

Notes to the Accounts

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, except that investment properties, hotel properties and investment securities are carried at fair value as set out in the accounting policies below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKASs”) (collectively the “HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2005. In preparing these accounts, the Group has early adopted the following HKFRS and HKASs:

HKFRS 3	Business combinations
HKAS 36	Impairment of assets
HKAS 38	Intangible assets

The adoption of HKFRS 3, HKAS 36 and 38 has resulted in a change in the accounting policy for goodwill and negative goodwill. Details of the change in the accounting policy and the effects of adopting these standards are set out in notes (b) and (f) below.

The Group has not early adopted other new and revised HKFRSs in the accounts for the year ended 30 June 2005. The Group has already commenced an assessment of the impact of these other new HKFRSs but is not yet in a position to analyse and quantify the impact on its results of operations and financial position.

(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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account (see notes (f)(i) and (ii) below).

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 goodwill carried in the balance sheet.

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

1 Principal accounting policies (continued)

(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 equity 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 dividend income.

(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.

The Group's investments in associated companies are stated at the Group's share of net assets and goodwill on acquisition (net of any accumulated impairment loss). 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 dividend income.

(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 on acquisition (net of any accumulated impairment loss). 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 dividend income.

1 Principal accounting policies (continued)

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, associated companies or jointly controlled entities at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies and jointly controlled entities is included in investments in associated companies and jointly controlled entities respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of all or part of business combination include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

In previous years, goodwill arising from acquisition after 1 July 2001 was amortised on a straight-line basis over its estimated useful life of not more than 20 years. Goodwill was assessed for indication of impairment at each balance sheet date.

Following the adoption of HKFRS 3, HKAS 36 and 38, goodwill on acquisitions of subsidiaries, associated companies and jointly controlled entities is no longer amortised but tested for impairment annually. Any impairment loss recognised is charged to the profit and loss account. Accumulated amortisation as at 1 July 2004 has been eliminated with a corresponding decrease in the cost of goodwill. Goodwill previously taken to reserves is not restated on the balance sheet or included in the calculation of the profit or loss on disposal of subsidiary, associated company and jointly controlled entity.

(ii) Negative goodwill

Negative goodwill represented the excess of the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, associated companies or jointly controlled entities acquired over the cost of an acquisition.

In previous years, negative goodwill, to the extent that it did not relate to identifiable expected future loss and expenses at the date of acquisition, was recognised in the profit and loss account over the remaining weighted average life of those assets.

Following the adoption of HKFRS 3, the Group ceased amortisation of negative goodwill from 1 July 2004. The remaining negative goodwill, after eliminating its corresponding accumulated amortisation, has been derecognised and credited to the equity as at 1 July 2004. Any excess of the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, associated companies or jointly controlled entities acquired over the cost of an acquisition is recognised immediately in the profit and loss account.

These changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards and have been applied prospectively. In particular, negative goodwill arising on acquisitions has been derecognised and results in the following:

	HK\$m
Decrease in negative goodwill	53.5
Increase in jointly controlled entities	51.8
Increase in associated companies	83.1
Increase in minority interests	(53.2)
Increase in opening reserves	135.2

1 Principal accounting policies (continued)

(f) Intangible assets (continued)

(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 and licence period, but not exceeding 20 years from the date when they 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.

(g) 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 basis over the terms of lease agreements.

(ii) Property sales

Revenue from sale of properties is recognised on the transfer of risks and rewards of ownership. 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 on the transfer of risks and rewards of ownership.

(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.

(ix) Hotel and restaurant operations

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

1 Principal accounting policies (continued)

(g) Revenue recognition (continued)

(x) *Interest income*

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable. 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.

(h) 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 (i)(v) below.

(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.

(i) 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.

(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 useful 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.

1 Principal accounting policies (continued)**(i) Fixed assets** (continued)**(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.

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:

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

(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 estimated useful lives to the Group.

(vii) Gain or loss on sale

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 remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount, 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 recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows.

(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.

1 Principal accounting policies (continued)

(k) Other investments (continued)

(i) *Investment securities* (continued)

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.

(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 are stated at cost plus attributable profits recognised on the basis set out in note (g)(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.

(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 is recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Defined contribution schemes

The Group's contributions to these schemes, including the Mandatory Provident Fund Scheme and employee pension schemes established by municipal government in the People's Republic of China ("PRC") are expensed as incurred. Contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions, where applicable.

(iv) Defined benefit schemes and long service payments

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.

1 Principal accounting policies (continued)

(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 notes (i)(iii) and (q) above.

The balance sheets of subsidiaries, associated companies and jointly controlled entities 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

	2005 HK\$m	2004 HK\$m
Rental	946.4	965.9
Property sales	3,377.7	5,629.1
Contracting	5,419.1	6,144.2
Provision of service	3,553.2	4,674.1
Infrastructure operations	239.5	374.9
Telecommunication services	2,605.1	2,623.8
Department store operations	3,810.2	3,254.3
Hotel and restaurant operations	1,851.3	1,495.0
Others	468.3	491.7
	22,270.8	25,653.0

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.

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	Department stores HK\$m	Others HK\$m	Eliminations HK\$m	Consolidated HK\$m
Year 2005								
External sales	4,324.1	8,972.3	239.5	2,605.1	3,810.2	2,319.6	—	22,270.8
Inter-segment sales	190.3	1,067.7	—	52.0	—	39.2	(1,349.2)	—
Total turnover	4,514.4	10,040.0	239.5	2,657.1	3,810.2	2,358.8	(1,349.2)	22,270.8
Segment results	1,550.2	(68.0)	41.1	88.3	120.4	411.9		2,143.9
Other income/(charge)	311.7	—	2,114.7	(87.0)	(3.2)	(513.1)		1,823.1
Unallocated corporate expenses								(431.7)
Operating profit before financing costs and income								3,535.3
Financing costs								(664.3)
Financing income								368.8
Operating profit								3,239.8
Share of results of								
Associated companies	184.2	168.7	276.9	—	—	(96.1)		533.7
Jointly controlled entities	489.6	290.0	754.5	—	—	(42.1)		1,492.0
Profit before taxation								5,265.5
Taxation								(897.6)
Profit after taxation								4,367.9
Minority interests								(1,379.8)
Profit attributable to shareholders								2,988.1
Segment assets	51,465.7	5,935.6	2,599.1	2,552.2	1,317.2	15,321.6		79,191.4
Associated companies	3,773.9	1,355.0	1,142.5	—	—	216.1		6,487.5
Jointly controlled entities	12,525.2	3,315.0	5,260.6	—	—	1,841.2		22,942.0
Deferred tax assets								264.2
Cash and bank balances								12,128.7
Total assets								121,013.8
Segment liabilities	5,015.7	3,790.2	397.0	913.9	829.5	1,503.9		12,450.2
Gross borrowings								28,001.7
Current and deferred tax liabilities								1,983.6
Total liabilities								42,435.5
Capital expenditure	138.5	66.8	23.1	240.8	94.9	71.2		635.3
Depreciation and amortisation	73.4	121.9	83.1	374.7	95.0	49.6		797.7
Impairment charge and provision	110.9	—	86.5	—	3.0	675.6		876.0

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	Department stores HK\$m	Others HK\$m	Eliminations HK\$m	Consolidated 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 income/(charge)	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	327.7	166.4	—	—	(161.5)		525.4
Jointly controlled entities	682.0	289.3	893.7	—	—	(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	1,294.4	428.3	—	—	402.2		5,835.9
Jointly controlled entities	13,145.2	3,037.8	5,926.8	—	—	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
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)**(b) Secondary reporting format — geographical segment**

	Turnover HK\$m	Segment assets HK\$m	Capital expenditure HK\$m
Year 2005			
Hong Kong and Southeast Asia	15,344.8	57,814.4	405.4
Mainland China	6,926.0	21,330.1	229.9
North America	—	46.9	—
	22,270.8	79,191.4	635.3
Year 2004			
Hong Kong and Southeast Asia	18,253.1	53,537.9	557.6
Mainland China	7,399.9	20,227.5	1,186.0
North America	—	597.0	—
	25,653.0	74,362.4	1,743.6

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

	2005 HK\$m	2004 HK\$m
Dividend income		
Listed investments	10.6	5.5
Unlisted investments	22.1	42.8
	32.7	48.3

4 Other income/(charge)

	2005 HK\$m	2004 HK\$m
Amortisation of		
Development costs	—	(0.4)
Goodwill and negative goodwill	—	(7.1)
Impairment loss on		
Fixed assets	(8.7)	(1,457.1)
Intangible assets	(11.8)	(441.3)
Provision for		
Accounts receivable	(107.5)	(160.9)
Associated companies	(6.8)	(150.5)
Properties held for sale	(7.2)	(137.2)
Jointly controlled entities	(133.3)	(79.2)
Loans to investee companies	—	(304.2)
Other assets	(28.9)	(1,024.9)
Other investments	(558.8)	(2,448.4)
Loss on deemed disposal of interests in subsidiaries	(270.2)	(49.6)
Premium on redemption of convertible bonds	—	(0.2)
(Revaluation deficit)/write back of revaluation deficit on hotel properties	(6.2)	3.7
Net profit/(loss) on disposal of		
Associated companies	—	0.2
Jointly controlled entities	1,112.7	9.3
Other investments	361.3	(21.1)
Subsidiaries	731.4	389.4
Write down of stocks to net realisable value	(13.0)	(294.4)
Write back of impairment loss on fixed assets	—	205.1
Write back of provision for		
Accounts receivable	67.9	—
Associated companies	87.4	—
Properties held for sale	102.7	1,160.2
Jointly controlled entities	38.8	16.7
Other investments	19.9	4.7
Insurance compensation received	74.0	—
Excess of the fair value of net assets acquired over the cost of acquisition of		
Additional interest of subsidiaries	332.5	—
Subsidiaries	46.9	—
	1,823.1	(4,787.2)

Other charge for the year ended 30 June 2004 included charges 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 35a).

5 Financing costs

	2005	2004
	HK\$m	HK\$m
Interest on bank loans and overdrafts	704.6	815.6
Interest on finance leases	6.0	15.0
Interest on convertible bonds	—	75.9
Provision for premium on redemption of convertible bonds	—	133.5
Interest on loans from minority shareholders	23.8	78.8
Total borrowing costs incurred	734.4	1,118.8
Interest capitalised as cost of		
Fixed assets	(9.3)	(11.3)
Properties under development	(60.8)	(84.8)
	664.3	1,022.7

6 Operating profit/(loss)

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

	2005	2004
	HK\$m	HK\$m
Crediting		
Gross rental income from investment properties	778.0	819.2
Outgoings	(298.8)	(271.5)
	479.2	547.7
Charging		
Auditors' remuneration	37.4	32.8
Cost of inventories sold	6,713.0	8,351.8
Depreciation		
Leased fixed assets	16.4	51.1
Owned fixed assets	781.3	1,059.2
Operating lease rental expense		
Land and buildings	464.1	493.9
Other equipment	8.4	64.3
Staff costs (Note 11a)	3,034.6	3,622.7

7 Taxation

	2005 HK\$m	2004 HK\$m
Company and subsidiaries		
Hong Kong profits tax	381.5	473.2
Overseas taxation	40.0	26.6
Underprovisions in prior years	16.8	3.0
Deferred taxation	95.2	151.5
	533.5	654.3
Associated companies		
Hong Kong profits tax	80.0	69.4
Overseas taxation	35.7	1.9
Deferred taxation	5.4	(0.4)
	121.1	70.9
Jointly controlled entities		
Hong Kong profits tax	131.1	148.4
Overseas taxation	93.8	91.6
Deferred taxation	18.1	15.0
	243.0	255.0
Taxation charge	897.6	980.2

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2005 HK\$m	2004 HK\$m
Profit/(loss) before taxation	5,265.5	(1,429.0)
Calculated at the rate of 17.5% (2004: 17.5%)	921.5	(250.1)
Effect of different taxation rates in other countries	9.5	16.6
Income not subject to taxation	(579.1)	(261.5)
Expenses not deductible for taxation purposes	442.4	1,182.5
Tax losses not recognised	209.9	403.1
Temporary differences not recognised	(5.0)	98.3
Tax exemption granted	(43.0)	(30.0)
Utilisation of previously unrecognised tax losses	(122.8)	(390.7)
Others	64.2	212.0
Taxation charge	897.6	980.2

8 Profit/(loss) attributable to shareholders

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$1,361.2 million (2004: loss of HK\$1,984.7 million).

9 Dividends

	2005 HK\$m	2004 HK\$m
Interim dividend paid of HK\$0.10 (2004: HK\$0.02) per share	346.7	69.1
Final dividend proposed of HK\$0.20 (2004: HK\$0.04) per share	698.3	138.3
	1,045.0	207.4
Of which the following were settled by the issue of scrip:		
Interim dividend	198.4	—
Final dividend	*	79.8

* Full amount has been set aside from retained profits for the 2005 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 6 October 2005, the Directors recommended a final dividend of HK\$0.20 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 2006.

10 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on profit attributable to shareholders of HK\$2,988.1 million (2004: loss of HK\$976.2 million) and the weighted average of 3,461.9 million (2004: 2,772.8 million) shares in issue during the year.

No diluted earnings per share is presented for the year ended 30 June 2005 as there was no dilutive instrument in issue during the year. No diluted loss per share was presented for the year ended 30 June 2004 as the conversion of the convertible bonds would not have a dilutive effect on the loss per share.

11 Staff costs

(a) Staff costs (including Directors' remuneration)

	2005 HK\$m	2004 HK\$m
Wages, salaries and other benefits	2,888.4	3,460.3
Pension costs — defined benefits plans (Note bi)	0.4	1.0
Pension costs — defined contribution plans (Note bii)	145.8	161.4
	3,034.6	3,622.7

11 Staff costs (continued)

(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.

	2005 HK\$m	2004 HK\$m
The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	(73.7)	(51.0)
Fair value of plan assets	102.5	78.6
	28.8	27.6
Unrecognised actuarial gains	(9.4)	(10.3)
Retirement benefit assets	19.4	17.3
Net expenses recognised in the profit and loss account, under administrative expenses, are as follows:		
Current service cost	3.8	3.1
Interest cost	3.1	2.2
Expected return on plan assets	(6.3)	(4.3)
Net actuarial gains recognised	(0.2)	—
Total, included in staff costs (Note a)	0.4	1.0
Movements in the retirement benefit assets are as follows:		
At the beginning of the year	17.3	12.2
Net expenses recognised in the profit and loss account	(0.4)	(1.0)
Contributions paid	2.5	6.1
At the end of the year	19.4	17.3

The principal actuarial assumptions used were as follows:

	2005	2004
Discount rate	3.8%	5.3%
Expected rate of return on plan assets	5.0% to 7.0%	7.0%
Expected rate of future salary increases	3.0% to 4.0%	0% to 4.0%

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

11 Staff costs (continued)**(b) Retirement benefit costs** (continued)(ii) *Defined contribution plans*

The Group operates a number of defined contribution retirement schemes in Hong Kong, namely the Occupational Retirement Schemes ("ORSO Schemes") and the Mandatory Provident Fund Schemes ("MPF Schemes"). Contributions to the ORSO Schemes are based on a percentage of employees' salaries ranging from 5.0% to 21.0%, depending upon the length of service of the employees. Commencing on 1st 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\$145.8 million (2004: HK\$161.4 million) after netting off forfeited contribution of HK\$12.2 million (2004: HK\$10.5 million). Forfeited contributions available at the balance sheet date to reduce future contributions amounted to HK\$0.1 million (2004: HK\$0.1 million).

(c) Share options

The Company's subsidiaries, New World China Land Limited ("NWCL"), New World TMT Limited ("NWTMT"), NWS Holdings Limited ("NWSH"), and New World Mobile Holdings Limited ("NWM") operate share option schemes whereby options may be granted to eligible persons, employees and directors, to subscribe for shares of NWCL, NWTMT, NWSH and NWM respectively.

Details of share options are as follows:

Number of share options										
Grantor	Date of grant	Exercise price HK\$	Balance at		Granted	Adjusted	Exercised	Lapsed	Balance at	
			1 July 2004	30 June 2005					Note	
NWCL	5 February 2001 to 18 January 2005	0.912 to 2.910	46,123,200	1,379,600	44,624,100	(24,092,000)	(2,168,400)	65,866,500	(i)	
NWTMT	18 November 1998 to 23 September 1999	10.200 to 12.000	1,200,000	—	—	—	(1,200,000)	—	(ii)	
NWSH	11 May 1999 to 21 July 2003	3.719 to 6.930	30,765,338	—	442,723	(14,875,728)	(1,352,677)	14,979,656	(iii)	
NWM	8 February 2002 to 8 April 2005	1.260 to 2.440	20,000,000	2,994,000	—	—	(19,800,000)	3,194,000	(iv)	

(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 share options are exercisable on or before 20 July 2008.

(iv) The share options are exercisable on or before 31 December 2010.

12 Emoluments of Directors and five highest paid individuals

Details of the emoluments paid (excluding benefits-in-kind of share options as defined below) to the Directors are as follows:

	2005	2004
	HK\$m	HK\$m
Fees	3.9	1.8
Salaries and other emoluments	18.0	22.9
Contributions to retirement benefit schemes	1.3	1.7
	23.2	26.4

The five individuals whose emoluments (excluding benefits-in-kind of share options) were the highest in the Group for the year include one Director (2004: two Directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2004: three) individuals during the year are as follows:

	2005	2004
	HK\$m	HK\$m
Salaries and other emoluments	9.7	14.9
Contributions to retirement benefit schemes	0.7	0.6
	10.4	15.5

Fees above include HK\$1.2 million (2004: HK\$0.3 million) paid to Independent Non-executive Directors. There were no other emoluments paid to Independent Non-executive Directors.

In addition to the above, benefits-in-kind of 3.4 million (2004: 3.0 million) share options under the share option scheme of NWSH ("NWSH Share Option") and 2.3 million (2004: nil) share options under the share option scheme of NWCL ("NWCL Share Option") were exercised during the year by certain Directors of the Company and the four (2004: three) highest paid individuals. The aggregate difference between the exercise price and the market price of total share options exercised at the dates of exercise for the Directors and the four (2004: three) highest paid individuals were HK\$8.8 million and HK\$14.2 million (2004: HK\$11.9 million and nil) and HK\$2.2 million and HK\$0.1 million (2004: HK\$9.7 million and nil) for NWSH Share Option and NWCL Share Option respectively.

12 Emoluments of Directors and five highest paid individuals (continued)

Details of the emoluments paid to the Directors (including benefits-in-kind of share options) are as follows:

Name of Directors	Basic salaries, allowance and benefits-in-kind			Provident fund contributions HK\$m	Share options benefits HK\$m	2005 Total HK\$m	2004 Total HK\$m
	Fees HK\$m	kind HK\$m	Bonus HK\$m				
Dr. Cheng Yu-Tung	0.3	—	—	—	—	0.3	0.1
Dr. Cheng Kar-Shun, Henry	0.7	8.3	0.6	0.5	7.2	17.3	18.6
The Honourable Lee Quo-Wei [#]	—	—	—	—	—	—	0.1
Lord Sandberg, Michael	0.3	—	—	—	—	0.3	0.1
Dr. Ho Tim [#]	—	—	—	—	—	—	0.1
Dr. Sin Wai-Kin, David	0.2	—	—	—	—	0.2	0.1
Mr. Cheng Yue-Pui	0.2	—	—	—	—	0.2	0.1
Mr. Liang Chong-Hou, David	0.2	—	—	—	—	0.2	0.1
Mr. Yeung Ping-Leung, Howard	0.2	—	—	—	—	0.2	0.1
Dr. Cha Mou-Sing, Payson	0.3	—	—	—	—	0.3	0.1
Mr. Cheng Kar-Shing, Peter	0.2	2.3	0.2	0.2	2.3	5.2	4.3
Mr. Leung Chi-Kin, Stewart	0.3	3.3	0.3	0.3	0.8	5.0	4.0
Mr. Chow Kwai-Cheung	0.2	2.8	0.2	0.3	0.7	4.2	3.1
Mr. Chan Kam-Ling [#]	—	—	—	—	—	—	7.4
Mr. Ho Hau-Hay, Hamilton	0.2	—	—	—	—	0.2	—
Mr. Lee Luen-Wai, John	0.4	—	—	—	—	0.4	—
Mr. Liang Cheung-Biu, Thomas	0.2	—	—	—	—	0.2	—
Total 2005	3.9	16.7	1.3	1.3	11.0	34.2	
Total 2004	1.8	19.3	3.6	1.7	11.9		38.3

[#] Resigned on 30 August 2004

The emoluments paid to the individuals fell within the following bands:

Emolument band (HK\$)	Number of highest paid individuals	
	2005	2004
5,000,001 – 5,500,000	1	1
6,500,001 – 7,000,000	1	1
7,500,001 – 8,000,000	2	—
8,000,001 – 8,500,000	—	1
	4	3

13 Intangible assets

	Group				
	Goodwill	Negative goodwill	Licences and software	Development costs	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Cost					
At 1 July 2004, as previously reported	187.0	(60.9)	401.2	5.8	533.1
Elimination	(59.6)	7.4	—	—	(52.2)
Derecognition	—	53.5	—	—	53.5
At 1 July 2004, as adjusted	127.4	—	401.2	5.8	534.4
Partial disposal of subsidiaries	(45.3)	—	—	(1.3)	(46.6)
Acquisition of additional interest in subsidiaries	35.8	—	—	—	35.8
At 30 June 2005	117.9	—	401.2	4.5	523.6
Accumulated amortisation and impairment					
At 1 July 2004, as previously reported	59.6	(7.4)	401.2	0.4	453.8
Elimination	(59.6)	7.4	—	—	(52.2)
At 1 July 2004, as adjusted	—	—	401.2	0.4	401.6
Impairment	7.7	—	—	4.1	11.8
At 30 June 2005	7.7	—	401.2	4.5	413.4
Net book amount					
At 30 June 2005	110.2	—	—	—	110.2

13 Intangible assets (continued)

	Group				
	Goodwill	Negative	Licences	Development	Total
	HK\$m	goodwill	and	costs	HK\$m
		HK\$m	software	HK\$m	HK\$m
			HK\$m		
Cost					
At 1 July 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 June 2004	187.0	(60.9)	401.2	5.8	533.1
Accumulated amortisation and impairment					
At 1 July 2003	18.1	(4.2)	—	—	13.9
Amortisation	10.3	(3.2)	—	0.4	7.5
Impairment	31.2	—	401.2	—	432.4
At 30 June 2004	59.6	(7.4)	401.2	0.4	453.8
Net book amount					
At 30 June 2004	127.4	(53.5)	—	5.4	79.3

Licences and software were purchased from PrediWave Corporation (“PrediWave”) and are relating to billing system for PrediWave’s interactive television, video-on-demand and other digital broadcasting and related Technology, which are the subject of the NWTMT Complaint (Note 35a). As a result of the NWTMT Complaint, the directors of NWTMT 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 was made against these assets during the year ended 30 June 2004.

Goodwill is allocated to the Group’s cash-generating units identified according to country of operation and business segment. The recoverable amount of the business unit is determined based on value-in-use calculations. The key assumptions used in the value-in-use calculations are based on management’s best estimates of growth rates and discount rates.

A segment-level summary of the goodwill allocation is presented below:

	Group						
	2005			2004			
	Hong Kong	Mainland	Total	Hong Kong	Mainland	Total	
	Southeast Asia	China	HK\$m	Southeast Asia	China	HK\$m	
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	
Property investment and development	—	—	—	7.2	—	7.2	
Service	39.3	—	39.3	16.1	—	16.1	
Telecommunications	56.0	—	56.0	101.4	—	101.4	
Others	—	14.9	14.9	—	2.7	2.7	
	95.3	14.9	110.2	124.7	2.7	127.4	

14 Fixed assets

	Group							
	Investment properties	Hotel properties	Land and buildings	Toll roads, bridges and port facilities	Telecommunication equipment and systems	Other assets	Assets under construction	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
Cost or valuation								
At 1 July 2004	17,492.7	8,192.0	3,376.0	2,364.3	4,369.4	3,739.1	757.9	40,291.4
Translation difference	—	—	(0.2)	—	—	(0.9)	—	(1.1)
Disposal of subsidiaries	—	—	—	(202.4)	—	(8.2)	—	(210.6)
Additions	61.5	20.8	5.5	—	224.9	211.5	111.1	635.3
Reclassification	295.1	—	13.6	—	—	1.9	(310.6)	—
Transfer from properties held for sale/deposits	53.7	—	—	—	—	—	936.8	990.5
Transfer to properties held for sale	(228.1)	—	—	—	—	—	—	(228.1)
Disposals	(71.3)	—	(49.0)	—	(5.3)	(323.7)	(17.7)	(467.0)
Revaluation	3,219.6	1,119.9	—	—	—	—	—	4,339.5
At 30 June 2005	20,823.2	9,332.7	3,345.9	2,161.9	4,589.0	3,619.7	1,477.5	45,349.9
Accumulated depreciation and impairment								
At 1 July 2004	—	—	809.2	358.6	2,704.8	2,513.7	7.5	6,393.8
Translation difference	—	—	—	—	—	(0.6)	—	(0.6)
Disposal of subsidiaries	—	—	—	(38.0)	—	(3.6)	—	(41.6)
Depreciation	—	—	80.6	76.8	373.0	267.3	—	797.7
Impairment	—	—	4.4	—	—	3.0	1.3	8.7
Write back on disposals	—	—	(10.9)	—	(2.9)	(258.3)	—	(272.1)
At 30 June 2005	—	—	883.3	397.4	3,074.9	2,521.5	8.8	6,885.9
Net book value								
At 30 June 2005	20,823.2	9,332.7	2,462.6	1,764.5	1,514.1	1,098.2	1,468.7	38,464.0
At 30 June 2004	17,492.7	8,192.0	2,566.8	2,005.7	1,664.6	1,225.4	750.4	33,897.6

	Company			
	Investment properties	Land and buildings	Other assets	Total
	HK\$m	HK\$m	HK\$m	HK\$m
Cost or valuation				
At 1 July 2004	27.5	0.7	3.3	31.5
Revaluation	5.6	—	—	5.6
At 30 June 2005	33.1	0.7	3.3	37.1
Accumulated depreciation				
At 1 July 2004	—	0.6	3.3	3.9
Charge for the year	—	—	—	—
At 30 June 2005	—	0.6	3.3	3.9
Net book value				
At 30 June 2005	33.1	0.1	—	33.2
At 30 June 2004	27.5	0.1	—	27.6

14 Fixed assets (continued)

Cost or valuation of properties was made up as follows:

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Professional valuation				
Investment properties				
Hong Kong long term leases	8,100.5	6,752.9	33.1	27.5
Hong Kong medium term leases	9,899.9	8,056.2	—	—
Overseas long term leases	49.6	384.2	—	—
Overseas medium term leases	2,773.2	2,299.4	—	—
	20,823.2	17,492.7	33.1	27.5
Hotel properties				
Hong Kong long term leases	6,450.0	5,580.0	—	—
Hong Kong medium term leases	1,809.2	1,602.2	—	—
Overseas medium term leases	1,073.5	1,009.8	—	—
	9,332.7	8,192.0	—	—
At cost				
Land and buildings				
Hong Kong long term leases (Note a)	933.2	947.6	0.7	0.7
Hong Kong medium term leases	874.7	883.4	—	—
Overseas long term leases	42.9	51.6	—	—
Overseas medium term leases (Note a)	1,469.2	1,461.7	—	—
Overseas short term leases	23.9	29.7	—	—
Overseas freehold	2.0	2.0	—	—
	3,345.9	3,376.0	0.7	0.7
	33,501.8	29,060.7	33.8	28.2

- (a) The Group's land and buildings include properties transferred from investment properties at carrying value of HK\$985.0 million based on professional valuations at dates of transfer.
- (b) The investment properties and hotel properties were revalued on 30 June 2005 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\$15,815.1 million (2004: HK\$13,122.1 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\$298.5 million (2004: HK\$304.9 million) and HK\$0.1 million (2004: HK\$0.6 million) respectively.
- (e) Other assets include an amount of HK\$619.2 million representing interactive television network system and equipment purchased from PrediWave, which are the subject of the NWTMT Complaint (Note 35a). As a result of the NWTMT Complaint, the Directors decided to discontinue the use of the Technology launching the interactive television services in the PRC, and accordingly, a full impairment charge was made against these assets during the year ended 30 June 2004.

15 Subsidiaries

	2005 HK\$m	2004 HK\$m
Unlisted shares		
At cost	4,837.9	4,893.1
At Directors' valuation in 1972	72.0	72.0
Provision for impairment losses	(552.7)	(567.1)
	4,357.2	4,398.0
Listed shares in Hong Kong, at cost	20,811.9	16,461.6
	25,169.1	20,859.6
Amounts receivable less provision	35,294.9	38,254.5
	60,464.0	59,114.1
Amounts payable	(21,651.9)	(21,591.4)
	38,812.1	37,522.7
Market value of listed shares	10,919.8	6,426.1

Details of principal subsidiaries are given in Note 38.

16 Associated companies

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Group's share of net assets				
Listed shares in Hong Kong	865.3	810.4	—	—
Unlisted shares	2,683.1	2,123.0	1.6	6.8
	3,548.4	2,933.4	1.6	6.8
Negative goodwill	—	(83.1)	—	—
Goodwill	103.5	29.3	—	—
	103.5	(53.8)	—	—
Amounts receivable less provision (Note a)	3,116.2	3,397.1	18.4	399.9
Amounts payable (Note b)	(280.6)	(440.8)	(35.6)	(21.3)
	2,835.6	2,956.3	(17.2)	378.6
	6,487.5	5,835.9	(15.6)	385.4
Market value of listed shares	472.3	436.6	—	—

(a) Amounts receivable are analysed as follows:

	2005 HK\$m	2004 HK\$m
Interest bearing		
Fixed rates (Note i)	344.5	311.5
Variable rates (Note ii)	20.2	59.5
Non-interest bearing (Note iii)	2,751.5	3,026.1
	3,116.2	3,397.1

(i) Fixed rates represent interest rates ranging from 5.8% to 8.0% (2004: 5.8% to 8.0%) per annum.

(ii) Variable rates represent interest rates at Hong Kong prime rate per annum (2004: 0.6% above 3-month Hong Kong Inter-Bank Offered Rate ("HIBOR") to Hong Kong prime rate per annum).

(iii) The balance included amounts totalling HK\$18.4 million (2004: HK\$399.9 million) due to the Company.

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

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

(c) Details of principal associated companies are given in Note 39.

17 Jointly controlled entities

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Equity joint ventures				
Group's share of net assets	571.1	1,085.3	—	—
Goodwill on acquisition	2.2	2.2	—	—
Amounts receivable less provision (Note a)	218.9	197.5	—	—
Amounts payable (Note b)	(82.3)	(79.8)	(5.7)	(5.8)
	709.9	1,205.2	(5.7)	(5.8)
Co-operative joint ventures (Note c)				
Cost of investment less provision	5,573.3	5,517.4	—	—
Goodwill on acquisition	15.9	15.9	—	—
Share of undistributed post-acquisition results	(60.9)	(316.0)	—	—
Amounts receivable less provision (Note a)	8,620.0	8,778.0	—	—
Amounts payable (Note b)	(288.3)	(113.0)	—	—
	13,860.0	13,882.3	—	—
Companies limited by shares				
Group's share of net assets	3,175.9	2,807.1	—	—
Goodwill on acquisition	132.5	264.1	—	—
Subordinated loans (Note a)	306.9	455.7	—	—
Amounts receivable (Note a)	4,854.9	5,629.4	192.7	105.0
Amounts payable (Note b)	(589.9)	(698.6)	—	—
	7,880.3	8,457.7	192.7	105.0
Deposits paid for joint ventures (Note c)	491.8	481.9	—	—
	22,942.0	24,027.1	187.0	99.2

17 Jointly controlled entities (continued)

(a) Subordinated loans and amounts receivable are analysed as follows:

	Subordinated loans		Amounts receivable	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Interest bearing				
Fixed rates (Note i)	—	19.0	5,636.8	6,491.5
Variable rates (Note ii)	—	—	1,438.9	1,535.7
Non-interest bearing (Note iii)	306.9	436.7	6,618.1	6,577.7
	306.9	455.7	13,693.8	14,604.9

(i) Fixed rates represent interest rates ranging from 2.0% to 12.0% (2004: 2.0% to 14.0%) per annum.

(ii) Variable rates represent interest rates ranging from 3-month HIBOR to 1.5% above the HIBOR (2004: 3-month HIBOR to 2.0% above the Hong Kong prime rate) per annum.

(iii) The amounts include HK\$192.7 million (2004: HK\$105.0 million) due to the Company.

The repayment terms of the amounts receivable are specified in the relevant joint venture agreements.

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

(c) This represents advances paid in respect of proposed joint ventures for which the jointly controlled entities have not yet been established as at the balance sheet 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 investments in joint ventures.

(d) Particulars of principal jointly controlled entities are given in Note 40.

18 Other investments

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Equity securities				
Unlisted shares, at fair value (Notes a and b)	770.5	994.2	47.2	22.6
Listed shares, at market value				
Hong Kong	353.4	317.7	—	—
Overseas	270.0	274.9	—	—
	1,393.9	1,586.8	47.2	22.6
Debt securities				
Unlisted debentures and convertible bonds, at fair value	127.3	130.7	—	—
Investments in joint property development projects				
At cost less provision and amortisation (Note c)	1,808.4	1,712.0	—	—
Loans to investee companies (Note d)	304.2	304.2	—	—
Provision (Note d)	(304.2)	(304.2)	—	—
	—	—	—	—
	3,329.6	3,429.5	47.2	22.6

- (a) Unlisted equity securities include the equity investments in PrediWave and certain former associated companies of the Group (collectively the "PrediWave Companies"), which are the subject of the NWTMT Complaint (Note 35a). Since 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 companies, they were reclassified from associated companies to other investments for the year ended 30 June 2004 and a full impairment provision of HK\$1,933.9 million was then made against these assets.
- (b) Unlisted equity securities also include an unlisted investment in Intellambda Systems Inc. ("Intellambda"), a company engaged in developing optical transport and switching platforms and providing the optical networking solutions for carriers planning on building or upgrading their metro and regional infrastructures. In assessing the carrying value of the investment in Intellambda, the Directors have taken into account the latest financial information of Intellambda, advice received from industry expert, future funding requirements for Intellambda and expected returns from launching its products. Based on the above, a full provision of approximately HK\$376.9 million was made against this investment during the year ended 30 June 2005.
- (c) The aggregate carrying value of investments in joint property development projects pledged as securities for loans amounted to HK\$1,026.2 million (2004: HK\$1,053.8 million).
- (d) A full provision was made against the loans to the PrediWave Companies which are the subject of the NWTMT Complaint (Note 35a) during the year ended 30 June 2004.

19 Other assets

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Long term receivables (Note a)	1,907.5	2,020.8	—	—
Deposits for proposed investments (Note b)	1,569.2	1,613.8	—	—
Deposits for purchase of fixed assets (Note c)	—	—	—	—
Retirement benefit assets (Note 11bi)	19.4	17.3	—	—
	3,496.1	3,651.9	—	—
Current portion included in current assets	(2,475.5)	(827.7)	—	—
	1,020.6	2,824.2	—	—

(a) Long term receivables

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Accounts receivable	1,646.2	1,673.9	—	—
Other loans	261.3	346.9	—	—
	1,907.5	2,020.8	—	—
Current portion included in current assets	(944.3)	(827.7)	—	—
	963.2	1,193.1	—	—

Accounts receivable include a loan of HK\$600.0 million (2004: HK\$600.0 million) due from a third party which is unsecured and bears interest at 3.0% (2004: 3.0%) per annum. The loan, together with the refund of deposits from the withdrawal of proposed investment in the Network (Note b), is fully repayable by 30 November 2005.

(b) Deposits for proposed investments

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Cost less provision				
Deposits for the Network	1,531.2	1,531.2	—	—
Others	38.0	82.6	—	—
	1,569.2	1,613.8	—	—
Current portion included in current assets	(1,531.2)	—	—	—
	38.0	1,613.8	—	—

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 (the "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.

19 Other assets (continued)

(b) Deposits for proposed investments (continued)

NWTMT had paid approximately HK\$1,531.2 million (2004: HK\$1,531.2 million) as deposits for the Network. On 23 June 2004, NWTMT requested to withdraw from the Acquisition and the counterparties agreed on 3 September 2004 that deposits for the Network, loans and other amounts owing to NWTMT totalling HK\$2,160.0 million together with interest would be fully repaid to NWTMT by 30 November 2004. As of June 2005, these amounts remained outstanding and unpaid. Pursuant to the agreement on extension of repayment entered into between NWTMT and the counterparties, the counterparties agreed to (i) repay deposits paid for the Network, loans and other amounts owing to NWTMT totalling HK\$2,160.0 million together with interest by 30 November 2005; (ii) pledge the 70.0% interest in the Network as a security to secure their repayment; and (iii) allow the Group to retain its option to re-enter the project if the repayment was not made in accordance with the agreement.

Having considered the legal advice from the Group's legal counsel, valuation of the Network performed by an independent professional valuer, the security obtained and the option available to the Group to re-enter the project, the Directors are of the view that the deposits paid for the Network, loans and other amounts owing to the Group are fully recoverable.

(c) Deposits for purchase of fixed assets

The Group made deposits to PrediWave for purchase of interactive television network system and equipment which is the subject of the NWTMT Complaint (Note 35a). A full provision of HK\$843.9 million was made against these assets during the year ended 30 June 2004.

20 Properties held for sale

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Properties under development, at cost less provision	14,259.6	13,325.1	—	—
Completed properties, at cost less provision	2,507.8	2,979.1	—	—
Joint property development projects, at cost less provision	7,807.7	6,879.9	690.0	547.5
	24,575.1	23,184.1	690.0	547.5

The aggregate carrying value of properties held for sale pledged as securities for loans amounted to HK\$2,232.7 million (2004: HK\$3,055.1 million).

21 Stocks

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Raw materials	32.2	88.2	—	—
Work-in-progress	53.6	1.8	—	—
Finished goods	113.9	98.2	—	—
Merchandise	94.6	93.5	—	—
	294.3	281.7	—	—

The amount of stocks carried at net realisable value amounted to HK\$84.1 million (2004: HK\$93.7 million).

Raw materials include an amount of HK\$11.3 million (2004: HK\$62.1 million) which represents parts for production of interactive television equipment. These stocks are the subject of the NWTMT Complaint (Note 35a).

22 Debtors and prepayments

- (a) Debtors and prepayments include retention receivable for contracts in progress amounting to HK\$683.3 million (2004: HK\$716.6 million).
- (b) Debtors and prepayments also 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 of the Group is as follows:

	2005 HK\$m	2004 HK\$m
Current to 30 days	3,783.2	5,019.4
31 to 60 days	240.8	283.5
Over 60 days	1,275.6	1,509.2
	5,299.6	6,812.1

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) Creditors and accrued charges include advances received from customers for contracts in progress amounting to HK\$50.3 million (2004: HK\$39.1 million).
- (b) Ageing analysis of trade creditors of the Group is as follows:

	2005 HK\$m	2004 HK\$m
Current to 30 days	3,921.7	3,418.5
31 to 60 days	320.8	280.7
Over 60 days	1,304.6	1,657.5
	5,547.1	5,356.7

25 Contracts in progress

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses	10,990.1	14,267.1	—	—
Progress payments received and receivable	(11,029.9)	(14,498.1)	—	—
	(39.8)	(231.0)	—	—
Representing:				
Gross amount due from customers for contract work	297.6	268.4	—	—
Gross amount due to customers for contract work	(337.4)	(499.4)	—	—
	(39.8)	(231.0)	—	—

26 Long term liabilities

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Bank loans				
Secured	10,491.9	9,861.8	—	—
Unsecured	11,894.4	13,986.5	—	—
Obligations under finance leases wholly payable within five years (Note a)	38.5	109.1	—	—
	22,424.8	23,957.4	—	—
Convertible bonds (Note b)	1,350.0	1,350.0	—	—
Loans from minority shareholders (Note c)	1,809.3	1,955.2	—	—
Deferred income	524.0	478.7	—	—
Provision for long service payments	64.9	87.7	—	—
Long term accounts payable	376.8	86.0	—	86.0
	26,549.8	27,915.0	—	86.0
Current portion included in current liabilities	(11,847.8)	(6,046.0)	—	(86.0)
	14,702.0	21,869.0	—	—

Maturity of long term borrowings is as follows:

	Group			Total HK\$m
	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Obligations under finance leases HK\$m	
Year 2005				
Within one year	3,580.7	8,103.1	34.7	11,718.5
In the second year	2,337.9	1,955.7	3.8	4,297.4
In the third to fifth year	4,408.9	1,807.5	—	6,216.4
After the fifth year	164.4	28.1	—	192.5
	10,491.9	11,894.4	38.5	22,424.8
Year 2004				
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

26 Long term liabilities (continued)**(a) Finance lease obligations — minimum lease payments**

	Group	
	2005 HK\$m	2004 HK\$m
Within one year	35.3	69.9
In the second year	3.9	38.5
In the third to fifth year	—	3.3
	39.2	111.7
Future finance charges on finance leases	(0.7)	(2.6)
Present value of finance lease liabilities	38.5	109.1

(b) Convertible bonds

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, subject to adjustment, at any time on and after 27 May 2004 up to 11 April 2009. The bonds are redeemable by the issuer from 26 October 2005 and prior to 25 April 2009. Moreover, the bondholders shall have the right to redeem all or some of the bonds held by them on 26 April 2006 at 99.0% of the principal amount. 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\$234.1 million (2004: HK\$232.6 million) which are unsecured, carry interest at fixed rates ranging from 5.0% to 10.0% (2004: 5.0% to 15.0%) per annum and have repayment terms specified in the relevant agreements; and a loan of HK\$137.4 million (2004: loans of \$134.9 million) which bore interest at 1.0% above 1-month HIBOR (2004: 3.0% above 1-month HIBOR to 1.0% below Hong Kong prime rate) per annum up to 29 October 2004. The remaining loans are unsecured, interest free and have no specific repayment terms.

27 Deferred taxation

	Group	
	2005 HK\$m	2004 HK\$m
At the beginning of the year	635.8	688.8
Translation differences	(0.1)	0.3
Disposal and deconsolidation of subsidiaries	(5.3)	(204.4)
Deferred taxation charged to profit and loss account (Note 7)	95.2	151.5
Deferred taxation charged/(credited) to asset revaluation reserve	47.9	(0.4)
Acquisition of subsidiaries	83.7	—
At the end of the year	857.2	635.8

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

27 Deferred taxation (continued)

The movement in deferred tax assets and liabilities of the Group (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		Income from sales of properties		Fair value adjustments on properties		Other items		Total	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
At the beginning 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)
Translation differences	—	—	—	—	—	—	—	—	0.1	(0.1)	0.1	(0.1)
Disposal and deconsolidation of subsidiaries	5.3	287.5	—	—	—	—	—	—	—	—	5.3	287.5
(Charged)/credited to profit and loss account	(37.8)	27.5	—	—	(42.1)	(34.2)	12.6	(3.0)	(2.9)	(5.3)	(70.2)	(15.0)
(Charged)/credited to asset revaluation reserve	—	—	(47.9)	0.4	—	—	—	—	—	—	(47.9)	0.4
Acquisition of subsidiaries	—	—	—	—	—	—	(83.7)	—	—	—	(83.7)	—
At the end of the year	(968.2)	(935.7)	(145.5)	(97.6)	(80.8)	(38.7)	(146.8)	(75.7)	(11.3)	(8.5)	(1,352.6)	(1,156.2)

Deferred tax assets

	Provisions		Accelerated accounting depreciation		Tax losses		Unrealised intra-group profit		Other items		Total	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
At the beginning 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
Translation differences	—	—	—	—	—	(0.2)	—	—	—	—	—	(0.2)
Disposal and deconsolidation of subsidiaries	—	—	—	(0.1)	—	(83.0)	—	—	—	—	—	(83.1)
Credited/(charged) to profit and loss account	9.7	(11.8)	(2.6)	(4.9)	(35.9)	(125.2)	—	1.2	3.8	4.2	(25.0)	(136.5)
At the end of the year	21.9	12.2	3.6	6.2	401.6	437.5	58.0	58.0	10.3	6.5	495.4	520.4

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	
	2005 HK\$m	2004 HK\$m
Deferred tax assets	264.2	286.8
Deferred tax liabilities	(1,121.4)	(922.6)
	(857.2)	(635.8)

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\$8,389.7 million (2004: HK\$7,912.9 million) to carry forward against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$480.3 million (2004: HK\$627.8 million) which will expire at various dates up to and including 2010 (2004: 2009).

28 Share capital

	2005		2004	
	Number of shares (million)	HK\$m	Number of shares (million)	HK\$m
Authorised:				
Shares of HK\$1.00 each				
At the beginning of the year	10,000.0	10,000.0	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	10,000.0	10,000.0
Issued and fully paid:				
Shares of HK\$1.00 each				
At the beginning of the year	3,457.3	3,457.3	2,219.5	2,219.5
Issued as scrip dividends (note b)	34.3	34.3	—	—
Placement of shares (Note c)	—	—	250.0	250.0
Rights issue (Note d)	—	—	987.8	987.8
At the end of the year	3,491.6	3,491.6	3,457.3	3,457.3

(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 new shares of HK\$1.00 each.

(b) Issued as scrip dividends

During the year, 34,203,052 new shares were issued of which 9,565,147 were issued at HK\$8.342 as 2004 final scrip dividend and 24,637,905 were issued at HK\$8.051 as 2005 interim scrip dividend.

(c) Placement of shares

In 2004, 250.0 million new 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.

(d) Rights issue

In 2004, 987,817,877 new shares of HK\$1.00 each were issued at HK\$5.40 per share by way of rights issue on the basis of 2 shares for every 5 shares. The proceeds of the rights issue were used to repay the then outstanding convertible bond of the Company, to pay land conversion premium for the existing agricultural land bank and to provide for general working capital of the Group.

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
At 1 July 2003	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
Impairment loss on investment securities 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 the 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 of reserves	—	—	(17.4)	—	0.8	16.6	—
Translation differences	—	—	—	—	—	(1.3)	(1.3)
2004 interim dividend paid	—	—	—	—	—	(69.1)	(69.1)
At 30 June 2004	37.7	24,596.1	15,542.9	484.0	567.4	9,719.6	50,947.7
Representing:							
At 30 June 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)

	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
At 1 July 2004, as previously reported	37.7	24,596.1	15,542.9	484.0	567.4	9,719.6	50,947.7
Negative goodwill derecognised	—	—	—	—	—	135.2	135.2
At 1 July 2004, as restated	37.7	24,596.1	15,542.9	484.0	567.4	9,854.8	51,082.9
Scrip dividends	—	243.9	—	—	—	—	243.9
Investment and hotel properties revaluation surplus for the year, net of taxation	—	—	3,913.3	—	—	—	3,913.3
Share of revaluation surplus, net of taxation of							
Associated companies	—	—	212.0	—	—	—	212.0
Jointly controlled entities	—	—	55.8	—	—	—	55.8
Impairment loss on investment securities charged to profit and loss account	—	—	286.1	—	—	—	286.1
Acquisition of interests in subsidiaries	—	—	—	—	35.2	—	35.2
Release of revaluation surplus upon disposal of investment properties	—	—	(7.2)	—	—	—	(7.2)
Investment securities revaluation deficit for the year	—	—	(166.1)	—	—	—	(166.1)
Investment securities revaluation deficit realised upon disposal	—	—	11.0	—	—	—	11.0
Profit for the year	—	—	—	—	—	2,988.1	2,988.1
Transfer of reserves	—	—	(17.6)	(484.0)	27.0	474.6	—
Translation differences	—	—	—	—	—	(3.8)	(3.8)
2004 final dividend paid	—	—	—	—	—	(138.3)	(138.3)
2005 interim dividend paid	—	—	—	—	—	(346.7)	(346.7)
At 30 June 2005	37.7	24,840.0	19,830.2	—	629.6	12,828.7	58,166.2
Representing:							
At 30 June 2005	37.7	24,840.0	19,830.2	—	629.6	12,130.4	57,467.9
2005 proposed final dividend	—	—	—	—	—	698.3	698.3
	37.7	24,840.0	19,830.2	—	629.6	12,828.7	58,166.2
Retained by:							
Company and subsidiaries	37.7	24,840.0	19,356.2	—	629.6	15,958.6	60,822.1
Associated companies	—	—	506.5	—	—	(1,232.1)	(725.6)
Jointly controlled entities	—	—	(32.5)	—	—	(1,897.8)	(1,930.3)
	37.7	24,840.0	19,830.2	—	629.6	12,828.7	58,166.2

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
At 1 July 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)
At 1 July 2004	37.7	24,596.1	37.1	9,960.2	34,631.1
Scrip dividends	—	243.9	—	—	243.9
Investment properties revaluation surplus for the year	—	—	5.6	—	5.6
Investment securities revaluation surplus for the year	—	—	24.6	—	24.6
Profit for the year	—	—	—	1,361.2	1,361.2
2004 final dividend paid	—	—	—	(138.3)	(138.3)
2005 interim dividend paid	—	—	—	(346.7)	(346.7)
At 30 June 2005	37.7	24,840.0	67.3	10,836.4	35,781.4
Representing:					
At 30 June 2005	37.7	24,840.0	67.3	10,138.1	35,083.1
2005 proposed final dividend	—	—	—	698.3	698.3
	37.7	24,840.0	67.3	10,836.4	35,781.4

Analysis of asset revaluation reserve

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Hotel properties	4,358.7	3,581.7	—	—
Investment properties	15,073.0	11,693.7	31.6	26.0
Investment securities	398.5	267.5	35.7	11.1
	19,830.2	15,542.9	67.3	37.1

30 Commitments**(a) Capital commitments**

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Contracted but not provided for				
Fixed assets	652.9	566.1	—	—
An associated company	—	12.2	—	—
A subsidiary	—	—	55.0	55.0
Jointly controlled entities	1,033.3	326.4	—	—
Other investments	20.0	70.3	—	—
	1,706.2	975.0	55.0	55.0
Authorised but not contracted for				
Fixed assets	169.6	15.7	—	—
The Group's share of capital commitments of jointly controlled entities not included above are as follows:				
Contracted but not provided for	121.0	205.1	—	—
Authorised but not contracted for	45.2	268.4	—	—
	166.2	473.5	—	—

The above capital commitments do not include commitments for purchase of fixed assets and intangible assets in respect of the PrediWave Cross-Complaint (Note 35b).

(b) Commitments under operating leases

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

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Land and buildings				
In the first year	333.8	363.3	—	—
In the second to fifth year inclusive	997.9	789.8	—	—
After the fifth year	2,968.2	2,395.4	—	—
	4,299.9	3,548.5	—	—

30 Commitments (continued)

(c) As at 30 June 2005, the Group had issued performance guarantees amounting to HK\$410.9 million (2004: HK\$889.5 million), in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of properties developed by certain subsidiaries 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.

(d) Future minimum rental payments receivable

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

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
In the first year	560.8	485.1	5.9	5.8
In the second to fifth year inclusive	562.5	555.1	12.3	18.2
After the fifth year	380.8	544.6	—	—
	1,504.1	1,584.8	18.2	24.0

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

31 Contingent liabilities

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Guarantees for				
Performance bonds in respect of construction contracts undertaken by the Group	1,322.7	1,488.4	514.2	534.5
Other performance bonds	220.8	332.3	77.1	77.4
Guarantees for credit facilities granted to				
Subsidiaries	—	—	22,962.4	20,338.6
Associated companies	355.2	418.9	105.0	105.0
Jointly controlled entities	3,519.6	5,142.1	657.1	707.8
Investee companies included under other investments	4.2	4.2	4.2	4.2
A related company	55.0	—	—	—
Indemnity to non-wholly owned subsidiaries for PRC tax liabilities	1,771.6	1,925.2	6,172.9	6,347.6
	7,249.1	9,311.1	30,492.9	28,115.1
The Group's share of contingent liabilities of jointly controlled entities not included above	95.1	206.9	—	—

Except for pending litigations as referred to in Note 35 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. 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 judgement in favour of the Group was handed down on 1 April 2004. An appeal which was lodged by the joint venture partner was dismissed by the Court of Appeal on 29 June 2005. Leave to appeal to the Court of Final Appeal was granted on 29 August 2005 to the joint venture partner. The hearing date of the appeal to the Court of Final Appeal has yet to be fixed. 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 profit/(loss) to net cash inflow generated from operations

	2005 HK\$m	2004 HK\$m
Operating profit/(loss)	3,239.8	(3,770.3)
Depreciation	797.7	1,110.3
Amortisation	—	7.5
Impairment loss on		
Fixed assets	8.7	1,457.1
Intangible assets	11.8	441.3
Provision for		
Accounts receivable	107.5	160.9
Associated companies	6.8	150.5
Properties held for sale	7.2	137.2
Jointly controlled entities	133.3	79.2
Loans to investee companies	—	304.2
Other assets	28.9	1,024.9
Other investments	558.8	2,448.4
Loss on deemed disposal of interests in subsidiaries	270.2	49.6
Revaluation deficit/(write back of revaluation deficit) on hotel properties	6.2	(3.7)
Net (profit)/loss on disposal of		
Fixed assets	(13.9)	26.3
Subsidiaries	(731.4)	(389.4)
Associated companies	—	(0.2)
Jointly controlled entities	(1,112.7)	(9.3)
Other investments	(361.3)	21.1
Write down of stocks to net realisable value	13.0	294.4
Write back of impairment loss on fixed assets	—	(205.1)
Write back of provision for		
Accounts receivable	(67.9)	—
Associated companies	(87.4)	—
Jointly controlled entities	(38.8)	(16.7)
Properties held for sale	(102.7)	(1,160.2)
Other investments	(19.9)	(4.7)
Excess of the fair value of net assets acquired over the cost of acquisition of		
Additional interest of subsidiaries	(332.5)	—
Subsidiaries	(46.9)	—
Premium on redemption of convertible bonds	—	0.2
Net interest expenses and dividend income	262.8	744.0
Translation differences	—	1.0
Operating profit before working capital changes	2,537.3	2,898.5
(Increase)/decrease in stocks	(27.2)	11.3
(Increase)/decrease in properties held for sale	(949.2)	1,731.3
Decrease/(increase) in debtors and prepayments	915.3	(2,545.6)
Increase in other loans receivable	(213.7)	(38.7)
Increase in creditors and accrued charges	1,074.6	106.7
Decrease in contracts in progress	(191.2)	(82.7)
Increase/(decrease) in deposits on sale of properties	72.7	(88.6)
Net cash inflow generated from operations	3,218.6	1,992.2

32 Notes to consolidated cash flow statement (continued)**(b) Acquisition of subsidiaries**

	2005	2004
	HK\$m	HK\$m
Net assets acquired		
Intangible assets	—	5.8
Fixed assets	—	48.3
Associated companies	—	3.7
Stocks	—	1.8
Properties under development	743.9	35.9
Debtors and prepayments	—	89.2
Cash and bank balances	0.6	24.5
Creditors and accrued charges	(92.9)	(121.7)
Deferred tax liabilities	(83.7)	—
Long term liabilities	—	(4.4)
Minority interests	—	(35.6)
	567.9	47.5
Interest in jointly controlled entities originally held by the Group	(127.4)	(47.9)
	440.5	(0.4)
Goodwill on acquisition	—	30.0
Excess of the fair value of net assets acquired over the cost of acquisition of subsidiaries	(46.9)	—
Consideration	393.6	29.6
Represented by:		
Cash paid	124.8	2.5
Long term accounts payable	268.8	—
Deposits for proposed investments	—	27.1
	393.6	29.6

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

	2005	2004
	HK\$m	HK\$m
Cash consideration	(124.8)	(2.5)
Cash and bank balances acquired	0.6	24.5
	(124.2)	22.0

32 Notes to consolidated cash flow statement (continued)

(d) Disposal of subsidiaries

	2005 HK\$m	2004 HK\$m
Net assets disposed		
Fixed assets	169.0	1,905.7
Associated companies	844.3	—
Jointly controlled entities	—	682.4
Stocks	1.6	12.4
Properties held for sale	—	141.4
Debtors and prepayments	3.4	127.3
Cash and bank balances	4.3	396.1
Creditors and accrued charges	(35.1)	(500.5)
Taxation	—	(0.5)
Long term liabilities	(39.6)	(524.1)
Deferred tax liabilities	(5.3)	(103.3)
Minority interests	(2.1)	(552.3)
	940.5	1,584.6
Goodwill	—	1.5
Net profit on disposals of subsidiaries	731.4	389.4
Consideration	1,671.9	1,975.5
Represented by:		
Cash consideration	1,101.5	1,370.0
Long term receivables	—	486.1
Debtors and prepayments	138.8	102.0
Jointly controlled entities	431.6	17.4
	1,671.9	1,975.5

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

	2005 HK\$m	2004 HK\$m
Cash consideration	1,101.5	1,370.0
Cash and bank balances disposed of	(4.3)	(396.1)
	1,097.2	973.9

32 Notes to consolidated cash flow statement (continued)**(f) 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
At 30 June 2003	21,567.1	36,452.0	4,135.0	(1,673.3)	16,420.3	76,901.1
Net cash from/(used in) financing activities	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 loss and other reserves	—	—	—	—	(1,087.1)	(1,087.1)
Inception of finance leases	—	33.7	—	—	—	33.7
Translation differences	—	—	—	—	(8.1)	(8.1)
At 30 June 2004	28,053.4	27,915.0	2,910.8	(1,188.0)	13,797.4	71,488.6
Net cash (used in)/from financing activities	—	(1,701.2)	(503.2)	(644.4)	1,167.9	(1,680.9)
Scrip dividends	278.2	—	—	—	—	278.2
Acquisition of additional interests in subsidiaries	—	—	—	—	(303.4)	(303.4)
Disposal of subsidiaries	—	(39.6)	—	—	(2.1)	(41.7)
Decrease in deferred interest income	—	(2.4)	—	—	—	(2.4)
Increase in long term accounts payable	—	108.0	—	—	—	108.0
Acquisition of subsidiaries	—	268.8	—	—	—	268.8
Increase in minority interests from dilution of interests in subsidiaries	—	—	—	—	376.4	376.4
Minority interests' share of net profit and other reserves	—	—	—	—	1,886.4	1,886.4
Inception of finance leases	—	1.2	—	—	—	1.2
Translation differences	—	—	—	—	(2.1)	(2.1)
At 30 June 2005	28,331.6	26,549.8	2,407.6	(1,832.4)	16,920.5	72,377.1

33 Business combinations

In February 2005, the Group acquired 70.0% equity interest of Dalian New World Tower Co., Ltd. and 65.0% equity interest of Dalian New World Hotel Co., Ltd. for a total consideration of HK\$411.0 million which is repayable by 5 instalments up to 25 December 2007. Details of net assets acquired are as follows:

	2005
	HK\$m
Purchase consideration:	
Cash	124.8
Long term accounts payable	268.8
Fair value of total purchase consideration	393.6
Fair value of net assets acquired	440.5
Excess of fair value of net assets acquired over the cost of acquisition of subsidiaries	46.9

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's
	HK\$m	carrying
		amount
		HK\$m
Net assets acquired		
Properties held for sale	743.9	490.3
Cash and bank balances	0.6	0.6
Creditors and accrued charges	(92.9)	(92.9)
Deferred tax liabilities	(83.7)	—
	567.9	398.0
Interest in jointly controlled entities originally held by the Group	(127.4)	
	440.5	

The acquired subsidiaries incurred net loss of approximately HK\$1.2 million and did not contribute any revenue to the Group for the period since the date of acquisition.

34 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:

	2005	2004
	HK\$m	HK\$m
Transactions with affiliated companies (Note a)		
Rental income (Note b)	9.4	10.5
Provision of contracting work service (Note c)	326.6	559.2
Interest income (Note d)	83.6	103.2
Purchase of assets (Note e)	—	365.6
Transactions/balances with other related parties		
Rental income (Note b)	17.5	17.6
Provision of contracting work service (Note c)	—	282.4
Management fee expenses (Note f)	89.9	85.2
Accounts receivable (Note g)	218.0	220.0
Accounts payable (Note h)	—	158.1

- (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 agreed by parties involved.
- (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 represented purchases of interactive television network system and equipment which were developed by PrediWave at prices mutually agreed by both parties. As at 30 June 2004, the Group had paid approximately HK\$843.9 million as trade deposits to PrediWave.
- (f) Management fee expenses are charged at rates in accordance with relevant contracts.
- (g) The accounts receivable are unsecured, interest free, and have no fixed terms of repayment.
- (h) The accounts payable were unsecured, interest free and repayable on demand.

35 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\$5.0 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 lawsuit exceeds US\$700.0 million (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.

As the directors of NWTMT consider that they cannot effectively monitor the utilisation of funds by the PrediWave Companies, they 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 in the accounts for the year ended 30 June 2004 against the Group’s investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave remains most appropriate for the purpose of the accounts for the year ended 30 June 2005.

- (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 (collectively the “PrediWave Complaint”). In January 2005, PrediWave dropped the PrediWave Complaint and filed a counter claim against NWTMT to the Superior Court of the State of California for the County of Santa Clara (the “PrediWave Cross-Complaint”). Under the PrediWave Cross-Complaint, PrediWave alleged that NWTMT had failed to make full payments under four purchase orders and one agreement for goods and services delivered or licences granted by PrediWave to the Group relating to the Technology totalling approximately US\$72.0 million (approximately HK\$564.0 million). As a result, PrediWave claimed damages against NWTMT in an amount to be proved at trial, together with interest and costs of legal proceedings, restitution of the reasonable value of goods delivered to NWTMT and a declaration that PrediWave should be entitled to retain the deposits made by NWTMT under various purchase orders and agreements.

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

36 Comparative figures

Certain comparative figures have been reclassified to conform with the current year’s presentation.

37 Approval of accounts

The accounts were approved by the Board of Directors on 6 October 2005.

38 Principal subsidiaries

As at 30 June 2005

	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	1	—	—	
Advance Planner Limited	100	1	40	51	Property investment
Adwin Top Limited	2	1	—	100	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 ¹	100	—	—	
Billionoble Investment Limited	4,998	1	—	54	Investment holding
	2 ¹	1	—	—	
Billion Huge (International) Limited	950,001	1	—	71	Investment holding
Billion Park Investment Limited	1,000,000	1	—	56	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 ¹	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
	1,500,000 ¹	1	—	—	materials
Far East Engineering Services Limited	766,714	10	—	54	Mechanical and
	233,288 ¹	10	—	—	electrical 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 ¹	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

38 Principal subsidiaries (continued)

As at 30 June 2005

	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)					
Hip Hing Builders Company Limited	40,000	1,000	—	54	Construction and civil engineering
	10,000 ¹	1,000	—	—	
Hip Hing Construction (China) Company Limited	100,001	100	—	54	Construction
	1 ¹	100	—	—	
Hip Hing Construction Company Limited	400,000	100	—	54	Construction and civil engineering
	600,000 ¹	100	—	—	
Hong Kong Convention and Exhibition Centre (Management) Limited	3	1	—	54	Management of HKCEC
	1 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 ¹	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 ¹	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
	5,000,000 ¹	1	—	—	contracting
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 ¹	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
La Tune Limited	2	1	—	100	Property investment
Lingal Limited	1,800	1	—	71	Investment holding
	200 ¹	1	—	—	
Loyalton Limited	2	10	—	100	Property investment
Macdonnell Hostel Company Limited	2	1	100	100	Hostel operation
Majestic Engineering Company Limited	30,000	1,000	—	54	Mechanical and engineering
Mega Choice Holdings Limited	100	1	80	80	Property investment

38 Principal subsidiaries (continued)

As at 30 June 2005

	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)					
Millennium Engineering Limited	18,750,000	1	—	49	Supply and installation of aluminium windows and curtain wall
Moral Giant Limited	1	1	—	100	Property investment
New China Laundry Limited	40,000,002 704,000 ¹	1	—	54	Laundry services
New Town Project Management Limited	2	1	100	100	Project management
New Waly Interior Products Limited	1,000,000	1	—	54	Trading of interior products
New World Department Stores Limited	2	1	—	100	Management services to department stores
New World Development (China) Limited	2 2 ¹	1 1	—	71 —	Investment holding
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	—	72	Mobile telecommunication services
New World Real Estate Agency Limited	2	1	100	100	Estate agency
New World Tacko (Xian) Limited	10,000	1	—	45	Hotel investment
New World Telephone Holdings Limited	200	—	100	100	Investment holding
New World Telecommunications Limited	9,999,998 2 ¹	1 1	—	100 —	Telecommunication services
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 1 ²	100 1	—	54 —	Building and construction
Onfill Company Limited	2	1	100	100	Property investment

38 Principal subsidiaries (continued)

As at 30 June 2005

	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)					
Outboard Marine Corporation Asia Limited	6,975,924	10	—	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	1	—	—	
Polytown Company Limited	2	10	—	54	Property investment
	100,000 ¹	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
Richglows Limited	2	1	—	100	Property investment
Sky Connection Limited	100	1	—	54	Duty-free, liquor and tobacco sales
Speed Star Development Limited	2	1	100	100	Property investment
Spotview Development Limited	10,000	1	—	100	Property investment
Super Memory Limited	2	1	100	100	Property investment
Super Town Investments Limited	100	1	100	100	Property investment
Super Value Development Limited	10,000	1	80	80	Property investment
Tao Yun Company Limited	2	10	—	100	Property investment
Team Deco International Limited	2	1	—	54	Interior design
Top Flash Investments Limited	10,000	1	80	80	Property investment
Trade Port Enterprises Limited	2	1	100	100	Investment holding
Trend Island Limited	2	1	—	71	Investment holding
True Hope Investment Limited	4,998	1	—	54	Investment holding
	2 ¹	1	—	—	
Trump Champion Limited	2	1	—	100	Property investment
Try Force Limited	4,998	1	—	54	Investment holding
	2 ¹	1	—	—	
Tsuen Wan Properties Limited	200	100	—	100	Property investment
Uniformity Security Company Limited	2	100	—	54	Security services
	2,500 ¹	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	1	—	—	
Vibro (HK) Limited	20,000,004	3	—	54	Piling, caisson and civil engineering

38 Principal subsidiaries (continued)

As at 30 June 2005

	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 Hong Kong (continued)					
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
Winpo Development 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	3,768,248,832	HK\$0.10	67	71	Investment holding
New World Mobile Holdings Limited	79,182,223	HK\$1	—	72	Investment holding
New World TMT 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 stated¹ Non-voting deferred shares² Non-voting preference shares

38 Principal subsidiaries (continued)

As at 30 June 2005

	Registered capital	Attributable interest ^{##}		Principal activities
		To the Company	To the Group	
Incorporated and operated in the PRC				
Beijing Autotech Service Co., Ltd.	US\$2,550,000	—	71	Auto repair centre
Beijing Lingal Real Estates Development Co., Ltd	US\$13,000,000	—	71	Property investment
Beijing Xintong Media & Cultural Development Co. Ltd.	Rmb100,000,000	—	39	Provision of advertising and media related services
Dalian New World Hotel Co., Ltd.	Rmb217,000,000	—	71	Hotel investment
Dalian New World Plaza International Co., Ltd.	Rmb58,000,000	—	63	Property investment
Dalian New World Tower Co., Ltd.	US\$8,000,000	—	71	Property investment
Fung Seng Estate Development (Shanghai) Co., Ltd.	US\$10,000,000	—	50	Property investment
Gaoming Xinming Bridge Company Limited	Rmb60,000,000	—	16	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	—	71	Property investment
Guangzhou Xin Hua Jian Real Estate Co., Ltd.	Rmb244,000,000	—	71	Property investment
Guangzhou Xin Yi Development Limited	HK\$286,000,000	—	65	Property investment
Nanjing Huawei Real Estate Development Co., Ltd.	US\$12,000,000	—	66	Property investment
New World Anderson (Tianjin) Development Co., Ltd.	US\$10,000,000	—	71	Property investment
New World Development (Wuhan) Co., Ltd.	US\$16,000,000	—	71	Property investment
New World (Shenyang) Property Development Limited	Rmb97,720,000	—	64	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	—	43	Operation of toll road
Shanghai Heyu Properties Co., Ltd.	US\$12,000,000	—	46	Property investment
Shanghai Juyi Real Estate Development Co., Ltd.	Rmb350,000,000	—	50	Property investment
Shanghai Ramada Plaza Ltd.	US\$42,000,000	—	46	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	Rmb550,000,000	—	54	Exploration of wireless telecommunication network

38 Principal subsidiaries (continued)

As at 30 June 2005

	Registered capital	Attributable interest ^{##}		Principal activities
		To the Company	To the Group	
Incorporated and operated in the PRC (continued)				
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	—	64	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	—	68	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

^{##} 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 2005

	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	1,825,130,569	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	—	71	Investment holding
Fine Reputation Incorporated	10,000	US\$1	100	100	Investment holding
Fotland Limited	1	US\$1	—	100	Investment holding
Hing Loong Limited	10,000	US\$1	100	100	Investment holding
Hinto Developments Limited	1	US\$1	—	71	Investment holding
Lotsgain Limited	100	US\$1	—	54	Investment holding
Magic Chance Limited	1	US\$1	—	71	Investment holding
Master Services Limited	1,000,000	US\$0.01	—	33	Investment holding
Melowell Investment Limited	1	US\$1	100	100	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	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	—	71	Investment holding
Sea Walker Limited	1	US\$1	100	100	Investment holding
South Scarlet Limited	1	US\$1	100	100	Hotel operation
Sparkling Rainbow Limited	1	US\$1	—	71	Investment holding
Steadfast International Limited	2	US\$1	100	100	Investment holding
Super Best Development Limited	1	US\$1	100	100	Investment holding
Sweet Prospects Enterprises Limited	1	US\$1	—	71	Investment holding
Teddy Bear Kingdom Holdings Limited	10,000	US\$1	—	70	Investment holding
True Blue Developments Limited	1	US\$1	—	71	Investment holding
Twin Glory Investments Limited	1	US\$1	—	71	Investment holding

39 Principal associated companies

As at 30 June 2005

	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
Estoree Limited	500'A'	10	—	—	Property investment
	500'B'	10	—	50	
	9,000'C'*	10	—	—	
Ever Light Limited	1,000	1	40	40	Property investment
Global Perfect Development Limited	1,000,000	1	—	36	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 investment
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	—	22	Investment holding
Yargoan Company Limited	150,000	100	—	23	Stone Quarrying

39 Principal associated companies (continued)

As at 30 June 2005

	Registered capital/ Share capital issued#		Percentage of equity shares held		Principal activities
	Amount/ Number	Par value per share	By the Company	By the Group	
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	—	36	Property investment
Fortune Star Worldwide Limited	100	US\$1	—	29	Investment holding
Grand Make International Limited	100	US\$1	—	32	Investment holding
New QU Energy Limited	65,000,000 ^β	—	—	—	Development of heat transfer devices
	35,000,000+	—	—	54	
Newton Asia Limited	2	US\$1	50	50	Property investment
Incorporated and operated in the PRC					
Shangdong Unison Bioengineering Co., Ltd.	Rmb65,000,000	—	—	35	Chinese Herbal
Shanghai New World Huai Hai Property Development Co., Ltd.	US\$108,500,000	—	—	31	Property investment
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
Incorporated in Bermuda and operated in Hong Kong					
Tai Fook Securities Group Limited	583,773,699	HK\$0.10	—	12	Investment holding
Wai Kee Holdings Limited	793,124,034	HK\$0.10	—	15	Investment holding

Represented ordinary shares, unless otherwise stated

* Non-voting deferred ordinary shares

^β Common stocks

+ Series A preferred stocks

40 Principal jointly controlled entities

As at 30 June 2005

	Registered capital	Attributable interest ²		Principal activities
		To the Company	To the Group	
Equity Joint Ventures				
Incorporated and operated in the PRC				
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
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 New World Xiangyu Terminals Co. Ltd. (formerly 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
Co-operative joint ventures				
Incorporated and operated in the PRC				
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\$122,099,988	—	50	Property investment
Beijing Chong Yu Real Estate Development Co., Limited	US\$81,840,000	—	50	Property investment
China New World Electronics Limited	US\$57,200,000	—	50	Property investment
Guangzhou Cosmart Estate Development Limited	HK\$48,000,000	—	43	Property investment
Guangzhou Fong Chuen New World Property Development Co., Limited	Rmb330,000,000	—	43	Property investment
Guangzhou Fucheng Property Development Co., Limited	HK\$80,000,000	—	43	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
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	—	45	Property investment
New Bei Fang Hotel Ltd.	US\$1,200,000	—	42	Property investment

40 Principal jointly controlled entities (continued)

As at 30 June 2005

	Registered capital	Attributable interest ^Ω		Principal activities
		To the Company	To the Group	
Co-operative joint ventures (continued)				
Incorporated and operated in the PRC (continued)				
Neworgen Limited	US\$6,000,000	—	50	Development of biochemical technology
Shanghai Trio Property Development Co., Limited	US\$54,000,000	—	34	Property investment
Shenzhen Top One Real Estate Development Co., Ltd.	HK\$60,000,000	—	50	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	—	43	Property investment
Tianjin New World Properties Development Co., Ltd.	US\$12,000,000	—	50	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	—	22	Operation of toll road
Wuhan New World Housing Development Limited	Rmb96,000,000	—	43	Property investment
Wuhan Wuxin Hotel Co., Ltd.	US\$13,500,000	—	43	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 2005

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number/ Amount	Par value per share HK\$	By the Company	By the Group	
Company limited by shares					
Incorporated and operated in Hong Kong					
Asian Success Investments Limited	900	1	—	33	Property investment
ATL Logistics Centre Hong Kong Limited	100,000'A'	1	—	30	Operation of cargo
	20,000'B'***	1	—	43	handling and
	54,918*	1	—	—	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 investment
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
Newfoundworld Holdings Limited	200,000	10	—	20	Investment holding
Newfoundworld Limited	200,000	10	—	20	Property investment
Ocean Champion Development Limited	10,000	1	—	50	Property investment
Sheenity 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
	600,000,000*	1	—	—	tunnel
Wise Come Development Limited	30	1	—	40	Property investment

40 Principal jointly controlled entities (continued)

As at 30 June 2005

	Share capital issued [#]		Percentage of equity shares held		Principal activities
	Number/ Amount	Par value per share	By the Company	By the Group	
Company limited by shares (continued)					
Incorporated and operated in the PRC					
Fortune Leader Overseas Chinese (Daiyawan) Investment Co. Ltd.	US\$16,950,000	—	—	30	Club house and resort
Fortune Leader Overseas Chinese (Daiyawan) Real Estate Development Co. Ltd.	US\$13,880,000	—	—	24	Property investment
Incorporated in British Virgin Islands and operated in the PRC					
Holicon Holdings Limited	2	US\$1	—	50	Property investment
Jaidan Profits Limited	2	US\$1	—	50	Property investment
Jorvik International Limited	2	US\$1	—	50	Property investment
Orwin Enterprises Limited	2	US\$1	—	50	Property investment
Incorporated in British Virgin Islands					
NWS Transport Services Limited (formerly 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
	1,002,720'C'	HK\$100	—	—	and electricity plans

[#] Represented ordinary shares, unless otherwise stated

^{*} Non-voting deferred ordinary shares

^{**} Non-voting preference shares

[^] Redeemable cumulative preference share