

1 Principal Accounting Policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties, hotel properties and investment securities.

In the current year, the Group adopted Statement of Standard Accounting Practice 12 ("SSAP 12") Income Taxes issued by HKICPA which is effective for accounting periods commencing on or after 1 January 2003.

The changes to the Group's accounting policies and the effect of adopting this new policy are set out in Note 1p below.

(b) Basis of consolidation

The Group accounts incorporate the accounts of the Company and all its subsidiaries made up to 30 June and include the Group's share of the results for the year and undistributed post-acquisition reserves of associated companies and jointly controlled entities. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition or to the effective dates of disposal respectively.

All material intra-group transactions, including unrealised profits arising from intra-group construction contracts, sales of properties and interest income on loans and advances, have been eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Subsidiaries

A company is a subsidiary if the Group controls more than half of the voting power, controls the composition of the board of directors or holds more than half of the issued share capital. Provision is made when, in the opinion of Directors, there is any impairment loss.

The Company's investments in subsidiaries are carried at cost or at Directors' valuation less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Associated companies

An associated company is a company other than a subsidiary and a jointly controlled entity, in which the Group's interest is held for the long term and substantial and significant influence is exercised through representatives on the board of directors.

1 Principal Accounting Policies (continued)

(d) Associated companies (continued)

The Group's investments in associated companies are stated at the Group's share of net assets and goodwill/negative goodwill (net of accumulated amortisation) on acquisition. The Company's investments in associated companies are carried at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(e) 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's interests in jointly controlled entities are stated at cost plus the Group's share of their post-acquisition results and reserves and goodwill/negative goodwill (net of accumulated amortisation) on acquisition less provision for impairment losses. 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 explained as follows:

(i) Equity joint ventures

Equity joint ventures are joint ventures in respect of which the venturers' capital contribution ratios are defined in the joint venture contracts and the venturers' profit sharing ratios are in proportion to the capital contribution ratios.

(ii) Co-operative joint ventures

Co-operative joint ventures are joint ventures in respect of which the venturers' profit sharing ratios 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. Where the Group is not entitled to share the net assets of a co-operative joint venture at the end of the joint venture period, the cost of investment in such co-operative joint venture is amortised over the joint venture period.

(iii) 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 Company's interests in jointly controlled entities are classified as long term investments and 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 dividends received and receivable.

(f) Joint ventures in the People's Republic of China ("PRC")

The Group's investments in these Sino-foreign joint ventures are accounted for as subsidiaries (where the Group controls either the voting power or the composition of the board of directors) or as jointly controlled entities (where the Group and the other venturers of the joint ventures established joint control over the economic activity thereof).

1 Principal Accounting Policies (continued)

(g) Intangible assets

(i) *Goodwill*

Goodwill represents the excess of the cost of acquisition over the fair value of the attributable net assets of the subsidiaries, jointly controlled entities or associated companies acquired.

Goodwill on acquisitions of subsidiaries occurring on or after 1 July 2001 is included in intangible assets. Goodwill on acquisitions of associated companies or jointly controlled entities occurring on or after 1 July 2001 is included in investments in associated companies or jointly controlled entities. Goodwill is amortised using the straight-line method over its estimated useful life of not more than 20 years.

Goodwill on acquisitions that occurred prior to 1 July 2001 was taken to reserves on acquisition.

(ii) *Negative goodwill*

Negative goodwill represents the excess of the fair value of the attributable net assets acquired over the cost of acquisition.

For acquisitions on or after 1 July 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions prior to 1 July 2001, negative goodwill was taken directly to reserves on acquisition.

(iii) *Licences and software*

Expenditure on acquired licences and software is capitalised and amortised using the straight-line method over the shorter of their estimated useful lives or the licence period, but not exceeding 20 years from the date when the licences and software are available for use. Licences and software are not revalued as there is no active market for these assets.

(iv) *Development costs*

Development costs incurred for design and testing of new or improved products, where technical feasibility has been demonstrated and there is an ability to sell or use the asset that will generate probable future economic benefits, are recognised as assets and amortised on a straight-line basis over a period of not more than 5 years.

(v) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously taken to reserves, is assessed and written down immediately to its recoverable amount.

1 Principal Accounting Policies (continued)

(h) Revenue recognition

Revenue is recognised when it is probable that future economic benefits will accrue to the Group and these benefits can be measured reliably on the following bases:

- (i) *Rental income*
Rental income is recognised on a straight-line accrual basis over the terms of lease agreements.
- (ii) *Property sales*
Revenue from sale of properties is recognised either when the sale agreement is completed or when the development is completed which is determined by the issuance of the relevant occupation permit, whichever is the later. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.
- (iii) *Joint property development projects*
Revenue from joint property development projects is recognised either when the sale agreement is completed or when the relevant project is completed which is determined by the issuance of occupation permit, whichever is the later and in the case of multi-phase development projects, on completion of a distinct phase.
- (iv) *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 a profitable outcome can be prudently foreseen and is measured by reference to the proportion of costs incurred for work performed to the balance sheet date as compared to the estimated total costs to completion. Anticipated losses on contracts are fully provided when identified.
- (v) *Service fee income*
Property management service fee, property letting agency fee, transportation service fees and security service fee are recognised when services are rendered.
- (vi) *Infrastructure operations*
Toll revenue from road and bridge operations, income from cargo, container handling and storage are recognised when services are rendered.
- (vii) *Telecommunication services*
Subscription fee and services income from provision of telecommunication services is recognised when services are rendered and based on the usage of the digital mobile radio telephone network and facilities. Revenue from sale of telecommunication equipment and accessories is recognised when goods are delivered and title has passed. Telecommunication revenue in respect of standard service plans billed in advance at year end is deferred and recognised on a straight-line basis over the relevant service agreement period.
- (viii) *Sale of goods*
Income from sale of goods in the department store operations is recognised upon delivery of goods.

1 Principal Accounting Policies (continued)

(h) Revenue recognition (continued)

(ix) *Hotel and restaurant operations*

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

(x) *Interest income*

Interest income is recognised on a time proportion basis. Interest received and receivable in respect of loan financing provided to associated companies, equity and co-operative joint ventures (where they are not accounted for as subsidiaries) during their pre-operational period are deferred and amortised over the repayment periods.

(xi) *Dividend income*

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

(i) Assets under leases

(i) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated on the basis described in Note 1(j)(v).

(ii) *Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(j) Fixed assets

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their investment potential. Investment properties are stated at their open market value based on an annual professional valuation at the balance sheet date. Increases in valuation are credited to the investment properties revaluation reserve; decreases are first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the profit and loss account. Upon sale of an investment property, the revaluation surplus realised is transferred to operating profit. No depreciation is provided on investment properties held on leases of more than 20 years.

1 Principal Accounting Policies (continued)

(j) Fixed assets (continued)

(ii) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant which are collectively used in the operation of hotel. They are stated at their open market value based on an annual professional valuation at the balance sheet date. No depreciation is provided on hotel properties held on leases of more than 20 years. It is the Group's practice to maintain the buildings in a continual state of sound repairs and to make improvements thereto from time to time and accordingly, the Directors consider that given the estimated lives of the hotel properties, any depreciation would be insignificant due to their high residual value. Such expenditure on repairs and improvements is charged to the profit and loss account in the year in which they are incurred.

(iii) Assets under construction

All direct and indirect costs relating to the construction of fixed assets including financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as the costs of the fixed assets.

(iv) Other fixed assets

Other fixed assets, comprising land and buildings, toll roads, bridges, port facilities, telecommunication equipment systems and other assets, are stated at cost or carrying value less accumulated depreciation and accumulated impairment losses.

(v) Depreciation

No depreciation is provided on assets under construction.

Depreciation of toll roads and bridges is calculated to write off their costs on an economic usage basis whereby the amount of depreciation is provided based on the ratio of actual traffic volume compared to the total projected traffic volume over the remaining toll collection periods of joint ventures. The projected traffic volume of toll roads and bridges is reviewed regularly with reference to both internal and external sources of information and adjusted if it is appropriate.

In December 2003, the HKICPA further clarified that depreciation of toll roads should reflect the consumption of economic benefits from the associated assets and should be either time or usage based. On the basis that the recognition principles previously adopted by the Group under the sinking fund depreciation method was by reference to the economic usage of the assets, the Directors concluded that there is no material impact to the accounts as a result of this further clarification from the HKICPA.

Depreciation of other fixed assets is calculated to write off their cost or carrying value less accumulated impairment losses over their estimated useful lives or, if shorter, the relevant finance lease periods, using the straight-line method. Estimated useful lives are summarised as follows:

Land	Unexpired period of the lease
Buildings	20 to 40 years
Port facilities	7 to 44 years
Telecommunication equipment and systems	3 to 15 years
Other assets	2 to 25 years

1 Principal Accounting Policies (continued)

(j) Fixed assets (continued)

(vi) *Maintenance of fixed assets*

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(vii) *Impairment and gain or loss on sale*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in assets under construction and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation deficit.

The gain or loss on disposal of a fixed asset other than investment properties and hotel properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(k) Other investments

Other investments are long term investments other than subsidiaries, associated companies and jointly controlled entities.

(i) *Investment securities*

Investment securities are held for non-trading purpose and are stated at fair value at the balance sheet date. Changes in fair value of individual securities are dealt with as movement in the investments revaluation reserve until the securities are sold or determined to be impaired in value. Where the Directors determine that there is an impairment loss, it is removed from the investments revaluation reserve and recognised in the profit and loss account.

Upon disposal, the gain or loss representing the difference between net sales proceeds and the carrying amount of the relevant security, together with any surplus or deficit transferred from the investments revaluation reserve, is dealt with in the profit and loss account. Impairment loss recognised in the profit and loss account is written back in the profit and loss account to the extent of the amount previously charged when the circumstances and events leading to the impairment cease to exist.

(ii) *Investments in joint property development projects*

Investments in joint property development projects held for investment purpose are stated at cost less accumulated amortisation and accumulated impairment losses. Cost includes development costs and other charges capitalised during the course of development. Amortisation is provided on a straight-line basis over the terms of the respective projects.

1 Principal Accounting Policies (continued)

(l) Properties held for sale, stocks and contracts in progress

Properties held for sale are stated at cost comprising land cost, development expenditure, professional fees and interest capitalised less any provision for possible loss.

Stocks 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.

Contracts in progress is stated at cost plus attributable profits recognised on the basis set out in Note 1 (h)(iv) above, less provision for anticipated losses and progress payments received and receivable.

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(n) 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 a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(o) 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 is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they 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.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

1 Principal Accounting Policies (continued)

(p) Deferred taxation

Deferred taxation 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 accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred 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 taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, 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.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Notes 27 and 29 to the accounts, opening reserves at 1 July 2002 and 2003 have been reduced by HK\$281.1 million and HK\$179.0 million, respectively. This change has resulted in an increase in deferred tax liabilities and deferred tax assets at 30 June 2003 by HK\$430.0 million and HK\$335.9 million respectively. The loss and amount charged to equity for the year ended 30 June 2003 have been reduced by HK\$103.8 million and increased by HK\$1.7 million respectively.

(q) Capitalisation of interest and finance charges

Interest and finance charges on borrowings relating to assets under construction and properties under development, after elimination of intra-group interest charges, are included in the project cost and cost of development during the relevant period of construction and development respectively.

Borrowing costs and foreign exchange differences which are deemed borrowing costs incurred by the Group on the related borrowed funds which have been used to finance the construction of fixed assets by the associated companies and jointly controlled entities, are capitalised as the carrying value of these associated companies and jointly controlled entities.

(r) 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 balance sheet date. 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.

1 Principal Accounting Policies (continued)

(r) Employee benefits (continued)

(iii) Defined contribution schemes

The Group's contributions to these schemes, 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 schemes and long service payments

Defined benefit costs under defined benefit schemes and long service payments, which are assessed using the projected unit credit method, are charged to the profit and loss account. 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 balance sheet date based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability. 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 profit and loss account over the expected average remaining service lives of the participating employees.

(s) Foreign currencies

Foreign currency transactions during the year are converted at exchange rates ruling at the transaction dates. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at exchange rates ruling at that date. Exchange differences arising in these cases are included in the determination of operating profit, other than those dealt with in Note 1 (j)(iii) and (q).

The balance sheets of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average rates. Exchange differences arising therefrom are dealt with as a movement in reserves.

(t) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of intangible assets, fixed assets, other investments, other assets, properties held for sale, stocks and receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to intangible assets and fixed assets (Notes 13 and 14), including those resulting from acquisitions of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Segment assets and capital expenditure are where the investments/operating assets are located.

2 Turnover and Segment Information

The Group is principally engaged in property investment and development, contracting, provision of service including property and facilities management; transport and other services, infrastructure operations including roads and bridges operations; container handling, logistics and warehousing services, telecommunication services, department store operations, hotel and restaurant operations and telecommunications, media and technology businesses. Turnover recognised during the year are as follows:

	2004 HK\$m	2003 HK\$m
Rental income	965.9	983.5
Property sales	5,629.1	761.8
Contracting	6,144.2	8,570.7
Provision of service	4,674.1	3,521.6
Infrastructure operations	374.9	494.7
Telecommunication services	2,623.8	2,712.4
Department store operations	3,254.3	2,673.3
Hotel and restaurant operations	1,495.0	1,151.8
Others	491.7	186.5
	25,653.0	21,056.3

2 Turnover and Segment Information (continued)

(a) Primary reporting format – business segments

	Property investment and development HK\$m	Service HK\$m	Infra- structure HK\$m	Telecom- munications HK\$m	Depart- ment stores HK\$m	Others HK\$m	Elim- inations HK\$m	Con- solidated HK\$m
Year 2004								
External sales	6,595.0	10,818.3	374.9	2,623.8	3,254.3	1,986.7	–	25,653.0
Inter-segment sales	184.8	1,561.9	–	16.6	–	26.5	(1,789.8)	–
Total turnover	6,779.8	12,380.2	374.9	2,640.4	3,254.3	2,013.2	(1,789.8)	25,653.0
Segment results	1,427.9	540.7	80.9	53.1	103.5	108.0		2,314.1
Other (charge)/income	884.0	(19.6)	275.8	(797.3)	(4.0)	(5,126.1)		(4,787.2)
Unallocated corporate expenses								(504.9)
Operating loss before financing costs and income								(2,978.0)
Financing costs								(1,022.7)
Financing income								230.4
Operating loss								(3,770.3)
Share of results of								
Associated companies	192.8	263.0	231.1	–	–	(161.5)		525.4
Jointly controlled entities	682.0	141.9	1,041.1	–	–	(49.1)		1,815.9
Loss before taxation								(1,429.0)
Taxation								(980.2)
Loss after taxation								(2,409.2)
Minority interests								1,433.0
Loss attributable to shareholders								(976.2)
Segment assets	47,590.0	5,883.9	3,004.9	2,561.1	1,206.3	14,116.2		74,362.4
Associated companies	3,711.0	808.6	914.1	–	–	402.2		5,835.9
Jointly controlled entities	13,145.2	1,551.1	7,413.5	–	–	1,917.3		24,027.1
Deferred tax assets								286.8
Cash and bank balances								6,630.0
Total assets								111,142.2
Segment liabilities	3,908.2	3,417.0	474.4	788.5	754.5	1,894.4		11,237.0
Gross borrowings								30,198.5
Current and deferred tax liabilities								1,504.3
Total liabilities								42,939.8
Minority interests								13,797.4
								56,737.2
Capital expenditure	501.6	133.9	13.5	319.1	180.4	595.1		1,743.6
Depreciation and amortisation	76.4	297.4	144.7	459.8	81.6	57.9		1,117.8
Impairment charge and provision	245.4	27.2	122.5	788.9	4.0	5,310.1		6,498.1

2 Turnover and Segment Information (continued)
(a) Primary reporting format – business segments (continued)

	Property investment and development HK\$m	Service HK\$m	Infra- structure HK\$m	Telecom- munications HK\$m	Depart- ment stores HK\$m	Others HK\$m	Elim- inations HK\$m	Con- solidated HK\$m
Year 2003								
External sales	1,745.3	12,092.3	494.7	2,712.4	2,673.3	1,338.3	–	21,056.3
Inter-segment sales	211.0	1,299.9	–	7.0	–	25.6	(1,543.5)	–
Total turnover	1,956.3	13,392.2	494.7	2,719.4	2,673.3	1,363.9	(1,543.5)	21,056.3
Segment results	476.0	377.9	136.3	221.8	40.2	(4.4)		1,247.8
Other (charge)/income	(2,630.3)	–	32.1	(8.5)	(1.9)	(2,124.0)		(4,732.6)
Unallocated corporate expenses								(480.0)
Operating loss before financing costs and income								(3,964.8)
Financing costs								(1,824.1)
Financing income								337.9
Operating loss								(5,451.0)
Share of results of								
Associated companies	(42.6)	88.9	291.0	–	–	(243.6)		93.7
Jointly controlled entities	(627.6)	117.9	925.0	–	–	(202.6)		212.7
Loss before taxation								(5,144.6)
Taxation								(317.4)
Loss after taxation								(5,462.0)
Minority interests								754.3
Loss attributable to shareholders								(4,707.7)
Segment assets	45,249.4	8,118.3	6,054.0	3,724.2	1,081.6	14,855.6		79,083.1
Associated companies	3,682.2	1,014.3	889.0	–	–	2,591.9		8,177.4
Jointly controlled entities	11,863.1	250.5	7,949.0	–	–	2,010.5		22,073.1
Deferred tax assets								335.9
Cash and bank balances								5,825.1
Total assets								115,494.6
Segment liabilities	3,471.0	4,115.2	804.1	1,165.9	556.1	2,342.4		12,454.7
Gross borrowings								39,371.1
Current and deferred tax liabilities								1,291.3
Total liabilities								53,117.1
Minority interests								16,420.3
								69,537.4
Capital expenditure	596.3	411.4	19.6	463.0	130.2	1,446.2		3,066.7
Depreciation and amortisation	88.6	385.7	221.7	421.2	69.1	30.2		1,216.5
Impairment charge and provision	2,979.4	–	74.8	–	1.9	1,603.6		4,659.7

2 Turnover and Segment Information (continued)

(b) Secondary reporting format – geographical segments

	Turnover HK\$m	Operating profit/(loss) before financing costs and income HK\$m	Segment assets HK\$m	Capital expenditure HK\$m
Year 2004				
Hong Kong and Southeast Asia	18,253.1	1,571.2	53,537.9	557.6
Mainland China	7,399.9	(1,847.4)	20,227.5	1,186.0
North America	—	(2,701.8)	597.0	—
	25,653.0	(2,978.0)	74,362.4	1,743.6
Year 2003				
Hong Kong and Southeast Asia	15,890.6	(1,952.0)	51,911.4	1,306.0
Mainland China	5,165.7	(1,763.3)	26,583.0	1,760.7
North America	—	(249.5)	588.7	—
	21,056.3	(3,964.8)	79,083.1	3,066.7

The Group's turnover, segment assets and capital expenditure attributed to Southeast Asia comprised less than 10.0% of the Group's total turnover, segment assets and capital expenditure respectively, and have been included in the Hong Kong and Southeast Asia segment.

3 Other Revenues

	2004 HK\$m	2003 HK\$m
Dividend income from investments in		
Listed shares	5.5	10.8
Unlisted shares	42.8	25.8
	48.3	36.6

4 Other (Charge)/Income

	2004 HK\$m	2003 HK\$m
Amortisation of		
Cost of investments in jointly controlled entities	—	(10.4)
Development costs	(0.4)	—
Goodwill and negative goodwill	(7.1)	(5.4)
Dilution loss on reorganisation of subsidiaries	—	(196.4)
Reorganisation expenses	—	(78.1)
Impairment loss on		
Fixed assets	(1,457.1)	(386.8)
Goodwill	(40.1)	(21.0)
Intangible assets	(401.2)	—
Provision for investments in		
A joint property development project	—	(36.3)
Associated companies	—	(138.2)
Jointly controlled entities	(29.0)	(47.2)
Listed shares	(24.7)	(39.0)
Unlisted shares	(56.6)	(62.4)
Provision for		
Accounts receivable	(160.9)	(35.5)
Advances to associated companies	(150.5)	(62.5)
Advances to jointly controlled entities	(50.2)	(480.8)
Loans to investee companies	(304.2)	—
Other assets	(1,024.9)	(122.4)
Other investments	(2,367.1)	(305.3)
Payments on account	—	(111.6)
Provision for diminution in value of properties held for sale	(137.2)	(2,352.3)
Loss on dilution of interests in subsidiaries	(49.6)	(0.3)
Premium on redemption of convertible bonds	(0.2)	(1.9)
Write back of/(provision for) revaluation deficit of a hotel property	3.7	(178.3)
Net profit/(loss) on disposal of		
Associated companies	0.2	3.1
Jointly controlled entities	9.3	(24.9)
Listed shares	16.2	—
Other investments	(37.3)	71.4
Subsidiaries	389.4	187.6
Profit on partial disposal of subsidiaries	—	56.4
Surplus on liquidation of a subsidiary	—	64.3
Write down of stocks to net realisable value	(294.4)	(458.4)
Write back of impairment loss on		
Fixed assets	205.1	—
A jointly controlled entity	16.7	—
Write back of provision for		
Diminution in value of properties held for sale	1,160.2	40.0
Unlisted shares	4.7	—
	(4,787.2)	(4,732.6)

Note: Included in other charge is an amount of HK\$4,392.0 million comprising (i) impairment losses on intangible assets and fixed assets and write down of stocks to net realisable value totalling HK\$1,310.0 million; and (ii) provisions for deposits for purchase of fixed assets and loans to investee companies and impairment losses on other investments totalling HK\$3,082.0 million, all of which are the subject of the NWTMT Complaint (Note 34a).

5 Financing Costs

	2004	2003
	HK\$m	HK\$m
Interest on bank loans and overdrafts	815.6	1,385.2
Interest on finance leases	15.0	7.8
Interest on convertible bonds	75.9	90.2
Provision for premium on redemption of convertible bonds	133.5	344.0
Interest on loans from minority shareholders	78.8	102.6
Total borrowing costs incurred	1,118.8	1,929.8
Interest capitalised as cost of		
Fixed assets	(11.3)	(46.1)
Properties under development	(84.8)	(59.6)
	1,022.7	1,824.1

6 Operating Loss

Operating loss of the Group is arrived at after crediting and charging the following:

	2004	2003
	HK\$m	HK\$m
Crediting		
Gross rental income from investment properties	819.2	977.3
Outgoings	(271.5)	(281.0)
	547.7	696.3
Charging		
Auditors' remuneration	32.8	33.2
Cost of inventories sold	8,351.8	3,132.8
Depreciation		
Leased fixed assets	51.1	43.4
Owned fixed assets	1,059.2	1,157.3
Net loss on disposal of fixed assets	26.3	33.1
Operating lease rental expense		
Land and buildings	493.9	391.2
Other equipment	64.3	44.9
Staff costs (Note 11a)	3,622.7	3,623.2

7 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003:17.5%) on the estimated assessable profit for the year. Taxation on 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 operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 HK\$m	2003 HK\$m
Company and subsidiaries		
Hong Kong profits tax	473.2	143.3
Overseas taxation	26.6	25.0
Under/(over)provisions in prior years	3.0	(7.3)
Deferred taxation relating to the origination and reversal of temporary differences	151.5	(39.9)
Deferred taxation resulting from an increase in tax rate	—	38.8
	654.3	159.9
Associated companies		
Hong Kong profits tax	69.4	68.3
Overseas taxation	1.9	0.7
Deferred taxation	(0.4)	(0.2)
	70.9	68.8
Jointly controlled entities		
Hong Kong profits tax	148.4	29.0
Overseas taxation	91.6	61.2
Deferred taxation	15.0	(1.5)
	255.0	88.7
Taxation charge	980.2	317.4

7 Taxation (continued)

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

	2004 HK\$m	2003 HK\$m
Loss before taxation	(1,429.0)	(5,144.6)
Calculated at a taxation rate of 17.5% (2003: 17.5%)	(250.1)	(900.3)
Effect of different taxation rates in other countries	16.6	(16.8)
Income not subject to taxation	(261.5)	(343.9)
Expenses not deductible for taxation purposes	1,182.5	750.9
Tax losses not recognised	403.1	781.6
Temporary differences not recognised	98.3	132.6
Tax exemption granted	(30.0)	(58.4)
Utilisation of previously unrecognised tax losses	(390.7)	(42.7)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	—	38.8
Others	212.0	(24.4)
Taxation charge	980.2	317.4

8 Loss Attributable to Shareholders

Loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$1,984.7 million (2003: HK\$177.0 million).

9 Dividends

	2004 HK\$m	2003 HK\$m
Interim dividend paid of HK\$0.02 (2003: HK\$0.06) per share	69.1	131.5
Final dividend proposed of HK\$0.04 (2003: Nil) per share	138.3	—
	207.4	131.5
Of which the following were settled by the issue of scrip:		
Interim dividend	—	69.2
Final dividend	*	—

* Full amount has been set aside from retained profits for the 2004 proposed final dividend on the basis that all shareholders will elect to receive cash being the alternative to their entitlements to the scrip dividend.

At a meeting held on 15 October 2004, the Directors recommended a final dividend of HK\$0.04 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 30 June 2005.

10 Loss Per Share

The calculation of basic loss per share is based on loss of HK\$976.2 million (2003: restated loss of HK\$4,707.7 million) and the weighted average of 2,772.8 million (2003: restated 2,396.5 million) shares in issue during the year.

No dilutive effect was resulted on the loss per share for the current year and the previous year after taking into account the potential dilutive effect of the conversion of the convertible bonds which expired on 9 June 2004.

11 Staff Costs**(a) Staff costs (including Directors' remuneration)**

	2004 HK\$m	2003 HK\$m
Wages, salaries and other benefits	3,460.3	3,460.7
Pension costs – defined benefits plans (Note 11bi)	1.0	1.6
Pension costs – defined contribution plans (Note 11bii)	161.4	160.9
	3,622.7	3,623.2

(b) Retirement benefit costs

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

(i) Defined benefit plans

Defined benefit plans are valued by independent qualified actuaries annually using the projected unit credit method. Defined benefit plans are valued by Watson Wyatt Hong Kong Limited.

	Group	
	2004 HK\$m	2003 HK\$m
The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	(51.0)	(47.8)
Fair value of plan assets	78.6	58.5
	27.6	10.7
Unrecognised actuarial (gains)/losses	(10.3)	1.5
Retirement benefit assets	17.3	12.2
Net expenses recognised in the profit and loss account, under administrative expenses, are as follows:		
Current service cost	3.1	3.0
Interest cost	2.2	2.8
Expected return on plan assets	(4.3)	(4.2)
Total, included in staff costs (Note 11a)	1.0	1.6
Movements in the retirement benefit assets are as follows:		
At the beginning of the year	12.2	11.6
Net expenses recognised in the profit and loss account	(1.0)	(1.6)
Contributions paid	6.1	2.2
At the end of the year	17.3	12.2

11 Staff Costs (continued)

(b) Retirement benefit costs (continued)

(i) *Defined benefit plans* (continued)

The principal actuarial assumptions used were as follows:

	Group	
	2004	2003
Discount rate	5.3%	4.5%
Expected rate of return on plan assets	7.0%	7.0%
Expected rate of future salary increases	0% to 4.0%	0% to 4.0%

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. Commencing on 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 profit and loss account in respect of these schemes was HK\$161.4 million (2003: HK\$160.9 million) after netting off forfeited contribution of HK\$10.5 million (2003: HK\$4.6 million). Forfeited contributions available at the year end to reduce future contributions amounted to HK\$0.1 million (2003: HK\$1.9 million).

11 Staff Costs (continued)**(c) Share options**

The Company's subsidiaries, New World China Land Limited ("NWCL"), New World TMT Limited ("NWTMT") (formerly New World Infrastructure Limited) and NWS Holdings Limited ("NWSH"), operate share option schemes whereby options may be granted to eligible employees and directors, to subscribe for shares of NWCL, NWTMT and NWSH respectively. The consideration to be paid on each granting of option is HK\$10.0.

Details of share options are as follows:

Grantor	Date of grant	Exercise price HK\$	Number of share options				Balance at 30 June 2004	Note
			Balance at 1 July 2003	Granted during the year	Exercised during the year	Lapsed during the year		
NWCL	5 February 2001 to 21 April 2004	1.000 to 3.192	54,891,600	2,541,600	(6,918,000)	(4,392,000)	46,123,200	(i)
NWTMT	18 November 1998 to 23 September 1999	10.200 to 12.000	6,352,800	–	–	(5,152,800)	1,200,000	(ii)
NWSH	11 May 1999 to 21 July 2003	3.725 to 6.930	2,000,000	41,497,000	(11,695,315)	(1,036,347)	30,765,338	(iii)

- (i) Divided into 5 tranches and exercisable during a period of 5 years commencing on the expiry of 1 month after the dates of each grant when the offers of share options were accepted.
- (ii) The share options are exercisable on or before 1 June 2005.
- (iii) The number of share options exercisable on or before 4 November 2004, 4 November 2005 and 20 July 2008 are 300,000, 1,630,000 and 28,835,338 respectively.

12 Emoluments of Directors and Senior Management

Details of the emoluments paid (excluding benefits in kind of Share Option as defined below) to the Directors are as follows:

	2004 HK\$m	2003 HK\$m
Fees	1.8	1.5
Salaries and other emoluments	22.9	22.0
Contributions to retirement benefit schemes	1.7	1.6
	26.4	25.1

In addition to the above, benefits in kind of 3.0 million share options under the share option scheme of NWSH ("Share Option") were exercised during the year by certain Directors of the Company and the three senior management. The aggregate difference between the exercise price and the market price at the dates of exercise for the Directors and the senior management were HK\$11.9 million and HK\$9.7 million respectively.

12 Emoluments of Directors and Senior Management (continued)

The emoluments of the Directors (including benefits in kind of Share Option) fell within the following bands:

Emolument band (HK\$)	Number of Directors	
	2004	2003
0 - 1,000,000	9	9
2,500,001 - 3,000,000	—	1
3,000,001 - 3,500,000	1	1
3,500,001 - 4,000,000	—	1
4,000,001 - 4,500,000	2	1
7,500,001 - 8,000,000	1	—
11,000,001 - 11,500,000	—	1
18,500,001 - 19,000,000	1	—
	14	14

Fees disclosed above include HK\$0.3 million (2003: HK\$0.3 million) paid to Independent Non-executive Directors. There were no other emoluments paid to Independent Non-executive Directors. None of the Directors has waived the right to receive his emoluments.

The five individuals whose emoluments were the highest in the Group for the year include two Directors (2003: two Directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2003: three) senior management (excluding benefits in kind of Share Option) during the year are as follows:

	2004 HK\$m	2003 HK\$m
Salaries and other emoluments	14.9	12.5
Contributions to retirement benefit schemes	0.6	0.6
	15.5	13.1

The emoluments to the senior management (including benefit in kinds of share Option) fell within the following bands:

Emolument band (HK\$)	Number of senior management	
	2004	2003
3,500,001 - 4,000,000	—	1
4,000,001 - 4,500,000	—	1
4,500,001 - 5,000,000	—	1
5,000,001 - 5,500,000	1	—
6,500,001 - 7,000,000	1	—
8,000,001 - 8,500,000	1	—
	3	3

13 Intangible Assets

	Group				
	Goodwill HK\$m	Negative goodwill HK\$m	Licences and software HK\$m	Development costs HK\$m	Total HK\$m
Cost					
At 1.7.2003	156.2	(30.2)	401.2	–	527.2
Acquisition of subsidiaries	30.8	(0.8)	–	5.8	35.8
Acquisition of additional interest in a subsidiary	–	(29.9)	–	–	(29.9)
At 30.6.2004	187.0	(60.9)	401.2	5.8	533.1
Accumulated amortisation and impairment					
At 1.7.2003	18.1	(4.2)	–	–	13.9
Amortisation charge	10.3	(3.2)	–	0.4	7.5
Impairment charge	31.2	–	401.2	–	432.4
At 30.6.2004	59.6	(7.4)	401.2	0.4	453.8
Net book amount					
At 30.6.2004	127.4	(53.5)	–	5.4	79.3
At 30.6.2003	138.1	(26.0)	401.2	–	513.3

Licences and software represent payments made to PrediWave Corporation ("PrediWave"), a former associated company, for purchase of software and licenses relating to billing system for PrediWave's interactive television, video-on-demand and other digital broadcasting and related technology (the "Technology"), which are the subject of the NWTMT Complaint (Note 34a). As a result of the NWTMT Complaint, the Directors decided to discontinue the use of the Technology in launching the interactive television services in the PRC, and accordingly, a full impairment charge of HK\$401.2 million (Note 4) was made against these assets during the year.

14 Fixed Assets

	Group							Total HK\$m
	Investment properties HK\$m	Hotel prop- erties HK\$m	Land and buildings HK\$m	Toll roads, bridges and port facilities HK\$m	Telecom- munication equipment and systems HK\$m	Other assets (Note e) HK\$m	Assets under con- struction HK\$m	
Cost or valuation								
At 1.7.2003	15,042.9	6,367.5	3,995.9	6,331.2	4,082.3	5,488.7	2,846.3	44,154.8
Translation difference	—	—	(13.2)	—	—	(4.7)	—	(17.9)
Acquisition of subsidiaries	—	—	8.4	—	—	72.7	—	81.1
Disposal of subsidiaries	—	—	(28.0)	(2,303.0)	—	(71.9)	(19.5)	(2,422.4)
Additions	457.1	20.0	95.1	8.0	284.2	638.2	186.9	1,689.5
Reclassification	56.4	738.0	33.8	—	10.4	14.6	(943.1)	(89.9)
Transfer to properties held for sale	(98.4)	—	(72.3)	—	—	(5.3)	(1,193.1)	(1,369.1)
Restructuring of transport business	—	—	(582.0)	—	—	(2,184.2)	(62.9)	(2,829.1)
Deconsolidation of a subsidiary	—	—	—	(1,671.8)	—	(39.7)	(2.9)	(1,714.4)
Disposals	(1.7)	—	(61.7)	(0.1)	(7.5)	(169.3)	(53.8)	(294.1)
Revaluation surplus	2,036.4	1,066.5	—	—	—	—	—	3,102.9
At 30.6.2004	17,492.7	8,192.0	3,376.0	2,364.3	4,369.4	3,739.1	757.9	40,291.4
Accumulated depreciation and impairment								
At 1.7.2003	—	—	773.4	969.3	1,588.6	2,378.8	310.5	6,020.6
Translation difference	—	—	(2.7)	—	—	(3.2)	—	(5.9)
Acquisition of subsidiaries	—	—	0.1	—	—	32.7	—	32.8
Impairment charge	—	—	51.6	57.1	679.6	661.3	7.5	1,457.1
Disposal of subsidiaries	—	—	(4.3)	(475.0)	—	(37.4)	—	(516.7)
Depreciation charge for the year	—	—	110.1	136.4	440.7	423.1	—	1,110.3
Reclassification	—	—	—	—	—	—	(89.9)	(89.9)
Transfer to properties held for sale	—	—	(29.6)	—	—	(3.9)	—	(33.5)
Restructuring of transport business	—	—	(68.4)	—	—	(803.3)	—	(871.7)
Deconsolidation of a subsidiary	—	—	—	(329.2)	—	(15.5)	—	(344.7)
Write back on disposals	—	—	(21.0)	—	(4.1)	(118.9)	(15.5)	(159.5)
Write back of impairment charge	—	—	—	—	—	—	(205.1)	(205.1)
At 30.6.2004	—	—	809.2	358.6	2,704.8	2,513.7	7.5	6,393.8
Net book value								
At 30.6.2004	17,492.7	8,192.0	2,566.8	2,005.7	1,664.6	1,225.4	750.4	33,897.6
At 30.6.2003	15,042.9	6,367.5	3,222.5	5,361.9	2,493.7	3,109.9	2,535.8	38,134.2

14 Fixed Assets (continued)

	Company			Total HK\$m
	Investment properties HK\$m	Land and buildings HK\$m	Other assets HK\$m	
Cost or valuation				
At 1.7.2003	24.5	0.7	3.3	28.5
Revaluation surplus	3.0	—	—	3.0
At 30.6.2004	27.5	0.7	3.3	31.5
Accumulated depreciation				
At 1.7.2003	—	0.5	3.3	3.8
Charge for the year	—	0.1	—	0.1
At 30.6.2004	—	0.6	3.3	3.9
Net book value				
At 30.6.2004	27.5	0.1	—	27.6
At 30.6.2003	24.5	0.2	—	24.7

14 Fixed Assets (continued)

Cost or valuation of properties was made up as follows:

	Group				Company			
	2004		2003		2004		2003	
	At cost/ carrying value HK\$m	Professional valuation HK\$m	At cost/ carrying value HK\$m	Professional valuation HK\$m	At cost HK\$m	Professional valuation HK\$m	At cost HK\$m	Professional valuation HK\$m
Investment properties								
Hong Kong long lease	—	6,752.9	—	12,117.6	—	27.5	—	24.5
Hong Kong medium lease	—	8,056.2	—	758.7	—	—	—	—
Overseas long lease	—	384.2	—	89.3	—	—	—	—
Overseas medium lease	—	2,299.4	—	2,077.3	—	—	—	—
	—	17,492.7	—	15,042.9	—	27.5	—	24.5
Hotel properties								
Hong Kong long lease	—	5,580.0	—	6,165.2	—	—	—	—
Hong Kong medium lease	—	1,602.2	—	—	—	—	—	—
Overseas medium lease	—	1,009.8	—	202.3	—	—	—	—
	—	8,192.0	—	6,367.5	—	—	—	—
Land and buildings								
Hong Kong long lease (Note a)	947.6	—	948.4	—	0.7	—	0.7	—
Hong Kong medium lease	883.4	—	935.9	—	—	—	—	—
Hong Kong short lease	—	—	571.3	—	—	—	—	—
Overseas long lease	51.6	—	119.0	—	—	—	—	—
Overseas medium lease (Note a)	1,461.7	—	1,401.8	—	—	—	—	—
Overseas short lease	29.7	—	14.0	—	—	—	—	—
Overseas freehold	2.0	—	5.5	—	—	—	—	—
	3,376.0	—	3,995.9	—	0.7	—	0.7	—
	3,376.0	25,684.7	3,995.9	21,410.4	0.7	27.5	0.7	24.5

- (a) Included in the Group's land and buildings are properties transferred from investment properties at carrying value of HK\$985.0 million (2003: HK\$985.0 million) based on professional valuations at dates of transfer.
- (b) The investment properties and hotel properties were revalued on 30 June 2004 on an open market value basis by Chesterton Petty Limited and Vigers Hong Kong Limited, independent professional property valuers. Toll roads, bridges and port facilities, telecommunication equipment and systems, assets under construction and other assets comprising plant, machinery, equipment, terminal equipment, furniture, fixtures, interactive television network and equipment and motor vehicles are stated at cost.
- (c) The aggregate net book value of assets pledged as securities for loans amounts to HK\$13,122.1 million (2003: HK\$11,653.9 million).
- (d) The net book value of fixed assets includes telecommunication equipment and systems and other assets, which are held under finance leases amounting to HK\$304.9 million (2003: HK\$322.0 million) and HK\$0.6 million (2003: HK\$0.1 million) respectively.
- (e) Included in other assets is an amount of HK\$619.2 million representing interactive television network system and equipment bought from PrediWave, which are the subject of the NWTMT Complaint (Note 34a). As a result of the NWTMT Complaint, the Directors decided to discontinue the use of the Technology in launching the interactive television services in the PRC, and accordingly, a full impairment charge of HK\$619.2 million was made against these assets during the year.

15 Subsidiaries

	2004 HK\$m	2003 HK\$m
Unlisted shares		
At cost	4,893.1	4,893.1
At Directors' valuation in 1972	72.0	72.0
Provision for impairment losses	(567.1)	(567.1)
	4,398.0	4,398.0
Listed shares in Hong Kong, at cost	16,461.6	16,455.6
	20,859.6	20,853.6
Amounts due by subsidiaries less provision	38,254.5	38,382.4
	59,114.1	59,236.0
Amounts due to subsidiaries	(21,591.4)	(26,060.8)
	37,522.7	33,175.2
Market value of listed shares	6,426.1	3,056.0

Details of principal subsidiaries are given in Note 38.

16 Associated Companies

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Group's share of net assets				
Listed shares in Hong Kong	810.4	884.9	—	—
Unlisted shares (Note a)	2,123.0	3,753.7	6.8	6.8
	2,933.4	4,638.6	6.8	6.8
Negative goodwill on acquisition	(122.0)	(113.2)	—	—
Goodwill on acquisition	85.6	85.6	—	—
Less: amortisation	(17.4)	(14.9)	—	—
	(53.8)	(42.5)	—	—
Amounts due by associated companies (Note b)	3,397.1	3,820.8	399.9	194.0
Amounts due to associated companies (Note c)	(440.8)	(239.5)	(21.3)	(21.3)
	2,956.3	3,581.3	378.6	172.7
	5,835.9	8,177.4	385.4	179.5
Market value of listed shares	436.6	334.3	—	—

16 Associated Companies (continued)

- (a) During the year, certain associated companies, which are the subject of the NWTMT Complaint (Note 34a), ceased to be accounted for by the Group as associated companies as the Directors are of the opinion that the Group is no longer able to effectively exercise significant influence over the financial and operating decisions of these associated companies. Accordingly, the investments in and amounts due by these associated companies were reclassified as other investments and loans to investee companies (Notes 18a and 39).
- (b) Amounts due by associated companies are analysed as follows:

	Group	
	2004	2003
	HK\$m	HK\$m
Interest bearing		
Fixed rates (Note i)	311.5	388.6
Variable rates (Note ii)	59.5	271.5
Non-interest bearing (Note iii)	3,026.1	3,160.7
	3,397.1	3,820.8

- (i) Fixed rates represent interest rates ranging from 5.8% to 8.0% (2003: 5.8% to 8.0%) per annum.
- (ii) Variable rates represent interest rates ranging from 0.6% above 3-month Hong Kong Interbank Offered Rate ("HIBOR") (2003: 0.6% above 3-month HIBOR) to the Hong Kong Prime rate (2003: Hong Kong Prime rate) per annum.
- (iii) The balance included amounts totalling HK\$399.9 million (2003: HK\$194.0 million) due to the Company.

The amounts are unsecured and have no fixed terms of repayment.

- (c) The amounts due to associated companies are unsecured, interest free and repayable on demand.
- (d) Details of principal associated companies are given in Note 39.

17 Jointly Controlled Entities

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Equity joint ventures				
Group's share of net assets	1,085.3	1,160.2	—	6.0
Goodwill on acquisition	2.4	2.4	—	—
Less: amortisation	(0.2)	(0.1)	—	—
Amounts due by joint ventures less provision (Note a)	197.5	237.3	—	—
Amounts due to joint ventures (Note b)	(79.8)	(26.3)	(5.8)	—
	1,205.2	1,373.5	(5.8)	6.0
Co-operative joint ventures (Note c)				
Cost of investment less provision	5,517.4	5,859.8	—	13.1
Goodwill on acquisition	17.7	17.7	—	—
Less: amortisation	(1.8)	(0.9)	—	—
Share of undistributed post-acquisition results	(316.0)	(543.5)	—	—
Amounts due by joint ventures less provision (Note a)	8,778.0	7,560.9	—	—
Amounts due to joint ventures (Note b)	(113.0)	(142.0)	—	—
	13,882.3	12,752.0	—	13.1
Companies limited by shares				
Group's share of net assets	2,807.1	1,642.9	—	—
Goodwill on acquisition	271.8	—	—	—
Less: amortisation	(7.7)	—	—	—
Subordinated loans (Note a)	455.7	889.6	—	—
Amounts due by investee companies (Note a)	5,629.4	5,675.9	105.0	251.0
Amounts due to investee companies (Note b)	(698.6)	(741.3)	—	—
	8,457.7	7,467.1	105.0	251.0
Deposits paid for joint ventures (Note d)	481.9	480.5	—	13.7
	24,027.1	22,073.1	99.2	283.8

17 Jointly Controlled Entities (continued)

(a) Subordinated loans and amounts due by jointly controlled entities are analysed as follows:

	Subordinated loans		Amounts due by jointly controlled entities	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Interest bearing				
Fixed rates (Note i)	19.0	19.0	6,491.5	4,936.6
Variable rates (Note ii)	—	—	1,535.7	1,469.2
Non-interest bearing (Note iii)	436.7	870.6	6,577.7	7,068.3
	455.7	889.6	14,604.9	13,474.1

- (i) Fixed rates represent interest rates ranging from 2.0% to 14.0% (2003: 2.0% to 15.0%) per annum.
- (ii) Variable rates represent interest rates ranging from 3-month HIBOR to 2.0% above the Hong Kong Prime rate per annum (2003: 3-month HIBOR).
- (iii) The balance included amounts of HK\$105.0 million (2003: HK\$251.0 million) due to the Company.

The repayment terms of the amounts due by jointly controlled entities are specified in the relevant joint venture agreements.

- (b) The amounts due to jointly controlled entities are unsecured, interest free and repayable on demand.
- (c) Certain of the Group's interests in co-operative joint ventures in the PRC have been pledged as security for a loan granted to the Group.
- (d) The balances represent advances paid in respect of proposed joint ventures for which the jointly controlled entities have not yet been established as at the year end date 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 joint venture balances.
- (e) Particulars of principal jointly controlled entities are given in Note 40.

18 Other Investments

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Equity securities				
Unlisted shares, at fair value (Notes a & b)	994.2	963.3	22.6	61.5
Listed shares, at market value				
Hong Kong	317.7	247.5	—	—
Overseas	274.9	418.7	—	—
	1,586.8	1,629.5	22.6	61.5
Debt securities				
Unlisted debentures and convertible bonds, at fair value	130.7	134.2	—	—
Investments in joint property development projects				
At cost less provision and amortisation (Note c)	1,712.0	1,743.6	—	—
Other joint ventures				
Cost of investment, less provision	—	87.2	—	—
Amounts due by joint ventures, less provision (Note d)	—	1,607.0	—	—
	—	1,694.2	—	—
Loans to investee companies (Note e)	304.2	—	—	—
Provision (Note e)	(304.2)	—	—	—
	—	—	—	—
	3,429.5	5,201.5	22.6	61.5

(a) Included in unlisted equity securities are investments in PrediWave and certain former associated companies of the Group (collectively the "PrediWave Companies") (Note 16a), which are the subject of the NWTMT Compliant (Note 34a). A full impairment provision of HK\$1,933.9 million was made against these assets during the year.

(b) Also included in unlisted equity securities is an unlisted equity investment of approximately HK\$376.9 million in Intellambda Systems Inc. ("Intellambda") which was acquired by NWTMT during the year. Mr. Tony Qu is the Chief Executive Officer of Intellambda. Intellambda's business objective is to develop optical transport and switching platform and provide the optical networking solutions for carriers planning on building or upgrading their metro and regional infrastructures. Based on the latest financial information available to NWTMT, Intellambda was operating at a loss. The director nominated by NWTMT to Intellambda has requested for further financial information from Intellambda for the purpose of assessing the carrying value of the investment in Intellambda. However, Intellambda imposed certain conditions before it would make available further financial information to the director nominated by NWTMT to Intellambda. In view of the conditions imposed, no further information was obtained from Intellambda. Despite the litigation against Mr. Tony Qu, the directors of NWTMT remain confident in the technology held by Intellambda and consider that there is no reason to believe why Mr. Tony Qu would not pursue, if not harder because of the presence of NWTMT as a shareholder keeping a close eye on the performance, the business objective of Intellambda and make it a successful operation. As a result, the Directors of the Company consider that no provision for impairment in value of the investment in Intellambda is required.

18 Other Investments (continued)

- (c) The aggregate carrying value of investments in joint property development projects pledged as securities for loans amounted to HK\$1,053.8 million (2003: HK\$1,081.4 million).
- (d) As at 30 June 2003, the amounts due by joint ventures of HK\$1,281.8 million carried interest at 5.3% to 10.0% per annum. The remaining balance was non-interest bearing. All balances were unsecured and had repayment terms as specified in the relevant joint venture agreements.
- (e) Balances represent loans to PrediWave Companies which are the subject of the NWTMT Complaint (Note 34a). A full provision of HK\$304.2 million (Note 4) was made against these loans during the year.
- (f) Certain other joint ventures are reclassified as jointly controlled entities during the year upon the change of the term of profit sharing in these entities.

19 Other Assets

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Long term receivables (Note a)	1,193.1	1,494.1	—	—
Deposits for proposed investments (Note b)	1,613.8	1,699.9	—	—
Deposits for purchase of fixed assets (Note c)	—	936.5	—	—
Retirement benefit assets (Note 11bi)	17.3	12.2	—	—
	2,824.2	4,142.7	—	—

(a) Long term receivables

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Accounts receivable	1,673.9	1,271.5	—	—
Other loans	346.9	371.8	—	—
	2,020.8	1,643.3	—	—
Amounts receivable within one year included in current assets	(827.7)	(149.2)	—	—
	1,193.1	1,494.1	—	—

Included in accounts receivable is an amount of HK\$600.0 million (2003: HK\$600.0 million) due from a third party which is unsecured and bears interest at 3.0% (2003: 3.0%) per annum. This amount, together with the refund of deposits from the withdrawal of proposed investment in the Network (Note 19b), are fully repayable by 30 November 2004.

19 Other Assets (continued)**(b) Deposits for proposed investments**

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Cost less provision				
Deposits for the Network	1,531.2	1,531.2	—	—
Others	82.6	168.7	—	—
	1,613.8	1,699.9	—	—

In 2002, NWTMT entered into an option agreement (the "Option Agreement") with a PRC entity for the acquisition (the "Acquisition") of an interest in a fibre optic backbone network ("Network") in the PRC, and subject to certain conditions as stipulated in the Option Agreement, NWTMT is entitled to acquire up to 70.0% interest in the Network within 2 years from the date of the Option Agreement at a consideration of approximately HK\$2,563.0 million.

As at 30 June 2004, approximately HK\$1,531.2 million (2003: HK\$1,531.2 million) was paid as a deposit for the Acquisition. On 23 June 2004, NWTMT requested to withdraw from the Acquisition and the counter parties agreed on 3 September 2004 that deposits paid for proposed investments, loans and other amounts owing to NWTMT totalling HK\$2,160.0 million together with interest would be fully repaid to the Group by 30 November 2004.

(c) Deposits for purchase of fixed assets

The balance represents trade deposits paid to PrediWave for purchase of interactive television network system and equipment which is the subject of the NWTMT Complaint (Note 34a). A full provision of HK\$843.9 million was made against these assets during the year.

20 Properties Held for Sale

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Properties under development, at cost less provision	13,325.1	15,104.8	—	—
Completed properties, at cost less provision	2,979.1	1,767.2	—	—
Joint property development projects, at cost less provision	6,879.9	5,791.0	547.5	489.8
	23,184.1	22,663.0	547.5	489.8

The aggregate carrying value of properties held for sale pledged as securities for loans amounted to HK\$3,055.1 million (2003: HK\$2,604.1 million).

21 Stocks

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Raw materials	88.2	447.2	—	—
Work-in-progress	1.8	16.1	—	—
Finished goods	98.2	95.1	—	—
Merchandise	93.5	89.0	—	—
	281.7	647.4	—	—

At 30 June 2004, the amount of stocks carried at net realisable value amounted to HK\$93.7 million (2003: HK\$417.8 million).

Included in raw materials is an amount of HK\$62.1 million (2003: HK\$348.2 million) which represents parts for production of interactive television equipment. These stocks are the subject of the NWTMT Complaint (Note 34a).

22 Debtors and Prepayments

- (a) At 30 June 2004, the retention receivable for contracts in progress amounting to HK\$716.6 million (2003: HK\$807.8 million) has been included in debtors and prepayments.
- (b) Debtors and prepayments include trade debtors, amounts advanced to investee companies, deposits and prepayments. The Group has various 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 money receivables in respect of construction and engineering services are settled in accordance with the terms of respective contracts. Ageing analysis of trade debtors is as follows:

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Current to 30 days	5,019.4	3,097.1	—	—
31 to 60 days	283.5	176.5	—	—
Over 60 days	1,509.2	1,754.9	—	—
	6,812.1	5,028.5	—	—

23 Cash and Bank Balances

Restricted bank balances are funds which are pledged to secure certain short term loans and long term loans.

24 Creditors and Accrued Charges

(a) At 30 June 2004, advances received from customers for contracts in progress amounting to HK\$39.1 million (2003: HK\$31.2 million) had been included in creditors and accrued charges.

(b) Included in creditors and accrued charges are trade creditors with their ageing analysis as follows:

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Current to 30 days	3,418.5	3,470.7	—	—
31 to 60 days	280.7	142.8	—	—
Over 60 days	1,657.5	2,114.3	—	—
	5,356.7	5,727.8	—	—

25 Contracts in Progress

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses to date	14,267.1	17,882.2	—	—
Progress payments received and receivable	(14,498.1)	(18,195.9)	—	—
	(231.0)	(313.7)	—	—
Representing:				
Gross amount due from customers for contract work	268.4	272.6	—	—
Gross amount due to customers for contract work	(499.4)	(586.3)	—	—
	(231.0)	(313.7)	—	—

26 Long Term Liabilities

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Bank loans				
Secured	9,861.8	16,485.9	—	—
Unsecured	13,986.5	13,476.7	—	—
Other unsecured loans not wholly repayable within five years	—	62.8	—	—
Obligations under finance leases wholly repayable within five years (Note a)	109.1	200.3	—	—
	23,957.4	30,225.7	—	—
Convertible bonds (Note b)	1,350.0	2,678.1	—	—
Loans from minority shareholders (Note c)	1,955.2	2,314.7	—	—
Deferred income	478.7	464.8	—	—
Provision for long service payments (Note d)	87.7	107.3	—	—
Long term accounts payable	86.0	661.4	86.0	172.0
	27,915.0	36,452.0	86.0	172.0
Amounts repayable within one year included in current liabilities	(6,046.0)	(7,424.1)	(86.0)	(86.0)
	21,869.0	29,027.9	—	86.0

26 Long Term Liabilities (continued)

	Group				Total HK\$m
	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Other unsecured loans HK\$m	Obligations under finance leases HK\$m	
The maturity of long term borrowings for 2004 is as follows:					
Within one year	3,941.2	1,950.8	—	67.9	5,959.9
In the second year	3,443.7	3,524.8	—	37.9	7,006.4
In the third to fifth year	2,226.0	8,501.5	—	3.3	10,730.8
After the fifth year	250.9	9.4	—	—	260.3
	9,861.8	13,986.5	—	109.1	23,957.4
The maturity of long term borrowings for 2003 is as follows:					
Within one year	2,634.7	1,445.9	—	90.5	4,171.1
In the second year	3,524.3	2,200.0	—	84.0	5,808.3
In the third to fifth year	8,050.2	9,830.8	—	25.8	17,906.8
After the fifth year	2,276.7	—	62.8	—	2,339.5
	16,485.9	13,476.7	62.8	200.3	30,225.7

(a) Finance lease obligations – minimum lease payments

	Group	
	2004 HK\$m	2003 HK\$m
Within one year	69.9	93.6
In the second year	38.5	86.9
In the third to fifth year	3.3	26.2
	111.7	206.7
Future finance charges on finance leases	(2.6)	(6.4)
Present value of finance lease liabilities	109.1	200.3

26 Long Term Liabilities (continued)

(b) Convertible bonds

- (i) In June 1999, a subsidiary had issued US\$300.0 million convertible guaranteed bonds which carried interest at 3.0% per annum payable semi-annually in arrears. The bonds were guaranteed by the Company and listed on the Luxembourg Stock Exchange. Further US\$50.0 million convertible bonds were issued in July 1999 at the same terms and conditions. Each holder of the bonds had the option to convert the bonds into shares of HK\$1.00 each of the Company at an initial conversion price of HK\$24.60 per share, at any time between 9 August 1999 and 9 May 2004.

In December 2003, the subsidiary repurchased bonds with face value of US\$1.0 million (2003: US\$4.5 million) at a consideration of HK\$9.6 million (2003: HK\$42.9 million). The remaining outstanding bonds were redeemed at 123.104% of their principal amount together with accrued interest on 9 June 2004.

- (ii) On 26 April 2004, a subsidiary of the Group issued zero coupon guaranteed convertible bonds in the aggregate amount of HK\$1,350.0 million, which are convertible into fully paid shares with par value of HK\$1.00 each of NWSH.

The bonds, guaranteed by NWSH, are convertible into the shares of NWSH at a conversion price of HK\$13.63 per share at any time on and after 27 May 2004 up to 11 April 2009. The bonds are redeemable by the issuer from 27 October 2005 to 25 April 2009. Moreover, the bondholders shall have the right to redeem all or some only of the bonds held by them on 26 April 2006 at 99.0% of the principal amount of each such bond. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed on the maturity date on 26 April 2009 at 97.53% of the principal amount.

(c) Loans from minority shareholders

The loans from minority shareholders include loans of HK\$232.6 million (2003: HK\$674.8 million) to certain consolidated joint ventures, which are unsecured, carry interest at fixed rates ranging from 5.0% to 15.0% (2003: 7.5% to 15.0%) per annum and have repayment terms specified in the relevant joint venture agreements. The remaining balance is unsecured, interest free and has no specific repayment terms except for loans of HK\$134.9 million (2003: HK\$127.2 million) which bear interest at rates ranging from 3.0% above 1-month HIBOR to 1.0% below the Hong Kong Prime rate per annum (2003: 3.0% above 1-month HIBOR to 1.0% below Hong Kong Prime rate).

26 Long Term Liabilities (continued)**(d) Provision for long service payments**

The Group's long service payment obligations as at 30 June 2004 are valued by Watson Wyatt Hong Kong Limited using the projected unit credit method.

	Group	
	2004	2003
	HK\$m	HK\$m

The amounts recognised in the balance sheet were determined as follows:

Present value of funded obligations	87.7	107.3
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The amounts recognised in the profit and loss account were as follows:

Current service cost	0.1	15.6
Interest cost	2.5	28.5
Net actuarial gains recognised during the year	(9.5)	(12.7)
	(6.9)	31.4

Movement in the long service payment obligations were as follows:

At the beginning of the year	107.3	83.9
Net (income)/expense recognised in the profit and loss account	(6.9)	31.4
Payment made during the year	(12.7)	(8.0)
At the end of the year	87.7	107.3

	Group	
	2004	2003

The principal actuarial assumptions used were as follows:

Discount rate	4.3%	3.5%
Expected rate of future salary increases	0.5%–2.5%	0.5%–2.5%

27 Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003:17.5%).

The adoption of SSAP 12 has resulted in the following changes as at 30 June 2003:

	Group
	HK\$m
Increase in goodwill	7.2
Decrease in associated companies	(88.0)
Decrease in jointly controlled entities	(391.7)
Decrease in other investments	(19.3)
Increase in deferred tax assets	335.9
Decrease in minority interests	406.9
Increase in deferred tax liabilities	(430.0)
Decrease in reserves	(179.0)

The movement on the net deferred tax liabilities account is as follows:

	Group	
	2004	2003
	HK\$m	HK\$m
At the beginning of the year	688.8	723.4
Translation differences	0.3	0.1
Disposal and deconsolidation of subsidiaries	(204.4)	(80.0)
Deferred taxation charged/(credited) to profit and loss account (Note 7)	151.5	(1.1)
Taxation (credited)/charged to asset revaluation reserve	(0.4)	46.4
At the end of the year	635.8	688.8

27 Deferred Taxation (continued)

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

Deferred tax liabilities

	Accelerated tax depreciation		Revaluation of properties		Recognition of income from sales of properties		Fair value adjustments on properties		Others		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	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 the beginning of the year	(1,250.7)	(1,363.4)	(98.0)	(51.6)	(4.5)	(2.1)	(72.7)	(79.8)	(3.1)	(5.7)	(1,429.0)	(1,502.6)
Credited/(charged) to profit and loss account	27.5	32.7	—	—	(34.2)	(2.4)	(3.0)	7.1	(5.3)	2.7	(15.0)	40.1
Credited/(charged) to asset revaluation reserve	—	—	0.4	(46.4)	—	—	—	—	—	—	0.4	(46.4)
Disposal and deconsolidation of subsidiaries	287.5	80.0	—	—	—	—	—	—	—	—	287.5	80.0
Translation differences	—	—	—	—	—	—	—	—	(0.1)	(0.1)	(0.1)	(0.1)
At the end of the year	(935.7)	(1,250.7)	(97.6)	(98.0)	(38.7)	(4.5)	(75.7)	(72.7)	(8.5)	(3.1)	(1,156.2)	(1,429.0)

Deferred tax assets

	Provisions		Accelerated accounting depreciation		Tax losses		Unrealised profit of intra-group transactions		Others		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	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 the beginning of the year	24.0	4.6	11.2	6.7	645.9	704.3	56.8	61.7	2.3	1.9	740.2	779.2
(Charged)/credited to profit and loss account	(11.8)	19.4	(4.9)	4.5	(125.2)	(58.4)	1.2	(4.9)	4.2	0.4	(136.5)	(39.0)
Disposal and deconsolidation of subsidiaries	—	—	(0.1)	—	(83.0)	—	—	—	—	—	(83.1)	—
Translation differences	—	—	—	—	(0.2)	—	—	—	—	—	(0.2)	—
At the end of the year	12.2	24.0	6.2	11.2	437.5	645.9	58.0	56.8	6.5	2.3	520.4	740.2

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2004 HK\$m	2003 HK\$m
Deferred tax assets	286.8	335.9
Deferred tax liabilities	(922.6)	(1,024.7)
	(635.8)	(688.8)

27 Deferred Taxation (continued)

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\$7,912.9 million (2003: HK\$9,359.3 million) to carry forward against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$627.8 million (2003 HK\$438.9 million) which will expire at various dates up to and including 2009 (2003: 2008).

28 Share Capital

	2004 No. of shares (million)	2004 HK\$m	2003 No. of shares (million)	2003 HK\$m
Authorised:				
Shares of HK\$1.00 each				
At the beginning of the year	2,500.0	2,500.0	2,500.0	2,500.0
Increase in authorised share capital (Note a)	7,500.0	7,500.0	—	—
At the end of the year	10,000.0	10,000.0	2,500.0	2,500.0
Issued and fully paid:				
Shares of HK\$1.00 each				
At the beginning of the year	2,219.5	2,219.5	2,166.4	2,166.4
Placement of shares (Note b)	250.0	250.0	—	—
Rights issue (Note c)	987.8	987.8	—	—
Issued as scrip dividends (Note d)	—	—	53.1	53.1
At the end of the year	3,457.3	3,457.3	2,219.5	2,219.5

(a) Increase in authorised share capital

By two ordinary resolutions passed on 2 December 2003 and 22 March 2004, the authorised share capital of the Company was increased from HK\$2,500.0 million to HK\$10,000.0 million by the creation of additional 7,500.0 million shares of HK\$1.00 each.

(b) Placement of shares

During the year, 250.0 million shares of HK\$1.00 each were issued at HK\$4.9044 per share to provide funds to reduce the bank borrowings of the Group.

(c) Rights issue

During the year, 987,817,877 shares of HK\$1.00 each were issued at HK\$5.40 per share by way of rights issue on the basis of two shares for every five shares. The proceeds of the rights issue were used to repay the outstanding convertible bond, to pay land conversion premium for the existing agricultural land bank and to provide for general working capital of the Group.

(d) Issued as scrip dividends

In 2003, 25,371,708 and 27,766,413 new shares were issued at HK\$3.91395 and HK\$2.4929 per share for the settlement of 2002 final scrip dividend and 2003 interim scrip dividend respectively.

29 Reserves

Group							
	Capital redemption reserve HK\$m	Share premium HK\$m	Asset revaluation reserve HK\$m	Capital reserve HK\$m	General reserve HK\$m	Retained profits HK\$m	Total HK\$m
Balance as at 1.7.2002, as previously reported	37.7	19,232.4	15,125.2	558.6	572.9	15,906.7	51,433.5
Effect of adoption of SSAP 12	–	–	(105.5)	(114.6)	–	(61.0)	(281.1)
Balance as at 1.7.2002, as restated	37.7	19,232.4	15,019.7	444.0	572.9	15,845.7	51,152.4
Scrip dividends	–	115.4	–	–	–	–	115.4
Share issue expenses	–	(0.2)	–	–	–	–	(0.2)
Investment and hotel properties revaluation deficit for the year, net of taxation	–	–	(1,779.8)	–	–	–	(1,779.8)
Share of revaluation deficit, net of taxation of							
Associated companies	–	–	(70.5)	–	–	–	(70.5)
Jointly controlled entities	–	–	(104.6)	–	–	–	(104.6)
Investment securities impairment loss charged to profit and loss account	–	–	94.8	–	–	–	94.8
Release of goodwill upon disposal of a jointly controlled entity	–	–	–	6.2	–	–	6.2
Goodwill impairment loss charged to profit and loss account	–	–	–	32.3	–	–	32.3
Investment securities revaluation deficit for the year	–	–	(531.9)	–	–	–	(531.9)
Investment securities revaluation surplus realised upon disposal	–	–	(35.0)	–	–	–	(35.0)
Loss for the year	–	–	–	–	–	(4,707.7)	(4,707.7)
Transfer to retained profits	–	–	(39.0)	–	(6.3)	45.3	–
Translation difference	–	–	–	–	–	(85.6)	(85.6)
2002 final dividend paid	–	–	–	–	–	(216.6)	(216.6)
2003 interim dividend paid	–	–	–	–	–	(131.5)	(131.5)
	37.7	19,347.6	12,553.7	482.5	566.6	10,749.6	43,737.7
Retained by:							
Company and subsidiaries	37.7	19,347.6	12,497.4	590.0	566.6	14,896.6	47,935.9
Associated companies	–	–	248.6	0.5	–	(1,551.7)	(1,302.6)
Jointly controlled entities	–	–	(192.3)	(108.0)	–	(2,595.3)	(2,895.6)
	37.7	19,347.6	12,553.7	482.5	566.6	10,749.6	43,737.7

29 Reserves (continued)

	Group						
	Capital redemption reserve	Share premium	Asset revaluation reserve	Capital reserve	General reserve	Retained profits	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Balance as at 1.7.2003, as previously reported	37.7	19,347.6	12,675.5	582.5	566.6	10,706.8	43,916.7
Effect of adoption of SSAP 12	—	—	(121.8)	(100.0)	—	42.8	(179.0)
Balance as at 1.7.2003, as restated	37.7	19,347.6	12,553.7	482.5	566.6	10,749.6	43,737.7
Placement of shares	—	976.1	—	—	—	—	976.1
Rights issue	—	4,346.4	—	—	—	—	4,346.4
Share issue expenses	—	(74.0)	—	—	—	—	(74.0)
Investment and hotel properties revaluation surplus for the year, net of taxation	—	—	2,774.0	—	—	—	2,774.0
Share of revaluation surplus, net of taxation of							
Associated companies	—	—	45.9	—	—	—	45.9
Jointly controlled entities	—	—	104.0	—	—	—	104.0
Investment securities impairment loss charged to profit and loss account	—	—	1,315.7	—	—	—	1,315.7
Release of goodwill upon disposal of a subsidiary	—	—	—	1.5	—	—	1.5
Impairment loss on goodwill written back	—	—	—	(14.6)	—	—	(14.6)
Goodwill impairment loss charged to profit and loss account	—	—	—	14.6	—	—	14.6
Investment securities revaluation deficit for the year	—	—	(1,265.8)	—	—	—	(1,265.8)
Investment securities revaluation deficit realised upon disposal	—	—	32.8	—	—	—	32.8
Loss for the year	—	—	—	—	—	(976.2)	(976.2)
Transfer to retained profits	—	—	(17.4)	—	0.8	16.6	—
Translation difference	—	—	—	—	—	(1.3)	(1.3)
2004 interim dividend paid	—	—	—	—	—	(69.1)	(69.1)
	37.7	24,596.1	15,542.9	484.0	567.4	9,719.6	50,947.7
Representing:							
Balance at 30.6.2004	37.7	24,596.1	15,542.9	484.0	567.4	9,581.3	50,809.4
2004 proposed final dividend	—	—	—	—	—	138.3	138.3
	37.7	24,596.1	15,542.9	484.0	567.4	9,719.6	50,947.7
Retained by:							
Company and subsidiaries	37.7	24,596.1	15,336.7	591.5	567.4	13,405.4	54,534.8
Associated companies	—	—	294.5	0.5	—	(1,480.3)	(1,185.3)
Jointly controlled entities	—	—	(88.3)	(108.0)	—	(2,205.5)	(2,401.8)
	37.7	24,596.1	15,542.9	484.0	567.4	9,719.6	50,947.7

29 Reserves (continued)

	Company				
	Capital redemption reserve	Share premium	Asset revaluation reserve	Retained profits	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Balance as at 1.7.2002	37.7	19,232.4	194.3	12,539.1	32,003.5
Scrip dividends	—	115.4	—	—	115.4
Share issue expenses	—	(0.2)	—	—	(0.2)
Investment properties revaluation deficit for the year	—	—	(4.2)	—	(4.2)
Investment securities revaluation surplus realised upon disposal	—	—	(144.3)	—	(144.3)
Investment securities revaluation deficit for the year	—	—	(13.5)	—	(13.5)
Loss for the year	—	—	—	(177.0)	(177.0)
2002 final dividend paid	—	—	—	(216.6)	(216.6)
2003 interim dividend paid	—	—	—	(131.5)	(131.5)
	37.7	19,347.6	32.3	12,014.0	31,431.6
Balance as at 1.7.2003	37.7	19,347.6	32.3	12,014.0	31,431.6
Placement of shares	—	976.1	—	—	976.1
Rights issue	—	4,346.4	—	—	4,346.4
Share issue expenses	—	(74.0)	—	—	(74.0)
Investment properties revaluation surplus for the year	—	—	3.0	—	3.0
Investment securities revaluation deficit realised upon disposal	—	—	29.5	—	29.5
Investment securities revaluation deficit for the year	—	—	(27.7)	—	(27.7)
Loss for the year	—	—	—	(1,984.7)	(1,984.7)
2004 interim dividend paid	—	—	—	(69.1)	(69.1)
	37.7	24,596.1	37.1	9,960.2	34,631.1
Representing:					
Balance at 30.6.2004	37.7	24,596.1	37.1	9,821.9	34,492.8
2004 proposed final dividend	—	—	—	138.3	138.3
	37.7	24,596.1	37.1	9,960.2	34,631.1

Analysis of asset revaluation reserve

	Group		Company	
	2004	2003	2004	2003
	HK\$m	HK\$m	HK\$m	HK\$m
Hotel properties	3,581.7	2,836.9	—	—
Investment properties	11,693.7	9,532.0	26.0	23.0
Investment securities	267.5	184.8	11.1	9.3
	15,542.9	12,553.7	37.1	32.3

30 Commitments

(a) Capital commitments

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Contracted but not provided for				
Intangible assets	—	237.9	—	—
Fixed assets	566.1	708.9	—	—
An associated company	12.2	—	—	—
A subsidiary	—	—	55.0	55.0
Jointly controlled entities	326.4	177.1	—	—
Other investments	70.3	2.8	—	—
	975.0	1,126.7	55.0	55.0
Authorised but not contracted for				
Fixed assets	15.7	37.8	—	—
The Group's share of capital commitments of the jointly controlled entities not included above are as follows:				
Contracted but not provided for	205.1	287.6	—	—
Authorised but not contracted for	268.4	123.9	—	—
	473.5	411.5	—	—

The above capital commitments did not include commitments for purchase of fixed assets and intangible assets in respect of the PrediWave Complaint (Note 34b).

30 Commitments (continued)**(b) Commitments under operating leases**

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

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Land and buildings				
In the first year	363.3	338.5	—	—
In the second to fifth year inclusive	789.8	653.1	—	—
After the fifth year	2,395.4	1,727.4	—	—
	3,548.5	2,719.0	—	—
Equipment				
In the first year	—	15.4	—	—
In the second to fifth year inclusive	—	13.8	—	—
	3,548.5	2,748.2	—	—

(c) Other commitments

The future aggregate payments for other commitments are as follows:

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
In the first year	—	30.0	—	—
In the second to fifth year inclusive	—	110.5	—	—
	—	140.5	—	—

- (d) At 30 June 2004, the Group had issued performance guarantees amounting to HK\$889.5 million (2003: HK\$382.3 million), in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of property projects developed by certain subsidiaries and certain jointly controlled entities of the Group. Pursuant to the terms of the performance guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

30 Commitments (continued)

- (e) A subsidiary and certain jointly controlled entities are parties to agreements with third parties in respect of the joint development of Container Terminal 9 ("CT9") in Hong Kong, the related berth swap arrangement and the funding. The Group's attributable share of such commitments for capital expenditure as at 30 June 2004 has been disclosed in Note (a) above.

In the event of default of any of the third parties, the relevant subsidiary and jointly controlled entities will be required to provide additional funds for the project. The Group has given guarantees in respect of the obligations of the relevant subsidiary and jointly controlled entities to provide additional funds. During the year, the Group entered into amendment agreements with an associated company and the third parties pursuant to which guaranteed amounts for the joint development of CT9 and the related berth swap arrangement have been substantially reduced. Accordingly, should the Group be required to perform its obligations under the guarantees for the development of CT9 and the funding, the maximum amount of the additional liabilities assumed would be insignificant to the accounts of the Group (as at 30 June 2003: HK\$1,321.8 million, out of which approximately HK\$781.0 million had been counter-indemnified by an associated company).

One of the jointly controlled entities has obtained banking facilities to finance 60.0% of its share of development costs for CT9 and would reduce the funds to be injected by the Group accordingly. The Group has given guarantee in respect of the banking facilities and is included in Note 31.

(f) Future minimum rental payments receivable

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

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
In the first year	485.1	481.2	5.8	4.9
In the second to fifth year inclusive	555.1	609.9	18.2	23.5
After the fifth year	544.6	410.6	—	0.5
	1,584.8	1,501.7	24.0	28.9

The Group's operating leases are for terms ranging from 1 to 6 years.

31 Contingent Liabilities

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Guarantees for				
Performance bonds in respect of construction contracts undertaken by the Group	1,488.4	1,373.2	534.5	100.8
Other performance bonds	332.3	211.9	77.4	77.7
Guarantees for credit facilities granted to				
Subsidiaries	—	—	20,338.6	24,081.8
Associated companies	418.9	1,581.4	105.0	105.0
Jointly controlled entities	5,142.1	4,536.9	707.8	1,733.5
Investee companies included under other investments	4.2	4.2	4.2	4.2
Indemnity to non-wholly owned subsidiaries for PRC tax liabilities	1,925.2	2,008.1	6,347.6	6,645.1
	9,311.1	9,715.7	28,115.1	32,748.1

Except for pending litigations as referred to in Note 34 to the accounts, the Group is in dispute with a joint venture partner in respect of certain property development projects in the PRC and the parties have taken legal actions against each other. As at the date of approval of these accounts, no statement of claims setting out details of the claims have been rendered to the Group. So far, the status of these projects remains unchanged. There is another dispute with another joint venture partner in respect of a hotel project in Malaysia, the trial of which was finished in July 2003 and a judgment in favour of the Group was handed down on 1 April 2004. An appeal has been lodged by the joint venture partner and is scheduled to be heard in June 2005. The Directors have obtained legal advice on the matters and are of the opinion that the matters will not have adverse material impact on the financial position of the Group.

32 Notes to Consolidated Cash Flow Statement

(a) Reconciliation of operating loss to net cash inflow generated from operations

	2004 HK\$m	2003 HK\$m (As restated)
Operating loss	(3,770.3)	(5,451.0)
Depreciation	1,110.3	1,200.7
Amortisation of		
Cost of investments in jointly controlled entities	—	10.4
Development costs	0.4	—
Goodwill and negative goodwill	7.1	5.4
Dilution loss on reorganisation of subsidiaries	—	196.4
Impairment loss on		
Fixed assets	1,457.1	386.8
Goodwill	40.1	21.0
Intangible assets	401.2	—
Provision for investments in		
A joint property development project	—	36.3
Associated companies	—	138.2
Jointly controlled entities	29.0	47.2
Listed and unlisted shares	81.3	101.4
Provision for		
Accounts receivable	160.9	35.5
Advances to associated companies	150.5	62.5
Advances to jointly controlled entities	50.2	480.8
Loans to investee companies	304.2	—
Other assets	1,024.9	122.4
Other investments	2,367.1	305.3
Payments on account	—	111.6
Provision for diminution in value of properties held for sale	137.2	2,352.3
Loss on dilution of interests in subsidiaries	49.6	0.3
(Write back of)/provision for revaluation deficit of a hotel property	(3.7)	178.3
Net loss/(profit) on disposal of		
Fixed assets	26.3	33.1
Associated companies	(0.2)	(3.1)
Jointly controlled entities	(9.3)	24.9
Listed shares	(16.2)	—
Other investments	37.3	(71.4)
Subsidiaries	(389.4)	(187.6)

32 Notes to Consolidated Cash Flow Statement (continued)**(a) Reconciliation of operating loss to net cash inflow generated from operations** (continued)

	2004 HK\$m	2003 HK\$m (As restated)
Profit on partial disposal of subsidiaries	—	(56.4)
Write down of stocks to net realisable value	294.4	458.4
Write back of impairment loss on		
Fixed assets	(205.1)	—
A jointly controlled entity	(16.7)	—
Write back of provision for		
Diminution in value of properties held for sale	(1,160.2)	(40.0)
Unlisted shares	(4.7)	—
Premium on redemption of convertible bonds	0.2	1.9
Translation difference	1.0	26.2
Net interest expenses and dividend income	744.0	1,449.6
Operating profit before working capital changes	2,898.5	1,977.4
Decrease in stocks	11.3	271.0
Decrease/(increase) in properties held for sale	1,731.3	(1,713.2)
(Increase)/decrease in debtors and prepayments	(2,545.6)	1,683.1
Increase in other loans receivable	(38.7)	(3.7)
Increase/(decrease) in creditors and accrued charges	106.7	(1,670.9)
(Decrease)/increase in contracts in progress	(82.7)	11.8
(Decrease)/increase in deposits received on sale of properties	(88.6)	208.3
Net cash inflow generated from operations	1,992.2	763.8

32 Notes to Consolidated Cash Flow Statement (continued)

(b) Acquisition of subsidiaries

	2004 HK\$m	2003 HK\$m
Net assets acquired		
Intangible assets	5.8	—
Fixed assets	48.3	745.6
Associated companies	3.7	—
Jointly controlled entities	—	775.4
Stocks	1.8	7.9
Properties held for sale	35.9	107.7
Debtors and prepayments	89.2	253.7
Taxation	—	(0.5)
Cash and bank balances	24.5	265.8
Creditors and accrued charges	(121.7)	(413.0)
Short term bank loans	—	(902.8)
Long term liabilities	(4.4)	(79.1)
Minority interests	(35.6)	(21.3)
	47.5	739.4
Less: Interests originally held by the Group		
Associated companies	—	66.1
Jointly controlled entities	(47.9)	(540.5)
	(0.4)	265.0
Goodwill on acquisition	30.0	—
	29.6	265.0
Represented by:		
Cash	2.5	265.0
Deposits for proposed investments	27.1	—
	29.6	265.0

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

	2004 HK\$m	2003 HK\$m
Cash consideration	(2.5)	(265.0)
Cash and bank balances acquired	24.5	265.8
	22.0	0.8

32 Notes to Consolidated Cash Flow Statement (continued)**(d) Disposal of subsidiaries**

	2004 HK\$m	2003 HK\$m
Net assets disposed		
Fixed assets	1,905.7	1,653.0
Associated companies	—	289.4
Jointly controlled entities	682.4	—
Stocks	12.4	25.1
Properties held for sale	141.4	—
Debtors and prepayments	127.3	16.5
Cash and bank balances	396.1	174.0
Creditors and accrued charges	(500.5)	(492.0)
Bank loans and overdrafts	—	(73.6)
Taxation	(0.5)	—
Long term liabilities	(524.1)	(380.2)
Deferred tax liabilities	(103.3)	(80.0)
Minority interests	(552.3)	(214.4)
	1,584.6	917.8
Goodwill	1.5	—
Net profit on disposals of subsidiaries	389.4	187.6
	1,975.5	1,105.4
Represented by:		
Cash	1,370.0	1,128.5
Long term receivables	486.1	—
Debtors and prepayments	102.0	0.4
Jointly controlled entities	17.4	(23.5)
	1,975.5	1,105.4

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

	2004 HK\$m	2003 HK\$m
Cash consideration	1,370.0	1,128.5
Cash and bank balances disposed	(396.1)	(174.0)
	973.9	954.5

32 Notes to Consolidated Cash Flow Statement (continued)

(f) Restructuring of transport business and deconsolidation of a subsidiary

	2004	2003
	HK\$m	HK\$m
Net assets deconsolidated		
Fixed assets	3,327.1	—
Associated companies	244.4	—
Jointly controlled entities	67.0	—
Cash and bank balances	217.8	—
Debtors and prepayments	180.3	—
Stocks	49.4	—
Creditors and accrued charges	(280.7)	—
Taxation	(0.2)	—
Long term liabilities	(624.9)	—
Deferred tax liabilities	(101.1)	—
Minority interests	(786.5)	—
	2,292.6	—
Represented by:		
Cash	1,548.6	—
Jointly controlled entities	831.4	—
Creditors	(87.4)	—
	2,292.6	—

- (i) During the year, NWSH, Chow Tai Fook Enterprises Limited ("CTF") and Merryhill Group Limited ("Merryhill") entered into a share exchange which placed the respective transport and related business of the NWSH Group and CTF under Merryhill. Upon completion, each of the NWSH Group and CTF owns 50.0% of the total issued capital of Merryhill.
- (ii) The NWSH Group entered into an agreement in principle (the "AIP") on 12 December 2003 with Wuhan City Construction Fund Management Office ("Wuhan Fund Office") for the disposal of its approximately 48.9% interest in Wuhan Bridge Construction Co., Ltd ("WBC"), a Sino-foreign joint stock company incorporated in the PRC, which operated the Yangtze River Bridge No. 2 in Wuhan. The consideration payable by Wuhan Fund Office is Rmb1,180.0 million (equivalent to approximately HK\$1,100.0 million) and the said consideration will be settled by instalments on or before 31 December 2004 or 15th day after the approval of the proposed disposal by the relevant PRC authorities, whichever is later. The NWSH Group is in the process of finalising the sales and purchase agreement with Wuhan Fund Office. Notwithstanding the proposed disposal requires the entering into of a formal sale and purchase agreement and formal approval by the relevant PRC authorities, the NWSH Group considers that it no longer has control over the operations of WBC following the signing of the AIP. Accordingly, WBC, which was previously accounted for as a subsidiary, has been deconsolidated and the amount received, net of its carrying value shared by the NWSH Group of approximately HK\$87.4 million, has been classified as creditors and accrued charges as at 30 June 2004.

32 Notes to Consolidated Cash Flow Statement (continued)**(g) Analysis of net inflow of cash and cash equivalents in respect of restructuring of transport business and deconsolidation of a subsidiary**

	2004 HK\$m	2003 HK\$m
Cash consideration	1,548.6	—
Cash and bank balances deconsolidated	(217.8)	—
	1,330.8	—

(h) Analysis of changes in financing

	Share capital (including share premium) HK\$m	Long term liabilities HK\$m	Short term bank and other loans HK\$m	Restricted cash and bank balances HK\$m	Minority interests HK\$m	Total HK\$m
Balance at 30.6.2002	21,398.8	37,766.1	3,670.9	(2,404.4)	17,645.7	78,077.1
Net cash (outflow)/inflow from financing	(0.2)	(1,338.2)	(365.1)	731.1	(60.9)	(1,033.3)
Scrip dividends issued	168.5	—	—	—	—	168.5
Partial disposal of interest in subsidiaries	—	—	—	—	28.9	28.9
Acquisition of additional interests in subsidiaries	—	—	902.8	—	(244.2)	658.6
Disposal of subsidiaries	—	(380.2)	(73.6)	—	(214.4)	(668.2)
Decrease in deferred interest income	—	(10.9)	—	—	—	(10.9)
Increase in long term accounts payable	—	222.6	—	—	—	222.6
Acquisition of subsidiaries	—	79.1	—	—	21.3	100.4
Increase in minority interests as a result of Reorganisation and dilution of interests in subsidiaries	—	—	—	—	196.7	196.7
Minority interests' share of net loss and other reserves	—	—	—	—	(939.3)	(939.3)
Inception of finance leases	—	113.5	—	—	—	113.5
Translation difference	—	—	—	—	(13.5)	(13.5)
Balance at 30.6.2003	21,567.1	36,452.0	4,135.0	(1,673.3)	16,420.3	76,901.1
Net cash inflow/(outflow) from financing	6,486.3	(7,487.2)	(1,224.2)	485.3	(293.1)	(2,032.9)
Acquisition of additional interests in subsidiaries	—	—	—	—	(37.9)	(37.9)
Disposal of subsidiaries	—	(524.1)	—	—	(552.3)	(1,076.4)
Restructuring of transport business and deconsolidation of a subsidiary	—	(624.9)	—	—	(786.5)	(1,411.4)
Decrease in deferred interest income	—	(5.7)	—	—	—	(5.7)
Increase in long term accounts payable	—	66.8	—	—	—	66.8
Acquisition of subsidiaries	—	4.4	—	—	35.6	40.0
Increase in minority interests from dilution of interests in subsidiaries	—	—	—	—	106.5	106.5
Minority interests' share of net profit and other reserves	—	—	—	—	(1,087.1)	(1,087.1)
Inception of finance leases	—	33.7	—	—	—	33.7
Translation difference	—	—	—	—	(8.1)	(8.1)
Balance at 30.6.2004	28,053.4	27,915.0	2,910.8	(1,188.0)	13,797.4	71,488.6

(i) Non-cash transactions

The Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$33.7 million (2003: HK\$113.5 million).

During the year, certain investment properties amounted to HK\$285.5 million were transferred from a jointly controlled entity to the Group as partial settlement of an amount due by the jointly controlled entity.

33 Related Party Transactions

In addition to those disclosed in the accounts, the following significant related party transactions have been entered into by the Group during the year:

	2004 HK\$m	2003 HK\$m
Transactions with affiliated companies (Note a)		
Rental income (Note b)	10.5	12.4
Provision of contracting work service (Note c)	559.2	324.4
Interest income (Note d)	103.2	163.7
Purchase of assets (Note e)	365.6	810.7
Transactions/balances with other related parties		
Rental income (Note b)	17.6	17.6
Provision of contracting work service (Note c)	282.4	–
Management fee expenses (Note f)	85.2	72.2
Charter hire expenses, net of reimbursement (note g)	12.1	–
Disposal of fixed assets (Note h)	–	287.6
Disposal of other investments (Note h)	–	165.4
Disposals of subsidiaries (Note i)	–	347.8
Accounts receivable (Note j)	220.0	111.0
Accounts payable (Note k)	158.1	761.1

- (a) Affiliated companies include associated companies and jointly controlled entities.
- (b) Rental income is charged in accordance with respective tenancy agreements.
- (c) Revenue from provision of contracting work is principally charged at terms no less favourable than those charged to and contracted with third party customers of the Group.
- (d) Interest income is charged at interest rates as specified in Notes 16 and 17 on the outstanding balances due by the affiliated companies.
- (e) This represents purchases of set-top-boxes, licences, interactive television network system and equipment which are developed by PrediWave at prices mutually agreed by both parties. As at 30 June 2004, the Group also paid an aggregate amount of approximately HK\$843.9 million (2003: HK\$936.5 million) to PrediWave as trade deposits for purchase of fixed assets.
- (f) Management fee expenses are charged at rates in accordance with relevant contracts.
- (g) Charter hire expenses are charged at terms pursuant to the master charter agreement entered into between a then subsidiary of the Group and certain companies controlled by CTF (the "Master Charter Agreement"). During the period from 1 July 2003 to 9 March 2004 (the "Period"), the charter hire expenses paid to related parties amounted to HK\$43.0 million (year ended 30 June 2003: HK\$8.5 million).

Under the Master Charter Agreement, CTF has agreed to provide guarantees in favour of the then subsidiary of the Group that the net profit before tax attributable to the operation of the vessels is not less than HK\$10.0 million. An amount of HK\$30.9 million, representing the shortfall, is repayable by CTF to the Group in respect of the guaranteed profit during the Period (year ended 30 June 2003: HK\$8.5 million).

33 Related Party Transactions (continued)

- (h) In previous year, certain transactions had been entered into between subsidiaries of the Group and subsidiaries of CTF for the disposal of fixed assets and other investments at their open market values at dates of disposals.
- (i) In previous year, the Group disposed of its entire interest in a subsidiary to a subsidiary of CTF for a consideration of HK\$347.8 million.
- (j) The accounts receivable are unsecured, interest free, and have no fixed terms of repayment.
- (k) The accounts payable are unsecured, interest free and are repayable on demand except for the amount of HK\$755.7 million for 2003 which bore interest at rates ranging from 0.5% to 1.0% above 1-month HIBOR.

34 Pending Litigations

- (a) In May 2004, NWTMT, a 54.44% owned listed subsidiary, filed complaints to the Superior Court of the State of California for the County of Santa Clara in the United States of America ("US") ("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 billion to the PrediWave Companies for investments in and loans to the PrediWave Companies, and purchases of goods and services from PrediWave. 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 parties' agreements. 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 law suit exceeds US\$700.0 million (equivalent to approximately HK\$5,460.0 million).

The directors of NWTMT have been advised by their external legal counsel that the NWTMT Complaint will not be concluded in a short period of time and the outcome of the NWTMT Complaint is uncertain.

Based on the unaudited management accounts of the PrediWave Companies as at 31 December 2003 which were obtained prior to the commencement of the NWTMT Complaint, there was a balance of approximately US\$344.0 million (approximately HK\$2,683.0 million) in their bank accounts.

In June 2004, with the objective of preventing improper withdrawals of funds, Mr. Jimmy Li, the director nominated by NWTMT to certain PrediWave Companies sought to exercise the co-signing rights in relation to withdrawals of funds in excess of US\$0.5 million from the bank accounts of certain PrediWave Companies by requesting a temporary restraining order from the court. However, such request was denied by the Superior Court of the State of California for the County of Santa Clara in the US.

34 Pending Litigations (continued)

In August 2004, the Superior Court of the State of California for the County of Santa Clara in the US made an order in favour of Mr. Jimmy Li permitting him to inspect all corporate books and records of certain PrediWave Companies. Mr. Jimmy Li is assisted by an accounting firm in the US to inspect the books and records but no meaningful financial information has been extracted as of the date of approval of the accounts.

As the directors of NWTMT were unable to freeze the bank accounts or enforce the co-signing rights, the directors of NWTMT consider that they cannot effectively monitor the utilization of funds by the PrediWave Companies. Notwithstanding that the bank balance of the PrediWave Companies were approximately US\$344.0 million as at 31 December 2003 based on their unaudited management accounts, the directors of NWTMT expect that the utilisation of funds for legal costs and other causes beyond their control will be significant throughout the period up to the date when the NWTMT Complaint is concluded. In addition, in the absence of the availability of meaningful and updated financial information on the PrediWave Companies and given the uncertainty of the timing and the outcome of the litigation which would have a consequential effect on the amount of assets recoverable, the Directors of the Company have concluded that a full provision of HK\$3,082.0 million made against the Group's investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave is most appropriate for the purpose of the accounts for the year ended 30 June 2004.

- (b) In May 2004, PrediWave filed complaints to the Superior Court of the State of California for the County of Los Angeles in the US against NWTMT (the "PrediWave Complaint"). Under the PrediWave Complaint, PrediWave alleged that NWTMT had failed to make full payments under three purchase orders and one agreement for goods and services delivered or licenses granted by PrediWave to the Group relating to the Technology with an outstanding amount of approximately US\$58.9 million (equivalent to approximately HK\$459.0 million). PrediWave claimed damages against NWTMT in an amount to be proved at trial, but not less than US\$58.0 million (equivalent to approximately HK\$452.0 million) together with interest and costs of legal proceedings, and a declaration that NWTMT should pay PrediWave the profits PrediWave would have received had NWTMT performed its obligations under various purchase order and agreements and that PrediWave should be entitled to retain the deposits made by NWTMT thereunder.

The Directors are of the view that the Group has proper and valid defences to the PrediWave Complaint, and accordingly, no provision for commitment/loss has been accounted for in the accounts.

35 Post Balance Sheet Event

On 29 March 2004, a sale and purchase agreement (the "S&P Agreement") was entered into between New World Telephone Holdings Limited ("NWTHL"), a wholly owned subsidiary of the Company, and Asia Logistics Technologies Limited ("ALT"), pursuant to which ALT agreed to purchase and NWTHL agreed to dispose of its entire interest in New World PCS Holdings Limited (the "Sale Shares"). The aggregate consideration for the Sale Shares amounted to HK\$1,250.0 million which would be satisfied in cash upon the completion of the S&P Agreement. The S&P Agreement was conditional upon, among other conditions, the completion of the Subscription Agreement (as defined below).

A subscription agreement (the "Subscription Agreement") was also entered into on 29 March 2004 between Power Palace Group Limited ("PPG"), a wholly owned subsidiary of the Company, and ALT, pursuant to which PPG agreed to subscribe for: (i) 4,166,666,667 new shares of HK\$0.01 each ALT (or 41,666,666 shares of HK\$1.00 each immediately following ALT's capital reduction and consolidation of every 100 issued and unissued existing ALT's shares of HK\$0.01 each into one consolidated ALT share of HK\$1.00 each) at HK\$0.012 per share (or HK\$1.20 per consolidated ALT share), represented a discount of 72.7% to HK\$0.044, being the closing price on the last trading day of the existing ALT shares prior to the suspension of trading of the ALT's shares on 26 March 2004; and (ii) the convertible note in the principal amount of HK\$1,200.0 million entitling the holder to convert the principal amount into new ALT shares (or new consolidated ALT shares) at the initial conversion price of HK\$0.012 per ALT share (or HK\$1.20 per consolidated ALT share).

The S&P Agreement and the Subscription Agreement were completed on 6 July 2004.

36 Comparative Figures

Certain comparative figures have been restated or reclassified as a result of the adoption of SSAP 12 or to conform with the current year's presentation.

37 Approval of Accounts

The accounts were approved by the Board of Directors on 15 October 2004.

38 Principal Subsidiaries

As at 30 June 2004

	Share capital issued#		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong					
Addlight Investments Limited	9,998	1	—	56	Property Investment
	2*	1	—	—	
Advance Planner Limited	100	1	40	51	Property Investment
All Speed Investment Limited	2	1	100	100	Property Investment
AOS Management Limited	2	1	—	100	Management Services
Arlaken Development Limited	40	100	100	100	Investment Holding
Atlantic Land Properties Limited	2	1	100	100	Investment Holding
Barbican Construction Company Limited	230,000	100	—	54	Construction
	20,000*	100	—	—	
Billionable Investment Limited	4,998	1	—	54	Investment Holding
	2*	1	—	—	
Billion Huge (International) Limited	950,001	1	—	70	Investment Holding
Billion Park Investment Limited	1,000,000	1	—	55	Investment Holding
Birkenshaw Limited	10,000	1	—	100	Property Investment
Blanca Limited	10,000	1	—	100	Investment Holding
Bright Moon Company Limited	200	10	75	75	Property Investment
Broadway-Nassau Investments Limited	2	10,000	—	54	Property Investment
	3,000*	10,000	—	—	
Calpella Limited	2	10	—	100	Property Investment
Care & Services Company Limited	15,000,000	1	—	54	Elderly Care Services
Cheer Best Enterprises Limited	2	1	100	100	Property Investment
Cheong Sing Company Limited	10,000	1	100	100	Property Investment
City Team Development Limited	1,000,000	1	—	80	Property Investment
Crown Field Properties Limited	10	1	—	70	Property Investment
Dragon Crest Limited	2	1	—	100	Property Investment
Extensive Trading Company Limited	8,500,000	1	—	54	Trading of Building Materials
	1,500,000*	1	—	—	
Far East Engineering Services Limited	766,714	10	—	54	Mechanical and Electrical
	233,288*	10	—	—	Engineering
Fook Hong Enterprises Company Limited	10,000	100	100	100	Property Investment
General Security (H.K.) Limited	8,402	100	—	54	Security Services
	11,600*	100	—	—	
Gold Queen Limited	5,000	1	100	100	Property Investment
Golden Dragon Land Limited	2	10	—	100	Property Investment
Gradex Limited	2	1	—	100	Property Investment
Grand Hyatt Hong Kong Company Limited	1,000	1	—	64	Hotel Operation
Happy Champion Limited	2	1	100	100	Investment Holding
Head Step Limited	2	1	100	100	Property Investment
Hip Hing Builders Company Limited (formerly Tai Yieh Construction & Engineering Company Limited)	40,000	1,000	—	54	Construction and Civil Engineering
	10,000*	1,000	—	—	
Hip Hing Construction (China) Company Limited	100,001	100	—	54	Construction
	1*	100	—	—	
Hip Hing Construction Company Limited	400,000	100	—	54	Construction and Civil
	600,000*	100	—	—	Engineering

38 Principal Subsidiaries (continued)

As at 30 June 2004

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong (continued)					
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	—	54	Management of HKCEC
	1*	1	—	—	
Hong Kong Island Development Limited	33,400,000	5	6	100	Property Investment
Hong Kong Island Landscape Company Limited	980,000	10	—	54	Landscaping and Project Contracting
	20,000*	10	—	—	
Hong Kong New World Department Store Company Limited	968,153,000	1	100	100	Department Stores Operation
Hong Kong Ticketing Limited	11,481,580	1	—	43	Ticketing Services
Honour Shares Limited	100	1	—	100	Investment Holding
International Property Management Limited	450,000	10	—	54	Property Management
	95,500*	10	—	—	
Joint Profit Limited	2	1	100	100	Property Investment
Kamking Limited	2	1	100	100	Property Investment
Kentfull Contracting Limited	10	1	—	38	Interior Decoration Contracting
	5,000,000*	1	—	—	
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 Service Management Company Limited	2	100	—	54	Property Management
	1,002*	100	—	—	
Kiwi Kleeners Limited	1,000	100	—	54	Trading of Linen
Kleaners Limited	5,000,000	1	—	54	Laundry Services
Koon Soon Limited	2	1	—	100	Property Investment
Lingal Limited	1,800	1	—	70	Investment Holding
	200*	1	—	—	
Loyalton Limited	2	10	—	100	Property Investment
Macdonnell Hostel Company Limited	2	1	100	100	Hostel Management and Operation
Majestic Engineering Company Limited (formerly Majestic Electrical Engineering Company, Limited)	30,000	1,000	—	54	Mechanical and Engineering
Mega Choice Holdings Limited	100	1	80	80	Property Investment
Millennium Engineering Limited	18,750,000	1	—	49	Supply and Installation of Aluminium Windows and Curtain Wall
New China Laundry Limited	40,000,002	1	—	54	Laundry Services
	704,000*	1	—	—	
New Town Project Management Limited	2	1	100	100	Project Management
New Waly Interior Products Limited	1,000,000	1	—	38	Trading of Interior Products
New World Department Stores Limited	2	1	—	100	Management Services to Department Stores
New World Development (China) Limited	2	1	—	70	Investment Holding
	2*	1	—	—	

38 Principal Subsidiaries (continued)

As at 30 June 2004

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong (continued)					
New World Finance Company Limited	200,000	100	100	100	Financial Services
New World Harbourview Hotel Company Limited	1,000	1	—	64	Hotel Operation
New World Hotel Company Limited	40,000,000	1	—	64	Hotel Operation
New World Insurance Management Limited	100,000	1	—	54	Insurance Brokerage Service
New World Investments Limited	2	1	100	100	Property Investment
New World Nominee Limited	2	100	100	100	Nominee Services
New World PCS Limited	1,000,000	1	—	100	Mobile Telecommunication Services
New World Real Estate Agency Limited	2	1	100	100	Estate Agency
New World Tacko (Xian) Limited	10,000	1	—	45	Investment Holding
New World Telephone Holdings Limited	200	1	100	100	Investment Holding
New World Telecommunications Limited	9,999,998	1	—	100	Telecommunication Services
	2*	1	—	—	
New World Tower Company Limited	2	10	—	100	Property Investment
NWD (Hotels Investments) Limited	576,000,000	0.25	—	64	Investment Holding
NWD Finance Limited	2	1	100	100	Financial Services
NWS (Finance) Limited	2	1	—	54	Financial Services
Ngo Kee Construction Company Limited	270,000	100	—	54	Building and Construction
	1**	1	—	54	
Onfill Company Limited	2	1	100	100	Property Investment
Outboard Marine Corporation Asia Limited	64,133,565	1	—	100	Property Investment
Paterson Plaza Properties Limited	10,000	1	—	100	Property Investment
Peterson Investment Company Limited	10,000	1	100	100	Property Investment
Pollution & Protection Services Limited	18,057,780	1	—	54	Cleaning Services
	500,020*	1	—	—	
Polytown Company Limited	2	10	—	54	Property Investment
	100,000*	10	—	—	
Pontiff Company Limited	10,000,000	1	—	100	Property Investment
Pridemax Limited	2	1	—	100	Property Investment
Realray Investments Limited	2	1	100	100	Property Investment
Reliance China Project Management Limited	2	1	—	100	Project Management
Sky Connection Limited	100	1	—	54	Duty-Free, Liquor and Tobacco Sales
Spotview Development Limited	10,000	1	—	100	Property Investment

38 Principal Subsidiaries (continued)

As at 30 June 2004

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong (continued)					
Tao Yun Company Limited	2	10	—	100	Property Investment
Team Deco International Limited	2	1	—	54	Interior Design
Trade Port Enterprises Limited	2	1	100	100	Investment Holding
Trend Island Limited	2	1	—	70	Investment Holding
True Hope Investment Limited	4,998	1	—	54	Investment Holding
	2*	1	—	—	
Trump Champion Limited	2	1	—	100	Property Investment
Try Force Limited	4,998	1	—	54	Investment Holding
	2*	1	—	—	
Tsuen Wan Properties Limited	200	100	—	100	Property Investment
Uniformity Security Company Limited	2	100	—	54	Security Services
	2,500*	100	—	—	
Urban Parking Limited	10,000,000	1	—	54	Carpark Management
Urban Property Management Limited	49,995,498	1	—	54	Property Management
	4,502*	1	—	—	
Vibro (HK) Limited	20,000,004	3	—	54	Piling, Caisson and Civil Engineering
Wai Hong Cleaning & Pest Control Company Limited	400,000	100	—	54	Cleaning and Pest Control Services
Waking Builders Limited	20,000	1,000	—	54	Construction
Waygent Investment Limited	2	1	100	100	Property Investment
World Empire Property Limited	2	1	100	100	Property Investment
Young's Engineering Company Limited	4,000,000	10	—	54	Air Conditioning and Electrical Engineering
Incorporated in Cayman Islands and operated in Hong Kong					
New World China Land Limited	1,488,862,294	HK\$0.10	68	70	Investment Holding
NW China Homeowner Development Limited	5,363,925	US\$0.01	—	70	Investment Holding
New World TMT Limited (formerly New World Infrastructure Limited)	952,180,007	HK\$1	—	54	Investment Holding
NWS Service Management Limited	1,323,943,165	HK\$0.10	—	54	Investment Holding
Incorporated and operated in the Philippines					
New World International Development Philippines, Inc.	6,988,016	Peso100	—	27	Hotel Operation

[#] Represented ordinary share capital, unless otherwise stated

* Non-voting deferred shares

** Non-voting preference shares

38 Principal Subsidiaries (continued)

As at 30 June 2004

	Registered capital	Attributable interest (Note a)		Principal activities
		To the Company	To the Group	
Incorporated and operated in the PRC				
Beijing Autotech Service Co., Ltd.	US\$2,550,000	—	100	Auto Repair Centre
Beijing Lingal Real Estates Development Co., Ltd.	US\$13,000,000	—	70	Property Investment
Beijing Xintong Media & Cultural Development Co. Ltd.	Rmb30,000,000	—	28	Provision of Advertising and Media Related Services
Dalian New World Plaza International Co., Ltd.	Rmb58,000,000	—	61	Property Investment
Fung Seng Estate Development (Shanghai) Co., Ltd.	US\$10,000,000	—	49	Property Investment
Gaoming Xinming Bridge Company Limited	Rmb60,000,000	—	43	Operation of Toll Bridge
Guangxi Beiliu Xinbei Highways Limited	Rmb99,200,000	—	32	Operation of Toll Road
Guangxi Cangwu Xincang Highways Limited	Rmb64,000,000	—	38	Operation of Toll Road
Guangxi Rongxian Xinrong Highways Limited	Rmb82,400,000	—	38	Operation of Toll Road
Guangxi Yulin Xinye Highways Limited	Rmb63,800,000	—	32	Operation of Toll Road
Guangxi Yulin Xinyu Highways Limited	Rmb96,000,000	—	32	Operation of Toll Road
Guangzhou Metropolitan Properties Co., Ltd.	HK\$140,000,000	100	100	Property Investment
Guangzhou New World Properties Development Co., Ltd.	HK\$170,000,000	100	100	Property Investment
Guangzhou Xin Hua Chen Real Estate Co., Ltd.	Rmb200,000,000	—	70	Property Investment
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	Rmb244,000,000	—	70	Property Investment
Guangzhou Xin Yi Development Limited	HK\$286,000,000	—	63	Property Investment
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	—	64	Property Investment
New World Anderson (Tianjin) Development Co., Ltd.	US\$10,000,000	—	70	Property Investment
New World Development (Wuhan) Co., Ltd.	US\$12,000,000	—	70	Property Investment
New World (Shenyang) Property Development Limited	Rmb97,720,000	—	63	Property Investment
Ningbo New World Department Store Limited	Rmb40,000,000	—	100	Department Store Operation
N.S.A. (Tianjin) Int'l Cargo Distribution Co., Ltd.	US\$870,000	—	54	Property Investment
Qingyuan Xincheng Highways Limited	Rmb72,000,000	—	44	Operation of Toll Road
Shanghai Heyu Properties Co., Ltd.	US\$12,000,000	—	45	Property Investment
Shanghai Juyi Real Estate Development Co., Ltd.	Rmb350,000,000	—	49	Property Investment

38 Principal Subsidiaries (continued)

As at 30 June 2004

	Registered capital	Attributable interest (Note a)		Principal activities
		To the Company	To the Group	
Incorporated and operated in the PRC (continued)				
Shanghai Ramada Plaza Ltd.	US\$34,000,000	–	45	Property Investment and Hotel Operation
Shanxi Xinda Highways Limited	Rmb49,000,000	–	48	Operation of Toll Road
Shanxi Xinhuang Highways Limited	Rmb56,000,000	–	48	Operation of Toll Road
Shenyang New World Department Store Limited	Rmb30,000,000	–	100	Department Store Operation
Shenzhen New World Xianglong Network Technology Company Limited	Rmb200,000,000	–	54	Exploration of Wireless Telecommunication Network
Shenzhen New World Xianglong Technology Development Company Limited	Rmb100,000,000	–	54	Exploration of Wireless Telecommunication Network
Shenzhen Topping Real Estate Development Co., Ltd.	HK\$182,000,000	–	63	Property Investment
Sun Long Communication Co., Ltd.	Rmb100,000,000	–	54	Provision of Telecommunication Related Services
Taiyuan Xintai Highways Limited	Rmb72,120,000	–	48	Operation of Toll Road
Taiyuan Xinyuan Highways Limited	Rmb85,880,000	–	48	Operation of Toll Road
Tianjin New World Department Store Limited	US\$5,000,000	–	100	Department Store Operation
Wuhan New Eagle Development Company Limited	US\$10,000,000	–	95	Property Investment
Wuhan New Eagle Properties Co., Limited	US\$2,830,000	–	66	Property Investment
Wuxi New World Department Store Limited	US\$5,000,000	–	100	Department Store Operation
Wuzhou Xinwu Highways Limited	Rmb72,000,000	–	24	Operation of Toll Road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	–	54	Development of Warehousing, Processing and Logistics Facilities
Xiamen Xinyuan Container Terminal Co., Ltd.	Rmb17,000,000	–	38	Cargo Consolidation, Container Storage, Repairs and Maintenance

Note:

- (a) percentage of equity interest, in the case of equity joint ventures or joint stock limited company or profit sharing percentage, in the case of co-operative joint ventures.

38 Principal Subsidiaries (continued)

As at 30 June 2004

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share	By the Company	By the Group	
Incorporated in Bermuda and operated in Hong Kong					
NWS Holdings Limited	1,792,454,316	HK\$1	—	54	Investment Holding
Incorporated in British Virgin Islands					
Eddington Holdings Limited	100	US\$1	—	82	Investment Holding
Ever Brisk Limited	1	US\$1	—	70	Investment Holding
Fine Reputation Incorporated	10,000	US\$1	100	100	Investment Holding
Fotoland Limited	1	US\$1	—	100	Investment Holding
Hing Loong Limited	10,000	US\$1	100	100	Investment Holding
Hinto Developments Limited	1	US\$1	—	70	Investment Holding
Lotsgain Limited	100	US\$1	—	54	Investment Holding
Magic Chance Limited	1	US\$1	—	70	Investment Holding
Master Services Limited	1,000,000	US\$0.01	—	33	Investment Holding
New World BioSciences Holdings Limited	1	US\$1	—	100	Investment Holding
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 Industrial Holdings Limited	1	US\$1	—	100	Investment Holding
New World LifeTech Limited	100	US\$1	—	80	Investment Holding
New World Telephone International Limited	100	US\$1	—	100	Provision of Telecommunication Services
New World Venture Holdings Limited	1	US\$1	—	100	Investment Holding
NWS Capital Finance Limited	1	US\$1	—	54	Financial Services
NWS Engineering Group Limited (formerly NWS Engineering Limited)	50,000,000	HK\$1	—	54	Investment Holding
NWS Infrastructure Management Limited	1	US\$1	—	54	Investment Holding
NWS Ports Management Limited	1	US\$1	—	54	Investment Holding
Park New Astor Hotel Limited	101	US\$1	—	100	Property Investment
Power Palace Group Limited	1	US\$1	100	100	Investment Holding
Radiant Glow Limited	1	US\$1	—	70	Investment Holding
Sea Walker Limited	1	US\$1	100	100	Investment Holding
Sparkling Rainbow Limited	1	US\$1	—	70	Investment Holding
Steadfast International Limited	2	US\$1	100	100	Investment Holding
Sweet Prospects Enterprises Limited	1	US\$1	—	70	Investment Holding
Teddy Bear Kingdom Holdings Limited	10,000	US\$1	—	57	Investment Holding
True Blue Developments Limited	1	US\$1	—	70	Investment Holding
Twin Glory Investments Limited	1	US\$1	—	70	Investment Holding

39 Principal Associated Companies

As at 30 June 2004

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number	Par value per share HK\$	By the Company	By the Group	
Incorporated and operated in Hong Kong					
Birkenhead Property & Investment Limited	1,200,000	1	—	50	Property Investment
CSX World Terminals Hong Kong Limited	55,000'A' 5,000'B'	1 1	— —	— 18	Operation of Container Terminal
Estoree Limited	500'A' 500'B'	10 10	— —	— 50	Property Investment
Ever Light Limited	9,000'C** 1,000	10 1	— 40	— 40	Property Investment
Global Perfect Development Limited	1,000,000	1	—	35	Investment Holding
Global Winner Limited	2	1	—	50	Property Investment
Kentfull Engineering Company Limited	10,000	1	—	23	Building Construction
Pure Jade Limited	1,000	1	—	20	Property Investment
Quon Hing Concrete Company Limited	200,000	100	—	27	Production and Sales of Concrete
Ranex Investment Limited	100	1	—	10	Property Trading
Shun Tak Centre Limited	1,000	100	—	29	Property Investment
Silverland Limited	4	1	50	50	Property Investment
Sun City Holdings Limited	8,000,000	1	—	21	Investment Holding
Yargoan Company Limited	150,000	100	—	23	Stone Quarrying
Incorporated and operated in Thailand					
Ploenchit Arcade Company Limited	20,000	Baht10,000	—	13	Hotel Investment
Incorporated in British Virgin Islands					
Faith Yard Property Limited	2	US\$1	—	35	Property Investment
Fortune Star Worldwide Limited	100	US\$1	—	28	Investment Holding
Grand Make International Limited	100	US\$1	—	31	Investment Holding
New QU Energy Limited	65,000,000B 35,000,000+	— —	— —	— 35	Development and Production of Heat Transfer Devices
Newton Asia Limited	2	US\$1	50	50	Property Investment
Incorporated and operated in the PRC					
Shandong Unison Bioengineering Co., Ltd.	Rmb5,000,000	—	—	35	Chinese Herbal
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	—	—	31	Property Investment
Incorporated in Bermuda and operated in Hong Kong					
Tai Fook Securities Group Limited	572,281,699	HK\$0.10	—	11	Investment Holding
Wai Kee Holdings Limited	792,824,034	HK\$0.10	—	15	Investment Holding

39 Principal Associated Companies (continued)

As at 30 June 2004

During the year, certain companies were reclassified from associated companies to other investments (Note 18a). Details of these companies were set out as follows:

	Share capital issued#		Percentage of equity shares held		Principal activities
	Number	Par value per share	By the Company	By the Group	
Incorporated and operated in the US					
Athena Database, Inc.	35,000,000 ^β	—	—	—	Development of Database
	15,000,000 ⁺	—	—	54	Application Tools
CyberLancet Corporation	50,000,000 ^β	—	—	—	Development of Internet Technology
	21,000,000 ⁺	—	—	54	
CyberNova Corporation	31,000,000 ^β	—	—	—	Development of Cable Modem
	20,000,000 ⁺	—	—	54	
Pine Global Marketing Ltd	31,000,000 ^β	—	—	—	Provision of Marketing Services
	17,500,000 ⁺	—	—	54	
PrediWave Corporation	35,000,000 ^β	—	—	—	Development of Video-on-demand Technology
	15,000,000 ⁺	—	—	54	
S.T.U.B. SATertainment, Inc.	60,000,000 ^β	—	—	—	Distribution of Satellite Products
	40,000,000 ⁺	—	—	54	
TechStock, Inc.	30,000,000 ^β	—	—	—	Investment Holding
	20,000,000 ⁺	—	—	54	
Visionaire Technology Corporation	34,000,000 ^β	—	—	—	Technology Investment Holding
	15,000,000 ⁺	—	—	54	
WarpEra Corporation	42,000,000 ^β	—	—	—	Development of Computer Hardware and Software
	18,000,000 ⁺	—	—	54	

- # Represented ordinary shares, unless otherwise stated.
 * Non-voting deferred ordinary shares
 ** Non-cumulative non-voting redeemable preference shares
 β Common stocks
 + Series A preferred stocks

40 Principal Jointly Controlled Entities

As at 30 June 2004

	Registered capital	Attributable interest Ω		Principal activities
		To the Company	To the Group	
Incorporated and operated in the PRC				
<i>Equity Joint Ventures</i>				
Beijing Orient Mosler Security Technology Co., Ltd.	US\$2,000,000	—	35	Security System
CSX Orient (Tianjin) Container Terminals Co., Limited	US\$29,200,000	—	13	Operation of Container Terminal
Guangzhou Oriental Power Company Limited	Rmb990,000,000	—	13	Generation and Supply of Electricity
Guangzhou Pearl River Power Company Limited	Rmb420,000,000	—	27	Generation and Supply of Electricity
Hong Kong Jing-Guang Development Ltd	HK\$1,000,000	—	23	Hotel Operation
New World Liberty China Ventures Limited	US\$100	—	71	Investment Holding
	US\$12,000**	—	—	
Shanghai Jianmei Property Development Co., Ltd	US\$10,000,000	—	21	Property Investment
Xiamen Xiang Yu Quay Co., Ltd.	Rmb384,040,000	—	27	Container Handling and Storage and Road Freight Operations
Yixing United Ceramics Company Ltd.	US\$16,360,000	—	48	Ceramics Tiles Manufacturing
<i>Co-operative Joint Ventures</i>				
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	Rmb580,000,000	—	13	Operation of Toll Road
Beijing Chong Wen-New World Properties Development Co., Limited	US\$104,100,000	—	49	Property Investment
Beijing Chong Yu Real Estate Development Co., Limited	US\$81,840,000	—	49	Property Investment
China New World Electronics Limited	US\$57,000,000	—	49	Property Investment
Guangzhou Cosmart Estate Development Limited	HK\$48,000,000	—	42	Property Investment
Guangzhou Fong Chuen New World Properties Development Co., Limited	Rmb330,000,000	—	42	Property Investment
Guangzhou Fucheng Property Development Co., Limited	HK\$80,000,000	—	42	Property Investment
Guangzhou Northring Freeway Company Limited	US\$19,255,000	—	35	Operation of Toll Road
Huishen (Yantian) Expressway Huizhou Company Limited	Rmb139,980,000	—	18	Operation of Toll Road

40 Principal Jointly Controlled Entities (continued)

As at 30 June 2004

	Registered capital	Attributable interest Ω		Principal activities
		To the Company	To the Group	
Incorporated and operated in the PRC (continued)				
Huizhou City Hui-Ao Roadway Company Limited	Rmb75,000,000	–	27	Operation of Toll Road
Huizhou City Huixin Expressway Company Limited	Rmb34,400,000	–	27	Operation of Toll Road
Huizhou New World Housing Development Limited	Rmb80,000,000	–	42	Property Development
New Bei Fang Hotel Ltd.	US\$1,200,000	–	42	Property Investment
Neworgen Limited	US\$6,000,000	–	50	Development of Biochemical Technology
Shanghai Trio Property Development Co., Limited	US\$54,000,000	–	33	Property Investment
Shenzhen Top One Real Estate Development Co., Ltd.	HK\$60,000,000	–	49	Property Investment
Sichuan Qianwei Dali Power Company Limited	US\$30,000,000	–	32	Generation and Supply of Electricity
Tianjin New World Housing Development Co., Ltd.	Rmb80,000,000	–	42	Property development
Tianjin New World Properties Development Co., Ltd.	US\$12,000,000	–	49	Property Investment
Tangjin Expressway (Tianjin North Section)				
Tianjin Xindi Expressway Company Limited	Rmb93,688,000	–	48@	Operation of Toll Road
Tianjin Xinlong Expressway Company Limited	Rmb99,400,000	–	48@	Operation of Toll Road
Tianjin Xinlu Expressway Company Limited	Rmb99,092,000	–	48@	Operation of Toll Road
Tianjin Xinming Expressway Company Limited	Rmb85,468,000	–	48@	Operation of Toll Road
Tianjin Xinqing Expressway Company Limited	Rmb99,368,000	–	48@	Operation of Toll Road
Tianjin Xinquan Expressway Company Limited	Rmb92,016,000	–	48@	Operation of Toll Road
Tianjin Xinsen Expressway Company Limited	Rmb87,300,000	–	48@	Operation of Toll Road
Tianjin Xinshi Expressway Company Limited	Rmb99,388,000	–	48@	Operation of Toll Road
Tianjin Xinsi Expressway Company Limited	Rmb96,624,000	–	48@	Operation of Toll Road
Tianjin Xintong Expressway Company Limited	Rmb99,448,000	–	48@	Operation of Toll Road
Tianjin Xintuo Expressway Company Limited	Rmb99,316,000	–	48@	Operation of Toll Road
Tianjin Xinxiang Expressway Company Limited	Rmb90,472,000	–	48@	Operation of Toll Road
Tianjin Xinyan Expressway Company Limited	Rmb89,028,000	–	48@	Operation of Toll Road
Tianjin Xinzhan Expressway Company Limited	Rmb89,392,000	–	48@	Operation of Toll Road
Wuhan Airport Road Development Limited	Rmb60,000,000	–	21	Operation of Toll Road
Wuhan New World Housing Development Limited	Rmb96,000,000	–	42	Property development
Wuhan Wuxin Hotel Co., Ltd.	US\$13,500,000	–	42	Property Investment
Wuxi New City Development Co., Limited	US\$10,040,000	–	26	Hotel Operation

Ω percentage of equity interest, in the case of equity joint ventures or joint stock limited company or profit sharing percentage, in the case of co-operative joint ventures.

@ Represented cash sharing ratio for the first 15 years of the joint venture period, thereafter the ratio will change to 60%.

40 Principal Jointly Controlled Entities (continued)

As at 30 June 2004

	Number	Share capital issued# Par value per share HK\$	Percentage of equity shares held By the Company	By the Group	Principal activities
<i>Company Limited By Shares</i>					
Incorporated and operated in Hong Kong					
Asia Container Terminals Limited	1,000	1	—	13	Development and Operation of Container Terminal
Asian Success Investments Limited	900	1	—	33	Property Investment
ATL Logistics Centre Hong Kong Limited	100,000'A' 20,000'B** 54,918*	1 1 1	— — —	30 43 —	Operation of Cargo Handling and Storage Facilities
ATL Logistics Centre Yantian Limited	10,000	1	—	25	Investment Holding
Best Link Development Limited	20	1	—	50	Property Investment
China Aerospace New World Technology Limited	30,000,000	1	—	27	Investment Holding
Direct Profit Development Limited	200,000	0.05	—	15	Property Investment
Far East Landfill Technologies Limited	1,000,000	1	—	25	Landfill
First Star Development Limited	100	1	—	27	Property Investment
Gloryland Limited	900	1	—	33	Property Trading
Grace Sign Limited	1,000	1	—	30	Property Investment
Istaron Limited	4	1	—	32	Investment Holding
Jade Gain Enterprises Limited	100	1	—	45	Property Investment
Kunming Fulintang Pharmaceutical Co., Ltd.	Rmb80,000,000	—	—	52	Pharmaceutical Chain Stores
Newfoundland Holdings Limited	200,000	10	—	20	Investment Holding
Newfoundland Limited	200,000	10	—	20	Property Trading
Ocean Champion Development Limited	10,000	1	—	50	Property Investment
Sheeniy Enterprises Limited	10,000	1	—	50	Property Investment
Super Lion Enterprises Limited	2	1	50	50	Property Investment
Supertime Holdings Limited	100	1	—	27	Property Investment
Tate's Cairn Tunnel Company Limited	1,100,000	0.01	—	16	Operation of Toll Tunnel
Wise Come Development Limited	600,000,000* 30	1 1	— —	— 40	Property Investment
Incorporated and operated in the PRC					
Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd.	US\$16,950,000	—	—	24	Club House and Resort
Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd.	US\$13,880,000	—	—	24	Property Investment

40 Principal Jointly Controlled Entities (continued)

As at 30 June 2004

	Number	Share capital issued [#] Par value per share HK\$	Percentage of equity shares held		Principal activities
			By the Company	By the Group	
<i>Company Limited By Shares</i>					
(continued)					
Incorporated in British Virgin Islands and operated in the PRC					
Holicon Holdings Limited	2	US\$1	–	50	Property Development
Jaidan Profits Limited	2	US\$1	–	50	Property Development
Jorvik International Limited	2	US\$1	–	50	Property Development
Orwin Enterprises Limited	2	US\$1	–	50	Property Development
Incorporated in British Virgin Islands					
CSX World Terminals New World Limited	2,000	US\$1	–	27	Investment Holding
Merryhill Group Limited	500,000,016	HK\$1	–	27	Investment Holding
Quick Wealth Investment Limited	100	US\$1	–	32	Investment Holding
Right Choice International Limited	200	US\$1	–	28	Property Investment
Incorporated and operated in Malaysia					
Great Union Properties Sdn. Bhd.	100,000,000	M\$1	–	38	Property Investment
	10,000,000 [*]	M\$0.10	–	38	
T & T Properties Sdn. Bhd.	9,500,000	M\$1	–	33	Property Investment
Incorporated in Hong Kong and operated in Macau and the PRC					
Sino-French Holdings (Hong Kong) Limited	1,086,280 ^{A'}	HK\$100	–	–	Investment Holding,
	2,089,000 ^{B'}	HK\$100	–	27	Operation of Water and
	1,002,720 ^{C'}	HK\$100	–	–	Electricity Plants

Represented ordinary shares, unless otherwise stated.

* Non-voting deferred ordinary shares.

** Non-voting preference shares.

*** Non-voting deferred preference shares.

^ Redeemable cumulative preference share.