77,347.2	70,315.5
Non-current assets classified as assets held for sale	38	3,271.4	2,376.5	1,291.0
		<b>83,230.0</b>	79,723.7	71,606.5
<b>Total assets</b>		<b>229,115.4</b>	199,980.1	176,801.0

## Consolidated Statement of Financial Position (continued)

	Note	<b>As at 30 June 2011 HK\$m</b>	As at 30 June 2010 HK\$m (Restated)	As at 1 July 2009 HK\$m (Restated)
<b>EQUITY</b>				
Share capital	39	3,990.1	3,918.0	3,867.3
Reserves	40	98,673.1	84,377.5	71,988.4
Proposed final dividend	40	1,117.2	1,097.0	812.1
Shareholders' funds		<b>103,780.4</b>	89,392.5	76,667.8
Non-controlling interests		<b>30,588.2</b>	25,493.8	23,204.3
<b>Total equity</b>		<b>134,368.6</b>	114,886.3	99,872.1
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Long-term borrowings	41	38,849.9	39,083.3	30,342.7
Deferred tax liabilities	29	4,624.8	4,493.0	2,988.8
Derivative financial instruments	27	756.8	308.0	–
Other non-current liabilities	42	650.7	402.6	375.0
		<b>44,882.2</b>	44,286.9	33,706.5
<b>Current liabilities</b>				
Creditors and accrued charges	43	23,756.0	23,960.9	21,420.6
Current portion of long-term borrowings	41	13,023.1	5,194.5	7,416.2
Short-term borrowings	41	8,735.7	8,041.5	12,796.1
Current tax payable		3,748.8	2,315.6	1,589.5
Liabilities directly associated with assets held for sale	38	49,263.6 601.0	39,512.5 1,294.4	43,222.4 –
		<b>49,864.6</b>	40,806.9	43,222.4
<b>Total liabilities</b>		<b>94,746.8</b>	85,093.8	76,928.9
<b>Total equity and liabilities</b>		<b>229,115.4</b>	199,980.1	176,801.0
<b>Net current assets</b>		<b>33,365.4</b>	38,916.8	28,384.1
<b>Total assets less current liabilities</b>		<b>179,250.8</b>	159,173.2	133,578.6

**Dr. Sin Wai-Kin, David**  
*Director*

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

# Company Statement of Financial Position

	<i>Note</i>	<b>As at 30 June 2011 HK\$m</b>	As at 30 June 2010 HK\$m (Restated)	As at 1 July 2009 HK\$m (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties	17	70.0	57.0	46.0
Property, plant and equipment	18	0.5	0.5	0.5
Interests in subsidiaries	22	38,447.9	36,738.0	26,437.5
Interests in jointly controlled entities	23	906.5	173.4	173.5
Interests in associated companies	24	515.9	508.1	526.5
Available-for-sale financial assets	25	18.1	24.8	19.8
Deferred tax assets	29	28.6	0.9	1.1
		<b>39,987.5</b>	37,502.7	27,204.9
<b>Current assets</b>				
Properties held for sale	32	2,231.5	695.5	1,394.1
Debtors and prepayments	34	240.0	73.9	95.8
Amounts receivable from subsidiaries	22	33,982.1	35,466.9	38,888.0
Cash and bank balances	36	76.1	172.1	30.2
		<b>36,529.7</b>	36,408.4	40,408.1
<b>Total assets</b>		<b>76,517.2</b>	73,911.1	67,613.0
<b>EQUITY</b>				
Share capital	39	3,990.1	3,918.0	3,867.3
Reserves	40	43,512.3	43,026.9	40,410.3
Proposed final dividend	40	1,117.2	1,097.0	812.1
<b>Total equity</b>		<b>48,619.6</b>	48,041.9	45,089.7
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Creditors and accrued charges	43	2,295.8	699.2	443.4
Amounts payable to subsidiaries	22	25,595.6	25,160.0	22,079.9
Current tax payable		6.2	10.0	–
<b>Total liabilities</b>		<b>27,897.6</b>	25,869.2	22,523.3
<b>Total equity and liabilities</b>		<b>76,517.2</b>	73,911.1	67,613.0
<b>Net current assets</b>		<b>8,632.1</b>	10,539.2	17,884.8
<b>Total assets less current liabilities</b>		<b>48,619.6</b>	48,041.9	45,089.7

Dr. Sin Wai-Kin, David  
Director

Dr. Cheng Kar-Shun, Henry  
Director

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	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 2010, as previously reported	3,918.0	29,608.6	43,430.2	9,394.2	86,351.0	25,338.5	111,689.5
Prior year adjustments in respect of change in accounting policy	-	-	3,041.5	-	3,041.5	155.3	3,196.8
At 1 July 2010, as restated	3,918.0	29,608.6	46,471.7	9,394.2	89,392.5	25,493.8	114,886.3
<b>Comprehensive income</b>							
Profit for the year	-	-	9,153.9	-	9,153.9	3,590.1	12,744.0
<b>Other comprehensive income</b>							
Changes in fair value of available-for-sale financial assets, net of taxation	-	-	-	261.6	261.6	17.9	279.5
Disposal of the Disposal Group and other assets held for sale	-	-	-	(17.7)	(17.7)	(12.0)	(29.7)
Disposal of available-for-sale financial assets, net of taxation	-	-	-	(489.6)	(489.6)	(19.4)	(509.0)
Impairment of available-for-sale financial assets	-	-	-	123.5	123.5	25.6	149.1
Release of exchange reserve upon disposal of subsidiaries	-	-	-	(6.5)	(6.5)	(4.1)	(10.6)
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of taxation	-	-	-	2,301.3	2,301.3	-	2,301.3
Share of other comprehensive income of jointly controlled entities and associated companies	-	-	-	2,438.6	2,438.6	365.1	2,803.7
Cash flow hedges	-	-	-	0.9	0.9	0.5	1.4
Translation differences	-	-	-	1,225.0	1,225.0	567.9	1,792.9
Other comprehensive income for the year	-	-	-	5,837.1	5,837.1	941.5	6,778.6
<b>Total comprehensive income for the year</b>	-	-	9,153.9	5,837.1	14,991.0	4,531.6	19,522.6

## Consolidated Statement of Changes in Equity (continued)

For the year ended 30 June 2011

	Share capital HK\$m	Share premium HK\$m	Retained profits HK\$m	Other reserves HK\$m	Shareholders' funds HK\$m	Non-controlling interests HK\$m	Total HK\$m
<b>Transactions with owners</b>							
Contributions by and distributions to owners							
Dividends	-	-	(1,493.9)	-	(1,493.9)	(1,077.7)	(2,571.6)
Contributions from non-controlling shareholders	-	-	-	-	-	281.8	281.8
Issue of new shares as scrip dividends	72.1	948.1	-	-	1,020.2	-	1,020.2
Employees' share-based payments	-	-	-	25.1	25.1	7.9	33.0
Share option lapsed	-	-	9.3	(9.3)	-	-	-
Repurchase of convertible bonds	-	-	0.6	(1.9)	(1.3)	-	(1.3)
Transfer of reserves	-	-	(28.2)	28.2	-	-	-
	72.1	948.1	(1,512.2)	42.1	(449.9)	(788.0)	(1,237.9)
Changes in ownership interests in subsidiaries							
Acquisition of additional interests in subsidiaries	-	-	(149.5)	-	(149.5)	247.2	97.7
Acquisition of non-controlling interests of Newton Resources (note 38(a))	-	-	-	-	-	979.8	979.8
Deemed disposal of interests in subsidiaries	-	-	(3.7)	-	(3.7)	123.8	120.1
	-	-	(153.2)	-	(153.2)	1,350.8	1,197.6
<b>Total transactions with owners</b>	72.1	948.1	(1,665.4)	42.1	(603.1)	562.8	(40.3)
<b>At 30 June 2011</b>	3,990.1	30,556.7	53,960.2	15,273.4	103,780.4	30,588.2	134,368.6

## Consolidated Statement of Changes in Equity (continued)

For the year ended 30 June 2010

	Share capital HK\$m	Share premium HK\$m	Retained profits HK\$m	Other reserves HK\$m	Share- holders' funds HK\$m	Non- controlling interests HK\$m	Total HK\$m
At 1 July 2009, as previously reported	3,867.3	28,938.8	32,863.4	8,742.8	74,412.3	23,070.7	97,483.0
Prior year adjustments in respect of change in accounting policy	–	–	2,255.5	–	2,255.5	133.6	2,389.1
At 1 July 2009, as restated	3,867.3	28,938.8	35,118.9	8,742.8	76,667.8	23,204.3	99,872.1
<b>Comprehensive income</b>							
Profit for the year	–	–	12,398.6	–	12,398.6	3,269.1	15,667.7
<b>Other comprehensive income</b>							
Changes in fair value of available-for-sale financial assets, net of taxation	–	–	–	(2.3)	(2.3)	8.4	6.1
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	–	–	–	(121.7)	(121.7)	(9.0)	(130.7)
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, net of taxation	–	–	–	1,000.9	1,000.9	–	1,000.9
Share of other comprehensive income of jointly controlled entities and associated companies	–	–	–	(75.3)	(75.3)	(25.3)	(100.6)
Cash flow hedges	–	–	–	(3.4)	(3.4)	(2.4)	(5.8)
Translation differences	–	–	–	12.5	12.5	(7.1)	5.4
Other comprehensive income for the year	–	–	–	855.6	855.6	(38.5)	817.1
<b>Total comprehensive income for the year</b>	–	–	12,398.6	855.6	13,254.2	3,230.6	16,484.8

## Consolidated Statement of Changes in Equity (continued)

For the year ended 30 June 2010

	Share capital HK\$m	Share premium HK\$m	Retained profits HK\$m	Other reserves HK\$m	Share- holders' funds HK\$m	Non- controlling interests HK\$m	Total HK\$m
<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)
<b>At 30 June 2010, as restated</b>	3,918.0	29,608.6	46,471.7	9,394.2	89,392.5	25,493.8	114,886.3



# Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 HK\$m	2010 HK\$m
<b>Cash flows from operating activities</b>			
Net cash generated from operations	47(a)	2,315.0	7,215.4
Hong Kong profits tax paid		(582.5)	(382.2)
Mainland China and overseas taxation paid		(1,340.0)	(914.6)
<b>Net cash generated from operating activities</b>		<b>392.5</b>	<b>5,918.6</b>
<b>Cash flows (used in)/from investing activities</b>			
Interest received		199.8	747.9
Dividends received from			
Jointly controlled entities		1,441.5	2,124.8
Associated companies		698.3	214.0
Available-for-sale financial assets		82.8	211.3
Additions of investment properties, property, plant and equipment, land use rights and intangible assets		(4,764.0)	(2,351.5)
Increase in interests in jointly controlled entities		(4,904.2)	(490.9)
Decrease/(increase) in interests in associated companies		422.4	(444.4)
Decrease/(increase) in long-term receivables		386.0	(344.8)
Decrease/(increase) in short-term bank deposits maturing after more than three months		67.0	(534.5)
Acquisition of subsidiaries (net of cash and cash equivalents)	47(b), (c)	(1,299.3)	327.6
Acquisition of additional interests in subsidiaries		–	(0.7)
Purchase of available-for-sale financial assets, held-to-maturity investments and financial assets at fair value through profit or loss		(2,835.0)	(2,074.2)
Proceeds from disposal of			
Available-for-sale financial assets and financial assets at fair value through profit or loss		3,196.8	940.0
Non-current assets classified as assets held for sale		160.1	1,468.3
The Disposal Group (net of cash and cash equivalents)		319.3	–
Investment properties, property, plant and equipment, land use rights and intangible assets		817.8	365.4
Jointly controlled entities		38.6	235.1
Associated companies		8.5	5.3
Subsidiaries (net of cash and cash equivalents)	47(d), (e)	(59.7)	2,061.8
<b>Net cash (used in)/from investing activities</b>		<b>(6,023.3)</b>	<b>2,460.5</b>
<b>Cash flows from financing activities</b>			
Issue of fixed rate bonds, net of transaction costs		–	5,841.6
New bank and other loans		18,343.5	13,351.9
Repayment of bank and other loans		(10,243.4)	(14,074.6)
Redemption/repurchase of convertible bonds		(20.5)	(2,592.8)
Decrease in loans from non-controlling shareholders		(73.6)	(42.1)
(Increase)/decrease in restricted bank balances		(21.1)	183.2
Contributions from non-controlling shareholders		281.8	1,428.1
Interest paid		(1,565.6)	(939.5)
Dividends paid to shareholders of the Company		(473.7)	(481.7)
Dividends paid to non-controlling shareholders		(861.8)	(1,564.6)
<b>Net cash from financing activities</b>		<b>5,365.6</b>	<b>1,109.5</b>

## Consolidated Statement of Cash Flows (continued)

For the year ended 30 June 2011

	<i>Note</i>	<b>2011 HK\$m</b>	2010 HK\$m
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(265.2)</b>	9,488.6
Cash and cash equivalents at beginning of the year		22,805.8	13,309.8
Translation differences		424.1	7.4
<b>Cash and cash equivalents at end of the year</b>		<b>22,964.7</b>	22,805.8
<b>Analysis of cash and cash equivalents</b>			
Cash at banks and on hand	36	<b>18,098.1</b>	14,756.3
Short-term bank deposits maturing within three months		<b>4,668.5</b>	7,480.3
Cash and bank balances of subsidiaries reclassified as assets held for sale	38	<b>198.1</b>	569.2
		<b>22,964.7</b>	22,805.8

# Notes to the Financial Statements

## 1 General information

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

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

These financial statements have been approved by the Board of Directors on 29 September 2011.

## 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) Adoption of new or revised accounting standards

For the year ended 30 June 2010, the Group early adopted HKAS 32 Amendment “Classification of Rights Issues”. In the current year, the Group has adopted the following amendments to standards and interpretations which are mandatory for the financial year ended 30 June 2011:

HKFRSs Amendments	Improvements to HKFRSs 2009
HKFRS 1 Amendment	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

## 2 Basis of preparation (continued)

### (a) Adoption of new or revised accounting standards (continued)

In addition, the Group has early adopted HKAS 12 Amendment “Deferred Tax: Recovery of Underlying Assets” which is effective for the financial year beginning on 1 July 2012.

The adoption of HKAS 17 Amendment (as included in Improvements to HKFRSs 2009), HK – Int 5 and HKAS 12 Amendment has resulted in a change in accounting policies and has been applied retrospectively. The adoption of other amendments and interpretations does not have any significant effect on the results and financial position of the Group. The details of the changes are set out below.

HKAS 17 Amendment                      Classification of Leases of Land and Buildings

The improvements to HKFRSs 2009 include an amendment to HKAS 17 “Leases”, which deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under “Leasehold land and land use rights”, and amortised over the lease term.

The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 July 2010 on the basis of information existing at the inception of those leases, and recognised certain leasehold land in Hong Kong and Macau as finance lease. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease. Such land interest of the Group that is held for own use is accounted for as “Property, plant and equipment” and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term. The land interest of the Group that is held to earn rental income and/or for capital appreciation is accounted for as “Investment properties” and is carried at fair value. The land interest of the Group that is held for sale is accounted for as “Properties for development”, “Properties under development” or “Properties held for sale” and is carried at the lower of cost and net realisable value.

HK – Int 5    Presentation of Financial Statements – Classification by the Borrower  
of a Term Loan that Contains a Repayment on Demand Clause

HK – Int 5 is a clarification of an existing standard, HKAS 1 “Presentation of Financial Statements”. This interpretation requires that loans under loan agreements containing a clause which gives the lenders the unconditional right to demand repayment at any time should be classified as current liabilities, irrespective of the probability that the lenders will invoke the clause.

The Group has reassessed the classification of borrowings according to HK – Int 5 and certain bank borrowings have been reclassified as current liabilities.

## 2 Basis of preparation (continued)

### (a) Adoption of new or revised accounting standards (continued)

HKAS 12 Amendment

Deferred Tax: Recovery of Underlying Assets

The amendment introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, deferred taxation on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use.

The Group has reassessed the business models of the Group's investment properties located in Hong Kong and the People's Republic of China (the "PRC") individually. The carrying values of certain investment properties are expected to be recovered through use and the presumption of sale for these investment properties is rebutted. For the remaining investment properties, the Group applies the rebuttable presumption that the carrying amount of these investment properties will be recovered through sale.

The effect of the change in the accounting policy following the adoption of HKAS 12 Amendment on the consolidated income statement is as follows:

	<b>For the year ended 30 June 2011</b>	For the year ended 30 June 2010
	<b>HKAS 12 Amendment HK\$m</b>	HKAS 12 Amendment HK\$m
Increase/(decrease) in profit for the year		
Share of results of jointly controlled entities	32.4	(1.1)
Share of results of associated companies	53.2	61.3
Profit before taxation	85.6	60.2
Taxation	433.4	747.5
Profit for the year	519.0	807.7
Attributable to:		
Shareholders of the Company	471.8	786.0
Non-controlling interests	47.2	21.7
	519.0	807.7
Earnings per share (HK\$)		
Basic	0.12	0.20
Diluted	0.11	0.19

## 2 Basis of preparation (continued)

### (a) Adoption of new or revised accounting standards (continued)

The effects of the changes in the accounting policies following the adoption of the relevant amendments to standards and interpretations stated above on the consolidated statement of financial position are as follows:

	As at 30 June 2011				As at 30 June 2010				As at 1 July 2009			
	HKAS 17		HKAS 12		HKAS 17		HKAS 12		HKAS 17		HKAS 12	
	Amendment	HK - Int 5	Amendment	Total	Amendment	HK - Int 5	Amendment	Total	Amendment	HK - Int 5	Amendment	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Increase/(decrease) in:												
Property, plant and equipment	2,553.3	-	-	2,553.3	1,882.6	-	-	1,882.6	2,877.6	-	-	2,877.6
Land use rights	(2,553.3)	-	-	(2,553.3)	(1,882.6)	-	-	(1,882.6)	(2,877.6)	-	-	(2,877.6)
Interests in jointly controlled entities	-	-	63.7	63.7	-	-	31.3	31.3	-	-	32.4	32.4
Interests in associated companies	-	-	363.8	363.8	-	-	310.6	310.6	-	-	249.3	249.3
Deferred tax assets	-	-	(119.1)	(119.1)	-	-	28.3	28.3	-	-	-	-
Total assets	-	-	308.4	308.4	-	-	370.2	370.2	-	-	281.7	281.7
Reserves	-	-	3,513.3	3,513.3	-	-	3,041.5	3,041.5	-	-	2,255.5	2,255.5
Non-controlling interests	-	-	202.5	202.5	-	-	155.3	155.3	-	-	133.6	133.6
Total equity	-	-	3,715.8	3,715.8	-	-	3,196.8	3,196.8	-	-	2,389.1	2,389.1
Long-term borrowings	-	(5,425.0)	-	(5,425.0)	-	(5,630.9)	-	(5,630.9)	-	(3,421.4)	-	(3,421.4)
Deferred tax liabilities	-	-	(3,407.4)	(3,407.4)	-	-	(2,826.6)	(2,826.6)	-	-	(2,107.4)	(2,107.4)
Current portion of long-term borrowings	-	(5,425.0)	(3,407.4)	(8,832.4)	-	(5,630.9)	(2,826.6)	(8,457.5)	-	(3,421.4)	(2,107.4)	(5,528.8)
Short-term borrowings	-	(1,468.9)	-	(1,468.9)	-	(428.8)	-	(428.8)	-	(380.0)	-	(380.0)
Total liabilities	-	6,893.9	-	6,893.9	-	6,059.7	-	6,059.7	-	3,801.4	-	3,801.4
Total equity and liabilities	-	-	308.4	308.4	-	-	370.2	370.2	-	-	281.7	281.7

**2 Basis of preparation (continued)****(b) Standards, amendments and interpretations which are not yet effective**

The following new or revised standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 July 2011 or later periods but which the Group has not early adopted:

Effective for the year ending 30 June 2012

HKFRS 1 Amendment	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendment	Disclosure – Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HKFRSs Amendments	Improvements to HKFRSs 2010

Effective for the year ending 30 June 2013 or after

HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 1 Amendment	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the 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 (including goodwill on acquisition) plus the share of post-acquisition results and reserves less provision for impairment losses. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired jointly controlled entities at the date of acquisition. The interests in jointly controlled entities also include long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entities. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities set out as follows:

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

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

###### Co-operative joint ventures

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

###### Companies limited by shares

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

The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entity that it 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.

###### (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.

### **3 Principal accounting policies (continued)**

#### **(a) Consolidation (continued)**

##### **(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.

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.

### **3 Principal accounting policies (continued)**

#### **(b) Intangible assets (continued)**

##### **(v) Mining right**

Mining right is stated at cost less accumulated amortisation and any impairment losses. Mining right includes the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining right is amortised over the estimated useful lives of the mines, in accordance with the production plans of the entity concerned and the proved and probable reserves of the mines using the units of production method. Mining right is written off to the income statement if the mining property is abandoned.

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

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

#### **(d) Land use rights**

The upfront prepayments made for the land use rights 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 leasehold land and buildings. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it 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.

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

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

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

**(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.

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.

### 3 Principal accounting policies (continued)

#### (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:
  - (1) adverse changes in the payment status of borrowers in the portfolio;
  - (2) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the 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.

### **3 Principal accounting policies (continued)**

**(j) Impairment of financial assets (continued)**

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the 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 leasehold land and land use rights, development expenditure and borrowing costs capitalised, and are carried at the lower of cost and net realisable value. Properties under development included in the current assets are expected to be realised in, or is intended for sale in the Group's normal operating cycle.

**(l) Properties held for sale**

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

**(m) Inventories**

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

**(n) Contracts in progress**

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.



### 3 Principal accounting policies (continued)

#### (q) Share capital

Ordinary shares are classified as equity.

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

#### (r) Trade payables

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

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

#### (s) Provisions

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

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

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

#### (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.

### **3 Principal accounting policies (continued)**

#### **(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.

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.

### 3 Principal accounting policies (continued)

#### (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.

##### (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.

### **3 Principal accounting policies (continued)**

**(x) Revenue recognition**

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

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

**(i) Rental**

Rental is recognised 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.

**(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.

### 3 Principal accounting policies (continued)

(x) Revenue recognition (continued)

(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.

(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.

### **3 Principal accounting policies (continued)**

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

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

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

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

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

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

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans, including the Mandatory Provident Fund Scheme and employee pension schemes established by municipal government in the 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.

##### **(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.

### 3 Principal accounting policies (continued)

#### (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.

##### (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 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.

### **3 Principal accounting policies (continued)**

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

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

#### **(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 2011, the Group's entities with functional currency of Hong Kong dollar had United States dollar net monetary liabilities of HK\$3,447.3 million (2010: HK\$5,140.0 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 2011, the Group's entities with functional currency of Hong Kong dollar had Renminbi net monetary assets of HK\$1,786.7 million (2010: HK\$1,275.1 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\$89.3 million (2010: HK\$63.8 million) lower/higher.

At 30 June 2011, the Group's entities with functional currency of Renminbi had net monetary assets denominated in United States dollar of HK\$1,179.0 million (2010: HK\$308.0 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\$59.0 million (2010: HK\$15.4 million) lower/higher.

At 30 June 2011, the Group's entities with functional currency of Renminbi had net monetary liabilities denominated in Hong Kong dollar of HK\$5,422.9 million (2010: HK\$3,909.3 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\$271.1 million (2010: HK\$195.5 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 2011 and 2010 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\$438.8 million higher or HK\$449.1 million lower respectively (2010: HK\$228.2 million higher or HK\$396.2 million lower). The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to the exposure to interest rate risk for financial instruments in existence at the end of the reporting period. The 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 2011, 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\$1,557.4 million (2010: HK\$1,539.3 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\$38.5 million and HK\$1,518.9 million (2010: HK\$23.7 million and HK\$1,515.6 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 2011, 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\$251.9 million (2010: HK\$81.5 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 noncurrent 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 2011, no provision on the above guarantees to banks has been made in the financial statements (2010: 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.

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.

4 Financial risk management and fair value estimation (continued)

(c) Liquidity risk (continued)

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 2011					
Creditors and accrued charges	20,382.8	20,382.8	19,482.8	888.7	11.3
Short-term borrowings	8,735.7	8,739.1	8,739.1	–	–
Long-term borrowings	51,873.0	57,576.9	14,038.9	33,319.5	10,218.5
At 30 June 2010 (Restated)					
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	8,041.5	8,053.0	8,053.0	–	–
Long-term borrowings	44,277.8	50,234.6	15,239.5	25,035.5	9,959.6

Company

	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 2011					
Creditors and accrued charges	2,295.8	2,295.8	2,295.8	–	–
Amounts payable to subsidiaries	25,595.6	25,595.6	25,595.6	–	–
At 30 June 2010					
Creditors and accrued charges	699.2	699.2	699.2	–	–
Amounts payable to subsidiaries	25,160.0	25,160.0	25,160.0	–	–
Amounts payable to associated companies	72.4	72.4	72.4	–	–

#### 4 Financial risk management and fair value estimation (continued)

##### (d) Capital management

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

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

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

The gearing ratios at 30 June 2011 and 2010 were as follows:

	2011 HK\$m	2010 HK\$m (Restated)
Consolidated total borrowings (excluding loans from non-controlling shareholders)	59,085.2	50,722.2
Less: cash and bank balances	24,092.8	23,608.7
Consolidated net debt	34,992.4	27,113.5
Total equity	134,368.6	114,886.3
Gearing ratio	26.0%	23.6%

The increase in gearing ratio at 30 June 2011 was mainly due to the acquisition of property projects, infrastructure projects and the reduction in residential units sold in Hong Kong during the year.

##### (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).

#### 4 Financial risk management and fair value estimation (continued)

##### (e) Fair value estimation (continued)

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

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

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

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

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

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

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)

#### 4 Financial risk management and fair value estimation (continued)

##### (e) Fair value estimation (continued)

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

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

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
At 1 July 2009	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)
At 30 June 2010	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.

**(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 2011, if the market value of investment properties had been 8% (2010: 8%) higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK\$4,261.2 million (2010: HK\$3,286.7 million) higher/lower.



## 5 Critical accounting estimates and judgements (continued)

### (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.

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 46.

### (f) Income taxes

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

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

## 5 Critical accounting estimates and judgements *(continued)*

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

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

## 6 Revenues and segment information

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

	<b>2011</b>	2010
	<b>HK\$m</b>	HK\$m
Revenues		
Property sales	<b>16,117.0</b>	12,570.1
Rental	<b>1,589.3</b>	1,508.8
Contracting	<b>2,410.0</b>	3,293.5
Provision of services	<b>5,970.6</b>	6,732.1
Infrastructure operations	<b>277.7</b>	251.9
Hotel operations	<b>2,767.5</b>	2,480.9
Department store operations	<b>2,815.9</b>	2,484.7
Telecommunication services	<b>712.6</b>	713.4
Others	<b>221.4</b>	183.2
<b>Total</b>	<b>32,882.0</b>	30,218.6

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>2011</b>									
Total revenues	16,117.0	1,772.0	9,629.8	277.7	2,767.5	2,815.9	770.4	221.4	34,371.7
Inter-segment	-	(182.7)	(1,249.2)	-	-	-	(57.8)	-	(1,489.7)
Revenue – external	16,117.0	1,589.3	8,380.6	277.7	2,767.5	2,815.9	712.6	221.4	32,882.0
Segment results	4,366.6	1,057.5	898.0	6.8	448.6	582.4	(19.0)	(111.3)	7,229.6
Other gains, net	(191.2)	523.6	698.5	70.1	15.9	397.7	(129.3)	747.3	2,132.6
Changes in fair value of investment properties	-	3,033.9	479.9	-	-	20.8	-	-	3,534.6
Unallocated corporate expenses									(611.1)
Operating profit									12,285.7
Financing income									423.5
Financing costs									(889.4)
Share of results of Jointly controlled entities	338.8	398.2	123.1	1,845.8	(10.8)	-	-	(41.1)	2,654.0
Associated companies	37.7	305.8	599.1	20.0	(4.7)	-	118.6	27.5	1,104.0
Profit before taxation									15,577.8
Taxation									(2,833.8)
Profit for the year									12,744.0
Segment assets	67,784.6	52,315.8	12,618.1	1,425.4	6,657.0	5,865.9	626.6	6,025.8	153,319.2
Interests in jointly controlled entities	6,587.4	9,329.2	3,633.9	17,170.7	1,284.4	-	-	2,346.6	40,352.2
Interests in associated companies	979.2	2,963.3	3,406.9	802.5	113.9	-	2,164.4	103.4	10,533.6
Unallocated assets									24,910.4
Total assets									229,115.4
Segment liabilities	13,961.3	1,380.1	3,991.7	278.1	576.4	3,569.6	261.0	989.5	25,007.7
Unallocated liabilities									69,739.1
Total liabilities									94,746.8
Additions to non-current assets (note a)	4,395.8	4,316.4	1,181.5	-	523.1	884.5	188.6	5.9	11,495.8
Depreciation and amortisation	43.2	22.5	116.7	63.6	354.5	344.2	54.8	18.8	1,018.3
Impairment charge and provision	305.0	-	63.1	-	-	-	128.7	134.0	630.8

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
2010 (Restated)									
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)
Revenue – 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	384.6	287.1	1,554.6	(46.4)	–	–	172.7	3,232.6
Associated companies	8.8	318.8	457.1	27.5	7.8	(0.2)	157.3	17.0	994.1
Profit before taxation									17,572.0
Taxation									(1,904.3)
Profit for the year									15,667.7
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	8,167.3	2,180.7	13,651.5	1,398.4	–	–	404.6	30,723.1
Interests in associated companies	1,026.3	2,540.1	3,820.6	309.3	120.4	–	2,146.8	55.4	10,018.9
Unallocated assets									24,422.5
Total assets									199,980.1
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									59,435.9
Total liabilities									85,093.8
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

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

## 6 Revenues and segment information (continued)

	Revenues HK\$m	Non-current assets (note b) HK\$m
<b>2011</b>		
Hong Kong	15,212.6	50,273.6
Mainland China	17,213.0	34,886.4
Macau and others	456.4	696.4
	<b>32,882.0</b>	<b>85,856.4</b>
<b>2010</b>		
Hong Kong	18,578.1	40,583.1
Mainland China	10,463.9	29,397.3
Macau and others	1,176.6	696.9
	<b>30,218.6</b>	<b>70,677.3</b>

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

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

## 7 Other income

	2011 HK\$m	2010 HK\$m
Dividend income from investments in		
Listed shares	52.0	175.7
Unlisted shares	30.8	35.6
	<b>82.8</b>	<b>211.3</b>

## 8 Other gains, net

	2011 HK\$m	2010 HK\$m
Write back of provision for		
Investments, loans and other receivables	275.2	31.4
Properties under development	–	70.7
Gain on remeasuring previously held interests of jointly controlled entities and associated companies at fair value upon further acquisition to become subsidiaries	–	1,333.8
Gain on remeasuring previously held net assets of a jointly controlled operation at fair value upon acquiring control	437.2	–
Excess of fair value of net assets acquired over the cost of acquisition of interests of subsidiaries	86.1	732.1
Net loss on fair value of financial assets at fair value through profit or loss	(482.2)	(510.7)
Gain on repurchase of convertible bonds	1.3	–
Loss on redemption of convertible bonds	–	(162.2)
Net profit/(loss) on disposal of		
Investment properties, property, plant and equipment, land use rights, and intangible concession rights	455.3	156.2
The Disposal Group and other assets held for sale (note 38(b))	499.6	242.5
Available-for-sale financial assets	666.7	352.6
Financial assets at fair value through profit or loss	(78.6)	24.4
Subsidiaries	22.0	996.9
Jointly controlled entities	(30.9)	–
Associated companies	10.2	–
Gain on remeasuring non-controlling interests retained at fair value after disposal of partial interest in a subsidiary	–	105.8
Impairment loss on		
Available-for-sale financial assets	(149.1)	(55.7)
Intangible assets	–	(59.4)
Loans and other receivables	(43.7)	(394.1)
Properties held for sale and property, plant and equipment	(438.0)	(316.5)
Net exchange gain	901.5	–
	<b>2,132.6</b>	<b>2,547.8</b>

## 9 Operating profit

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

	2011 HK\$m	2010 HK\$m (Restated)
Gross rental income from investment properties	1,447.3	1,501.7
Outgoings	(385.4)	(424.7)
	<b>1,061.9</b>	1,077.0
Cost of inventories sold	(13,463.5)	(10,265.3)
Depreciation of property, plant and equipment	(835.6)	(834.4)
Amortisation		
Intangible assets (note 21)	(31.2)	(35.1)
Land use rights (note 19)	(87.9)	(64.1)
Intangible concession rights (note 20)	(63.6)	(60.1)
Operating lease rental expense		
Land and buildings	(679.1)	(887.5)
Other equipment	(6.6)	(5.8)
Staff costs (note 15(a))	(3,276.8)	(4,169.6)
Auditors' remuneration	(55.9)	(54.9)

## 10 Financing costs

	2011 HK\$m	2010 HK\$m
Interest on bank loans and overdrafts		
Wholly repayable within five years	969.3	863.9
Not wholly repayable within five years	94.3	13.6
Interest on convertible bonds		
Wholly repayable within five years	386.8	454.2
Interest on fixed rate bonds		
Not wholly repayable within five years	408.2	135.8
Interest on loans from non-controlling shareholders		
Wholly repayable within five years	0.1	0.1
Not wholly repayable within five years	91.9	84.0
Total borrowing costs incurred	<b>1,950.6</b>	1,551.6
Capitalised as (note):		
Cost of properties under development	(894.4)	(678.9)
Cost of property, plant and equipment under construction and investment properties under development	(166.8)	(59.8)
	<b>889.4</b>	812.9

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 capitalisation is 2.7% (2010: 1.8%) for the year.

## 11 Taxation

	<b>2011</b> <b>HK\$m</b>	2010 HK\$m (Restated)
Current taxation		
Hong Kong profits tax	526.5	933.3
Mainland China and overseas taxation	1,198.1	572.5
Mainland China land appreciation tax	1,257.0	315.1
Deferred taxation		
Valuation of investment properties	264.6	68.2
Other temporary differences	(412.4)	15.2
	<b>2,833.8</b>	1,904.3

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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% (2010: 9% to 25%).

Mainland China land appreciation tax is provided at progressive rates ranging from 30% to 60% (2010: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

Share of results of jointly controlled entities and associated companies is stated after deducting the share of taxation of jointly controlled entities and associated companies of HK\$668.3 million and HK\$173.2 million (2010 Restated: HK\$813.1 million and HK\$56.3 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:

	2011 HK\$m	2010 HK\$m (Restated)
Profit before taxation and share of results of jointly controlled entities and associated companies	11,819.8	13,345.3
Calculated at a taxation rate of 16.5% (2010: 16.5%)	1,950.3	2,202.0
Effect of different taxation rates in other countries	415.5	151.9
Income not subject to taxation	(1,245.9)	(1,470.7)
Expenses not deductible for taxation purposes	416.8	372.3
Tax losses not recognised	188.0	277.5
Temporary differences not recognised	24.6	0.5
Tax exemption granted	(7.2)	(13.9)
Utilisation of previously unrecognised tax losses	(37.2)	(73.5)
Deferred taxation on undistributed profits	247.7	147.7
Recognition of previously unrecognised temporary differences	(1.0)	69.5
Over-provision in prior years	(69.0)	–
Land appreciation tax deductible for calculation of income tax purposes	(314.3)	(78.8)
Others	8.5	4.7
	1,576.8	1,589.2
Mainland China land appreciation tax	1,257.0	315.1
Taxation charge	2,833.8	1,904.3

## 12 Profit attributable to shareholders of the Company

Profit for the year attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$1,053.2 million (2010 Restated: HK\$3,414.6 million).

### 13 Dividends

	2011 HK\$m	2010 HK\$m
Interim dividend of HK\$0.10 (2010: HK\$0.10) per share	396.9	390.1
Final dividend proposed of HK\$0.28 (2010: HK\$0.28) per share	1,117.2	1,097.0
	<b>1,514.1</b>	1,487.1
Of which the following were settled by the issue of scrip:		
Interim dividend	279.7	222.1
Final dividend	#	740.5

# Full amount had been set aside from retained profits for the 2011 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 29 September 2011, 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 2012.

### 14 Earnings per share

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

	2011 HK\$m	2010 HK\$m (Restated)
Profit attributable to shareholders of the Company	9,153.9	12,398.6
Effect of dilutive potential ordinary shares in respect of convertible bonds issued by a subsidiary:		
Interest expense	310.3	292.5
Adjustment on the effect of dilution in the results of subsidiaries	(23.0)	(92.2)
Profit for calculating diluted earnings per share	<b>9,441.2</b>	12,598.9

	Number of shares (million)	
	2011	2010
Weighted average number of shares for calculating basic earnings per share	3,945.9	3,883.4
Effect of dilutive potential ordinary shares upon the conversion of convertible bonds	224.0	224.0
Weighted average number of shares for calculating diluted earnings per share	<b>4,169.9</b>	4,107.4

The earnings per share for the year ended 30 June 2010 have been restated to reflect the effect of early adoption of HKAS 12 Amendment during the year.

Diluted earnings per share for the years ended 30 June 2011 and 2010 did not assume the exercise of share options outstanding during the year since their exercise would have an anti-dilutive effect.

## 15 Staff costs

### (a) Staff costs

	2011 HK\$m	2010 HK\$m
Wages, salaries and other benefits	3,093.4	3,944.5
Pension costs – defined benefit plans ( <i>note (b)(i)</i> )	1.4	(7.1)
Pension costs – defined contribution plans ( <i>note (b)(ii)</i> )	151.2	176.3
Share options ( <i>note (c)</i> )	30.8	55.9
	<b>3,276.8</b>	4,169.6

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 Towers Watson Hong Kong Limited.

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

	2011 HK\$m	2010 HK\$m
Present value of defined benefit obligations	(75.1)	(71.0)
Fair value of plan assets	86.4	80.0
Unrecognised actuarial (gains)/losses	(0.3)	3.1
Retirement benefit assets ( <i>note 30</i> )	<b>11.0</b>	12.1

The movements in the present value of the defined benefit obligations are as follows:

	2011 HK\$m	2010 HK\$m
At beginning of the year	71.0	98.4
Interest cost	2.0	3.8
Current service cost	3.6	5.0
Contribution by employees	0.6	2.0
Benefit paid	(4.5)	(8.7)
Net transfer out	–	(0.1)
Reclassified as assets held for sale	–	(28.1)
Actuarial losses/(gains)	2.4	(1.3)
At end of the year	<b>75.1</b>	71.0

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:

	2011 HK\$m	2010 HK\$m
At beginning of the year	80.0	124.8
Expected return on plan assets	5.3	12.8
Realised return on plan assets	–	2.9
Contribution by employees	0.9	2.0
Contribution by the Group	–	0.2
Benefit paid	(4.5)	(8.7)
Net transfer out	–	(0.1)
Reclassified as assets held for sale	–	(34.5)
Cessation of a plan	–	(15.2)
Actuarial gains/(losses)	4.7	(4.2)
At end of the year	86.4	80.0

Net expenses recognised in the income statement, under administrative expenses, were as follows:

	2011 HK\$m	2010 HK\$m
Current service cost	3.6	5.0
Interest cost	2.0	3.8
Expected return on plan assets	(5.3)	(12.8)
Realised return on plan assets	–	(2.9)
Net actuarial losses/(gains) recognised	1.1	(0.2)
Total included in staff costs	1.4	(7.1)

The actual return on plan assets was HK\$10.2 million (2010: HK\$8.1 million).

	2011	2010
The principal actuarial assumptions used were as follows:		
Discount rate	2.4%-3.5%	2.5%-3.5%
Expected rate of return on plan assets	7.0%	7.0%
Expected rate of future salary increases	4.0%-5.0%	0.0%-4.0%
Fair value of the plan assets are analysed as follows:		
Equity instruments	71.0%	67.9%
Debt instruments	26.0%	27.2%
Other assets	3.0%	4.9%

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.

**15 Staff costs (continued)****(b) Retirement benefit costs (continued)****(i) Defined benefit plans (continued)**

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 2012.

	<b>2011</b>	2010	2009	2008	2007
	<b>HK\$m</b>	HK\$m	HK\$m	HK\$m	HK\$m
Present value of defined benefit obligations	<b>(75.1)</b>	(71.0)	(98.4)	(91.3)	(70.2)
Fair value of plan assets	<b>86.4</b>	80.0	124.8	146.7	135.5
Surplus	<b>11.3</b>	9.0	26.4	55.4	65.3
Experience adjustments on defined benefit obligations	<b>(1.2)</b>	(0.3)	3.1	1.3	1.5
Experience adjustments on plan assets	<b>0.7</b>	1.0	(32.2)	2.9	18.4

The Company did not operate any defined benefit plans for its employees.

**(ii) Defined contribution plans**

The Group operates a number of defined contribution retirement schemes in Hong Kong, namely the Occupational Retirement Schemes ("ORSO Schemes") and the Mandatory Provident Fund Schemes ("MPF Schemes"). Contributions to the ORSO Schemes are based on a percentage of employees' salaries ranging from 5.0% to 21.0%, depending upon the length of service of the employees. From 1 December 2000, newly joined employees are compulsorily required to join the MPF Schemes. The Group's contributions to the MPF Schemes are ranging from 5.0% to 15.0% of employees' salaries depending on the length of service of the employees.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries and joint ventures in the PRC. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group.

The amount charged to the income statement in respect of these schemes was HK\$151.2 million (2010: HK\$176.3 million) after netting off forfeited contributions of nil (2010: HK\$1.4 million). No forfeited contributions are available to reduce future contributions (2010: Nil).

**(c) Share options**

The Company and its subsidiaries during the year, New World China Land Limited ("NWCL"), NWS Holdings Limited ("NWSH") and New World Department Store (China) Limited ("NWDS") operate share option schemes whereby options may be granted to eligible employees and directors, to subscribe for shares of the Company, NWCL, NWSH and NWDS respectively.

## 15 Staff costs (continued)

### (c) Share options (continued)

Details of share options are as follows:

Grantor	Date of grant	Exercise price HK\$	At 1 July 2010	Granted	Adjusted	Exercised	Lapsed/cancelled	At 30 June 2011	Number of share options exercisable as at 30 June 2011	Note
The Company	19 March 2007	17.652	131,840,484	–	13,337	–	(1,432,321)	130,421,500	130,421,500	(i)
	Weighted average exercise price of each category (HK\$)		17.654	–	17.652	–	17.652	17.652	17.652	
NWCL	4 November 2004 to 31 May 2010	1.340 to 7.209	58,444,479	20,251,800	–	(5,144,443)	(19,077,857)	54,473,979	24,005,457	(ii)
	Weighted average exercise price of each category (HK\$)		3.578	3.129	–	1.532	5.460	2.945	3.001	
NWSH	21 August 2007 to 28 January 2008	10.672 to 13.570	27,444,140	–	11,486,868	(4,524,537)	(1,847,685)	32,558,786	25,891,939	(iii)
	Weighted average exercise price of each category (HK\$)		16.270	–	10.782	14.671	14.501	10.767	10.767	
NWDS	27 November 2007 to 25 March 2008	8.440 to 8.660	20,523,000	–	–	–	(530,000)	19,993,000	11,996,000	(iv)
	Weighted average exercise price of each category (HK\$)		8.622	–	–	–	8.660	8.621	8.621	

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.

The fair value of options granted during the year determined using the Binomial pricing model was HK\$24.8 million (2010: HK\$18.9 million). The significant inputs to the model was share price ranging from HK\$2.86 to HK\$3.154 (2010: HK\$2.35 to HK\$4.55) at the grant dates, exercise prices ranging from HK\$2.86 to HK\$3.154 (2010: HK\$2.35 to HK\$4.55), volatility of the share ranging from 53% to 55% (2010: 55% to 56%), expected life of options of 5 years (2010: 5 years), expected dividend yield ranging from 1.63% to 1.88% (2010: 1.45% to 1.58%), risk-free interest rate ranging from 1.10% to 1.70% (2010: 1.54% to 2.10%) and suboptimal exercise factor ranging from 1.87 to 1.89 times (2010: 1.87 to 1.88 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. The related weighted average share price at the time of exercise was HK\$2.87 (2010: HK\$2.94) per share.

(iii) The share options are exercisable on or before 21 August 2012. The related weighted average share price at the time of exercise was HK\$12.544 (2010: Nil).

(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 2011						
Dato' Dr. Cheng Yu-Tung	0.3	-	-	-	-	0.3
Dr. Cheng Kar-Shun, Henry	0.8	25.1	2.0	1.1	2.4	31.4
Dr. Sin Wai-Kin, David	0.2	-	-	-	-	0.2
Mr. Liang Chong-Hou, David	0.2	-	-	-	-	0.2
Mr. Yeung Ping-Leung, Howard	0.3	-	-	-	-	0.3
Dr. Cha Mou-Sing, Payson	0.3	-	-	-	-	0.3
Mr. Cheng Kar-Shing, Peter	0.4	3.5	0.6	0.4	1.9	6.8
Mr. Leung Chi-Kin, Stewart	0.3	2.8	0.9	0.3	0.1	4.4
Mr. Chow Kwai-Cheung	0.3	3.1	0.7	0.3	1.5	5.9
Mr. Ho Hau-Hay, Hamilton	0.3	-	-	-	-	0.3
Mr. Lee Luen-Wai, John	0.5	-	-	-	0.2	0.7
Mr. Liang Cheung-Biu, Thomas	0.2	-	-	-	-	0.2
Mr. Cheng Chi-Kong, Adrian	0.5	7.7	0.5	0.2	1.7	10.6
Ms. Ki Man-Fung, Leonie	0.2	3.6	2.8	0.4	1.1	8.1
Mr. Cheng Chi-Heng	0.2	-	-	-	-	0.2
<b>Total</b>	<b>5.0</b>	<b>45.8</b>	<b>7.5</b>	<b>2.7</b>	<b>8.9</b>	<b>69.9</b>
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>

Fees paid to independent non-executive directors amounted to HK\$1.4 million (2010: 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 (2010: 2 directors) whose emoluments are reflected in table above. The emoluments payable to the remaining 3 (2010: 3) individuals during the year are as follows:

	2011 HK\$m	2010 HK\$m
Salaries and other emoluments	26.4	30.6
Contributions to retirement benefit schemes	1.3	1.2
Share options	1.6	3.0
	<b>29.3</b>	<b>34.8</b>

The emoluments of the individuals fell within the following bands:

	2011 Number of individuals	2010
Emolument band (HK\$)		
7,500,001–8,000,000	–	1
8,000,001–8,500,000	1	1
8,500,001–9,000,000	1	–
12,000,001–12,500,000	1	–
18,500,001–19,000,000	–	1
	<b>3</b>	<b>3</b>

During the year, the Group did not pay the directors or the five highest paid individuals any inducement to join the Group, nor any compensation for loss of office. No director waived or agreed to waive any emoluments during the year.



## 17 Investment properties

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Completed investment properties	39,184.2	26,785.4	–	57.0
Investment properties under development	14,080.8	14,297.6	70.0	–
	53,265.0	41,083.0	70.0	57.0
The movement of investment properties during the year is as follows:				
At beginning of the year	41,083.0	31,007.7	57.0	46.0
Translation differences	746.5	–	–	–
Acquisition of subsidiaries	3,135.0	900.9	–	–
Disposal of subsidiaries	–	(380.0)	–	–
Additions	1,786.5	1,151.1	2.8	–
Transfer from property, plant and equipment and land use rights	3,203.8	2,337.2	–	–
Transfer from properties under development	26.3	1,815.6	–	–
Disposals	(250.7)	(515.3)	–	–
Changes in fair value	3,534.6	4,765.8	10.2	11.0
At end of the year	53,265.0	41,083.0	70.0	57.0

The investment properties were revalued at 30 June 2011 by independent, professionally qualified valuers, Jones Lang LaSalle Sallmanns Limited, 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, the income approach 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\$21,803.8 million (2010: HK\$14,956.8 million) (note 41).

The Group's interests in investment properties at their carrying values are analysed as follows:

	2011 HK\$m	2010 HK\$m
In Hong Kong		
Leases of over 50 years	15,394.8	12,834.6
Leases of between 10 to 50 years	23,877.6	17,368.4
Leases of less than 10 years	49.0	63.0
Outside Hong Kong		
Leases of over 50 years	1,047.2	754.8
Leases of between 10 to 50 years	12,866.3	10,033.8
Leases of less than 10 years	30.1	28.4
	53,265.0	41,083.0

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	
	Leasehold land HK\$m	Buildings 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 2010, as previously reported	-	6,004.7	2,868.2	5,996.6	163.8	15,033.3	3.3
Prior year adjustment in respect of change in accounting policy	2,289.3	-	-	-	-	2,289.3	0.5
At 1 July 2010, as restated	2,289.3	6,004.7	2,868.2	5,996.6	163.8	17,322.6	3.8
Translation differences	-	254.7	-	193.2	3.0	450.9	-
Acquisition of subsidiaries	-	-	-	127.8	0.1	127.9	-
Disposal of subsidiaries	-	(6.3)	-	(5.9)	-	(12.2)	-
Additions	2.5	115.6	181.9	794.4	703.8	1,798.2	-
Transfer to investment properties	(69.7)	(450.1)	-	-	-	(519.8)	-
Net transfer from properties for/ under development and held for sale and other non-current assets	742.7	240.2	-	-	211.0	1,193.9	-
Transfer upon completion	-	-	-	18.9	(18.9)	-	-
Disposals	-	(211.4)	(1.7)	(339.1)	(0.3)	(552.5)	-
Reclassified as assets held for sale	-	(1.2)	-	(145.8)	(349.0)	(496.0)	-
At 30 June 2011	2,964.8	5,946.2	3,048.4	6,640.1	713.5	19,313.0	3.8
<b>Accumulated depreciation and impairment</b>							
At 1 July 2010, as previously reported	-	1,695.6	2,486.3	3,718.1	-	7,900.0	3.3
Prior year adjustment in respect of change in accounting policy	406.7	-	-	-	-	406.7	-
At 1 July 2010, as restated	406.7	1,695.6	2,486.3	3,718.1	-	8,306.7	3.3
Translation differences	-	60.7	-	118.5	-	179.2	-
Disposal of subsidiaries	-	(1.0)	-	(3.7)	-	(4.7)	-
Transfer to investment properties	(6.8)	(9.1)	-	-	-	(15.9)	-
Depreciation	11.6	245.0	43.6	535.4	-	835.6	-
Impairment	-	-	127.2	5.4	-	132.6	-
Disposals	-	(175.0)	(1.7)	(315.3)	-	(492.0)	-
Reclassified as assets held for sale	-	(0.3)	-	(1.3)	-	(1.6)	-
At 30 June 2011	411.5	1,815.9	2,655.4	4,057.1	-	8,939.9	3.3
<b>Net book value</b>							
At 30 June 2011	2,553.3	4,130.3	393.0	2,583.0	713.5	10,373.1	0.5

18 Property, plant and equipment (continued)

	Group						Company
	Leasehold land HK\$m	Buildings 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 2009, as previously reported	-	5,794.8	2,732.1	6,629.8	311.3	15,468.0	3.3
Prior year adjustment in respect of change in accounting policy	3,292.6	-	-	-	-	3,292.6	0.5
At 1 July 2009, as restated	3,292.6	5,794.8	2,732.1	6,629.8	311.3	18,760.6	3.8
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	1.2	628.4	140.2	625.4	306.4	1,701.6	-
Transfer to investment properties	(922.1)	(281.5)	-	-	(311.2)	(1,514.8)	-
Transfer from properties under development	-	12.1	-	-	-	12.1	-
Transfer upon completion	-	-	-	57.0	(57.0)	-	-
Disposals	(11.2)	(45.9)	(4.1)	(647.5)	-	(708.7)	-
Written off	-	-	-	-	(85.7)	(85.7)	-
Reclassified as assets held for sale	(71.2)	(103.5)	-	(321.3)	-	(496.0)	-
At 30 June 2010	2,289.3	6,004.7	2,868.2	5,996.6	163.8	17,322.6	3.8
<b>Accumulated depreciation and impairment</b>							
At 1 July 2009, as previously reported	-	1,443.3	2,443.4	4,166.7	85.7	8,139.1	3.3
Prior year adjustment in respect of change in accounting policy	415.0	-	-	-	-	415.0	-
At 1 July 2009, as restated	415.0	1,443.3	2,443.4	4,166.7	85.7	8,554.1	3.3
Translation differences	-	1.5	-	1.4	-	2.9	-
Disposal of subsidiaries	-	(1.0)	-	(251.8)	-	(252.8)	-
Transfer to investment properties	(33.9)	(107.3)	-	-	-	(141.2)	-
Depreciation	54.0	228.9	45.4	543.9	-	872.2	-
Impairment	1.2	169.4	-	92.8	-	263.4	-
Disposals	(0.2)	(18.1)	(2.5)	(583.0)	-	(603.8)	-
Written off	-	-	-	-	(85.7)	(85.7)	-
Reclassified as assets held for sale	(29.4)	(21.1)	-	(251.9)	-	(302.4)	-
At 30 June 2010	406.7	1,695.6	2,486.3	3,718.1	-	8,306.7	3.3
<b>Net book value</b>							
At 30 June 2010	1,882.6	4,309.1	381.9	2,278.5	163.8	9,015.9	0.5

The aggregate net book value of property, plant and equipment pledged as securities for banking facilities granted to the Group amounted to HK\$3,674.9 million (2010 Restated: HK\$3,521.5 million) (note 41).

## 18 Property, plant and equipment (continued)

The carrying value of leasehold land is analysed as follows:

	Group		Company	
	2011 HK\$m	2010 HK\$m (Restated)	2011 HK\$m	2010 HK\$m (Restated)
In Hong Kong				
Leases of over 50 years	618.8	625.8	0.5	0.5
Leases of between 10 to 50 years	1,931.9	1,254.2	–	–
Outside Hong Kong				
Leases of over 50 years	2.6	2.6	–	–
	2,553.3	1,882.6	0.5	0.5

## 19 Land use rights

	Group		Company	
	2011 HK\$m	2010 HK\$m (Restated)	2011 HK\$m	2010 HK\$m (Restated)
At beginning of the year, as previously reported	4,528.7	5,075.8	0.5	0.5
Prior year adjustment in respect of change in accounting policy	(1,882.6)	(2,877.6)	(0.5)	(0.5)
At beginning of the year, as restated	2,646.1	2,198.2	–	–
Translation differences	131.1	0.2	–	–
Additions	91.1	592.2	–	–
Transfer from properties under development	81.8	–	–	–
Transfer (to)/from investment properties	(397.9)	37.3	–	–
Reclassified as assets held for sale	(6.1)	(10.6)	–	–
Disposals	(51.1)	(54.0)	–	–
Impairment	–	(53.1)	–	–
Amortisation	(87.9)	(64.1)	–	–
At end of the year	2,407.1	2,646.1	–	–

	Group		Company	
	2011 HK\$m	2010 HK\$m (Restated)	2011 HK\$m	2010 HK\$m (Restated)
In Hong Kong				
Leases of between 10 to 50 years	115.5	118.7	–	–
Outside Hong Kong				
Leases of over 50 years	10.4	7.0	–	–
Leases of between 10 to 50 years	2,280.7	2,512.7	–	–
Leases of less than 10 years	0.5	7.7	–	–
	2,407.1	2,646.1	–	–

## 19 Land use rights (continued)

Interests in land use rights represent prepaid operating lease payments.

Certain bank borrowings of the Group are secured on land use rights with an aggregate carrying amount of HK\$326.7 million (2010 Restated: HK\$322.5 million) (note 41).

## 20 Intangible concession rights

	Group	
	2011 HK\$m	2010 HK\$m
Cost		
At beginning of the year	1,693.7	1,693.7
Translation differences	92.1	–
At end of the year	1,785.8	1,693.7
Accumulated amortisation and impairment		
At beginning of the year	919.7	859.6
Translation differences	39.0	–
Amortisation	63.6	60.1
At end of the year	1,022.3	919.7
Net book value		
At end of the year	763.5	774.0

## 21 Intangible assets

	Group					Total HK\$m
	Goodwill HK\$m	Trademark and licences HK\$m	Development costs HK\$m	Operating right HK\$m	Mining right HK\$m	
Cost						
At 1 July 2010	1,190.6	–	–	567.4	–	1,758.0
Translation differences	10.4	–	–	–	–	10.4
Addition (note 38(a))	–	–	–	–	2,393.2	2,393.2
Acquisition of subsidiaries	285.6	–	–	–	–	285.6
Disposal	–	–	–	(0.2)	–	(0.2)
Reclassified as assets held for sale (note 38(a))	–	–	–	–	(2,393.2)	(2,393.2)
At 30 June 2011	1,486.6	–	–	567.2	–	2,053.8
Accumulated amortisation and impairment						
At 1 July 2010	228.9	–	–	39.0	–	267.9
Amortisation	–	–	–	31.2	–	31.2
At 30 June 2011	228.9	–	–	70.2	–	299.1
Net book value At 30 June 2011	1,257.7	–	–	497.0	–	1,754.7
Cost						
At 1 July 2009	1,150.0	160.6	12.2	567.4	–	1,890.2
Acquisition of subsidiaries	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

## 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 4.2% to 14.8% 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 2011.

An operating segment level summary of the goodwill allocation is presented below:

	2011			2010		
	Hong Kong HK\$m	Mainland China HK\$m	Total HK\$m	Hong Kong HK\$m	Mainland China HK\$m	Total HK\$m
Property investment	–	5.9	5.9	–	5.9	5.9
Property development	–	14.2	14.2	–	14.2	14.2
Service and infrastructure	849.3	–	849.3	849.3	–	849.3
Hotel operations	–	9.2	9.2	–	9.2	9.2
Department stores	–	379.1	379.1	–	83.1	83.1
	849.3	408.4	1,257.7	849.3	112.4	961.7

## 22 Subsidiaries

	Company	
	2011 HK\$m	2010 HK\$m
Unlisted shares, at cost less provision	1,607.1	1,607.9
Listed shares in Hong Kong, at cost	29,722.9	28,954.9
Amounts receivable less provision	41,100.0	41,642.1
	72,430.0	72,204.9
Less: amounts receivable from subsidiaries less provision included in current assets	(33,982.1)	(35,466.9)
	38,447.9	36,738.0
Amounts payable to subsidiaries	(25,595.6)	(25,160.0)
Market value of listed shares	32,046.9	29,889.4

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 stated in note 51.

## 23 Interests in jointly controlled entities

	Group			Company		
	30 June 2011 HK\$m	30 June 2010 HK\$m (Restated)	1 July 2009 HK\$m (Restated)	30 June 2011 HK\$m	30 June 2010 HK\$m	1 July 2009 HK\$m
Equity joint ventures						
Group's share of net assets	4,308.1	3,671.9	3,464.7	–	–	–
Goodwill on acquisition	2.2	2.2	2.2	–	–	–
Amounts receivable less provision (note (a))	99.8	382.4	276.4	–	–	–
Amounts payable (note (b))	–	(34.2)	(22.1)	–	–	–
	4,410.1	4,022.3	3,721.2	–	–	–
Co-operative joint ventures						
Cost of investment less provision	6,221.2	6,333.2	7,374.8	–	–	–
Share of undistributed post-acquisition results	2,078.8	990.0	1,233.3	–	–	–
Amounts receivable less provision (note (a))	3,103.5	4,242.6	7,528.7	–	–	–
Amounts payable (note (b))	–	(684.6)	(1,431.4)	–	–	–
	11,403.5	10,881.2	14,705.4	–	–	–
Companies limited by shares						
Group's share of net assets	12,248.4	8,325.0	6,811.2	–	–	–
Goodwill on acquisition	1,462.0	325.3	347.7	–	–	–
Amounts receivable less provision (note (a))	7,432.5	5,728.6	4,064.8	906.5	173.4	173.5
Amounts payable (note (b))	–	(418.3)	(502.4)	–	–	–
	21,142.9	13,960.6	10,721.3	906.5	173.4	173.5
Wholly foreign owned enterprises						
Group's share of net assets	1,637.0	1,630.0	1,499.2	–	–	–
Amounts receivable less provision (note (a))	163.4	192.3	184.0	–	–	–
Amounts payable (note (b))	–	(32.4)	(34.6)	–	–	–
	1,800.4	1,789.9	1,648.6	–	–	–
Deposits paid for joint ventures (note (c))	1,595.3	69.1	1,154.4	–	–	–
	40,352.2	30,723.1	31,950.9	906.5	173.4	173.5



## 23 Interests in jointly controlled entities (continued)

Notes:

(a) Amounts receivable are analysed as follows:

	Group	
	2011 HK\$m	2010 HK\$m
Interest bearing		
Fixed rates (note (i))	330.7	551.1
Variable rates (note (ii))	3,091.2	3,551.6
Non-interest bearing (note (iii))	7,377.3	6,443.2
	<b>10,799.2</b>	10,545.9

(i) Fixed rates represent interest rates ranging from 8.5% to 10.0% (2010: 8.5% to 10.0%) per annum.

(ii) Carry interest rates ranging from 0.875% over Hong Kong Interbank Offered Rates ("HIBOR") to the PRC bank rates (2010: 0.875% over HIBOR to the PRC bank rates) per annum.

(iii) The amounts include the Company's receivable from jointly controlled entities of HK\$906.5 million (2010: HK\$173.4 million).

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:

	2011 HK\$m	2010 HK\$m (Restated)
Revenues	15,727.3	13,869.3
Profit after taxation	2,654.0	3,232.6
Non-current assets	39,202.6	32,175.7
Current assets	21,180.2	17,573.4
Non-current liabilities	(19,745.5)	(18,353.7)
Current liabilities	(14,143.8)	(10,445.3)
Net assets	<b>26,493.5</b>	20,950.1

(e) Details of principal jointly controlled entities are stated in note 52.

## 24 Interests in associated companies

	Group			Company		
	30 June 2011 HK\$m	30 June 2010 HK\$m (Restated)	1 July 2009 HK\$m (Restated)	30 June 2011 HK\$m	30 June 2010 HK\$m	1 July 2009 HK\$m
Group's share of net assets						
Listed shares in Hong Kong	1,351.7	1,298.0	900.8	–	–	–
Unlisted shares	6,203.5	5,913.0	4,350.4	3.7	3.7	5.8
	7,555.2	7,211.0	5,251.2	3.7	3.7	5.8
Goodwill	1,055.4	1,055.4	1,055.4	–	–	–
Amounts receivable less provision (note (a))	1,923.0	1,910.9	2,289.8	582.8	576.8	580.9
Amounts payable (note (b))	–	(158.4)	(518.8)	(70.6)	(72.4)	(60.2)
	1,923.0	1,752.5	1,771.0	512.2	504.4	520.7
	10,533.6	10,018.9	8,077.6	515.9	508.1	526.5
Market value of listed shares	631.4	718.5	286.6	–	–	–

Notes:

(a) Amounts receivable are analysed as follows:

	Group	
	2011 HK\$m	2010 HK\$m
Interest bearing – fixed rate (note (i))	104.7	104.7
Non-interest bearing (note (ii))	1,818.3	1,806.2
	1,923.0	1,910.9

(i) Carry interest rate of 8.0% (2010: 8.0%) per annum.

(ii) The amounts include HK\$582.8 million (2010: HK\$576.8 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)

Notes: (continued)

(c) The Group's share of revenues, results, assets and liabilities of associated companies are as follows:

	2011 HK\$m	2010 HK\$m (Restated)
Revenues	2,885.8	2,512.1
Profit after taxation	1,104.0	994.1
Non-current assets	9,315.1	8,810.9
Current assets	3,455.2	3,117.7
Non-current liabilities	(2,854.1)	(2,360.3)
Current liabilities	(2,361.0)	(2,357.3)
Net assets	7,555.2	7,211.0

(d) Details of principal associated companies are stated in note 53.

## 25 Available-for-sale financial assets

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Non-current				
Equity securities				
Unlisted shares and investments, at fair value	2,757.8	2,021.6	18.1	24.8
Listed shares, at market value				
Hong Kong	1,255.9	3,670.6	–	–
Overseas	1,625.6	465.0	–	–
Debt securities				
Unlisted debentures and convertible bonds, at fair value	590.2	10.0	–	–
	6,229.5	6,167.2	18.1	24.8

## 25 Available-for-sale financial assets (continued)

The available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Hong Kong dollar	3,081.5	5,298.2	0.3	10.9
Renminbi	1,222.2	348.4	17.8	13.9
United States dollar	1,238.4	299.6	–	–
Thai baht	251.4	127.4	–	–
Japanese yen	413.3	69.2	–	–
Others	22.7	24.4	–	–
	6,229.5	6,167.2	18.1	24.8

## 26 Held-to-maturity investments

	Group	
	2011 HK\$m	2010 HK\$m
Debt securities		
Securities listed overseas	244.3	246.0
Unlisted debentures	37.2	35.9
	281.5	281.9

## 27 Derivative financial instruments

	Group	
	2011 HK\$m	2010 HK\$m
Non-current assets		
Interest rate swaps	9.3	26.1
Others	110.5	146.0
	119.8	172.1
Non-current liabilities		
Interest rate swaps	(604.9)	(308.0)
Others	(151.9)	–
	(756.8)	(308.0)

Interest rate swaps are classified as non-current items as the remaining maturities are more than 12 months.

The total notional principal amounts of the outstanding interest rate swap contracts as at 30 June 2011 was HK\$10,480.0 million (2010: HK\$10,540.0 million).

## 28 Properties for development

The carrying value of properties for development is analysed as follows:

	Group	
	2011 HK\$m	2010 HK\$m
In Hong Kong		
Leases of over 50 years	1,034.5	507.5
Leases of between 10 to 50 years	3,706.6	4,154.1
Outside Hong Kong		
Freehold	109.2	98.7
Leases of over 50 years	9,453.3	8,881.3
Leases of between 10 to 50 years	2,989.4	2,026.6
	<b>17,293.0</b>	<b>15,668.2</b>

The Group's aggregate carrying value of properties for development pledged as securities for banking facilities granted to the Group amounted to HK\$1,067.1 million (2010: HK\$732.4 million) (note 41).

## 29 Deferred taxation

Deferred income tax assets and liabilities are offset when taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the statement of financial position.

	Group		Company	
	2011 HK\$m	2010 HK\$m (Restated)	2011 HK\$m	2010 HK\$m (Restated)
Deferred tax assets	697.8	650.8	28.6	0.9
Deferred tax liabilities	(4,624.8)	(4,493.0)	–	–
	<b>(3,927.0)</b>	<b>(3,842.2)</b>	<b>28.6</b>	<b>0.9</b>
At beginning of the year, as previously reported	<b>(6,697.1)</b>	(4,619.7)	<b>(8.2)</b>	(6.2)
Prior year adjustment in respect of change in accounting policy	2,854.9	2,107.4	9.1	7.3
At beginning of the year, as restated	<b>(3,842.2)</b>	(2,512.3)	<b>0.9</b>	1.1
Translation differences	(153.6)	0.7	–	–
Acquisition of subsidiaries	(92.3)	(1,319.2)	–	–
Disposal of subsidiaries	–	3.6	–	–
Reclassified as assets held for sale	–	1.5	–	–
Credited/(charged) to income statement (note 11)	147.8	(83.4)	27.7	(0.2)
Credited to reserves	13.3	66.9	–	–
At end of the year	<b>(3,927.0)</b>	<b>(3,842.2)</b>	<b>28.6</b>	<b>0.9</b>

## 29 Deferred taxation (continued)

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

### Group

#### Deferred tax assets

	Provisions		Accelerated accounting depreciation		Tax losses		Unrealised intra-group profit		Other items		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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	22.1	13.4	11.6	23.8	360.1	162.7	276.8	321.9	67.9	56.7	738.5	578.5
Translation differences	1.2	-	0.5	-	6.7	-	-	-	3.6	-	12.0	-
Acquisition of subsidiaries	-	-	-	-	63.7	12.4	-	-	36.2	1.3	99.9	13.7
Disposal of subsidiaries	-	-	-	(4.5)	-	(7.6)	-	-	-	-	-	(12.1)
Reclassified as assets held for sale	-	-	-	(0.6)	-	(0.2)	-	-	-	-	-	(0.8)
Credited/(charged) to income statement	1.2	8.7	15.2	(7.1)	104.2	192.8	(66.2)	(45.1)	23.3	9.9	77.7	159.2
At end of the year	24.5	22.1	27.3	11.6	534.7	360.1	210.6	276.8	131.0	67.9	928.1	738.5

#### 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 and associated companies		Other items		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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, as previously reported	(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)
Prior year adjustment in respect of change in accounting policy	-	-	2,854.9	2,107.4	-	-	-	-	-	-	-	-	-	-	2,854.9	2,107.4
At beginning of the year, as restated	(1,856.0)	(1,699.2)	(395.1)	(326.9)	(7.7)	(7.7)	(1,990.3)	(760.2)	(79.1)	(81.2)	(171.7)	(70.3)	(80.8)	(145.3)	(4,580.7)	(3,090.8)
Translation differences	(28.5)	0.7	(29.2)	-	(0.5)	-	(75.0)	-	(4.7)	-	(11.3)	-	(16.4)	-	(165.6)	0.7
Acquisition of subsidiaries	(181.1)	(1.0)	-	-	-	-	-	(1,331.6)	-	-	-	-	(11.1)	(0.3)	(192.2)	(1,332.9)
Disposal of subsidiaries	-	15.7	-	-	-	-	-	-	-	-	-	-	-	-	-	15.7
Reclassified as assets held for sale	-	2.3	-	-	-	-	-	-	-	-	-	-	-	-	-	2.3
Credited/(charged) to income statement	41.5	(174.5)	(264.6)	(68.2)	-	-	546.0	101.5	1.8	2.1	(167.8)	(101.4)	(86.8)	(2.1)	70.1	(242.6)
(Charged)/credited to reserves	-	-	(0.7)	-	-	-	-	-	-	-	-	-	14.0	66.9	13.3	66.9
At end of the year	(2,024.1)	(1,856.0)	(689.6)	(395.1)	(8.2)	(7.7)	(1,519.3)	(1,990.3)	(82.0)	(79.1)	(350.8)	(171.7)	(181.1)	(80.8)	(4,855.1)	(4,580.7)

## 29 Deferred taxation (continued)

### Group (continued)

Deferred tax assets of the Company amounting to HK\$28.6 million (2010 Restated: HK\$0.9 million) are arising from tax losses.

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\$11,198.3 million (2010: HK\$10,398.0 million) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$974.4 million (2010: HK\$886.2 million) which will expire at various dates up to and including 2016 (2010: 2015).

As at 30 June 2011, 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\$2.3 billion (2010: HK\$0.5 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	
	2011 HK\$m	2010 HK\$m
Deposits for proposed investments		
Fibre optic backbone network (note (a))	–	–
Others	–	291.5
Retirement benefit assets (note 15(b)(i))	11.0	12.1
Long-term receivables (note (b))	141.2	244.2
Long-term prepayments and deposits	656.1	737.4
Restricted bank deposits (note 36)	–	9.1
	<b>808.3</b>	<b>1,294.3</b>

#### Notes:

(a) Deposits for proposed investments – fibre optic backbone network

Deposits for proposed investments include deposits and loan totalling approximately HK\$2,160.0 million made by NWTMT, a wholly owned subsidiary, to a company established in the PRC ("PRC Entity") in 2002 in connection with the proposed investment of up to 70.0% interest in a fibre optic backbone network in the PRC.

In June 2004, NWTMT requested to withdraw from the proposed investment and demanded for repayment, however, there is no repayment of the amounts owed to NWTMT.

The directors have taken into consideration the uncertainties in recovering the amounts owed to NWTMT and have concluded that a full provision of HK\$2,160.0 million made in previous year against the deposits and loan made to the PRC Entity remains most appropriate for the purpose of the financial statements for the year ended 30 June 2011.

(b) Long-term receivables

	Group	
	2011 HK\$m	2010 HK\$m
Accounts receivable, net of provision	52.3	39.5
Other loans	91.0	246.8
	<b>143.3</b>	<b>286.3</b>
Amounts receivable within one year included in debtors and prepayments	(2.1)	(42.1)
	<b>141.2</b>	<b>244.2</b>

### 31 Properties under development

The carrying value of properties under development is analysed as follows:

	Group	
	2011 HK\$m	2010 HK\$m
In Hong Kong		
Leases of over 50 years	1,045.2	1,330.9
Leases of between 10 to 50 years	11,612.0	11,614.9
Outside Hong Kong		
Leases of over 50 years	11,543.5	7,763.0
Leases of between 10 to 50 years	3,513.6	4,700.2
	<b>27,714.3</b>	25,409.0

The Group's aggregate carrying value of properties under development pledged as securities for borrowings amounted to HK\$8,420.3 million (2010: HK\$9,561.0 million) (note 41).

	2011 HK\$m	2010 HK\$m
	Properties under development	
Expected to be completed and available for sale after more than 12 months	21,426.4	16,369.3
Expected to be completed and available for sale within 12 months	6,287.9	9,039.7
	<b>27,714.3</b>	25,409.0

### 32 Properties held for sale

The carrying value of properties held for sale is analysed as follows:

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
In Hong Kong				
Leases of over 50 years	126.4	73.4	–	–
Leases of between 10 to 50 years	7,715.9	9,093.9	2,231.5	695.5
Outside Hong Kong				
Freehold	45.9	45.9	–	–
Leases of over 50 years	1,542.5	1,587.3	–	–
Leases of between 10 to 50 years	1,223.4	258.4	–	–
	<b>10,654.1</b>	11,058.9	<b>2,231.5</b>	695.5

At 30 June 2010, the Group's aggregate carrying value of properties held for sale pledged as securities for borrowings amounted to HK\$2,676.1 million (note 41).



### 33 Inventories

	Group	
	2011 HK\$m	2010 HK\$m
Raw materials	14.9	18.6
Work-in-progress	7.9	5.4
Finished goods	518.0	385.2
	<b>540.8</b>	<b>409.2</b>

### 34 Debtors and prepayments

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Trade debtors (note (a))	2,583.3	1,595.8	–	–
Amounts due from customers for contract work (note 37)	173.8	59.7	–	–
Retention receivable for contract work	505.9	728.7	–	–
Payment for purchase of land and land preparatory costs	7,477.0	8,839.3	–	–
Deposits, prepayments and other debtors	6,215.2	5,591.7	240.0	73.9
	<b>16,955.2</b>	<b>16,815.2</b>	<b>240.0</b>	<b>73.9</b>

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	
	2011 HK\$m	2010 HK\$m
Current to 30 days	1,914.1	992.9
31 to 60 days	78.0	142.8
Over 60 days	591.2	460.1
	<b>2,583.3</b>	<b>1,595.8</b>

There is no concentration of credit risk with respect to trade debtors as the customer bases are widely dispersed in different sectors and industries.

### 34 Debtors and prepayments (continued)

Notes: (continued)

(b) At 30 June 2011, trade debtors of HK\$1,834.8 million (2010: HK\$736.2 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	
	2011 HK\$m	2010 HK\$m
Current to 30 days	1,285.0	252.4
31 to 60 days	54.4	117.3
Over 60 days	495.4	366.5
	<b>1,834.8</b>	<b>736.2</b>

At 30 June 2011, trade debtors of HK\$112.0 million (2010: HK\$100.1 million) were impaired. The amount of the provision was HK\$78.9 million (2010: HK\$80.1 million). The aging of these debtors is as follows:

	Group	
	2011 HK\$m	2010 HK\$m
Current to 30 days	3.8	8.0
31 to 60 days	5.8	3.1
Over 60 days	102.4	89.0
	<b>112.0</b>	<b>100.1</b>

(c) Movements in the provision for impairment of trade debtors are as follows:

	Group	
	2011 HK\$m	2010 HK\$m
At beginning of the year	80.1	159.3
Translation differences	3.3	-
Increase in provision recognised in income statement	8.0	4.6
Amounts recovered	(1.3)	(6.8)
Amounts written off during the year	(11.2)	(77.0)
At end of the year	<b>78.9</b>	<b>80.1</b>

(d) The carrying amounts of the debtors and prepayments, which approximate their fair values, are denominated in the following currencies:

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Hong Kong dollar	3,780.5	4,569.6	240.0	73.9
Renminbi	12,580.4	11,271.1	-	-
Macau pataca	360.5	607.1	-	-
United States dollar	211.7	358.4	-	-
Others	22.1	9.0	-	-
	<b>16,955.2</b>	<b>16,815.2</b>	<b>240.0</b>	<b>73.9</b>

(e) The Group does not hold any collateral as security for debtors and prepayments balances. The maximum exposure of 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	
	2011 HK\$m	2010 HK\$m
Non-current		
Unlisted equity securities, at fair value	814.5	211.0
Listed shares in Hong Kong, at market value	167.9	59.8
Listed securities overseas, at market value	23.9	–
	<b>1,006.3</b>	270.8
Current		
Unlisted equity securities, at fair value	1.4	21.3
Listed shares in Hong Kong, at market value	–	34.0
	<b>1.4</b>	55.3
<b>Total</b>	<b>1,007.7</b>	326.1
Held for trading	169.3	35.5
Designated as financial assets at fair value through profit or loss	838.4	290.6
<b>Total</b>	<b>1,007.7</b>	326.1

The financial assets at fair value through profit or loss are denominated in the following currencies:

	Group	
	2011 HK\$m	2010 HK\$m
Hong Kong dollar	167.9	93.8
United States dollar	794.9	21.3
Renminbi	–	211.0
Others	44.9	–
	<b>1,007.7</b>	326.1

### 36 Cash and bank balances

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Cash and bank balances	18,098.1	14,756.3	76.1	172.1
Bank deposits				
Restricted	121.2	100.1	–	–
Unrestricted	5,873.5	8,752.3	–	–
Cash and bank balances	24,092.8	23,608.7	76.1	172.1
Restricted bank deposits included in other non-current assets ( <i>note 30</i> )	–	(9.1)	–	–
	24,092.8	23,599.6	76.1	172.1

The effective interest rates on bank deposits range from 0.005% to 4.15% (2010: 0.0001% to 4.41%) per annum and these deposits have maturities ranging from 1 to 180 days (2010: 1 to 365 days).

The carrying amounts of the cash and bank balances are denominated in the following currencies:

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Hong Kong dollar	5,920.9	11,155.1	75.3	172.1
Renminbi	15,325.7	11,331.1	0.8	–
United States dollar	2,655.9	834.7	–	–
Others	190.3	287.8	–	–
	24,092.8	23,608.7	76.1	172.1

Restricted bank deposits are funds which are pledged to secure certain short-term borrowings and long-term borrowings (*note 41*).

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.

37 Amounts due from/to customers for contract work

	Group	
	2011 HK\$m	2010 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses	16,687.6	21,902.8
Progress payments received and receivable	(16,665.8)	(22,105.6)
	21.8	(202.8)
Representing:		
Gross amounts due from customers for contract work (note 34)	173.8	59.7
Gross amounts due to customers for contract work (note 43)	(152.0)	(262.5)
	21.8	(202.8)

38 Non-current assets classified as assets held for sale/liabilities directly associated with assets held for sale

	Group	
	2011 HK\$m	2010 HK\$m
<b>Non-current assets classified as assets held for sale</b>		
Assets of Newton Resources reclassified as held for sale (note (a))	3,175.5	–
Assets of the Disposal Group reclassified as held for sale (note (b))	–	1,700.8
Listed securities at market value		
Equity securities listed in Hong Kong	13.3	13.3
Equity securities listed in Mainland China	57.0	115.9
Unlisted equity securities	18.5	546.5
Property, plant and equipment and land use rights	7.1	–
	3,271.4	2,376.5
<b>Liabilities directly associated with assets held for sale</b>		
Liabilities of Newton Resources reclassified as held for sale (note (a))	(601.0)	–
Liabilities of the Disposal Group reclassified as held for sale (note (b))	–	(1,294.4)
	(601.0)	(1,294.4)

**38 Non-current assets classified as assets held for sale/liabilities directly associated with assets held for sale (continued)**

Notes:

(a) In August 2010, NWSH acquired an effective interest of approximately 43.34% in Newton Resources Ltd ("Newton Resources") which owns and operates a major privately-owned iron ore mine in Hebei Province in the PRC and was classified as an associated company of the Group. On 28 January 2011, NWSH acquired an additional effective interest of approximately 11.68% in Newton Resources, increasing its interest to approximately 55.02% and accordingly, Newton Resources became a subsidiary of the Group. On 18 February 2011, NWSH further acquired an effective interest of approximately 4.98% of Newton Resources and NWSH's effective interest in Newton Resources increased to approximately 60.00%. The further acquisitions during the year are regarded as acquisition of assets, which mainly represent the mining right, instead of a business.

On 26 May 2011, the Stock Exchange approved the separate listing of Newton Resources on the Main Board and the shares of Newton Resources were subsequently listed on 4 July 2011, resulting in a dilution of NWSH's interest in Newton Resources from approximately 60.00% to approximately 48.00%. As a result, the Group classified the assets and liabilities of Newton Resources as held for sale as at 30 June 2011 (note 50(b)).

	<b>2011 HK\$m</b>
<b>Assets</b>	
Property, plant and equipment	493.5
Intangible assets (note 21)	2,393.2
Cash and bank balances	198.1
Other assets	90.7
<b>Assets of Newton Resources reclassified as held for sale</b>	<b>3,175.5</b>
<b>Liabilities</b>	
Borrowings	(486.5)
Other liabilities	(114.5)
<b>Liabilities of Newton Resources reclassified as held for sale</b>	<b>(601.0)</b>

### 38 Non-current assets classified as assets held for sale/liabilities directly associated with assets held for sale (continued)

Notes: (continued)

(b) On 11 June 2010, the Company and NWSH jointly announced that agreements were entered into in respect of the disposal of certain of the NWSH Group's 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 (collectively, the "Disposal Group") subject to certain conditions precedent. Total consideration for the disposal was HK\$888.5 million. The disposal was completed during the year ended 30 June 2011, resulting in a net gain of approximately HK\$343.9 million (included under net profit on disposal of the Disposal Group and other assets held for sale in note 8). Assets and liabilities of the Disposal Group as at 30 June 2010 were reclassified as held for sale.

	2010 HK\$m
<b>Assets</b>	
Property, plant and equipment	151.8
Land use rights	52.4
Interests in associated companies	6.1
Interests in jointly controlled entities	3.8
Other non-current assets	9.4
Inventories	31.0
Debtors and prepayments	1,247.5
Cash and bank balances	569.2
	2,071.2
Less: Amounts due from group companies	(370.4)
<b>Assets of the Disposed Group reclassified as held for sale</b>	<b>1,700.8</b>
<b>Liabilities</b>	
Other non-current liabilities	(26.5)
Trade and other payables	(1,478.8)
Current tax payable	(32.3)
Borrowings	(0.1)
	(1,537.7)
Add: Amounts due to group companies	243.3
<b>Liabilities of the Disposed Group reclassified as held for sale</b>	<b>(1,294.4)</b>

### 39 Share capital

	2011		2010	
	Number of shares (million)	HK\$m	Number of shares (million)	HK\$m
Authorised:				
Shares of HK\$1.00 each	10,000.0	10,000.0	10,000.0	10,000.0
Issued and fully paid:				
Shares of HK\$1.00 each				
At beginning of the year	3,918.0	3,918.0	3,867.3	3,867.3
Issue of new shares as scrip dividends	72.1	72.1	50.7	50.7
At end of the year	3,990.1	3,990.1	3,918.0	3,918.0

During the year, 50,906,168 and 21,230,287 new shares were issued by the Company at HK\$14.54640 and HK\$13.17840 per share respectively pursuant to the payment of 2010 final scrip dividends and 2011 interim scrip dividends.

Notes to the  
Financial Statements (continued)

40 Reserves

	Group									
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Exchange reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2010, as previously reported	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
Prior year adjustments in respect of change in accounting policy	-	-	-	-	-	-	-	-	3,041.5	3,041.5
At 1 July 2010, as restated	37.7	29,608.6	1,129.3	1,879.5	1,029.2	952.3	840.1	3,526.1	46,471.7	85,474.5
Changes in fair value of available-for-sale financial assets, net of taxation	-	-	-	261.6	-	-	-	-	-	261.6
Disposal of the Disposal Group and other assets held for sale	-	-	-	0.6	(0.1)	-	-	(18.2)	-	(17.7)
Disposal of available-for-sale financial assets, net of taxation	-	-	-	(489.6)	-	-	-	-	-	(489.6)
Impairment loss of available-for-sale financial assets	-	-	-	123.5	-	-	-	-	-	123.5
Repurchase of convertible bonds	-	-	-	-	-	-	(1.9)	-	0.6	(1.3)
Issue of new shares as scrip dividends	-	948.1	-	-	-	-	-	-	-	948.1
Employees' share-based payments	-	-	-	-	-	25.1	-	-	-	25.1
Share options lapsed	-	-	-	-	-	(9.3)	-	-	9.3	-
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	(149.5)	(149.5)
Disposal of subsidiaries	-	-	-	-	-	-	-	(6.5)	-	(6.5)
Deemed disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	(3.7)	(3.7)
Profit attributable to shareholders	-	-	-	-	-	-	-	-	9,153.9	9,153.9
Share of changes in reserves of jointly controlled entities and associated companies	-	-	-	1,766.1	(8.2)	-	-	680.7	-	2,438.6
Cash flow hedges	-	-	-	-	0.9	-	-	-	-	0.9
Transfer of reserves	-	-	-	-	28.2	-	-	-	(28.2)	-
Revaluation of property upon reclassification from property, plant and equipment to investment properties, net of taxation	-	-	2,301.3	-	-	-	-	-	-	2,301.3
Translation differences	-	-	-	-	-	-	2.0	1,223.0	-	1,225.0
2010 final dividend paid	-	-	-	-	-	-	-	-	(1,097.0)	(1,097.0)
2011 interim dividend paid	-	-	-	-	-	-	-	-	(396.9)	(396.9)
At 30 June 2011	37.7	30,556.7	3,430.6	3,541.7	1,050.0	968.1	840.2	5,405.1	53,960.2	99,790.3
Representing:										
At 30 June 2011	37.7	30,556.7	3,430.6	3,541.7	1,050.0	968.1	840.2	5,405.1	52,843.0	98,673.1
2011 proposed final dividend	-	-	-	-	-	-	-	-	1,117.2	1,117.2
	37.7	30,556.7	3,430.6	3,541.7	1,050.0	968.1	840.2	5,405.1	53,960.2	99,790.3



40 Reserves (continued)

	Group									
	Capital redemption reserve HK\$m	Share premium HK\$m	Property revaluation reserve HK\$m	Investment revaluation reserve HK\$m	General reserve HK\$m	Employees' share-based compensation reserve HK\$m	Convertible bond capital reserve HK\$m	Exchange reserve HK\$m	Retained profits HK\$m	Total HK\$m
At 1 July 2009, as previously reported	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
Prior year adjustments in respect of change in accounting policy	-	-	-	-	-	-	-	-	2,255.5	2,255.5
At 1 July 2009, as restated	37.7	28,938.8	128.4	2,016.5	1,025.9	910.7	1,089.9	3,533.7	35,118.9	72,800.5
Changes in fair value of available-for-sale financial assets, net of taxation	-	-	-	(2.3)	-	-	-	-	-	(2.3)
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	-	-	-	(121.7)	-	-	-	-	-	(121.7)
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	-	-	-	-	-	-	-	-	12,398.6	12,398.6
Share of changes in reserves of jointly controlled entities and associated companies	-	-	-	(71.6)	3.5	-	-	(7.2)	-	(75.3)
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, net of taxation	-	-	1,000.9	-	-	-	-	-	-	1,000.9
Translation differences	-	-	-	-	-	-	-	12.5	-	12.5
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	46,471.7	85,474.5
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	45,374.7	84,377.5
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	46,471.7	85,474.5

## 40 Reserves (continued)

Note:

Effect on transfer to the non-controlling interests of the Group for the year ended 30 June 2011:

	2011 HK\$m	2010 HK\$m (Restated)
Total comprehensive income for the year attributable to the shareholders of the Company	14,991.0	13,254.2
Transfer to the non-controlling interests		
Acquisition of additional interests in subsidiaries	(149.5)	(18.8)
Deemed disposal of interests in subsidiaries	(3.7)	(74.5)
Net transfer to the non-controlling interests	(153.2)	(93.3)
Total comprehensive income for the year attributable to the shareholders of the Company and net transfer to the non-controlling interests	14,837.8	13,160.9

	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 2010, as previously reported	37.7	29,608.6	14.4	786.4	13,667.7	44,114.8
Prior year adjustments in respect of change in accounting policy	-	-	-	-	9.1	9.1
At 1 July 2010, as restated	37.7	29,608.6	14.4	786.4	13,676.8	44,123.9
Issue of shares as scrip dividends	-	948.1	-	-	-	948.1
Employees' share-based payments	-	-	-	4.8	-	4.8
Share options lapsed	-	-	-	(8.3)	8.3	-
Changes in fair value of available-for-sale financial assets	-	-	(6.6)	-	-	(6.6)
Profit for the year	-	-	-	-	1,053.2	1,053.2
2010 final dividend paid	-	-	-	-	(1,097.0)	(1,097.0)
2011 interim dividend paid	-	-	-	-	(396.9)	(396.9)
At 30 June 2011	37.7	30,556.7	7.8	782.9	13,244.4	44,629.5
Representing :						
At 30 June 2011	37.7	30,556.7	7.8	782.9	12,127.2	43,512.3
2011 proposed final dividend	-	-	-	-	1,117.2	1,117.2
	37.7	30,556.7	7.8	782.9	13,244.4	44,629.5

40 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 2009, as previously reported	37.7	28,938.8	9.4	775.7	11,453.5	41,215.1
Prior year adjustments in respect of change in accounting policy	-	-	-	-	7.3	7.3
At 1 July 2009, as restated	37.7	28,938.8	9.4	775.7	11,460.8	41,222.4
Issue of shares as scrip dividends	-	669.8	-	-	-	669.8
Employees' share-based payments	-	-	-	14.3	-	14.3
Share options lapsed	-	-	-	(3.6)	3.6	-
Changes in fair value of available-for-sale financial assets	-	-	5.0	-	-	5.0
Profit for the year	-	-	-	-	3,414.6	3,414.6
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	14.4	786.4	13,676.8	44,123.9
Representing :						
At 30 June 2010	37.7	29,608.6	14.4	786.4	12,579.8	43,026.9
2010 proposed final dividend	-	-	-	-	1,097.0	1,097.0
	37.7	29,608.6	14.4	786.4	13,676.8	44,123.9

## 41 Borrowings

	<b>Group</b>		
	<b>30 June 2011 HK\$m</b>	30 June 2010 HK\$m (Restated)	1 July 2009 HK\$m (Restated)
Long-term borrowings			
Secured bank loans	16,656.5	14,047.0	11,946.2
Unsecured bank loans	22,378.9	17,742.7	17,190.9
Convertible bonds (note (b))	6,856.9	6,469.4	8,431.6
Fixed rate bonds (note (c))	5,838.9	5,841.6	–
Loans from non-controlling shareholders (note (d))	141.8	177.1	190.2
	<b>51,873.0</b>	44,277.8	37,758.9
Current portion of long-term borrowings	<b>(13,023.1)</b>	(5,194.5)	(7,416.2)
	<b>38,849.9</b>	39,083.3	30,342.7
Short-term borrowings			
Secured bank loans	4,507.1	5,013.9	7,482.2
Unsecured bank loans	2,692.3	1,461.5	3,394.9
Other unsecured loans	154.6	146.1	105.0
Loans from non-controlling shareholders (note (d))	1,381.7	1,420.0	1,814.0
	<b>8,735.7</b>	8,041.5	12,796.1
Current portion of long-term borrowings	<b>13,023.1</b>	5,194.5	7,416.2
	<b>21,758.8</b>	13,236.0	20,212.3
Total borrowings	<b>60,608.7</b>	52,319.3	50,555.0

Notes:

(a) Maturity of bank loans is as follows:

	<b>Group</b>		
	<b>30 June 2011 HK\$m</b>	30 June 2010 HK\$m (Restated)	1 July 2009 HK\$m (Restated)
Within one year	19,845.3	11,669.9	15,619.4
In the second year	12,296.8	10,224.2	6,105.5
In the third to fifth year	11,415.2	14,174.7	18,078.3
After the fifth year	2,677.5	2,196.3	211.0
	<b>46,234.8</b>	38,265.1	40,014.2

## 41 Borrowings (continued)

Notes: (continued)

(b) Convertible bonds

	Group	
	2011 HK\$m	2010 HK\$m
Convertible bonds		
HK\$6,000.0 million due 2014 (note (i))	6,479.7	6,108.2
RMB313.2 million (2010: RMB331.2 million) due 2012 (note (ii))	377.2	361.2
	<b>6,856.9</b>	<b>6,469.4</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 2011, which was estimated using cash flows discounted at a rate of 4.46% (2010: 5.7%), amounted to HK\$6,710.0 million (2010: HK\$6,178.0 million).

Interest expense on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 6.1% (2010: 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, NWCL repurchased principal amount of RMB18.0 million of convertible bonds (2010: redeemed RMB2,218.8 million). As at 30 June 2011, the outstanding principal amount was RMB313.2 million (2010: RMB331.2 million).

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 2011, which was estimated using cash flows discounted at a rate of 6.1% (2010: 9.3%) and at the exchange rate ruling at the end of the reporting period, amounted to HK\$370.3 million (equivalent to RMB307.3 million) (2010: HK\$328.5 million (equivalent to RMB289.1 million)).

Interest expense on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 4.1% (2010: 4.1%) per annum to the liability component.

(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 per cent 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 US\$5.7 million (equivalent to approximately HK\$44.1 million).

These bonds bear interest with 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.

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 2011, the fair value of the bonds amounted to US\$763.2 million (equivalent to approximately HK\$5,938.1 million) (2010: US\$750.8 million (equivalent to approximately HK\$5,846.0 million)) which is based on the quoted market price.

## 41 Borrowings (continued)

Notes: (continued)

(d) Loans from non-controlling shareholders

The loans of HK\$37.2 million (2010: HK\$81.1 million) are unsecured and bear interest at fixed rates at 5% (2010: 5.0% to 6.0%) per annum. The remaining loans are unsecured and interest free. A total amount of HK\$141.8 million (2010: HK\$177.1 million) is not repayable within the next 12 months and the remaining balances have no specific repayment term.

(e) Effective interest rates

	2011				2010			
	Hong Kong dollar	Renminbi	United States dollar	Japanese yen	Hong Kong dollar	Renminbi	United States dollar	Japanese yen
Bank borrowings	1.2%	5.7%	5.2%	0.5%	1.3%	5.4%	5.3%	0.5%
Loans from non-controlling shareholders	5.0%	-	-	-	5.0%	-	-	-
Other unsecured loans	3.0%	-	-	-	3.0%	-	-	-

The effective interest rates of the convertible bonds are disclosed in note (b) above.

(f) Carrying amounts and fair values of the borrowings

The present value of the liability component of the convertible bonds at the end of each reporting period is disclosed in note (b) above. The carrying amounts of the fixed rate bonds and other borrowings approximate their fair values.

(g) Currencies

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

	Group	
	2011 HK\$m	2010 HK\$m
Hong Kong dollar	43,855.8	38,443.8
Renminbi	9,322.6	7,408.1
United States dollar	7,364.1	6,410.2
Japanese yen	66.2	57.2
	60,608.7	52,319.3

(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
2011					
Within one year	46,234.8	154.6	-	-	46,389.4
After the fifth year	-	-	37.2	5,838.9	5,876.1
	46,234.8	154.6	37.2	5,838.9	52,265.5
2010 (Restated)					
Within one year	38,265.1	146.1	-	-	38,411.2
After the fifth year	-	-	81.1	5,841.6	5,922.7
	38,265.1	146.1	81.1	5,841.6	44,333.9

## 42 Other non-current liabilities

	Group	
	2011 HK\$m	2010 HK\$m
Deferred income	14.8	18.7
Provision for long service payments	32.4	35.2
Long-term accounts payable	603.5	348.7
	<b>650.7</b>	402.6

## 43 Creditors and accrued charges

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Trade creditors (note (a))	8,541.7	7,137.3	–	–
Amounts due to customers for contract work (note 37)	152.0	262.5	–	–
Deposits received on sale of properties	4,853.4	6,900.9	–	–
Amounts due to jointly controlled entities (note (b))	1,710.5	867.0	–	–
Amounts due to associated companies (note (b))	679.8	731.2	–	–
Other creditors and accrued charges	7,818.6	8,062.0	2,295.8	699.2
	<b>23,756.0</b>	23,960.9	<b>2,295.8</b>	699.2

Notes:

(a) Aging analysis of trade creditors is as follows:

	2011 HK\$m	2010 HK\$m
Current to 30 days	6,808.6	5,325.6
31 to 60 days	644.0	549.9
Over 60 days	1,089.1	1,261.8
	<b>8,541.7</b>	7,137.3

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

(c) The carrying amounts of creditors and accrued charges, which approximate their fair values, are denominated in the following currencies:

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Hong Kong dollar	15,824.5	12,332.3	2,295.8	699.2
Renminbi	7,260.8	10,625.8	–	–
Macau pataca	469.5	764.0	–	–
United States dollar	172.3	97.9	–	–
Others	28.9	140.9	–	–
	<b>23,756.0</b>	23,960.9	<b>2,295.8</b>	699.2

#### 44 Financial instruments by category

In accordance with HKFRS 7, the financial assets and financial liabilities of the Group and the Company as shown in the statement of financial positions are classified as follows:

- (a) Financial assets at fair value through profit or loss and derivative financial instruments are categorised as financial assets at fair value through profit or loss and carried at fair value;
- (b) Available-for-sale financial assets are categorised as available-for-sale financial assets and carried at fair value;
- (c) Held-to-maturity investments are categorised as held-to-maturity investments and carried at amortised cost using the effective interest method;
- (d) Long-term receivables, long-term deposits, restricted bank deposits, trade and other debtors, and cash and bank balances are categorised as loans and receivables and carried at amortised cost using the effective interest method; and
- (e) Borrowings, trade and other creditors are categorised as financial liabilities and carried at amortised cost using the effective interest method. Derivative financial liabilities are categorised as financial liabilities at fair value through profit or loss and carried at fair value.

#### 45 Commitments

##### (a) Capital commitments

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Contracted but not provided for				
Property, plant and equipment	704.3	316.9	–	–
Investment properties under development	626.6	1,173.1	–	–
Subsidiary	1,911.8	–	55.0	55.0
Jointly controlled entities and associated companies	1,345.7	1,115.1	–	–
Equity securities, listed shares	77.8	39.2	–	–
Capital contribution for development projects	14.0	83.2	–	–
	4,680.2	2,727.5	55.0	55.0
Authorised but not contracted for				
Property, plant and equipment	163.4	1,097.6	–	–
Investment properties under development	–	213.4	–	–
Capital contribution for				
A proposed investment	60.0	975.8	–	–
Proposed development projects	–	108.0	–	–
	223.4	2,394.8	–	–



## 45 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	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Contracted but not provided for	786.5	603.8	–	–
Authorised but not contracted for	525.8	391.9	–	–
	<b>1,312.3</b>	995.7	–	–

The Group's share of capital commitments of Newton Resources not included above are as follows:

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Contracted but not provided for	194.8	–	–	–
Authorised but not contracted for	962.5	–	–	–
	<b>1,157.3</b>	–	–	–

### (b) Commitments under operating leases

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

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
Land and buildings				
In the first year	500.1	500.1	6.6	–
In the second to the fifth year inclusive	2,046.3	1,286.6	3.6	–
After the fifth year	5,666.7	3,722.9	–	–
	<b>8,213.1</b>	5,509.6	<b>10.2</b>	–

The Group leases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms ranging from 1 to 22 years. Certain of these leases have escalation clauses and renewal rights.

#### 45 Commitments (continued)

##### (c) Operating lease receivable

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

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
In the first year	1,175.2	813.0	8.6	7.1
In the second to the fifth year inclusive	2,176.4	1,193.5	18.3	0.6
After the fifth year	685.4	483.0	–	–
	4,037.0	2,489.5	26.9	7.7

The Group's operating leases are for terms ranging from 1 to 10 years.

#### 46 Contingent liabilities and financial guarantee

	Group		Company	
	2011 HK\$m	2010 HK\$m	2011 HK\$m	2010 HK\$m
(a) The Group's and the Company's financial guarantee contracts are as follows:				
Mortgage facilities for certain purchasers of properties	1,714.9	1,654.7	–	–
Guarantees for credit facilities granted to				
Subsidiaries	–	–	32,418.2	30,671.1
Jointly controlled entities	7,627.6	7,025.1	4,779.5	4,569.5
Associated companies	125.0	125.0	125.0	125.0
Investee companies included under available-for-sale financial assets	148.5	111.7	–	–
Guarantee for convertible bonds issued by a subsidiary	–	–	6,000.0	6,000.0
Guarantee for fixed rate bonds issued by a subsidiary	–	–	5,812.5	5,812.5
Indemnity to non-wholly owned subsidiaries for Mainland China tax liabilities	1,984.0	2,047.4	6,586.5	6,808.7
	11,600.0	10,963.9	55,721.7	53,986.8
(b) The Group's share of contingent liabilities of jointly controlled entities not included above are as follows:				
Share of contingent liabilities of jointly controlled entities	2.6	2.6	–	–

#### 46 Contingent liabilities and financial guarantee (continued)

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.

#### 47 Notes to consolidated statement of cash flows

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

	2011 HK\$m	2010 HK\$m (Restated)
Operating profit	12,285.7	13,683.7
Depreciation	835.6	834.4
Amortisation	182.7	159.3
Changes in fair value of investment properties	(3,534.6)	(4,765.8)
Write back of provision for		
Investments, loans and other receivables	(275.2)	(31.4)
Properties under development	–	(70.7)
Gain on remeasuring previously held net assets of a jointly controlled operation at fair value upon acquiring control	(437.2)	–
Gain on remeasuring previously held interests of jointly controlled entities and associated companies at fair value upon further acquisition to become subsidiaries	–	(1,333.8)
Excess of fair value of net assets acquired over the cost of acquisition of interests of subsidiaries	(86.1)	(732.1)
Net loss on fair value of financial assets at fair value through profit or loss	482.2	510.7
Gain on repurchase of convertible bonds	(1.3)	–
Loss on redemption of convertible bonds	–	162.2
Net (profit)/loss on disposal of		
Investment properties, property, plant and equipment, land use rights, and intangible concession rights	(455.3)	(156.2)
The Disposal Group and other assets held for sale	(499.6)	(242.5)
Available-for-sale financial assets	(666.7)	(352.6)
Financial assets at fair value through profit or loss	78.6	(24.4)
Subsidiaries	(22.0)	(996.9)
Jointly controlled entities	30.9	–
Associated companies	(10.2)	–
Gain on remeasuring non-controlling interests retained at fair value after disposal of partial interest in a subsidiary	–	(105.8)
Impairment loss on		
Available-for-sale financial assets	149.1	55.7
Intangible assets	–	59.4
Loans and other receivables	43.7	394.1
Properties held for sale and property, plant and equipment	438.0	316.5
Dividend income from available-for-sale financial assets	(82.8)	(211.3)
Share option expenses	30.8	55.9
Net exchange gain	(901.5)	–
Operating profit before working capital changes	7,584.8	7,208.4
Increase in inventories	(122.9)	(36.1)
Increase in properties for/under development and held for sale	(3,782.8)	(5,060.4)
Decrease in debtors and prepayments	675.0	1,401.4
Increase in cash held on behalf of customers	–	(997.2)
(Decrease)/increase in creditors and accrued charges	(2,039.1)	6,157.5
Decrease in short-term bank loans for advances to customers of securities business	–	(1,458.2)
Net cash generated from operations	2,315.0	7,215.4

47 Notes to consolidated statement of cash flows (continued)

(b) Acquisition of subsidiaries

	2011 HK\$m	2010 HK\$m
Net assets acquired		
Investment properties	3,135.0	900.9
Property, plant and equipment	127.9	27.0
Interests in jointly controlled entities and associated companies	–	(118.4)
Deferred tax assets	78.1	13.7
Properties under development	–	5,504.1
Properties held for sale	–	504.2
Other non-current assets	1.1	–
Inventories	8.7	1.2
Debtors and prepayments	107.4	1,865.3
Cash and bank balances	137.5	1,379.4
Creditors and accrued charges	(672.0)	(1,645.9)
Other non-current liabilities	(26.3)	–
Current tax payable	(7.1)	(99.2)
Deferred tax liabilities	(170.4)	(1,332.9)
Long-term borrowings	–	(1,159.1)
	2,719.9	5,840.3
Net assets originally held by the Group in a jointly controlled operation	(1,045.4)	–
Interests originally held by the Group as jointly controlled entities and associated companies	–	(2,778.9)
	1,674.5	3,061.4
Goodwill on acquisition	285.6	56.3
Excess of the fair value of net assets acquired over the cost of acquisition of interests of subsidiaries	(86.1)	(732.1)
Gain on remeasuring previously held net assets of a jointly controlled operation at fair value upon acquiring control	(437.2)	–
Gain on remeasuring previously held interests of jointly controlled entities and associated companies at fair value upon further acquisition to become subsidiaries	–	(1,333.8)
Consideration	1,436.8	1,051.8

(c) Analysis of net (outflow)/inflow of cash and cash equivalents in respect of acquisition of subsidiaries

	2011 HK\$m	2010 HK\$m
Cash consideration	(1,436.8)	(1,051.8)
Cash and bank balances acquired	137.5	1,379.4
	(1,299.3)	327.6

47 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiaries

	2011 HK\$m	2010 HK\$m
Net assets disposed		
Investment properties	–	380.0
Property, plant and equipment	7.5	125.9
Intangible assets	–	155.7
Interests in jointly controlled entities and associated companies	–	10.8
Available-for-sale financial assets	–	96.3
Deferred tax assets	–	10.6
Debtors and prepayments	237.8	2,886.9
Cash held on behalf of customers	–	4,659.1
Financial assets at fair value through profit or loss	–	58.5
Other non-current assets	–	21.1
Cash and bank balances	342.2	419.1
Creditors and accrued charges	(313.8)	(5,511.6)
Current tax payable	(2.6)	(50.3)
Loans from non-controlling shareholders	–	(3.4)
Borrowings	–	(726.0)
Deferred tax liabilities	–	(14.2)
Non-controlling interests	–	(825.9)
	<b>271.1</b>	1,692.6
Interest retained by the Group as a jointly controlled entity and an associated company	–	(307.1)
	<b>271.1</b>	1,385.5
Release of reserves upon disposal		
Investment revaluation reserve	–	1.3
General reserve	–	(1.9)
Exchange reserve	(10.6)	(6.7)
Net gain on disposal of subsidiaries	22.0	996.9
Gain on remeasuring non-controlling interests retained at fair value after disposal of partial interests in a subsidiary	–	105.8
Consideration	<b>282.5</b>	2,480.9
Satisfied by:		
Cash consideration	<b>282.5</b>	2,480.9

(e) Analysis of net (outflow)/inflow of cash and cash equivalents in respect of disposal of subsidiaries

	2011 HK\$m	2010 HK\$m
Cash consideration	282.5	2,480.9
Cash and bank balances disposed	(342.2)	(419.1)
	<b>(59.7)</b>	2,061.8

## 48 Business combinations

### (a) Acquisition of Chengdu New World Department Store Co., Ltd.

In October 2010, the Group, through NWDS, acquired the entire equity interest from independent third parties, including all interest and rights, of Chengdu New World Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB2.0 million (equivalent to approximately HK\$2.3 million).

Details of net liabilities acquired and goodwill are as follows:

	HK\$m
Purchase consideration	
– Cash paid	2.3
Fair value of net liabilities acquired – shown as below	74.4
Goodwill	76.7

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of the acquisition are as follows:

	HK\$m
Property, plant and equipment	39.3
Inventories	2.1
Debtors and prepayments	18.0
Deferred tax assets	21.5
Cash and bank balances	19.6
Creditors and accrued charges	(174.9)
Net liabilities acquired	(74.4)
Purchase consideration settled in cash	(2.3)
Cash and cash equivalents acquired	19.6
Net cash inflow from acquisition of a subsidiary	17.3

Goodwill can be attributable to the anticipated profitability of the acquired business. The acquired business contributed revenues of HK\$74.3 million and net profit of HK\$19.8 million to NWDS for the period from 1 October 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, revenue of NWDS would have been increased by HK\$17.4 million; profit of NWDS for the year would have been decreased by HK\$3.0 million for the period from 1 July 2010 to the date of acquisition. These amounts have been calculated using the Group's accounting policies.

## 48 Business combinations (continued)

## (b) Acquisition of Changsha New World Trendy Plaza Co., Ltd.

In December 2010, the Group, through NWDS, acquired the entire equity interest from independent third parties, including all interest and rights, of Changsha New World Trendy Plaza Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB10.0 million (equivalent to approximately HK\$11.8 million).

Details of net liabilities acquired and goodwill are as follows:

	HK\$m
Purchase consideration	
– Cash paid	11.8
Fair value of net liabilities acquired – shown as below	58.8
Goodwill	70.6

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of the acquisition are as follows:

	HK\$m
Property, plant and equipment	33.2
Inventories	1.3
Debtors and prepayments	27.5
Deferred tax assets	17.1
Cash and bank balances	27.1
Creditors and accrued charges	(165.0)
Net liabilities acquired	(58.8)
Purchase consideration settled in cash	(11.8)
Cash and cash equivalents acquired	27.1
Net cash inflow from acquisition of a subsidiary	15.3

Goodwill can be attributable to the anticipated profitability of the acquired business. The acquired business contributed revenues of HK\$30.6 million and net profit of HK\$3.0 million to NWDS for the period from 1 January 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, revenue of NWDS would have been increased by HK\$29.8 million; profit of NWDS for the year would have been decreased by HK\$2.9 million for the period from 1 July 2010 to the date of acquisition. These amounts have been calculated using the Group's accounting policies.

## 48 Business combinations (continued)

### (c) Acquisition of Beijing New World Trendy Department Store Co., Ltd.

In March 2011, the Group, through NWDS, acquired the entire equity interest from independent third parties, including all interest and rights, of Beijing New World Trendy Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB5.0 million (equivalent to approximately HK\$5.9 million).

Details of net liabilities acquired and goodwill are as follows:

	HK\$m
Purchase consideration	
– Cash paid	5.9
Fair value of net liabilities acquired – shown as below	58.2
Goodwill	64.1

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of the acquisition are as follows:

	HK\$m
Property, plant and equipment	5.6
Inventories	1.9
Debtors and prepayments	27.3
Deferred tax assets	16.8
Cash and bank balances	46.2
Creditors and accrued charges	(156.0)
Net liabilities acquired	(58.2)
Purchase consideration settled in cash	(5.9)
Cash and cash equivalents acquired	46.2
Net cash inflow from acquisition of a subsidiary	40.3

Goodwill can be attributable to the anticipated profitability of the acquired business. The acquired business contributed revenues of HK\$31.2 million and net profit of HK\$4.0 million to NWDS for the period from 1 March 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, revenue of NWDS would have been increased by HK\$57.9 million; profit of NWDS for the year would have been decreased by HK\$12.8 million for the period from 1 July 2010 to the date of acquisition. These amounts have been calculated using the Group's accounting policies.



## 48 Business combinations (continued)

## (d) Acquisition of Chongqing New World Department Store Co., Ltd.

In April 2011, the Group, through NWDS, acquired the entire equity interest from independent third parties, including all interest and rights, of Chongqing New World Department Store Co., Ltd., a limited liability company incorporated in the PRC, for an aggregate consideration of RMB5.0 million (equivalent to approximately HK\$5.9 million).

Details of net liabilities acquired and goodwill are as follows:

	HK\$m
Purchase consideration	
– Cash paid	5.9
Fair value of net liabilities acquired – shown as below	68.3
Goodwill	74.2

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of the acquisition are as follows:

	HK\$m
Property, plant and equipment	46.4
Inventories	2.8
Debtors and prepayments	22.7
Deferred tax assets	22.7
Cash and bank balances	9.9
Creditors and accrued charges	(172.8)
Net liabilities acquired	(68.3)
Purchase consideration settled in cash	(5.9)
Cash and cash equivalents acquired	9.9
Net cash inflow from acquisition of a subsidiary	4.0

Goodwill can be attributable to the anticipated profitability of the acquired business. The acquired business contributed revenues of HK\$17.7 million and net loss of HK\$0.7 million to NWDS for the period from 1 April 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, revenue of NWDS would have increased by HK\$53.9 million; profit of NWDS for the year would have been decreased by HK\$3.4 million for the period from 1 July 2010 to the date of acquisition. These amounts have been calculated using the Group's accounting policies.

**48 Business combinations (continued)**

**(e) Acquisition of DPPL Group**

In March 2011, the Group, through a subsidiary, acquired 100% interests in DP Properties Limited (“DPPL”, formerly HKR Properties Limited), which held 50% interest in the Commercial Podium of Discovery Park, 398 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong (“Discovery Park”), and 100% interests in Goldencliff Investments Limited, and 50% interests in Discovery Park Commercial Services Limited and Discovery Park Financial Services Limited (collectively as “DPPL Group”) for total consideration of HK\$1,410.9 million.

The previously held interest in Discovery Park by the Group was accounted for as a jointly controlled operation. After the acquisition, Discovery Park was wholly owned by the Group.

Details of consideration paid and the fair value of the equity interest held at the acquisition date are as follows:

	<b>HK\$m</b>
Purchase consideration	
– Cash paid	1,410.9
Fair value of equity interest held in Discovery Park before the business combination	1,482.6
	2,893.5
Fair value of net assets acquired – shown as below	(2,979.6)
	(86.1)
Excess of fair value of net assets acquired over the cost of acquisition of interest in DPPL Group	(86.1)

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	<b>HK\$m</b>
Investment properties	3,135.0
Property, plant and equipment	3.4
Other non-current assets	1.1
Inventories	0.6
Debtors and prepayments	11.9
Cash and bank balances	34.7
Creditors and accrued charges	(3.3)
Other non-current liabilities	(26.3)
Current tax payable	(7.1)
Deferred tax liabilities	(170.4)
Net assets acquired	2,979.6
	(1,410.9)
Purchase consideration settled in cash	(1,410.9)
Cash and cash equivalents acquired	34.7
Net cash outflow from acquisition of DPPL Group	(1,376.2)

## 48 Business combinations (continued)

### (e) Acquisition of DPPL Group (continued)

Since the date of acquisition, DPPL Group contributed revenues of approximately HK\$24.4 million and generated a profit of approximately HK\$14.5 million. If the acquisition had occurred on 1 July 2010, the Group's revenues and profit for the year would have increased by approximately HK\$64.2 million and HK\$349.5 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\$437.2 million as a result of measuring at fair value of its 50% equity interest in previously held interest in Discovery Park 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 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:

	2011 HK\$m	2010 HK\$m
Jointly controlled entities		
Provision of contracting work services (note (a))	113.0	44.4
Interest income (note (b))	116.5	138.4
Trademark fee income (note (c))	44.3	15.9
Rental expenses (note (d))	173.1	1.9
Waiver of other payable	42.3	–
Associated companies		
Interest income (note (b))	0.1	1.3
Related companies (note (g))		
Provision of contracting work services (note (a))	6.7	24.5
Rental income (note (d))	97.5	76.9
Other service fee income	70.5	18.3
Rental expenses (note (d))	30.6	29.5
Management fee expenses (note (e))	111.3	91.3
Other receivable (note (f))	104.0	104.0
Accounts payable (note (f))	153.4	86.7

Notes:

- (a) Revenue from provision of contracting work is principally charged in accordance with respective contracts.
- (b) Interest income is charged at interest rates as specified in notes 23(a) and 24(a) on the outstanding amounts.
- (c) Trademark fee income is charged at annual fee as specified in the contract.
- (d) Rental income and expenses are 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) Related parties are subsidiaries, associated companies and jointly controlled entities of Chow Tai Fook Enterprises Limited ("CTF") and Mr. Doo Wai Hoi, William and his associates which are not companies within the Group. CTF is the controlling shareholder of the Company. Mr. Doo Wai Hoi, William is a non-executive director of NWSH.
- (h) The balances with jointly controlled entities and associated companies are disclosed in notes 23, 24 and 43.
- (i) 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.
- (j) During the year ended 30 June 2010, 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.
- (k) 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 the Disposal Group for a consideration of HK\$888.5 million (note 38(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.

## 50 Events subsequent to year end

- (a) On 13 June 2011, Moscan Developments Limited (“Moscan”, an indirectly wholly-owned subsidiary of NWSH) entered into a sale and purchase agreement with Widefaith Group Limited (“Widefaith”) to acquire for approximately 22.68% equity interest in Chinese Future Corporation (“CFC”) at a consideration of US\$226.9 million (equivalent to approximately HK\$1,769.5 million). CFC indirectly owns 95% interest in a PRC company (the “Project Company”) which operates Hangzhou Ring Road in Zhejiang Province in the PRC. As at 30 June 2011, NWSH paid a deposit of approximately HK\$1,588.9 million pursuant to this sale and purchase agreement. This acquisition was completed on 5 July 2011 and thereafter NWSH held approximately 21.55% effective interest in the Project Company.

On 27 July 2011, Moscan entered into a sale and purchase agreement with, among others, Kaiming Holdings Limited (“Kaiming”, which then held 100% equity interest in Widefaith) to acquire for 25.00% equity interest in Widefaith at a consideration of US\$145.2 million (equivalent to approximately HK\$1,132.6 million). Upon completion of this acquisition on 29 July 2011, NWSH’s effective interest in the Project Company increased from approximately 21.55% to approximately 33.66%. Moscan has also granted a put option to Kaiming to sell and Kaiming has granted a call option to Moscan to further acquire for 65.00% equity interest in Widefaith, representing an effective interest of approximately 31.50% in the Project Company, for a maximum consideration of US\$389.0 million (equivalent to approximately HK\$3,034.2 million). The put/call option is exercisable within a period of three months after The Children’s Investment Master Fund (“TCI”, a shareholder which then held approximately 26.32% equity interest in CFC) ceases to be a shareholder of CFC, as referred to in the following paragraph.

On 9 September 2011, Moscan entered into another sale and purchase agreement with, among others, TCI to acquire for approximately 26.32% equity interest in CFC at the purchase price of US\$280.0 million (equivalent to approximately HK\$2,184.0 million) together with interest at a rate of 8% per annum on the purchase price for the period from 1 July 2011 to 31 August 2011. Upon the completion of the acquisition on 16 September 2011, Moscan directly owns 25.00% interest in Widefaith and 49.00% interest in CFC, which together represent approximately 58.66% effective interest in the Project Company, and CFC became a subsidiary of the Group.

The Group is assessing the fair value of assets and liabilities of the acquired business and it is impracticable to disclose the financial effects at this stage.

- (b) As at 30 June 2011, NWSH had an effective interest of approximately 60.00% in Newton Resources. On 4 July 2011, the spin-off of Newton Resources had completed and dealings of Newton Resources’ shares on the Main Board of the Stock Exchange commenced on the same day. As a result, NWSH’s effective interest in Newton Resources decreased to approximately 48.00% and Newton Resources ceased to be a subsidiary of NWSH immediately upon listing. NWSH will recognise a dilution gain of approximately HK\$1.7 billion in the financial year ending 30 June 2012.
- (c) On 24 August 2011, Grace Crystal Limited, an indirect wholly-owned subsidiary of NWSH, entered into an agreement with the joint venture partner of Tianjin Xinzhan Expressway Company Limited, a company in which NWSH holds 60% equity interest and is mainly engaged in the construction and management of Tangjin Expressway (Tianjin North Section). Pursuant to the said agreement, NWSH is committed to contribute RMB731.5 million (equivalent to approximately HK\$881.3 million) in cash to finance part of the construction costs for the expansion of the afore-mentioned expressway from four to six driving lanes.
- (d) On 29 July 2011, New World Hotel Management (BVI) Limited, an indirect wholly-owned subsidiary of NWCL, acquired 100% interest in Rosewood Hotels and Resorts, L.L.C. (“Rosewood”) and the intellectual property rights of the “Carlyle”, a hotel brand, for a consideration of approximately US\$235.0 million (equivalent to approximately HK\$1,833.2 million) and US\$28.0 million (equivalent to approximately HK\$218.4 million) respectively. Rosewood became a wholly owned subsidiary of NWCL since then.

The Group will assess the fair value of assets acquired and liabilities assumed of the acquired business as at the date of acquisition and it is impracticable to disclose the amounts and the resulting effect at this stage.

- (e) On 21 September 2011, Skybird International Limited, a wholly-owned subsidiary of NWDS, entered into a sale and purchase agreement with independent third parties to acquire 100% of the equity interest in Moral High Limited (“Moral High”) for an aggregate consideration of RMB1,460.0 million (equivalent to approximately HK\$1,782.0 million), which is subject to the deductions and adjustments based on the terms and conditions of the agreement. The principal activity of Moral High is the investment holding of 100% equity interest in Peak Moral High Commercial Development (Shanghai) Company Limited (“Peak”), a limited liability company established in the PRC. Peak is the property owner and operator of a shopping mall in Shanghai.

The Group will assess the fair value of assets acquired and liabilities assumed of the acquired business as at the date of acquisition and it is impracticable to disclose the amounts and the resulting effect at this stage.

## 51 Principal subsidiaries

As at 30 June 2011

	Share capital issued <sup>#</sup>		Attributable interest (%)		Principal activities
	Number	Par value per share HK\$	To the Company	To the Group	
Incorporated and operate in Hong Kong					
Addlight Investments Limited	9,998	1	-	56	Property investment
	2 <sup>1</sup>	1	-	56	
Adwin Top Limited	2	1	-	100	Property investment
All Speed Investment Limited	2	1	100	100	Property investment
Anway Limited	1	1	-	60	Duty free operation and general trading
AOS Management Limited	2	1	-	100	Management services
Atlantic Land Properties Limited	2	1	100	100	Investment holding
Billion Earn International Limited	1	1	100	100	Property investment
Billion Huge (International) Limited	950,001	1	-	70	Investment holding
Billion Park Investment Limited	1,000,000	1	-	57	Investment holding
Billionoble Investment Limited	4,998	1	-	60	Investment holding
	2 <sup>1</sup>	1	-	60	
Birkenshaw Limited	10,000	1	-	100	Property investment
Bright Moon Company, Limited	200	10	75	75	Property investment
Calpella Limited	2	10	-	100	Property investment
Cheer Best Enterprises Limited	2	1	100	100	Property investment
Cheering Step Investments Limited	1	1	-	60	Investment holding
Cheong Sing Company Limited	10,000	1	100	100	Property investment
Cheong Yin Company Limited	30,000	100	100	100	Property investment
Chi Lam Investment Company Limited	7,000	100	100	100	Investment holding
CiF Solutions Limited	10	100	-	60	Provision of information technology solutions
	160,000 <sup>1</sup>	100	-	60	
Deluxe Sign Limited	1	1	100	100	Property development
Discovery Park Commercial Services Limited	2	1	-	100	Property management
DP Properties Limited	4,000	0.25	-	100	Property investment
Fook Hong Enterprises Company, Limited	10,000	100	100	100	Property investment
Fortune Kingdom Development Limited	2	1	100	100	Property development
Fully H.K. Investments Limited	10,000	1	-	70	Property development
Gold Queen Limited	5,000	1	100	100	Property investment
Grace Crystal Limited	1	1	-	60	Investment holding
Gracejoy Investments Limited	1	1	100	100	Property development
Grand Express International Limited	1	1	-	60	Investment holding
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	-	60	Construction
	10,000 <sup>1</sup>	1,000	-	60	
Hip Hing Construction Company Limited	400,000	100	-	60	Construction and civil engineering
	600,000 <sup>1</sup>	100	-	60	
Hip Hing Engineering Company Limited	670,000	100	-	60	Building construction
	1 <sup>2</sup>	1	-	-	

## 51 Principal subsidiaries (continued)

As at 30 June 2011

	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>					
Hong Kong Convention and Exhibition Centre (Management) Limited	3 1 <sup>1</sup>	1 1	- -	60 60	Management of Hong Kong Convention and Exhibition Centre ("HKCEC")
Hong Kong Exhibition and Convention Venue Management China Limited	1	1	-	60	Investment holding
Hong Kong Island Development Limited	33,400,000	5	6	100	Property investment
Hong Kong Jing-Guang Development Limited	100,000	10	-	52	Investment holding
Honour Shares Limited	100	1	-	100	Investment holding
Howah Development Limited	2	1	100	100	Property development
Joint Profit Limited	2	1	100	100	Property investment
Kamking Limited	2	1	100	100	Property investment
K11 Concepts Limited	1	1	-	100	Provision of property management consultancy services
K11 Design Store Limited	1	1	-	100	Retail of consumer products
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 2 <sup>1</sup>	1 1	- -	60 60	Property agency management and consultancy
La Tune Limited	2	100	-	100	Property investment
Lingal Limited	1,800 200 <sup>1</sup>	1 1	- -	70 -	Investment holding
Legarleon Finance Limited	4,400,000	10	-	100	Financing
Loyalton Limited	2	10	-	100	Property investment
Maddonell Hostel Company Limited	2	1	100	100	Hostel operation
Million World Development Limited	100	1	100	100	Property investment
Moral Giant Limited	1	1	100	100	Property investment
New World China Enterprises Projects Limited	2	1	-	100	Project management
New World Department Store (Investment) Limited	3	1	-	72	Investment holding
New World Department Stores Limited	2	1	-	72	Provision of management services to department stores
New World Development (China) Limited	2 2 <sup>1</sup>	1 1	- 100	70 100	Investment holding
New World Finance Company Limited	200,000	100	100	100	Financial services
New World-Guangdong Highway Investments Co. Limited	100 100 <sup>1</sup>	100 100	- -	60 65	Investment holding
New World Harbourview Hotel Company Limited	1,000 9,000 <sup>2</sup>	1 1	- -	64 100	Hotel operation
New World Hotel Management Limited	1	1	-	70	Hotel management

## 51 Principal subsidiaries (continued)

As at 30 June 2011

	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 Hotels (Holdings) Limited	576,000,000	0.25	–	64	Investment holding
New World Nominee Limited	2	100	100	100	Nominee services
New World Port Investments Limited	2	1	–	60	Investment holding
New World Property Management Company Limited	1	1	100	100	Property management
New World Real Estate Agency Limited	2	1	100	100	Estate agency
New World Telecommunications Limited	9,999,998	1	–	100	Telecommunication services
New World Telephone Holdings Limited	200	1	100	100	Investment holding
New World Tower Company Limited	2	10	–	100	Property investment
New World (Xiamen) Port Investments Limited	2	1	–	60	Investment holding
NW Project Management (HK) Limited	1	1	–	100	Project management
NW Project Management Limited	2	1	–	100	Project management
NWS (Finance) Limited	2	1	–	60	Financial services
NWS Holdings (China) Limited	1,501	1	–	60	Investment holding
NWS Holdings (Finance) Limited	1	1	–	60	Financing
NWS Hong Kong Investment Limited	1	1	–	60	Investment holding
NWS Ports Management (Tianjin) Limited	1	1	–	60	Investment holding
Pacific Great Investment Limited	50,000,000	1	–	70	Investment holding
Paterson Plaza Properties Limited	10,000	1	–	100	Property investment
Pearls Limited	100	1	–	92	Property development
Peterson Investment Company Limited	10,000	1	100	100	Property investment
Polytown Company Limited	2 100,000 <sup>1</sup>	10	–	60	Property investment, operation, marketing, promotion and management of HKCEC
Polyworth Limited	10	1	–	92	Property development
Pridemax Limited	2	1	–	100	Property investment
Profit Now Limited	1	1	–	60	Investment holding
Queen's Land Investment Limited	1,000	1	–	100	Property development
Realray Investments Limited	2	1	100	100	Property investment
Regent Star Investment Limited	1,000	1	–	100	Property development
Richglows Limited	2	1	–	100	Property investment
Sky Connection Limited	100	1	–	60	Duty-free, liquor and tobacco sales
Speed Star Development Limited	2	1	100	100	Property investment

## 51 Principal subsidiaries (continued)

As at 30 June 2011

	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>					
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
Trend Wood Investments Limited	1	1	-	60	Investment holding
True Hope Investment Limited	4,998	1	-	60	Investment holding
	2 <sup>1</sup>	1	-	60	
Try Force Limited	4,998	1	-	60	Investment holding
	2 <sup>1</sup>	1	-	60	
Tsuen Wan Properties Limited	200	100	-	100	Property investment
Twinic International Limited	1	1	-	60	Investment holding
Vibro Construction Company Limited	1,630,000	100	-	60	Civil engineering
(formerly Barbican Construction Company, Limited)	20,000 <sup>1</sup>	100	-	60	
Vibro (H.K.) Limited	20,000,004	3	-	60	Piling, ground investigation and civil engineering
Waking Builders, Limited	20,000	1,000	-	60	Construction
Waygent Investment Limited	2	1	100	100	Property investment
Wincy Enterprises Limited	2	1	100	100	Property investment
Winpo Development Limited	2	1	100	100	Property investment
Wisemec Enterprises Limited	2	1	-	60	Investment holding
World Empire Property Limited	2	1	100	100	Property investment
<i>Incorporated in Cayman Islands and operate in the PRC</i>					
Newton Resources Ltd <sup>##</sup>	1,001	0.1	-	36	Mining, ore processing and sale of iron concentrate
<i>Incorporated in the Cayman Islands and operate in Hong Kong</i>					
New World China Land Limited	5,762,392,911	0.1	66	70	Investment holding
New World Department Store China Limited	1,686,145,000	0.1	72	72	Investment holding
New World TMT Limited	952,180,007	1	-	100	Investment holding
NWS Service Management Limited	1,323,943,165	0.1	-	60	Investment holding



## 51 Principal subsidiaries (continued)

As at 30 June 2011

	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 the Philippines</i>					
New World International Development Philippines, Inc	6,988,016	Peso100	-	27	Hotel operation
NWH Management Philippines, Incorporated	94,920	Peso100	-	70	Hotel management
<i>Incorporated and operate in Malaysia</i>					
Taipan Eagle Sdn. Bhd.	1,000,000	M\$1	-	71	Property development

<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 2011

	Registered/ fully paid capital	Attributable interest* (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC</i>				
Anshan New World Department Store Co., Ltd.	RMB25,000,000	–	72	Department store operation
Beijing Dongfang Huamei Real Estate Development Co., Ltd.	RMB200,000,000	–	64	Land development
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	–	70	Property sales
Beijing New World Qianzi Department Store Co., Ltd.	HK\$60,000,000	–	72	Department store operation
Beijing New World Trendy Department Store Co., Ltd.	RMB25,000,000	–	72	Department store operation
Beijing Shishang New World Department Store Co., Ltd.	RMB50,000,000	–	72	Department store operation
Beijing Xintong Media & Advertising Co., Ltd.	RMB100,000,000	–	83	Provision of advertising and media related services
Beijing YiXi New World Department Store Co., Ltd.	RMB65,000,000	–	72	Department store operation
Changsha New World Trendy Plaza Co., Ltd.	RMB60,000,000	–	72	Department store operation
Chaoming (Chongqing) Investment Company Limited	US\$100,000,000	–	60	Investment holding
Chengdu New World Department Store Co., Ltd.	RMB20,000,000	–	72	Department store operation
Chengdu Xinyi Real Estate Development Co., Ltd.	US\$99,500,000	–	51	Property development
Chongqing New World Department Store Co., Ltd.	RMB100,000,000	–	72	Department store operation
Dalian New World Plaza International Co., Ltd.	RMB58,000,000	–	62	Property investment and development
Dalian New World Tower Co., Ltd.	US\$143,250,000	–	70	Property investment, development and hotel operation
Dalian Sun Leader Heat Transfer Technology Co., Ltd.	US\$20,500,000	–	85	Development, production and sales of heat transfer device and class A pressure vessel component
Foshan Country Club Co., Ltd.	US\$52,923,600	–	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	–	60	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	RMB57,680,000	–	60	Operation of toll road
Guangxi Yulin Xinye Highways Co., Ltd.	RMB63,800,000	–	36	Operation of toll road
Guangxi Yulin Xinyu Highways Co., Ltd.	RMB96,000,000	–	39	Operation of toll road
Guangzhou Fong Chuen New World Property Development 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

## 51 Principal subsidiaries (continued)

As at 30 June 2011

	Registered/ fully paid capital	Attributable interest <sup>a</sup> (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC (continued)</i>				
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\$191,350,000	-	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
Huamei Wealth (Beijing) Technology Co., Ltd.	RMB640,000,000	-	70	Property investment
Hubei New World Department Store Co., Ltd.	RMB50,000,000	-	72	Department store operation
Hunan Fortune Lake Property Development Co., Ltd.	RMB55,800,000	-	70	Property development
Hunan Success New Century Investment Company Limited	RMB376,389,430	-	81	Property development
Jiangsu New World Department Store Co., Ltd.	RMB16,000,000	-	72	Department store operation
Jinan New World Sunshine Development Ltd.	US\$49,980,000	-	70	Property development
K11 Concepts (Beijing) Limited	RMB8,000,000	-	100	Business consultancy
K11 Concepts (Shanghai) Limited	RMB5,000,000	-	100	Business consultancy
Nanjing New World Real Estate Co., Ltd.	US\$45,339,518	-	70	Property investment
New World Anderson (Tianjin) Development Co., Ltd.	US\$5,500,000	-	70	Property investment
New World (Anshan) Property Development Co., Ltd.	RMB1,240,000,000	-	70	Property development
New World (China) Investment Limited	US\$130,000,000	-	100	Investment holding
New World China Land (Haikou) Limited	US\$100,000,000	-	70	Property investment and development
New World China Land Investments Company Limited	US\$80,000,000	-	70	Investment holding
New World Department Store (China) Co., Ltd.	RMB50,000,000	-	72	Department store operation
New World Department Stores Investment (China) Co., Ltd.	US\$80,000,000	-	72	Investment holding
New World Development (Wuhan) Co., Ltd.	US\$75,000,000	-	70	Property investment and development
New World Goodtrade (Wuhan) Limited	US\$120,000,000	-	70	Property investment and development
New World Hotel Management (Shanghai) Ltd.	RMB500,000	-	70	Hotel management consultancy services
New World (Shenyang) Property Development Limited	RMB1,647,800,000	-	63	Property investment and development
New World Strategic (Beijing) Investment Consultancy Limited	US\$2,400,000	-	100	Investment consultancy
Ningbo Firm Success Consulting Development Co., Ltd.	US\$5,000,000	-	72	Investment holding and provision of consultancy services

## 51 Principal subsidiaries (continued)

As at 30 June 2011

	Registered/ fully paid capital	Attributable interest* (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC (continued)</i>				
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
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 Huiyi 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
Shanxi Xinda Highways Ltd.	RMB49,000,000	-	54	Operation of toll road
Shanxi Xinhuang Highways Ltd.	RMB56,000,000	-	54	Operation of toll road
Shenyang New World Department Store Ltd.	RMB30,000,000	-	72	Department store operation
Shenyang New World Hotel Co., Ltd.	RMB201,520,000	-	70	Hotel operation
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 Top One Real Estate Development Co., Ltd.	HK\$150,000,000	-	70	Property development
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$294,000,000	-	70	Property development
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\$75,000,000	-	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

## 51 Principal subsidiaries (continued)

As at 30 June 2011

	Registered/ fully paid capital	Attributable interest <sup>o</sup> (%)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operate in the PRC (continued)</i>				
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
Wuhan Xinhan Development Co., Ltd.	US\$16,000,000	-	70	Property development
Wuzhou Xinwu Highways Limited	RMB72,000,000	-	31	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	-	60	Management consultation
Yunnan New World Department Store Co., Ltd.	RMB10,000,000	-	72	Department store operation
Zhaoqing New World Property Development Limited	US\$13,750,000	-	70	Property development
Zhengzhou New World Department Store Co., Ltd.	RMB50,000,000	-	72	Department store operation
<i>Incorporated and operate in Macau</i>				
Barbican (Macau) Limited	MOP25,000	-	60	Construction
Hip Hing Engineering (Macau) Company Limited	MOP100,000	-	60	Construction
Ngo Kee (Macau) Limited	MOP25,000	-	60	Construction
Vibro (Macau) Limited	MOP1,000,000	-	60	Foundation works

<sup>o</sup> Profit or cash sharing percentage was adopted for certain PRC entities

## 51 Principal subsidiaries (continued)

As at 30 June 2011

	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	3,387,610,755	HK\$1	40	60	Investment holding
<i>Incorporated in the British Virgin Islands</i>					
Beauty Ocean Limited	1	US\$1	-	60	Investment holding
Brilliant Alpha Investment Limited	1	US\$1	-	70	Investment holding
Economic Velocity Limited	1	US\$1	-	60	Investment holding
Ever Brisk Limited	1	US\$1	-	70	Investment holding
Fine Reputation Incorporated	10,000	US\$1	-	100	Investment holding
Fortune Star Worldwide Limited	100	US\$1	-	70	Investment holding
Fotoland Limited	1	US\$1	-	100	Investment holding
Goodtrade Enterprises Limited	1	US\$1	-	70	Investment holding
Hing Loong Limited	20,010,000	US\$1	-	100	Investment holding
Hinto Developments Limited	1	US\$1	-	70	Investment holding
Ideal Global International Limited	1	US\$1	-	60	Investment holding
Lotsgain Limited	100	US\$1	-	100	Investment holding
Lucky Strong Limited	1	US\$1	-	60	Investment holding
Magic Chance Limited	1	US\$1	-	70	Investment holding
Moscan Developments Limited	1	US\$1	-	60	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
NWS CON Limited	1	HK\$1	-	60	Investment holding
NWS Construction Limited	1	US\$1	-	60	Investment holding
NWS Infrastructure Bridges Limited	1	US\$1	-	60	Investment holding
NWS Infrastructure Power Limited	1	US\$1	-	60	Investment holding
NWS Infrastructure Roads Limited	1	US\$1	-	60	Investment holding
NWS Infrastructure Water Limited	1	US\$1	-	60	Investment holding
Penta Enterprises Limited	1	US\$1	100	100	Investment holding
Radiant Glow Limited	1	US\$1	-	70	Investment holding
Right Choice International Limited	200	US\$1	-	45	Property investment
Right Heart Associates Limited	4	US\$1	-	60	Investment holding
Righteous Corporation	1	US\$1	-	60	Investment holding
Rise Reach Group Limited	1	US\$1	-	60	Investment holding
Silvery Castle Limited	1	US\$1	-	60	Financing
Sparkling Rainbow Limited	1	US\$1	-	70	Investment holding
Steadfast International Limited	2	US\$1	100	100	Investment holding
Stockfield Limited	1	US\$1	-	60	Investment holding

## 51 Principal subsidiaries (continued)

As at 30 June 2011

	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>					
Sweet Prospects Enterprises Limited	1	US\$1	–	70	Investment holding
True Blue Developments Limited	1	US\$1	–	70	Investment holding
Twin Glory Investments Limited	1	US\$1	–	70	Investment holding
Upper Start Holdings Limited	1	US\$1	–	100	Investment holding
Winner World Group Limited	10	US\$1	100	100	Investment holding
<i>Incorporated in the British Virgin Islands and operate in Hong Kong</i>					
Best Star Investments Limited	1	US\$1	–	60	Investment holding
Creative Profit Group Limited	1	US\$1	–	60	Investment holding
Fita International Limited	1	US\$1	100	100	Bond issuer
Forever Great Development Limited	1	US\$1	–	60	Investment holding
Great Start Group Corporation	1	US\$1	–	60	Investment holding
Hetro Limited	101	US\$1	–	60	Investment holding
New World Strategic Investment Limited	1	US\$1	100	100	Investment holding
NWS Financial Management Services Limited	1	US\$1	–	60	Investment holding
NWS Infrastructure Management Limited	2	US\$1	–	60	Investment holding
NWS Ports Management Limited	2	US\$1	–	60	Investment holding
Park New Astor Hotel Limited	101	US\$1	–	100	Property investment
Sherson Limited	1	US\$1	100	100	Bond issuer
Shine Fame Holdings Limited	1	US\$1	–	60	Development of logistics centre
South Scarlet Limited	1	US\$1	100	100	Hotel operation
Sunny Start Group Limited	1	US\$1	–	60	Investment holding
Tin Fook Development Limited	1	US\$1	–	60	Investment holding
Vimanda Profits Limited	2	US\$1	100	100	Property investment

<sup>#</sup> Represented ordinary share capital, unless otherwise stated

## 52 Principal jointly controlled entities

As at 30 June 2011

	Registered/ fully paid 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	RMB3,977,267,380	–	18	Operation of rail container terminal and related business
Chongqing Suyu Business Development Company Limited	RMB650,000,000	–	30	Investment holding
Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd.	US\$16,950,000	–	27	Golf club and resort operation
Guangzhou City Chuanyue Transport Electronic Technology Company Limited	HK\$1,500,000	–	20	Development of transport electric technology
Guangzhou Development Nansha Power Co., Ltd.	RMB350,000,000	–	13	Generation and supply of electricity
Guangzhou Oriental Power Co., Ltd.	RMB990,000,000	–	15	Generation and supply of electricity
Guangzhou Pearl River Electric Power Fuel Co., Ltd.	RMB449,676,800	–	21	Wholesale, assembly and storage of fuel
Guangzhou Pearl River Power Company Limited	RMB420,000,000	–	30	Generation and supply of electricity
Guodian Chengdu Jintang Power Generation Co., Ltd.	RMB924,000,000	–	21	Generation and supply of electricity
Kunming Fulintang Pharmaceutical Co., Ltd.	RMB80,000,000	–	52	Pharmaceutical chain stores
Xiamen Haicang Xinhaida Container Terminals Co., Limited	RMB756,000,000	–	28	Operation of container terminal
Xiamen New World Xiangyu Terminals Co., Ltd.	RMB384,040,000	–	30	Operation of container terminal



## 52 Principal jointly controlled entities (continued)

As at 30 June 2011

	Registered/ fully paid capital	Attributable interest <sup>a</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	-	39	Operation of toll road
Huishen (Yantian) Expressway Huizhou Company Limited	RMB139,980,000	-	20	Operation of toll road
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	-	30	Investment holding and operation of toll road
Huizhou New World Housing Development Limited	RMB80,000,000	-	44	Property development
New Bei Fang Hotel Ltd.	US\$12,000,000	-	56	Property investment
Tianjin Xinzhan Expressway Co., Ltd.	RMB1,320,000,000	-	54 <sup>b</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
<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

<sup>a</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>b</sup> Represented cash sharing ratio

## 52 Principal jointly controlled entities (continued)

As at 30 June 2011

	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'A'	HK\$1	-	34 <sup>z</sup>	Operation of cargo handling and storage facilities
	20,000'B'***	HK\$1	-	48	
	54,918*	HK\$1	100	100	
ATL Logistics Centre Yantian Limited	10,000	HK\$1	-	28	Investment holding
Austin Project Management Limited	1,000,000	HK\$1	-	50	Project management
China Aerospace New World Technology Limited	30,000,000	HK\$1	-	50	Investment holding
Direct Profit Development Limited	200,000	HK\$0.05	-	15	Property investment
Far East Landfill Technologies Limited	1,000,000	HK\$1	-	28	Landfill
Fast New Limited	1,000,000	HK\$1	-	50	Property development
First Star Development Limited	100	HK\$1	-	30	Property development
Global Trinity China Limited	1	HK\$1	-	40	Investment holding
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
NWS Infrastructure SITA Waste Services Limited	2	HK\$1	-	30	Investment holding
Super Lion Enterprises Limited	2	HK\$1	50	50	Property investment
Supertime Holdings Limited	100	HK\$1	-	30	Property development
Tate's Cairn Tunnel Company Limited	1,100,000	HK\$0.01	-	18	Operation of toll tunnel
	600,000,000*	HK\$1	-	-	
Wincon International Limited	300,000,000	HK\$1	-	30	Investment holding
Wise Come Development Limited	30	HK\$1	-	40	Property investment
<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
<i>Incorporated in the British Virgin Islands</i>					
DP World New World Limited	2,000	US\$1	-	30	Investment holding
New World Liberty China Ventures Limited	1,134	US\$1	-	71	Investment holding
	100**	US\$1	-	-	
Newfoundland Investment Holdings Limited	5	US\$1	-	20	Investment holding
NWS Transport Services Limited	500,000,016	HK\$1	-	30	Investment holding
Success Concept Investments Limited	1,000	US\$1	-	48 <sup>z</sup>	Investment holding

## 52 Principal jointly controlled entities (continued)

As at 30 June 2011

	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 Malaysia</i>					
Great Union Properties Sdn. Bhd.	100,000,000	MS\$1	–	38	Property investment
	10,000,000 <sup>^</sup>	MS\$0.1	–	–	
<i>Incorporated and operate in the Netherlands</i>					
Hyva I B.V.	19,000	EUR1	–	30	Investment holding
<i>Incorporated in Hong Kong and operate in Macau and Mainland China</i>					
Sino-French Holdings (Hong Kong) Limited	3,748,680 <sup>A'</sup>	HK\$100	–	–	Investment holding,
	7,209,000 <sup>B'</sup>	HK\$100	–	60	operation of water and
	3,460,320 <sup>C'</sup>	HK\$100	–	–	electricity plants
<b>Unincorporated joint venture (Hong Kong)</b>					
Gammon-Hip Hing Joint Venture	N/A	N/A	–	30	Construction

<sup>#</sup> Represented ordinary shares, unless otherwise stated

<sup>\*</sup> Non-voting deferred shares

<sup>\*\*</sup> Non-voting preference shares

<sup>^</sup> Redeemable cumulative preference shares

<sup>&</sup> The directors of the Company considered the Group does not have unilateral control governing the financial and operating activities over these jointly controlled entities

## 53 Principal associated companies

As at 30 June 2011

	Registered/fully paid 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	-	30	Investment holding
Pure Jade Limited	1,000	HK\$1	-	20	Property investment
Quon Hing Concrete Company Limited	200,000	HK\$100	-	30	Production and sales of concrete
Ranex Investments Limited	100	HK\$1	-	10	Property investment
Shun Tak Centre Limited	1,000 <sup>A'</sup>	HK\$100	-	29	Property investment
	450 <sup>B'</sup>	HK\$10	-	64	
	550 <sup>C'</sup>	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	-	15	Business, corporate and investor services
VMS Private Investment Partners II Limited	2,500 <sup>*</sup>	US\$0.01	-	-	Securities investment
	1,372 <sup>**</sup>	US\$0.01	-	60 <sup>®</sup>	
VMS Private Investment Partners IV Limited	1,500 <sup>*</sup>	US\$0.01	-	-	Securities investment
	35 <sup>**</sup>	US\$0.01	-	36 <sup>®</sup>	
<i>Incorporated in the British Virgin Islands and operate in Hong Kong</i>					
VMS Private Investment Partners III Limited	1,500 <sup>*</sup>	US\$0.01	-	-	Securities investment
	270 <sup>**</sup>	US\$0.01	-	60 <sup>®</sup>	
<i>Incorporated in Bermuda and operate in Hong Kong</i>					
CSL New World Mobility Limited	655,886,331	US\$0.3163	-	24	Provision of mobile telecommunications services
Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited)	715,342,706	HK\$0.1	-	5 <sup>^</sup>	Investment holding
Wai Kee Holdings Limited	793,124,034	HK\$0.1	-	16	Construction
<i>Incorporated and operate in the PRC</i>					
Tianjin Five Continents International Container Terminal Co., Ltd.	RMB1,145,000,000	-	-	11 <sup>^</sup>	Operation of container terminal
Zhaoqing Yuezhaoh Expressway Co., Ltd.	RMB818,300,000	-	-	15	Operation of toll road

<sup>#</sup> Represented ordinary shares, unless otherwise stated

<sup>\*</sup> Voting, non-participating, non-redeemable management shares

<sup>\*\*</sup> Non-voting, redeemable participating shares

<sup>^</sup> The directors of the Company considered the Group has significant influence over Tianjin Five Continents International Container Terminal Co., Ltd ("TFCI") and Haitong International Securities Group Limited through its representatives on board of directors of TFCI and Haitong International Securities Group Limited respectively

<sup>®</sup> The directors of the Company considered the Group has significant influence over these companies through its representative on the investment committee which governs the daily financial, operational and investment decisions

# Five-year Financial Summary

## Consolidated Income Statement

For the Year Ended 30 June

	<b>2011</b> <b>HK\$m</b>	2010 HK\$m (Restated)	2009 HK\$m	2008 HK\$m	2007 HK\$m
Revenues	<b>32,882.0</b>	30,218.6	24,415.0	29,360.8	23,284.5
Operating profit	<b>12,285.7</b>	13,683.7	2,329.4	9,882.2	4,035.6
Net financing costs	<b>(465.9)</b>	(338.4)	(261.6)	(265.1)	(355.5)
Share of results of jointly controlled entities and associated companies	<b>3,758.0</b>	4,226.7	2,123.5	4,575.8	2,989.9
Profit before taxation	<b>15,577.8</b>	17,572.0	4,191.3	14,192.9	6,670.0
Taxation	<b>(2,833.8)</b>	(1,904.3)	(439.4)	(1,444.0)	(902.5)
Profit after taxation	<b>12,744.0</b>	15,667.7	3,751.9	12,748.9	5,767.5
Non-controlling interests	<b>(3,590.1)</b>	(3,269.1)	(1,668.4)	(3,063.2)	(1,454.6)
Profit attributable to shareholders of the Company	<b>9,153.9</b>	12,398.6	2,083.5	9,685.7	4,312.9
Dividend per share (HK\$)					
Interim	<b>0.10</b>	0.10	0.09	0.18	0.15
Final	<b>0.28</b>	0.28	0.21	0.25	0.25
Full year	<b>0.38</b>	0.38	0.30	0.43	0.40
Earnings per share (HK\$)					
Basic	<b>2.32</b>	3.19	0.55	2.59	1.17
Diluted	<b>2.26</b>	3.07	0.53	2.49	1.17

## Consolidated Statement of Financial Position

As at 30 June

	<b>2011</b> <b>HK\$m</b>	2010 HK\$m (Restated)	2009 HK\$m (Restated)	2008 HK\$m	2007 HK\$m
<b>Assets</b>					
Investment properties, property, plant and equipment, land use rights and intangible concession rights	<b>66,808.7</b>	53,519.0	44,246.5	43,669.8	34,284.9
Intangible assets	<b>1,754.7</b>	1,490.1	1,684.0	1,409.4	863.0
Interests in jointly controlled entities, associated companies and other non-current assets	<b>77,322.0</b>	65,247.3	59,264.0	59,516.6	51,129.3
Current assets	<b>83,230.0</b>	79,723.7	71,606.5	61,161.7	57,821.9
<b>Total assets</b>	<b>229,115.4</b>	199,980.1	176,801.0	165,757.5	144,099.1
<b>Equity</b>					
Share capital	<b>3,990.1</b>	3,918.0	3,867.3	3,736.5	3,692.1
Reserves	<b>98,673.1</b>	84,377.5	71,988.4	67,718.7	55,867.2
Proposed final dividend	<b>1,117.2</b>	1,097.0	812.1	939.6	928.3
<b>Shareholders' funds</b>	<b>103,780.4</b>	89,392.5	76,667.8	72,394.8	60,487.6
Non-controlling interests	<b>30,588.2</b>	25,493.8	23,204.3	22,509.9	17,996.2
<b>Total equity</b>	<b>134,368.6</b>	114,886.3	99,872.1	94,904.7	78,483.8
Current liabilities	<b>49,864.6</b>	40,806.9	43,222.4	33,886.5	32,747.1
Non-current liabilities	<b>44,882.2</b>	44,286.9	33,706.5	36,966.3	32,868.2
<b>Total equity and liabilities</b>	<b>229,115.4</b>	199,980.1	176,801.0	165,757.5	144,099.1

Comparative figures for the year ended 30 June 2008 and 30 June 2007 have not been restated to reflect the adoption of new/ revised HKFRSs in 2009 and 2011 as the Directors are of the opinion that it is impracticable to do so.

# Glossary of Terms

## General Terms

FY	Fiscal year, 1 July to 30 June
Group	New World Development Company Limited and its subsidiaries
HIBOR	Hong Kong Interbank Offered Rate
HK	Hong Kong
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
HK\$ billion	billion of Hong Kong Dollars
HK\$ million or HK\$m	million of Hong Kong Dollars
HKEx or Stock Exchange	The Stock Exchange of Hong Kong Limited
Listing Rules	Rules Governing the Listing of Securities on the HKEx
Mainland China	The People's Republic of China excluding Hong Kong, Macau and Taiwan for the purposes of this annual report
MTR	Mass Transit Railway
N/A or n/a	not applicable
New World or NWD	New World Development Company Limited
NWCEP or New World China Enterprises	New World China Enterprises Projects Limited
NWCL or New World China Land	New World China Land Limited
NWDS or New World Department Stores	New World Department Store China Limited
NWTMT or New World TMT	New World TMT Limited
NWSI	New World Strategic Investment Limited
NWSH or NWS Holdings	NWS Holdings Limited
NWT or New World Telecommunications	New World Telecommunications Limited
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
TBD	To be determined
US	The United States of America
US\$ or USD	United States dollar(s), the lawful currency of US
The Disposal Group	NWSH Group's non-core businesses under a management buyout agreement announced on 11 June 2010

## Financial Terms

Gearing Ratio	Net Debt divided by total equity
Net Debt	The aggregate of bank loans, other loans, fixed rate bonds and convertible bonds less cash and bank balances
Total Debt	Net Debt plus cash and bank balances

## Technical Terms

Assoc. Co.	Associated company
CJV	Co-operative joint venture
EJV	Equity joint venture
JCE	Jointly controlled entities
WFOE	Wholly foreign owned enterprises

## Measurements

Km	kilometre(s)
m <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 minimise waste.

