



新世界發展有限公司

New World Development Company Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 0017)

Interim Results For The Six Months Ended 31 December 2006

2. Turnover and segment information (Cont'd)

Other segment items included in the consolidated income statement

	Property investment HK\$m	Property development HK\$m	Service HK\$m	Infra-structure HK\$m	Telecom-munications HK\$m	Department stores HK\$m	Hotel Operations HK\$m	Others HK\$m	Eliminations HK\$m	Consolidated HK\$m
Depreciation and amortisation										
Six months ended 31 December 2006	20.5	74.7	100.0	43.7	43.7	71.6	79.9	16.6		450.7
Six months ended 31 December 2005	28.0	29.3	56.3	37.2	203.7	37.8	44.9	21.8		459.0
Capital expenditure										
Six months ended 31 December 2006	172.5	45.7	65.9	-	38.2	135.5	34.2	12.8		504.8
Six months ended 31 December 2005	3.9	129.0	43.8	0.4	147.7	251.9	42.2	24.0		642.9
The segment assets and liabilities are as follows:										
At 31 December 2006										
Segment assets	25,469.7	32,617.3	7,258.9	2,424.0	1,565.4	2,443.4	2,850.1	3,340.2		77,969.0
Associated companies	2,465.2	1,209.3	1,386.4	1,846.6	2,142.9		344.4	227.3		9,384.7
Jointly controlled entities	4,150.8	8,548.8	3,868.8	5,897.0			865.2	548.0		23,878.6
Deferred tax assets										106.2
Cash and bank balances										7,705.4
Total assets										119,281.3
Segment liabilities	350.2	5,416.0	5,136.7	378.0	535.0	1,613.6	838.9	904.0		15,172.4
Gross borrowings										27,667.0
Current and deferred tax liabilities										4,789.7
Total liabilities										47,629.1
The segment assets and liabilities are as follows:										
At 30 June 2006										
Segment assets	23,989.4	30,229.0	7,041.2	2,291.4	1,631.6	2,477.5	2,276.1	3,748.5		73,684.7
Associated companies	2,232.9	1,132.2	1,386.7	1,802.4	2,267.6		353.6	209.4		9,384.7
Jointly controlled entities	4,054.2	8,971.2	3,800.9	5,185.1			896.3	434.0		23,341.7
Deferred tax assets										106.6
Cash and bank balances										7,642.9
Total assets										114,160.6
Segment liabilities	416.5	5,875.1	4,737.3	367.2	622.0	1,320.5	932.5	1,433.0		15,704.1
Gross borrowings										24,489.3
Current and deferred tax liabilities										4,602.7
Total liabilities										44,796.1

(b) Geographical segments

	Turnover	Capital expenditure	Segment assets
	Six months ended 31 December 2006 HK\$m	As at 31 December 2006 HK\$m	As at 31 December 2006 HK\$m
Hong Kong and Southeast Asia	7,754.2	166.3	51,468.8
Mainland China	2,962.6	338.5	26,500.2
	10,716.8	504.8	77,969.0
	Six months ended 31 December 2005 HK\$m	As at 30 June 2006 HK\$m	As at 30 June 2006 HK\$m
Hong Kong and Southeast Asia	10,706.1	220.7	50,556.3
Mainland China	2,545.0	422.2	23,085.7
North America			42.7
	13,251.1	642.9	73,684.7

3. Operating profit before financing costs and income

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

	For the six months ended	
	31 December 2006 HK\$m	2005 HK\$m
Cost of inventories sold	(1,189.5)	(1,475.4)
Amortisation and depreciation	(450.7)	(459.0)
Impairment loss on		
Available-for-sale financial assets	—	(17.3)
Goodwill of subsidiaries	—	(13.4)
Amount due from jointly controlled entities	(21.7)	(19.6)
Dilution loss on deemed disposal of interests in subsidiaries	(16.0)	(119.9)
Gain on deemed disposal of interests in subsidiaries	144.1	—
Net profit on disposal of a subsidiary	31.9	65.7
Write back provision for		
Advance to an investee company	—	60.5
Advance to jointly controlled entities	1.4	15.9
Exchange gains	46.2	—

4. Taxation

	For the six months ended	
	31 December 2006 HK\$m	2005 HK\$m
Hong Kong profits tax	145.1	290.9
Overseas taxation	111.6	12.7
(Over)/under provision in respect of prior years	(24.2)	2.7
Deferred taxation relating to changes in fair value of investment properties	134.7	162.0
Deferred taxation relating to temporary differences	47.0	4.6
	414.2	472.9

Hong Kong profits tax is provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Tax on overseas profits has been calculated on the estimated taxable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

Share of taxation of associated companies and jointly controlled entities for the six months ended 31 December 2006 of HK\$90.7 million and HK\$157.0 million (2005: HK\$97.6 million and HK\$90.2 million) are included in the income statement as share of results of associated companies and jointly controlled entities respectively.

5. Earnings per share

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of HK\$1,362.7 million (2005: HK\$2,092.6 million) and the weighted average number of 3,663.6 million shares (2005: 3,491.6 million shares) in issue during the period.

6. Debtors and prepayments, and creditors and accruals

A defined credit policy is maintained within the Group. The ageing analysis of trade debtors and trade creditors were as follows:

	Trade debtors as at		Trade creditors as at	
	31 December 2006 HK\$m	30 June 2006 HK\$m	31 December 2006 HK\$m	30 June 2006 HK\$m
Current to 30 days	4,470.0	5,094.7	4,868.9	4,231.4
31 to 60 days	421.4	219.1	609.7	476.2
Over 60 days	802.7	469.4	1,681.9	1,363.5
	5,694.1	5,783.2	7,160.5	6,071.1

7. Borrowings

	As at 31 December 2006 HK\$m	As at 30 June 2006 HK\$m
Non-current		
Secured bank loans	14,553.9	11,074.5
Unsecured bank loans	10,156.8	10,078.4
Obligations under finance leases	0.4	5.1
	24,711.1	21,158.0
Less: Current portion of long term borrowings	(6,333.1)	(6,794.5)
	18,378.0	14,363.5
Convertible bonds	133.5	520.0
Loans from minority shareholders	523.8	489.3
	19,035.3	15,372.8
Current		
Short term secured bank loans	428.0	388.1
Short term unsecured bank loan	431.8	490.1
Other unsecured loans	52.2	50.2
Loans from minority shareholders	1,386.6	1,393.6
	2,298.6	2,322.0
Current portion of long term borrowings	6,333.1	6,794.5
	8,631.7	9,116.5
Total borrowings	27,667.0	24,489.3

	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Obligations under finance leases HK\$m	Total HK\$m
The maturity of borrowings at 31 December 2006 is as follows:				
Within one year	2,641.6	4,551.0	0.3	7,192.9
In the second year	717.6	1,623.0	—	2,340.6
In the third to fifth year	7,571.0	4,414.6	0.1	11,985.7
After the fifth year	4,051.7	—	—	4,051.7
	14,981.9	10,588.6	0.4	25,570.9
The maturity of borrowings at 30 June 2006 is as follows:				
Within one year	3,048.5	4,619.1	5.1	7,672.7
In the second year	1,924.9	4,470.5	—	6,395.4
In the third to fifth year	6,343.2	1,478.9	—	7,822.1
After the fifth year	146.0	—	—	146.0
	11,462.6	10,568.5	5.1	22,036.2

8. PrediWave litigation

In May 2004, New World TMT Limited ("NWTMT"), a wholly owned subsidiary of the Group, filed complaints to the Superior Court of the States of California for the County of Santa Clara ("the Court") in the United States of America (the "NWTMT Complaint") against the PrediWave Companies and Mr Tony Qu, the president and founder of the PrediWave Companies. Under the NWTMT Complaint, NWTMT alleged that, in reliance of the representations given by Mr Tony Qu and PrediWave, NWTMT entered into various agreements with the PrediWave Companies under which the Group invested in the PrediWave Companies and placed various purchase orders for goods and services relating to the technology (the "Technology") of video-on-demand and other digital broadcasting and related technology and added value services. The Group had paid approximately HK\$5.0 billion to the PrediWave Companies for investments in and loans to the PrediWave Companies, and purchases of goods and services from PrediWave Companies. NWTMT complained of various breaches in relation to goods and services relating to the Technology, by Mr Tony Qu and the PrediWave Companies relating to the agreements among the parties. Accordingly, NWTMT claimed damages for an amount to be determined at trial together with interest, rescission of all agreements, restitution of all monies obtained from the Group, punitive and exemplary damages, costs of legal proceedings and other declaratory relief and equitable relief. The total monetary amount sought by NWTMT in the lawsuit exceeds US\$700.0 million (approximately HK\$5,460.0 million).

The Court has on 27 December 2006 set the amount that NWTMT has won against Mr Tony Qu and the PrediWave Companies at over US\$2.8 billion (approximately HK\$21,840.0 million). This sum includes US\$2.0 billion (approximately HK\$15,600.0 million) in punitive damage. NWTMT will base on the Court's award seek recovery for the amount awarded from Mr Tony Qu and the PrediWave Companies including their assets. The amount that can eventually be recovered is uncertain.

9. Post balance sheet date events

(a) On 22 November 2006, the Company agreed to acquire from its 56.6% owned listed subsidiary company, New World Mobile Holdings Limited ("NWMHL"), the entire issued share capital of Upper Start Holdings Limited ("Upper Start"), a wholly-owned subsidiary company of NWMHL, for HK\$2,500.0 million. The sole asset of Upper Start is its 23.6% interest in CSL New World Mobility Limited which is a major mobile telecommunications network operator providing mobile wireless services.

On the same date, the Company agreed to sell to Moral Glory International Limited ("Moral Glory"), a company wholly-owned by a director of NWMHL, the 53,336,666 shares (the "Sell Shares") in NWMHL owned by the Group, represents approximately 56.6% interest in NWMHL at HK\$0.65 per share. The consideration for the Sell Shares is approximately HK\$36.0 million.

The completion of the sale and purchase of Upper Start and the Sell Shares took place on 4 January 2007. The Group ceases to have any interest in NWMHL from that date.

(b) The Company proposed to spin-off its department store operations and management business in the People's Republic of China and on 5 March 2007, New World Department Stores China Ltd. ("NWDS") submitted to The Stock Exchange of Hong Kong Limited ("Stock Exchange") an advance booking form for an application for the listing of NWDS shares on the Main Board of the Stock Exchange. The listing of NWDS shares is subject to, among other things, the listing approval being granted by the Stock Exchange.

10. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.



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INTERIM DIVIDEND

The board has declared an interim dividend for the financial year ending 30 June 2007 in scrip form equivalent to HK\$0.15 per share with a cash option to shareholders registered on 13 April 2007.

Subject to the Listing Committee of the Stock Exchange granting listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and that they be given the option to elect to receive payment in cash of HK\$0.15 per share instead of the allotment of shares. Full details of the interim scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 11 May 2007.

BOOK CLOSE DATE

Book close dates (both days inclusive) : 4 April 2007 to 13 April 2007
 Latest time to lodge transfer with Share Registrars : 4:00pm on 3 April 2007
 Address of Share Registrars : Tengis Limited
 26/F., Tesbury Centre,
 28 Queen's Road East,
 Wanchai, Hong Kong

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 31 December 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 31 December 2006.

BUSINESS REVIEW

HONG KONG PROPERTY DEVELOPMENT

During the period under review, the Group's share of property sales booked amounted to approximately HK\$693 million, down 83% year-on-year. No new project has been launched to the market by the Group. In the first half of FY2007, the contribution to the property sales mainly came from inventory sales of The Grandiose (君傲灣), South Hillcrest (倚嶺南庭), The Merton (泓都) and Parc Palais (君頤峰).

The Group now has a landbank of 4.1 million sq ft GFA for immediate development and a total of 20 million sq ft of agricultural land reserve pending conversion.

Landbank by location	Attributable GFA (sq ft)
Hong Kong Island	237,175
Kowloon	1,686,274
New Territories (excluding areas pending agricultural land conversion)	2,222,146
Total	4,145,595

Agricultural landbank by location	Total land area (sq ft)	Attributable land area (sq ft)
Yuen Long	14,472,970	13,004,970
Sha Tin/Tai Po	3,414,000	2,528,000
Fanling	2,260,000	2,260,000
Sai Kung	2,624,030	2,070,650
Tuen Mun	120,000	120,000
Total	22,891,000	19,983,620

The Group is actively discussing with the government on agricultural land conversion and is also seeking various sources to replenish its landbank, such as public auctions and tendering for development projects offered by Urban Renewal Authority and the two rail companies.

The Group acquired 50% interest of New Eastern Terrace at Tin Hau Temple Road in North Point (北角天后廟道新東方臺). In January 2007, the Group was awarded the government tender for Block A of Wylie Court (衛理苑) at Wylie Path, Kowloon. Meanwhile, the Group is now negotiating with the government on the conversion of two sites at Wu Kai Sha (烏溪沙) and Tai Po Tsai (大埔仔) to provide 1.6 million sq ft attributable GFA to the landbank for development.

In early 2007, Deep Bay Grove (深灣畔) located at Lau Fau Shan (流浮山) was launched to the market with satisfactory response. Later this year, the Group will launch six more projects to the market. They are 440-450 Prince Edward Road West in Kowloon City (九龍城太子道西440-450號), 42-44 Belcher's Street project in Western District (西環卑路乍街42-44號), Ma Tin Road project in Yuen Long (元朗馬田路項目), the Hanoi Road Redevelopment Project in Tsim Sha Tsui (尖沙咀河內道重建項目) and the Hunghom Peninsula in Hung Hom (紅磡紅灣半島) and 6-10 Black's Link in Mid-Levels (半山布力徑6-10號).

HONG KONG PROPERTY INVESTMENT

During the period under review, the Group's gross rental income in Hong Kong amounted to HK\$520 million. The Group's commercial portfolio was benefited from the growing local economy and the rising tourist number.

During the period under review, the shopping mall The Edge (君薈坊) at The Grandiose in Tseung Kwan O was opened with 100% occupancy.

Driven by the strong pedestrian flow from KCR East Tsim Sha Tsui Station and the Avenue of Stars, together with the stable income from an anchor tenant, SOGO TST, New World Centre maintained a steady contribution to the Group's rental portfolio.

Hong Kong's buoyant economy has continually created higher demand for office space. Both the occupancies and the rental rates of our office portfolio are expected to be further benefited.

The increasing tourism expenditure and rising number of visitors to Hong Kong has enhanced the rental rates in prime tourist areas like Tsim Sha Tsui. The 1.1-million sq ft GFA Tsim Sha Tsui Hanoi Road Redevelopment Project, which is scheduled to complete in 2008 and has a 340,000-sq ft shopping mall with direct access to MTR Tsim Sha Tsui Station and KCR East Tsim Sha Tsui Station.

HOTELS

Overall visitor arrivals to Hong Kong in 2006 increased to 25.25 million, up 8.1% year-on-year. Our hotel operations were benefited from the rising number of travellers to Hong Kong. The Group's hotels in Hong Kong, namely Grand Hyatt Hong Kong, Renaissance Harbour View Hotel and Renaissance Kowloon Hotel, recorded an average occupancy of 85% and a 16% growth in the room rate during the period under review.

The Group's hotels in Mainland China have a steady growth in contribution. Meanwhile, our four hotels in Southeast Asia achieved a double-digit growth in the room rate during the period under review.

To further capture the booming tourist demand, the Group will build three more hotels in Hong Kong, located at Hanoi Road, the KCR University Station and New World Centre Extension respectively.

NWS HOLDINGS LIMITED ("NWSH")

Infrastructure

Infrastructure operation recorded a stable segment contribution to the Group. Apart from the energy business, roads, water and ports businesses achieved a strong growth in contribution.

Performance of roads and expressways projects within the Pearl River Delta Region continues to shine. During the period under review, average daily traffic flow of Guangzhou City Northern Ring Road reported a 15% growth. Toll income of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) soared by 34% in the period under review as benefited by the strong economic development of the Pearl River Delta Region and the opening of a connecting expressway in November 2005.

The performance of Zhujiang Power Plant was adversely impacted by more electricity imported from the Western Provinces and also new generation units coming into the market. Moreover the drop in profit was also partly due to a one-off gain in the previous period as a result of a change in depreciation policy as required by the tax authority. Despite the decrease in electricity sales, the average utilization of Zhujiang Power Plant would stay in the high level of about 80%. The Group is optimistic towards the outlook of the energy business and will continue to explore new investment opportunities. Performance of Macau Power was satisfactory with 14% increase in electricity sales.

Macau Water Plant reported a 10% increase in average daily water sales volume while the Chongqing Water Plant and Shanghai SCIP Water Treatment Plants had an impressive growth of 20% and 54% respectively in water sales volume. Performance of other water projects in Mainland China was satisfactory.

Tianjin Five Continents International Container Terminal Co., Ltd. handled 1,036,000 TEUs during the period under review and produced positive contributions. In August 2006, NWSH acquired 55% interest of Wenzhou Zhuangyuan Ao New World International Terminals Company Limited, which operates two multi-purpose berths in Zhuangyuanao, Zhejiang Province. The project is expected to be operational by early 2008.

SERVICE

Hong Kong Convention and Exhibition Centre ("HKCEC") reported a slight increase in profit during the period under review. HKCEC has achieved a record high attendance for the first half of any fiscal year of over 3.5 million persons attending more than 600 events held during the period under review. Construction works of the atrium link expansion was commenced in August 2006 and is due for completion in 2009. The expansion will contribute an additional exhibition space of 19,400 sq m to HKCEC, making a total of 83,400 sq m.

Benefiting from the positive logistics industry in Hong Kong, ATL Logistics Centre recorded a steady profit with average occupancy rate reaching 98% during the period under review.

Although the recovery of construction industry in Hong Kong is still lagging behind, it has shown clear signs of bottom-out. Business performance in Macau continues to be encouraging. All projects we have tendered for, or been awarded, are predominantly sizable ones. It is expected that Macau will continue to be the major profit contributor to our construction arm in the upcoming years.

Citybus Limited and New World First Bus Limited reported an increase in profit as compared with the same period last year due to increase in patronage and lower interest cost.

Following the ongoing robust tourism sector and patronage, Free Duty achieved excellent result during the period. The profitability of Tricor Holdings Limited and Taifook Securities Group Limited benefited from the increase in IPO activities and the increased demand from Hong Kong and Mainland China enterprises for financial management services.

NEW WORLD CHINA LAND LIMITED ("NWCL")

During the period under review, 205,000 sq m were sold to generate HK\$1.6 billion cash proceeds. 187,000 sq m of properties were completed in the first half of FY2007. The total inventory as at 31 December 2006 amounted to 309,000 sq m, down from 384,000 sq m as at 30 June 2006.

To complete the purchase of new projects acquired in FY2006 in Mainland China during the period under review, the net gearing of NWCL was increased to 20% as at 31 December 2006.

NEW WORLD DEPARTMENT STORES LIMITED

Segment contributions in the first half of FY2007 amounted to HK\$103 million, up 60% year-on-year.

Six stores were opened in Chongqing (重慶), Changsha (長沙), Wuhan (武漢), Xiamen (廈門), Shanghai (上海) and Chengdu (成都) respectively during the period under review, adding 212,500 sq m GFA to the total store area. As at December 2006, the department store operations expanded to 27 stores across 15 cities in Mainland China and Hong Kong with a total GFA of 773,680 sq m.



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The Group plans to open two stores in Beijing and Wuhan by the end of 2007. Meanwhile, the Group has proposed to spin off its department store operation and management business in Mainland China.

NEW WORLD MOBILE HOLDINGS LIMITED ("NWMHL")

In order to streamline the structure of the Group, the Group acquired 23.6% of the CSL New World Mobility Group from NWMHL in December 2006. After the acquisition, the Group disposed all its interests in NWMHL.

NEW WORLD TELECOMMUNICATIONS LIMITED ("NWT")

During the period under review, NWT reported a loss due to intense competition in the fixed-line telecommunications market. Riding on its Next Generation Network, NWT will continue its focus on offering customer-focused, innovative and quality integrated communications, digital media and managed services to the customers. With the establishment of two dedicated business units and extensive partnerships with renowned companies, NWT will maximize its momentum on "NWT Hosted Exchange" and "Search 'n Click" services.

NEW WORLD CHINA ENTERPRISES PROJECTS LIMITED ("NWCEP")

NWCEP focuses on making strategic investments in high growth companies with listing potential. NWCEP invests in companies in Greater China, involving in sectors such as industrial manufacturing, consumer goods production, production management and retail distribution chain stores, etc.

NEW WORLD TMT LIMITED

The Group won the PrediWave litigation in December 2006 and expects a partial cash recovery in 2007.

OUTLOOK

The wait-and-see attitude of potential buyers caused the property price to move at a tepid pace in 2006. Starting from 2007, continuous healthy economic growth, more attractive mortgage offerings from the banks and the proposed stamp duty reduction from the HKSAR Government 2007-08 Budget are all encouraging factors to the property market. The 16% increase in the January 2007 secondary transactions against December 2006 marked a strong signal of the warming-up of local property market.

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

The Group's infrastructure and service arm, NWS Holdings Limited is actively looking for new investment opportunities. NWSH acquired 35% interest in Chengdu Jintang Power Plant, a 2 x 600MW coal-fired power plant, which supplies electricity in Chengdu, Sichuan Province. The project will commence operation in 2007. In addition, NWSH acquired a 9.45% shareholding in Guangdong Baoliuhua New Energy Stock Co., Limited, which operates two 135MW power plants in Guangdong and is listed on the Shenzhen Stock Exchange. NWSH also has secured water projects in Chongqing and Changshu in Jiangsu Province. The project of 18 pivotal rail container terminals will be developed by two phases and is planned to be completed by 2010. On the other hand, the atrium link expansion of Hong Kong Convention and Exhibition Centre will be completed by 2009, increasing 30% exhibition space to 83,400 sq m.

China achieved a 10.7% GDP growth in 2006, the fourth consecutive year of double-digit growth. The resilient economic growth and stable increase of average income per capita have supported the stable growth of real estate market in Mainland China. In 2006, the population in urban area accounted for 43.9% of the total population in Mainland China. Our Mainland China property arm New World China Land will tap the benefit from the urbanization in Mainland China by continuously producing quality products to the market.

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

LIQUIDITY AND CAPITAL RESOURCES

	31 December 2006 HK\$'m	30 June 2006 HK\$'m
Net Debt		
Consolidated net debt	18,051.1	14,963.8
NWSH (stock code: 0659)	1,328.4	1,980.6
NWCL (stock code: 0917)	5,241.2	3,098.4
NWMHL (stock code: 0862)	(19.7)	(27.7)
Consolidated net debt (excluding listed subsidiaries)	11,501.2	9,912.5

As at 31 December 2006, the Group's cash and bank balances amounted to HK\$7,705.4 million (30 June 2006: HK\$7,642.9 million). Its consolidated net borrowing amounted to HK\$18,051.1 million, an increase of HK\$3,087.3 million as compared with 30 June 2006. The increase in net borrowing was mainly due to investments in property development projects in Mainland China. Net gearing ratio as at 31 December 2006 was 25.19%. The Group's borrowings are principally arranged on a floating rate basis.

The Group's non-current borrowings and current borrowings as at 31 December 2006 were HK\$18,511.5 million and HK\$7,245.1 million respectively. The maturity of non-current borrowings as at 31 December 2006 is as follows:

	HK\$'m
In the second year	2,340.6
In the third to fifth year	12,119.2
After the fifth year	4,051.7
	18,511.5

Shareholders' funds for the Group as at 31 December 2006 increased to HK\$54,781.9 million against HK\$53,275.5 million as at 30 June 2006.

As at 31 December 2006, the Group has contingent liabilities of approximately HK\$8,034.1 million (30 June 2006: HK\$6,802.3 million) relating to guarantees for performance bonds in respect of construction contracts and corporate guarantees given in respect of bank loan facilities extended to certain associated companies and jointly controlled entities and indemnity to non-wholly owned subsidiaries for PRC tax liabilities.

As at 31 December 2006, the Group's property, plant and equipment, investment properties, land use rights, properties held for development, properties under development, construction in progress, stocks and bank deposits of HK\$20,182.5 million (30 June 2006: HK\$19,248.8 million) have been pledged as securities for short term and long term loans.

EMPLOYEES AND REMUNERATION POLICIES

The Group has over 52,000 employees at 31 December 2006. Remuneration policies are reviewed annually. Remuneration and bonuses are awarded to employees based on individual performances and market practices. Education subsidies will be granted to employees who are taking job-related courses. Periodic in-house training programs are also offered.

REVIEW OF INTERIM RESULTS

The Company's unaudited interim results for the six months ended 31 December 2006 have not been reviewed by external auditors, but have been reviewed by the Audit Committee of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 throughout the six months ended 31 December 2006 except for the following deviations:

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 Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for relevant employees in respect of their dealings in the securities of the Company. The Board has established guidelines for employees in respect of their dealings in the securities of the Company but they are not on no less exacting terms than the Model Code. The deviation is mainly due to the fact that the Company currently has over 52,000 employees and operates diversified businesses, it will cause immense administrative burden for processing written notifications from the relevant employees by the Company.

Dr Cheng Kar-Shun, Henry
Managing Director

Hong Kong, 16 March 2007

At the date hereof, the Board comprises Dato' Dr Cheng Yu-Tung, Dr Cheng Kar-Shun, Henry, Dr Sin Wai-Kin, David, Mr Liang Chong-Hou, David, Mr Leung Chi-Kin, Stewart, Mr Cheng Chi-Kong, Adrian, Mr Cheng Yue-Pui#, Mr Cheng Kar-Shing, Peter#, Mr Chow Kwai-Cheung#, Mr Ho Hau-Hay, Hamilton#, Mr Liang Cheung-Biu, Thomas#, Lord Sandberg, Michael#, Mr Yeung Ping-Leung, Howard*, Dr Cha Mou-Sing, Payson* (alternate director to Dr Cha Mou-Sing, Payson: Mr Cha Mou-Zing, Victor) and Mr Lee Luen-Wai, John*.

non-executive Directors

* independent non-executive Directors